

13. ACCOUNTANTS' REPORT

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF1018
Chartered Accountants

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The Board of Directors
99 Speed Mart Retail Holdings Berhad
(Formerly known as "99 Speed Mart Holdings Sdn. Bhd.")
Lot PT 2811, Jalan Angsa,
Taman Berkeley,
41150 Klang,
Selangor Darul Ehsan.

Dear Sirs/Madams,

**REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS
CONTAINED IN THE ACCOUNTANTS' REPORT OF 99 SPEED MART RETAIL HOLDINGS
BERHAD (FORMERLY KNOWN AS "99 SPEED MART HOLDINGS SDN. BHD.")**

OPINION

We have audited the financial information contained in the Accountants' Report of 99 Speed Mart Retail Holdings Berhad ("99 Holdings" or the "Company") (formerly known as "99 Speed Mart Holdings Sdn. Bhd."), its subsidiaries and combining entities (collectively known as the "Group"), which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, the combined statements of profit or loss and comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years/period then ended and notes to the combined financial statements, including a summary of significant accounting policies, as set out from pages 4 to 76.

The historical financial information has been prepared for inclusion in the prospectus of 99 Holdings in connection with the listing of and quotation for the entire enlarged issued share capital of 99 Holdings on the Main Market of Bursa Malaysia Securities Berhad. This report is required by the *Prospectus Guidelines issued by the Securities Commission Malaysia* (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information contained in the Accountants' Report gives a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, and of its financial performance and cash flows for the financial years/period then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Prospectus Guidelines.

BASIS FOR OPINION

We conducted our audit in accordance with the 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 report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

DIRECTORS' RESPONSIBILITIES FOR THE COMBINED FINANCIAL INFORMATION

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 MFRSs and IFRSs. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements 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 report that includes our opinion. Reasonable assurance is a high level of assurance, but is 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 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.

13. ACCOUNTANTS' REPORT (Cont'd)**REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

- 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 report to the related disclosures in the combined financial information 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 this 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 combined financial statements of the 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.

OTHER MATTERS

The significant events subsequent to the end of the financial period ended 30 September 2023 has been disclosed in Note 37 to this report.

The comparative information for the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows and notes to the combined financial statements for the financial period ended 30 September 2022 has not been audited.

RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Shah Alam

22 FEB 2024

Ong Beng Chooi
03155/05/2025 J
Chartered Accountant

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)**COMBINED STATEMENTS OF FINANCIAL POSITION**

		Audited as at			
	Note	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	4	318,690	353,210	386,091	408,875
Right-of-use assets	5	831,324	778,263	736,204	746,372
Intangible asset	6	10	5	-	-
Deferred tax assets	7	6,861	11,909	15,601	13,432
		<u>1,156,885</u>	<u>1,143,387</u>	<u>1,137,896</u>	<u>1,168,679</u>
CURRENT ASSETS					
Inventories	8	726,793	803,128	1,093,026	1,198,920
Trade receivables	9	18,742	17,287	27,778	23,664
Other receivables, deposits and prepayments	10	31,861	43,972	36,668	46,564
Cash and cash equivalents	11	130,143	350,163	85,056	72,740
		<u>907,539</u>	<u>1,214,550</u>	<u>1,242,528</u>	<u>1,341,888</u>
TOTAL ASSETS		<u>2,064,424</u>	<u>2,357,937</u>	<u>2,380,424</u>	<u>2,510,567</u>

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)**COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

		Audited as at			
	Note	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12	-	-	-	#
Invested equity	12	4,000	17,500	17,500	17,500
Retained profits		468,193	719,487	614,352	567,543
TOTAL EQUITY		472,193	736,987	631,852	585,043
NON-CURRENT LIABILITIES					
Loans and borrowing	13	53,397	46,444	52,085	48,524
Lease liabilities	14	721,090	669,372	603,555	606,327
Provision for restoration costs	15	38,858	43,208	47,865	51,944
		813,345	759,024	703,505	706,795
CURRENT LIABILITIES					
Trade payables	16	575,957	640,159	805,175	988,999
Other payables and accruals	17	56,132	62,193	67,112	57,890
Contract liability	18	2,187	3,798	2,727	2,150
Loans and borrowing	13	10,900	9,319	4,446	4,567
Lease liabilities	14	99,973	116,371	136,134	149,906
Current tax liabilities		33,737	30,086	29,473	15,217
		778,886	861,926	1,045,067	1,218,729
TOTAL LIABILITIES		1,592,231	1,620,950	1,748,572	1,925,524
TOTAL EQUITY AND LIABILITIES		2,064,424	2,357,937	2,380,424	2,510,567

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)

(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Audited			Unaudited	Audited
		FYE 31 December			FPE 30 September	
		2020	2021	2022	2022	2023
		RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	19	6,841,360	7,836,756	8,075,262	5,906,466	6,803,141
Cost of sales		(6,206,745)	(7,080,717)	(7,333,951)	(5,362,690)	(6,173,406)
Gross profit		634,615	756,039	741,311	543,776	629,735
Other operating income	20	566,954	685,239	742,858	469,025	609,967
Other income		13,488	22,037	22,499	16,911	16,912
		1,215,057	1,463,315	1,506,668	1,029,712	1,256,614
Administrative and other operating expenses		(796,228)	(857,705)	(980,585)	(705,857)	(830,099)
Finance costs		(41,539)	(43,794)	(41,970)	(31,618)	(31,768)
Profit before taxation	21	377,290	561,816	484,113	292,237	394,747
Income tax expense	23	(102,362)	(142,722)	(157,448)	(93,392)	(101,056)
Profit for the financial year/period		274,928	419,094	326,665	198,845	293,691
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the financial year/period		274,928	419,094	326,665	198,845	293,691
Profit for the financial year/period attributable to owners of the Company		274,928	419,094	326,665	198,845	293,691
Total comprehensive income attributable to owners of the Company		274,928	419,094	326,665	198,845	293,691
Basic earnings per ordinary share (sen)	29	6,873	2,853	1,867	1,136	1,678

The annexed notes form an integral part of these financial statements.

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGE IN EQUITY

		<u>Non- distributable</u> Invested equity RM'000	<u>Distributable</u> Retained profits RM'000	Total equity RM'000
	Note			
Balance at 1 January 2020		4,000	428,265	432,265
Profit (representing total comprehensive income) for the financial year		-	274,928	274,928
Dividends	24	-	(235,000)	(235,000)
Balance at 31 December 2020/ 1 January 2021		4,000	468,193	472,193
Profit (representing total comprehensive income) for the financial year		-	419,094	419,094
Allotment of bonus shares during the financial year		13,500	(13,500)	-
Dividends	24	-	(154,300)	(154,300)
		13,500	(167,800)	(154,300)
Balance at 31 December 2021/ 1 January 2022		17,500	719,487	736,987
Profit (representing total comprehensive income) for the financial year		-	326,665	326,665
Dividends	24	-	(431,800)	(431,800)
Balance at 31 December 2022		17,500	614,352	631,852

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGE IN EQUITY (CONT'D)

		<u>Non-distributable</u>		<u>Distributable</u>	
	Note	Share capital RM'000	Invested equity RM'000	Retained profits RM'000	Total equity RM'000
Balance at 1 January 2022		-	17,500	719,487	736,987
Profit (representing total comprehensive income) for the financial period		-	-	198,845	198,845
Dividends	24	-	-	(301,689)	(301,689)
Balance at 30 September 2022 (Unaudited)		-	17,500	616,643	634,143
Balance at 1 January 2023		-	17,500	614,352	631,852
Profit (representing total comprehensive income) for the financial period			-	293,691	293,691
Dividends	24	-	-	(340,500)	(340,500)
Issuance of shares	12	#	-	-	#
		#	-	(340,500)	(340,500)
Balance at 30 September 2023		#	17,500	567,543	585,043

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	377,290	561,816	484,113	292,237	394,747
Adjustments for:-					
Amortisation of trademark	5	5	5	4	-
Depreciation of property and equipment	57,466	61,499	69,383	49,238	52,370
Depreciation of right-of-use assets	148,597	127,896	139,622	103,526	114,184
Interest expense of financial liabilities that are not at fair value through profit or loss	2,671	2,154	2,535	1,792	2,325
Interest expense on lease liabilities	38,868	41,640	39,435	29,826	29,443
Inventories written off	8,093	7,301	10,685	7,356	9,911
COVID-19-related rent concessions	(199)	(55)	(63)	(50)	-
Interest income of financial assets that are not at fair value through profit or loss	(2,788)	(4,612)	(3,053)	(2,173)	(1,142)
Gain on derecognition due to lease termination	-	-	-	-	(88)
Gain on disposal of equipment	-	(37)	(19)	(18)	(217)
Reversal of provision for restoration costs	-	-	-	-	(66)
Operating profit before working capital changes	630,003	797,607	742,643	481,738	601,467
Increase in inventories	(85,678)	(83,636)	(300,583)	(355,731)	(115,805)
Decrease/(Increase) in trade and other receivables	1,254	(14,103)	(5,794)	(2,335)	(10,832)
Increase in trade and other payables	106,554	64,136	174,483	226,581	175,876
Increase/(Decrease) in contract liability	1,128	1,611	(1,071)	(1,011)	(577)
(Increase)/Decrease in amount owing by related parties	(3,915)	1,478	(4,556)	(4,347)	2,819
Cash generated from operations and balance carried forward	649,346	767,093	605,122	344,895	652,948

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited			Unaudited	Audited
		FYE 31 December			FPE 30 September	
		2020	2021	2022	2022	2023
		RM'000	RM'000	RM'000	RM'000	RM'000
Cash generated from operations and balance brought forward		649,346	767,093	605,122	344,895	652,948
Interest paid		(41,384)	(43,484)	(41,496)	(31,307)	(31,306)
Income tax refunded		2,830	-	-	-	-
Income tax paid		(105,743)	(151,421)	(161,753)	(108,316)	(113,143)
Net cash generated from operating activities		505,049	572,188	401,873	205,272	508,499
CASH FLOWS FROM INVESTING ACTIVITIES						
(Advances to)/Repayment from related parties		(969)	962	(154)	(177)	(207)
Interest received		2,788	3,294	3,053	2,173	1,142
Purchase of property and equipment		(69,767)	(96,019)	(102,335)	(77,441)	(75,154)
Acquisition of right-of-use assets	25	(3,645)	-	(6,620)	(6,620)	(380)
Proceeds from disposal of equipment		-	37	90	88	217
Withdrawal/(Placement) of fixed deposits with tenure more than 3 months		7,851	(320,000)	321,318	271,318	-
Net cash (used in)/generated from investing activities		(63,742)	(411,726)	215,352	189,341	(74,382)
Balance carried forward		441,307	160,462	617,225	394,613	434,117

