



SNOWFIT GROUP BERHAD

(Registration No. 202101026487 (1426787-K))

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 MAY 2023**

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY SNOWFIT GROUP BERHAD (“SNOWFIT” OR THE “COMPANY”). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2023⁽¹⁾

	As at 31/5/2023 Unaudited RM'000	As at 31/5/2022 Audited RM'000
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	4,030	3,510
Right-of-use assets	3,061	2,994
Goodwill	94	105
Total non-current assets	7,185	6,609
Current assets		
Inventories	3,355	2,319
Trade receivables	312	39
Other receivables	3,116	1,004
Fixed deposits from licensed bank	733	600
Cash and bank balances	1,078	2,178
Total current assets	8,594	6,140
Total assets	15,779	12,749
<u>EQUITY AND LIABILITIES</u>		
Equity		
Share capital	4,432	4,432
Retained earnings/(Accumulated losses)	(389)	224
Total equity	4,043	4,656
Non-current liabilities		
Lease liabilities	1,164	1,436
Bank borrowings	3,563	2,960
Deferred tax liabilities	119	83
Total non-current liabilities	4,846	4,479
Current liabilities		
Trade payables	62	557
Other payables and accruals	645	884
Lease liabilities	1,255	808
Bank borrowings	4,775	1,169
Current tax liabilities	153	196
Total current liabilities	6,890	3,614
Total liabilities	11,736	8,093
Total liabilities and equity	15,779	12,749
Net assets per share (sen)⁽²⁾	1.92	2.21

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Notes:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial period from 12 August 2021 (date of incorporation) to 31 May 2022 (“9-month FPE 31 May 2022”) of the Company and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Net assets per share is calculated based on the Company’s total number of issued shares of 211,100,002 ordinary shares as at 31 May 2022 and 31 May 2023.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED (“FYE”) 31 MAY 2023⁽¹⁾

	Individual Period		Cumulative Period	
	6 months ended 31/5/2023	6 months ended 31/5/2022	12 months ended 31/5/2023	12/8/2021 - 31/5/2022
	RM'000	RM'000	RM'000	RM'000
Revenue	13,060	13,792	27,483	13,792
Cost of sales	(5,163)	(8,267)	(13,424)	(8,267)
Gross profit	7,897	5,525	14,059	5,525
Other income	36	56	38	56
General and administrative expenses	(6,430)	(4,233)	(11,635)	(4,233)
Other operating expenses	(1,193)	(655)	(1,471)	(655)
Profit from operations	310	693	991	693
Finance costs	(271)	(176)	(457)	(176)
Profit before tax	39	517	534	517
Taxation	(333)	(293)	(430)	(293)
Profit/(Loss) for the financial period/year	(294)	224	104	224
Profit/(Loss) for the financial period/year attributable to owners of the Company	(294)	224	104	224
Total comprehensive profit/(loss) attributable to owners of the Company	(294)	224	104	224
Earnings/(loss) per share (sen):				
- Basic and diluted ⁽²⁾	(0.14)	0.21	0.05	0.21

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the 9-month FPE 31 May 2022 of the Company and the accompanying explanatory notes attached to this interim financial report.
- (2) Earnings/Loss per share (“EPS”/“LPS”) are calculated based on the Company’s weighted average number of issued shares of 211,100,002 and 108,803,427 ordinary shares for the FYE 31 May 2023 and 9-month FPE 31 May 2022 respectively. Diluted EPS/LPS is the same as the basic EPS/LPS as there were no potential dilutive instruments.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FYE 31 MAY 2023⁽¹⁾

	Non-distributable Share capital RM'000	Distributable Retained earnings/(Accumulated losses) RM'000	Total RM'000
Balance at 12 August 2021	(2)	-	-
Profit for the financial period, representing total comprehensive income for the financial period	-	224	224
Total	-	224	224
Transaction with owners, recognised directly in equity			
Issuance of ordinary shares	4,432	-	4,432
Total	4,432	-	4,432
Balance at 31 May 2022	4,432	224	4,656
Profit for the financial year, representing total comprehensive income for the financial year	-	104	104
Total	4,432	328	4,760
Transaction with owners, recognised directly in equity			
Dividends paid	-	(717)	(717)
Total	-	(717)	(717)
Balance at 31 May 2023	4,432	(389)	4,043

