



SNS NETWORK TECHNOLOGY BERHAD

Registration No: 201601002835 (1173761-W)

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED
31 OCTOBER 2022



SNS NETWORK TECHNOLOGY BERHAD
(Registration No. 201601002835 (1173761-W))
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 31 OCTOBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter 31.10.2022 Unaudited RM'000	Preceding Year Corresponding Quarter ⁽²⁾ 31.10.2021 Unaudited RM'000	Current Period-to- date 31.10.2022 Unaudited RM'000	Preceding Year Corresponding Period-to-date ⁽²⁾ 31.10.2021 Unaudited RM'000
Revenue	348,835	N/A	893,924	N/A
Cost of sales	(319,395)	N/A	(821,824)	N/A
Gross profit	29,440	N/A	72,100	N/A
Other operating income	2,099	N/A	6,286	N/A
Other gains and losses	246	N/A	404	N/A
Investment revenue	104	N/A	127	N/A
Selling and distribution expenses	(8,556)	N/A	(24,889)	N/A
General and administrative expenses	(6,635)	N/A	(15,366)	N/A
Profit from operations	16,698	N/A	38,662	N/A
Finance costs	(1,415)	N/A	(3,396)	N/A
Profit before tax	15,283	N/A	35,266	N/A
Tax expenses	(3,342)	N/A	(8,322)	N/A
Profit and total comprehensive income for the financial period attributable to equity holders of the Group	11,941	N/A	26,944	N/A
Earning per share attributable to equity holders of the Group:				
Basic ⁽³⁾ (sen)	0.80	N/A	4.27	N/A
Diluted ⁽⁴⁾ (sen)	0.80	N/A	4.27	N/A

Notes:

⁽¹⁾ The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of SNS Network Technology Berhad ("SNS Network" or the "Company") and its subsidiaries ("SNS Group" or the "Group") dated 27 July 2022 and the accompanying explanatory notes attached to this condensed interim financial report.



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- (2) *No comparative figures for the preceding financial period's corresponding quarter and period-to-date are available as this is the third condensed interim financial report announced in compliance with the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**").*
- (3) *Basic earnings per share ("**EPS**") is calculated by dividing profit after tax attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the current financial quarter and financial period-to-date ended 31 October 2022 under review.*
- (4) *The diluted EPS of the Group for the current financial quarter and financial period-to-date ended 31 October 2022 is equivalent to the basic EPS as the Group does not have any potential dilutive equity instruments that would give a diluted effect to the basic EPS at the end of the reporting period.*

N/A - Not applicable.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 31 OCTOBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	As at 31.10.2022 RM'000 Unaudited	As at 31.01.2022 RM'000 Audited
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	51,224	51,465
Right-of-use assets	14,285	12,504
Finance lease receivables	-	349
Total non-current assets	65,509	64,318
Current assets		
Inventories	225,926	103,558
Trade and other receivables	208,723	87,997
Finance lease receivables	543	761
Other assets	5,775	5,185
Current tax assets	1,463	446
Fixed deposits, cash and bank balances and short term investment	108,412	29,829
Total current assets	550,842	227,776
TOTAL ASSETS	616,351	292,094
<u>EQUITY AND LIABILITIES</u>		
Capital and reserves		
Share capital	151,420	*
Invested capital	-	7,791
Capital reserve	(55,329)	-
Retained earnings	112,172	85,228
TOTAL EQUITY	208,263	93,019
Non-current liabilities		
Borrowings	27,794	29,748
Lease liabilities	5,411	4,573
Deferred tax liabilities	1,597	1,597
Total non-current liabilities	34,802	35,918



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾ (CONT'D)

	As at 31.10.2022 RM'000 Unaudited	As at 31.01.2022 RM'000 Audited
Current liabilities		
Trade and other payables	317,569	121,931
Amount owing to directors	-	34
Other liabilities	2,943	1,788
Contract liabilities	151	308
Dividends payable	-	6,000
Borrowings	39,264	20,215
Lease liabilities	9,133	8,163
Current tax liabilities	4,226	4,718
Total current liabilities	373,286	163,157
TOTAL LIABILITIES	408,088	199,075
TOTAL EQUITY AND LIABILITIES	616,351	292,094
Net assets per ordinary share attributable to Equity holders of SNS Group (RM) ⁽²⁾	0.13	0.07

Notes:

⁽¹⁾ *The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 27 July 2022 and the accompanying explanatory notes attached to this condensed interim financial report.*