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	Audited			Unaudited	Audited
		FYE 31 December			FPE 30 September	
		2020 RM'000	2021 RM'000	2022 RM'000	2022 RM'000	2023 RM'000
Balance brought forward		441,307	160,462	617,225	394,613	434,117
CASH FLOWS FROM FINANCING ACTIVITIES						
Advances from/(Repayment to) related parties		754	7,134	(7,600)	(4,570)	953
Advances from a director		-	-	-	-	211
Dividends paid	24	(235,000)	(154,300)	(431,800)	(301,689)	(340,500)
Drawdown of term loans	25	9,000	7,380	10,419	10,419	-
Repayment of lease liabilities	25	(92,003)	(106,060)	(122,382)	(90,083)	(103,657)
Repayment of term loans	25	(13,029)	(15,053)	(4,575)	(3,426)	(3,440)
Decrease in bill payable		(15,884)	-	-	-	-
Subscriber shares		-	-	-	-	#
Net cash used in financing activities		(346,162)	(260,899)	(555,938)	(389,349)	(446,433)
Net increase/(decrease) in cash and cash equivalents		95,145	(100,437)	61,287	5,264	(12,316)
Cash and cash equivalents brought forward		29,061	124,206	23,769	23,769	85,056
Cash and cash equivalents carried forward	11	124,206	23,769	85,056	29,033	72,740

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

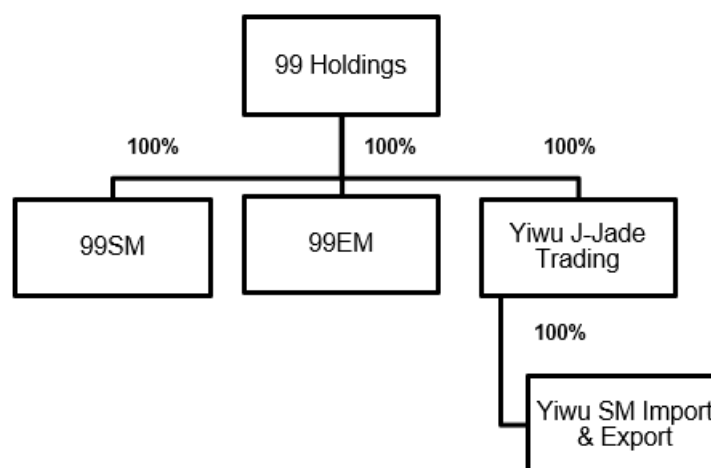
The Company was incorporated in Malaysia under Companies Act 2016 on 15 May 2023, as a private limited liability company to facilitate the proposed initial public offering. On 10 July 2023, the Company changed its name from 99 Speed Mart Holdings Sdn. Bhd. to 99 Speed Mart Retail Holdings Sdn. Bhd.

The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Lot PT 2811, Jalan Angsa, Taman Berkeley, 41150 Klang, Selangor Darul Ehsan, Malaysia.

99 Speed Mart Retail Holdings Berhad. is principally engaged in investment holding and provision of management services whilst the principal activities of its subsidiaries and the combining entities are disclosed in Note 32 to the combined financial statements.

On 28 September 2023, the Group incorporated Yiwu J-Jade Trading Co., Ltd ("Yiwu J-Jade Trading") as an investment holding subsidiary in China to wholly own another subsidiary, Yiwu Speed Mart Import and Export Co., Ltd ("Yiwu SM Import & Export") which was incorporated on 19 October 2023.

As an integral part of listing the Company on Main Market of Bursa Malaysia Securities Berhad, the Company entered into a conditional share sale agreement on 9 November 2023 to acquire the entire equity interest in 99 Speed Mart Sdn. Bhd. ("99SM") and 99 Speed Mart (East Malaysia) Sdn. Bhd. ("99EM") which were completed on 14 December 2023 (collectively known as "Acquisitions"). Upon completion of the Acquisitions, 99SM and 99EM became the subsidiaries of the Company.



On 29 January 2024, the Company was converted to a public limited liability company and assumed its present name.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of Preparation of Combined Financial Statements**

As the Acquisitions were only completed on 14 December 2023, there are no consolidated financial statements of the Group for financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and financial periods ended 30 September 2022 and 30 September 2023.

For the purpose of inclusion in the prospectus of 99 Holdings in connection with the listing of and quotation for the entire enlarged issued share capital of 99 Holdings on the Main Market of Bursa Malaysia Securities Berhad, the Group had prepared the combined financial statements which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and financial periods ended 30 September 2022 and 30 September 2023.

The combined financial statements of the Group for the relevant period were prepared in a manner similar to the merger method, as if the entities within the Group were operating as a single economic entity from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the companies, which are under common control throughout the relevant period.

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 subsidiaries and combining entities so as to obtain the benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The common control of the Group has been established since the set-up of the Group by virtue of Lee Thiam Wah (collectively referred to as the "Controlling Shareholder"), being the principal shareholder and promoter of the Group. Hence, the combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and financial periods ended 30 September 2022 and 30 September 2023.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.1 Basis of Preparation of Combined Financial Statements (Cont'd)**

The combined financial statements of the Group are the combination of all of the financial statements of the entities of the Group and have been prepared in accordance with MFRSs, IFRSs and Prospectus Guidelines for the relevant financial years/periods as follows:-

Entities under common control	31 December 2020	31 December 2021	31 December 2022	30 September 2022	30 September 2023
99 Holdings	*	*	*	*	✓
99SM	✓	✓	✓	✓	✓
99EM	✓	✓	✓	✓	✓
Yiwu J-Jade Trading	#	#	#	#	✓
Yiwu SM Import & Export	#	#	#	#	#

* No financial statements available for the 99 Holdings as the Company was incorporated on 15 May 2023.

✓ The combined financial statements of the Group include the financial statements of its subsidiaries and the combining entities for the respective financial years/periods and audited by Crowe Malaysia PLT.

No financial statements are available for the Yiwu J-Jade Trading and Yiwu SM Import & Export as both companies were incorporated on 28 September 2023 and 19 October 2023 respectively.

The financial statements of the Group for the financial years ended 31 December 2020 and 31 December 2021 were previously prepared in accordance with the Malaysian Private Entities Reporting Standard ("MPERS"). During the financial year ended 31 December 2022, the Group adopted MFRSs for the first-time and the financial statements for the financial year ended 31 December 2022 are the first financial statements of the Group prepared in accordance with MFRSs. Accordingly, comparative information for the financial year ended 31 December 2020 and 31 December 2021 have been restated retrospectively to give effect to these changes as disclosed in Note 2.2 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.1 Basis of Preparation of Combined Financial Statements (Cont'd)**

The following MFRSs became effective for the financial period under review:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 17 Insurance Contracts

Amendments to MFRS 17: Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules

The initial application of above amendments did not have any significant impacts on the Group's combined financial statements.

The Group has not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)**Effective Date**

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Deferred

Amendments to MFRS 16: Lease Liability in a Sale and Leaseback

1 January 2024

Amendments to MFRS 101: Classification of Liabilities as Current or Non-current

1 January 2024

Amendments to MFRS 101: Non-current Liabilities with Covenants

1 January 2024

Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

1 January 2024

Amendments to MFRS 121: Lack of Exchangeability

1 January 2025

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the combined financial statements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Transition to MFRSs and Comparative Figures**

As stated in Note 2.1 to the combined financial statements, the Group has adjusted certain amounts reported previously in financial statement prepared in accordance with MPERS. The financial impacts on the transition are as below:-

Reconciliation of Combined Statements of Financial Position

	Note	MPERS RM'000	Reclassification RM'000	Effect of Transition RM'000	MFRSs RM'000
Combined Statements of Financial Position as at 31 December 2020					
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	2.2(a)	346,236	-	(27,546)	318,690
Right-of-use assets	2.2(a)	-	-	831,324	831,324
Intangible asset		10	-	-	10
Deferred tax assets	2.2(a)	-	-	6,861	6,861
		<u>346,246</u>	<u>-</u>	<u>810,639</u>	<u>1,156,885</u>
CURRENT ASSETS					
Inventories		726,793	-	-	726,793
Trade receivables	2.2(c)	-	18,742	-	18,742
Other receivables, deposits and prepayments	2.2(a), (c)	49,528	(17,917)	250	31,861
Cash and cash equivalents		130,143	-	-	130,143
		<u>906,464</u>	<u>825</u>	<u>250</u>	<u>907,539</u>
TOTAL ASSETS		<u>1,252,710</u>	<u>825</u>	<u>810,889</u>	<u>2,064,424</u>
EQUITY AND LIABILITIES					
EQUITY					
Invested equity		4,000	-	-	4,000
Retained profits		517,321	-	(49,128)	468,193
TOTAL EQUITY		<u>521,321</u>	<u>-</u>	<u>(49,128)</u>	<u>472,193</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Transition to MFRSs and Comparative Figures (Cont'd)**Reconciliation of Combined Statements of Financial Position (Cont'd)

	Note	MPERS RM'000	Reclassification RM'000	Effect of Transition RM'000	MFRSs RM'000
Combined Statements of Financial Position as at 31 December 2020 (Cont'd)					
NON-CURRENT LIABILITIES					
Loans and borrowing		53,397	-	-	53,397
Lease liabilities	2.2(a)	-	-	721,090	721,090
Provision for restoration costs	2.2(a)	-	-	38,858	38,858
		<u>53,397</u>	<u>-</u>	<u>759,948</u>	<u>813,345</u>
CURRENT LIABILITIES					
Trade payables	2.2(c)	575,451	506	-	575,957
Other payables and accruals	2.2(a), (c)	57,904	319	(2,091)	56,132
Contract liability	2.2(b)	-	-	2,187	2,187
Loans and borrowing		10,900	-	-	10,900
Lease liabilities	2.2(a)	-	-	99,973	99,973
Current tax liabilities		33,737	-	-	33,737
		<u>677,992</u>	<u>825</u>	<u>100,069</u>	<u>778,886</u>
TOTAL LIABILITIES		<u>731,389</u>	<u>825</u>	<u>860,017</u>	<u>1,592,231</u>
TOTAL EQUITY AND LIABILITIES		<u>1,252,710</u>	<u>825</u>	<u>810,889</u>	<u>2,064,424</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Transition to MFRSs and Comparative Figures (Cont'd)**Reconciliation of Combined Statements of Financial Position (Cont'd)

