12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

On 14 December 2023, our Group was formed upon completing the acquisition of 99SM and 99EM as further described in Section 6.1.2 of this Prospectus. For the Periods Under Review and up to the LPD, our Company, 99SM, 99EM, Yiwu J-Jade Trading and Yiwu SM Import and Export have been under the common control of our Lee Thiam Wah and the historical combined financial information of our Group as presented in this Section has been prepared as if our Company, 99SM, 99EM, Yiwu J-Jade Trading and Yiwu SM Import and Export were already operating as a single economic entity throughout the Periods Under Review.

The historical combined financial information for the Periods Under Review presented below have been derived from the Accountants' Report included in Section 13 of this Prospectus ("**Combined Financial Statements**"). The financial statements of 99SM and 99EM for the FYE 2020 and 2021 were previously prepared in accordance with the MPERS. During the FYE 2022 our Group adopted MFRS for the first time and the financial statements for the FYE 2022 are the first financial statements prepared in accordance with MFRS. Accordingly, comparative information for the FYE 2020 and 2021 have been restated retrospectively to give effect to these changes. As such, our Combined Financial Statements have been prepared in accordance with MFRS and IFRS.

There are no accounting policies used in our financial statements that are peculiar to our Group because of the nature of our business or the industry we are involved in.

The historical results for any prior financial years or interim periods are not necessarily indicative of results to be expected for a full financial year or interim period or any future financial years or interim periods.

The following historical combined financial information should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 12.2 of this Prospectus and the Accountants' Report set out in Section 13 of this Prospectus.

Selected combined statements of profit or loss and other comprehensive income data

	FYE			FPE 30 September	
	Audited			Unaudited	Audited
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	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)
GP	**634,615**	**756,039**	**741,311**	**543,776**	**629,735**
Other operating income	566,954	685,239	742,858	469,025	609,967
Other income	13,488	22,037	22,499	16,911	16,912
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)
PBT	**377,290**	**561,816**	**484,113**	**292,237**	**394,747**
Income tax expense	(102,362)	(142,722)	(157,448)	(93,392)	(101,056)
PAT[(1)]	**274,928**	**419,094**	**326,665**	**198,845**	**293,691**

Other selected financial data

	FYE			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
GP margin (%)(2)	9.3	9.6	9.2	9.2	9.3
EBITDA(3)	622,109	790,398	732,040	474,450	591,927
Adjusted EBITDA(3)	491,039	642,643	570,160	354,491	458,673
EBITDA margin (%)(4)	9.1	10.1	9.1	8.0	8.7
Adjusted EBITDA margin (%)(5)	7.2	8.2	7.1	6.0	6.7
PBT margin (%)(6)	5.5	7.2	6.0	4.9	5.8
PAT margin (%)(7)	4.0	5.3	4.0	3.4	4.3
Basic and diluted EPS (sen)(8)	3.3	5.0	3.9	2.4	3.5

Notes:

(1) All of our PAT is wholly attributable to owners of our Group as we do not have any non-controlling interest.

(2) Computed based on GP divided by revenue.

(3) EBITDA is calculated as PAT plus (i) income tax expense; (ii) finance costs; and (iii) depreciation and amortisation less (iv) interest income. Adjusted EBITDA is calculated as EBITDA less (i) repayments of lease liabilities; (ii) interest expense on lease liabilities; (iii) other lease related adjustments including, amongst others, COVID-19 rent concessions; and (iv) the reversal of the provision for restoration costs. The following table reconciles our PAT to EBITDA and Adjusted EBITDA for the Periods Under Review.

	FYE			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	274,928	419,094	326,665	198,845	293,691
Add/(Less):					
Income tax expense	102,362	142,722	157,448	93,392	101,056
Finance costs	41,539	43,794	41,970	31,618	31,768
Depreciation and amortisation	206,068	189,400	209,010	152,768	166,554
Interest income	(2,788)	(4,612)	(3,053)	(2,173)	(1,142)
EBITDA	**622,109**	**790,398**	**732,040**	**474,450**	**591,927**
(Less):					
Repayments of lease liabilities	(92,003)	(106,060)	(122,382)	(90,083)	(103,657)
Interest expense on lease liabilities	(38,868)	(41,640)	(39,435)	(29,826)	(29,443)
Other lease related adjustments including, amongst others, COVID-19 rent concessions	(199)	(55)	(63)	(50)	(88)
Reversal of provision for restoration costs	-	-	-	-	(66)
Adjusted EBITDA	**491,039**	**642,643**	**570,160**	**354,491**	**458,673**

(4) Computed based on EBITDA divided by revenue.

