12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout FYE 2019 to 2022 has been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

Our Company was incorporated on 26 January 2016 as an investment holding company, and we completed the Acquisitions on 4 July 2022. Acrux, GLOO, iTworld, JOI, Notebook Plaza, SNS Network ICT, SNS Network Malaysia and SNS Network Services have been under the common control of our Promoters throughout FYE 2019 to 2022 and are regarded as continuing entities. As such, the historical financial information of our Group for FYE 2019 to 2022 is presented based on the audited combined financial statements of our Group.

12.1.1 Combined statements of comprehensive income

The following table sets out a summary of our combined statements of comprehensive income for FYE 2019 to 2022, which have been extracted from the Accountants' Report as set out in Section 13. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	594,140	675,282	721,469	1,112,008
Cost of sales	(550,996)	(630,615)	(657,689)	(1,017,995)
GP	**43,144**	**44,667**	**63,780**	**94,013**
Other operating income	1,698	3,363	4,882	7,491
Other gains and losses	131	64	1,321	1,321
Investment revenue	51	57	50	44
Selling and distribution expenses	(18,021)	(21,962)	(22,771)	(32,346)
General and administrative expenses	(11,941)	(12,313)	(12,214)	(18,675)
Profit from operations	**15,062**	**13,876**	**35,048**	**51,848**
Finance costs	(2,742)	(3,733)	(3,267)	(3,163)
PBT	**12,320**	**10,143**	**31,781**	**48,685**
Tax expenses	(3,220)	(2,361)	(8,400)	(12,767)
PAT/ total comprehensive income	**9,100**	**7,782**	**23,381**	**35,918**
EBIT(1)	14,956	13,767	34,911	51,691
EBITDA(1)	21,265	22,630	45,046	62,941
GP margin (%)(2)	7.3	6.6	8.8	8.5
PBT margin (%)(3)	2.1	1.5	4.4	4.4
PAT margin (%)(3)	1.5	1.2	3.2	3.2
Effective tax rate (%)(4)	26.1	23.3	26.4	26.2
Basic EPS (sen)(5)	0.7	0.6	1.9	2.9
Diluted EPS (sen)(6)	0.6	0.5	1.5	2.2

12. FINANCIAL INFORMATION *(Cont'd)*

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT	9,100	7,782	23,381	35,918
Less:				
Interest income	(106)	(109)	(137)	(157)
Add:				
Finance costs	2,742	3,733	3,267	3,163
Taxation	3,220	2,361	8,400	12,767
EBIT	**14,956**	**13,767**	**34,911**	**51,691**
Add:				
Depreciation	6,309	8,863	10,135	11,250
EBITDA	**21,265**	**22,630**	**45,046**	**62,941**

(2) GP margin is calculated based on GP over revenue.

(3) PBT or PAT margin is calculated based on PBT or PAT over revenue.

(4) Effective tax rate is calculated based on tax expenses divided by PBT.

(5) Basic EPS is calculated based on PAT for the financial year over enlarged share capital of 1,249,904,160 Shares in issue before IPO.

(6) Diluted EPS is calculated based on PAT for the financial year over enlarged share capital of 1,612,779,660 Shares after IPO.

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12.1.2 Combined statements of financial position

The following table sets out the combined statements of financial position of our Group as at 31 January 2019, 2020, 2021 and 2022, which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	31 January			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	26,245	48,455	50,544	51,465
Right-of-use assets	13,694	10,938	8,260	12,504
Other investments – club membership	16	16	-	-
Finance lease receivables	-	-	1,112	349
Total non-current assets	**39,955**	**59,409**	**59,916**	**64,318**
Current assets				
Inventories	58,610	60,957	55,339	103,558
Trade receivables	30,814	37,085	72,061	80,697
Other receivables	8,923	8,668	12,290	7,300
Amount owing by a director	9	-	-	-
Finance lease receivables	-	-	685	761
Other assets	6,120	3,792	4,051	5,185
Current tax asset	311	411	365	446
Fixed deposit, cash and bank balances	10,352	10,578	19,465	29,829
Total current assets	**115,139**	**121,491**	**164,256**	**227,776**
Total assets	**155,094**	**180,900**	**224,172**	**292,094**
Equity and liabilities				
Capital and reserves				
Share capital	*	*	*	*
Invested capital	3,809	4,709	5,179	7,791
Retained earnings	31,846	38,628	57,922	85,228
Total equity	**35,655**	**43,337**	**63,101**	**93,019**
Non-current liabilities				
Borrowings	12,666	30,141	32,297	29,748
Lease liabilities	7,502	4,142	1,704	4,573
Deferred tax liabilities	1,297	1,416	1,335	1,597
Total non-current liabilities	**21,465**	**35,699**	**35,336**	**35,918**
Current liabilities				
Trade payables	65,086	60,633	89,693	118,693
Other payables	6,516	7,259	3,772	3,238
Amount owing to directors	15	252	15	34
Other liabilities	543	620	973	1,788
Contract liabilities	67	70	120	308
Dividends payable	-	-	3,982	6,000
Borrowings	17,467	25,213	15,498	20,215

	Audited			
	31 January			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Lease liabilities	6,557	7,319	7,003	8,163
Current tax liabilities	1,723	498	4,679	4,718
Total current liabilities	**97,974**	**101,864**	**125,735**	**163,157**
Total liabilities	**119,439**	**137,563**	**161,071**	**199,075**
Total equity and liabilities	**155,094**	**180,900**	**224,172**	**292,094**

Note:

* Represents RM2.00 only.

12.1.3 Combined statements of cash flows

The following table sets out the combined statements of cash flows of our Group for FYE 2019 to 2022, which has been extracted from the Accountants' Report as set out in Section 13. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Cash flow from operating activities				
PBT	12,320	10,143	31,781	48,685
Adjustments for:				
Depreciation of rights-of-use assets	5,219	7,642	8,716	9,531
Finance costs	2,742	3,733	3,267	3,163
Write down/(Reversal of written down) of inventories to net realisable values	-	-	2,104	(145)
Depreciation of property, plant and equipment	1,090	1,221	1,419	1,719
Loss allowances recognised in profit or loss	428	1,151	16	307
Bad debts written off	-	69	71	-
Increase in provision for loyalty programme	-	-	44	313
Property, plant and equipment written off	30	-	44	201
(Gain)/Loss on disposal of property, plant and equipment	(110)	4	30	(239)
Deposits written off	-	-	17	9
Investment in club membership written off	-	-	16	-
Tax penalty	-	7	-	-
(Decrease)/Increase in provision for warranties	(24)	3	6	161
Inventories written off	69	-	-	-
Negative variable lease payments	-	-	(1,354)	(1,171)
Theft of inventories during the year	646	-	-	-
Loss allowance no longer required	-	(343)	(255)	(51)
Income from finance lease receivables	-	-	(58)	(91)
Investment revenue	(51)	(57)	(50)	(44)
Interest income	(55)	(52)	(30)	(22)
Gains arising from lease terminations	-	-	(11)	(10)
Unrealised gain on foreign exchange	-	(51)	-	(118)
Increase in provision for voucher programme	-	-	-	45
Expiry of loyalty programme	-	-	-	(286)

12. FINANCIAL INFORMATION *(Cont'd)*

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Operating profit before changes in working capital	22,304	23,470	45,773	61,957
Movements in working capital:				
(Increase)/Decrease in:				
Inventories	(10,475)	(2,347)	3,514	(48,074)
Trade and other receivables	(9,900)	(6,893)	(38,430)	(3,902)
Other assets	(3,457)	170	(276)	(1,143)
Finance lease receivables	-	-	(1,739)	778
Increase/(Decrease) in:				
Trade and other payables	12,860	(3,716)	25,572	28,466
Other liabilities	(66)	78	352	815
Contract liabilities	-	-	-	(45)
Cash generated from operations	11,266	10,762	34,766	38,852
Income tax refunded	30	102	42	84
Interest received	55	52	30	22
Income tax paid	(2,074)	(3,675)	(4,296)	(12,631)
Tax penalty paid	-	(2)	-	-
Net cash generated from operating activities	**9,277**	**7,239**	**30,542**	**26,327**
Cash flow used in investing activities				
Proceeds from disposal of property, plant and equipment	110	167	102	803
Interest received on fixed deposits	51	57	50	44
Purchase of property, plant and equipment	(4,005)	(1,742)	(1,709)	(2,373)
Placement of fixed deposits	(656)	(497)	(50)	(734)
Net cash used in investing activities	**(4,500)**	**(2,015)**	**(1,607)**	**(2,260)**
Cash flow used in financing activities				
Drawdown of term loans and financing	2,161	671	8,250	-
Issue of ordinary shares	-	-	470	-
Proceeds from/ (Repayment of) bankers' acceptances – net	5,885	6,647	(10,585)	4,711
Repayment of lease liabilities	(4,853)	(7,484)	(7,427)	(8,565)
Repayment of term loans and financing	(969)	(1,532)	(6,859)	(1,998)
Finance costs paid	(2,742)	(3,733)	(3,266)	(3,163)
Repayment of hire-purchase payables	(304)	(284)	(316)	(1,577)
Advances received from /(Repayment to) received from directors	7	245	(236)	19
Dividends paid	(75)	(100)	(105)	(3,982)
Net cash used in financing activities	**(890)**	**(5,570)**	**(20,074)**	**(14,555)**
Net increase/(decrease) in cash and cash equivalents	**3,887**	**(346)**	**8,861**	**9,512**
Cash and cash equivalents at the beginning of financial year	**5,050**	**8,937**	**8,642**	**17,503**
Effect of exchange rate changes on the balance of cash held in foreign currencies	-	51	-	118
Cash and cash equivalents at the end of financial year	**8,937**	**8,642**	**17,503**	**27,133**

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and segmental analysis of our combined financial statements for FYE 2019 to 2022 should be read with the Accountants' Report included in Section 13.

12.2.1 Overview of our operations

(a) Principal activities

We are principally involved in the provision of ICT products, services and solutions.

Our core business activities are as follows:

(i) Sale of ICT products comprising hardware, devices and related peripherals, as well as the provision of ICT services and solutions; and

(ii) Provision of device repair and related services, as well as sale of broadband services.

The sale of ICT products are carried out through the following channels:

(aa) Physical store channel

Under our physical store channel, ICT products are sold to customers through our brand-specialty stores and multi-brand concept stores and third party consignment counters.

(bb) Online store channel

Under our online store channel, ICT products are sold to customers through our proprietary online stores, namely iTworld online store, GLOO online store and Notebook Plaza online store; as well as through third party online marketplaces.

(cc) Commercial channel

Under our commercial channel, ICT products are sold directly to businesses, government agencies and educational institutions. Businesses may purchase ICT products for onward sale to their customers or for their own use; whereas government agencies and educational institutions purchase ICT products mainly for their own use. Businesses that purchase ICT products for onward sale to their customers are other ICT products dealers/ resellers, other ICT specialty store retailers, chain store retailers and hypermarket operators. In addition, some of our brand specialty stores are operated by our appointed operators and these operators are deemed as our customers under the commercial channel as we sell our ICT products to them for onward sale to their customers.

For the provision of device repair and related services, as well as sale of broadband services, we carry out these services through the following avenues, respectively:

(aa) Apple service centre

A standalone outlet that provides services for Apple products. We are an Apple Authorised Service Provider authorised to provide services for Apple products. Our Apple service centres are marketed under the brand name "iTworld".

(bb) Multiple channels for sale of broadband services

We engage agents (i.e. individual and businesses), to market and sell TM products and services. In addition, we are also a broadband reseller agent authorised to resell broadband services for the brand "Maxis Fibre" and "TIME Fibre". These broadband services are sold through our agents as well as through our headquarters. TM products and services are also sold through our TM broadband reseller store which is a standalone outlet or kiosk that carries and displays TM's products and services for sale. The display of products in our outlets is overseen by TM. TM broadband reseller store is marketed under the brand name TMpoint. Our TM broadband reseller stores are operated in-house as well as by our appointed agents.

We are also appointed by TM to participate in the TM Rover Program, a programme that allows our Group to promote and sell TM products and services on mobile kiosks (e.g. passenger car, truck and van). The mobile kiosks are operated in-house as well as by our appointed agents.

Please refer to Section 7 for our Group's detailed business overview.

(b) Revenue

Our revenue comprises the sale of ICT products as well as the provision of ICT services and solutions, and is derived from local and overseas markets. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Our Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

Revenue from a sale of goods (including those under our DaaS subscription-based service) is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.

Revenue from sale of goods to customers are recognised either when goods are delivered to the customers or when goods are purchased at our physical stores. Following delivery, a customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods i.e. when control of goods has transferred to the customer.

Revenue from sales of goods to customers at our physical stores are recognised when control of the goods has transferred, being at the point the customer purchases the goods at the physical store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Commission, incentives and services rendered

Commission, incentives and income on services rendered are recognised upon rendering of relevant services. Services include:

(a) provision of in-house services for Apple product; and
(b) net commission from broadband-related services recognised

at the point in time in which services are rendered.

In relation to (b), we received commission from the broadband service provider and pay our agents a percentage of the commission that we received.

Maintenance services rendered

Income on maintenance services rendered are recognised upon rendering of relevant services and represents performance obligation recognised over time.

Customer loyalty programme

Our Group operates a loyalty programme through which customers accumulate points on purchases of goods that entitle them to discounts on future purchases. These points provide a discount to customers that they would not receive without purchasing the goods (i.e. a material right). The promise to provide the discount to customers is therefore a separate performance obligation. The transaction price is allocated between the product, the maintenance services (if any) and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by our historical experience.

A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers.

Customer voucher programme

Our Group introduced a customer voucher programme in October 2021 as part of our sales and promotional activities for our physical and online stores. Our Group may, at its discretion, implement seasonal voucher programme that entitles voucher holders to discounts on future purchases, redeemable upon payment to our Group. The vouchers issued to customers have a validity period of 3 months and once claimed by the customers, are recognised as a contract liability at the discount value in proportion to the likelihood of redemption based on our Group's historical experience.

(c) Cost of sales

Our cost of sales comprises costs for trading goods (net of rebates from brand principals) and also staff costs for the provision of maintenance services, details are as follows:

(i) Costs for trading goods

Our costs for trading goods (net of rebates from brand principals) consist of our ICT products from our suppliers, shipping, freight and import-related charges.

(ii) Staff costs

Our staff costs comprise mainly salaries, employees' provident funds contributions and other staff related benefits for our services department.

(d) Other income

Other income comprises mainly income from operators arising from right-of-use-assets, rental income, government wage subsidy, negative variable lease payments, loss allowances no longer required, realised and unrealised gain on foreign exchange and interest income.

Income from operators arising from right-of-use-assets relates to the monthly fee we earn from our appointed operators for which we assist them in undertaking the branding, marketing, training, inventory planning and allocation, provision of demonstration units, sourcing of store location, store renovation as well as initial business licence application for the stores. The monthly fee payable by our appointed operator is determined based on the location and size of the brand-specialty stores and multi-brand concept stores operated by them.

Negative variable lease payments refers to discounts on lease payments for our rented physical stores and offices due to the imposition of the MCO by the Government during FYE 2021 to 2022 resulting from the COVID-19 pandemic.

Loss allowances no longer required refers to reversal of trade receivables previously impaired from the assessment of expected credit losses on trade receivables pursuant to MFRS 9 Financial Instruments.

(e) Selling and distribution expenses

Selling and distribution expenses comprise mainly staff costs for our sales and marketing team, marketing and promotional expenses, shipping and forwarding charges, commissions, rental expenses, depreciation of right-of-use assets and travelling expenses.

We pay commissions to our sales personnel and directors of our subsidiaries for sales conducted under our commercial and physical stores channels. We also pay AEON commissions for sales conducted over our consignment counters.

For sales conducted over third-party marketplaces, we also pay commissions to the intermediaries.

(f) General and administrative expenses

Administrative expenses mainly comprise depreciation of right-of-use assets and property, plant and equipment, directors' remuneration, administrative staff costs, repair and maintenance costs, legal and professional fees, courier and postage charges, travelling expenses, property, plant and equipment written off and allowance of expected credit loss on trade receivables.

(g) Finance costs

Finance costs comprise term loans interests, bank charges, bankers' acceptances interests, lease liabilities interests, and hire-purchase payables interests.

(h) Recent developments

Save as disclosed below, there were no other significant events subsequent to our audited combined financial statements for FYE 2022:

(i) the Acquisitions were completed on 4 July 2022; and

(ii) SNS Network Malaysia and Gloo acquired certain property, plant and equipment at a price consideration of RM327,000 and RM116,000 respectively.

(i) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2019 to 2022. In addition, our audited financial statements for the financial years under review were not subject to any audit qualifications.

(j) Significant factors affecting our business

Section 9 details the risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our revenue and financial performance. The main factors which affect revenues and profits include but are not limited to the following:

(i) Dependency on brand principals and appointed distributions for the provision of ICT products, services and solutions

We are dependent on brand principals and appointed distributors for the provision of ICT products, services and solutions. During FYE 2019 to 2022, sales generated from third party branded ICT products accounted for 99.4%, 97.0%, 96.7% and 97.8% of our Group's revenue respectively. Hence, if we are unable to maintain business relationships with our brand principals and appointed distributors or if they cease to be our suppliers, our Group's business and financial performance may be materially and adversely affected due to disruptions in the procurement of ICT products for onward sale to customers.

Save for the temporary supply disruptions due to the COVID-19 pandemic as disclosed in Section 7.8, our Group has not experienced any material supply disruptions from our brand principals and appointed distributors during FYE 2019 to 2022. Nevertheless, there can be no assurance that we will not encounter any material disruption in supplies or that we will be able to continue sourcing for ICT products from our existing brand principals and appointed distributors to provide ICT products, services and solutions to our customers.

(ii) We may be affected by the quality of the products from brand principals, appointed principals, OEMs and suppliers

As the risk of product defects is dependent on the quality control of ICT products manufactured or supplied by the brand principals, we have limited or no ability to control the quality of brand principals' products. As such, any product defects that are not resolved to our customers' satisfaction may adversely affect our Group's relationship and reputation with our customers.

Further, we are the brand principal of our JOI® ICT products. The risk of product defects depends on the quality of ICT products assembled by our OEMs, as well as the quality of manufactured components that we source for our in-house assembly of JOI® desktops. While we have back-to-back agreements with our OEMs and suppliers on component defects, our Group may still be exposed to expenses incurred to repair our JOI® ICT products during the warranty periods. In addition, the frequent occurrence of product defects of our JOI® ICT products may create negative consumer perception towards JOI®, which may adversely affect the demand for our JOI® ICT products.

(iii) Competition from other ICT products and services industry players

The ICT products and services industry is competitive, owing to the large number of industry players that compete for sales from businesses, government agencies, educational institutions and consumers from the general public. The competition is based on a variety of factors such as range of product offerings, competitive pricing, promotional activities, outlet location, outlet presentation and quality of customer service.

We need to constantly improve to maintain our competitive edge and take measures to provide quality products and services at competitive prices, ensuring good customer service and after-sales services as well as employing effective marketing strategies. Any failure on our part to remain competitive in the ICT products and services industry would lead to reduced sales volume and impact our revenue and financial performance.

(iv) Exposure to the risk of supply disruption of ICT products resulting from global shortages in semiconductor

Following the global outbreak of the COVID-19 pandemic, the demand for medical equipment which is used for the treatment of infected patients increased. The demand for ICT products such as laptops, computers and smartphones also surged as a result of work from home arrangements and online classes for students at schools, universities and other learning institutions due to the closure of offices and schools. As a result, semiconductor manufacturers increased manufacturing output to cater to the demand for semiconductors, mainly from these 2 industries.

With the reopening of economies, the demand for medical devices and ICT products have continued to increase, while the demand for other products began to normalise. As such, semiconductor manufacturers have been facing surges in the demand for semiconductors. With the same manufacturing capacities, semiconductor manufacturers have not been able to cope with the surging demand, causing a shortage in the supply of semiconductors. The shortage in global supply of semiconductors has exacerbated in 2022, caused by Russia-Ukraine conflict that disrupted the supply of neon gas used in semiconductor manufacturing; as well as the lockdowns in China which caused global supply chain disruptions. Correspondingly, prices of semiconductors have been increasing. As a result, the supply of ICT products has also been affected which has resulted in industry players experiencing supply disruptions and the cost of sales of industry players have also been increasing.

While our Group did not experienced any material adverse impact on our business operations and financial performance due to such disruptions in supplies, there can be no assurance that any future disruption in the supply of ICT products will not have a negative impact on our Group's financial performance.

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12.2.2 Review of our results of operations

(a) Revenue

Analysis of revenue by business segment

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sale of ICT products[(1)]	582,212	98.0	663,450	98.2	710,316	98.5	1,099,266	98.9
Provision of device repair and related services, as well as sale of broadband services	11,928	2.0	11,832	1.8	11,153	1.5	12,742	1.1
	594,140	**100.0**	**675,282**	**100.0**	**721,469**	**100.0**	**1,112,008**	**100.0**

Note:

(1) Comprises hardware, devices, and related peripherals, as well as the provision of ICT services and solutions.

Analysis of revenue by sales channels

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Commercial channel[(1)]	469,368	79.0	537,888	79.7	523,474	72.6	808,682	72.7
Physical store channel[(2)]	85,147	14.3	100,281	14.8	133,718	18.5	169,536	15.3
Online store channel	27,697	4.7	25,282	3.7	53,124	7.4	121,048	10.9
	582,212	**98.0**	**663,451**	**98.2**	**710,316**	**98.5**	**1,099,266**	**98.9**
Services	11,928	2.0	11,831	1.8	11,153	1.5	12,742	1.1
	594,140	**100.0**	**675,282**	**100.0**	**721,469**	**100.0**	**1,112,008**	**100.0**

Notes:

(1) We are unable to furnish the same store sales growth ("**SSSG**") for our appointed operators as these operators may operate more than 1 of our physical stores. The ICT products that the appointed operators purchase from us are deployed by the appointed operators at their own discretion to various stores that they manage. As such, although we have the sales amount to each appointed operator for the financial years under review, we do not have information on the SSSG for physical stores which are operated by our appointed operators.

(2) SSSG is a measure of growth in revenue generated by our self-operated physical stores during a period compared to the revenue generated by the same stores during the corresponding period of the same duration in the immediately preceding year. The following table shows the SSSG of our self-operated physical stores during the financial years under review:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
SSSG[(a)]	(5.7%)	8.7%	37.5%	20.9%
Number of self-operated physical stores included in the calculation of SSSG[(b)]	30	25	31	31
Average number of stores during the financial year[(c)]	37	36	34	34

Notes:

(a) The SSSG of our self-operated physical stores for each financial year is calculated by dividing (a) the revenue generated by our self-operated physical stores during that period after deducting the revenue generated by those same stores during the corresponding period of the same duration in the immediately preceding year, by (b) the revenue generated by those same stores during the period of the same duration in the immediate preceding year.

(b) These self-operated physical stores are those which were operational for 2 full financial years up to the respective financial year ends. The Group's other self-operated physical stores comprised either (i) new stores which opened less than 2 years before the respective financial year ends and (ii) stores which have shut down prior to the end of the respective financial years and have therefore been excluded from the analysis above.

(c) Calculated based on the simple average of the number of self-operated physical stores at the beginning and the end of the financial year under review. The table below sets out the number of self-operated physical stores at the beginning and the end of FYE 2019, 2020, 2021 and 2022:

12. FINANCIAL INFORMATION *(Cont'd)*

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Number of self-operated physical stores at the beginning of the financial year	35	38	34	33
New stores opened during the financial year	8	1	1	1
Stores closed during the financial year[1]	(5)	(5)	(2)	-
Number of self-operated physical stores at the end of the financial year	**38**	**34**	**33**	**34**
Average number of self-operated physical stores	37	36	34	34

Note:

(1) The closure of self-operated physical stores during the financial years under review were mainly due to the stores not achieving the required sales target allocated and we were unable to revise the sales of the stores after running promotional activities and campaigns, reassess the store's product assessment strategy and/or transfer our sales employees from different store locations.

Our self-operated physical stores recorded SSSG of -5.7% for FYE 2019, primarily contributed by an unexpected event in FYE 2018 where there were incidents of battery short circuit of a particular phone brand and model which caused a recall of said phones in FYE 2018. This led to a sudden surge for consumers to change from said phone brand which was recalled to other phone brands which contributed to higher sales of phones and related accessories in FYE 2018. The demand for new phones and related accessories subsequently slowed down in FYE 2019 which resulted in the lower SSSG of our self-operated physical stores as compared to FYE 2018. For FYE 2019, the total sales of phones by our 30 self-operated physical stores amounted to RM45.41 million; a decrease of 14.24% or RM7.54 million from FYE 2018. Although our sales revenue from phones decreased in FYE 2019, we recorded higher Group's total revenue for FYE 2019 from the sales of other ICT products.

SSSG of our self-operated physical stores was 8.7% for FYE 2020 despite the decrease in number of self-operated physical stores from 30 stores for FYE 2019 to 25 stores for FYE 2020. This was mainly attributable to higher demand for phones, accessories and component products recorded by these 25 stores, which increased by RM8.65 million or 17.0% from RM50.90 million for FYE 2019 to RM59.55 million for FYE 2020.

Our self-operated physical stores recorded higher SSSG of 37.5% for FYE 2021, primarily due to the COVID-19 pandemic, which has led to a shift in consumers' behaviour, leading to a rise in work-from-home and virtual class practices. This has contributed positively to our sales as demand for ICT products increased.

SSSG of our self-operated physical stores remained positive for FYE 2022 but at a reduced rate of 20.9% compared to FYE 2021 of 37.5%. The lower positive SSSG for FYE 2022 was primarily due to the COVID-19 pandemic, which has led to a shift in consumers' behaviour, leading to consumers shifting towards online purchases. This was evident by the increase in our online store channel's revenue by RM67.93 million or 127.9%, to RM121.05 million for FYE 2022 (FYE 2021: RM53.12 million).

Analysis of revenue by geographical location

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	**458,670**	**77.2**	**452,831**	**67.1**	**644,494**	**89.3**	**958,082**	**86.2**
Overseas								
- Hong Kong	91,581	15.4	185,260	27.4	58,734	8.2	130,629	11.7
- Singapore	32,598	5.5	25,856	3.8	11,644	1.6	15,430	1.4
- Others[(1)]	11,291	1.9	11,335	1.7	6,597	0.9	7,867	0.7
	135,470	**22.8**	**222,451**	**32.9**	**76,975**	**10.7**	**153,926**	**13.8**
	594,140	**100.0**	**675,282**	**100.0**	**721,469**	**100.0**	**1,112,008**	**100.0**

Note:

(1) Comprises Australia, France, Germany, Maldives, USA, United Arab Emirates, Indonesia and Vietnam.

The classification of our revenue by geographical market is based on the locations of our customers. All our overseas revenue are from the sale of ICT products and generated under our commercial channel.

Comparison between FYE 2019 and FYE 2020

Our revenue increased by RM81.14 million or 13.7% to RM675.28 million for FYE 2020 (FYE 2019: RM594.14 million).

The sale of ICT products segment was our primary revenue contributor, which recorded RM663.45 million or 98.2% of our total revenue for FYE 2020 (FYE 2019: RM582.21 million or 98.0%).

Revenue from the sale of ICT products segment through the commercial channel was our main revenue contributor, which recorded an improved revenue of RM537.89 million or 79.7% of our total revenue for FYE 2020 (FYE 2019: RM469.37 million or 79.0%).

The local market was our main revenue contributor, and recorded RM452.83 million or 67.1% of our total revenue for FYE 2020 (FYE 2019: RM458.67 million or 77.2%).

Sale of ICT products

Our revenue from the sale of ICT products segment increased by RM81.24 million or 14.0% to RM663.45 million for FYE 2020 (FYE 2019: RM582.21 million). The local market is the primary contributor to our revenue from the sale of ICT products segment for FYE 2020, contributing 66.5% of our total revenue from sales of ICT products for FYE 2020 (FYE 2019: 76.7%). The overseas market has contributed to the growth in revenue by RM86.98 million or 64.2% to RM222.45 million for FYE 2020 (FYE 2019: RM135.47 million).

The increase in revenue from the sale of ICT products segment for FYE 2020 was mainly due to higher revenue from the following sale channels:

(i) Commercial channel which recorded an increase in revenue of RM68.52 million or 14.6% to RM537.89 million for FYE 2020 (FYE 2019: RM469.37 million); and

(ii) Physical store channel which recorded an increase in revenue by RM15.13 million or 17.8% to RM100.28 million for FYE 2020 (FYE 2019: RM85.15 million), mainly attributable to higher demand for phones, accessories and component products which collectively generated revenue of RM71.82 million for FYE 2020 (FYE 2019: RM58.55 million), representing an increase of RM13.27 million.

In relation to (i) above, the growth in revenue through the commercial channel was mainly attributable to higher demands for component products and system products, which recorded an increase of RM97.35 million to RM204.16 million (FYE 2019: RM106.81 million) and RM15.02 million to RM40.53 million for FYE 2020 (FYE 2019: RM25.51 million), respectively. Such increases were offset partially by lower demand for laptops and phones which revenue decreased by RM21.67 million to RM194.31 million (FYE 2019: RM215.98 million) and RM19.80 million to RM10.35 million for FYE 2020 (FYE 2019: RM30.15 million), respectively.