	Note	MPERS RM'000	Reclassification RM'000	Effect of Transition RM'000	MFRSs RM'000
Combined Statements of Financial Position as at 31 December 2021					
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	2.2(a), (c)	397,308	(16,990)	(27,108)	353,210
Right-of-use assets	2.2(a)	-	-	778,263	778,263
Intangible asset		5	-	-	5
Deferred tax assets	2.2(a)	-	-	11,909	11,909
		397,313	(16,990)	763,064	1,143,387
CURRENT ASSETS					
Inventories		803,128	-	-	803,128
Trade receivables	2.2(c)	-	17,287	-	17,287
Other receivables, deposits and prepayments	2.2(a), (c)	49,430	(5,662)	204	43,972
Cash and cash equivalents		350,163	-	-	350,163
		1,202,721	11,625	204	1,214,550
TOTAL ASSETS		1,600,034	(5,365)	763,268	2,357,937
EQUITY AND LIABILITIES					
EQUITY					
Invested equity		17,500	-	-	17,500
Retained profits		785,287	-	(65,800)	719,487
TOTAL EQUITY		802,787	-	(65,800)	736,987

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Transition to MFRSs and Comparative Figures (Cont'd)**Reconciliation of Combined Statements of Financial Position (Cont'd)

	Note	MPERS RM'000	Reclassification RM'000	Effect of Transition RM'000	MFRSs RM'000
Combined Statements of Financial Position as at 31 December 2021 (Cont'd)					
NON-CURRENT LIABILITIES					
Loans and borrowing		46,444	-	-	46,444
Lease liabilities	2.2(a)	-	-	669,372	669,372
Provision for restoration costs	2.2(a)	-	-	43,208	43,208
		<u>46,444</u>	<u>-</u>	<u>712,580</u>	<u>759,024</u>
CURRENT LIABILITIES					
Trade payables	2.2(c)	639,409	750	-	640,159
Other payables and accruals	2.2(a), (c)	71,989	(6,115)	(3,681)	62,193
Contract liability	2.2(b)	-	-	3,798	3,798
Loans and borrowing		9,319	-	-	9,319
Lease liabilities	2.2(a)	-	-	116,371	116,371
Current tax liabilities		30,086	-	-	30,086
		<u>750,803</u>	<u>(5,365)</u>	<u>116,488</u>	<u>861,926</u>
TOTAL LIABILITIES		<u>797,247</u>	<u>(5,365)</u>	<u>829,068</u>	<u>1,620,950</u>
TOTAL EQUITY AND LIABILITIES		<u>1,600,034</u>	<u>(5,365)</u>	<u>763,268</u>	<u>2,357,937</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Transition to MFRSs and Comparative Figures (Cont'd)**Reconciliation of Combined Statements of Profit or Loss and Other Comprehensive income

	Note	MPERS RM'000	Reclassification RM'000	Effect of Transition RM'000	MFRSs RM'000
Combined Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2020					
Revenue		6,841,360	-	-	6,841,360
Cost of sales	2.2(c)	(6,373,317)	166,572	-	(6,206,745)
Gross profit		468,043	166,572	-	634,615
Other operating income	2.2(c)	738,228	(171,274)	-	566,954
Other income	2.2(a), (c)	8,516	4,702	270	13,488
		1,214,787	-	270	1,215,057
Administrative and other operating expenses	2.2(a), (c)	(772,593)	(6,399)	(17,236)	(796,228)
Finance costs	2.2(a), (c)	(8,915)	6,399	(39,023)	(41,539)
Profit before taxation		433,279	-	(55,989)	377,290
Income tax expense	2.2(a)	(109,223)	-	6,861	(102,362)
Profit for the financial year		324,056	-	(49,128)	274,928
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		324,056	-	(49,128)	274,928
Profit for the financial year attributable to owners of the Company		324,056	-	(49,128)	274,928
Total comprehensive income attributable to owners of the Company		324,056	-	(49,128)	274,928

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Transition to MFRSs and Comparative Figures (Cont'd)**Reconciliation of Combined Statements of Profit or Loss and Other Comprehensive income (Cont'd)

	Note	MPERS RM'000	Reclassification RM'000	Effect of Transition RM'000	MFRSs RM'000
Combined Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2021					
Revenue		7,836,756	-	-	7,836,756
Cost of sales	2.2(c)	(7,268,674)	187,957	-	(7,080,717)
Gross profit		568,082	187,957	-	756,039
Other operating income	2.2(c)	886,971	(201,732)	-	685,239
Other income	2.2(a), (c)	8,218	13,775	44	22,037
		1,463,271	-	44	1,463,315
Administrative and other operating expenses	2.2(a), (c)	(868,083)	(9,807)	20,185	(857,705)
Finance costs	2.2(a), (c)	(11,651)	9,807	(41,950)	(43,794)
Profit before taxation		583,537	-	(21,721)	561,816
Income tax expense	2.2(a)	(147,771)	-	5,049	(142,722)
Profit for the financial year		435,766	-	(16,672)	419,094
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		435,766	-	(16,672)	419,094
Profit for the financial year attributable to owners of the Company		435,766	-	(16,672)	419,094
Total comprehensive income attributable to owners of the Company		435,766	-	(16,672)	419,094

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Transition to MFRSs and Comparative Figures (Cont'd)**Notes to reconciliation**(a) Right-of-use Assets**

Under MPERS, the Group classified its leasehold land as property and equipment and measured the assets at cost. Upon transition to MFRSs, the Group reclassified the asset from property and equipment to right-of-use assets at the date of transition to MFRSs and elected to use the previous MPERS carrying amount as deemed cost under MFRSs.

For leases that were classified as operating leases under MPERS, the Group measured the lease liabilities at the present value of the remaining lease payments at the date of transition to MFRSs, discounted using the Group's incremental borrowing rate at the date. The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group recognised the provision for restoration costs as the Group has the obligation to restore leased retail outlets to its original state upon the termination or non-renewal of tenancy agreement. The Group estimates provision for restoration costs based on the best estimate of future costs and the economic life of the affected assets. The estimated cost of restoration is discounted to its net present value. An amount equivalent to the discounted initial provision for restoration costs is capitalised and amortised over the lease term of the leased retail outlets. The unwinding of the discount applied to the provision for restoration costs is included under finance costs in profit or loss. The estimated interest rate used in discounting the cash flow is reviewed periodically.

The financial impacts arising from the change are summarised as follows:-

- (i) A decrease in property and equipment at 31 December 2020 and 31 December 2021 of approximately RM27,546,000 and RM27,108,000 respectively;
- (ii) An increase in right-of-use assets at 31 December 2020 and 31 December 2021 of approximately RM831,324,000 and RM778,263,000 respectively;
- (iii) An increase in deferred tax assets at 31 December 2020 and 31 December 2021 of approximately RM6,861,000 and RM11,909,000 respectively;

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Transition to MFRSs and Comparative Figures (Cont'd)**Notes to reconciliation (Cont'd)**(a) Right-of-use Assets (Cont'd)**

The financial impacts arising from the change are summarised as follows (Cont'd):-

- (iv) An increase in other receivables, deposits and prepayments at 31 December 2020 and 31 December 2021 of approximately RM250,000 and RM204,000 respectively;
- (v) A decrease in other payables and accruals at 31 December 2020 and 31 December 2021 of approximately RM2,091,000 and RM3,681,000 respectively;
- (vi) An increase in lease liabilities at 31 December 2020 and 31 December 2021 of approximately RM821,063,000 and RM785,743,000 respectively;
- (vii) An increase in provision for restoration costs at 31 December 2020 and 31 December 2021 of approximately RM38,858,000 and RM43,208,000 respectively;
- (viii) An increase in other income for the financial years ended 31 December 2020 and 31 December 2021 of approximately RM270,000 and RM44,000 respectively;
- (ix) An increase in administrative and other operating expenses for the financial year ended 31 December 2020 of approximately RM17,236,000;
- (x) A decrease in administrative and other operating expenses for the financial year ended 31 December 2021 of approximately RM20,185,000;
- (xi) An increase in finance costs for the financial years ended 31 December 2020 and 31 December 2021 of approximately RM39,023,000 and RM41,950,000 respectively; and
- (xii) A decrease in income tax expense for the financial years ended 31 December 2020 and 31 December 2021 of approximately RM6,861,000 and RM5,049,000 respectively.

Upon transition to MFRSs, the Group did not make any adjustments to the accounting for assets held as lessor under operating leases. The Group continues to classify leases as either finance leases or operating leases and to account them differently.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Transition to MFRSs and Comparative Figures (Cont'd)**Notes to reconciliation (Cont'd)**(b) Revenue Recognition**

Revenue was recognised in accordance with the requirements of Section 23 under MPERS. Upon transition to MFRSs, the Group adopted MFRS 15 'Revenue from Contracts with Customers' ("MFRS 15"), requiring the Group to review the measurement and timing of when revenue shall be recognised. The new accounting policy on the revenue recognition has been applied retrospectively of which the Group identified separate performance obligations arising from its existing sale and deferred sale for performance obligations that are only satisfied on delivery to its customers.

The financial impact arising from the adoption of MFRS 15 is as follows:-

- (i) An increase in contract liability at 31 December 2020 and 31 December 2021 of RM2,187,000 and RM3,798,000 respectively.

(c) Reclassifications

The comparative figures for certain assets, liabilities, income and expenses have been reclassified to conform to the presentation of financial year ended 31 December 2022.

2.3 Basis of Combination**(a) Combining entities**

The combined financial statements comprise the financial statements of the Company and its combining entities as at the reporting dates. The financial statements of the Company and its combining entities used in the preparation of the combined financial statements are prepared as of the same reporting dates.

The combining entities are entities, including structured entities under common control of the Controlling Shareholder, and are accounted for as if the Company and the combining entities are a single economic entity at the date that common control was established. The assets and liabilities of the combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of equity of the combining entities are added to the same components with the Group's entity and any resulting gain/loss is recognised directly in equity.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.3 Basis of Combination (Cont'd)****(a) Combining entities (Cont'd)**

The Controlling Shareholder controls an entity when he is exposed, or has rights, to variable returns from his involvement with the entity and has the ability to affect those returns through his power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholder also considers that he has de facto power over an investee when, despite not having the majority of voting rights, he has the current ability to direct the activities of the investee that significantly affect the investee's return.