⁽²⁾ *Net assets per ordinary share is calculated based on the Company's number of ordinary shares as at 31 October 2022 of 1,612,779,660 ordinary shares. In the calculation of net assets per ordinary share as at 31 January 2022, it is assumed that 1,249,904,160 ordinary shares were in issue after completing the acquisition of the Company's subsidiaries.*

* *Represents RM2.00 only.*



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	Share capital RM'000	Invested capital RM'000	Non-distributable Capital reserve RM'000	Attributable to Equity Holders of SNS Group Distributable Reserve - Retained earnings RM'000	Total Equity RM'000
Balance at 1 February 2021	*	5,179	-	57,922	63,101
Profit for the financial period	-	-	-	35,918	35,918
Issue of ordinary shares	-	2,612	-	-	2,612
Dividends	-	-	-	(8,612)	(8,612)
Balance at 1 February 2022	*	7,791	-	85,228	93,019
Profit for the financial period	-	-	-	26,944	26,944
Issue of ordinary shares	90,719	-	-	-	90,719
Acquisition of subsidiaries under common control	63,120	(7,791)	(55,329)	-	-
Share issuance expenses	(2,419)	-	-	-	(2,419)
Balance at 31 October 2022	151,420	-	(55,329)	112,172	208,263

Notes:

⁽¹⁾ *The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 27 July 2022 and the accompanying explanatory notes attached to this condensed interim financial report.*

* *Represents RM2.00 only.*

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 31 OCTOBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾

	CUMULATIVE QUARTER	
	Current Period-to-date 31.10.2022 RM'000	Preceding Year Corresponding Period-to-date⁽²⁾ 31.10.2021 RM'000
Cash Flows used in operating activities		
Profit before taxation	35,266	N/A
Adjustments for:		
Depreciation of right-of-use assets	8,562	N/A
Finance costs	3,396	N/A
Write down of inventories to net realisable values	2,831	N/A
Depreciation of property, plant and equipment	1,394	N/A
Loss allowances recognised in profit or loss	382	N/A
Increase in provision for customer loyalty programme	252	N/A
Decrease in provision for warranties	(158)	N/A
Negative variable lease payments	(208)	N/A
Income from finance lease receivables	(40)	N/A
Investment revenue	(127)	N/A
Interest income	(23)	N/A
Increase in provision for voucher programme	43	N/A
Expiry of voucher programme	(8)	N/A
Expiry of customer loyalty programme	(254)	N/A
Increase in fair value of income fund	(190)	N/A
Operating profit before working capital changes	51,118	N/A
Movements in working capital:		
(Increase)/Decrease in:		
Inventories	(125,199)	N/A
Trade and other receivables	(121,108)	N/A
Other assets	(590)	N/A
Finance lease receivables	607	N/A
Increase/(Decrease) in:		
Trade and other payables	195,638	N/A
Other liabilities	1,155	N/A
Contract liabilities	(32)	N/A
Cash generated from operating activities	1,589	N/A



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾ (CONT'D)

	CUMULATIVE QUARTER	
	Current Period-to-date 31.10.2022 RM'000	Preceding Year Corresponding Period-to-date⁽²⁾ 31.10.2021 RM'000
Interests received	23	N/A
Income tax paid	(9,831)	N/A
Net cash used in operating activities	(8,219)	N/A
Cash flows used in investing activities		
Interest received on fixed deposits	127	N/A
Income distribution from income fund	190	N/A
Purchase of property, plant and equipment	(1,057)	N/A
Placement of fixed deposits	(16,472)	N/A
Net cash used in investing activities	(17,212)	N/A
Cash flows from financing activities		
Issue of ordinary shares	88,300	N/A
Proceeds from bankers' acceptances - net	19,282	N/A
Repayment of lease liabilities	(8,327)	N/A
Repayment of term loans and financing	(1,509)	N/A
Finance costs paid	(3,396)	N/A
Repayment of hire-purchase payables	(774)	N/A
Repayment made to directors	(34)	N/A
Dividend paid	(6,000)	N/A
Net cash from financing activities	87,542	N/A
Net increase in cash and cash equivalents	62,111	N/A
Cash and cash equivalents at the beginning of the financial period	27,133	N/A
Cash and cash equivalents at the end of the financial period	89,244	N/A



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾ (CONT'D)

Notes:

- (1) *The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 27 July 2022 and the accompanying explanatory notes attached to this condensed interim financial report.*
- (2) *No comparative figures for the preceding financial year's corresponding quarter is available as this is the third condensed interim financial report announced in compliance with the Listing Requirements of Bursa Securities.*
- (3) *Cash and cash equivalents at the end of the financial period comprise:*

	CUMULATIVE QUARTER	
	Current Period-to-date 31.10.2022 RM'000	Preceding Year Corresponding Period-to-date⁽²⁾ 31.10.2021 RM'000
CASH AND CASH EQUIVALENTS		
Fixed deposits with licensed banks	19,168	N/A
Income fund with a licensed financial institution (redeemable upon 1 day notice)	50,190	N/A
Cash and bank balances	39,054	N/A
	<hr/>	<hr/>
	108,412	N/A
Less:		
Fixed deposits with licensed banks	19,168	N/A
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	89,244	N/A
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N/A - Not applicable.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 31 OCTOBER 2022

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES ON TO THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS 134"), INTERIM FINANCIAL REPORT

A1. Basis of preparation

The condensed consolidated interim financial statements of the Group is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standards ("**MFRS**") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("**MASB**"), International Financial Reporting Standard, requirements of the Companies Act, 2016 in Malaysia, and Rule 9.22 and Appendix 9B of the Listing Requirements of Bursa Securities.

This is the first condensed consolidated interim financial statements on the Company's unaudited condensed consolidated financial result for the third quarter ended 31 October 2022 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding financial year's corresponding period.

The condensed consolidated interim financial statements are prepared based on the consolidated results of the Group and should be read in conjunction with the Accountant's Report as disclosed in the Prospectus of the Company dated 27 July 2022 and the accompanying notes attached to this condensed interim financial report.

A2. Significant accounting policies

The accounting policies adopted in the preparation of this condensed consolidated interim financial statements are consistent with those adopted as disclosed in the Accountants' Report in the Prospectus of the Company dated 27 July 2022, except for the adoption of the following Amendments to MFRS.

Adoption of amendments to MFRSs

The adoption of the following amendments to MFRSs that are mandatory effective for an accounting period that begins on or after 1 February 2022:

Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract

The adoption of the abovementioned amendments to MFRSs have not had any material impact on the disclosures or on the amounts reported in the condensed consolidated interim financial statements.



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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS 134"), INTERIM FINANCIAL REPORT (CONT'D)

A2. Significant accounting policies (Cont'd)

Standards issued but not yet effective

At the date of authorisation for issue of this condensed consolidated interim financial statements, the new and amendments to MFRSs, which were in issue but not yet effective and have not been early adopted by the Group are as follow:

MFRS 17	Insurance Contracts ⁽¹⁾
Amendments to MFRS 17	Insurance Contracts ⁽¹⁾
Amendments to MFRS 4	Extension of the Temporary Exemption from applying MFRS 9 ⁽¹⁾
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽²⁾
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current and Disclosure of Accounting Policies ⁽¹⁾
Amendments to MFRS 108	Definition of Accounting Estimates ⁽¹⁾
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽¹⁾

Notes:

⁽¹⁾ Effective for annual financial periods beginning on or after January 1, 2023, with earlier application permitted.

⁽²⁾ Effective date deferred to a date to be announced by MASB.

A3. Audited Report of Preceding Annual Financial Statements

The audited combined financial statements for the FYE 31 January 2022 was not subject to any qualification.

A4. Seasonal or Cyclical Factors

The Group does not experience significant fluctuation in operations due to seasonal factors during the current financial quarter and period-to-date under review.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature in size or incidence during the current financial quarter under review.



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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS 134"), INTERIM FINANCIAL REPORT (CONT'D)

A6. Material Changes in Estimates

There were no material changes in the estimates of amounts reported that have material effect on the results for the current financial quarter under review.

A7. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

The initial public offering (“**IPO**”) was completed on 2 September 2022 and the Company issued 362,875,500 new ordinary shares at an issue price of RM0.25 per ordinary share for total IPO proceed of RM90,718,875. Upon the completion of IPO, the Company’s entire enlarged share capital of RM151,420,034 (of which RM2,419,003 arising from listing expenses has been net off) comprising 1,612,779,660 Shares was listed on the ACE Market of Bursa Securities.

Save as disclosed above, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial quarter under review.

A8. Dividend Paid

There was no dividend paid during the current financial quarter under review.