The increase in revenue from the sale of component products through the commercial channel was mainly due to higher purchase orders from a Hong Kong customer of component products (i.e. processors) by RM103.02 million or 126.9% to RM184.19 million for FYE 2020 (FYE 2019: RM81.17 million). Such increase was offset partially by the decrease in sale orders from another Hong Kong customer by RM9.12 million or 89.5% to RM1.06 million for FYE 2020 (FYE 2019: RM10.18 million).

The decrease in revenue from Singapore was mainly attributable to the loss of sales orders from an existing customer for phones during FYE 2020 (FYE 2019: RM9.49 million), due to our selling prices were not competitive compared with its other regional suppliers.

Provision of device repair and related services, as well as sale of broadband services

Revenue from the provision of device repair and related services, as well as sale of broadband services segment recorded a marginal decrease of RM0.10 million or 0.8% to RM11.83 million for FYE 2020 (FYE 2019: RM11.93 million). The said decrease was mainly due to the reduction in net commission received from the sale of broadband services by RM3.11 million or 35.1% to RM5.75 million for FYE 2020 (FYE 2019: RM8.86 million), resulting from an upwards revision in commissions paid to our agents to align with the market during FYE 2020.

Revenue from the provision of device repair and related services increased by RM3.01 million or 98.0% to RM6.08 million for FYE 2020 (FYE 2019: RM3.07 million), mainly contributed by our Apple service centre, which recorded an increase in revenue of RM3.35 million or 183.1% to RM5.18 million for FYE 2020 (FYE 2019: RM1.83 million). This Apple service centre was set up in 2017 and generated a wider customer base during FYE 2020. As such, this has offset our decreased revenue from the sale of broadband services.

Comparison between FYE 2020 and FYE 2021

Our revenue further improved by RM46.19 million or 6.8% to RM721.47 million for FYE 2021 (FYE 2020: RM675.28 million).

The sale of ICT products segment remained our largest revenue contributor, which recorded RM710.32 million or 98.5% of our total revenue for FYE 2021 (FYE 2020: RM663.45 million or 98.2%).

Revenue from the commercial channel continued to be our main revenue contributor, which recorded RM523.47 million or 72.6% of our total revenue for FYE 2021 (FYE 2020: RM537.89 million or 79.7%).

The local market was still the primary revenue contributor for FYE 2021, which recorded RM644.49 million or 89.3% of our total revenue (FYE 2020: RM452.83 million or 67.1%).

Sale of ICT products

Revenue from the sale of ICT products segment continued to grow by RM46.87 million or 7.1% to RM710.32 million for FYE 2021 (FYE 2020: RM663.45 million). The local market remains the largest contributor to our revenue from the sale of ICT products segment, which grew by RM192.34 million or 43.6% to RM633.34 million for FYE 2021 (FYE 2020: RM441.00 million).

The increase in revenue from the sale of ICT products segment for FYE 2021 was mainly due to the COVID-19 pandemic, which has led to a shift in consumers' behaviour, leading to a rise in work-from-home and virtual class practices. This has contributed positively to our sales as demand for ICT products increased.

As such, revenue from the sale of ICT products through our physical store channel increased by RM33.44 million or 33.3% to RM133.72 million for FYE 2021 (FYE 2020: RM100.28 million), particularly for laptops, phones and accessories. In addition, our online store channel also recorded significant growth in revenue by RM27.84 million or 110.1% to RM53.12 million for FYE 2021 (FYE 2020: RM25.28 million), particularly for laptops, phones and systems as consumers shifted towards purchasing online due to the COVID-19 pandemic.

During FYE 2021, sale of ICT products through commercial channel recorded a marginal decrease in revenue by RM14.42 million or 2.7% to RM523.47 million for FYE 2021 (FYE 2020: RM537.89 million), mainly due to the following:

(i) Lower revenue from an existing Hong Kong customer for component products which decreased by RM135.64 million or 73.6% to RM48.55 million for FYE 2021 (FYE 2020: RM184.19 million); and

(ii) Lower revenue from 2 existing Singapore customers for ICT products which decreased by RM7.12 million or 39.6% to RM10.85 million for FYE 2021 (FYE 2020: RM17.97 million).

The above decrease in revenue was partially offset by higher local revenue generated through our commercial channel which increased by RM131.06 million or 41.5% to RM446.50 million for FYE 2021 (FYE 2020: RM315.44 million), particularly for laptops, systems, networking, cameras, security and CCTVs and others, as a result of the shift in consumers' behaviour leading to a rise in work-from-home and virtual class practices due to the COVID-19 pandemic.

Provision of device repair and related services, as well as sale of broadband services

Revenue from the provision of device repair and related services, as well as sale of broadband services segment decreased by RM0.68 million or 5.7% to RM11.15 million for FYE 2021 (FYE 2020: RM11.83 million). Although the COVID-19 pandemic had resulted in higher demand for broadband services, our Group generated lower revenue from the sale of broadband services of RM4.88 million representing a drop of RM0.87 million or 15.1% (FYE 2020: RM5.75 million) due to the downward revision in prices for broadband services offered by TM to align with government policy coupled with higher commissions paid to our agents during FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our revenue further improved by RM390.54 million or 54.1% to RM1,112.01 million for FYE 2022 (FYE 2021: RM721.47 million).

The sale of ICT products segment remained our largest revenue contributor, which recorded RM1,099.27 million or 98.9% of our total revenue for FYE 2022 (FYE 2021: RM710.32 million or 98.5%).

Revenue from the commercial channel continued to be our main revenue contributor, which recorded RM808.68 million or 72.7% of our total revenue for FYE 2022 (FYE 2021: RM523.47 million or 72.6%).

The local market was still the primary revenue contributor for FYE 2022, which recorded RM958.08 million or 86.2% of our total revenue (FYE 2021: RM644.49 million or 89.3%).

Sale of ICT products

Revenue from the sale of ICT products segment continued to grow by RM388.95 million or 54.8% to RM1,099.27 million for FYE 2022 (FYE 2021: RM710.32 million). The local market remains the largest contributor to our revenue from the sale of ICT products segment, which grew by RM312.00 million or 49.3% to RM945.34 million for FYE 2022 (FYE 2021: RM633.34 million).

The increase in revenue from the sale of ICT products segment for FYE 2022 was mainly due to the COVID-19 pandemic, which has led to a shift in consumers' behaviour, leading to a rise in work-from-home and virtual class practices. This has contributed positively to our sales as demand for ICT products increased.

The increase in revenue from the sale of ICT products segment for FYE 2022 was mainly due to higher revenue from the following sale channels:

(i) Commercial channel which recorded an increase in revenue of RM285.21 million or 54.5% to RM808.68 million for FYE 2022 (FYE 2021: RM523.47 million);

(ii) Online store channel which recorded an increase in revenue by RM67.93 million or 127.9% to RM121.05 million for FYE 2022 (FYE 2021: RM53.12 million) particularly for laptops, phones, accessories, systems and digital signages, monitors and projectors as consumers shifted towards purchasing online, which collectively generated revenue of RM115.67 million for FYE 2022 (FYE 2021: RM49.38 million), representing an increase of RM66.29 million; and

(iii) Physical store channel which recorded an increase in revenue by RM35.82 million or 26.8% to RM169.54 million for FYE 2022 (FYE 2021: RM133.72 million), mainly attributable to higher demand for phones, laptops, accessories, and systems, which collectively generated revenue of RM157.51 million for FYE 2022 (FYE 2021: RM124.32 million), representing an increase of RM33.19 million.

In relation to (i) above, the growth in revenue through the commercial channel was mainly attributable to higher demands for laptops, component products, systems and digital signages, monitors and projectors, which collectively recorded an increase of RM268.28 million to RM676.03 million for FYE 2022 (FYE 2021: RM407.75 million).

12. FINANCIAL INFORMATION *(Cont'd)*

The increase in revenue from Hong Kong was primarily attributable to the sale of component products through the commercial channel mainly due to higher purchase orders from a Hong Kong customer for component products by RM75.65 million or 155.8% to RM124.20 million for FYE 2022 (FYE 2021: RM48.55 million).

The increase in revenue from Singapore was mainly attributable to higher revenue from an existing Singapore customer for component products which increased by RM6.05 million or 64.5% to RM15.43 million for FYE 2022 (FYE 2021: RM9.38 million). The said increase was partially offset by the loss of sales orders from an existing customer for phones during FYE 2022 (FYE 2021: RM1.47 million), due to our selling prices were not competitive compared with its other regional suppliers.

Provision of device repair and related services, as well as sale of broadband services

Revenue from the provision of device repair and related services, as well as sale of broadband services segment increased by RM1.59 million or 14.3% to RM12.74 million for FYE 2022 (FYE 2021: RM11.15 million), mainly attributable to higher revenue from the sale of broadband services of RM6.68 million, representing an increase of RM1.80 million or 36.9% (FYE 2021: RM4.88 million). Such increase was primarily due to the increase in the volume of sale of broadband services in FYE 2022 arising from the higher commissions paid to agents to align with the market and incentive scheme which led to their improved sales performance. The increase was offset partially by the decrease in revenue from the provision of device repair and related services of RM0.22 million or 3.5% to RM6.06 million (FYE 2021: RM6.28 million).

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(b) Cost of sales, GP and GP margin

Analysis of cost of sales by cost component

	Audited							
	FYE 2019		**FYE 2020**		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Costs for trading goods	549,752	99.8	628,874	99.7	655,806	99.7	1,013,653	99.6
Staff costs	1,244	0.2	1,741	0.3	1,883	0.3	4,342	0.4
	550,996	**100.0**	**630,615**	**100.0**	**657,689**	**100.0**	**1,017,995**	**100.0**

(i) Costs for trading goods

Costs for trading goods (net of rebates from brand principals) constituted the largest portion of our cost of sales, representing 99.8%, 99.7%, 99.7% and 99.6% of our cost of sales for FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively.

Cost for trading goods mainly comprise purchases of ICT products from our suppliers and freight and forwarding charges. Our costs for trading goods fluctuated in tandem with the fluctuation in our revenue for the financial years under review.

(ii) Staff costs

Our staff costs mainly comprise salaries, employees' provident fund contributions, and other related benefits for the services department such as Apple service centres and JOI® in-house assembly team, representing 0.2%, 0.3%, 0.3% and 0.4% of our cost of sales for FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively.

Our staff costs increased by RM0.50 million or 40.0% to RM1.74 million for FYE 2020 (FYE 2019: RM1.24 million), mainly attributable to annual increment as well as the implementation of a new incentive scheme for our services department upon achievement of key performance indicators during FYE 2020. Our staff costs further increased by RM0.14 million or 8.2% to RM1.88 million for FYE 2021 (FYE 2020: RM1.74 million) mainly due to annual increment as well as the increase in incentive paid. We recorded higher staff costs of RM4.34 million for FYE 2022, which increased by RM2.46 million or 130.9% (FYE 2021: RM1.88 million) mainly due to higher incentive for sales of broadband paid to our staffs resulting from the upwards revision in commissions to align with the market.

12. FINANCIAL INFORMATION *(Cont'd)*

Analysis of cost of sales by business segment

	Audited							
	FYE 2019		**FYE 2020**		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sale of ICT products[1]	547,031	99.3	623,350	98.8	650,428	98.9	1,008,779	99.1
Provision of device repair and related services, as well as sale of broadband services	3,965	0.7	7,265	1.2	7,261	1.1	9,216	0.9
	550,996	**100.0**	**630,615**	**100.0**	**657,689**	**100.0**	**1,017,995**	**100.0**

Note:

(1) Comprises hardware, devices, and related peripherals, as well as the provision of ICT services and solutions.

Analysis of cost of sales by sales channels

	Audited							
	FYE 2019		**FYE 2020**		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Commercial channel	441,478	80.1	505,562	80.2	476,629	72.5	737,934	72.5
Physical store channel	78,411	14.2	93,055	14.8	123,014	18.7	155,900	15.3
Online store channel	27,142	5.0	24,733	3.9	50,785	7.7	114,945	11.3
Services	3,965	0.7	7,265	1.1	7,261	1.1	9,216	0.9
	550,996	**100.0**	**630,615**	**100.0**	**657,689**	**100.0**	**1,017,995**	**100.0**

12. FINANCIAL INFORMATION *(Cont'd)*

Analysis of GP and GP margin by business segment

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sale of ICT products[1]	35,181	6.0	40,100	6.0	59,888	8.4	90,487	8.2
Provision of device repair and related services, as well as sale of broadband services	7,963	66.8	4,567	38.6	3,892	34.9	3,526	27.7
	43,144	**7.3**	**44,667**	**6.6**	**63,780**	**8.8**	**94,013**	**8.5**

Note:

[1] Comprises hardware, devices, and related peripherals, as well as the provision of ICT services and solutions.

Analysis of GP and GP margin by sales channels

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Commercial channel	27,890	5.9	32,326	6.0	46,845	8.9	70,748	8.7
Physical store channel	6,736	7.9	7,226	7.2	10,704	8.0	13,636	8.0
Online store channel	555	2.0	549	2.2	2,339	4.4	6,103	5.0
Services	7,963	66.8	4,566	38.6	3,892	34.9	3,526	27.7
	43,144	**[1]7.3**	**44,667**	**[1]6.6**	**63,780**	**[1]8.8**	**94,013**	**[1]8.5**

Note:

(1) Our Group recorded GP margin of 7.3%, 6.6%, 8.8% and 8.5% for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively, lower than the average GP margin of the closest competitors (i.e. dealers/resellers) which are primarily involved the sale of ICT products of 9.68% (Source: IMR Report). Our lower GP margins were mainly attributable to more than 70% of our total revenue during the financial years under review were sold under commercial channel directly to businesses who may purchase ICT products for onwards sale to their customers or for their own use. Businesses that purchase ICT products for onward sale to their customers are other ICT products dealers/ resellers, other ICT specialty store retailers, chain store retailers, hypermarket operators and our appointed operators for our brand specialty stores. These sales of ICT products generally record a lower GP margin. In addition, lower GP margins from our overseas market had also contributed to the lower GP margin.

Comparison between FYE 2019 and FYE 2020

Our cost of sales increased by RM79.62 million or 14.5% to RM630.62 million for FYE 2020 (FYE 2019: RM551.00 million), mainly attributable to the increase in the costs for trading goods by RM79.12 million or 14.4%, in tandem with the increase in revenue from our sale of ICT product segment for FYE 2020.

Our GP increased by RM1.52 million or 3.5% to RM44.67 million for FYE 2020 (FYE 2019: RM43.14 million). Our sale of ICT products segment is the main contributor to our GP, which recorded an increase of RM4.92 million or 14.0% to RM40.10 million for FYE 2020 (FYE 2019: RM35.18 million). The increase in GP was in tandem with the increase in revenue from our sale of ICT products segment for FYE 2020. In addition, the sale of ICT products through the commercial channel is the primary contributor to our GP, which increased by RM4.44 million or 15.9% to RM32.33 million for FYE 2020 (FYE 2019: RM27.89 million).

The decrease in GP for the provision of device repair and related services, as well as sale of broadband services segment has offset the above increase in GP from sale of ICT products. Our GP from the provision of device repair and related services, as well as sale of broadband services segment decreased by RM3.39 million to RM4.57 million for FYE 2020 (FYE 2019: RM7.96 million), mainly due to the reduction in net commissions received from the sale of broadband services by RM3.44 million to RM4.09 million (FYE 2019: RM7.53 million). The said decrease was mainly due to the upwards revision in commissions paid to our agents to align with the market during FYE 2020.

Despite recording an increase in GP, our GP margin decreased from 7.3% for FYE 2019 to 6.6% for FYE 2020. This was mainly due to lower GP margin for the provision of device repair and related services, as well as sales of broadband services segment from 66.8% for FYE 2019 to 38.6% for FYE 2020, resulted from the upwards revision in the commissions paid to our agents as explained above.

For the sale of ICT products segment, our Group recorded higher purchase orders from a Hong Kong customer for component products of RM103.02 million or 126.9% for FYE 2020, which generally recorded a lower GP margin than our local market. Pah Wai Onn, our Executive Director met the Hong Kong customer and secured sales from said customer when he was networking via an ICT event. For this Hong Kong customer, we acted as coordinator to source for component products where we only markup a minimum administrative fee for the sale of the component products. After payment was made, our supplier in Singapore had delivered the component products directly to the said customer via its Hong Kong subsidiary. Due to the minimal work undertaken by our Group for the overseas market, we generally record a lower GP margin for overseas sales.

In addition, there was a marginal drop in the GP margin from the sale of ICT products through the physical store channel to 7.2% for FYE 2020 (FYE 2019: 7.9%), mainly due to promotional activities undertaken by our brand-specialty stores and multi-brand concept stores.

Overall, our GP margin reduced to 6.6% in FYE 2020 (FYE 2019: 7.3%) mainly due to lower GP margin from the sale of ICT products to the Hong Kong customer as explained above.

Comparison between FYE 2020 and FYE 2021

Our cost of sales increased by RM27.07 million or 4.3% to RM657.69 million for FYE 2021 (FYE 2020: RM630.62 million), mainly attributable to the increase in the costs for trading goods by RM26.93 million or 4.3%, in tandem with the increase in revenue from our sale of ICT product segment for FYE 2021. Arising from the increase in revenue, our GP increased by RM19.11 million or 42.8% to RM63.78 million for FYE 2021 (FYE 2020: RM44.67 million).

Our sale of ICT products segment remained the main contributor to our GP, and contributed to an increase in GP by RM19.79 million or 49.3% to RM59.89 million for FYE 2021 (FYE 2020: RM40.10 million).

Our GP for the provision of device repair and related services, as well as sale of broadband services segment decreased further by RM0.67 million or 14.7% to RM3.89 million for FYE 2021 (FYE 2020: RM4.57 million), due to lower net commission from the sale of broadband services which decreased by RM0.80 million to RM3.29 million for FYE 2021 (FYE 2020: RM4.09 million). During FYE 2021, TM had revised the prices for broadband services downwards to align with government policy. This coupled with higher commissions paid to agents during FYE 2021 has reduced our GP margin from the sale of broadband services. Overall, our GP margin for the provision of device repair and related services, as well as sale of broadband services segment decreased to 34.9% for FYE 2021 (FYE 2020: 38.6%).

The above decreases in GP and GP margin from the provision of device repair and related services, as well as sale of broadband services were offset by the higher GP and GP margin from the sale of ICT products. Our GP contributed by the sale of ICT products through commercial channel increased by RM14.52 million to RM46.85 million (FYE 2020: RM32.33 million) although its corresponding revenue decreased by 2.7%. The improved GP margin was mainly attributable to higher sales of ICT products in the local market which generally yields better GP margin than the overseas sales. In FYE 2020, our lower GP margin was due to higher sales of component products to an existing Hong Kong customer which yielded a lower GP margin. The sales of ICT products in the local market are generally sold at higher selling prices than overseas market, after taking into consideration the types of after-sales services for our ICT products (as detailed in Section 7.3.3(c)) to be provided to our local customers and also the operating costs of our various business channels. Hence, the local market yields a better GP margin than the overseas sales.

In addition, subsequent to the outbreak of the COVID-19 pandemic, the demand for ICT products has continued to increase. The semiconductor manufacturers have not been able to cope with the surging demand, causing a shortage in the supply of semiconductors. As a result of this shortage, the supply of ICT products was also affected with industry players experiencing supply disruptions. Due to limited stocks coupled with higher demand for ICT products in FYE 2021, our Group had undertaken fewer promotional activities (i.e. seasonal and key campaigns) for the sale of ICT products through our commercial, physical and online store channels, which contributed to improved GP margin from these 3 channels. Our GP margin for the sale of ICT products improved from 6.0% for FYE 2020 to 8.4% for FYE 2021.

All these factors combined led to an improvement in our GP margin of 8.8% for FYE 2021 (FYE 2020: 6.6%).

Comparison between FYE 2021 and FYE 2022

Our cost of sales increased by RM360.31 million or 54.8% to RM1,018.00 million for FYE 2022 (FYE 2021: RM657.69 million), mainly attributable to the increase in the costs for trading goods by RM357.84 million or 54.6%, in tandem with the increase in revenue from our sale of ICT product segment for FYE 2022. Arising from the increase in revenue, our GP increased by RM30.23 million or 47.4% to RM94.01 million for FYE 2022 (FYE 2021: RM63.78 million).

Our sale of ICT products segment has remained the main contributor to our GP and contributed to an increase in GP by RM30.60 million or 51.1% to RM90.49 million for FYE 2022 (FYE 2021: RM59.89 million). The said increase was contributed by the increased GP from the sale of ICT products through all our sale channels. The sale of ICT products through the commercial channel is the primary contributor to the growth in our GP, which increased by RM23.90 million or 51.0% to RM70.75 million for FYE 2022 (FYE 2021: RM46.85 million).

12. FINANCIAL INFORMATION *(Cont'd)*

Despite the increase in GP, our GP margin decreased from 8.8% for FYE 2021 to 8.5% for FYE 2022. The sales of ICT products segment recorded a lower GP margin of 8.2% in FYE 2022 compared to 8.4% in FYE 2021. Such a decrease in GP margin was mainly due to higher sales from a Hong Kong customer. Our Group acted as coordinator to source component products for this Hong Kong customer and charged only a minimum administrative fee. Our Group's supplier in Hong Kong subsequently delivered the component products directly to the said customer. Thus, this has also caused the GP margin for the commercial channel to decrease to 8.7% for FYE 2022 (FYE 2021: 8.9%).

The abovementioned decrease in GP margin from the commercial channel was offset by the higher GP margin from the online store channels. Due to the outbreak of the COVID-19 pandemic, the demand for ICT products has continued to increase. In FYE 2022, the semiconductor manufacturers have continued to not be able to cope with the surging demand, causing a shortage in the supply of semiconductors. As a result of this shortage, the supply of ICT products was also affected with industry players experiencing supply disruptions. Due to limited stocks coupled with higher demand for ICT products in FYE 2022, our Group had undertaken fewer promotional activities (i.e. seasonal and key campaigns) for the sale of ICT products through our online store channel, which contributed to improved GP margin from the online store channel.

Our provision of device repair and related services, as well as sale of broadband services segment has recorded a decrease in GP by RM0.36 million or 9.3% to RM3.53 million for FYE 2022 (FYE 2021: RM3.89 million), and its GP margin decreased to 27.7% for FYE 2022 (FYE 2021: 34.9%). The said decrease in both GP and GP margin was mainly due to the higher incentives for sales of broadband paid to our staff coupled with higher commissions paid to our agents resulting from the upwards revision in commissions to align with the market during FYE 2022.

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12. FINANCIAL INFORMATION *(Cont'd)*

(c) Other income

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Income from operators arising from right-of-use assets	1,409	74.9	2,645	75.9	3,007	48.1	5,851	66.1
Negative variable lease payments	-	-	-	-	1,354	21.6	1,171	13.2
Government wage subsidy	-	-	-	-	1,169	18.7	888	10.0
Loss allowances no longer required	-	-	343	9.8	255	4.1	51	0.6
Rental income[(1)]	38	2.0	235	6.7	256	4.1	276	3.1
Interest income[(2)]	106	5.6	109	3.1	137	2.2	157	1.8
Realised gain/(loss) on foreign exchange	131	7.0	12	0.4	(44)	(0.7)	22	0.3
Unrealised gain on foreign exchange	-	-	51	1.5	-	-	118	1.3
Gain on disposal of property, plant and equipment	110	5.9	-	-	-	-	239	2.7
Others[(3)]	86	4.6	89	2.6	119	1.9	83	0.9
	1,880	**100.0**	**3,484**	**100.0**	**6,253**	**100.0**	**8,856**	**100.0**

Notes:

(1) Comprises income from rental of our vacant land earmarked for our Regional Hub (for parking lot) and unutilised office spaces.

(2) Consists of interests received from our current accounts and fixed deposits and the interest element of the DaaS subscription-based services that we offer to our customers through direct subscription.

(3) Comprises mainly income from courier service, gain arising from the termination of leases pursuant to MFRS 16 Leases and late payment charges received from our customers.

Comparison between FYE 2019 and FYE 2020

Our other income increased by RM1.60 million or 85.1% to RM3.48 million for FYE 2020 (FYE 2019: RM1.88 million) mainly due to:

(i) higher income from operators arising from right-of-use assets of RM1.24 million, due to 11 additional physical stores operated by our appointed operators. The total physical stores operated by our appointed operators as at 31 January 2020 were 28 stores (as at 31 January 2019: 17 stores); and

(ii) loss allowances no longer required on trade receivables of RM0.34 million which had earlier arose from the assessment and estimated expected credit losses on trade receivables pursuant to MFRS 9 Financial Instruments.

The increase in other income was offset partially by the decrease in realised gain on foreign exchange by RM0.12 million as a result of USD weakening against RM in the second half of FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our other income further increased by RM2.77 million or 79.6% from RM3.48 million for FYE 2020 to RM6.25 million for FYE 2021 mainly due to:

(i) wage subsidy received from the Government of RM1.17 million for FYE 2021. The wage subsidy was a temporary financial assistance programme introduced to assist small and medium enterprise as a result of the COVID-19 pandemic; and

(ii) negative variable lease payments of RM1.35 million resulted from the discounts on lease payments for our rented physical stores and offices due to the imposition of the MCO by the Government during FYE 2021 resulting from the COVID-19 pandemic.

Comparison between FYE 2021 and FYE 2022

Our other income further increased by RM2.61 million or 41.8% from RM6.25 million for FYE 2021 to RM8.86 million for FYE 2022 mainly attributable to the following:

(i) higher income from operators arising from right-of-use assets of RM2.84 million, primarily contributed by our Group charging our appointed operators lower fees for the first quarter of FYE 2021 due to the imposition of the MCO by the Government, coupled with the additional 3 physical stores operated by our appointed operators and the closure of a physical store as compared with FYE 2021. The total physical stores operated by our appointed operators as at 31 January 2022 were 35 stores (as at 31 January 2021: 33 stores); and

12. FINANCIAL INFORMATION *(Cont'd)*

(ii) gain on disposal of property, plant and equipment of RM0.24 million arising from the disposal of 5 units of motor vehicles to our directors and key senior management during FYE 2022 at market values.

The above increases in our other income were offset partially by the following:

(i) lower negative variable lease payments of RM0.18 million resulting from the discount on lease payments received for our rented physical stores and offices due to the imposition of the MCO by the Government during FYE 2022 as a result of COVID-19; and

(ii) lower wage subsidy received from the Government of RM0.28 million for FYE 2022.

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12. FINANCIAL INFORMATION *(Cont'd)*

(d) Selling and distribution expenses

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental expenses[(1)]								
- depreciation of right-of-use assets	4,938	27.4	7,262	33.1	8,357	36.7	9,117	28.2
- rental expenses	1,462	8.1	983	4.5	504	2.2	943	2.9
Staff costs	5,611	31.1	7,764	35.3	8,081	35.5	13,477	41.6
Commissions and other related expenses[(2)]	2,418	13.4	2,253	10.3	3,042	13.3	3,948	12.2
Marketing and promotional expenses	1,930	10.7	1,870	8.5	1,541	6.8	3,554	11.0
Directors' remuneration[(3)]	678	3.8	779	3.5	427	1.9	21	0.1
Shipping and forwarding charges	305	1.7	356	1.6	383	1.7	550	1.7
Others[(4)]	679	3.8	695	3.2	436	1.9	736	2.3
	18,021	**100.00**	**21,962**	**100.0**	**22,771**	**100.0**	**32,346**	**100.0**

Notes:

(1) Depreciation of right-of-use assets relates to the recognition of expenses for renting our brand-specialty stores and multi-brand concept stores pursuant to MFRS 16 Leases. For brand-specialty stores and multi-brand concept stores where the tenancy period is less than 1 year, such expenses are classified as rental expenses for the financial years under review.

(2) Being commissions paid for the referrals of sale of ICT products through commercial channel, physical store channel, third-party e-commerce platforms, and other charges to third party e-commerce platforms.

(3) Being sales commissions paid to certain directors of our subsidiaries, which formed part of their remuneration package.

(4) Mainly comprises upkeep of motor vehicles, physical stores and offices, consignment counter expenses, travelling expenses and packaging materials.

Comparison between FYE 2019 and FYE 2020

Our selling and distribution expenses increased by RM3.94 million or 21.9% to RM21.96 million for FYE 2020 (FYE 2019: RM18.02 million), mainly due to:

(i) higher staff costs which increased by RM2.15 million, mainly arising from annual increment as well as revision of commissions scheme since April 2019 to incentivise our sales personnel from commercial and physical store channels; and

(ii) additional 11 physical stores set up during FYE 2020 which resulted in higher rental expenses of RM1.85 million. Our total rented physical stores as at 31 January 2020 were 49 stores (as at 31 January 2019: 38 stores).

Comparison between FYE 2020 and FYE 2021

Our selling and distribution expenses increased by RM0.81 million or 3.7% to RM22.77 million for FYE 2021 (FYE 2020: RM21.96 million), mainly due to:

(i) increase in staff costs by RM0.32 million due to increase in commissions; and

(ii) additional 7 physical stores set up during FYE 2021 which resulted in higher rental expenses of RM0.62 million. Our total rented physical stores as at 31 January 2021 are 56 stores (as at 31 January 2020: 49 stores).

The abovementioned increases were partially offset by a decrease in marketing and promotional expenses by RM0.33 million, mainly due to fewer booth participation in trade fairs as a result of the MCO implemented by the Government.