(b) Transactions Eliminated on Combination

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements.

2.4 Functional and Presentation currency

The combined financial statements of the Group are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency and has been rounded to the nearest thousand (RM'000), unless otherwise stated.

2.5 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.6.

Freehold land and capital work-in-progress are not depreciated. Other property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2%
Furniture, fittings and office equipment	10% - 25%
Motor vehicles	10% - 20%
Renovation	10%
Signboards	10%
Solar system	10%
Racks, roll cages and shop equipment	20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

Fully depreciated equipment are retained in the financial statements until they are no longer in use in respect of these equipment.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.6 Impairment of Non-financial Assets**

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation had no impairment loss been recognised. The reversal is recognised in profit or loss.

2.7 Inventories

Inventories are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, and incidentals incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.8 Contract Liability

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

2.9 Financial Assets

Financial assets of the Group consist of receivables and cash and cash equivalents.

Initial Recognition and Measurement

A financial asset is recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A regular purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price as defined in Note 2.14. Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent Measurement

Financial assets are subsequently measured at amortised cost or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.9 Financial Assets (Cont'd)****Subsequent Measurement (Cont'd)**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

Impairment

At each reporting date, the Group recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.10 Financial Liabilities**

Financial liabilities of the Group consist of payables, loans and borrowing and lease liabilities.

Initial Recognition and Measurement

A financial liability is recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

Subsequent Measurement

All payables, loans and borrowing are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

2.11 Leases**Initial Recognition and Measurement****(i) As a lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.11 Leases (Cont'd)****Initial Recognition and Measurement (Cont'd)****(i) As a lessee (Cont'd)**

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.11 Leases (Cont'd)****Subsequent Measurement****(i) As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

COVID-19-related rent concessions

The Group has applied Amendments to MFRS 16, Leases - COVID-19-Related Rent Concessions whereby rent concessions received as direct consequence of the COVID-19 pandemic are not assessed as lease modification if all of the following conditions are met:

- the change in lease payments result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

If the above conditions are met, rent concession are treated as variable lease payments and impact will be recognised in profit or loss for the year.

(ii) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.12 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

Provision for Restoration Costs

A provision for retail outlets and warehouse restoration is recognised when there is a projected cost of dismantlement, removal or restoration as a consequence of using a leased retail outlets and warehouse during a particular period. The provision is measured at the present value of the restoration cost expected to be paid upon termination of the lease agreement.

2.13 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sales. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.14 Fair Value Measurement

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 a valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.14 Fair Value Measurement (Cont'd)**

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability 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 transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowing which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowing are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

2.15 Earnings per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the combined profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

2.16 Employee Benefits**Short-term Employee Benefits**

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss, in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss, in the period in which the associated services are rendered by the employee.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.17 Revenue from Contracts with Customers**

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being at the point the customer purchases the goods at the retail outlets. Payment for the transaction is due immediately at the point the customer purchases the goods and takes delivery in mini mart outlet.

2.18 Other Income**(i) Interest income**

Interest income is recognised in profit or loss using the effective interest method.

(ii) Operating lease income

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.18 Other Income (Cont'd)****(iii) Rebates and incentive income**

Rebates and incentive income are recognised when the performance obligations have been fulfilled by the Group in accordance with the terms agreed with vendors.

(iv) In-store services income

The Group acts as an agent in providing in-store services to its customers.

When another party is involved in providing services to its customers, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. When the Group's role is only to arrange for another entity to provide the services, then the Group is an agent and will need to record the income at the net amount that it retains for its agency services.

2.19 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the combined statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**3. JUDGEMENTS AND ESTIMATION UNCERTAINTY****Judgements Made in Applying Accounting Policies**

In the process of applying the accounting policies of the Group, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the combined financial statements.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Impairment of Non-financial Assets

The Group reviewed its non-financial assets for indications of impairment and where such indications exist, the Group performed impairment test which involved significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. Possible changes in these estimates may result in revisions to the carrying amounts of non-financial assets.

Provision for Restoration Costs

The Group estimates provision for restoration costs based on the best estimate of future costs and the economic life of the affected assets. The estimated provision for restoration costs is reviewed periodically and are updated if expectations differ from previous estimates due to changes in cost factors. Any changes in these accounting estimates will affect the carrying amount of provision for restoration costs as disclosed in Note 15 to the combined financial statements.

Discount Rates Used in Leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

	At 1.1.2020 RM'000	Additions RM'000	Transfer RM'000	Depreciation RM'000	At 31.12.2020 RM'000
Carrying Amount					
Freehold land	45,773	-	-	-	45,773
Buildings	79,226	1,994	7,396	(1,922)	86,694
Furniture, fittings and office equipment	44,533	15,817	-	(14,262)	46,088
Motor vehicles	7,311	2,731	-	(3,192)	6,850
Renovation	56,862	16,940	-	(11,011)	62,791
Signboards	9,875	3,047	-	(1,943)	10,979
Racks, roll cages and shop equipment	55,373	26,330	-	(25,136)	56,567
Capital work-in-progress	7,436	2,908	(7,396)	-	2,948
	306,389	69,767	-	(57,466)	318,690

13. ACCOUNTANTS' REPORT (Cont'd)

99 SPEED MART RETAIL HOLDINGS BERHAD

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT (CONT'D)

	At 1.1.2021 RM'000	Additions RM'000	Transfer RM'000	Disposal RM'000	Depreciation RM'000	At 31.12.2021 RM'000
Carrying Amount						
Freehold land	45,773	4,667	-	-	-	50,440
Buildings	86,694	6,782	2,235	-	(2,103)	93,608
Furniture, fittings and office equipment	46,088	14,331	-	-	(15,127)	45,292
Motor vehicles	6,850	2,653	-	#	(3,192)	6,311
Renovation	62,791	17,363	-	-	(12,247)	67,907
Signboards	10,979	2,908	-	-	(2,135)	11,752
Racks, roll cages and shop equipment	56,567	26,440	-	-	(26,695)	56,312
Capital work-in-progress	2,948	20,875	(2,235)	-	-	21,588
	318,690	96,019	-	#	(61,499)	353,210

- denote RM1.

13. ACCOUNTANTS' REPORT (Cont'd)

99 SPEED MART RETAIL HOLDINGS BERHAD

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT (CONT'D)

	At 1.1.2022 RM'000	Additions RM'000	Transfer RM'000	Disposal RM'000	Depreciation RM'000	At 31.12.2022 RM'000
Carrying Amount						
Freehold land	50,440	636	3,445	-	-	54,521
Buildings	93,608	10,322	24,153	-	(2,792)	125,291
Furniture, fittings and office equipment	45,292	16,923	-	-	(16,750)	45,465
Motor vehicles	6,311	4,798	-	(71)	(3,660)	7,378
Renovation	67,907	18,762	-	-	(13,546)	73,123
Signboards	11,752	3,289	-	-	(2,368)	12,673
Solar system	-	1,068	-	-	(214)	854
Racks, roll cages and shop equipment	56,312	35,022	-	-	(30,053)	61,281
Capital work-in-progress	21,588	11,515	(27,598)	-	-	5,505
	353,210	102,335	-	(71)	(69,383)	386,091

13. ACCOUNTANTS' REPORT (Cont'd)

99 SPEED MART RETAIL HOLDINGS BERHAD

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT (CONT'D)

	At 1.1.2023 RM'000	Additions RM'000	Transfer RM'000	Disposal RM'000	Depreciation RM'000	At 30.9.2023 RM'000
Carrying Amount						
Freehold land	54,521	-	-	-	-	54,521
Buildings	125,291	568	12,873	-	(2,291)	136,441
Furniture, fittings and office equipment	45,465	15,872	-	-	(13,089)	48,248
Motor vehicles	7,378	3,198	-	@	(2,606)	7,970
Renovation	73,123	13,649	-	-	(10,713)	76,059
Signboards	12,673	3,862	-	-	(1,971)	14,564
Solar system	854	1,037	682	-	(209)	2,364
Racks, roll cages and shop equipment	61,281	26,934	319	#	(21,491)	67,043
Capital work-in-progress	5,505	10,034	(13,874)	-	-	1,665
	386,091	75,154	-	^	(52,370)	408,875

@ - denote RM2.

- denote RM1.

^ - denote RM3.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)**NOTES TO THE COMBINED FINANCIAL STATEMENTS****4. PROPERTY AND EQUIPMENT (CONT'D)**

	At cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 31.12.2020			
Freehold land	45,773	-	45,773
Buildings	96,129	(9,435)	86,694
Furniture, fittings and office equipment	110,017	(63,929)	46,088
Motor vehicles	27,296	(20,446)	6,850
Renovation	116,623	(53,832)	62,791
Signboards	20,804	(9,825)	10,979
Racks, roll cages and shop equipment	169,583	(113,016)	56,567
Capital work-in-progress	2,948	-	2,948
	589,173	(270,483)	318,690
At 31.12.2021			
Freehold land	50,440	-	50,440
Buildings	105,146	(11,538)	93,608
Furniture, fittings and office equipment	124,348	(79,056)	45,292
Motor vehicles	29,912	(23,601)	6,311
Renovation	133,986	(66,079)	67,907
Signboards	23,712	(11,960)	11,752
Racks, roll cages and shop equipment	196,023	(139,711)	56,312
Capital work-in-progress	21,588	-	21,588
	685,155	(331,945)	353,210
At 31.12.2022			
Freehold land	54,521	-	54,521
Buildings	139,621	(14,330)	125,291
Furniture, fittings and office equipment	141,271	(95,806)	45,465
Motor vehicles	34,214	(26,836)	7,378
Renovation	152,748	(79,625)	73,123
Signboards	27,001	(14,328)	12,673
Solar system	1,068	(214)	854
Racks, roll cages and shop equipment	231,045	(169,764)	61,281
Capital work-in-progress	5,505	-	5,505
	786,994	(400,903)	386,091

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**4. PROPERTY AND EQUIPMENT (CONT'D)**

	At cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 30.9.2023			
Freehold land	54,521	-	54,521
Buildings	153,062	(16,621)	136,441
Furniture, fittings and office equipment	157,143	(108,895)	48,248
Motor vehicles	36,497	(28,527)	7,970
Renovation	166,397	(90,338)	76,059
Signboards	30,863	(16,299)	14,564
Solar system	2,787	(423)	2,364
Racks, roll cages and shop equipment	258,298	(191,255)	67,043
Capital work-in-progress	1,665	-	1,665
	<u>861,233</u>	<u>(452,358)</u>	<u>408,875</u>