A9. Segmental Reporting

a) Revenue by Business Activities:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter 31.10.2022 RM'000	Preceding Year Corresponding Quarter ⁽¹⁾ 31.10.2021 RM'000	Current Period-to-date 31.10.2022 RM'000	Preceding Year Corresponding Period-to-date ⁽¹⁾ 31.10.2021 RM'000
Sale of ICT products	346,094	N/A	885,071	N/A
Provision of device repair and related services, as well as sale of broadband services	2,741	N/A	8,853	N/A
	348,835	N/A	893,924	N/A

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS 134"), INTERIM FINANCIAL REPORT (CONT'D)

A9. Segmental Reporting (Cont'd)

Note:

⁽¹⁾ No comparative figures for the preceding financial year's corresponding quarter and period-to-date are available as this is the third condensed interim financial report announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable.

b) Revenue by Geographical Market:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter 31.10.2022 RM'000	Preceding Year Corresponding Quarter ⁽¹⁾ 31.10.2021 RM'000	Current Period-to-date 31.10.2022 RM'000	Preceding Year Corresponding Period-to-date ⁽¹⁾ 31.10.2021 RM'000
Malaysia	344,593	N/A	863,665	N/A
Overseas				
- Hong Kong	-	N/A	16,326	N/A
- Singapore	1,369	N/A	4,666	N/A
- Others ⁽²⁾	2,873	N/A	9,267	N/A
	<u>348,835</u>	<u>N/A</u>	<u>893,924</u>	<u>N/A</u>

Notes:

⁽¹⁾ No comparative figures for the preceding financial year's corresponding quarter and period-to-date are available as this is the third condensed interim financial report announced in compliance with the Listing Requirements of Bursa Securities.

⁽²⁾ Comprises Maldives, Indonesia and Vietnam.

N/A – Not applicable.



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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS 134"), INTERIM FINANCIAL REPORT (CONT'D)

A10. Material Events Subsequent to the End of the Current Financial Quarter

There were no material events subsequent to the end of the current financial quarter under review that have not been reflected in this interim financial report.

A11. Changes in The Composition of The Group

There were no material changes in the composition of the Group during the current financial quarter under review.

A12. Contingent Liabilities and Contingent Assets

There were no other material contingent liabilities and contingent assets of the Group as at the end of the current financial quarter under review.

A13. Significant Related Party Transactions

Significant transactions between the Group and related party are as follows:

Type of transactions	Current Period Quarter 31.10.2022 RM'000	Current Period-to-date 31.10.2022 RM'000
Rental of offices paid to a director	24	70



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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A. EXPLANATORY NOTES ON THE COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS 134"), INTERIM FINANCIAL REPORT (CONT'D)

A14. Capital Commitments

Other than as disclosed below, there are no other material capital commitments as at the end of the current financial quarter under review.

	As at 31.10.2022 RM'000 Unaudited	As at 31.01.2022 ⁽¹⁾ RM'000 Unaudited
Purchase of property, plant and equipment	<u>601</u>	<u>N/A</u>

Note:

⁽¹⁾ No comparative figures for the preceding financial year's corresponding quarter and period-to-date are available as this is the third condensed interim financial report announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable.

A15. Valuation of Property, Plant and Equipment

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter under review.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER	
	Current Period Quarter 31.10.2022 RM'000	Preceding Year Corresponding Quarter ⁽¹⁾ 31.10.2021 RM'000	Variance		Current Period-to- date 31.10.2022 RM'000	Preceding Year Corresponding Period-to- date ⁽¹⁾ 31.10.2021 RM'000
			RM'000	%		
	<hr/>					
Revenue	348,835	N/A	N/A	N/A	893,924	N/A
Profit before tax	15,283	N/A	N/A	N/A	35,266	N/A

Note:

⁽¹⁾ No comparative figures for the preceding financial year's corresponding quarter and period-to-date are available as this is the third condensed interim financial report announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable.

B2. Comparison with the Immediate Preceding Quarter's Result

	Current Quarter 31.10.2022 RM'000	Immediate Preceding Quarter 31.07.2022 RM'000	Variance	
	RM'000	RM'000	RM'000	%
Revenue	348,835	296,930	51,905	17.5
Gross profit	29,440	23,425	6,015	25.7
Profit before tax	15,283	11,758	3,525	30.0
Profit after tax	11,941	8,813	3,128	35.5

Note:

N/A – Not applicable.

The revenue for the Group for the current financial quarter ended 31 October 2022 increased by RM51.91 million or 17.5%, from RM296.93 million to RM348.84 million, compared with the immediate preceding financial quarter.