Comparison between FYE 2021 and FYE 2022

Our selling and distribution expenses further increased by RM9.58 million or 42.1% to RM32.35 million for FYE 2022 (FYE 2021: RM22.77 million), mainly due to:

(i) increase in staff costs of RM5.40 million primarily due to higher staff commissions which was in tandem with the revenue growth for FYE 2022, which increased to RM13.48 million for FYE 2022 (FYE 2021: RM8.08 million);

(ii) increase in marketing and promotional expenses by RM2.01 million resulting from aggressive marketing strategies to promote our ICT products mainly from advertisements on social media platforms and digital websites;

(iii) higher commissions and other related expenses by RM0.91 million paid to third party e-commerce platforms, which was in tandem with the revenue growth for FYE 2022; and

(iv) additional 3 physical stores and 2 offices set up during FYE 2022 had contributed to the higher rental expenses of RM1.20 million. Our total rented physical stores and offices as at 31 January 2022 are 61 stores (as at 31 January 2021: 56 stores).

12. FINANCIAL INFORMATION *(Cont'd)*

(e) General and administrative expenses

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	3,904	32.7	4,308	35.0	4,394	36.0	6,098	32.7
Directors' remuneration(1)	2,496	20.9	2,372	19.3	2,927	24.0	4,523	24.2
Depreciation of property, plant and equipment	1,090	9.1	1,221	9.9	1,419	11.6	1,719	9.2
Utilities	548	4.6	435	3.5	473	3.9	508	2.7
Repair and maintenance(2)	627	5.2	494	4.0	467	3.8	713	3.8
Legal and professional fees(3)	390	3.3	208	1.7	387	3.2	2,119	11.4
Rental expenses(4)								
- depreciation of right-of-use assets	281	2.4	380	3.1	359	2.9	414	2.2
- rental expenses	100	0.8	103	0.8	75	0.6	5	*
Courier and postage charges	98	0.8	97	0.8	240	2.0	132	0.7
Travelling expenses	247	2.1	283	2.3	127	1.0	145	0.8
Bad debts written off	-	-	69	0.6	71	0.6	-	-
Loss allowance recognised in profit or loss	428	3.6	1,151	9.3	16	0.1	307	1.6
Theft of inventories	646	5.4	-	-	-	-	-	-
Property, plant and equipment written off	30	0.3	-	-	44	0.4	201	1.1
Others(5)	1,056	8.8	1,192	9.7	1,215	9.9	1,791	9.6
	11,941	**100.0**	**12,313**	**100.0**	**12,214**	**100.0**	**18,675**	**100.0**

Notes:

(1) Comprises directors' salaries and allowances.

(2) Comprises mainly upkeep of offices, physical stores, internal software and network.

(3) Comprises mainly audit fees, legal fees incurred for banking facilities, secretarial, tax and Listing fees.

(4) Depreciation of right-of-use assets was related to the recognition of expenses for renting our offices pursuant to MFRS 16 Leases. Certain office with tenancy periods of less than 1 year have been classified as rental expenses for the financial years under review.

(5) Comprises mainly insurances, printing and stationery and stamp duties incurred primarily for new bank facility agreements.

Comparison between FYE 2019 and FYE 2020

Our general and administrative expenses increased by RM0.37 million or 3.1% to RM12.31 million for FYE 2020 (FYE 2019: RM11.94 million), mainly attributable to the following:

(i) loss allowance recognised in profit or loss for FYE 2020 represents a specific allowance of RM1.15 million in respect of a customer which has bankrupted due to an action brought by our Group (FYE 2019: RM0.43 million (expected credit loss));

(ii) staff costs increased by RM0.40 million, mainly attributable to annual increment in our staff salaries; and

(iii) stolen inventories of RM0.65 million resulting from stock lost from sale invoices issued to customers at a physical store during FYE 2019, whereby the individual is currently being prosecuted.

Comparison between FYE 2020 and FYE 2021

Our general and administrative expenses decreased by RM0.10 million or 0.8% to RM12.21 million for FYE 2021 (FYE 2020: RM12.31 million), as there were no specific allowance made in FYE 2021 compared to a specific allowance of RM1.15 million in FYE 2020.

The abovementioned decrease was partially offset by the following:

(i) increase in directors' remuneration of RM0.56 million, due to higher directors' fees as reward for our Group's business growth;

(ii) increase in legal and professional fees by RM0.18 million, mainly due to higher audit fees by RM0.08 million and professional fees incurred for improving standard operating procedures of RM0.06 million; and

(iii) increase in depreciation on property, plant and equipment by RM0.20 million, mainly resulting from the purchase of additional computer software and office equipment for leasing to a customer.

Comparison between FYE 2021 and FYE 2022

Our general and administrative expenses increased by RM6.47 million or 53.0% to RM18.68 million for FYE 2022 (FYE 2021: RM12.21 million), mainly attributable to the following:

(i) higher staff costs increased by RM1.71 million, primarily attributable to annual increment in our staff salaries as well as the increase in our headcounts to 109 staff as at 31 January 2022 (as at 31 January 2021: 103 staff);

(ii) increase in legal and professional fees by RM1.73 million, mainly due to professional fees incurred for the Listing of RM1.52 million;

(iii) directors' remuneration increased by RM1.59 million, primarily due to higher annual increment as a reward for our Group's business growth;

(iii) increase in depreciation on property, plant and equipment increased by RM0.30 million, primarily resulting from the purchase of additional motor vehicles for our business operations;

(iv) loss allowance recognised in profit or loss for FYE 2022 were specific allowance in respect of 5 customers, of which our Group has no reasonable expectation in recovering the outstanding amounts, and we are either in the progress of negotiating with these customers on the repayment terms or taking legal actions against them;

(v) higher repair and maintenance by RM0.24 million, mainly attributable to repair and maintenance incurred for our physical stores and offices; and

(vi) increase in property, plant and equipment written off by RM0.16 million which comprised of idle property, plant and equipment from our physical stores.

12. FINANCIAL INFORMATION *(Cont'd)*

(f) Finance costs

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Term loans	635	23.1	1,410	37.8	1,168	35.8	1,055	33.4
Bank charges[(1)]	568	20.7	592	15.8	987	30.2	1,287	40.7
Bankers' acceptance	836	30.5	1,064	28.5	550	16.8	323	10.2
Lease liabilities	630	23.0	612	16.4	508	15.5	441	13.9
Hire purchase payables	73	2.7	55	1.5	54	1.7	57	1.8
	2,742	**100.0**	**3,733**	**100.0**	**3,267**	**100.0**	**3,163**	**100.0**

Note:

(1) Comprises mainly credit card charges, payment gateway charges, credit facilities guarantee fees and bank guarantee charges.

Comparison between FYE 2019 and FYE 2020

Our finance costs increased by RM0.99 million or 36.1% to RM3.73 million for FYE 2020 (FYE 2019: 2.74 million), mainly attributable to:

(i) increase in term loan interest by RM0.78 million due to the drawdown of an additional term loan of RM19.40 million during FYE 2020 to finance the purchase of a freehold land in Petaling Jaya, Selangor, which is earmarked for the construction of our Regional Hub; and

(ii) increase in bankers' acceptance interest by RM0.23 million due to higher utilisation of bankers' acceptance facilities to finance the purchase of ICT products.

Comparison between FYE 2020 and FYE 2021

Our finance costs decreased by RM0.46 million or 12.3% to RM3.27 million for FYE 2021 (FYE 2020: RM3.73 million), mainly due to lower utilisation of bankers' acceptance facilities during FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our finance costs decreased by RM0.11 million or 3.4% to RM3.16 million for FYE 2022 (FYE 2021: RM3.27 million), mainly attributable to:

(i) lower utilisation of bankers' acceptance facilities which resulted in lower interests by RM0.23 million;

(ii) decrease in term loan interest by RM0.11 million due to scheduled term loan repayments; and

(iii) decrease in lease liabilities interest by RM0.07 million.

The abovementioned decrease were offset partially by the increase in bank charges by RM0.30 million primarily attributable to the higher credit card and payment gateway charges incurred from our physical stores and online stores channels.

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(g) PBT and PBT margin

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
PBT (RM'000)	12,320	10,143	31,781	48,685
PBT margin (%)	2.1	1.5	4.4	4.4

Comparison between FYE 2019 and FYE 2020

We recorded a decrease in PBT of RM2.18 million or 17.7% for FYE 2020. Our PBT margin also decreased from 2.1% in FYE 2019 to 1.5% in FYE 2020. The decrease in PBT and PBT margin was mainly due to lower GP and GP margins as explained in 12.2.2(b) above.

Comparison between FYE 2020 and FYE 2021

We recorded an increase in PBT by RM21.64 million or 213.4% for FYE 2021. Our PBT margin improved to 4.4% in FYE 2021 from 1.5% in FYE 2020. The improvement was also due higher GP and GP margin for FYE 2021 as explained in 12.2.2(b) above.

Comparison between FYE 2021 and FYE 2022

We recorded an increase in PBT by RM16.91 million or 53.2% for FYE 2022.The PBT improvement was due to higher GP recorded for FYE 2022 as explained in 12.2.2(b) above. Despite a lower GP margin of 8.5% in FYE 2022 as compared to 8.8% in FYE 2021, our PBT margin has remained at 4.4% for both financial years mainly due to the increase in other operating income for FYE 2022. The increase in other operating income was mainly attributable to the higher income from operators arising from right-of-use assets.

(h) Tax expenses

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
Tax expenses (RM'000)	3,220	2,361	8,400	12,767
Statutory tax rate (%)	24.0	24.0	24.0	24.0
Effective tax rate (%)	26.1	23.3	26.4	26.2

Tax expenses comprise the current financial year's income tax payable, deferred tax and any under or overprovision of tax expenses in the previous financial year. The applicable statutory tax rate for FYE 2019 to 2021 is 24.0%.

SNS Network ICT, one of our subsidiaries, enjoyed pioneer status granted on 24 June 2010 which expired in December 2020.

The qualifying activities provided in the pioneer certification are as follows:

(i) R&D and commercialisation of the SNS Web Portal (with mobile platform plug-in); and

(ii) Provision of implementation, maintenance & technical services related to the abovementioned solution.

Comparison between FYE 2019 and FYE 2020

Our tax expenses decreased by RM0.86 million or 26.7% to RM2.36 million for FYE 2020 (FYE 2019: RM3.22 million) mainly due to lower PBT recorded for FYE 2020.

Our effective tax rate for FYE 2020 of 23.3% was marginally lower than the statutory tax rate, mainly attributable to the net effects from the following:

(i) utilisation of deferred tax assets of RM0.15 million, i.e., unutilised tax losses and unabsorbed capital allowances previously not recognised in the financial statements as a result of the uncertainty as to whether sufficient taxable profits will be available to utilise these unrecognised deferred tax assets;

(ii) the tax savings arising from the different tax rate applicable to small and medium scale companies of RM0.20 million, and tax-exempt pioneer status income of RM0.17 million; and

(iii) certain expenses of RM0.20 million are not deductible for tax reporting purposes, i.e., repair and maintenance for offices, physical stores and office equipments.

Comparison between FYE 2020 and FYE 2021

Our tax expenses increased by RM6.04 million or 255.9% to RM8.40 million for FYE 2021 (FYE 2020: RM2.36 million), mainly attributable to higher PBT recorded for FYE 2021.

Our effective tax rate of 26.4% for FYE 2021 was higher than the statutory tax rate, mainly due to higher non-deductible expenses of RM3.29 million recorded for FYE 2021, which is primarily attributable to repair and maintenance for offices, physical stores and office equipments, legal and professional fees as well as interest restrictions on borrowings not being used for working capital purposes.

Comparison between FYE 2021 and FYE 2022

Our tax expenses increased by RM4.37 million or 52.0% to RM12.77 million for FYE 2022 (FYE 2021: RM8.40 million), mainly attributable to higher PBT recorded for FYE 2022.

Our effective tax rate of 26.2% for FYE 2022 was higher than the statutory tax rate. This was mainly due to certain expenses not deductible for tax purposes, such as professional fees incurred for the Listing, property, plant and equipment written off and interest restrictions on borrowings not being used for working capital purposes.

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12.2.3 Review of financial position

(a) Assets

	Audited			
	31 January 2019	31 January 2020	31 January 2021	31 January 2022
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	26,245	48,455	50,544	51,465
Right-of-use assets	13,694	10,938	8,260	12,504
Other investments – club membership	16	16	-	-
Finance lease receivables	-	-	1,112	349
Total non-current assets	39,955	59,409	59,916	64,318
Current assets				
Inventories	58,610	60,957	55,339	103,558
Trade receivables	30,814	37,085	72,061	80,697
Other receivables[(1)]	8,923	8,668	12,290	7,300
Amount owing by a director	9	-	-	-
Finance lease receivables	-	-	685	761
Other assets	6,120	3,792	4,051	5,185
Current tax assets	311	411	365	446
Fixed deposits, cash and bank balances	10,352	10,578	19,465	29,829
Total current assets	115,139	121,491	164,256	227,776
Total assets	**155,094**	**180,900**	**224,172**	**292,094**

Note:

(1) Other receivables for the financial years under review are as follows:

	Audited			
	31 January 2019	31 January 2020	31 January 2021	31 January 2022
	RM'000	RM'000	RM'000	RM'000
Sundry receivables*	5,872	7,378	6,883	5,572
Advance payments to suppliers	2,141	1,082	5,365	1,695
Refundable indirect taxes	830	176	-	-
Staff advances	80	32	42	33
	8,923	**8,668**	**12,290**	**7,300**

* Comprises mainly of rebates from suppliers and receivables from our consignment counter retailers who had received payments from the end consumers.

Comparison between 31 January 2019 and 31 January 2020

Our total assets increased by RM25.81 million or 16.6% to RM180.90 million as at 31 January 2020 (31 January 2019: RM155.09 million). The increase was mainly attributable to the increase in non-current and current assets of RM19.45 million and RM6.35 million as at 31 January 2020, respectively.

The increase in non-current assets was mainly attributable to the purchase of freehold land located at Petaling Jaya, Selangor amounting to RM21.70 million which is earmarked for the construction of our Regional Hub.

The above increase was partially offset by the decrease in rights-of-use assets of RM2.75 million. The said decrease was mainly attributable to the recognition of additional right-of-use assets of RM4.89 million for the lease of additional physical stores and offices after netting off depreciation for right-of-use assets of RM7.64 million.

The increase in current assets was mainly due to increases in trade receivables and inventories of RM6.27 million and RM2.35 million, respectively. The increases in trade receivables and inventories as at 31 January 2020 were in tandem with the growth in revenue for FYE 2020.

Such increase was partially offset by a decrease in other assets of RM2.33 million following the capitalisation of deposit of RM2.16 million which was placed in FYE 2019 for the acquisition of a freehold land in Petaling Jaya, Selangor. During FYE 2020, we completed the said acquisition and capitalised the said deposit as property, plant and equipment.

Comparison between 31 January 2020 and 31 January 2021

Our total assets increased further by RM43.27 million or 23.9% to RM224.17 million as at 31 January 2021 (31 January 2020: RM180.90 million), mainly due to the increase in current assets by RM42.77 million as at 31 January 2021. The increase in current assets was primarily due to the following:

(i) increase in trade receivables of RM34.98 million as at 31 January 2021, due to revenue growth in FYE 2021. In addition, sales invoices of RM6.77 million issued to a customer towards the end of FYE 2021 also contributed to the increase in trade receivables;

(ii) increase in cash and bank balances of RM8.84 million as at 31 January 2021, due to higher internally generated funds from our business growth; and

(iii) increase in other receivables of RM3.62 million, which relates mainly to advance payments to suppliers towards the end of FYE 2021 for the purchase of ICT products.

Due to higher demand for ICT products, our inventories decreased by RM5.62 million. Arising from the increase in revenue growth, we replenished our inventories level at the year end of FYE 2021, which was only delivered to us in FYE 2022. In addition, there was also an amount written down on demonstration units and end-of-life ICT products of RM2.10 million for FYE 2021.

Comparison between 31 January 2021 and 31 January 2022

Our total assets increased further by RM67.92 million or 30.3% to RM292.09 million as at 31 January 2022 (31 January 2021: RM224.17 million), mainly due to the increase in non-current assets and current assets by RM4.40 million and RM63.52 million respectively.

The increase in non-current assets was primarily attributable to the increase in rights-of-use assets of RM4.24 million. The said increase was mainly attributable to the recognition of additional right-of-use assets of RM13.90 million for the lease of additional physical stores and offices after netting off depreciation for right-of-use assets of RM9.53 million and termination of leases of RM0.13 million.

The increase in current assets was primarily due to the following:

(i) increase in inventories of RM48.22 million, which was in tandem with our revenue growth for FYE 2022 coupled with the deliveries from the orders made at the year end of FYE 2021;

(ii) increase in cash and bank balances of RM9.63 million as at 31 January 2022, due to higher internally generated funds from our business growth; and

(iii) increase in trade receivables of RM8.64 million as at 31 January 2022, mainly attributable to sales invoices of RM26.37 million issued to 2 customers towards the end of FYE 2022. The said increase was offset partially by the improved collections from our customers resulting from improvement in our credit control monitoring process (i.e. closely monitoring the overdue debts and withholding delivery until the overdue debts are settled).

The abovementioned was offset partially by the decrease in other receivables by RM4.99 million primarily due to lower advance payment to suppliers for the purchase of ICT products.

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(b) Liabilities

	Audited			
	31 January 2019	31 January 2020	31 January 2021	31 January 2022
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Borrowings	12,666	30,141	32,297	29,748
Lease liabilities	7,502	4,142	1,704	4,573
Deferred tax liabilities	1,297	1,416	1,335	1,597
Total non-current liabilities	21,465	35,699	35,336	35,918
Current liabilities				
Trade payables	65,086	60,633	89,693	118,693
Other payables[(1)]	6,516	7,259	3,772	3,238
Amount owing to directors	15	252	15	34
Other liabilities	543	620	973	1,788
Contract liabilities	67	70	120	308
Dividends payable	-	-	3,982	6,000
Borrowings	17,467	25,213	15,498	20,215
Lease liabilities	6,557	7,319	7,003	8,163
Current tax liabilities	1,723	498	4,679	4,718
Total current liabilities	97,974	101,864	125,735	163,157
Total liabilities	**119,439**	**137,563**	**161,071**	**199,075**

Note:

(1) Other payables for the financial years under review are as follows:

	Audited			
	31 January 2019	31 January 2020	31 January 2021	31 January 2022
	RM'000	RM'000	RM'000	RM'000
Sundry payables*	4,942	6,936	321	647
Advance payments from customers	1,528	235	3,088	2,285
Indirect taxes payable	12	19	27	54
Sundry deposits	34	69	336	252
	6,516	7,259	3,772	3,238

* Comprises mainly of outstanding credit card amount payable to financial institutions for the purchase of ICT products.

Comparison between 31 January 2019 and 31 January 2020

Our total liabilities increased by RM18.12 million or 15.2% to RM137.56 million as at 31 January 2020 (31 January 2019: RM119.44 million), as we drawdown a term loan of RM19.40 million to finance the purchase of freehold land located in Petaling Jaya, Selangor which is earmarked for the construction of our Regional Hub. We also utilised higher bankers' acceptance of RM6.65 million for FYE 2020 to finance the purchase of inventories.

The abovementioned increases were partially offset by the following:

(i) net decrease in lease liabilities of RM2.60 million, mainly attributable to the additional lease liabilities of RM4.88 million arising from the renting of the physical stores and offices, after netting off the repayment of lease liabilities of RM7.48 million during FYE 2020; and

(ii) decrease in trade payables of RM4.45 million, as there were lesser purchases towards the end of FYE 2020 as compared to FYE 2019.

Comparison between 31 January 2020 and 31 January 2021

Our total liabilities increased by RM23.51 million or 17.1% to RM161.07 million as at 31 January 2021 (31 January 2020: RM137.56 million) mainly due to:

(i) increase in trade payables by RM29.06 million, in line with higher purchases to support our revenue growth in FYE 2021;

(ii) interim dividends of RM3.98 million accrued in respect of FYE 2021; and

(iii) increase in tax liabilities by RM4.18 million, due to higher taxable income from our business growth in FYE 2021.

The said increases were partially offset by a decrease in borrowings and lease liabilities by RM7.56 million and RM2.75 million respectively, mainly due to the following:

(i) reduction in the utilisation of bankers' acceptance facilities by RM10.59 million for the payment to our suppliers;

(ii) repayment of term loan of RM6.86 million which was offset by additional drawdown of term loan of RM8.25 million for our business operations;

(iii) repayment of hire purchase of RM0.32 million which was offset by additional drawdown of hire purchase of RM1.98 million for the purchase of motor vehicles and office equipment; and

(iv) repayment of lease liabilities of RM7.43 million, termination of a lease liability of RM0.34 million and negative variable lease payment of RM1.35 million during FYE 2021 which was offset by increase in lease liabilities of RM6.37 million from the rental of physical stores and offices.

Our other payables decreased by RM3.49 million as we fully settled an outstanding credit card amount which we used to purchase ICT products in FYE 2020. The said amount is not classified as trade payable as the outstanding credit card amount are payable to the financial institutions instead of our suppliers. We had settled the purchase costs to our suppliers via credit card payments to utilise the respective cards' interest-free credit terms before the credit card payments are due for payment.

Comparison between 31 January 2021 and 31 January 2022

Our total liabilities increased by RM38.00 million or 23.6% to RM199.08 million as at 31 January 2022 (31 January 2021: RM161.07 million) mainly due to:

(i) increase in trade payables by RM29.00 million, which was in tandem with higher purchases to support our revenue growth in FYE 2022;

(ii) increase in bankers' acceptance by RM4.71 million, mainly attributable to the utilisation of additional bankers' acceptance for the purchase of ICT products to support our revenue growth in FYE 2022;

(iii) increase in lease liabilities of RM13.90 million arising from the rental of additional physical stores and offices, which were offset by the repayment of lease liabilities of RM8.56 million, termination of a lease liability of RM0.13 million and negative variable lease payments of RM1.17 million;

(iv) increase in dividend payable by RM2.02 million resulted from the interim dividends of RM6.00 million payable for FYE 2022.

The decrease in term loans by RM2.00 million due to scheduled term loan repayments had partially offset the abovementioned increases.

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12.2.4 Review of cash flows

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	9,277	7,239	30,542	26,327
Net cash used in investing activities	(4,500)	(2,015)	(1,607)	(2,260)
Net cash used in financing activities	(890)	(5,570)	(20,074)	(14,555)
Net increase/(decrease) in cash and cash equivalents	3,887	(346)	8,861	9,512
Cash and cash equivalents at the beginning of the financial year	5,050	8,937	8,642	17,503
Effect of exchange rate changes on the balance of cash held in foreign currencies	-	51	-	118
Cash and cash equivalents at the end of the financial year	**8,937**	**8,642**	**17,503**	**27,133**
Cash and cash equivalents at the end of the financial year comprise:				
Deposits placed with financial institutions	1,415	1,912	1,962	2,696
Cash and bank balances	8,937	8,667	17,503	27,133
	10,352	10,579	19,465	29,829
Less: Bank overdrafts	-	(25)	-	-
Less: Pledged deposits with financial institutions	(1,415)	(1,912)	(1,962)	(2,696)
	8,937	**8,642**	**17,503**	**27,133**

FYE 2019

Net cash for operating activities

For FYE 2019, our Group recorded a net cash inflow from operating activities of RM9.28 million. We collected RM368.83 million mainly from the following:

(a) RM367.16 million from our customers; and

(b) other income of RM1.64 million received.

The above collections were partially offset by cash payments of RM359.56 million in respect of the following:

(a) payment of RM330.31 million to our suppliers for the purchase of ICT products;

(b) payment for staff costs and other operating expenses of RM23.72 million;

(c) additional deposit paid for the rental of physical stores and offices of RM1.30 million;

(d) deposit paid for the purchase of freehold land in Petaling Jaya, Selangor of RM2.16 million; and

(e) income tax of RM2.07 million paid to the Inland Revenue Board.

Net cash for investing activities

For FYE 2019, our Group recorded a net cash outflow of RM4.50 million from investing activities, mainly attributable to the following:

(a) cash payment for additional property, plant and equipment during FYE 2019, mainly in relation to land premium of RM0.64 million paid for the conversion of the use of freehold land located in Ipoh, Perak from residential to commercial , progress billings of RM1.02 million paid for the purchase of a warehouse in Johor, a deposit of RM0.68 million for the purchase of freehold land in Petaling Jaya, Selangor and renovation cost of our physical stores of RM0.74 million; and

(b) placement of additional fixed deposits of RM0.66 million with financial institutions to secure the credit facilities granted to our Group.

Net cash for financing activities

For FYE 2019, our Group recorded a net cash outflow of RM0.89 million from financing activities, mainly due to:

(a) drawdowns of bankers' acceptance of RM49.04 million for payments to the suppliers for the purchase of ICT products, which was set-off by repayments of bankers' acceptance of RM43.16 million;

(b) interests paid for bank borrowings and lease liabilities of RM2.11 million and RM0.63 million respectively;

(c) drawdowns of term loans of RM1.66 million to finance the purchase of a warehouse in Johor and the final disbursement of term loans of RM0.50 million to finance the purchase of freehold land in Ipoh, Perak which was set-off by repayments of term loans of RM0.97 million; and

(d) lease liabilities of RM4.85 million paid for leasing of our physical stores and offices.

FYE 2020

Net cash for operating activities

For FYE 2020, our Group recorded a net cash inflow from operating activities of RM7.24 million. We collected RM452.35 million, mainly from the following:

(a) RM449.16 million from our customers; and

(b) other income of RM3.07 million received.

The above collections were partially offset by cash payments of RM445.12 million in respect of the following:

(a) payment of RM416.10 million to our suppliers for the purchase of ICT products;

(b) payment for staff costs and other operating expenses of RM25.33 million; and

(c) income tax of RM3.68 million paid to the Inland Revenue Board.

Net cash for investing activities

For FYE 2020, our Group recorded a net cash outflow of RM2.02 million from investing activities, mainly attributable to the cash payment for office equipment, renovation for our physical stores and motor vehicles totalling RM1.74 million, as well as placement of additional fixed deposits with financial institutions of RM0.50 million.

Our cash outflows used in investing activities were partially offset by the proceeds from the disposal of motor vehicles of RM0.17 million.

Net cash for financing activities

For FYE 2020, our Group recorded a net cash outflow of RM5.57 million from financing activities, mainly attributable to:

(a) drawdowns of bankers' acceptance of RM73.30 million for payments to the suppliers for the purchase of ICT products, which was set-off by repayments of bankers' acceptance of RM66.66 million;

(b) interests paid for bank borrowings and lease liabilities of RM3.12 million and RM0.61 million respectively;

(c) drawdowns of term loans of RM0.22 million to finance the purchase of a cluster factory in Mukim Tebrau, Johor and RM0.45 million for our working capital purposes, which was set-off by repayments of term loans of RM1.53 million; and

(d) lease liabilities of RM7.48 million paid for leasing of our physical stores and offices.

FYE 2021

Net cash for operating activities

For FYE 2021, our Group recorded a net cash inflow from operating activities of RM30.54 million. We collected RM403.57 million mainly from the following:

(a) RM398.64 million from our customers;

(b) deposits received from the termination of tenancies of physical stores and offices of RM0.28 million; and

(c) rental income, government wage subsidy and interest received totalling RM4.61 million.

The above collections were partially offset by cash payments of RM373.03 million in respect of the following:

(a) payments of RM345.26 million to our suppliers for the purchase of ICT products;

(b) payments for staff costs and other operating expenses of RM23.47 million; and

(c) income tax of RM4.30 million paid to the Inland Revenue Board.

Net cash for investing activities

For FYE 2021, our Group recorded a net cash outflow of RM1.61 million from investing activities, mainly due to cash payments for additional property, plant and equipment of RM1.71 million comprise mainly:

(a) preliminary costs incurred such as survey fees, architect fees and consultancy fees in relation to the construction of our Regional Hub of RM0.47 million;

(b) purchase of computer software and office equipment of RM0.70 million for our physical stores and office use; and

(c) renovation and purchase of furniture, fixtures, electrical fittings and machinery of RM0.41 million for our physical stores and office use.

The above cash outflow was partially offset by the proceeds from the disposal of a motor vehicle of RM0.10 million.

Net cash for financing activities

For FYE 2021, our Group recorded a net cash outflow of RM20.07 million from financing activities, mainly due to:

(a) proceeds from the issuance of new ordinary shares of RM0.47 million;

(b) drawdowns of bankers' acceptance of RM33.71 million for payments to the suppliers for the purchase of ICT products, which was set-off by repayments of bankers' acceptance of RM44.29 million;

(c) interests paid for bank borrowings and lease liabilities of RM2.76 million and RM0.51 million respectively;

(d) drawdowns of term loans of RM6.25 million to finance the restructuring of our borrowings and RM2.0 million special relief loans drawdown to finance our working capital, which was set-off by repayments of term loans of RM6.86 million; and

(e) lease liabilities of RM7.43 million paid for leasing of our physical stores and offices.

FYE 2022

Net cash for operating activities

For FYE 2022, our Group recorded a net cash inflow from operating activities of RM26.33 million. We collected RM880.97 million mainly from the following:

(a) RM873.64 million from our customers; and

(b) rental income, government wage subsidy and interest received totaling RM7.13 million.

The above collections were offset partially by the cash payments of RM854.64 million in respect of the following:

(a) payments of RM801.89 million to our suppliers for the purchase of ICT products;

(b) payments for staff costs and other operating expenses of RM38.96 million;

(c) deposits paid for the tenancies of physical stores of RM1.16 million; and

(d) income tax of RM12.63 million paid to the Inland Revenue Board.