Notes:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the 9-month FPE 31 May 2022 of the Company and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Snowfit was incorporated on 12 August 2021 with RM2.00 issued share capital comprising 2 shares.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FYE 31 MAY 2023⁽¹⁾

	Unaudited 12 months ended 31/5/2023 RM'000	Audited 12/8/2021 - 31/5/2022 RM'000
Cash flows from operating activities		
Profit before tax	535	517
Adjustments for:		
Depreciation of property, plant and equipment	307	99
Depreciation of right-of-use assets	1,163	422
Impairment of goodwill	10	
Rental concession	-	(1)
Interest income	(11)	-
Interest expenses	457	176
Operating profit before working capital changes	2,461	1,213
Changes in working capital:		
Inventories	(1,036)	3,296
Trade receivables	(273)	(39)
Other receivables, deposits and prepayments	(2,112)	(425)
Trade payables	(495)	(3,352)
Other payables and accruals	(239)	(3,168)
Cash used in operations	(1,694)	(2,475)
Tax paid	(438)	(373)
Net cash used in operating activities	(2,132)	(2,848)
Cash flows from investing activities		
Purchase of property, plant and equipment	(827)	(14)
Purchase of right-of-use assets	(1,230)	(14)
Acquisition in subsidiaries	-	953
Net cash from/(used in) investing activities	(2,057)	925
Cash flows from financing activities		
Proceed from issuance of share capital	-	4,432
Dividends paid	(717)	-
Drawdown of term loan	1,000	-
Interest paid	(457)	(176)
Placement of fixed deposit	(122)	(600)
Net changes of bank acceptance	3,486	843
Repayment of term loan	(262)	(68)
Drawdown of finance lease payables	183	-
Repayment of finance lease payables	(197)	(35)
Repayment of lease liabilities	175	(295)
Net cash from financing activities	3,089	4,101

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FYE 31 MAY 2023⁽¹⁾ (CONT'D)

	Unaudited 12 months ended 31/05/2023 RM'000	Audited 12/8/2021 - 31/5/2022 RM'000
Net increase/(decrease) in cash and cash equivalents	(1,100)	2,178
Cash and cash equivalents at the beginning of the financial year/period	2,178	-
Cash and cash equivalents at end of the financial year/period	1,078	2,178

Note:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the 9-month FPE 31 May 2022 and the accompanying explanatory notes attached to this interim financial report.*

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 MAY 2023

A1. BASIS OF PREPARATION

Snowfit was incorporated in Malaysia under the Companies Act 2016 on 12 August 2021 as a public limited company.

During the 9-month FPE 31 May 2022, the Company had completed the acquisition of the entire equity interest in Snowfit Malaysia Sdn Bhd for a purchase consideration of RM1,900,000. On 21 June 2022, the Company's entire issued share capital of RM4,432,002 comprising 211,100,002 shares were listed on the LEAP Market of Bursa Securities.

The interim financial statements of Snowfit and its subsidiary (the "**Group**") are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("**MFRS**") 134: Interim Financial Reporting.

This is the interim financial report on the consolidated results for the FYE 31 May 2023 announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities.

The interim financial report should be read in conjunction with the Audited Consolidated Financial Statements for the 9-month FPE 31 May 2022 and the accompanying explanatory notes attached to this interim financial report.