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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B2. Comparison with the Immediate Preceding Quarter's Result (Cont'd)

The said increase was mainly due to increase in revenue from the sale of ICT products as the Group secured more orders from the commercial channel.

The gross profit for the Group for the current financial quarter ended 31 October 2022 increased by RM6.01 million or 25.7%, from RM23.43 million to RM29.44 million, compared with the immediate preceding financial quarter in line with the increase in the revenue for the current financial quarter.

Profit before tax of the Group for the current financial quarter ended 31 October 2022 increased by RM3.52 million or 30.0%, from RM11.76 million to RM15.28 million, compared with the immediate preceding financial quarter. Meanwhile, profit after tax of the Group for the current financial quarter ended 31 October 2022 increased by RM3.13 million or 35.5%, from RM8.81 million to RM11.94 million, compared with the immediate preceding financial quarter. Both increases were mainly attributable to the growth in our revenue and improved gross profit.

B3. Group's Prospects

The ICT products and services industry is expected to be continuously driven by the wide usage of ICT in everyday lives by the general public and businesses to perform daily and business activities, the replacement cycle of devices and continuous technology advancement, the implementation of initiatives by the Government for digital transformation, as well as the incorporation of ICT to promote digital education in schools. As such, the Group has allocated RM2.50 million from the IPO proceeds to set-up 10 new stores in Malaysia, which comprises 8 stores in Klang Valley, 1 store in Johor Bahru and 1 store in Penang to increase the Group's customer base. The Group plan to set up 5 stores within the first 2 years from the listing date of 2 September 2022, and another 5 stores in the following year.

The size of the DaaS market in Malaysia grew from RM139.95 million in 2018 to RM376.17 million in 2021, at a CAGR of 39.04% (Source: Independent Market Research Report by Smith Zander International Sdn Bhd dated 5 July 2022). As businesses demand for more flexibility and control over the usage of ICT products and services according to their business and operational needs, while reducing large upfront capital expenditure required for the purchase and deployment of hardware and software, the demand for DaaS subscription is expected to grow in the long term. The Group has allocated RM30.90 million from the IPO proceeds to purchase various types of devices to support the expansion of the DaaS subscription-based service for the Group's existing and future DaaS subscription agreements.

With the ongoing growth and development of our business, the Group has allocated RM18.00 million to build a Regional Hub in Petaling Jaya, Selangor comprising storage facility, experience centre for customers, live video areas, training centre, workshops and office facilities, which is expected to commence operations in January 2026.



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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B3. Group's Prospects (Cont'd)

Beginning 1 April 2022, Malaysia entered into the “Transition to Endemic” phase of Covid-19, removing all operating restrictions on all type of businesses. Businesses are now operating normally as per the pre-Covid days. The Group remains positive with the ICT industry as a result of continuous growth in demand for ICT products and strengthening of our existing customer base while expanding the Group’s market share with new customers.

B4. Variance of Profit Forecast

The Group did not issue any profit forecast for the current financial quarter.

B5. Income Tax Expense

The breakdown of income tax expense is as follows:

	Current Period Quarter 31.10.2022 RM'000	Current Period- to-date 31.10.2022 RM'000
Current taxation	3,604	8,568
Overprovision of tax expenses in prior years	(262)	(246)
	<u>3,342</u>	<u>8,322</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the fiscal year. Tax expense is recognised based on management’s best estimate.

The effective tax rate for current financial period was lower than the statutory tax rate mainly due to the adjustments in relation to overprovision of income tax expenses for the previous financial year.



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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B6. Profit before tax

Profit from operations is derived after (charging)/crediting the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter 31.10.2022 RM'000	Preceding Year Corresponding Quarter ⁽¹⁾ 31.10.2021 RM'000	Current Period-to-date 31.10.2022 RM'000	Preceding Year Corresponding Peiord-to-date ⁽¹⁾ 31.10.2021 RM'000
Income from operators arising from right-of-use assets	1,958	N/A	5,862	N/A
Rental income	61	N/A	178	N/A
Interest income from finance lease receivables	11	N/A	40	N/A
Interest income	12	N/A	23	N/A
Realised gain on foreign exchange	7	N/A	7	N/A
Write down of inventories to net realisable values	(1,019)	N/A	(2,831)	N/A
Auditor's remuneration	(95)	N/A	(192)	N/A
Loss allowances recognised in profit and loss	(379)	N/A	(382)	N/A
Net (increase)/decrease in provisions:				
Warranties	(11)	N/A	158	N/A
Voucher programme	(24)	N/A	(43)	N/A
Expiry of voucher programme	8	N/A	8	N/A
Customer loyalty programme	(130)	N/A	(252)	N/A
Expiry of customer loyalty programme	125	N/A	254	N/A