Net cash for investing activities

For FYE 2022, our Group recorded a net cash outflow of RM2.26 million from investing activities, mainly attributable to the following:

(a) cash payments for the purchase of property, plant and equipment totaling RM2.37 million which comprise mainly the following:

  (i) purchase of computer software and office equipment and furniture, fixture, electrical fittings and machinery of RM1.57 million for our physical stores and office use;

  (ii) purchase of signboard and elevator of RM0.17 million for office use;

  (iii) purchase of motor vehicles of RM0.21 million for TM Rover Program use; and

  (iv) preliminary costs incurred such as survey fees, architect fees and consultancy fees in relation to the construction of our Regional Hub of RM0.21 million.

(b) placement of additional fixed deposits of RM0.73 million pledged with the financial institutions to secure the credit facilities granted to our Group.

The above cash outflow was offset partially by the proceeds from the disposal of motor vehicles of RM0.80 million.

Net cash for financing activities

For FYE 2022, our Group recorded a net cash outflow of RM14.56 million from financing activities, mainly attribuble to the following:

(a) drawdowns of bankers' acceptance of RM48.36 million for payments to the suppliers for the purchase of ICT products, which was set-off by repayments of bankers' acceptance of RM43.65 million;

(b) interests paid for bank borrowings and lease liabilities of RM2.72 million and RM0.44 million respectively;

(c) repayment of term loans and financing of RM2.00 million;

(d) repayment of hire purchase payables of RM1.58 million;

(e) lease liabilities of RM8.57 million paid for leasing of our physical stores and offices; and

(f) dividend paid of RM3.98 million.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions, and existing cash and bank balances. Our facilities from financial institutions comprise term loans, bank overdrafts, bankers' acceptance and hire purchase.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

Our Board confirms that we have sufficient funds for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

(a) Our cash and cash equivalent of RM29.30 million as at LPD;

(b) Our expected future cash flows from operations;

(c) Our total banking facilities as at LPD of RM94.11 million (excluding lease liabilities), of which RM68.97 million have been utilised;

(d) Our pro forma gearing level of 0.17 times, computed based on our pro forma statements of financial position as at 31 January 2022 after the Acquisitions, IPO and utilisation of proceeds; and

(e) The estimated construction costs for our Regional Hub to be incurred for FYE 2023 (as the construction works is expected to be commenced in December 2022), which will be funded via the proceeds from our Public Issue, our internally-generated funds and/or bank borrowings.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. This measure has proven to be effective while maintaining a cordial relationship with our customers.

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12. FINANCIAL INFORMATION *(Cont'd)*

12.4 BORROWINGS

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings (excluding lease liabilities arising from right-of-use assets of RM12.74 million) as at 31 January 2022 stood at RM49.96 million, details of which are set out below:

	Purpose	Security	Tenure of the facility	Effective interest rate	As at 31 January 2022
				%	RM'000
Interest bearing short-term borrowings, payable within 1 year:					
Commodity Murabahah term financing	For purchase of a property and working capital purpose	The Commodity Murabahah term financing, term loans and bankers' acceptance are secured by: (a) Fixed and first party charges on our Group's landed properties and fixed deposits, legal charges over certain properties owned by directors and certain persons connected to directors, and are also guaranteed by our directors, key senior management and/or their persons connected jointly and severally; (b) A guarantee by Credit Guarantee Corporation Malaysia Berhad under BizJamin Special Relief Facility-i for RM800,000; (c) A guarantee by Credit Guarantee Corporation Malaysia Berhad under Financial Supply Chain Portfolio Guarantee Scheme for RM500,000; and (d) A guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad under Working Capital Guarantee Scheme for RM3,500,000.	5 to 20 years	3.3 to 3.5	1,575
Term loans	For purchase of properties and working capital purpose		5 to 25 years	3.3 to 13.3	472
Bankers' acceptance	For working capital purpose		90 to 120 days	2.0 to 4.4	17,142
Hire purchase payables	To finance purchase of office equipment and motor vehicles	The hire purchase payables are secured by assets purchased through the facilities	3 to 9 years	1.1 to 7.4	1,026
					20,215

12. FINANCIAL INFORMATION *(Cont'd)*

	Purpose	Security	Tenure of the facility	Effective interest rate	As at 31 January 2022
				%	RM'000
Interest bearing long-term borrowings, payable after 1 year:					
Commodity Murabahah term financing	For purchase of a property and working capital purpose	The Commodity Murabahah term financing and term loans are secured by: (a) Fixed and first party charges on our Group's landed properties and fixed deposits, legal charges over certain properties owned by directors and certain persons connected to directors, and are also guaranteed by our directors, key senior management and/or their persons connected of the Group jointly and severally; (b) A guarantee by Credit Guarantee Corporation Malaysia Berhad under BizJamin Special Relief Facility-i for RM800,000; (c) A guarantee by Credit Guarantee Corporation Malaysia Berhad under Financial Supply Chain Portfolio Guarantee Scheme for RM500,000; and (d) A guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad under Working Capital Guarantee Scheme for RM3,500,000.	5 to 20 years	3.3 to 3.5	22,515
Term loans	For purchase of properties and working capital purpose		5 to 25 years	3.3 to 13.3	5,988
Hire purchase payables	To finance purchase of office equipment and motor vehicles	The hire-purchase payables are secured by assets purchased through the facilities.	3 to 9 years	1.1 to 7.4	1,245
					29,748
Total borrowings					49,963
Gearing (times)					
After Acquisitions but before IPO and utilisation of proceeds[1]					0.54
After Acquisitions and utilisation of proceeds[2]					0.17

Notes:

(1) Computed based on our pro forma equity attributable to the owners of the Company of RM93.02 million in the pro forma statements of financial position after the Acquisitions, but before IPO and utilisation of proceeds.

(2) Computed based on our pro forma equity attributable to the owners of the Company of RM179.23 million in the pro forma statements of financial position after the Acquisitions, IPO and utilisation of proceeds which includes the repayment of bank borrowings of RM20.00 million.

Our bank borrowings and hire purchase carry the following interest rates for the financial years under review:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	% per annum			
Floating rates				
Commodity Murabahah term financing	-	2.6	2.6 – 4.6	3.3 – 3.5
Term loans	4.4 – 5.2	3.3 – 13.3	3.3 – 13.3	3.3 – 13.3
Fixed rates				
Bankers' acceptances	3.6 – 8.1	3.8 – 8.2	0.9 – 7.7	2.0 – 4.4
Hire purchase	3.6 – 6.2	0.9 – 6.2	1.1 – 6.6	1.1 – 7.4

Separately, we have also recognised the following lease liabilities on the right-of-use assets, which are denominated in RM:

	Purpose	**Tenure**	**As at 31 January 2022**
			RM'000
Lease liabilities payable within 1 year	Rental of physical stores and offices	Initial lease of 1 to 3 years with option to renew for another 1 to 3 years	8,163
Lease liabilities payable after 1 year	Rental of physical stores and offices	Initial lease of 1 to 3 years with option to renew for another 1 to 3 years	4,573
			12,736

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2019 to 2022 and up to LPD.

As at LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan, which can materially affect our financial position and results or business operations or the investments by holders of our securities. During FYE 2019 to 2022, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at LPD, save as disclosed in Section 12.4 above, we do not have nor utilise any other financial instruments. We finance our operations mainly through cash generated from our operations, credit extended by our suppliers and external sources of funds which mainly comprise borrowings. The principal usages of these bank borrowings are for working capital as well as the purchase of freehold land and buildings, motor vehicles, computer software and office equipment.

Save for our hire purchase and special relief term loans which carry fixed interest rates, other borrowings bear variable interest rates based on the bank's base lending rate plus or minus a rate, which varies depending on the different types of bank facilities.

12.6 MATERIAL CAPITAL COMMITMENTS

As at LPD, our Group has committed to purchase property, plant and equipment (i.e. a solar photovoltaic module system) costing RM0.33 million to be installed at the rooftop of our Group's headquarters, which will be financed by our internally generated funds.

Save as disclosed above, we do not have any other material capital commitments as at LPD.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant. There is no proceeding pending or threatened or any fact likely to give rise to any proceeding, which might materially or adversely affect our position or business as at LPD.

As at LPD, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our business, financial results or position.

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2019 to 2022 are as follows:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
Trade receivables turnover (days)[(1)]	19	18	28	25
Trade payables turnover (days)[(2)]	39	36	42	38
Inventory turnover (days)[(3)]	34	35	32	29
Current ratio (times)[(4)]	1.18	1.19	1.31	1.40
Gearing ratio (times)[(5)]	0.85	1.28	0.76	0.54

Notes:

(1) Computed based on the average trade receivables and net of allowances for impairment loss as at year-end over revenue for the year, multiplied by 365 days for each financial year.

(2) Computed based on the average trade payables as at year-end over costs for trading goods for the respective years, multiplied by 365 days for each financial year.

(3) Computed based on average inventory as at year-end over costs for trading goods of RM549.75 million, RM628.87 million, RM655.81 million and RM1.01 billion for the respective years, multiplied by 365 days for each financial year.

(4) Computed based on current assets over current liabilities as at the end of each financial year.

(5) Computed based on total interest-bearing borrowings (excluding lease liabilities for right-of-use assets) over total equity as at the end of each financial year.

12.8.1 Trade receivables turnover

Our average trade receivables' turnover period (in days) for FYE 2019 to 2022 is stated as below:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening trade receivables	30,305	30,814	37,085	72,061
Closing trade receivables	30,814	37,085	72,061	80,697
Average trade receivables	30,560	33,950	54,573	76,379
Revenue	594,140	675,282	721,469	1,112,008
Trade receivables turnover period (days)	19	18	28	25

Our trade receivables comprise amounts receivable for the sale of goods and services rendered. The credit periods granted by our Group for the sale of ICT products ranged from cash to 120 days from the date of our invoice.

Our Group established policies on credit control involving comprehensive credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history, and regular review of customers' outstanding balances and payment trends. Our Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.

As our Group did not hold any collateral, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. A significant portion of trade receivables represent regular customers of our Group. Our Group uses ageing analysis to monitor the credit quality of the trade receivables.

Loss allowance has been recognised under the expected credit loss model at the end of the reporting period. Our Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are collectively assessed and estimated by reference to the following:

(a) trade receivables' past default experience;

(b) an analysis of trade receivables' current financial position, adjusted for factors that are specific to the trade receivables, general economic conditions of the industry in which the trade receivables operate; and

(c) an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period.

Our average trade receivables turnover period for FYE 2019, 2020, 2021 and 2022 was 19 days, 18 days, 28 days and 25 days, respectively, and are within our trade terms period. Therefore, our Group is not subject to a significant concentration of credit risk. Our average trade receivables turnover period for FYE 2021 increased to 28 days, mainly attributable to higher sales to our customers towards the end of FYE 2021.

Our average trade receivables turnover period for FYE 2022 decreased to 25 days mainly attributable to the improved collections from our customers resulting from the improvement in our credit control monitoring process.

The ageing analysis of our trade receivables as at 31 January 2022 is as follows:

	Trade receivables as at 31 January 2022		**Collection from 1 February 2022 to LPD**	**Balance trade receivables as at LPD**
	RM'000	**Percentage of trade receivables**	**RM'000**	**RM'000**
	(a)	**(a)/total of (a)**	**(b)**	**(c) = (a)-(b)**
Neither past due nor impaired	45,006	55.8	44,142	864
Past due but not impaired:				
- less than 30 days	18,755	23.2	17,288	1,467
- 31 to 60 days	9,492	11.8	8,677	815
- over 60 days	7,444	9.2	6,794	650
	35,691	44.2	32,759	2,932
	80,697	**100.0**	**76,901**	**3,796**

As at LPD, RM76.90 million or 95.3% of our trade receivables as at 31 January 2022 have been collected. The remaining balance of RM3.80 million have yet to be collected as at LPD, of which RM2.93 million have exceeded the credit period. Of this:

(a) RM0.41 million are under monthly instalment plans;

(b) RM0.20 million are under weekly instalment plans; and

(c) The remaining balances are currently in the progress of negotiations on the settlement terms with our Group.

We are of the view that we are able to collect the majority of the outstanding amount as it is our business practice to continue trade with these customers upon receiving all our outstanding payments.

Notwithstanding the COVID-19 pandemic during FYE 2021, our customers have generally been paying within the credit period granted. Our Group has not encountered any major disputes with our trade receivables. Our net impairment loss on trade receivables for the financial years under review are as follows:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss allowance recognised in profit or loss	(1)428	(2)1,151	(1)16	(5)307
Loss allowance no longer required	-	(1)(343)	(1)(255)	(1)(51)
Bad debts written off	-	(3)69	(4)71	-

Notes:

(1) Comprise the recognition and reversal of loss allowances on trade receivables. In accordance with MFRS 9, an impairment analysis is performed at each reporting date for expected credit losses on trade receivables with reference to historical credit loss experience on a general basis as well as for individually impaired trade receivables.

(2) Relates to a specific loss allowance of RM1.15 million in respect of a customer which has since bankrupted due to an action brought by our Group.

(3) Relates to stolen inventories from sale invoices issued to fictitious customers at a physical store, whereby the individual is currently being prosecuted.

(4) Relates to long outstanding debts (i.e. outstanding more than 7 years).

(5) Relates to specific allowance in respect of 5 customers from our commercial channel, of which our Group has no reasonable expectation in recovering the outstanding amounts, and we are either in the progress of negotiating with these customers on the repayment terms or taking legal actions against them.

12.8.2 Trade payables turnover

Our average trade payables' turnover period (in days) for FYE 2019 to 2022 is as follows:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening trade payables	51,591	65,086	60,633	89,693
Closing trade payables	65,086	60,633	89,693	118,693
Average trade payables	58,339	62,860	75,163	104,193
Costs for trading goods	549,752	628,874	655,806	1,013,653
Average trade payables turnover period (days)	39	36	42	38

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to our Group for trade purchases ranged from cash terms to 60 days. To maintain good relationship with our suppliers, we will pay the suppliers as they fall due. In addition, we purchase most of our supplies on cash terms to secure better pricing.

Our average trade payables turnover period for FYE 2019, 2020, 2021 and 2022 was 39 days, 36 days, 42 days and 38 days respectively, which were within the normal credit terms granted by our suppliers. The higher average trade payable turnover period of 42 days for FYE 2021 was mainly due to higher purchases made towards the end of FYE 2021.

The ageing analysis of our trade payables as at 31 January 2022 is as follows:

	Trade payables as at 31 January 2022		**Payment from 1 February 2022 to LPD**	**Balance trade payables as at LPD**
	RM'000	**Percentage of trade payables**	**RM'000**	**RM'000**
	(a)	**(a)/total of (a)**	**(b)**	**(c) = (a)-(b)**
Within credit period	65,359	55.1	65,343	16
Exceeding credit period:				
- 1 to 30 days	39,916	33.6	39,916	-
- 31 to 60 days	5,107	4.3	5,106	1
- More than 60 days	8,311	7.0	7,370	941
	53,334	44.9	52,392	942
	118,693	**100.0**	**117,735**	**958**

As at 31 January 2022, our total trade payables stood at RM118.69 million, with RM53.33 million or 44.9% of our trade payables exceeding the normal credit period.

As at LPD, we have outstanding trade payables of RM0.96 million, representing 0.8% of our trade payables as at 31 January 2022. These remaining unsettled balances of RM0.96 million were mainly attributable to our Group having a back-to-back payment arrangement with one of our suppliers for a digital signage installation project. At the start of this project, the supplier had agreed that we will only pay them after full collection from the project's customer. Subsequent to LPD, we have received the collection from the project's customer and correspondingly we will make payment to our supplier.

As at LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us. There are also no disputes regarding trade payables, and our suppliers have not initiated any legal action against us to demand for payments.

12.8.3 Inventory turnover

Our inventories comprise various range of ICT products. Our average inventory turnover period (in days) for FYE 2019 to 2022 is set out below:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening inventories	43,989	58,610	60,957	55,339
Closing inventories	58,610	60,957	55,339	103,558
Average inventories	51,300	59,784	58,148	79,449
Costs for trading goods	549,752	628,874	655,806	1,013,653
Average inventory turnover period (days)	34	35	32	29

Our inventories consist of various ranges of ICT products that we purchased from our suppliers. We constantly endeavour to maintain a sufficient inventory level to avoid instances of stock unavailability at our stores. Our average inventory turnover for FYE 2019, 2020, 2021 and 2022 was 34 days, 35 days, 32 days and 29 days, respectively.

Our average inventory turnover decreased from 35 days for FYE 2020 to 32 days for FYE 2021, and it further reduced to 29 days for FYE 2022, due to higher demand for ICT products as the COVID-19 pandemic had led to a rise in work-from-home and virtual class practices during the imposition of MCO.

We review our inventories on a product-by-product and aging basis during the periodic stock count and we make allowance for damaged, obsolete and slow-moving inventories, when necessary. Management estimates the net realisable value for such inventory items based primarily on the current market conditions.

Our Group's policy for allowance for obsolete and slow-moving inventories will be made based on the following basis:

	Cumulated allowance for obsolete and slow-moving inventories	
	End-of-life products(1)	**Demonstration units**(2)
Below 1 year	-	30.0%
1 to 2 years	20.0%	40.0%
2 to 3 years	30.0%	50.0%
More than 3 years	100.0%	100.0%

Notes:

(1) Being ICT products in which the models are outdated over time, excluding demonstration units. These units are still functional and sellable.

(2) Being ICT products displayed at our physical stores that are still functional and sellable.

During the financial years under review, our Group had written down inventories as below:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Inventories written off	(1)69	-	-	-
Theft of inventories during the year	(2)646	-	-	-
Written down/(Reversal of written down) of inventories to net realisable values	(3)-	(3)-	(4)2,104	(5)(145)

Notes:

(1) Inventories written off was due to loss incurred from the sales of inventories to scrap collector lower than the inventories cost.

(2) Theft of inventories for FYE 2019 was in relation to stock lost at a physical store.

(3) Our Group organised promotional activities via our in-house roadshows and third party IT trade fairs to reduce the level of slow-moving end-of-life inventories and demonstration units during FYE 2019 and 2020. As such, there were no material impairment losses on inventories required for FYE 2019 and 2020.

(4) In light of the COVID-19 pandemic, we have reduced our participations in trade fairs organised by third party organisers during FYE 2021. As such, this had resulted in higher slow-moving end-of-life inventories level as at 31 January 2021 and the inventories written down to net realisable values of approximately RM2.10 million. These inventories are related to demonstration units and also end-of-life ICT products as detailed below:

	FYE 2021
	RM'000
End-of-life ICT products	1,325
Demonstration units	779
	2,104

(5) Comprises the net effects of the reversal of inventories to net realisable values of RM0.33 million for end-of-life ICT products and the inventories written down to net realisable value of RM0.18 million for demonstration units.

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As at 31 January 2022, our inventories amounted to RM103.56 million and can be analysed as follows:

	Inventory holding period				
	1 to 30 days	**31 to 60 days**	**61 to 90 days**	**91 days and above**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ICT products	30,528	19,547	11,851	43,591	105,517
Less: Impairment	-	-	-	(1,959)	(1,959)
	30,528	**19,547**	**11,851**	**41,632**	**103,558**
Sold from 1 February 2022 to LPD	(25,055)	(17,246)	(6,304)	(22,588)	(71,193)
Balance inventories as at LPD	**5,473**	**2,301**	**5,547**	**19,044**	**32,365**

As at LPD, RM71.19 million or 68.7% of our inventories as at 31 January 2022 have been sold. The balance of the inventories of RM32.37 million or 31.3% remained unsold as at LPD, of which RM19.04 million have exceeded 90 days which comprises mainly laptops and tablets. The unsold inventories that have exceeded 90 days mainly includes the following:

(a) third party demonstration units and end-of-life laptops amounting to RM0.10 million and RM5.38 million respectively; and

(b) our house brand demonstration units and end-of-life laptops amounting to RM0.09 million and RM8.70 million respectively.

Adequate allowances on obsolete and slow-moving inventories have been provided for based on our Group's policy. Save for the inventories written down of RM2.10 million for FYE 2021, we are of the opinion that there is no further material allowance on slow-moving and/or obsolete inventories as at LPD.

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12.8.4 Current ratio

Our current ratio throughout the financial years under review is as follows:

	Audited			
	As at 31 January			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	115,139	121,491	164,256	227,776
Current liabilities	97,974	101,864	125,735	163,157
Net current assets	**17,165**	**19,627**	**38,521**	**64,619**
Current ratio (times)	1.18	1.19	1.31	1.40

Our current ratio ranges from 1.18 times to 1.40 times for the financial years under review. This indicates that our Group can meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our fixed deposits and bank balances, are enough to meet immediate current liabilities.

As at 31 January 2021, our current ratio increased to 1.31 times (as at 31 January 2020: 1.19 times). Our cash and bank balances increased by RM8.84 million due to internally generated funds from business growth and our trade receivables increased by RM6.77 million due to sales to one of our customers towards the end of FYE 2021.

As at 31 January 2022, our current ratio further increased to 1.40 times (as at 31 January 2021: 1.31 times) mainly attribuble to the following:

(i) increase in inventories by RM48.22 million, which was in tandem with our revenue growth for FYE 2022;

(ii) increase in cash and cash equivalents of RM9.63 million as at 31 January 2022, due to higher internally generated funds from our business growth;

(iii) trade receivables increased by RM8.64 million as at 31 January 2022, mainly attributable to sales invoices of RM26.37 million issued to 2 customers towards the end of FYE 2022. The said increase was offset partially by the improved collections from our customers resulting from improvement in our credit control monitoring process; and

(iv) trade payables increased by RM29.00 million, which was in tandem with higher purchases to support our revenue growth in FYE 2022.

12.8.5 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	Audited			
	As at 31 January			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Total borrowings[(1)]	30,133	55,354	47,795	49,963
Total equity	35,655	43,337	63,101	93,019
Gearing ratio (times)	0.85	1.28	0.76	0.54

Note:

(1) Computed based on total interest-bearing borrowings (excluding lease liabilities for right-of-use assets) over total equity as at the end of each financial year.

Our gearing ratio ranges from 0.54 times to 1.28 times throughout the financial years under review.

We recorded a higher gearing ratio of 1.28 times as at 31 January 2020 (as at 31 January 2019: 0.85 times), due to the increase in bank borrowings of RM25.22 million as compared to the preceding year. There was a drawdown of an additional term loan facility of RM19.40 million to finance the purchase of freehold land in Petaling Jaya, Selangor for the construction of our Regional Hub, and higher utilisation of bankers' acceptance for the purchase of inventories.

Our gearing ratio decreased to 0.76 times as at 31 January 2021 mainly due to lesser utilisation of our bankers' acceptance facilities for the purchase of inventories coupled with our improved financial performance and position for FYE 2021.

Our gearing ratio further decreased to 0.54 times as at 31 January 2022 mainly due to improved financial performance and position for FYE 2022.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to COVID-19, there were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during the financial years under review. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.

12.10 IMPACT OF INFLATION

During the financial years under review, our financial performance was not materially affected by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR OPERATIONS

(a) Impact of foreign exchange rates

Our proportions of sales and purchases transactions denominated in local and foreign currencies are as follows:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales denominated in:								
(i) RM	478,926	80.6	468,730	69.4	651,625	90.3	962,870	86.6
(ii) USD	115,171	19.4	206,552	30.6	69,844	9.7	149,138	13.4
(iii) SGD	43	*	-	-	-	-	-	-
	594,140	**100.0**	**675,282**	**100.0**	**721,469**	**100.0**	**1,112,008**	**100.0**
Purchases denominated in:								
(i) RM	458,605	83.4	432,518	68.8	605,109	92.3	877,626	86.6
(ii) USD	91,147	16.6	196,356	31.2	50,697	7.7	136,027	13.4
	549,752	**100.0**	**628,874**	**100.0**	**655,806**	**100.0**	**1,013,653**	**100.0**

Note:

* Representing less than 0.01%.

We are exposed to transactional currency exposure as 19.4%, 30.6%, 9.7% and 13.4% of our total revenue were denominated in USD for FYE 2019, 2020, 2021 and 2022, respectively. In addition, 16.6%, 31.2%, 7.7% and 13.4% of our purchases were denominated in USD for FYE 2019, 2020, 2021 and 2022.

An appreciation of the RM against the USD may adversely affect our financial performance and our GP margin. If the USD significantly appreciates against the RM, we will record a higher revenue and higher cost of goods sold in RM after conversion. Conversely, if the USD significantly depreciates against the RM, we will record a lower revenue and lower cost of goods sold in RM after conversion.

For FYE 2019, 2020, 2021 and 2022, our gains and losses from foreign exchange fluctuations are as follows:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Realised gain/(loss) on foreign exchange	131	12	(44)	22
Unrealised gain on foreign exchange	-	51	-	118
Net gain/(loss)	**131**	**63**	**(44)**	**140**

We currently do not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis, and our Group endeavours to keep the net exposure at an acceptable level. Our Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Our Group does not hedge our exposure to fluctuation in foreign currency exchange rates. As at LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchases from our foreign suppliers and revenue from our foreign sales. A depreciation of the RM against the USD will lead to higher costs of supplies for our Group. In the event that we are unable to pass the increase in costs to our customers in a timely manner, our financial performances may be adversely affected due to the reduced GP margin from higher costs of supplies.

(b) Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. Our interest coverage ratio for FYE 2019 to 2022 is as follows:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
Interest coverage ratio (times)[(1)]	5.45	3.69	10.69	16.34

Note:

(1) Computed based on EBIT over finance costs for FYE 2019 to 2022.

Our interest coverage ratios range from 3.69 times to 16.34 times from FYE 2019 to 2022, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

Our financial results for FYE 2019 to 2022 were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

12.12 ORDER BOOK

We do not enter into long-term contracts with our customers. Our sales through commercial channel are made based on purchase orders from our customers on an ongoing basis. Sales through our physical and online stores channels are sold to customers on ad-hoc basis. Due to the nature of our business, we do not maintain an order book.

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12.13 DIRECTORS' DECLARATION ON OUR FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(a) Our revenue will remain sustainable with an upward growth trend, in line with the anticipated growth in the ICT products and services industry as set out in the IMR Report;

(b) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.16; and

(c) Our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arise.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margin or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.14 TREND INFORMATION

As at LPD, our financial performance, position and operations are not affected by any of the following:

(a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in Sections 12.2, 7, 8 and 9;

(b) Material commitments for capital expenditure disclosed in Section 12.6;

(c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 12.2 and 9;

(d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and/or profit as disclosed in Section 12.2, business and industry overview, as set out in Sections 7 and 8, and business strategies and future plans as set out in Section 7.16;

(e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, save as disclosed in Section 12 and Section 9; and

(f) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, save as disclosed in Section 12 and in Sections 7 and 9.

Our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.15, the outlook of the ICT products and services industry in Malaysia as set out in the IMR Report in Section 8 and our commitment to implement the business strategies and future plans as set out in Section 7.16.

12.15 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distribution are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. The payment of dividends by our subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of Directors deem relevant. Save for certain restrictive covenants from our credit facilities, which our subsidiaries are subject to, there is no other dividend restriction imposed on our subsidiaries as at LPD.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(a) the level of cash and level of indebtedness;

(b) required and expected interest expense, cash flows, profits, return on equity and retained earnings;

(c) our expected results of operations and future level of operations;

(d) our projected levels of capital expenditure and other investment plans; and

(e) the prior consent from our lenders, if any.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board, and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in a general meeting, may from time to time approve dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(a) our Company is, or would after the payment be unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than its liabilities.

For FYE 2019 to 2022 and up to LPD, our Group declared and paid the following dividends to shareholders of the respective subsidiaries:

	Audited				Unaudited
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**	**1 February 2022 up to LPD**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
PAT attributable to owners of our Company	9,100	7,782	23,381	35,918	N/A
Dividends declared	75	100	4,087	8,612[(2)]	-
Dividends paid	75	100	105	6,594[(2)]	6,000
Dividend payout rate (%) [(1)]	0.8	1.3	17.5	16.7	N/A

Notes:

N/A Not applicable as we did not prepare financial statements from 1 February 2022 up to LPD.

(1) Computed based on dividend declared over PAT for each financial year.

(2) Includes first interim dividend declared by SNS Network Malaysia in respect of FYE 2022 amounting to RM2,612,000 which was paid by way of contra with the issuance of 2,612,000 new ordinary shares at RM1 each to its existing shareholders.

The dividends above were funded by internal funds sourced from the cash and bank balances of the respective subsidiaries. The dividends will not affect the execution and implementation of our future plans or business strategies. Together with the IPO proceeds, we believe that we have sufficient funding of cash from operations and bank borrowings for the funding requirement for our operations and our expansion plans.

As at LPD, there is no outstanding dividends declared but remained unpaid. Subsequent to LPD, no dividend was declared, made or paid by our Group.

No influence should or can be made from any of the above statements as to our actual future profitability or our ability to pay dividends in the future.

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12.16 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 May 2022 and after adjusting for the effects of the Acquisitions and Public Issue including the utilisation of proceeds.