The carrying amounts of properties pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 13 to the combined financial statements are as follows:-

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Freehold land	35,426	36,653	36,653	31,315
Buildings	78,693	71,267	69,660	75,725
Capital work-in-progress	<u>-</u>	<u>47</u>	<u>165</u>	<u>261</u>

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)**NOTES TO THE COMBINED FINANCIAL STATEMENTS****5. RIGHT-OF-USE ASSETS**

	At 1.1.2020 RM'000	Additions RM'000	Depreciation RM'000	At 31.12.2020 RM'000
Carrying Amount				
Leasehold land	24,308	3,645	(407)	27,546
Retail outlets, hostels and warehouse	862,173	89,795	(148,190)	803,778
	<u>886,481</u>	<u>93,440</u>	<u>(148,597)</u>	<u>831,324</u>
	At 1.1.2021 RM'000	Addition RM'000	Depreciation RM'000	At 31.12.2021 RM'000
Carrying Amount				
Leasehold land	27,546	-	(437)	27,109
Retail outlets, hostels and warehouse	803,778	74,835	(127,459)	751,154
	<u>831,324</u>	<u>74,835</u>	<u>(127,896)</u>	<u>778,263</u>
	At 1.1.2022 RM'000	Additions RM'000	Depreciation RM'000	At 31.12.2022 RM'000
Carrying Amount				
Leasehold land	27,109	16,989	(620)	43,478
Retail outlets, hostels and warehouse	751,154	80,574	(139,002)	692,726
	<u>778,263</u>	<u>97,563</u>	<u>(139,622)</u>	<u>736,204</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. RIGHT-OF-USE ASSETS (CONT'D)

	At 1.1.2023 RM'000	Additions RM'000	Derecognition due to lease termination RM'000	Modification of lease liabilities RM'000	Depreciation RM'000	At 30.9.2023 RM'000
Carrying Amount	43,478	380	-	-	(468)	43,390
Leasehold land	692,726	70,384	(851)	54,439	(113,716)	702,982
Retail outlets, hostels and warehouse	736,204	70,764	(851)	54,439	(114,184)	746,372

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)**NOTES TO THE COMBINED FINANCIAL STATEMENTS****5. RIGHT-OF-USE ASSETS (CONT'D)**

	At cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 31.12.2020			
Leasehold land	29,647	(2,101)	27,546
Retail outlets, hostels and warehouse	951,968	(148,190)	803,778
	<u>981,615</u>	<u>(150,291)</u>	<u>831,324</u>
At 31.12.2021			
Leasehold land	29,647	(2,538)	27,109
Retail outlets, hostels and warehouse	1,026,803	(275,649)	751,154
	<u>1,056,450</u>	<u>(278,187)</u>	<u>778,263</u>
At 31.12.2022			
Leasehold land	46,636	(3,158)	43,478
Retail outlets, hostels and warehouse	1,107,377	(414,651)	692,726
	<u>1,154,013</u>	<u>(417,809)</u>	<u>736,204</u>
At 30.9.2023			
Leasehold land	47,016	(3,626)	43,390
Retail outlets, hostels and warehouse	1,230,269	(527,287)	702,982
	<u>1,277,285</u>	<u>(530,913)</u>	<u>746,372</u>

- (a) The Group has lease contracts for leasehold land, retail outlets, hostels and warehouse used in its operations. Their lease terms (include extension options) are appended below:-

	Audited as at			
	31.12.2020 Years	31.12.2021 Years	31.12.2022 Years	30.9.2023 Years
Leasehold land	40 to 869	40 to 869	40 to 869	40 to 869
Retail outlets, hostels and warehouse	<u>2 to 10</u>	<u>2 to 10</u>	<u>2 to 10</u>	<u>2 to 10</u>

- (b) The Group also has leases with lease terms of 12 months or less and leases of office equipment with low value. The Group has applied the 'short-term lease' and 'leases of low-value assets' recognition exemptions for these leases.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**5. RIGHT-OF-USE ASSETS (CONT'D)**

- (c) The Group has lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the portfolio of leased asset and align with the Group's business needs. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised.
- (d) Included in leasehold land was a total carrying amount of RM30,924,294 (31.12.2022 - RM31,255,240; 31.12.2021 - RM14,706,668; 31.12.2020 - RM14,963,258) which has been pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 13 to the combined financial statements.

6. INTANGIBLE ASSET

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Purchase of trademark, at cost	100	100	100	100
Accumulated amortisation:				
At 1 January	(85)	(90)	(95)	(100)
Amortisation for the financial year	(5)	(5)	(5)	-
At 31 December	(90)	(95)	(100)	(100)
Carrying amount	10	5	-	-

7. DEFERRED TAX ASSETS

	At 1.1.2020 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 31.12.2020 RM'000
<u>Deferred Tax Assets</u>			
Property and equipment	-	1,861	1,861
Lease liabilities	-	197,056	197,056
	-	198,917	198,917
<u>Deferred Tax Liability</u>			
Right-of-use assets	-	(192,056)	(192,056)
	-	6,861	6,861

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)**NOTES TO THE COMBINED FINANCIAL STATEMENTS****7. DEFERRED TAX ASSETS (CONT'D)**

	At 1.1.2021 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 31.12.2021 RM'000
<u>Deferred Tax Assets</u>			
Property and equipment	1,861	257	2,118
Lease liabilities	197,056	(8,477)	188,579
	198,917	(8,220)	190,697
<u>Deferred Tax Liability</u>			
Right-of-use assets	(192,056)	13,268	(178,788)
	6,861	5,048	11,909
	At 1.1.2022 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 31.12.2022 RM'000
<u>Deferred Tax Assets</u>			
Property and equipment	2,118	217	2,335
Lease liabilities	188,579	(11,053)	177,526
	190,697	(10,836)	179,861
<u>Deferred Tax Liability</u>			
Right-of-use assets	(178,788)	14,528	(164,260)
	11,909	3,692	15,601
	At 1.1.2023 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 30.9.2023 RM'000
<u>Deferred Tax Assets</u>			
Property and equipment	2,335	(2,335)	-
Lease liabilities	177,526	3,970	181,496
	179,861	1,635	181,496
<u>Deferred Tax Liability</u>			
Property and equipment	-	(1,819)	(1,819)
Right-of-use assets	(164,260)	(1,985)	(166,245)
	(164,260)	(3,804)	(168,064)
	15,601	(2,169)	13,432

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**7. DEFERRED TAX ASSETS (CONT'D)**

The deferred tax assets have been recognised by the Group on the basis of the Group's previous history of recording profits and to the extent that it is probable that future profits will be available against which the temporary differences can be utilised.

8. INVENTORIES

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
At cost:-				
Goods held for resale	726,793	803,128	1,093,026	1,198,920
	Audited			Unaudited
	FYE 31 December			FPE 30 September
	2020	2021	2022	2022
	RM'000	RM'000	RM'000	RM'000
Recognised in profit or loss:-				
Inventories written off	8,093	7,301	10,685	7,356
Inventories recognised as cost of sales	6,198,652	7,073,416	7,323,266	5,355,334
				6,163,495

9. TRADE RECEIVABLES

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Trade receivables:				
- Related parties ^(a)	14,409	11,918	19,532	14,275
- Unrelated parties	4,333	5,369	8,246	9,389
	18,742	17,287	27,778	23,664

^(a) being companies in which a director of the Group has a substantial financial interest.

The trade receivables represent amount owing from corporate customers and transactions conducted with business associates which are generally from 1 to 30 days (31.12.2022 - 1 to 30 days; 31.12.2021 - 1 to 30 days; 31.12.2020 - 1 to 30 days) terms.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**9. TRADE RECEIVABLES (CONT'D)**

The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status (stated at gross) is as follows:-

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Not past due	18,423	16,914	20,581	23,310
1 to 30 days past due	87	183	619	192
31 to 90 days past due	232	190	6,578	162
	<u>18,742</u>	<u>17,287</u>	<u>27,778</u>	<u>23,664</u>

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 180 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on trade receivables are not considered to be material and hence, have not been recognised.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Other receivables:				
- Related parties ^(a)	973	11	165	372
- Unrelated parties	961	1,035	932	919
	<u>1,934</u>	<u>1,046</u>	<u>1,097</u>	<u>1,291</u>
Deposits	29,712	42,750	35,273	44,710
Prepayments	215	176	298	563
	<u>31,861</u>	<u>43,972</u>	<u>36,668</u>	<u>46,564</u>

^(a) being companies in which certain directors of the Group or their close family members have substantial financial interests.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)**

The currency profile of other receivables, deposits and prepayments is as follows:-

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
Chinese Yuan	-	-	-	98
Ringgit Malaysia	31,861	43,972	36,668	46,466
	<u>31,861</u>	<u>43,972</u>	<u>36,668</u>	<u>46,564</u>

Other Receivables

The amount owing by related parties represents advances to companies in which certain directors of the Group or their close family members have substantial financial interests. The amount is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

Deposits

Included in deposits as at 30 September 2023 was an amount of RM6,044,525 for purchase of freehold land cum warehouse. The said deposit will be transferred into property and equipment upon the fulfilment of condition precedent stated in Sales and Purchase Agreement dated 14 September 2023 (Note 36 (e)).

Included in deposits as at 31 December 2021 was an amount of RM10,368,764 for purchase of leasehold land. The leasehold land has been pledged to a licensed bank as security for credit facilities granted to the Group as disclosed in Note 13 to the combined financial statements.

Prepayments

Included in prepayments as at 31 December 2022 is an advance payment made to a supplier amounting to RM70,314, and as at 31 December 2021 was an advance payment made to a related party amounting to RM5,869 which are unsecured, non-interest bearing and will be offset against future purchases.

11. CASH AND CASH EQUIVALENTS

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	29,420	28,845	85,056	72,740
Fixed deposits with licensed banks	100,723	321,318	-	-
	<u>130,143</u>	<u>350,163</u>	<u>85,056</u>	<u>72,740</u>

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**11. CASH AND CASH EQUIVALENTS (CONT'D)**

The effective interest rate of fixed deposits with licensed banks as at 30 September 2023 is Nil (31.12.2022 - Nil; 31.12.2021 - 2.28% - 2.30%; 31.12.2020 - 2.10%) per annum.