(5) Computed based on Adjusted EBITDA divided by revenue.

(6) Computed based on PBT divided by revenue.

(7) Computed based on PAT divided by revenue.

(8) Computed based on PAT divided by our enlarged issued Shares of 8,400,000,000 upon our Listing.

Selected combined statements of financial position data

	As at 31 December			As at 30 September
	Audited			Audited
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Total non-current assets	1,156,885	1,143,387	1,137,896	1,168,679
Total current assets	907,539	1,214,550	1,242,528	1,341,888
Total assets	**2,064,424**	**2,357,937**	**2,380,424**	**2,510,567**
Total non-current liabilities	813,345	759,024	703,505	706,795
Total current liabilities	778,886	861,926	1,045,067	1,218,729
Total liabilities	**1,592,231**	**1,620,950**	**1,748,572**	**1,925,524**
NA	472,193	736,987	631,852	585,043
Net current assets	128,653	352,624	197,461	123,159
Share capital	-	-	-	#
Invested equity	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**
Other selected financial data				
Total borrowings (excluding lease liabilities) (RM'000)	64,297	55,763	56,531	53,091
Net (cash)/borrowings (RM'000)(1)	(65,846)	(294,400)	(28,525)	(19,649)
Gearing ratio (times)(2)	0.14	0.08	0.09	0.09
Net gearing ratio (times)(3)(4)	(0.14)	(0.40)	(0.05)	(0.03)

Notes:

\# *The symbol denotes RM100.*

(1) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents as at the end of the financial year/period.

(2) Computed based on total borrowings (excluding lease liabilities) divided by the total equity as at the end of the financial year/period.

(3) Computed based on net (cash)/borrowings divided by the total equity as at the end of the financial year/period.

(4) Negative net gearing ratio denotes a net cash position.

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

The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

12.2.1 Overview

Based on our Group’s revenue for the FYE 2022, we are the largest mini-market player in Malaysia with an estimated market share of 37.9%. As at the LPD, we have expanded our distribution footprint to 2,542 outlets nationwide and 19 DCs across 9 states in Malaysia.

With our outlets’ tagline, “Near n’ Save” in mind, we strategically open our outlets in close proximity to residential communities to ensure our customers can conveniently access our outlets. Our outlets maintain regular operations throughout the year, other than on certain public holidays where our outlets may close or the operating hours may be adjusted. For the Periods Under Review, we have opened 238, 225, 227 and 203 new outlets (net of outlet closures). We intend to continue to open new outlets across Malaysia, with the goal of opening about 250 new outlets annually to reach a targeted total of approximately 3,000 outlets operating nationwide by end of 2025.

As at the LPD, we also offer a diverse range of product portfolio through our outlets with approximately 3,300 SKUs on average across approximately 50 product categories comprising food and beverages, personal and baby care products as well as household products, amongst others, at competitive pricing compared to our competitors.

For further information on our business, see Section 7 of this Prospectus.

The CAGR of our Group’s revenue, GP, PAT and Adjusted EBITDA from the FYE 2020 to FYE 2022 and from the FPE 30 September 2022 to the FPE September 2023 are set out as follows:

	FYE			FPE 30 September		
	2020	2022	CAGR	2022	2023	%
	RM’000	RM’000	(%)	RM’000	RM’000	change
Revenue	6,841,360	8,075,262	8.6	5,906,466	6,803,141	15.2
GP	634,615	741,311	8.1	543,776	629,735	15.8
PAT	274,928	326,665	9.0	198,845	293,691	47.7
Adjusted EBITDA	491,039	570,160	7.8	354,491	458,673	29.4

12.2.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been, and are expected to be affected by a number of factors, including those set out below:

(i) Number of sales transactions and the average value of sales transaction

The total number of sales transactions at our outlets and the average transaction value of each sales transaction made by our customers are the primary drivers for our overall financial performance and directly impacts our revenue, financial position and the SSSG of our outlets as well as indirectly impacts our other operating income.

Our outlets increase revenue through (i) an increase in the number of sales transactions at our outlets; and/or (ii) an increase in the average value of each sales transaction at our outlets. The number of sales transactions at an outlet depends primarily on, amongst others, the level of footfall within the proximity of the outlet, our ability to satisfy changes in consumer demand and preferences by regularly assessing our product mix and pricing to ensure competitive advantage over our competitors or new entrants into the retail mini-market sector as well as overall customer experience and standard of service we provide in our outlets. With our outlets located across a variety of localities with differing population demographics and disposable income, the average value of a sales transaction varies accordingly based on our product mix, the price points of our products and the ability to make informed decisions on customer behaviour and preferences as well as market trends and opportunities.