	Unaudited	**I**	**II**
	(1) As at 31 May 2022	**After our IPO**	**After I and utilisation of proceeds**
	RM'000	**RM'000**	**RM'000**
Capitalisation			
Shareholders' equity	103,873	194,593	189,888
Total capitalisation	**103,873**	**194,593**	**189,888**
Indebtedness(2)			
Current			
Commodity Murabahah term financing	1,590	1,590	2,150
Term loans	478	478	478
Bankers' acceptances	30,134	30,134	30,134
Hire purchase payables	1,015	1,015	1,015
Lease liabilities for right-of-use assets	8,235	8,235	10,165
Non-current			
Commodity Murabahah term financing	21,981	21,981	1,421
Term loans	5,858	5,858	5,858
Hire purchase payables	1,011	1,011	1,011
Lease liabilities for right-of-use assets	5,452	5,452	10,252
Bank guarantees(3)	5,013	5,013	5,013
Total indebtedness	**80,767**	**80,767**	**67,497**
Total capitalisation and indebtedness	**184,640**	**275,360**	**257,385**
Gearing ratio (times)(4)	**0.60**	**0.32**	**0.22**

Notes:

(1) After adjusting for the Acquisitions.

(2) All of our indebtedness are secured and/or guaranteed except for certain lease liabilities which are secured but not guaranteed.

(3) Bank guarantees and documentary credit primarily issued to trade suppliers.

(4) Calculated based on total indebtedness (excluded lease liabilities for right-of-use assets and bank guarantees) divided by total capitalisation.

SNS NETWORK TECHNOLOGY BERHAD

ACCOUNTANTS' REPORT ON THE COMBINED FINANCIAL STATEMENTS

(Prepared for inclusion in the Prospectus)

Deloitte.

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ACCOUNTANTS' REPORT
(Prepared for inclusion in the Prospectus of
SNS Network Technology Berhad)

July 5, 2022

The Board of Directors
SNS Network Technology Berhad
61, Jalan Sultan Nazrin Shah
30250 Ipoh
Perak Darul Ridzuan

Dear Sirs

Reporting Accountant's Opinion on the Combined Financial Statements contained in the Accountants' Report of SNS Network Technology Berhad

We have audited the Combined Financial Statements of SNS Network Technology Berhad ("the Company") and its combining entities (collectively known as "the combining entities" or "the Group") which comprise the combined statements of financial position as at January 31, 2022, January 31, 2021, January 31, 2020 and January 31, 2019, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended January 31, 2022, January 31, 2021, January 31, 2020 and January 31, 2019 respectively, and notes to the Combined Financial Statements including a summary of significant accounting policies, as set out in pages 11 to 68. The Combined Financial Statements have been prepared for inclusion in the prospectus for SNS Network Technology Berhad in connection with the initial public offering of the ordinary shares in the Company and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes.

In our opinion, the accompanying Combined Financial Statements give a true and fair view of the combined financial position of the Group as at January 31, 2022, January 31, 2021, January 31, 2020 and January 31, 2019 and of its combined financial performance and its combined cash flows for the financial years ended January 31, 2022, January 31, 2021, January 31, 2020 and January 31, 2019 respectively in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountant's Responsibilities for the Audit of the Combined Financial Statements* section of our reporting accountants' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the By-Laws *(On Professional Ethics*, *Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Combined Financial Statements

The directors of the Company are responsible for the preparation of the Combined Financial Statements of the Group that give a true and fair view in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of Combined Financial Statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Financial Statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the Combined Financial Statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountants' report that includes our opinion. Reasonable assurance is a high level of assurance but not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Combined Financial Statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Combined Financial Statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the Combined Financial Statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our reporting accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Combined Financial Statements of the Group, including the disclosures, and whether the Combined Financial Statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the combining entities or business activities within the Group to express an opinion on the Combined Financial Statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Distribution and Use

This report is made solely to the Company and for inclusion in the prospectus of the Company to be issued in relation to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

Deloitte PLT

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

LIM KENG PEO
Partner - 02939/01/2024 J
Chartered Accountant

1. ABBREVIATIONS

Unless the context otherwise requires, the following definitions shall apply throughout this report.

Act	Companies Act, 2016
Acrux	Acrux Technology Sdn Bhd (201201033528 (1018016-U))
Board	Board of Directors of SNS
Bursa Securities	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
CMSA	Capital Markets and Services Act 2007 of Malaysia
Controlling Shareholders and Promoters	Mr. Ko Yun Hung, Mr. Pah Wai Onn, Mr. Siow Wei Ming, Ms. Eng Su Fern and Ms. Tham Sau Har
FYE	Financial year(s) ended/ending 31 January, as the case may be
GLOO	GLOO Sdn Bhd (200801018602 (819899-X))
ICT	Information communications and technology
IFRS	International Financial Reporting Standards
IPO or Public Issue	Public issue of 362,875,500 Issue Shares at IPO Price of RM0.25 per share
IT	Information Technology
iTworld	iTworld Services (M) Sdn Bhd (200801024311 (825635-H)).
JOI	JOI Sdn Bhd (202001001751(1358070-W))
LPD	June 30, 2022, being the latest practicable date prior to the registration of the Prospectus
MASB	Malaysian Accounting Standards Board
MITI	Ministry of International Trade and Industry Malaysia
MFRS	Malaysian Financial Reporting Standards
MPERS	Malaysian Private Entities Reporting Standard
Notebook Plaza	Notebook Plaza Sdn Bhd (201001027593 (911512-M))
SC	Securities Commission Malaysia
SNS Network ICT	SNS Network (ICT) Sdn Bhd (201001016872 (900575-H))
SNS Group or combining entities	SNS, SNS Network Malaysia, SNS Network Services, SNS Network ICT, Notebook Plaza, Acrux, GLOO, iTworld and JOI collectively
SNS Network Malaysia	SNS Network (M) Sdn Bhd (200001009450 (512056-K))
SNS Network Services	SNS Network Services Sdn Bhd (200201011283 (578946-K))

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CHARTERED ACCOUNTANTS (AF0080)

SNS or the Company	SNS Network Technology Berhad (201601002835 (1173761-W))
SNS Shares or Shares	Ordinary shares in SNS

2. PURPOSE OF REPORT

We set out below our report on the financial information (the "Financial Information") relating to SNS Group for financial years ended January 31, 2022 ("FYE 2022"), January 31, 2021 ("FYE 2021"), January 31, 2020 ("FYE 2020") and January 31, 2019 ("FYE 2019") for inclusion in the Prospectus of SNS (the "Prospectus") in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of SNS on the ACE Market of Bursa Securities.

This report has been prepared by Deloitte PLT, an approved company auditors, for inclusion in the Prospectus in relation to the listing of and quotation for IPO.

The details of the combining entities are as follows:

Name of company	Date of incorporation	Issued and paid-up share capital No. of shares	RM	Principal activities
Acrux	September 24, 2012	200,000	200,000	Provision of ICT products and services(1)
GLOO	June 2, 2008	1,000	1,000	Provision of broadband services
iTworld	July 16, 2008	20,100	20,100	Provision of ICT solutions(2)
JOI	January 15, 2020	470,000	470,000	Dormant(3)
Notebook Plaza	August 12, 2010	1,000,000	1,000,000	Provision of ICT products(4)
SNS Network ICT	May 11, 2010	100,000	100,000	Provision of web-based solutions(5)
SNS Network Malaysia	April 21, 2000	5,000,000	5,000,000	Provision of ICT products, services and solutions, device repair and related services as well as sale of broadband services

(Forward)

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Name of company	Date of incorporation	Issued and paid-up share capital No. of shares	RM	Principal activities
SNS Network Services	May 6, 2002	1,000,000	1,000,000	Provision of ICT products and services as well as broadband services
SNS	January 26, 2016	2	2	Has not commenced business operations

Notes:

(1) This company was originally set up with a local partner to penetrate the Johor market. On January 23, 2021, the shares of the local partner were sold to Ko Yun Hung. Moving forward, the directors plan to consolidate the operations of this company with SNS Network Malaysia.
(2) This company solely provides ICT solutions to companies within SNS Group.
(3) Moving forward, the directors plan to use this company to develop JOI® ICT products for the education industry.
(4) This company specialises in the sale of desktops and laptops.
(5) This company provides web-based solutions solely for Multimedia Super Corridor Malaysia qualified activities.

All the above companies are incorporated and domiciled in Malaysia. The registered office and principal place of business of the Group is located at No. 61, Jalan Sultan Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan, Malaysia.

There was no significant change in the nature of the principal activities of the combining entities since the respective dates of incorporation. As part of the Listing Scheme, SNS will acquire 100% equity interests of all the other entities as disclosed in Section 3.3.1.

The auditors of SNS Group for the respective financial years/periods are as follows:

Entity	Financial Years/Periods	Auditors	Approved Accounting Standards
SNS	2019 (1)	Khor & Associates	MPERS
	2020 (2)	Khor & Associates	MPERS
	2021 (3)	Deloitte PLT	MFRS
	2022	Deloitte PLT	MFRS
Acrux	2019 (4)	Deloitte PLT	MPERS
	2020	Deloitte PLT	MPERS
	2021	Deloitte PLT	MFRS
	2022	Deloitte PLT	MFRS
GLOO	2019	Deloitte PLT	MPERS
	2020	Deloitte PLT	MPERS
	2021	Deloitte PLT	MFRS
	2022	Deloitte PLT	MFRS
iTworld	2019	Deloitte PLT	MPERS
	2020	Deloitte PLT	MPERS
	2021	Deloitte PLT	MFRS
	2022	Deloitte PLT	MFRS
JOI	2021 (5)	Deloitte PLT	MFRS
	2022	Deloitte PLT	MFRS
Notebook Plaza	2019 (6)	Yeoh Oon Hor & Co.	MPERS
	2020	Yeoh Oon Hor & Co.	MPERS
	2021	Deloitte PLT	MFRS
	2022	Deloitte PLT	MFRS

(Forward)

Entity	Financial Years/Periods	Auditors	Approved Accounting Standards
SNS Network ICT	2019	Deloitte PLT	MPERS
	2020	Deloitte PLT	MPERS
	2021	Deloitte PLT	MFRS
	2022	Deloitte PLT	MFRS
SNS Network Malaysia	2019	Deloitte PLT	MPERS
	2020	Deloitte PLT	MPERS
	2021	Deloitte PLT	MFRS
	2022	Deloitte PLT	MFRS
SNS Network Services	2019	Deloitte PLT	MPERS
	2020	Deloitte PLT	MPERS
	2021	Deloitte PLT	MFRS
	2022	Deloitte PLT	MFRS

Notes:

(1) 12 months period July 1, 2018 to June 30, 2019
(2) 12 months period July 1, 2019 to June 30, 2020
(3) 7 months period July 1, 2020 to January 31, 2021
(4) 16 months period October 1, 2017 to January 31, 2019
(5) 12½ months period January 15, 2020 (date of incorporation) to January 31, 2021
(6) 13 months period January 1, 2018 to January 31, 2019

The audited financial statements of the combining entities within SNS Group for the respective financial years/periods as reported above were not subject to any qualification or modification.

The combined financial statements of SNS Group are the combination or aggregation of all the financial statements of the combining entities that have been prepared based on the separate financial statements for the 12 months reporting periods from February 1, 2018 to January 31, 2019 ("FYE 2019"), from February 1, 2019 to January 31, 2020 ("FYE 2020"), from February 1, 2020 to January 31, 2021 ("FYE 2021") and from February 1, 2021 to January 31, 2022 ("FYE 2022") in accordance with MFRS and IFRS.

3. GENERAL INFORMATION

3.1 Corporate Information

(a) SNS

SNS was incorporated and domiciled in Malaysia under the Act on January 26, 2016 as a private limited liability company. The intended principal activity of SNS is that of investment holding. On July 30, 2021, the company was converted to a public limited liability company to be the holding company for the restructured group pursuant to the internal restructuring exercise as disclosed in Section 3.3.1.

(b) Combining companies of SNS Group

The details of the combining entities within SNS Group are disclosed in Section 2.

3.2 Share Capital

Issued and Paid-up Ordinary Share Capital

Details of the changes in the issued and paid-up ordinary share capital of since incorporation to LPD are as follows:

Date of allotment	No. of ordinary shares	Consideration	Cumulative issued and paid-up share capital (RM)
26.01.2016	2	Cash	2

3.3 Listing Scheme

SNS is undertaking the listing of and quotation for its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities. The listing scheme comprises the following:

3.3.1 New Share Issuance

In connection with the Listing Scheme, SNS undertook the following acquisitions prior to the Public Issue as described in Note 3.3.2 by entering into the following agreements:

(i) Conditional sale and purchase agreement dated July 14, 2021 (and supplemented on May 10, 2022) with Ko Yun Hung and Pah Wai Onn to acquire the entire equity interest in Acrux comprising 200,000 ordinary shares for a purchase consideration of RM0.67 million which was satisfied by the issuance of 13,265,346 new Shares to Ko Yun Hung and Pah Wai Onn at an issue price of RM0.0505 each;

(ii) Conditional sale and purchase agreement dated July 14, 2021 (and supplemented on May 10, 2022) with Ko See Meng and Pah Wai Onn to acquire the entire equity interest in GLOO comprising 1,000 ordinary shares for a purchase consideration of RM0.68 million which was satisfied by the issuance of 13,480,990 new Shares to Ko Yun Hung(1) and Pah Wai Onn at an issue price of RM0.0505 each;

(iii) Conditional sale and purchase agreement dated July 14, 2021 (and supplemented on May 10, 2022) with Ko See Meng and Pah Wai Onn to acquire the entire equity interest in iTworld comprising 20,100 ordinary shares for a purchase consideration of RM0.57 million which was satisfied by the issuance of 11,200,396 new Shares to Ko Yun Hung(1) and Pah Wai Onn at an issue price of RM0.0505 each;

(iv) Conditional sale and purchase agreement dated July 14, 2021 (and supplemented on May 10, 2022) with Ko Yun Hung and Pah Wai Onn to acquire the entire equity interest in JOI comprising 470,000 ordinary shares for a purchase consideration of RM0.46 million which was satisfied by the issuance of 9,199,406 new Shares to Ko Yun Hung and Pah Wai Onn at an issue price of RM0.0505 each;

(v) Conditional sale and purchase agreement dated July 14, 2021 (and supplemented on May 10, 2022) with Ko See Meng, Pah Wai Onn, Siow Wei Ming and Siow Wei Shan to acquire the entire equity interest in Notebook Plaza comprising 1,000,000 ordinary shares for a purchase consideration of RM14.92 million which was satisfied by the issuance of 295,431,880 new Shares to Ko Yun Hung(1), Pah Wai Onn, Siow Wei Ming and Siow Wei Shan at an issue price of RM0.0505 each;

(vi) Conditional sale and purchase agreement dated July 14, 2021 (and supplemented on May 10, 2022) with Eng Su Fern and Tham Sau Har to acquire the entire equity interest in SNS Network ICT comprising 100,000 ordinary shares for a purchase consideration of RM0.74 million which was satisfied by the issuance of 14,725,942 new Shares to Eng Su Fern and Tham Sau Har at an issue price of RM0.0505 each;

(vii) Conditional sale and purchase agreement dated July 14, 2021 (and supplemented on May 10, 2022) with Ko Yun Hung and Ong Mei Kwai to acquire the entire equity interest in SNS Network Malaysia comprising 5,000,000 ordinary shares for a purchase consideration of RM41.42 million which was satisfied by the issuance of 820,173,268 new Shares to Ko Yung Hung and Pah Wai Onn(2) at an issue price of RM0.0505 each; and

(viii) Conditional sale and purchase agreement dated July 14, 2021 (and supplemented on May 10, 2022) with Ko See Meng and Pah Wai Onn to acquire the entire equity interest in SNS Network Services comprising 1,000,000 ordinary shares for a purchase consideration of RM3.66 million which was satisfied by the issuance of 72,426,930 new Shares to Ko Yun Hung(1) and Pah Wai Onn at an issue price of RM0.0505 each.

(Forward)

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CHARTERED ACCOUNTANTS (AF0080)

Notes:

(1) The Shares were issued to Ko Yun Hung after the acquisitions of GLOO, iTworld, Notebook Plaza and SNS Network Services as Ko See Meng (father of Ko Yun Hung) previously held shares in such companies on trust for Ko Yun Hung in accordance with 4 declarations of trust made by the parties between year 2012 to 2014.

(2) The Shares were issued to Pah Wai Onn after the acquisition of SNS Network Malaysia as Ong Mei Kwai (mother of Pah Wai Onn) previously held shares in SNS Network Malaysia on trust for Pah Wai Onn in accordance with a declaration of trust made by the parties in 2000.

Upon completion of the New Share Issuance, the issued and paid-up share capital of SNS increased from RM2 comprising 2 ordinary shares in FYE 2022 to RM63.12 million comprising 1,249,904,160 SNS Shares.

3.3.2 Public Issue

A total of 362,875,500 Issue Shares, representing approximately 22.5% of the enlarged share capital of SNS at the IPO Price comprising:

(i) Malaysian Public via balloting

80,639,000 Shares, representing approximately 5.0% of the enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process as follows:

- 40,319,500 Shares, representing approximately 2.5% of the enlarged share capital, made available to public investors; and

- 40,319,500 Shares, representing approximately 2.5% of the enlarged share capital, made available to Bumiputera public investors.

(ii) Eligible Directors, employees and persons who have contributed to the success of SNS Group

48,383,400 Shares, representing approximately 3.0% of the enlarged share capital, are reserved for the eligible Directors, employees and persons who have contributed to the success of SNS Group under the Pink Form Allocations.

(iii) Private Placement to Bumiputera investors approved by MITI

201,597,500 Shares representing approximately 12.5% of the enlarged share capital, are reserved for private placement to Bumiputera investors approved by MITI.

(iv) Private Placement to selected investors

32,255,600 Shares representing approximately 2.0% of the enlarged share capital, are reserved for private placement to selected investors.

The completion of the Public Issue will result in an enlarged issued and paid up share capital of SNS from RM63.12 million comprising 1,249,904,160 SNS Shares to RM153.84 million comprising 1,612,779,660 SNS Shares. There is no over-allotment or 'greenshoe' option that will increase the number of SNS IPO Shares.

4. HISTORICAL FINANCIAL INFORMATION

4.1 Combined Financial Statements

The combined financial statements of SNS Group have been prepared solely in connection with the IPO and for no other purpose.

The combined financial statements consist of the financial statements of the SNS Group, under the common control of the controlling shareholders.

The combined financial statements of SNS Group which comprise combined statements of financial position of SNS Group as of January 31, 2022, January 31, 2021, January 31, 2020 and January 31, 2019, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of SNS Group for the FYE 2022, FYE 2021, FYE 2020 and FYE 2019, and a summary of significant accounting policies and other explanatory information have been prepared as if SNS Group has been operated as a single economic entity throughout the financial years ended January 31, 2022, January 31, 2021, January 31, 2020 and January 31, 2019.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain the benefits from the activities and that ultimate collective power is not transitory. The financial statements of commonly controlled companies are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of SNS Group after incorporating or effecting the relevant acquisitions, as the combined financial statements reflect business combinations under common control for the purpose of the IPO. Such financial information from the combined financial statements does not purport to predict the financial positions, results of operations and cash flows of SNS Group.

4.2 Combined Statements of Comprehensive Income

	Note	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Revenue	4.9	1,112,008,738	721,469,465	675,281,795	594,140,477
Cost of sales	4.10	(1,017,995,362)	(657,688,727)	(630,614,930)	(550,995,880)
Gross profit		94,013,376	63,780,738	44,666,865	43,144,597
Other operating income		7,490,695	4,880,898	3,364,243	1,697,833
Other gains and losses	4.11	1,320,608	1,320,657	63,423	130,544
Investment revenue	4.12	43,951	50,484	56,674	50,880
Selling and distribution expenses	4.10	(32,345,698)	(22,770,665)	(21,962,142)	(18,020,713)
General and administrative expenses	4.10	(18,675,743)	(12,214,299)	(12,313,197)	(11,940,982)
Profit from operations		51,847,189	35,047,813	13,875,866	15,062,159
Finance costs	4.13	(3,163,508)	(3,266,507)	(3,732,988)	(2,741,900)
Profit before tax	4.14	48,683,681	31,781,306	10,142,878	12,320,259
Tax expenses	4.16	(12,766,216)	(8,399,938)	(2,361,050)	(3,220,449)
Profit and total comprehensive income for the year attributable to equity holders of SNS Group		35,917,465	23,381,368	7,781,828	9,099,810
Basic and diluted earnings per share (RM)	4.17	5.89	4.95	1.65	1.93

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CHARTERED ACCOUNTANTS (AF0080)

4.3 Combined Statements of Financial Position

	Note	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4.18	51,465,066	50,544,001	48,455,423	26,245,364
Right-of-use assets	4.19	12,504,509	8,259,849	10,937,522	13,693,813
Other investments - club membership	4.20	-	-	16,000	16,000
Finance lease receivables	4.21	348,896	1,112,332	-	-
Total Non-Current Assets		64,318,471	59,916,182	59,408,945	39,955,177
Current Assets					
Inventories	4.22	103,557,805	55,339,030	60,957,040	58,610,247
Trade and other receivables	4.23	87,997,431	84,350,348	45,752,618	39,737,135
Amount owing by a director	4.24	-	-	-	8,878
Finance lease receivables	4.21	760,633	684,027	-	-
Other assets	4.25	5,184,596	4,051,492	3,792,107	6,119,771
Current tax assets	4.16	446,600	365,506	411,086	310,688
Fixed deposits, cash and bank balances	4.26	29,828,732	19,465,051	10,578,312	10,352,332
Total Current Assets		227,775,797	164,255,454	121,491,163	115,139,051
Total Assets		292,094,268	224,171,636	180,900,108	155,094,228
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	4.28	2	2	2	2
Invested capital	4.29	7,791,100	5,179,100	4,709,100	3,809,100
Retained earnings	4.30	85,227,927	57,922,462	38,628,134	31,846,306
Total Equity		93,019,029	63,101,564	43,337,236	35,655,408
Non-Current Liabilities					
Borrowings	4.32	29,747,559	32,296,778	30,141,019	12,665,466
Lease liabilities	4.33	4,573,455	1,703,461	4,141,453	7,501,975
Deferred tax liabilities	4.34	1,596,846	1,335,314	1,416,357	1,297,800
Total Non-Current Liabilities		35,917,860	35,335,553	35,698,829	21,465,241
Current Liabilities					
Trade and other payables	4.35	121,930,498	93,464,554	67,892,175	71,601,613
Amount owing to directors	4.36	34,360	15,360	251,486	15,073
Other liabilities	4.37	1,788,269	972,390	620,440	542,912
Contract liabilities	4.38	308,414	120,032	70,102	67,195
Dividends payable		6,000,000	3,982,040	-	-
Borrowings	4.32	20,214,544	15,497,693	25,212,893	17,466,889
Lease liabilities	4.33	8,163,409	7,003,149	7,319,041	6,557,420
Current tax liabilities	4.16	4,717,885	4,679,301	497,906	1,722,477
Total Current Liabilities		163,157,379	125,734,519	101,864,043	97,973,579
Total Liabilities		199,075,239	161,070,072	137,562,872	119,438,820
Total Equity and Liabilities		292,094,268	224,171,636	180,900,108	155,094,228

4.4 Combined Statements of Changes In Equity

	Note	Share Capital RM	Invested Capital RM	Attributable to Equity Owners of SNS Group Distributable Reserve - Retained Earnings RM	Total Equity RM
Balance as of February 1, 2018		2	2,060,100	24,570,496	26,630,598
Profit and total comprehensive income for the year		-	-	9,099,810	9,099,810
Issue of bonus shares	4.29	-	1,749,000	(1,749,000)	-
Dividends	4.31	-	-	(75,000)	(75,000)
Balance as of January 31, 2019		2	3,809,100	31,846,306	35,655,408
Balance as of February 1, 2019		2	3,809,100	31,846,306	35,655,408
Profit and total comprehensive income for the year		-	-	7,781,828	7,781,828
Issue of bonus shares	4.29	-	900,000	(900,000)	-
Dividends	4.31	-	-	(100,000)	(100,000)
Balance as of January 31, 2020		2	4,709,100	38,628,134	43,337,236
Balance as of February 1, 2020		2	4,709,100	38,628,134	43,337,236
Profit and total comprehensive income for the year		-	-	23,381,368	23,381,368
Issue of ordinary shares	4.29	-	470,000	-	470,000
Dividends	4.31	-	-	(4,087,040)	(4,087,040)
Balance as of January 31, 2021		2	5,179,100	57,922,462	63,101,564
Balance as of February 1, 2021		2	5,179,100	57,922,462	63,101,564
Profit and total comprehensive income for the year		-	-	35,917,465	35,917,465
Issue of ordinary shares	4.29	-	2,612,000	-	2,612,000
Dividends	4.31	-	-	(8,612,000)	(8,612,000)
Balance as of January 31, 2022		2	7,791,100	85,227,927	93,019,029

4.5 Combined Statements of Cash Flows

	Note	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		48,683,681	31,781,306	10,142,878	12,320,259
Adjustments for:					
Depreciation of right-of-use assets		9,530,578	8,715,503	7,641,543	5,218,471
Finance costs		3,163,508	3,266,507	3,732,988	2,741,900
(Reversal of write down)/Write down of inventories to net realisable values		(144,707)	2,103,671	-	-
Depreciation of property, plant and equipment		1,718,650	1,419,224	1,221,333	1,090,280
Loss allowances recognised in profit or loss		306,928	15,881	1,151,351	427,723
Bad debts written off		-	71,032	68,933	-
Increase in provision for customer loyalty programme		313,270	44,322	-	-
Property, plant and equipment written off		201,372	44,142	-	30,388
(Gain)/Loss on disposal of property, plant and equipment		(238,672)	30,365	3,693	(110,000)
Deposits written off		8,914	17,119	-	-
Investment in club membership written off		-	16,000	-	-
Tax penalty		-	-	7,466	-
Increase/(Decrease) in provision for warranties		161,141	5,608	2,907	(24,160)
Inventories written off		-	-	-	69,255
Negative variable lease payments		(1,171,154)	(1,354,008)	-	-
Theft of inventories during the year		-	-	-	645,592
Loss allowances no longer required		(51,105)	(254,758)	(342,650)	-
Income from finance lease receivables		(91,294)	(57,623)	-	-
Investment revenue		(43,951)	(50,484)	(56,674)	(50,880)
Interest income		(22,391)	(29,877)	(51,622)	(55,104)
Gains arising from lease terminations		(9,354)	(11,143)	-	-
Unrealised gain on foreign exchange		(118,416)	-	(51,455)	-
Increase in provision for voucher programme		45,229	-	-	-
Expiry of loyalty programme		(285,852)	-	-	-
		61,956,375	45,772,787	23,470,691	22,303,724
Movements in working capital:					
(Increase)/Decrease in:					
Inventories		(48,074,068)	3,514,339	(2,346,793)	(10,474,829)
Trade and other receivables		(3,902,906)	(38,429,885)	(6,893,117)	(9,900,077)
Other assets		(1,142,018)	(276,504)	169,664	(3,457,257)
Finance lease receivables		778,124	(1,738,736)	-	-
Increase/(Decrease) in:					
Trade and other payables		28,465,944	25,572,379	(3,716,083)	12,859,966
Other liabilities		815,879	351,950	77,528	(65,792)
Contract liabilities		(45,406)	-	-	-
Cash Generated From Operations		38,851,924	34,766,330	10,761,890	11,265,735
Income tax refunded		84,282	42,016	102,315	29,636
Interest received		22,391	29,877	51,622	55,104
Income tax paid		(12,631,476)	(4,296,022)	(3,674,771)	(2,073,623)
Tax penalty paid		-	-	(2,472)	-
Net Cash From Operating Activities		26,327,121	30,542,201	7,238,584	9,276,852

(Forward)

	Note	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		802,500	102,500	167,000	110,000
Interest received on fixed deposits		43,951	50,484	56,674	50,880
Purchase of property, plant and equipment	4.40(a)	(2,372,815)	(1,709,464)	(1,742,440)	(4,005,278)
Placement of fixed deposits		(733,952)	(50,484)	(496,673)	(655,880)
Net Cash Used In Investing Activities		(2,260,316)	(1,606,964)	(2,015,439)	(4,500,278)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Draw down of term loans and financing	4.40(b)	-	8,250,000	671,500	2,161,250
Issue of ordinary shares		-	470,000	-	-
Proceeds from/(Repayment of) bankers' acceptances – net	4.40(b)	4,710,522	(10,584,587)	6,646,903	5,885,389
Repayment of lease liabilities	4.40(b)	(8,564,476)	(7,426,563)	(7,484,153)	(4,852,889)
Repayment of term loans and financing	4.40(b)	(1,997,734)	(6,859,137)	(1,532,478)	(969,126)
Finance costs paid		(3,163,508)	(3,266,507)	(3,732,988)	(2,741,900)
Repayment of hire-purchase payables	4.40(b)	(1,577,256)	(316,422)	(284,008)	(303,961)
Advances received from/(Repayment Made to) directors	4.40(b)	19,000	(236,126)	245,291	6,713
Dividends paid		(3,982,040)	(105,000)	(100,000)	(75,000)
Net Cash Used In Financing Activities		(14,555,492)	(20,074,342)	(5,569,933)	(889,524)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,511,313	8,860,895	(346,788)	3,887,050
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,503,039	8,642,144	8,937,477	5,050,427
Effect of exchange rate changes on the balance of cash held in foreign currencies		118,416	-	51,455	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	4.40(c)	27,132,768	17,503,039	8,642,144	8,937,477

4.6 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of SNS Group and have been prepared in accordance with MFRSs and IFRSs.