The currency profile of cash and cash equivalents is as follows:-

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
Chinese Yuan	-	-	-	5
Ringgit Malaysia	130,143	350,163	85,056	72,735
	<u>130,143</u>	<u>350,163</u>	<u>85,056</u>	<u>72,740</u>

For the purpose of combined statements of cash flows, cash and cash equivalents comprise the followings:-

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	29,420	28,845	85,056	72,740
Fixed deposits with licensed banks	100,723	321,318	-	-
	<u>130,143</u>	<u>350,163</u>	<u>85,056</u>	<u>72,740</u>
Less:				
- Fixed deposits with tenure of more than 3 months	-	(321,318)	-	-
- Bank overdrawn (Note 13)	(5,937)	(5,076)	-	-
Cash and cash equivalents	<u>124,206</u>	<u>23,769</u>	<u>85,056</u>	<u>72,740</u>

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**12. SHARE CAPITAL AND INVESTED EQUITY**

(a) Share capital

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	Number of shares			
Balance as at 1 January/date of incorporation	-	-	-	100
Balance as at 31 December/30 September	-	-	-	100

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM	RM	RM	RM
Balance as at 1 January/date of incorporation	-	-	-	100
Balance as at 31 December/30 September	-	-	-	100

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13. ACCOUNTANTS' REPORT (Cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

12. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

(b) Invested equity

Issued and fully paid-up shares with
no par value of the combined entities
classified as equity instruments:

	Audited as at			Audited as at		
	31.12.2020	31.12.2021	31.12.2022	31.12.2020	31.12.2021	31.12.2022
			Number of shares ('000)	RM'000	RM'000	RM'000
At 1 January	4,000	4,000	17,500	4,000	4,000	17,500
Issuance of bonus shares	-	13,500	-	-	13,500	-
At 31 December/30 September	4,000	17,500	17,500	4,000	17,500	17,500

(i) For the purpose of the combined financial statements, the invested equity at the end of the respective financial years/period ended 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 is the aggregate of the share capital of the combining entities constituting the Group.

(ii) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(iii) During the financial year ended 31 December 2021, 99SM increased its issued and paid-up share capital from RM2,500,000 to RM15,000,000 by way of bonus issue of 12,500,000 new ordinary shares of RM1 each in the ratio of five bonus shares for every one existing ordinary share held. The bonus shares were issued by way of capitalisation of RM12,500,000 from retained profits.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**12. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)**

- (iv) During the financial year ended 31 December 2021, 99EM increased its issued and paid-up capital from RM1,500,000 to RM2,500,000 by the way of bonus issue of 1,000,000 new ordinary shares of RM1 each in the ratio of two bonus shares for every three existing ordinary shares held. The bonus shares were issued by way of capitalisation of RM1,000,000 from retained profits.
- (v) The new ordinary shares issued rank pari passu in all respects with the existing shares of the combining entities.

13. LOANS AND BORROWING

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
<u>Secured</u>				
Term loans (floating rate)	58,360	50,687	56,531	53,091
<u>Unsecured</u>				
Bank overdrawn (floating rate)	5,937	5,076	-	-
	<u>64,297</u>	<u>55,763</u>	<u>56,531</u>	<u>53,091</u>
Disclosed as:				
- Current liabilities	10,900	9,319	4,446	4,567
- Non-current liabilities	<u>53,397</u>	<u>46,444</u>	<u>52,085</u>	<u>48,524</u>
	<u>64,297</u>	<u>55,763</u>	<u>56,531</u>	<u>53,091</u>

The term loans are secured by ways of:-

- (i) first party legal charges over certain properties and right-of-use assets belonging to the Group as disclosed in Notes 4 and 5 to the combined financial statements;
- (ii) a corporate guarantee issued by 99SM;
- (iii) personal guarantee by a director of the Group; and
- (iv) a joint and several guarantee by certain directors of the Group.

The effective interest rates of loans and borrowing as at 30 September 2023 are 4.20% to 5.35% (31.12.2022 - 4.20% to 5.35%; 31.12.2021 - 3.20% to 4.35%; 31.12.2020 - 2.95% to 4.52%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**13. LOANS AND BORROWING (CONT'D)****Term Loans**

Term loans are repayable over 8 to 15 years. The repayment analysis is as follows:-

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Gross loan instalments:				
- Within 1 year	6,940	5,931	6,266	6,283
- Later than 1 year and not later than 2 years	6,940	5,931	6,266	6,283
- Later than 2 years and not later than 5 years	20,820	17,793	18,681	18,628
- Later than 5 years	33,496	29,531	34,580	30,466
Total contractual undiscounted cash flows	68,196	59,186	65,793	61,660
Future finance charges	(9,836)	(8,499)	(9,262)	(8,569)
Present value of term loans:				
- Within 1 year	4,963	4,243	4,446	4,567
- Later than 1 year and not later than 2 years	5,127	4,375	4,580	4,705
- Later than 2 years and not later than 5 years	15,888	13,532	14,037	14,330
- Later than 5 years	32,382	28,537	33,468	29,489
	58,360	50,687	56,531	53,091

The fair value of term loans is measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2 of the fair value hierarchy). The fair value measured is considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**14. LEASE LIABILITIES**

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Gross lease liabilities:				
- Within 1 year	139,924	154,121	170,695	185,470
- Later than 1 year and not later than 5 years	825,858	754,323	669,378	664,191
- Later than 5 years	14,218	5,896	964	3,789
Total contractual undiscounted cash flows	980,000	914,340	841,037	853,450
Future finance charges	(158,937)	(128,597)	(101,348)	(97,217)
Present value of lease liabilities				
- Within 1 year	99,973	116,371	136,134	149,906
- Later than 1 year and not later than 5 years	697,464	655,631	587,036	602,220
- Later than 5 years	23,626	13,741	16,519	4,107
	821,063	785,743	739,689	756,233
Disclosed as:				
- Current liabilities	99,973	116,371	136,134	149,906
- Non-current liabilities	721,090	669,372	603,555	606,327
	821,063	785,743	739,689	756,233

The movements of lease liabilities are as follows:-

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
At 1 January	827,726	821,063	785,743	739,689
Additions	85,539	70,795	76,391	66,701
Changes due to lease modification	-	-	-	54,439
Changes due to lease termination	-	-	-	(939)
Interest expense recognised in profit or loss	38,868	41,640	39,435	29,443
Repayment of principal	(92,003)	(106,060)	(122,382)	(103,657)
COVID-19-related rent concessions	(199)	(55)	(63)	-
Repayment of interest expense	(38,868)	(41,640)	(39,435)	(29,443)
At 31 December/30 September	821,063	785,743	739,689	756,233

The incremental borrowing rate applied to lease liabilities as at 30 September 2023 is 5.15% (31.12.2022 - 5.15%; 31.12.2021 - 5.15%; 31.12.2020 - 5.15%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**15. PROVISION FOR RESTORATION COSTS**

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
At 1 January	34,447	38,858	43,208	47,865
Provision made during the year/period	4,256	4,040	4,183	3,683
Unwinding of discount factor	155	310	474	462
Provision reversed during the financial period	-	-	-	(66)
At 31 December/30 September	38,858	43,208	47,865	51,944

Under lease arrangements, the Group has an obligation to dismantle and restore those leased retail outlets at the end of the lease terms to an acceptable condition consistent with the lease agreements.

The provisions are estimated using the assumption that removal and restoration will only take place upon expiry of the lease term of 6 years (31.12.2022 - 6 years; 31.12.2021 - 6 years; 31.12.2020 - 6 years). The discount rate and inflation rate used to determine the obligation as at the reporting date were 3.60% and 2.70% (31.12.2022 - 3.60% and 2.70%; 31.12.2021 - 3.60% and 2.70%; 31.12.2020 - 3.60% and 2.70%) respectively.

While the provisions are based on the best estimate of future costs and the economic life of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, when there is indication of a material change.

16. TRADE PAYABLES

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Related parties ^(a)	11,036	10,029	13,081	10,643
Unrelated parties	564,921	630,130	792,094	978,356
	575,957	640,159	805,175	988,999

^(a) being companies in which certain directors of the Group or their close family members have substantial financial interests.

The normal trade credit terms granted to the Group range from 14 to 90 days (31.12.2022 - 14 to 90 days; 31.12.2021 - 14 to 90 days; 31.12.2020 - 14 to 90 days).

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**17. OTHER PAYABLES AND ACCRUALS**

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
Other payables:				
- A director	-	-	-	211
- Related parties ^(a)	855	7,989	389	1,342
- Unrelated parties	29,989	27,145	32,769	32,337
- Deposits received	4,094	4,625	3,889	-
	34,938	39,759	37,047	33,890
Accruals	21,194	22,434	30,065	24,000
	56,132	62,193	67,112	57,890

^(a) being companies in which certain directors of the Group or their close family members have substantial financial interests.

The amount owing to related parties represents unsecured, interest-free advances granted to the Group. The amount is repayable on demand and is to be settled in cash.

18. CONTRACT LIABILITY

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
Unutilised vouchers	2,187	3,798	2,727	2,150

The contract liability primarily relates to the unutilised cash vouchers as at end of each reporting period which revenue is recognised at a point in time upon redemption.

The following table shows reconciliation from the opening balance to the closing balance for unutilised vouchers:-

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,059	2,187	3,798	2,727
Additions during the financial year/period	1,685	8,044	4,117	5,545
Redemptions/Expired	(557)	(6,433)	(5,188)	(6,122)
At 31 December/30 September	2,187	3,798	2,727	2,150

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**19. REVENUE**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers:-					
<u>Revenue recognised at a point in time</u>					
- Sale of goods	6,841,360	7,836,756	8,075,262	5,906,466	6,803,141

Revenue from sale of goods is recognised at a point in time when control of the goods has been transferred to customer, which coincides with the delivery of goods and acceptance by customers.

Information about disaggregation of revenue has not been disclosed as the Group derives revenue mainly from retail sales.