A2. CHANGES IN ACCOUNTING POLICIES

A2.1 Adoption of new and amended standards

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited consolidated financial statements for the 9-month FPE 31 May 2022 except for the following which has been adopted during the FYE 31 May 2023:

- Amendments to MFRS 3: Business Combinations: Reference to the Conceptual Framework
- Amendments to MFRS 116: Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to MFRSs contained in the document entitled – Annual improvements to MFRS Standards 2018-2020

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

A2.2 Standards issued but not yet effective

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

The Group has not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by Malaysian Accounting Standard Board but are not yet effective for the Group:

- MFRS 1: Insurance Contracts
- Amendments to MFRS 17: Insurance Contracts
- Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101: Presentation of Financial Statements – Disclosures of Accounting Estimates
- Amendments to MFRS 101: Presentation of Financial Statements – Disclosure of Accounting Policies

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 MAY 2023 (CONT'D)

A2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

A2.2 Standards issued but not yet effective (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023 (cont'd)

- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112: Income Tax – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101: Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current
- Amendments to MFRS 101: Presentation of Financial Statements - Non-current Liabilities with Covenants

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date which has yet to be confirmed

- Amendments to MFRS 10 and MFRS 128: Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will apply the above new MFRSs and amendments to MFRSs that are applicable once they become effective. The initial application of the new MFRSs and amendments to MFRSs is not expected to have any significant impact on the Group's and the Company's financial statements.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 MAY 2023 (CONT'D)

A3. SEASONAL AND CYCLICAL FACTORS

The Group did not experience any material seasonality or cyclical effects in its business operations for the current 6-month financial period and financial year under review.

A4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current 6-month financial period and financial year under review.

A5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates in the current 6-month financial period and financial year under review.

A6. DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current 6-month financial period and financial year under review.

A7. SEGMENTAL INFORMATION

The Group's revenue based on product segments is presented as follows:

	Individual Period				Cumulative Period			
	6 months ended		6 months ended		12 months ended		12/8/2021-	
	31/5/2023		31/5/2022		31/5/2023		31/5/2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Massage and wellness equipment	13,044	99.9	13,679	99.2	27,404	99.7	13,679	99.2
Musical instruments and accessories	16	0.1	113	0.8	79	0.3	113	0.8
Total	13,060	100.0	13,792	100.0	27,483	100.0	13,792	100.0

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL YEAR

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

A9. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current financial year under review.

A10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the date of this interim financial report.

A11. CAPITAL COMMITMENTS

There were no material capital commitments in respect of property, plant and equipment as at the date of this interim financial report.

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B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS**B1. REVIEW OF PERFORMANCE****(a) FYE 31 May 2023 vs 9-month FPE 31 May 2022**

The Group recorded a revenue of RM27.5 million for the FYE 31 May 2023 as compared to RM13.8 million in the 9-month FPE 31 May 2022, representing an increase of RM13.7 million or 99.3%. The increase was mainly as a result of an increase in revenue from the Group's massage and wellness equipment segment from RM13.8 million in the 9-month FPE 31 May 2022 to RM27.5 million in the FYE 31 May 2023, which was attributable to amongst others, an increase in advertising and promotional activities undertaken by the Group during the FYE 31 May 2023 and expansion of the Group's product offering through the introduction of a new massage chair and table bike.

The Group recorded a gross profit of RM14.1 million for the FYE 31 May 2023 as compared to RM5.5 million in the 9-month FPE 31 May 2022, representing an increase of RM8.5 million or 154.5%, which was mainly as a result of the increase in revenue as explained above.

Notwithstanding, the Group recorded a profit before tax of RM0.53 million for the FYE 31 May 2023 which is similar to the RM0.52 million recorded in the 9-month FPE 31 May 2022, which was mainly attributable to an increase in the Group's general and administrative expenses mainly as a result of the following:

- (i) an increase in staff costs from RM1.9 million in the 9-month FPE 31 May 2022 to RM5.0 million in the FYE 31 May 2023 mainly as a result of an increase in staff headcount;
- (ii) an increase in marketing expenses from RM1.1 million in the 9-month FPE 31 May 2022 to RM2.7 million in FYE 31 May 2023 mainly as a result of the Group's participations in exhibitions; and
- (iii) an increase in rental expenses from RM0.3 million in the 9-month FPE 31 May 2022 to RM1.3 million in the FYE 31 May 2023 mainly as a result of the opening of 5 new showrooms located in Perak, Penang, Pahang and Malacca and Selangor as detailed in Section B2 below.