(a) Amendments to MFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, SNS Group adopted all of the amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after February 1, 2018, February 1, 2019, February 1, 2020 and February 1, 2021 respectively. SNS Group has also elected to early adopt the amendments to MFRS 16 *COVID-19 Related Rent Concessions and* MFRS 16 *COVID-19 Related Rent Concessions beyond June 30, 2021*. Their adoption has not had any material impact on the disclosures or on the amounts reported in the combined financial statements, except for the application of amendments to MFRS 16 as described below.

Impact of the application of amendments to MFRS 16 *COVID-19 - Related Rent Concessions*

In May 2020, MASB issued *COVID-19 - Related Rent Concessions* (*Amendment to MFRS 16*) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to MFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying MFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, SNS Group has applied the amendments to MFRS 16 in advance of its effective date and applied the practical expedient retrospectively to all eligible rent concessions and has not restated prior period figures.

SNS Group has benefited from reduction of lease payments on certain leased buildings. The reduction of discounted lease payments of RM1,171,154 (FYE 2021: RM1,354,008; FYE 2020: Nil; FYE 2019: Nil) has been accounted for as negative variable lease payments in profit or loss. SNS Group has derecognised the part of the lease liabilities that pertain to the reduced lease payments.

(b) Standards in issue but not yet effective

SNS Group has not applied the following new and amendments to MFRSs that have been issued but are not yet effective:

Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020[1]

(Forward)

MFRS 17	Insurance Contracts[2]
Amendments to MFRS 17	Insurance Contracts[2]
Amendments to MFRS 3	Reference to the Conceptual Framework[1]
Amendments to MFRS 4	Extension of the Temporary Exemption from applying MFRS 9[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current and Disclosure of Accounting Policies[2]
Amendments to MFRS 108	Definition of Accounting Estimates[2]
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[1]
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract[1]

[1] Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.
[3] Effective date deferred to a date to be announced by MASB.

The directors anticipate that the abovementioned new and amendments to MFRSs will be adopted in the financial statements of SNS Group when they become effective and are in the process of accessing the impact on the financial statements arising from the adoption of the abovementioned new and amendments to MFRSs.

4.7 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of SNS Group have been prepared under the historical cost basis except for certain financial instruments that are measured at amortised cost or at fair value through profit or loss at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, SNS Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

(Forward)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that SNS Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements

Business Combinations Involving Common Control Entities

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

The combined financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling parties. The share capital of all the combining entities, other than SNS, are presented as invested capital in the combined statement of financial position.

A single uniform set of accounting policies is adopted by the combining entities. Therefore, the net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling parties' interest.

The combined statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination. Expenditure incurred in connection with the restructuring is recognised as an expense in profit or loss.

The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combining entities.

The debit differences arising between the cost of acquisition and the nominal value of share capital of the subsidiaries are reflected within equity as invested capital.

Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. SNS Group recognises revenue when it transfers control of a product or a service to a customer.

Sale of Goods

Revenue from a sale of goods is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. Rebates and volume discounts are given to eligible customers, and are taken up as variable considerations in determining transaction prices contracted.

Revenue from sale of goods to customers are recognised either when goods are delivered to the customers or when goods are purchased at SNS Group's physical stores. Following delivery, a customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods, i.e. when control of goods has transferred to the customer. A receivable is recognised by SNS Group when control of goods are transferred to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from sale of goods to customers at SNS Group's physical stores are recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Sales-related warranties which cannot be purchased separately and serve as an assurance that the products sold comply with agreed-upon specifications are accounted as provision for warranties.

Commission, Incentives and Services Rendered

Commission, incentives and income on services rendered are recognised upon rendering of relevant services. Services include provision of device repair and broadband services recognised at the point in time in which services are rendered.

Maintenance Services Rendered

Income on maintenance services rendered are recognised upon rendering of relevant services and represents performance obligation recognised over time.

Customer loyalty programme

SNS Group operates a loyalty programme through which customers accumulate points on purchases of goods that entitle them to discounts on future purchases. These points provide a discount to customers that they would not receive without purchasing the goods (i.e. a material right). The promise to provide the discount to customers is therefore a separate performance obligation. The transaction price is allocated between the product, the maintenance services (if any) and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by SNS Group's historical experience.

A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers.

Customer voucher programme

SNS Group may, at its discretion, implement seasonal voucher programme that entitles voucher holders to discounts on future purchases, redeemable upon payment to SNS Group. The vouchers issued to customers have a validity period of 3 months and once claimed by the customers, are recognised as a contract liability at the discount value in proportion to the likelihood of redemption based on SNS Group's historical experience.

(Forward)

Others

Interest income from a debt investment is recognised using the effective interest method.

Government Grants

SNS Group does not recognise government grants until there is reasonable assurance that SNS Group will comply with the conditions attaching to the grants and the grants will be received.

All government grants are recognised as income in profit or loss on a systematic basis over the period in which SNS Group recognises as expenses the related costs for which the grants are intended to compensate. Any balance not yet recognised in profit or loss is treated as deferred income, i.e. a liability in the statement of financial position.

Foreign Currencies

The financial statements of SNS Group are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of SNS Group, transactions in currencies other than SNS Group's functional currency (foreign currency) are recognised at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are initially denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Leases

SNS Group as a lessee

SNS Group assesses whether a contract is or contains a lease, at inception of the contract. SNS Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, SNS Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability comprise monthly fixed lease payments (including in-substance fixed payments), less any lease incentives receivable, presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

SNS Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(Forward)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

SNS Group applies MFRS 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of Non-Financial Assets' policy.

As a practical expedient, MFRS 16 *Leases* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. SNS Group has not used this practical expedient.

SNS Group as a lessor

Leases for which SNS Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When SNS Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or an operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of SNS Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on SNS Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, SNS Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of MFRS 9 *Financial Instruments*, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, SNS Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which require a substantial period of time to get them ready for their intended use, are capitalised and included as part of the cost of the related assets. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Employee Benefits

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of SNS Group at an undiscounted amount of the benefits expected to be paid in exchange for that service. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short-term non-accumulating compensated absences such as sick leave are recognised as and when the absences occur.

Defined contribution plan

SNS Group is required by law to make monthly contributions to the Employees' Provident Fund ("EPF"), a statutory defined contribution plan, for all its eligible employees based on certain prescribed rates of the employees' salaries. SNS Group's contributions to EPF are recognised as an expense when employees have rendered services entitling them to the contributions and are disclosed separately. The employees' contributions to EPF are included in salaries and wages. Once the contributions have been paid, SNS Group has no further payment obligations.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability of SNS Group for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which SNS Group expects, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and SNS Group intends to settle its current tax assets and current tax liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or an income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the combined profit or loss attributable to owners of SNS Group by the weighted average number of ordinary shares outstanding of the combining entities during the year.

Diluted EPS is determined by adjusting the combined profit or loss attributable to owners of SNS Group and the weighted average number of ordinary shares outstanding of the combining entities, adjusted for the effects of all dilutive potential ordinary shares, if any.

Property, Plant and Equipment

All property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use. For a self-constructed asset, cost comprises all direct and indirect costs of construction (including provision for restoration and cost of major inspection) but excludes internal profits. For an exchange of non-monetary asset that has a commercial substance, cost is measured by reference to the fair value of the asset received. For asset transferred from a customer or a grantor, cost is measured by reference to the fair value of the asset.

Freehold land and capital work-in-progress are not amortised/depreciated.

All other property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses and are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life. The annual depreciation rates of the respective classes of property, plant and equipment depreciated on a straight-line basis are as follows:

Building	2%
Signboard and elevator	10%
Furniture, fixtures, electrical fittings and machinery	10%
Renovation	10%
Motor vehicles	10% - 20%
Computer software and office equipment	10% - 35%

At the end of each reporting period, the residual values, useful lives and depreciation methods for the property, plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property, Plant and Equipment under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements, which transfer substantially all of the risks and rewards incident to ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding hire purchase obligations are recorded at their fair values or, if lower, at the present value of the minimum hire purchase payment of the assets under hire purchase at the inception of the respective arrangements.

(Forward)

Finance costs, which represent the difference between the total hire-purchase commitments and the fair values of the assets acquired, are charged to profit or loss over the term of the relevant hire purchase period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on "Weighted Average" method. The cost of trading merchandise comprises the original purchase price, net of rebates received plus cost incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Impairment of Non-Financial Assets

At the end of each reporting period, SNS Group reviews the carrying amounts of its assets (other than other financial assets which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, SNS Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount would not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when SNS Group has a present obligation (legal or constructive) as a result of past event, it is probable that SNS Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when SNS Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value though profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, SNS Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- SNS Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- SNS Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) <u>Amortised cost and effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

(Forward)

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost or at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, SNS Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, SNS Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that SNS Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(Forward)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with MFRS 9 *Financial Instruments*, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or at FVTOCI (see (i) to (ii) above) are measured at FVTPL. Investments in equity instruments are classified as at FVTPL, unless SNS Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (ii) above).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Section 4.39.

Impairment of financial assets

SNS Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

SNS Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on SNS Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial instruments, SNS Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, SNS Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, SNS Group compares the risk of a default occurring on the financial instrument at the end of the reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, SNS Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which SNS Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to SNS Group's core operations.

(Forward)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, SNS Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless SNS Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, SNS Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

SNS Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

SNS Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

SNS Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including SNS Group, in full (without taking into account any collateral held by SNS Group).

(Forward)

Irrespective of the above analysis, SNS Group considers that default has occurred when a financial asset is more than 120 days past due unless SNS Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

SNS Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under SNS Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, SNS Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to SNS Group in accordance with the contract and all the cash flows that SNS Group expects to receive, discounted at the original effective interest rate.

If SNS Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the end of the current reporting period that the conditions for lifetime ECL are no longer met, SNS Group measures the loss allowance at an amount equal to 12-month ECL at the end of the current reporting period, except for assets for which simplified approach was used.

SNS Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

SNS Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If SNS Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, SNS Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If SNS Group retains substantially all the risks and rewards of ownership of a transferred financial asset, SNS Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which SNS Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by SNS Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL (SNS Group does not have any financial liabilities measured at FVTPL).

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

SNS Group derecognises financial liabilities when, and only when, SNS Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Statement of Cash Flows

SNS Group adopts the indirect method in the preparation of the statement of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4.8 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of SNS Group's accounting policies, which are described in Note 4.7, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying SNS Group's accounting policies

In the process of applying SNS Group's accounting policies, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Estimated useful lives of property, plant and equipment

SNS Group regularly reviews the estimated useful lives of property, plant and equipment at the end of each reporting period based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

The carrying amount of property, plant and equipment at the end of the reporting period is as disclosed in Section 4.18.

(ii) Calculation of loss allowance

ECL is calculated based on historical loss on the respective outstanding balances by number of days past due. Historical loss rates are calculated based on total credit loss from the prior year's revenue and repayment trends of the prior year's revenue multiplied by the number of days past due. When measuring ECL, SNS Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other as disclosed in Section 4.23.

(iii) Allowance for inventories written down

SNS Group has carried out a review of inventories on a product-by-product and on aging basis and have made allowance for slow-moving inventories. Management estimates the net realisable value for such inventory items based primarily on the current market conditions.

In the current financial year, SNS Group recognised a reversal of write down of inventories amounting to RM144,707 (FYE 2021: write down of RM2,103,671; FYE 2020: Nil, FYE 2019: Nil) as disclosed in Section 4.22.

(iv) Income taxes

SNS Group is subject to income taxes and significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The current tax assets/(liability), deferred tax liabilities of SNS Group at the end of the reporting period and related income tax expense is as disclosed in Section 4.16.

4.9 Revenue

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Income from:				
Sale of ICT products	1,099,266,654	710,316,109	663,450,064	582,212,380
Provision of device repair and broadband services	12,742,084	11,153,356	11,831,731	11,928,097
	1,112,008,738	721,469,465	675,281,795	594,140,477
Revenue recognised:				
At a point in time	1,110,729,249	720,354,033	674,123,907	593,373,815
Overtime	1,279,489	1,115,432	1,157,888	766,662
	1,112,008,738	721,469,465	675,281,795	594,140,477

SNS Group applied the practical expedient under MFRS 15 not to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period as all unsatisfied contracts with customers are expected to be fulfilled within one year.

Included in sale of ICT products are web portal maintenance services of RM302,645 (FYE 2021: RM218,400; FYE 2020: RM218,400; FYE 2019: RM218,400).

Stamped for the purpose of identification only with our letter / report dated
0 5 JUL 2022
DELOITTE PLT (LLP0010145-LCA)
CHARTERED ACCOUNTANTS (AF0080)

4.10 Operating Costs Applicable to Revenue

The operating costs classified by nature, applicable to revenue, are as follows:

	Note	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Purchase of trading goods		1,061,866,024	650,180,617	631,220,421	560,157,042
Changes in inventories		(48,074,068)	3,514,339	(2,346,793)	(10,474,829)
Directors' remuneration	4.15	4,838,807	3,353,974	3,151,509	3,174,275
Employee benefits expenses	4.14	23,622,216	14,358,507	13,812,403	10,763,690
Depreciation of property, plant and equipment	4.18	1,718,650	1,419,224	1,221,333	1,090,280
Depreciation of right-of-use assets	4.19	9,530,578	8,715,503	7,641,543	5,218,471
(Reversal of write down)/ Write down of inventories to net realisable values	4.22	(144,707)	2,103,671	-	-
Inventories written off	4.22	-	-	-	69,255
Other operating expenses		15,659,303	9,027,856	10,189,853	10,959,391
		1,069,016,803	692,673,691	664,890,269	580,957,575

4.11 Other Gains and Losses

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Gain/(Loss) on foreign exchange:				
Realised	21,684	(44,494)	11,968	130,544
Unrealised	118,416	-	51,455	-
Gains arising from termination of leases	9,354	11,143	-	-
Negative variable lease payments	1,171,154	1,354,008	-	-
	1,320,608	1,320,657	63,423	130,544

4.12 Investment Revenue

Investment revenue consists of interest income from fixed deposits. The following is an analysis of investment revenue earned on the financial assets by category of assets:

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Investment revenue for financial assets not designated as at FVTPL	43,951	50,484	56,674	50,880

4.13 Finance Costs

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Interest on:				
Term loans	1,054,867	1,168,174	1,410,108	635,105
Bankers' acceptances	322,674	550,128	1,064,016	835,398
Hire-purchase payables	57,298	53,954	55,118	73,308
Lease liabilities	441,666	507,829	612,195	629,800
Bank charges	1,287,003	986,422	591,551	568,289
	3,163,508	3,266,507	3,732,988	2,741,900

4.14 Profit Before Tax

Profit before tax has been arrived at after crediting/(charging):

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Income from operators arising from right-of-use assets	5,851,175	3,006,909	2,644,586	1,408,562
Government grants:				
Wage subsidies	888,060	1,168,720	-	-
Others	-	27,157	-	-
Loss allowances no longer required	51,105	254,758	342,650	-
Rental income from:				
Parking lot	204,900	210,350	194,065	-
Others	71,210	45,505	41,400	37,800
Interest income from finance lease receivables	91,294	57,623	-	-
Interest income from cash and bank balances	22,391	29,877	51,622	55,104
Overdue charges	64,639	609	5,206	-
Rental of premises paid to:				
Third parties	(895,161)	(465,340)	(962,936)	(1,438,847)
A director	(53,550)	(109,000)	(42,600)	(42,600)
A person connected to a director	-	-	(50,400)	(50,400)
A person connected to a former director	-	-	(24,000)	(24,000)
Theft of inventories	-	-	-	(645,592)
Auditor's remuneration:				
Deloitte PLT	(208,000)	(156,800)	(68,500)	(68,500)
Other auditors	-	-	(8,800)	(9,800)
Loss allowances recognised in profit or loss	(306,928)	(15,881)	(1,151,351)	(427,723)
Bad debts written off	-	(71,032)	(68,933)	-
(Increase)/Decrease in provision:				
Customer loyalty programme	(313,270)	(44,322)	-	-
Warranties	(161,141)	(5,608)	(2,907)	24,160
Voucher programme	(45,229)	-	-	-
Expiry of loyalty programme	285,852	-	-	-
Property, plant and equipment written off	(201,372)	(44,142)	-	(30,388)
Gain/(Loss) on disposal of property, plant and equipment	238,672	(30,365)	(3,693)	110,000
Deposits written off	(8,914)	(17,119)	-	-
Investment in club membership written off	-	(16,000)	-	-
Rental of photocopy machines	-	(4,494)	(5,583)	(5,743)

Included in employee benefits expenses of SNS Group are contributions made to EPF of RM2,779,673 (FYE 2021: RM1,621,547; FYE 2020: RM1,541,649; FYE 2019: RM1,156,967).

4.15 Remuneration of Directors and Promoters

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Remuneration of Promoters				
As directors of combined entities:				
Fees	-	1,290,534	746,000	902,000
Salaries and other emoluments	2,720,617	1,190,424	1,181,424	1,159,424
EPF contributions	353,086	153,270	152,880	150,020
	3,073,703	2,634,228	2,080,304	2,211,444
As key management personnel of combined entities:				
Salaries and other emoluments	1,200,130	48,923	48,923	48,923
Commission	21,455	426,517	778,889	678,182
EPF contributions	155,610	6,240	6,240	6,240
	1,377,195	481,680	834,052	733,345
Remuneration of other directors				
Fees	93,900	54,882	80,000	80,000
Salaries and other emoluments	260,413	164,718	141,307	134,398
EPF contributions	33,596	18,466	15,846	15,088
	387,909	238,066	237,153	229,486
	4,838,807	3,353,974	3,151,509	3,174,275

The estimated monetary value of benefits-in-kind received and receivable by the directors other than in cash from SNS Group amounted to RM43,833 (FYE 2021: RM82,188; FYE 2020: RM93,352; FYE 2019: RM98,850).

4.16 Tax Expenses

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Recognised in profit or loss				
Income tax expenses comprise:				
Current year	(12,415,637)	(8,337,000)	(2,326,727)	(2,803,339)
Prior years	(89,047)	(143,981)	84,234	(49,807)
	(12,504,684)	(8,480,981)	(2,242,493)	(2,853,146)
Deferred tax (Section 4.34):				
Relating to origination and reversal of temporary differences:				
Current year	(8,260)	442,043	(121,421)	(367,303)
Prior years	(253,272)	(361,000)	2,864	-
	(261,532)	81,043	(118,557)	(367,303)
	(12,766,216)	(8,399,938)	(2,361,050)	(3,220,449)

(Forward)

The statutory income tax rate for FYE 2022, FYE 2021 and FYE 2020 on the first RM600,000 of chargeable income for resident companies with paid-up capital of up to RM2,500,000 at the beginning of the basis period and gross income from source of business not exceeding RM50,000,000 shall be 17%. For chargeable income in excess of RM600,000, the corporate income tax rate of 24% was applicable.

The statutory income tax rate for FYE 2019 on the first RM500,000 of chargeable income for resident companies with paid-up capital of up to RM2,500,000 at the beginning of the basis period is at 17%. For chargeable income in excess of RM500,000, the income tax rate of 24% was applicable.

The tax expenses for the year can be reconciled to profit before tax as follows:

	FYE 2022 RM	**FYE 2021 RM**	**FYE 2020 RM**	**FYE 2019 RM**
Profit before tax	48,683,681	31,781,306	10,142,878	12,320,259
Tax expenses calculated at 24% (FYE 2021:24%; FYE 2020:24%; FYE 2019:24%)	(11,684,000)	(7,627,000)	(2,434,000)	(2,957,000)
Tax effects of:				
Expenses eligible for double deduction	48,000	67,000	61,000	59,000
Income that is not taxable in determining taxable profits	576,800	321,458	-	-
Expenses that are not deductible in determining taxable profits	(1,348,197)	(790,483)	(205,100)	(422,000)
Effect of difference in tax rate applicable to small and medium scale companies	7,800	97,932	47,100	135,000
Tax-exempt pioneer status income	-	34,136	41,000	29,000
Utilisation of deferred tax assets previously not recognised	-	-	36,000	-
Unabsorbed capital allowances and unutilised tax losses not recognised as deferred tax assets	(24,300)	-	-	(15,000)
Others	-	2,000	5,852	358
Prior years:				
Income tax	(89,047)	(143,981)	84,234	(49,807)
Deferred tax	(253,272)	(361,000)	2,864	-
Tax expenses recognised in profit or loss	(12,766,216)	(8,399,938)	(2,361,050)	(3,220,449)

Current tax assets and liabilities

	31.1.2022 RM	**31.1.2021 RM**	**31.1.2020 RM**	**31.1.2019 RM**
Current tax assets				
Tax refund receivables	446,600	365,506	411,086	310,688
Current tax liabilities				
Income tax payables	(4,717,885)	(4,679,301)	(497,906)	(1,722,477)

One of the combining entities has tax exempt pioneer income of approximately RM1,638,806 (31.1.2021: RM1,707,095; 31.1.2020: RM1,380,069; 31.1.2019: RM1,159,000) that is available for distribution as tax exempt dividend to the shareholders of the said combining entity.

(Forward)

As mentioned in Section 4.7, the tax effects of deductible temporary differences, unutilised tax losses and unabsorbed capital allowances which would give rise to net deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances can be utilised. At the end of the reporting period, the estimated unabsorbed capital allowances and unutilised tax losses of one of the combining companies, which is available for offset against future taxable profits are as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Unutilised tax losses	282,000	201,000	127,000	246,000
Unabsorbed tax capital allowances	3,000	166,000	-	35,000
Property, plant and equipment	(15,000)	(200,000)	(50,000)	(48,000)
	270,000	167,000	77,000	233,000

Deferred tax assets at the applicable tax rate of 24% (FYE 2021: 24%; FYE 2020: 24%; FYE 2019: 24%) amounting to RM64,000 (31.1.2021: RM40,000; 31.1.2020: RM18,000; 31.1.2019: RM56,000) have not been recognised in the financial statements due to uncertainty of their realisation.

The Finance Act 2021, which was gazetted on December 31, 2021, enacts the extension of timeframe to carry forward unutilised tax losses from 7 to 10 consecutive years of assessment. Accordingly, one of the combining entities' unutilised tax losses at the end of the reporting period are expected to be disregarded by the end of the following years of assessment:

	RM
For the year of assessment:	
2029	156,000
2030	-
2031	-
2032	126,000
	282,000

4.17 Earnings Per Share

The basic and diluted earnings per share are calculated as follows:

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Profit for the year attributable to equity holders of SNS Group	35,917,465	23,381,368	7,781,828	9,099,810
Weighted average number of shares				
At beginning of year	5,179,102	4,709,102	3,809,102	2,060,102
Increase in shares arising from bonus issue with no corresponding change in resources	-	-	900,000	2,649,000
Effects of ordinary shares issued during the financial year satisfied by:				
Cash	-	17,978	-	-
Offset with dividend payments	915,989	-	-	-
At end of year	6,095,091	4,727,080	4,709,102	4,709,102
Basic and fully diluted				
Earnings per ordinary share (RM)	5.89	4.95	1.65	1.93

SNS Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

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0 5 JUL 2022
DELOITTE PLT (LLP0010145-LCA)
CHARTERED ACCOUNTANTS (AF0080)

13. ACCOUNTANTS' REPORT *(Cont'd)*

4.18 Property, Plant and Equipment

	Freehold land RM	Building RM	Signboard and elevator RM	Furniture, fixtures, electrical fittings and machinery RM	Renovation RM	Motor vehicles RM	Motor vehicles under hire purchase RM	Computer software and office equipment RM	Computer software and office equipment under hire purchase RM	Capital work-in-progress RM	Total RM
Cost											
As of February 1, 2018	4,160,025	14,838,837	59,630	2,227,218	461,576	581,317	1,940,635	1,910,355	-	397,274	26,576,867
Additions	642,891	-	19,332	546,614	744,278	-	92,713	350,227	-	1,700,423	4,096,478
Write offs	-	-	-	-	(27,203)	-	-	(31,770)	-	-	(58,973)
Disposals	-	-	-	-	-	(376,043)	-	-	-	-	(376,043)
Reclassifications	-	-	-	-	-	84,300	(84,300)	-	-	-	-
As of January 31, 2019/ February 1, 2019	4,802,916	14,838,837	78,962	2,773,832	1,178,651	289,574	1,949,048	2,228,812	-	2,097,697	30,238,329
Additions	-	160,000	9,880	159,078	509,316	-	537,838	375,607	-	21,850,366	23,602,085
Disposals	-	-	-	-	-	(104,100)	(369,196)	-	-	-	(473,296)
Reclassifications	22,373,211	-	-	-	-	-	-	-	-	(22,373,211)	-
As of January 31, 2020/ February 1, 2020	27,176,127	14,998,837	88,842	2,932,910	1,687,967	185,474	2,117,690	2,604,419	-	1,574,852	53,367,118
Additions	-	-	3,400	165,027	249,307	21,000	749,935	695,319	1,330,145	470,676	3,684,809
Write offs	-	-	-	(98,729)	-	-	-	-	-	-	(98,729)
Disposals	-	-	-	-	-	-	(370,786)	-	-	-	(370,786)
Reclassifications	-	1,568,207	-	-	-	-	-	-	-	(1,568,207)	-
As of January 31, 2021/ February 1, 2021	27,176,127	16,567,044	92,242	2,999,208	1,937,274	206,474	2,496,839	3,299,738	1,330,145	477,321	56,582,412
Additions	-	-	170,360	988,440	-	43,153	1,246,844	585,946	162,691	207,481	3,404,915
Write offs	-	-	-	(359,068)	(131,723)	-	-	(188,714)	-	-	(679,505)
Disposals	-	-	-	-	-	(25,000)	(1,214,819)	-	-	-	(1,239,819)
Reclassifications	-	-	-	-	-	112,177	(112,177)	-	-	-	-
As of January 31, 2022	27,176,127	16,567,044	262,602	3,628,580	1,805,551	336,804	2,416,687	3,696,970	1,492,836	684,802	58,068,003

(Forward)

	Freehold land RM	Building RM	Signboard and elevator RM	Furniture, fixtures and electrical fittings and machinery RM	Renovation RM	Motor vehicles RM	Motor vehicles under hire purchase RM	Computer software and office equipment RM	Computer software and office equipment under hire purchase RM	Capital work-in-progress RM	Total RM
Accumulated depreciation											
As of February 1, 2018	-	603,825	34,818	546,973	198,532	468,796	530,275	924,094	-	-	3,307,313
Charge for the year	-	296,777	4,356	232,665	62,862	38,588	267,726	187,306	-	-	1,090,280
Write offs	-	-	-	-	(14,508)	-	-	(14,077)	-	-	(28,585)
Disposals	-	-	-	-	-	(376,043)	-	-	-	-	(376,043)
Reclassifications	-	-	-	-	-	67,440	(67,440)	-	-	-	-
As of January 31, 2019/ February 1, 2019	-	900,602	39,174	779,638	246,886	198,781	730,561	1,097,323	-	-	3,992,965
Charge for the year	-	298,110	5,589	269,525	134,210	29,013	270,738	214,148	-	-	1,221,333
Disposals	-	-	-	-	-	(87,239)	(215,364)	-	-	-	(302,603)
As of January 31, 2020/ February 1, 2020	-	1,198,712	44,763	1,049,163	381,096	140,555	785,935	1,311,471	-	-	4,911,695
Charge for the year	-	331,352	6,478	288,152	175,116	22,770	299,665	269,827	25,864	-	1,419,224
Write offs	-	-	-	(54,587)	-	-	-	-	-	-	(54,587)
Disposals	-	-	-	-	-	-	(237,921)	-	-	-	(237,921)
As of January 31, 2021/ February 1, 2021	-	1,530,064	51,241	1,282,728	556,212	163,325	847,679	1,581,298	25,864	-	6,038,411
Charge for the year	-	331,341	6,561	316,835	179,962	17,734	272,197	278,908	315,112	-	1,718,650
Write offs	-	-	-	(164,156)	(131,694)	-	-	(182,283)	-	-	(478,133)
Disposals	-	-	-	-	-	(24,999)	(650,992)	-	-	-	(675,991)
Reclassifications	-	-	-	-	-	16,827	(16,827)	-	-	-	-
As of January 31, 2022	-	1,861,405	57,802	1,435,407	604,480	172,887	452,057	1,677,923	340,976	-	6,602,937
Carrying amount											
As of January 31, 2022	27,176,127	14,705,639	204,800	2,193,173	1,201,071	163,917	1,964,630	2,019,047	1,151,860	684,802	51,465,066
As of January 31, 2021	27,176,127	15,036,980	41,001	1,716,480	1,381,062	43,149	1,649,160	1,718,440	1,304,281	477,321	50,544,001
As of January 31, 2020	27,176,127	13,800,125	44,079	1,883,747	1,306,871	44,919	1,331,755	1,292,948	-	1,574,852	48,455,423
As of January 31, 2019	4,802,916	13,938,235	39,788	1,994,194	931,765	90,793	1,218,487	1,131,489	-	2,097,697	26,245,364

SNS Group's freehold land, buildings and capital work-in-progress with carrying amount of RM27,176,127 (31.1.2021: RM27,176,127; 31.1.2020: RM27,176,127; 31.1.2019: RM4,802,916), RM14,553,371 (31.1.2021: RM14,881,513; 31.1.2020: RM13,641,458; 31.1.2019: RM13,938,235) and RM684,802 (31.1.2021: RM477,321; 31.1.2020: RM1,574,852; 31.1.2019: RM1,419,997) respectively have been charged to local licensed banks for banking facilities granted to SNS Group as mentioned in Section 4.32.