20. OTHER OPERATING INCOME

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Product display fees	336,533	412,536	441,914	295,790	361,342
Target incentives	130,033	154,139	163,347	77,180	129,940
Distribution centre fees	91,453	110,150	121,937	84,897	106,738
Advertising and promotional fees	4,700	4,514	12,396	8,714	9,274
Others	4,235	3,900	3,264	2,444	2,673
	566,954	685,239	742,858	469,025	609,967

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**21. PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging/(crediting):-

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Amortisation of trademark	5	5	5	4	-
Audit fee:					
- current financial year/period	163	160	500	375	375
- overprovision in the previous financial year	-	(5)	-	-	-
Depreciation of property and equipment	57,466	61,499	69,383	49,238	52,370
Depreciation of right-of-use assets	148,597	127,896	139,622	103,526	114,184
Interest expense on lease liabilities	38,868	41,640	39,435	29,826	29,443
Interest expense of financial liabilities that are not at fair value through profit or loss:					
- term loans	2,516	1,842	2,058	1,478	1,831
- bank overdrawn	-	2	3	3	*
- banker acceptance	-	-	-	-	32
- unwinding of discount on provision for restoration costs	155	310	474	311	462
Inventories written off	8,093	7,301	10,685	7,356	9,911
Lease expense relating to:					
- short-term leases	190	15	9	7	61
- leases of low-value assets	70	71	90	65	81
Personnel expenses (Note 22)	418,984	474,896	543,849	385,442	483,537
COVID-19-related rent concessions	(199)	(55)	(63)	(50)	-
Interest income of financial assets that are not at fair value through profit or loss	(2,788)	(4,612)	(3,053)	(2,173)	(1,142)
Gain on derecognition due to lease termination	-	-	-	-	(88)
Gain on disposal of equipment	-	(37)	(19)	(18)	(217)
Operating lease income	(514)	(458)	(531)	(392)	(446)
Reversal of provision for restoration costs	-	-	-	-	(66)

* - denote RM300.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**22. PERSONNEL EXPENSES**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Directors of the Company:					
- Fee	1,260	1,460	1,775	1,325	1,350
- Other short-term employee benefits	651	682	772	408	410
- Defined contribution plan	91	72	71	36	34
	2,002	2,214	2,618	1,769	1,794
Employees:					
- Short-term employee benefits	381,524	432,484	494,102	350,297	441,212
- Defined contribution plan	35,458	40,198	47,129	33,376	40,531
	416,982	472,682	541,231	383,673	481,743
	418,984	474,896	543,849	385,442	483,537

Included in the employee benefits expense were the remuneration paid to key management personnel amounting to RM1,172,358 (31.12.2022 - RM1,295,310; 31.12.2021 - RM1,231,792; 31.12.2020 - RM1,141,359).

The estimated monetary value of benefits received or receivables by certain directors and key management personnel otherwise than in cash amounted to RM47,175 (31.12.2022 - RM62,900; 31.12.2021 - RM62,900; 31.12.2020 - RM62,900).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**23. INCOME TAX EXPENSE**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax:					
- for the financial year/period	110,087	147,737	161,941	96,865	98,887
- (over)/underprovision of tax in the previous financial year	(864)	33	(801)	(801)	-
	109,223	147,770	161,140	96,064	98,887
Deferred tax:					
- for the financial year/period	(6,861)	(5,048)	(3,692)	(2,672)	2,153
- underprovision of tax in the previous financial year	-	-	-	-	16
Income tax expense	102,362	142,722	157,448	93,392	101,056

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation	377,290	561,816	484,113	292,237	394,747
Tax at the statutory tax rate of 24%	90,550	134,836	116,187	70,137	94,739
Incremental effect of Cukai Makmur at the tax rate of 33% (2021: Nil; 2020 - Nil)	-	-	35,043	18,497	-
Non-deductible expenses	12,772	7,940	7,155	5,680	6,395
Non-taxable income	(96)	(87)	(136)	(121)	(94)
(Over)/underprovision of tax in the previous financial year					
- current tax	(864)	33	(801)	(801)	-
- deferred tax	-	-	-	-	16
Income tax expense for the financial year/period	102,362	142,722	157,448	93,392	101,056

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**24. DIVIDENDS**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>99 Speed Mart Sdn. Bhd.</u>					
<u>In respect of the financial year ended 31 December 2020</u>					
First interim dividend of approximately RM10.20 per ordinary share	25,500	-	-	-	-
Second interim dividend of approximately RM30.01 per ordinary share	75,035	-	-	-	-
Third interim dividend of approximately RM38.02 per ordinary share	95,049	-	-	-	-
Fourth interim dividend of approximately RM15.77 per ordinary share	39,416	-	-	-	-
<u>In respect of the financial year ended 31 December 2021</u>					
First interim dividend of approximately RM8.80 per ordinary share	-	22,000	-	-	-
Second interim dividend of approximately RM1.42 per ordinary share	-	21,300	-	-	-
Third interim dividend of approximately RM377 for every 150 ordinary share	-	37,700	-	-	-
Fourth interim dividend of approximately RM733 for every 150 ordinary share	-	73,300	-	-	-
Dividends carried forward	<u>235,000</u>	<u>154,300</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**24. DIVIDENDS (CONT'D)**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends brought forward	235,000	154,300	-	-	-
<u>99 Speed Mart Sdn. Bhd.</u>					
<u>In respect of the financial year ended</u>					
<u>31 December 2022</u>					
First interim dividend of approximately RM15.74 per ordinary share	-	-	236,124	-	-
Second interim dividend of approximately RM2.73 per ordinary share	-	-	40,880	-	-
Third interim dividend of approximately RM1.65 per ordinary share	-	-	24,685	-	-
Fourth interim dividend of approximately RM8.67 per ordinary share	-	-	130,111	-	-
<u>In respect of the financial year ended</u>					
<u>31 December 2022</u>					
First interim dividend of approximately RM15.74 per ordinary share	-	-	-	236,124	-
Second interim dividend of approximately RM2.73 per ordinary share	-	-	-	40,880	-
Third interim dividend of approximately RM1.65 per ordinary share	-	-	-	24,685	-
Dividends carried forward	<u>235,000</u>	<u>154,300</u>	<u>431,800</u>	<u>301,689</u>	<u>-</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**24. DIVIDENDS (CONT'D)**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends brought forward	235,000	154,300	431,800	301,689	-
<u>99 Speed Mart Sdn. Bhd.</u>					
<u>In respect of the financial year ending</u>					
<u>31 December 2023</u>					
First interim dividend of approximately RM621 for every 150 ordinary share	-	-	-	-	62,100
Second interim dividend of approximately RM2,014 for every 150 ordinary share	-	-	-	-	201,400
<u>99 Speed Mart (East Malaysia) Sdn. Bhd.</u>					
<u>In respect of the financial year ending</u>					
<u>31 December 2023</u>					
First interim dividend of approximately RM30.80 per ordinary share	-	-	-	-	77,000
Dividends paid	<u>235,000</u>	<u>154,300</u>	<u>431,800</u>	<u>301,689</u>	<u>340,500</u>

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**25. NOTES TO COMBINED STATEMENT OF CASH FLOWS**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Acquisition of Right-of-use Assets					
Cost of right-of-use assets acquired	93,440	74,835	97,563	76,198	70,764
Acquisition by means of leases	(85,539)	(70,795)	(76,391)	(56,133)	(66,701)
Provision of restoration costs	(4,256)	(4,040)	(4,183)	(3,076)	(3,683)
Deposit paid in previous financial year	-	-	(10,369)	(10,369)	-
Net cash disbursed	<u>3,645</u>	<u>-</u>	<u>6,620</u>	<u>6,620</u>	<u>380</u>
Short-term Loans and Borrowing					
At 1 January	2,376	5,937	5,076	5,076	-
Net cash flow changes	<u>3,561</u>	<u>(861)</u>	<u>(5,076)</u>	<u>(5,076)</u>	<u>-</u>
At 31 December/30 September	<u>5,937</u>	<u>5,076</u>	<u>-</u>	<u>-</u>	<u>-</u>
Represented by:					
- Bank overdrawn	<u>5,937</u>	<u>5,076</u>	<u>-</u>	<u>-</u>	<u>-</u>
Term Loans					
At 1 January	62,389	58,360	50,687	50,687	56,531
Drawdown	9,000	7,380	10,419	10,419	-
Repayments	<u>(13,029)</u>	<u>(15,053)</u>	<u>(4,575)</u>	<u>(3,426)</u>	<u>(3,440)</u>
At 31 December/30 September	<u>58,360</u>	<u>50,687</u>	<u>56,531</u>	<u>57,680</u>	<u>53,091</u>

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**25. NOTES TO COMBINED STATEMENT OF CASH FLOWS (CONT'D)**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Lease Liabilities					
At 1 January	827,726	821,063	785,743	785,743	739,689
Additions	85,539	70,795	76,391	56,133	66,701
Repayments	(92,003)	(106,060)	(122,382)	(90,083)	(103,657)
Changes due to lease modification	-	-	-	-	54,439
Changes due to lease termination	-	-	-	-	(939)
COVID-19-related rent concessions	(199)	(55)	(63)	(50)	-
At 31 December/30 September	<u>821,063</u>	<u>785,743</u>	<u>739,689</u>	<u>751,743</u>	<u>756,233</u>
The total cash outflow for leases is as follows:					
Operating Activities					
Lease expense recognised in profit or loss (Note 21):					
- short-term leases	190	15	9	7	61
- leases of low-value assets	70	71	90	65	81
Interest portion of lease liabilities (Note 21)	38,868	41,640	39,435	29,826	29,443
Investing Activities					
Acquisition of right-of-use assets	3,645	-	6,620	6,620	380
Financing Activities					
Principal portion of lease liabilities	92,003	106,060	122,382	90,083	103,657
	<u>134,776</u>	<u>147,786</u>	<u>168,536</u>	<u>126,601</u>	<u>133,622</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**26. RELATED PARTY DISCLOSURES**

Transactions with related parties during the financial years/periods other than those disclosed elsewhere in the combined financial statements are as follows:-

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Transactions with companies in which certain directors have substantial financial interests:</u>					
- Administrative expenses	2,876	2,494	2,856	2,336	4,010
- Promotion expenses	310	78	109	109	4
- Professional fee	480	1,003	-	-	-
- Purchase of goods	29,317	49,386	49,091	35,609	45,865
- Purchase of property and equipment	1,191	8,903	2,500	2,037	1,165
- Lease expense	1,159	1,327	1,076	794	879
- Maintenance expense	1,178	490	186	95	241
- Merchant fee charges	1,155	1,712	2,217	1,624	1,979
- Advertising income	(1,657)	(890)	(1,460)	(1,081)	(898)
- Block display incentive received	(1,085)	(1,551)	(1,283)	(898)	(933)
- Delivery point commission	(120)	(46)	(20)	(16)	(12)
- Disposal of equipment	-	(37)	-	-	-
- Distribution center rebate	(615)	(1,004)	(1,271)	(978)	(1,022)
- E-pay commission	(3,692)	(3,449)	(2,828)	(2,109)	(2,380)
- Operating lease income	(277)	(278)	(292)	(212)	(240)
- Prompt payment charge	(407)	(547)	(565)	(419)	(535)
- Sale of goods	(1,060)	(1,515)	(7,470)	(6,339)	(1,834)
- Supplier fund	(824)	(1,062)	(701)	(388)	(491)
- Sponsorship	(9)	(7)	(124)	(115)	(12)
- Target incentive received	(642)	(668)	(622)	(284)	(630)