Notes:

⁽¹⁾ No comparative figures for the preceding financial year's corresponding quarter and period-to-date are available as this is the third condensed interim financial report announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable



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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B7. Utilisation of Proceeds Raised from the IPO

The gross proceeds raised from the IPO of RM90.72 million are intended to be utilised in the following manner:

Utilisation of proceeds ⁽¹⁾	Proposed utilisation RM'000	Actual utilisation RM'000	Unutilised amount RM'000	Estimated timeframe for unutilisation
Capital expenditure				
- Expansion of Daas subscription-based service	30,900	-	30,900	36 months
- Set-up new retail stores	2,500	-	2,500	36 months
Construction of Regional Hub	18,000	-	18,000	36 months
Marketing activities for JOI [®]	1,500	-	1,500	36 months
Repayment of bank borrowings	20,000	-	20,000	12 months
General working capital	13,119	(13,119)	-	24 months
Estimated listing expenses	4,700	(4,700)	-	Immediately
	90,719	(17,819)	72,900	

Notes:

⁽¹⁾ *The utilisation of proceeds as disclosed above should be read in conjunction with the Company's Prospectus dated 27 July 2022.*

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B8. Group Borrowings and Debt Securities

The Group's borrowings as at 31 October 2022 and 31 January 2022 are as follows:

	As at 31.10.2022 RM'000 Unaudited	As at 31.01.2022 RM'000 Audited
<u>Non-current</u>		
<u>Secured</u>		
Commodity Murabahah term financing	21,306	22,515
Term loans	5,702	5,988
Hire purchase payables	786	1,245
	27,794	29,748
<u>Unsecured</u>		
Lease liabilities	5,411	4,573
	33,205	34,321
<u>Current</u>		
<u>Secured</u>		
Bankers' acceptances	36,424	17,142
Commodity Murabahah term financing	1,568	1,575
Term loans	465	472
Hire purchase payables	807	1,026
	39,264	20,215
<u>Unsecured</u>		
Lease liabilities	9,133	8,163
	48,397	28,378
Total loans and borrowings	81,602	62,699

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B9. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B10. Dividend Proposed

Save as disclosed below, there were no other dividend has been declared or proposed during the current financial quarter under review and for the financial period-to-date.

On 13 December 2022, the Board of Directors has approved and declared a first interim single-tier dividend of 0.25 Sen per ordinary share amounting to RM4,031,949 in respect of financial year ending 31 January 2023, to be paid on 18 January 2023. The entitlement date is 3 January 2023.

B11. Earnings Per Share ("EPS")

The basic and diluted EPS for the current financial quarter and period-to-date are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter 31.10.2022	Preceding Year Corresponding Quarter ⁽¹⁾ 31.10.2021	Current Period-to- date 31.10.2022	Preceding Year Corresponding Period-to-date ⁽¹⁾ 31.10.2021
Profit net of tax attributable to the equity holders of the Company (RM'000)	11,941	N/A	26,944	N/A
Weighted average number of ordinary shares in issue (basic) ('000)	1,490,506	N/A	630,490	N/A
Basic EPS ⁽²⁾ (sen)	0.80	N/A	4.27	N/A
Diluted EPS ⁽³⁾ (sen)	0.80	N/A	4.27	N/A

Notes:

⁽¹⁾ No comparative figures for the preceding financial year's corresponding quarter and period-to-date are available as this is the third condensed interim financial report announced in compliance with the Listing Requirements of Bursa Securities.

⁽²⁾ Basic EPS is calculated by dividing profit after tax attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the current financial quarter and financial period-to-date ended 31 October 2022 under review.



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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B11. Earnings Per Share ("EPS") (Cont'd)

⁽³⁾ *The diluted EPS of the Group for the current financial quarter and financial period to date ended 31 October 2022 is equivalent to the basic EPS as the Group does not have any potential dilutive equity instruments that would give a diluted effect to the basic EPS at the end of the reporting period.*

N/A - Not applicable.

B12. Status of Corporate Proposals

There were no corporate proposals announced but not implemented as at the date of this interim financial report.

B13 Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors on 13 December 2022.

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