Motor vehicles under hire-purchase are secured against the hire-purchase payables as mentioned in Section 4.32(a). Motor vehicles with carrying amount of Nil (31.1.2021: RM625,762; 31.1.2020: RM588,955; 31.1.2019: RM982,617) are held in trust by certain directors of SNS Group.

Certain office equipment under hire-purchase with carrying amounts of RM1,151,860 (31.1.2021: RM1,304,281; 31.1.2020: Nil; 31.1.2019: Nil) are leased to third parties as disclosed in Note 4.41(b).

4.19 Right-Of-Use Assets

	Buildings RM
Cost	
As of February 1,2018	13,882,540
Additions	5,029,744
As of January 31, 2019/February 1, 2019	18,912,284
Additions	4,885,252
Expiry of leases	(132,956)
As of January 31, 2020/February 1, 2020	23,664,580
Additions	6,369,535
Expiry of leases	(374,943)
Termination of leases	(573,550)
As of January 31, 2021/February 1, 2021	29,085,622
Additions	13,897,760
Expiry of leases	(388,117)
Termination of leases	(457,470)
As of January 31, 2022	42,137,795
Accumulated depreciation	
As of February 1,2018	-
Charge for the year	5,218,471
As of January 31, 2019/February 1, 2019	5,218,471
Charge for the year	7,641,543
Expiry of leases	(132,956)
As of January 31, 2020/February 1, 2020	12,727,058
Charge for the year	8,715,503
Expiry of leases	(374,943)
Termination of leases	(241,845)
As of January 31, 2021/February 1, 2021	20,825,773
Charge for the year	9,530,578
Expiry of leases	(388,117)
Termination of leases	(334,948)
As of January 31, 2022	29,633,286
Carrying amount	
As of January 31, 2022	12,504,509
As of January 31, 2021	8,259,849
As of January 31, 2020	10,937,522
As of January 31, 2019	13,693,813

As discussed in Section 4.6, certain combining entities have benefited from reduction of lease payments on certain leased buildings. The decrease in the lease liability of RM1,171,154 (31.1.2021: RM1,354,008; 31.1.2020: Nil; 31.1.2019: Nil) has been accounted for as negative variable lease payments in profit or loss.

SNS Group leases certain retail outlets located at shopping malls for office and operational use. The lease terms, including extension, range from 2 to 6 years. The maturity analysis of lease liabilities is presented in Section 4.33.

(Forward)

Additions to right-of-use assets include extension of leases which expired in the current financial year amounting to RM9,502,013 (31.1.2021: RM11,647,017; 31.1.2020: RM770,215; 31.1.2019: Nil).

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Amounts recognised in profit or loss				
Income from operators arising from right-of-use assets	5,851,175	3,006,909	2,644,586	1,408,562
Negative variable lease payments	1,171,154	1,354,008	-	-
Gains arising from termination of leases	9,354	11,143	-	-
Depreciation expense on right-of-use assets	(9,530,578)	(8,715,503)	(7,641,543)	(5,218,471)
Expenses relating to short-term leases	(899,687)	(578,834)	(1,085,519)	(1,561,590)
Variable lease payments not included in the measurement of the lease liabilities	(37,981)	(15,334)	(15,490)	(15,325)
Expenses relating to low value assets	(11,043)	(4,494)	(5,583)	(5,743)
Interest expense on lease liabilities	(441,666)	(507,829)	(612,195)	(629,800)

The total cash outflows from leases recognised as right-of-use assets amounted to RM9,006,142 (31.1.2021: RM7,934,392; 31.1.2020: RM8,096,348; 31.1.2019: RM5,482,689). The total cash outflows on short-term leases, low-value assets and variable lease payments amounted to RM948,711 (31.1.2021: RM470,388; 31.1.2020: RM362,321; 31.1.2019: RM1,358,790).

4.20 Other Investment - Club Membership

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Amounts recognised in the statements of financial position				
Investments measured at FVTPL:				
Club membership	-	-	16,000	16,000

The club membership was registered in the name of a controlling shareholder of SNS Group.

4.21 Finance Lease Receivables

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Undiscounted lease payments analysed as:				
Recoverable after 12 months	356,340	1,166,319	-	-
Recoverable within 12 months	808,499	772,574	-	-
	1,164,839	1,938,893	-	-
Net investment in the lease analysed as:				
Recoverable after 12 months	348,896	1,112,332	-	-
Recoverable within 12 months	760,633	684,027	-	-
	1,109,529	1,796,359	-	-

(Forward)

In 2021, SNS Group introduced a leasing scheme in which customers are granted rights and access to certain IT equipment and peripherals over a fixed period of time for agreed periodic lease payments.

The average term of finance leases entered into is 3 years. Certain lease contracts include extension or early termination options. SNS Group is not exposed to foreign currency risk as a result of these lease arrangements as all leases are denominated in Ringgit Malaysia. SNS Group is not exposed to residual value risk as the ownership of the leased assets are transferred to the customers upon expiry of leases.

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Amount receivable under finance leases:				
Year 1	808,499	772,574	-	-
Year 2	356,340	772,574	-	-
Year 3	-	393,745	-	-
Undiscounted lease payments	1,164,839	1,938,893	-	-
Less: unearned finance income	(55,310)	(142,534)	-	-
Present value of minimum lease payments receivable	1,109,529	1,796,359	-	-

The following table presents the amounts included in profit or loss:

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Finance income on the net investment in finance leases	91,294	57,623	-	-

The Group's finance lease arrangements do not include variable lease payments. The average effective interest rate contracted is 5.96% per annum.

4.22 Inventories

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Trading merchandise	103,557,805	55,339,030	60,684,023	57,871,969
Goods-in-transit	-	-	273,017	738,278
	103,557,805	55,339,030	60,957,040	58,610,247

The cost of inventories recognised as an expense during the year was RM1,020,782,198 (FYE 2021: RM655,806,380; FYE 2020: RM628,873,629; FYE 2019: RM549,751,469) which includes RM144,707 (FYE 2021: Nil; FYE 2020: Nil; FYE 2019: Nil) in respect of reversal of write down of inventories to net realisable values, write down of inventories to net realisable values of Nil (FYE 2021: RM2,103,671; FYE 2020: Nil; FYE 2019: Nil) and inventories written off of Nil (FYE 2021: Nil; FYE 2020: Nil; FYE 2019: RM69,255).

4.23 Trade and Other Receivables

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Trade receivables	82,167,759	73,275,859	38,538,805	31,459,626
Less: Loss allowances	(1,470,987)	(1,215,164)	(1,454,041)	(645,340)
	80,696,772	72,060,695	37,084,764	30,814,286
Other receivables	7,300,659	12,289,653	8,667,854	8,922,849
	87,997,431	84,350,348	45,752,618	39,737,135

Trade receivables of SNS Group comprised amounts receivable for the sale of goods and services rendered. The credit periods granted for sale of goods by SNS Group ranged from cash to 120 days (31.1.2021: cash to 120 days; 31.1.2020: cash to 120 days; 31.1.2019: cash to 90 days). Overdue balances are reviewed regularly by the management and certain overdue balances are subject to a one-time interest rate ranging from 0.30 to 0.50% (31.1.2021: 0.30%; 31.1.2020: 2.00%; 31.1.2019: Nil).

Movement in the loss allowances for trade receivables is as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
At beginning of year	1,215,164	1,454,041	645,340	217,617
Additions (Note 4.14)	306,928	15,881	1,151,351	427,723
No longer required (Note 4.14)	(51,105)	(254,758)	(342,650)	-
At end of year	1,470,987	1,215,164	1,454,041	645,340

SNS Group measures the loss allowances for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are collectively assessed and estimated by reference to past default experience of the receivables and an analysis of the receivables' current financial position, adjusted for factors that are specific to the receivables, general economic conditions of the industry in which the receivables operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period.

The following table details the risk profile of trade receivables based on SNS Group's provision matrix. As SNS Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowances based on past due status is not further distinguished between SNS Group's different customer base.

31.1.2022	Expected credit loss %	Gross carrying amount at default RM	Lifetime ECL RM	Individually assessed impairment loss RM	Net carrying amount RM
Days past due					
Not past due	-	45,005,339	-	-	45,005,339
Days past due:					
1 - 30 days	*	18,758,149	(2,884)	-	18,755,265
31 - 60 days	-	9,492,337	-	-	9,492,337
More than 60 days	-	8,911,934	-	(1,468,103)	7,443,831
		82,167,759	(2,884)	(1,468,103)	80,696,772

(Forward)

31.1.2021	Expected credit loss %	Gross carrying amount at default RM	Lifetime ECL RM	Individually assessed impairment loss RM	Net carrying amount RM
Days past due					
Not past due	-	29,999,166	-	-	29,999,166
Days past due:					
1 - 30 days	*	18,657,123	(35,204)	-	18,621,919
31 - 60 days	-	5,439,976	-	-	5,439,976
More than 60 days	*	19,179,594	(18,785)	(1,161,175)	17,999,634
		73,275,859	(53,989)	(1,161,175)	72,060,695

31.1.2020	Expected credit loss %	Gross carrying amount at default RM	Lifetime ECL RM	Individually assessed impairment loss RM	Net carrying amount RM
Days past due					
Not past due	*	13,949,384	(8,845)	-	13,940,539
Days past due:					
1 - 30 days	*	11,305,972	(1,694)	-	11,304,278
31 - 60 days	2.1	3,704,915	(78,224)	-	3,626,691
More than 60 days	2.3	9,578,534	(218,853)	(1,146,425)	8,213,256
		38,538,805	(307,616)	(1,146,425)	37,084,764

31.1.2019	Expected credit loss %	Gross carrying amount at default RM	Lifetime ECL RM	Individually assessed impairment loss RM	Net carrying amount RM
Days past due					
Not past due	*	11,763,097	(6,996)	-	11,756,101
Days past due:					
1 - 30 days	*	7,904,288	(6,996)	-	7,897,292
31 - 60 days	-	4,056,838	-	-	4,056,838
More than 60 days	8.2	7,735,403	(631,348)	-	7,104,055
		31,459,626	(645,340)	-	30,814,286

* Denotes less than 1%.

No significant changes to estimation techniques or assumptions were made during the reporting period.

Other receivables of SNS Group include indirect taxes recoverable from that tax authorities amounting to Nil (31.1.2021: Nil; 31.1.2020: RM176,182; 31.1.2019: RM830,278).

At the end of the reporting period, advertising and promotion expenses incurred on behalf and receivable from certain vendors accounted under other receivables amounted to RM3,624,000 (31.1.2021: RM4,130,000; 31.1.2020: RM4,705,000; 31.1.2019: RM4,282,000).

Transactions with related parties are disclosed in Section 4.27.

Analysis of currency profile of trade and other receivables is as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Ringgit Malaysia	87,535,623	76,303,500	44,960,056	37,882,715
United States Dollar	461,808	8,046,848	792,562	1,854,420
	87,997,431	84,350,348	45,752,618	39,737,135

4.24 Amount Owing by a Director

In 2019, the amount owing by a director represented advances that were unsecured, interest-free and were repayable upon demand.

4.25 Other Assets

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Prepayments	181,728	4,624	1,100	4,000
Refundable deposits	5,002,868	4,046,868	3,791,007	6,115,771
	5,184,596	4,051,492	3,792,107	6,119,771

4.26 Fixed Deposits, Cash and Bank Balances

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Fixed deposits with licensed banks	2,695,964	1,962,012	1,911,528	1,414,855
Cash and bank balances	27,132,768	17,503,039	8,666,784	8,937,477
	29,828,732	19,465,051	10,578,312	10,352,332

The fixed deposits of SNS Group have maturity periods of 365 days (31.1.2021: 365 days; 31.1.2020: 365 days; 31.1.2019: 365 days). The effective interest rates of fixed deposits ranged 1.85% to 2.05% (31.1.2021: 1.85% to 2.85%; 31.1.2020: 2.10% to 3.35%; 31.1.2019: 3.15% to 3.55%) per annum.

Fixed deposits with carrying amount of RM2,695,964 (31.12.2021: RM1,962,012; 31.1.2020: RM1,911,528; 31.1.2019: RM1,414,855) have been pledged to local licensed banks as security for banking facilities granted to SNS Group as mentioned in Section 4.32.

Analysis of currency profile of fixed deposits, cash and bank balances is as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Ringgit Malaysia	29,227,350	19,276,672	10,365,332	10,238,574
United States Dollar	601,382	188,379	212,980	113,758
	29,828,732	19,465,051	10,578,312	10,352,332

4.27 Related Party Transactions

Other than as disclosed elsewhere in the financial statements, the related parties and their relationship with SNS Group are as follows:

Names of related parties	Relationship
Microblue Sdn. Bhd.^ Micropurple Sdn. Bhd.* Clickasia Sdn. Bhd.* Clickasia (S) Pte Ltd#	Companies in which a director of a combining entity is a director.
Etika Komputer Sdn. Bhd.* Mobile Plaza Sdn. Bhd.@ Intcomax Sdn. Bhd.* Intcomax (KB) Sdn. Bhd.*	Person connected to a director of a combining entity is a director/owner.
Apple PC Enterprise^	A related party in which a person connected to a former director is the owner.

(Forward)

* Ceased to be a related party with effect from January 21, 2021.
^ Ceased to be a related party with effect from January 23, 2021.
@ Ceased to be a related party with effect from July 16, 2021.
# Ceased to be a related party with effect from August 10, 2021.

Amount owing by/(to) related parties arose mainly from trade transactions and expenses paid on behalf, are unsecured, interest-free and are repayable on demand, except for trade amounts which have a credit term of 30 to 120 days (31.1.2021: 30 to 120 days; 31.1.2020: 30 to 120 days; 31.1.2019: 30 to 90 days).

Related party transactions

Significant related party transactions, which were determined on basis negotiated between the said parties, are as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Transactions with companies in which a director of a combining entity is a director				
Sale of trading goods	-	10,028,778	7,377,930	14,924,228
Web portal maintenance services	-	79,200	79,200	79,200
Purchase of trading goods	-	(6,121,389)	(5,781,993)	(9,215,451)
Transactions with companies in which person connected to a director of a combining entity is a director/owner				
Sale of trading goods	-	2,729,815	2,389,902	2,537,587
Purchase of trading goods	-	(416,797)	(536,257)	(1,742,935)
Transactions with related parties in which a person connected to a former director is the owner				
Sale of trading goods	-	1,250,897	1,252,324	1,468,112
Lease rental paid	-	-	(24,000)	(24,000)
Purchase of trading goods	-	(1,535,946)	(763,443)	(304,465)
Transactions with directors of combining entities				
Disposal of property, plant and equipment	698,000	-	-	-
Lease rental paid	(95,550)	(109,000)	(42,600)	(42,600)
Transactions with a person connected to a director of a combining entity				
Lease rental paid	-	-	(50,400)	(50,400)

The outstanding balances as of the end of the financial year are as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Related parties				
Included in trade and other receivables	-	-	9,595,295	6,405,011
Included in trade and other payables	-	-	5,365,130	2,928,109

(Forward)

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0 5 JUL 2022
DELOITTE PLT (LLP0010145-LCA)
CHARTERED ACCOUNTANTS (AF0080)

Key Management Personnel Compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of SNS Group either directly or indirectly. The key management personnel of SNS Group include members of senior management. The remuneration of directors is disclosed in Section 4.15. The remuneration of other members of key management personnel of SNS Group during the year are as follows:

	FYE 2022 RM	FYE 2021 RM	FYE 2020 RM	FYE 2019 RM
Salaries and other short-term employee benefits	191,608	190,858	184,941	187,654
EPF contributions	24,850	24,765	23,998	24,323
	216,458	215,623	208,939	211,977

4.28 Share Capital

	Number of Shares			
	31.1.2022	31.1.2021	31.1.2020	31.1.2019
Issued and fully paid:				
Ordinary shares	2	2	2	2

	Amount			
	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Issued and fully paid:				
Ordinary shares	2	2	2	2

The holders of ordinary shares are entitled to receive dividends declared from time to time, and are entitled to one vote per share at meetings of the Company.

4.29 Invested Capital

	Number of Shares			
	31.1.2022	31.1.2021	31.1.2020	31.1.2019
Issued and fully paid ordinary shares:				
At beginning of year	5,179,100	4,709,100	3,809,100	2,060,100
Bonus issue	-	-	900,000	1,749,000
Issue of shares	2,612,000	470,000	-	-
At end of year	7,791,100	5,179,100	4,709,100	3,809,100

	Amount			
	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Issued and fully paid ordinary shares:				
At beginning of year	5,179,100	4,709,100	3,809,100	2,060,100
Bonus issue	-	-	900,000	1,749,000
Issue of shares	2,612,000	470,000	-	-
At end of year	7,791,100	5,179,100	4,709,100	3,809,100

Invested capital comprised the share capital of the combining entities. The holders of ordinary shares are entitled to receive dividends declared from time to time, and are entitled to one vote per share at meetings of the respective combining entities.

(Forward)

Movement in the invested capital are as follows:

(i) In FYE 2022, SNS Network Malaysia increased its issued and fully paid ordinary share capital from RM2,388,000 to RM5,000,000 through the issuance of 2,612,000 ordinary shares at RM1 each to existing shareholders by way of contra with first interim dividend of RM2,612,000 on June 8, 2021;

(ii) JOI was incorporated during FYE 2021 at an issued and fully paid-up share capital of RM2. On January 18, 2021, JOI increased its issued and fully paid-up share capital from RM2 to RM470,000 by issuance of 469,998 new ordinary shares at an issue price of RM1 each;

(iii) In FYE 2020, Notebook Plaza capitalised a sum of RM900,000 from its retained earnings by way of bonus issue of 900,000 ordinary shares to existing shareholders at RM1 per share; and

(iv) In FYE 2019, SNS Network Malaysia and SNS Network Services capitalised RM1,000,000 and RM749,000 from their retained earnings respectively by way of bonus issue of 1,749,000 ordinary shares to respective existing shareholders at RM1 per share.

The new ordinary shares issued rank pari passu with the existing shares of the respective combining entities.

4.30 Retained Earnings

The entire retained earnings of SNS Group as of January 31, 2022, January 31, 2021, January 31, 2020 and January 31, 2019 are available for distribution as single-tier dividends to the shareholders of SNS Group.

4.31 Dividends

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Interim dividends paid/payable:				
First	5,612,000	4,087,040	50,000	75,000
Second	3,000,000	-	50,000	-
	8,612,000	4,087,040	100,000	75,000

The amounts of dividends paid/payable by SNS Group under the single-tier tax system are as follows:

(i) SNS Network Malaysia declared first (RM1.09 per share) and second interim dividends (RM0.60 per share) in respect of the current financial year on January 31, 2022 amounting to RM2,612,000 and RM3,000,000 respectively. The first interim dividend was paid by way of contra with the issuance of 2,612,000 new ordinary shares at RM1 each as mentioned in Section 4.29. The second interim dividend dividends was paid on February 22, 2022;

(ii) Notebook Plaza declared an interim dividend of RM3.00 per share amounting to RM3,000,000 in respect of the current financial year on January 31, 2022. The interim dividend was paid on March 14, 2022;

(iii) SNS Network Malaysia declared an interim dividend of RM0.83 per share amounting to RM1,982,040 in respect of the financial year ended January 31, 2021. The interim dividend was paid on April 4, 2021;

(iv) Notebook Plaza declared an interim dividend of RM2.00 per share amounting to RM2,000,000 in respect of the financial year ended January 31, 2021. The interim dividend was paid on April 9, 2021;

(Forward)

(v) SNS Network ICT declared an interim dividend of RM1.05 per share amounting to RM105,000 in respect of the financial year ended January 31, 2021. The interim dividend was paid on April 16, 2020;

(vi) SNS Network ICT declared first and second interim dividends of RM0.50 per share, each amounting to RM50,000 in respect of the financial year ended January 31, 2020. The dividends were paid on May 2, 2019 and October 9, 2019 respectively;

(vii) SNS Network ICT declared an interim dividend of RM0.35 per share amounting to RM35,000 in respect of the financial year ended January 31, 2019. The interim dividend was paid on October 7, 2018; and

(viii) Acrux declared an interim dividend of RM0.20 per share amounting to RM40,000 in respect of the financial year ended January 31, 2019. The interim dividend was paid on February 8, 2018.

4.32 Borrowings

	31.1.2022 RM	**31.1.2021 RM**	**31.1.2020 RM**	**31.1.2019 RM**
Secured:				
Commodity Murabahah term financing	24,089,740	25,604,694	18,667,232	-
Term loans	6,459,707	6,942,487	12,489,086	12,617,296
Bankers' acceptances	17,141,885	12,431,363	23,015,950	16,369,047
Bank overdrafts	-	-	24,640	-
Hire-purchase payables (refer (a) below)	2,270,771	2,815,927	1,157,004	1,146,012
	49,962,103	47,794,471	55,353,912	30,132,355
Less: Amount due within 12 months (shown under current liabilities)	(20,214,544)	(15,497,693)	(25,212,893)	(17,466,889)
Non-current portion	29,747,559	32,296,778	30,141,019	12,665,466

The non-current portion is repayable as follows:

	31.1.2022 RM	**31.1.2021 RM**	**31.1.2020 RM**	**31.1.2019 RM**
Financial years ended January 31:				
2021	-	-	-	958,847
2022	-	-	1,994,478	782,461
2023	-	3,112,881	2,072,443	821,039
2024	2,734,234	2,650,840	2,044,091	724,711
2025	2,498,441	2,312,368	1,970,953	680,803
2026	2,484,807	2,268,390	1,921,636	671,381
2027	1,981,133	5,004,074	1,997,054	692,081
2028 and after	20,048,944	16,948,225	18,140,364	7,334,143
	29,747,559	32,296,778	30,141,019	12,665,466

The term loans and other banking facilities obtained from certain licensed banks to the extent of RM60,365,000 (31.1.2021: RM65,635,000; 31.1.2020: RM38,867,000; 31.1.2019: RM36,580,000) are secured by:

(i) Fixed and first party charges on SNS Group's landed properties and fixed deposits as mentioned in Section 4.18 and 4.26 respectively, legal charges over certain properties owned by directors and certain persons connected to directors, and are also guaranteed by certain directors of SNS Group jointly and severally;

(ii) A guarantee by Credit Guarantee Corporation Malaysia Berhad under BizJamin Special Relief Facility-i for RM800,000;

(iii) A guarantee by Credit Guarantee Corporation Malaysia Berhad under Financial Supply Chain Portfolio Guarantee Scheme for RM500,000; and

(Forward)

(iv) A guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad under Working Capital Guarantee Scheme for RM3,500,000.

SNS Group has the following term loans:

(i) a term loan of RM2,970,000 (31.01.2021: RM2,970,000; 31.01.2020: RM2,970,000; 31.01.2019: RM2,970,000), which was repayable by equal monthly instalments of RM18,630 each. The term loan was fully repaid during FYE 2021;

(ii) a term loan of RM5,100,000 (31.01.2021: RM5,100,000; 31.01.2020: RM5,100,000; 31.01.2019: RM5,100,000) which was repayable by 60 monthly instalments of RM31,990 each. The term loan was fully repaid during FYE 2021;

(iii) a term loan of RM1,500,000 (31.01.2021: RM1,500,000; 31.01.2020: RM1,500,000; 31.01.2019: RM1,500,000) which was repayable by equal monthly instalments of RM31,211 each. The term loan was fully repaid during FYE 2022;

(iv) a term loan of RM1,580,000 (31.01.2021: RM1,580,000; 31.01.2020: RM1,580,000; 31.01.2019: RM1,580,000), which was repayable by equal monthly instalments of RM9,996 each. The instalments have been revised to RM9,900 in FYE 2021;

(v) an Islamic term financing of RM19,400,000 (31.01.2021: RM19,400,000; 31.01.2020: RM19,400,000; 31.01.2019: RM19,400,000) which is repayable by equal monthly instalments of RM150,899 each;

(vi) an Islamic special relief term financing of RM1,000,000 (31.01.2021: RM1,000,000; 31.01.2020: Nil; 31.01.2019: Nil) which is repayable by 60 monthly instalments of RM18,511 commencing April 2021;

(vii) an Islamic special term financing of RM6,250,000 (31.01.2021: RM6,250,000; 31.01.2020: Nil; 31.01.2019: Nil) which is repayable by 240 monthly instalments of RM40,048 commencing July 2020;

(viii) a term loan of RM2,800,000 (31.01.2021: RM2,800,000; 31.01.2020: RM2,800,000; 31.01.2019: RM2,800,000) which is repayable by 240 monthly instalments of RM17,750 each;

(ix) a special relief term loan of RM500,000 (31.01.2021: RM500,000; 31.01.2020: Nil; 31.01.2019: Nil), which is repayable by 60 equal monthly instalments of RM9,260 each;

(x) a special relief term loan of RM500,000 (31.01.2021: RM500,000; 31.01.2020: Nil; 31.01.2019: Nil), which is repayable by 60 equal monthly instalments of RM9,096 each;

(xi) a term loan RM1,882,750 (31.01.2021: RM1,882,750; 31.01.2020: RM1,882,750; 31.01.2019: RM1,882,750) which is repayable by 300 monthly instalments of RM10,490 commencing June 2018; and

(xii) a term loan of RM450,000 (31.01.2021: RM450,000; 31.01.2020: RM450,000; 31.01.2019: Nil) which is repayable by 60 monthly instalments of RM10,313 commencing October 2019. The term loan was fully repaid in FYE 2022.

The average effective interest/profit rates per annum are as follows:

	31.1.2022	**31.1.2021**	**31.1.2020**	**31.1.2019**
	%	**%**	**%**	**%**
Bankers' acceptances	1,99 - 4.39	0.85 - 7.70	3.84 - 8.20	3.60 - 8.10
Commodity Murabahah term financing	3.25 - 3.50	2.61 - 4.56	2.61	-
Term loans	3.25 - 13.32	3.27 - 13.32	3.27 - 13.32	4.43 - 5.24

(Forward)

(a) Hire-purchase payables

	Minimum hire-purchase payments			
	31.1.2022 RM	**31.1.2021 RM**	**31.1.2020 RM**	**31.1.2019 RM**
Amounts payable under hire-purchase arrangements:				
Within one year	1,106,832	1,146,732	342,749	299,472
In the second to fifth year inclusive	1,314,454	1,875,029	900,732	947,679
More than five years	-	-	9,341	32,024
	2,421,286	3,021,761	1,252,822	1,279,175
Less: Future finance charges	(150,515)	(205,834)	(95,818)	(133,163)
Present value of hire-purchase obligations	2,270,771	2,815,927	1,157,004	1,146,012

	Present value of minimum hire-purchase payments			
	31.1.2022 RM	**31.1.2021 RM**	**31.1.2020 RM**	**31.1.2019 RM**
Amounts payable under hire-purchase arrangements:				
Within one year	1,026,304	1,030,765	301,321	250,001
In the second to fifth year inclusive	1,244,467	1,785,162	846,444	864,977
More than five years	-	-	9,239	31,034
Present value of hire-purchase obligations	2,270,771	2,815,927	1,157,004	1,146,012
Less: Amount due within 12 months (shown under current liabilities)	(1,026,304)	(1,030,765)	(301,321)	(250,001)
Non-current portion	1,244,467	1,785,162	855,683	896,011

The non-current portion is repayable as follows:

	31.1.2022 RM	**31.1.2021 RM**	**31.1.2020 RM**	**31.1.2019 RM**
Financial years ended January 31:				
2021	-	-	-	227,599
2022	-	-	304,916	235,307
2023	-	1,065,800	298,505	247,563
2024	619,359	541,672	182,607	123,646
2025	312,745	139,152	60,416	53,404
2026	234,908	38,538	9,239	8,492
2027	77,455	-	-	-
	1,244,467	1,785,162	855,683	896,011

The terms of the hire-purchase payables ranged from 3 to 9 years (31.1.2021: 3 to 9 years; 31.1.2020: 5 to 9 years; 31.1.2019: 5 to 9 years). For FYE 2022, the average effective hire-purchase interest rates ranged from 1.07% to 7.35% (31.1.2021: 1.07% to 6.63%; 31.1.2020: 0.86% to 6.20%; 31.1.2019: 3.60% to 6.20%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

SNS Group's obligations under hire-purchase payables are secured by the assets under hire-purchase.

4.33 Lease Liabilities

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Maturity analysis:				
Year 1	8,409,498	7,201,787	7,669,010	7,072,093
Year 2	4,005,676	1,691,618	3,388,644	5,481,597
Year 3	698,683	39,458	836,466	1,723,646
Year 4	-	-	39,458	554,166
Year 5	-	-	-	39,458
	13,113,857	8,932,863	11,933,578	14,870,960
Less: Future finance charges	(376,993)	(226,253)	(473,084)	(811,565)
	12,736,864	8,706,610	11,460,494	14,059,395
Analysed as:				
Non-current	4,573,455	1,703,461	4,141,453	7,501,975
Current	8,163,409	7,003,149	7,319,041	6,557,420
	12,736,864	8,706,610	11,460,494	14,059,395

SNS Group did not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities were monitored within SNS Group's financial risk management.