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**26. RELATED PARTY DISCLOSURES (CONT'D)**

Transactions with related parties during the financial years/periods other than those disclosed elsewhere in the combined financial statements are as follows (Cont'd):-

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Transactions with companies in which certain directors' close family members have substantial financial interests:</u>					
- Administrative expenses	-	45	154	122	113
- Printing and stationery	-	95	496	367	303
- Purchase of goods	61,447	59,343	78,936	54,498	66,570
- Purchase of equipment	-	72	642	299	1,034
- Transportation charges	159	227	306	220	189
- Lease expense	78	78	80	60	60
- Maintenance expense	-	-	2	-	1
- Block display incentive received	-	-	-	-	(73)
- Supplier fund	-	(45)	(62)	(27)	(321)
- Sponsorship	-	(10)	(26)	(15)	(36)
<u>Transaction with certain directors:</u>					
- Lease expense	148	148	169	121	203

27. CAPITAL COMMITMENT

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
Acquisition of property and equipment	-	6,620	-	44,278
Construction of property	17,021	13,881	7,889	21,833

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**28. FINANCIAL GUARANTEE CONTRACTS**

99SM has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to 99EM up to a total limit of RM10,350,000 (31.12.2022 - RM10,350,000; 31.12.2021 - RM10,350,000; 31.12.2020 - RM10,350,000). The total utilisation of these credit facilities as at 30 September 2023 amounted to approximately RM4,973,209 (31.12.2022 - RM5,271,529; 31.12.2021 - RM5,697,602; 31.12.2020 - RM6,112,272). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be recalled at any time in the event of default by 99EM.

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.10. After considering that the probability of 99EM defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair value on initial recognition are not expected to be material.

	Audited			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
Contractual undiscounted cash flows - on demand or within one year	6,112	5,698	5,272	4,973

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**29. EARNINGS PER SHARE**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the financial years/ periods attributable to the owners of the Company (RM'000)	274,928	419,094	326,665	198,845	293,691
Weighted average number of ordinary shares in issue:- at 1 January ('000)	4,000	4,000	17,500	17,500	17,500
Issuance of shares ('000)	-	10,689	-	-	#
Weighted average number of ordinary share at 31 December/30 September ('000)	4,000	14,689	17,500	17,500	17,500
Basic earnings per ordinary share (sen)	6,873	2,853	1,867	1,136	1,678

- denote 100.

The diluted earnings per ordinary share is not applicable as there are no dilutive potential ordinary shares existing throughout the relevant reporting periods.

30. CONTINGENT LIABILITIES

The Group has bank guarantees of RM18,520,400 as at 30 September 2023 (31.12.2022 - RM17,020,400; 31.12.2021 - RM15,000,000; 31.12.2020 - RM13,596,634) as security deposits in favour of utility provider, town council and supplier.

31. BUSINESS SEGMENT AND GEOGRAPHICAL INFORMATION

The Group operates predominantly in one business segment in Malaysia. Accordingly, the information by business and geographical segments is not presented.

13. ACCOUNTANTS' REPORT (Cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

32. SUBSIDIARIES AND COMBINING ENTITIES

Details of the subsidiaries and the combining entities are as follows:-

Name of subsidiaries/ combining entities	Country of incorporation/ Principal place of business	Effective ownership interest and voting interest				Principal activities
		31.12.2020 %	31.12.2021 %	31.12.2022 %	30.9.2023 %	
<u>Subsidiaries</u>						
Yiwu J-Jade Trading Co., Ltd.	China	#	#	#	100	Investment holding
<u>Subsidiary of Yiwu J-Jade Trading</u>						
Yiwu Speed Mart Import And Export Co., Ltd.	China	#	#	#	#	Exporting of consumable merchandise and other household products
<u>Combining entities</u>						
99 Speed Mart Sdn. Bhd.	Malaysia	100	100	100	100	Retail of consumable merchandise and other household products via its network of "mini mart" outlets
99 Speed Mart (East Malaysia) Sdn. Bhd.	Malaysia	100	100	100	100	Retail of consumable merchandise and other household products via its network of "mini mart" outlets

Not applicable since Yiwu J-Jade Trading and Yiwu SM Import & Export were incorporated on 28 September 2023 and 19 October 2023 respectively.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**33. FINANCIAL RISK MANAGEMENT**

The activities of the Group are exposed to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged throughout the respective financial years/periods.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the combined statements of financial position.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties financial standings on an on-going basis, setting and monitoring counterparties limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 9.

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currency other than its functional currency, i.e. Ringgit Malaysia ("RM"). The currency giving rise to this risk is primarily Chinese Yuan ("RMB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Any reasonably possible change in the foreign currency exchange rates at the end of the financial years/period against its functional currency does not have a material impact on the profit after taxation and equity of the Company and hence, no sensitivity analysis is presented.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**33. FINANCIAL RISK MANAGEMENT (CONT'D)****Interest Rate Risk**

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely fixed deposits, loans and borrowing and lease liabilities.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:-

	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Fixed rate instruments				
Financial assets	100,723	321,318	-	-
Financial liabilities	821,063	785,743	739,689	756,233
Floating rate instrument				
Financial liabilities	64,297	55,763	56,531	53,091

For floating rate financial instrument measured at amortised cost, the following table demonstrates the sensitivity of profit or loss and equity to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	(Decrease)/ Increase in Profit After Taxation	(Decrease)/ Increase in Profit After Taxation	(Decrease)/ Increase in Profit After Taxation	(Decrease)/ Increase in Profit After Taxation
	Audited as at			
	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.9.2023 RM'000
Increase in interest rates by 100 basis points	(489)	(424)	(430)	(403)
Decrease in interest rates by 100 basis points	489	424	430	403

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**34. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

35. FINANCIAL INSTRUMENTS**35.1 Classification of Financial Instruments**

	Audited as at			
	31.12.2020	31.12.2021	31.12.2022	30.9.2023
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
<u>Amortised Cost</u>				
Trade receivables	18,742	17,287	27,778	23,664
Other receivables	1,934	1,046	1,097	1,291
Cash and cash equivalents	130,143	350,163	85,056	72,740
	<u>150,819</u>	<u>368,496</u>	<u>113,931</u>	<u>97,695</u>
Financial Liabilities				
<u>Amortised Cost</u>				
Trade payables	575,957	640,159	805,175	988,999
Other payables and accruals	56,132	62,193	67,112	57,890
Loans and borrowing	64,297	55,763	56,531	53,091
Lease liabilities	821,063	785,743	739,689	756,233
	<u>1,517,449</u>	<u>1,543,858</u>	<u>1,668,507</u>	<u>1,856,213</u>

35.2 Fair Value Information

At the end of each reporting period, there were no financial instruments carried at fair values in the combined statements of financial position.

The fair values of the financial assets and financial liabilities of the Group are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS**36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIOD**

- (a) On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The management has assessed the impact on the Group and is of the opinion that there were no material financial impacts arising from the pandemic for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022;

- (b) On 2 July 2021, 99SM entered into a Sale and Purchase Agreement with a third party to acquire a piece of leasehold land for a total purchase consideration of RM16,332,431. The acquisition was completed on 6 January 2022;
- (c) On 16 July 2021, 99SM entered into a Sale and Purchase Agreement with a third party to acquire a piece of freehold land for a total purchase consideration of RM4,466,588. The acquisition was completed on 30 December 2021;
- (d) On 8 December 2021, 99SM entered into a Sale and Purchase Agreement with a related party to acquire a piece of freehold land with a single storey warehouse and an annexed four storey office for a total purchase consideration of RM7,270,000. The acquisition was completed on 7 March 2022;
- (e) On 14 September 2023, 99SM entered into a Sale and Purchase Agreement with a third party to acquire a freehold land cum warehouse for a total purchase consideration of RM43,000,000. The acquisition was completed on 6 November 2023; and
- (f) On 28 September 2023, Yiwu J-Jade Trading was incorporated in China as a subsidiary of 99 Holdings. Yiwu J-Jade Trading is principally an investment holding company.

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS**37. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

- (a) On 19 October 2023, Yiwu SM Import & Export was incorporated in China and wholly-own by Yiwu J-Jade Trading. The principal activity of Yiwu SM Import & Export is exporting of consumable merchandise and other household products;
- (b) On 9 November 2023, the Company entered into a Conditional Share Sales Agreement with the existing shareholders of 99SM and 99EM for the acquisition of the entire equity interest in 99SM and 99EM comprising 15,000,000 and 2,500,000 ordinary shares respectively for a total purchase consideration of RM474,506,302 which will be satisfied by way of issuance of 474,506,302 new ordinary shares in the Company at an issue price of RM1.00 each to the existing shareholders of 99SM and 99EM. The acquisition of 99SM and 99EM was completed on 14 December 2023;
- (c) On 30 November 2023, 99SM had declared the third interim dividend amounting to RM150,000,000 in respect of the financial year ending 31 December 2023. The dividend was fully paid in cash to its existing shareholders on 13 February 2024; and
- (d) On 14 December 2023, 99SM entered into a Sale and Purchase Agreement with a third party to acquire a piece of freehold land for a total purchase consideration of RM3,715,530. The acquisition was completed on 15 February 2024.

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13. ACCOUNTANTS' REPORT (Cont'd)**99 SPEED MART RETAIL HOLDINGS BERHAD**

(Formerly known as 99 Speed Mart Holdings Sdn. Bhd.)
(Incorporated in Malaysia)

STATEMENTS BY DIRECTORS

We, Lee Thiam Wah and Ng Lee Tieng, being two of the directors of 99 Speed Mart Retail Holdings Berhad (formerly known as 99 Speed Mart Holdings Sdn. Bhd.), state that, in the opinion of the directors, the combined financial statements set out on pages 4 to 76 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 and of their financial performance and cash flows for the relevant reporting periods ended on those dates.

Signed in accordance with a resolution of the directors dated **22 FEB 2024**

For and on behalf of the Board of Directors of 99 Speed Mart Retail Holdings Berhad.



Lee Thiam Wah



Ng Lee Tieng