(b) Current 6-month Financial Period vs Previous Year Corresponding 6-month Financial Period

The Group recorded a revenue of RM13.1 million for the current 6-month financial period as compared to RM13.8 million in the previous year corresponding 6-month financial period, representing a slight decrease of RM0.7 million or 5.3%, which was mainly due to a slight decrease in revenue from the Group's massage and wellness equipment segment from RM13.7 million in the previous year corresponding 6-month financial period to RM13.0 million in the current 6-month financial period, representing a decrease of RM0.6 million or 4.6%. The decrease was mainly as a result of lower sales generated from the Group's online channels. Nevertheless, physical sales generated from the Group's showrooms had increased from RM10.5 million in the previous year corresponding 6-month financial period to RM11.7 million in the current 6-month financial period upon transition to the COVID-19 endemic phase by the Malaysian Government effective 1 April 2022.

The Group recorded a gross profit of RM7.9 million in the current 6-month financial period as compared to RM5.5 million in the previous year corresponding 6-month financial period, representing an increase of RM2.3 million or 42.9%, which was mainly as a result of a higher proportion of sales of a model of massage chair which generates a higher gross profit margin as well as cheaper supplies secured for a model of massage chair from one of the Group's suppliers.

The Group recorded a profit before tax of RM0.05 million for the current 6-month financial period as compared to RM0.5 million in the previous year corresponding 6-month financial period, which was mainly attributable to an increase in general and administrative expenses as explained above.

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B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS (CONT'D)**B2. COMMENTARY ON PROSPECTS**

As disclosed in the Company's Information Memorandum dated 20 April 2022, the Group has in place the following future plan and strategy to further expand its business:

- (i) Strengthen its presence in the massage and wellness equipment industry in Malaysia

As the Group has been receiving numerous enquiries from potential customers based in the Northern region of Peninsular Malaysia, the Group had set up 2 additional showrooms located in Perak and Penang, which had commenced operations in July 2022 and August 2022 respectively.

In addition, upon receiving numerous enquiries from potential customers based in the East Coast and Southern regions of Peninsular Malaysia, the Group had set up 2 additional showrooms located in Pahang and Malacca, which had commenced operations in March 2023 and April 2023 respectively. Further, the Group is also currently in the midst of setting up another additional showroom located in Kelantan, of which the renovation is expected to be completed in October 2023 and operations to commence within a month thereafter.

In order to better service its customers in the Central region (i.e. Kuala Lumpur, Selangor and Negeri Sembilan) of Peninsular Malaysia, the Group had also increased its presence in the region through setting up an additional showroom located in Shah Alam, Selangor, which had commenced operations in April 2023.

The Group is confident that the additional showrooms will allow the Group to reach out to the market in the different regions of Peninsular Malaysia, allowing potential customers in these regions to try and experience its massage and wellness equipment, which in turn will allow the Group to generate higher revenue for the financial year ending 31 May 2024.

Barring any unforeseen circumstances, the Board of Directors of the Company ("**Board**") is of the opinion that the prospects of the Group's financial performance for the financial year ending 31 May 2024 will remain favourable.

B3. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST AND PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

B4. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced as at the date of this report.

B5. MATERIAL LITIGATION

There were no material litigations pending as at the date of this announcement.

B6. DIVIDENDS

The Board had on 5 January 2023 declared a first interim single tier dividend of 0.17 sen per share for the FYE 31 May 2023, which has been paid on 20 January 2023 to all holders of shares whose names appeared in the Record of Depositors at the close of business on 13 January 2023.

B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS (CONT'D)

B7. EPS

The basic and diluted EPS/LPS for the current 6-month financial period and financial year under review are computed as follows:

	Individual Period		Cumulative Period	
	6 months ended 31/5/2023	6 months ended 31/5/2022	12 months ended 31/5/2023	12/8/2021 - 31/5/2022
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	(294)	224	104	224
Weighted average number of ordinary shares in issue	211,100	108,803	211,100	108,803
Basic and diluted (LPS)/EPS (sen)	(0.14)	0.21	0.05	0.21