4.34 Deferred Tax Liabilities

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
At beginning of year	(1,335,314)	(1,416,357)	(1,297,800)	(930,497)
Recognised in profit or loss (Section 4.16)	(261,532)	81,043	(118,557)	(367,303)
At end of year	(1,596,846)	(1,335,314)	(1,416,357)	(1,297,800)

Deferred tax balances are presented in the statements of financial position as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Deferred tax assets	546,000	534,000	-	8,000
Deferred tax liabilities	(2,142,846)	(1,869,314)	(1,416,357)	(1,305,800)
	(1,596,846)	(1,335,314)	(1,416,357)	(1,297,800)

Deferred tax assets/(liabilities) are in respect of the tax effects on the follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Deferred tax assets (before offsetting)				
Temporary differences arising from:				
Inventories	470,000	505,000	-	-
Contract liabilities	74,000	29,000	-	-
Unutilised tax losses	-	-	-	2,000
Unabsorbed capital allowances	2,000	-	-	6,000
	546,000	534,000	-	8,000
Offsetting	(546,000)	(534,000)	-	(8,000)
Deferred tax assets (after offsetting)	-	-	-	-

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Deferred tax liabilities (before offsetting)				
Temporary differences arising from:				
Trade and other receivables	870,000	991,000	1,129,000	1,028,000
Property, plant and equipment	1,272,846	878,314	287,357	277,800
	2,142,846	1,869,314	1,416,357	1,305,800
Offsetting	(546,000)	(534,000)	-	(8,000)
Deferred tax liabilities (after offsetting)	1,598,846	1,335,314	1,416,357	1,297,800

4.35 Trade and Other Payables

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Trade payables	118,693,063	89,693,007	60,633,018	65,085,846
Other payables	3,237,435	3,771,547	7,259,157	6,515,767
	121,930,498	93,464,554	67,892,175	71,601,613

Analysis of currency profile of trade and other payables is as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Ringgit Malaysia	118,694,100	86,654,988	67,841,148	70,870,076
United States Dollar	3,236,398	6,809,566	51,027	731,537
	121,930,498	93,464,554	67,892,175	71,601,613

Trade and other payables comprised amounts outstanding for trade purchases and ongoing costs which are unsecured, interest-free and are repayable upon demand.

The credit period granted to SNS Group for trade purchases ranged from cash terms to 60 days (31.1.2021: cash terms to 45 days; 31.1.2020: cash terms to 60 days; 31.1.2019: cash terms to 60 days).

Other payables of SNS Group include indirect taxes payables to the tax authorities amounting to RM53,751 (31.1.2021: RM27,019; 31.1.2020: RM19,257; 31.1.2019: RM178,477).

4.36 Amount Owing to Directors

The amount owing to directors of SNS Group represents unsecured and interest-free advances which are repayable upon demand.

4.37 Other Liabilities

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Accrued expenses	1,714,131	961,590	609,640	536,012
Refundable deposits received	63,338	-	-	-
Non-refundable deposits received	10,800	10,800	10,800	6,900
	1,788,269	972,390	620,440	542,912

4.38 Contract Liabilities

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Amount arising from:				
Loyalty programme	71,463	44,322	-	-
Voucher programme	100	-	-	-
Warranties	236,851	75,710	70,102	67,195
	308,414	120,032	70,102	67,195

SNS Group introduced a point-based customer loyalty programme since FYE 2021 to encourage recurring purchases from retail customers. Points are earned for each Ringgit Malaysia spent to purchase trading merchandise from SNS Group and has an expiry period of 1 year from the date of transaction. A contract liability arises in respect of SNS Group's loyalty scheme as these points provide a benefit to customers that they would not receive without entering into a purchase contract and the promise to provide loyalty points to the customer is therefore a separate performance obligation. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction.

4.39 Financial Instruments, Financial Risk And Capital Risks Management

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Financial assets				
At FVTPL:				
Other investments	-	-	16,000	16,000
At amortised cost:				
Finance lease receivables	1,109,529	1,796,359	-	-
Trade and other receivables	87,997,431	84,350,348	45,576,436	38,906,857
Amount owing by a director	-	-	-	8,878
Other assets - refundable deposits	5,002,868	4,046,868	3,791,007	6,115,771
Fixed deposits, cash and bank balances	29,828,732	19,465,051	10,578,312	10,352,332
Financial liabilities				
At amortised cost:				
Trade and other payables	121,876,747	93,437,535	67,872,918	71,423,136
Amount owing to directors	34,360	15,360	251,486	15,073
Other liabilities	1,777,469	961,590	609,640	536,012
Dividends payable	6,000,000	3,982,040	-	-
Borrowings	49,962,103	47,794,471	55,353,912	30,132,355
Lease liabilities	12,736,864	8,706,610	11,460,494	14,059,395

Financial Risk Management Objectives and Policies

Risk management is integral to the whole business of SNS Group. Management continually monitors SNS Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and SNS Group's activities.

There has been no change to SNS Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(a) Market risk

(i) Foreign currency risk management

SNS Group is mainly exposed to the currency of United States Dollar ("USD") and therefore, is exposure to foreign exchange risk.

The carrying amounts of the foreign currency denominated monetary assets and liabilities of SNS Group at the end of the reporting period are disclosed in Section 4.23, 4.26 and 4.35.

Foreign currency sensitivity analysis

The following table details the sensitivity of SNS Group to a 5% (FYE 2021: 5%; FYE 2020: 5%; FYE 2019: 5%) increase and decrease in RM against USD. The sensitivity rate of 5% (FYE 2021: 5%; FYE 2020: 5%; FYE 2019: 5%) is used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates in the next 12 months.

The following sensitivity analysis includes only outstanding foreign currency denominated monetary items. If the foreign currency denominated monetary items at the end of the reporting period were translated into Ringgit Malaysia with a 5% (FYE 2021: 5%; FYE 2020: 5%; FYE 2019: 5%) increase/decrease in the exchange rates against the following relevant foreign currencies, the effect on profit net of tax will be (lower)/higher by approximately:

	31.1.2022 RM	**31.1.2021 RM**	**31.1.2020 RM**	**31.1.2019 RM**
USD impact	82,582	54,175	36,272	46,992

The above impacts are mainly attributable to the exposure on USD on receivables, cash and bank balances and payables outstanding at the end of the reporting period in SNS Group. In the opinion of management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure of SNS Group during the respective financial year.

(ii) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of SNS Group's financial instruments will fluctuate because of changes in market interest rates.

SNS Group finances its operations by a mixture of internal funds and bank and other borrowings. SNS Group regularly reviews the interest rate profile of borrowings against prevailing and anticipated market rates. The repayment and maturity profiles of borrowings are structured after taking into consideration the cash inflows expected to be generated from the underlying assets or operations and the economic life of the assets or operations being financed.

The policy of SNS Group is to borrow both on the fixed and floating rate basis. The objective for the mix between fixed and floating rate borrowings is set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

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Interest sensitivity analysis

At the end of the reporting period, if interest rates increase/decrease in the range of 50 basis points (FYE 2021: 50 basis points; FYE 2020: 50 basis points; FYE 2019: 50 basis points), with all other variables held constant, SNS Group's profit net of tax would have been RM173,950 (FYE 2021: RM138,599; FYE 2020: RM182,723; FYE 2019: RM113,768) lower/higher arising mainly as a result of higher/lower interest expenses on floating rate borrowings. The assumed movement in the interest rates for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to SNS Group. SNS Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The exposure of SNS Group to credit risk arises principally from their receivables and other financial assets.

Receivables

SNS Group established policies on credit control involves comprehensive credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history and regular review of customers' outstanding balances and payment trends. SNS Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.

As SNS Group did not hold any collateral, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. A significant portion of trade receivables are regular customers of SNS Group. SNS Group uses ageing analysis to monitor the credit quality of the trade receivables.

Loss allowances have been recognised under the ECL model as of the end of the reporting period as disclosed in Section 4.23.

The ageing of trade receivables that are past due is disclosed in Section 4.23.

At the end of the reporting period, SNS Group is not subject to significant concentration of credit risk.

At the end of the reporting period, there is no significant increase in credit risk on trade and other receivables since initial recognition. There are no significant changes in gross carrying amount of trade receivables, that contribute to changes on loss allowances.

Other Financial Assets

SNS Group maintains bank balances only to internationally reputable banks with high credit standing.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity and cash flow risks management

Ultimate responsibility for liquidity and cash flow risks management rests with the Board of Directors, who has established an appropriate liquidity and cash flow risks management framework for the management of SNS Group's short, medium and long-term funding and liquidity and cash flow management requirements. SNS Group manages liquidity and cash flow risks by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and financial liabilities.

(Forward)

Management is of the view that SNS Group's exposure to liquidity and cash flow risks are minimal as SNS Group has sufficient funds to finance its ongoing working capital requirements. SNS Group has credit facilities of RM37,383,000 (31.1.2021: RM55,311,000; 31.1.2020: RM43,760,000; 31.1.2019: RM40,289,000) which are unused at the end of the reporting period. SNS Group expects to meet its financial obligations from its operating cash flows and proceeds from maturing financial assets.

SNS Group may consider opportunities to obtain additional funds to support its working capital requirements and capital expenditure or, may seek to raise additional funds through equity financing.

The maturity profile for the non-derivative financial assets/liabilities of SNS Group at the end of the reporting period based on the undiscounted cash flows of the respective financial assets/liabilities representing the earliest date on which SNS Group is entitled to receive/required to pay, is as follows:

31.1.2022	**On demand or within one year RM**	**One year to five years RM**	**Over five years RM**	**Total RM**
Non-derivative financial assets:				
Trade and other receivables	87,997,431	-	-	87,997,431
Finance lease receivables	808,499	356,340	-	1,164,839
Refundable deposits	5,002,868	-	-	5,002,868
Fixed deposits, cash and bank balances	29,828,732	-	-	29,828,732
Total undiscounted non-derivative financial assets	123,637,530	356,340	-	123,993,870
Non-derivative financial liabilities:				
Trade and other payables	(121,876,747)	-	-	(121,876,747)
Amount owing to directors	(34,360)	-	-	(34,360)
Other liabilities	(1,777,469)	-	-	(1,777,469)
Dividends payable	(6,000,000)	-	-	(6,000,000)
Lease liabilities	(8,409,498)	(4,704,359)	-	(13,113,857)
Borrowings	(21,364,176)	(12,907,064)	(23,137,962)	(57,409,202)
Total undiscounted non-derivative financial liabilities	(159,462,250)	(17,611,423)	(23,137,962)	(200,211,635)
Net undiscounted non-derivative financial liabilities	(35,824,720)	(17,255,083)	(23,137,962)	(76,217,765)
31.1.2021				
Non-derivative financial assets:				
Trade and other receivables	84,350,348	-	-	84,350,348
Finance lease receivables	772,574	1,166,319	-	1,938,893
Refundable deposits	4,046,868	-	-	4,046,868
Fixed deposits, cash and bank balances	19,465,051	-	-	19,465,051
Total undiscounted non-derivative financial assets	108,634,841	1,166,319	-	109,801,160

(Forward)

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31.1.2021	On demand or within one year RM	One year to five years RM	Over five years RM	Total RM
Non-derivative financial liabilities:				
Trade and other payables	(93,437,535)	-	-	(93,437,535)
Amount owing to directors	(15,360)	-	-	(15,360)
Other liabilities - accrued expenses	(961,590)	-	-	(961,590)
Dividends payable	(3,982,040)	-	-	(3,982,040)
Lease liabilities	(7,201,787)	(1,731,076)	-	(8,932,863)
Borrowings	(16,716,802)	(13,890,454)	(26,453,110)	(57,060,366)
Total undiscounted non-derivative financial liabilities	(122,315,114)	(15,621,530)	(26,453,110)	(164,389,754)
Net undiscounted non-derivative financial liabilities	(13,680,273)	(14,455,211)	(26,453,110)	(54,588,594)
31.1.2020				
Non-derivative financial assets:				
Other investments	16,000	-	-	16,000
Trade and other receivables	45,576,436	-	-	45,576,436
Refundable deposits	3,791,007	-	-	3,791,007
Fixed deposits, cash and bank balances	10,578,312	-	-	10,578,312
Total undiscounted non-derivative financial assets	59,961,755	-	-	59,961,755
Non-derivative financial liabilities:				
Trade and other payables	(67,872,918)	-	-	(67,872,918)
Amount owing to directors	(251,486)	-	-	(251,486)
Other liability - accrued expenses	(609,640)	-	-	(609,640)
Lease liabilities	(7,669,010)	(4,264,568)	-	(11,933,578)
Borrowings	(26,854,869)	(12,853,839)	(27,333,025)	(67,041,733)
Total undiscounted non-derivative financial liabilities	(103,257,923)	(17,118,407)	(27,333,025)	(147,709,355)
Net undiscounted non-derivative financial liabilities	(43,296,168)	(17,118,407)	(27,333,025)	(87,747,600)
31.1.2019				
Non-derivative financial assets:				
Other investments	16,000	-	-	16,000
Amount owing by a director	8,878	-	-	8,878
Trade and other receivables	38,906,857	-	-	38,906,857
Refundable deposits	6,115,771	-	-	6,115,771
Fixed deposits, cash and bank balances	10,352,332	-	-	10,352,332
Total undiscounted non-derivative financial assets	55,399,838	-	-	55,399,838

(Forward)

31.1.2019	On demand or within one year RM	One year to five years RM	Over five years RM	Total RM
Non-derivative financial liabilities:				
Trade and other payables	(71,423,136)	-	-	(71,423,136)
Amount owing to directors	(15,073)	-	-	(15,073)
Other liabilities - accrued expenses	(536,012)	-	-	(536,012)
Lease liabilities	(7,072,093)	(7,798,867)	-	(14,870,960)
Borrowings	(18,359,266)	(5,441,085)	(9,463,079)	(33,263,430)
Total undiscounted non-derivative financial liabilities	(97,405,580)	(13,239,952)	(9,463,079)	(120,108,611)
Net undiscounted non-derivative financial liabilities	(42,005,742)	(13,239,952)	(9,463,079)	(64,708,773)

SNS Group has not committed to any derivative financial instruments during the respective financial years.

(d) Capital risks management

SNS Group manages its capital to ensure SNS Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. SNS Group's overall strategy remains unchanged since 2021, 2020 and 2019.

The capital structure of SNS Group consists of net debts and equity. SNS Group is not subject to any externally imposed capital requirements.

Fair Values of Financial Assets and Financial Liabilities

Financial instruments carried at amortised costs

The carrying amounts of the short-term financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturities of these financial instruments.

The fair values of term loans and Commodity Murabahah term financing, which are classified as Level 2 in the fair value hierarchy, have been estimated using discounted cash flow analysis based on the current borrowing rates for similar types of term loan and financing arrangements. There is no material difference between the carrying amounts and the estimated fair values of term loans and Commodity Murabahah term financing.

The fair values of hire-purchase payables, which are classified as Level 2 in the fair value hierarchy, have been estimated using discounted cash flow analysis based on the current borrowing rates for similar types of hire-purchase arrangements and approximate their carrying amounts.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

31.1.2022	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
Other investments	-	-	-	-
31.1.2021				
Other investments	-	-	-	-
31.1.2020				
Other investments	-	-	16,000	16,000
31.1.2019				
Other investments	-	-	16,000	16,000

There were no transfers between Level 1 and Level 2 during the respective financial years.

4.40 Statements of Cash Flows

(a) Purchase of property, plant and equipment

The details of additions to property, plant and equipment were as follows:

	31.1.2022 RM	**31.1.2021 RM**	**31.1.2020 RM**	**31.1.2019 RM**
Cash payments	2,372,815	1,709,464	1,742,440	4,005,278
Commodity Murabahah term financing	-	-	19,400,000	-
Deposit included in prior year	-	-	2,158,000	-
Hire-purchase financing	1,032,100	1,975,345	295,000	91,200
Included in other payables	-	-	6,645	-
	3,404,915	3,684,809	23,602,085	4,096,478

The principal amounts of instalment repayments for property, plant and equipment acquired by hire-purchase arrangements are reflected as cash outflows from financing activities.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in SNS Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in SNS Group's statements of cash flows as cash flows from financing activities.

(Forward)

31.1.2022	Lease liabilities RM	Bankers' acceptances RM	Hire-purchase payables RM	Term loans RM	Commodity Murabahah term financing RM	Amount owing to directors RM
At beginning of year	8,706,610	12,431,363	2,815,927	6,942,487	25,604,694	15,360
Financing cash inflows	-	4,710,522	-	-	-	19,000
Financing cash outflows	(8,564,476)	-	(1,577,256)	(482,780)	(1,514,954)	-
Non-cash transactions:						
- additions to right-of-use assets	13,897,760	-	-	-	-	-
- negative variable lease payments	(1,171,154)	-	-	-	-	-
- termination of leases	(131,876)	-	-	-	-	-
- purchase of property, plant and equipment	-	-	1,032,100	-	-	-
At end of year	12,736,864	17,141,885	2,270,771	6,459,707	24,089,740	34,360
31.1.2021						
At beginning of year	11,460,494	23,015,950	1,157,004	12,489,086	18,667,232	251,486
Financing cash inflows	-	-	-	1,000,000	7,250,000	-
Financing cash outflows	(7,426,563)	(10,584,587)	(316,422)	(6,546,599)	(312,538)	(236,126)
Non-cash transactions:						
- additions to right-of-use assets	6,369,535	-	-	-	-	-
- negative variable lease payments	(1,354,008)	-	-	-	-	-
- termination of leases	(342,848)	-	-	-	-	-
- purchase of property, plant and equipment	-	-	1,975,345	-	-	-
At end of year	8,706,610	12,431,363	2,815,927	6,942,487	25,604,694	15,360
31.1.2020						
At beginning of year	14,059,395	16,369,047	1,146,012	12,617,296	-	15,073
Financing cash inflows	-	6,646,903	-	671,500	-	245,291
Financing cash outflows	(7,484,153)	-	(284,008)	(799,710)	(732,768)	-
Non-cash transactions:						
- additions to right-of-use assets	4,885,252	-	-	-	-	-
- purchase of property, plant and equipment	-	-	295,000	-	19,400,000	-
Others	-	-	-	-	-	(8,878)
At end of year	11,460,494	23,015,950	1,157,004	12,489,086	18,667,232	251,486
31.1.2019						
At beginning of year	13,882,540	10,483,658	1,358,773	11,425,172	-	8,360
Financing cash inflows	-	5,885,389	-	2,161,250	-	6,713
Financing cash outflows	(4,852,889)	-	(303,961)	(969,126)	-	-
Non-cash transactions:						
- additions to right-of-use assets	5,029,744	-	-	-	-	-
- purchase of property, plant and equipment	-	-	91,200	-	-	-
At end of year	14,059,395	16,369,047	1,146,012	12,617,296	-	15,073

(c) Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the combined statements of cash flows can be reconciled to the related items in the combined statements of financial position as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Fixed deposits with licensed banks	2,695,964	1,962,012	1,911,528	1,414,855
Cash and bank balances	27,132,768	17,503,039	8,666,784	8,937,477
Bank overdrafts	-	-	(24,640)	-
	29,828,732	19,465,051	10,553,672	10,352,332
Less: Fixed deposits pledged to licensed banks	(2,695,964)	(1,962,012)	(1,911,528)	(1,414,855)
	27,132,768	17,503,039	8,642,144	8,937,477

4.41 Commitments

(a) SNS Group has commitments in respect of property, plant and equipment as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Capital expenditure:				
Approved and contracted for	-	-	-	22,001,000

(b) Operating lease arrangements

Operating leases, in which SNS Group is the lessor, relates to office equipment owned by SNS Group with lease terms of 3 years, with a 1 year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercise its option to renew. The lessee does not have an option to purchase the office equipment upon expiry of the lease term.

SNS Group is of the view that change in the unguaranteed residual values of the office equipment is not expected to be significant and management is not aware of any indications that this situation will change.

Maturity analysis of operating lease payments:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Year 1	557,187	539,594	-	-
Year 2	692,370	557,187	-	-
Year 3	-	692,370	-	-
Total	1,249,557	1,789,151	-	-

Operating lease income recognised in profit or loss during the year included in revenue from ICT products was RM946,223 (FYE 2021: Nil; FYE 2020: Nil; FYE 2019: Nil). No lease income on operating lease was recognised in profit or loss in the previous financial years as the first quarterly payment commenced in February 2021.

4.42 Significant Event During the Year

The World Health Organization in March 2020 declared the Coronavirus disease outbreak ("COVID-19") as a global pandemic. As a result, the Malaysian Government has taken certain actions in dealing with the pandemic, which included the declaration of the Movement Control Order ("MCO") which came into effect on March 18, 2020. The introduction of the MCO resulted in the suspension of businesses that were non-essential in the country and had interfered with the general activity levels in the community and the economy. The MCO was subsequently extended until May 12, 2020, followed by a Conditional MCO until June 9, 2020 and a Recovery MCO until December 31, 2020. The resurgence of COVID-19 cases in 2021 prompted the Malaysian Government to re-impose various phases of MCO in certain states, including Perak and Selangor. On June 1, 2021, a 4 phase National Recovery Plan ("NRP") was introduced and implemented by the Malaysian Government to replace MCO. Five states, including Perak, moved into phase 2 of NRP from July 5, 2021 followed by Penang on July 7, 2021.

SNS Group resumed its operations in line with the Government's easing of restrictions over the MCO and its operational strategy primarily in the business of trading computer hardware and software, provision of information technology solutions and computer maintenance services remain unchanged in the current financial year. In mitigating the risk of disruption to the supply chain and/or ability to meet customer's demand during this pandemic, SNS Group obtained special relief term loans and financing amounting to RM2,000,000 in FYE 2021 for working capital use. Additionally, rent concessions were granted by certain lessors as disclosed in Section 4.19.

Management is pleased that the Government implemented the immunisation programme in response to the pandemic and with effect from April 1, 2022, removed the country's border restrictions which is expected to have a positive impact on the Malaysian economy.

Management will continue to monitor developments and take the necessary corrective actions in the best and safest way without jeopardising the health and safety of all employees and abiding with all governmental policies and directives.

4.43 Subsequent Events

Subsequent to January 31, 2022, SNS Network Malaysia and Gloo acquired certain property, plant and equipment at price considerations of RM327,000 and RM116,000 respectively.

4.44 Segment Reporting

Segment information is presented in respect of SNS Group's business segments, which reflect SNS Group's internal reporting structure that are regularly reviewed by SNS Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. For management purposes, SNS Group is organised into the following operating divisions:

(i)	Sale of ICT products	-	Comprising hardware, devices and related peripherals, as well as the provision of ICT services and solutions.
(ii)	Provision of device repair and broadband services	-	Provision of device repair and related services and sale of broadband services.

Segment assets and segment liabilities are neither included in the internal management reports nor provided regularly to SNS Group's chief operating decision maker for regular review. Accordingly, there is no further disaggregation of segment assets and segment liabilities.

(Forward)

13. ACCOUNTANTS' REPORT *(Cont'd)*

(a) Information regarding SNS Group's reportable segments is presented below:

FYE 2022	Sale of ICT Products RM	Provision of Device Repair and Broadband Services RM	Total RM	Eliminations RM	Combined SNS Group RM
Revenue					
External revenue	1,099,266,654	12,742,084	1,112,008,738	-	1,112,008,738
Inter-segment revenue	537,720,448	271,853	537,992,301	(537,992,301)	-
Total revenue	1,636,987,102	13,013,937	1,650,001,039	(537,992,301)	1,112,008,738
Cost of sales					
External cost of sales	(1,008,779,218)	(9,216,144)	(1,017,995,362)	-	(1,017,995,362)
Inter-segment cost of sales	(537,520,316)	(271,853)	(537,792,169)	537,792,169	-
Total cost of sales	(1,546,299,534)	(9,487,997)	(1,555,787,531)	537,792,169	(1,017,995,362)
Gross profit	90,687,568	3,525,940	94,213,508	(200,132)	94,013,376
Other operating income					7,490,695
Other gains and losses					1,320,608
Investment revenue					43,951
Selling and distribution expenses					(32,345,698)
General and administrative expenses					(18,675,743)
Finance costs					(3,163,508)
Profit before tax					48,683,681
Tax expenses					(12,766,216)
Profit after tax					35,917,465

FYE 2021	Sale of ICT Products RM	Provision of Device Repair and Broadband Services RM	Total RM	Eliminations RM	Combined SNS Group RM
Revenue					
External revenue	710,316,109	11,153,356	721,469,465	-	721,469,465
Inter-segment revenue	318,827,600	236,425	319,064,025	(319,064,025)	-
Total revenue	1,029,143,709	11,389,781	1,040,533,490	(319,064,025)	721,469,465
Cost of sales					
External cost of sales	(650,428,097)	(7,260,630)	(657,688,727)	-	(657,688,727)
Inter-segment cost of sales	(318,669,200)	(236,425)	(318,905,625)	318,905,625	-
Total cost of sales	(969,097,297)	(7,497,055)	(976,594,352)	318,905,625	(657,688,727)
Gross profit	60,046,412	3,892,726	63,939,138	(158,400)	63,780,738
Other operating income					4,880,898
Other gains and losses					1,320,657
Investment revenue					50,484
Selling and distribution expenses					(22,770,665)
General and administrative expenses					(12,214,299)
Finance costs					(3,266,507)
Profit before tax					31,781,306
Tax expenses					(8,399,938)
Profit after tax					23,381,368

13. ACCOUNTANTS' REPORT *(Cont'd)*

FYE 2020	Sale of ICT Products RM	Provision of Device Repair and Broadband Services RM	Total RM	Eliminations RM	Combined SNS Group RM
Revenue					
External revenue	663,450,064	11,831,731	675,281,795	-	675,281,795
Inter-segment revenue	263,717,125	304,202	264,021,327	(264,021,327)	-
Total revenue	927,167,189	12,135,933	939,303,122	(264,021,327)	675,281,795
Cost of sales					
External cost of sales	(623,350,221)	(7,264,709)	(630,614,930)	-	(630,614,930)
Inter-segment cost of sales	(263,557,350)	(304,202)	(263,861,552)	263,861,552	-
Total cost of sales	(886,907,571)	(7,568,911)	(894,476,482)	263,861,552	(630,614,930)
Gross profit	40,259,618	4,567,022	44,826,640	(159,775)	44,666,865
Other operating income					3,364,243
Other gains and losses					63,423
Investment revenue					56,674
Selling and distribution expenses					(21,962,142)
General and administrative expenses					(12,313,197)
Finance costs					(3,732,988)
Profit before tax					10,142,878
Tax expenses					(2,361,050)
Profit after tax					7,781,828

13. ACCOUNTANTS' REPORT *(Cont'd)*

FYE 2019	Sale of ICT Products RM	Provision of Device Repair and Broadband Services RM	Total RM	Eliminations RM	Combined SNS Group RM
Revenue					
External revenue	582,212,380	11,928,097	594,140,477	-	594,140,477
Inter-segment revenue	269,213,480	1,085,117	270,298,597	(270,298,597)	-
Total revenue	851,425,860	13,013,214	864,439,074	(270,298,597)	594,140,477
Cost of sales					
External cost of sales	(547,030,213)	(3,965,667)	(550,995,880)	-	(550,995,880)
Inter-segment cost of sales	(269,033,467)	(1,085,117)	(270,118,584)	270,118,584	-
Total cost of sales	(816,063,680)	(5,050,784)	(821,114,464)	270,118,584	(550,995,880)
Gross profit	35,362,180	7,962,430	43,324,610	(180,013)	43,144,597
Other operating income					1,697,833
Other gains and losses					130,544
Investment revenue					50,880
Selling and distribution expenses					(18,020,713)
General and administrative expenses					(11,940,982)
Finance costs					(2,741,900)
Profit before tax					12,320,259
Tax expenses					(3,220,449)
Profit after tax					9,099,810

(b) Geographical information

Revenue information based on geographical location of customers are as follows:

	31.1.2022 RM	31.1.2021 RM	31.1.2020 RM	31.1.2019 RM
Malaysia	958,081,978	644,493,745	452,830,891	458,670,119
Overseas:				
Hong Kong	130,629,450	58,733,869	185,260,130	91,581,407
Singapore	15,430,509	11,644,299	25,856,264	32,597,603
Others	7,866,801	6,597,552	11,334,510	11,291,348
	1,112,008,738	721,469,465	675,281,795	594,140,477

Customers from other countries include Australia, France, United Arab Emirates, Vietnam, Maldives, Germany, USA, each representing less than 1% of total revenue.

No information on geographical assets is presented as SNS Group operates mainly in Malaysia.

(c) Information on key customers

Total revenue percentage contributed by a major customer within the sale of ICT products segment are as follows:

	31.1.2022 %	31.1.2021 %	31.1.2020 %	31.1.2019 %
Major customer A	11.3	*	27.8	13.9

* Denotes less than 10.0% contribution to revenue.

ACCOUNTANTS' REPORT
(Prepared for inclusion in the Prospectus of
SNS Network Technology Berhad)

SNS NETWORK TECHNOLOGY BERHAD

STATEMENT BY DIRECTORS

The directors of **SNS NETWORK TECHNOLOGY BERHAD** state that, in their opinion, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission of Malaysia so as to give a true and fair view of the financial position of the combining entities as of January 31, 2022, January 31, 2021, January 31, 2020 and January 31, 2019 and of the financial performance and the cash flows for the financial years ended January 31, 2022, January 31, 2021, January 31, 2020 and January 31, 2019.

Signed in accordance with a resolution of the Directors dated July 5, 2022,

MR. KO YUN HUNG

MR. PAH WAI ONN

Stamped for the purpose of identification only with our letter / report dated
0 5 JUL 2022
DELOITTE PLT (LLP0010145-LCA)
CHARTERED ACCOUNTANTS (AF0080)