The average value of each sales transaction at our outlets, the average sales per outlet per day and the average number of sales transactions per outlet per day for the Periods Under Review are set out as follows:

	FYE			FPE 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
Average number of sales transactions per outlet per day(1)	523	459	440	436	475
Average value of each sales transaction (RM)(2)	21.33	24.54	23.59	23.62	22.37
Average sales per outlet per day (RM)(3)	11,156.82	11,263.17	10,378.85	10,306.10	10,631.90

Notes:

(1) Calculated as the aggregate of our outlets' number of sales transactions per day during the financial year/period divided by the average number of outlets operating during the financial year/period. Our outlets' number of sales transactions per day during the financial year/period is calculated by dividing the total number of sales transactions generated by each of our outlets during the financial year/period with the number of days for the respective financial year/period.

(2) Calculated as the revenue generated by our outlets during the financial year/period divided by the aggregate number of sales transactions at our outlets during the financial year/period.

(3) Calculated as the aggregate of our outlets' sales per day during the financial year/period divided by the average number of outlets operating during the financial year/period. Our outlets' sales per day during the financial year/period is calculated by dividing the total sales generated by each outlet during the financial year/period with the number of days for the respective financial year/period.

The SSSG of our outlets for the Periods Under Review are set out in the table below:

	FYE			FPE 30 September
	2020	**2021**	**2022**	**2023**
SSSG (%)[(1)]	21.3	3.7	(4.9)	7.3
Number of outlets included in the calculation of SSSG[(2)]	1,284	1,559	1,791	2,014
Average number of outlets during the financial year/period[(3)]	1,680	1,912	2,138	2,353

Notes:

(1) *The SSSG of our outlets for a period (e.g. 12 months) is calculated by dividing (a) the revenue generated by our outlets during that period after deducting the revenue generated by those same outlets during the immediate preceding period of the same duration, by (b) the revenue generated by those same outlets during the immediate preceding period of the same duration. SSSG for the 9-month period can therefore only be calculated for our outlets which have been in operation for the full 9 months for the relevant period against the same corresponding period in the prior year and SSSG for a 12-month period can therefore only be calculated for our outlets which have been in operation for a minimum of 24 months.*

(2) *Calculated based on the number of outlets which have been in operation for at least 9 months or 12 months during the respective financial period/year and the corresponding period in the financial period/year.*

(3) *Calculated based on the simple average of the number of outlets at the beginning of the financial year and at the end of the financial year. At the beginning of the FYE 2020, 2021 and 2022, we had 1,561, 1,799 and 2,024 outlets respectively. At the end of the FYE 2022 and the FPE 30 September 2023, we had 2,251 and 2,454 outlets. For further details on the net change in the number of our outlets during the Periods Under Review, see Section 7.4.1 of this Prospectus.*

<u>*FYE 2020*</u>

SSSG for our outlets was 21.3% in the FYE 2020 mainly attributable to an increase in demand for household and essential products from our outlets that were located near residential communities and neighbourhoods as a result of the COVID-19 movement restrictions and lockdown. This is reflected in the significantly higher average value per sales transaction of RM21.33 in the FYE 2020 as compared to RM17.08 in the FYE 2019 (representing an increase of 24.9%) as customers tend to purchase higher volumes of household necessities in a single transaction during the COVID-19 movement restrictions and lockdown. This increase in average value per sales transaction more than offset the lower average number of sales transactions per outlet per day of 523 in the FYE 2020 as compared to 568 in the FYE 2019 (representing a decrease of 8.0%).

FYE 2021

SSSG for our outlets for the FYE 2021 remained positive at 3.7% mainly attributable to the increase in demand for household and essential products as a result of the extension of COVID-19 movement restrictions and lockdown, as reflected by the higher average value per sales transaction of RM24.54 in the FYE 2021 as compared to RM21.33 in the FYE 2020 (representing an increase of 15.0%). This increase in average value per sales transaction more than offset the lower average number of sales transactions per outlet per day of 459 in the FYE 2021 as compared to 523 in the FYE 2020 (representing a decrease of 12.2%).

FYE 2022

SSSG for our outlets decreased by 4.9% in the FYE 2022, mainly attributed to the easing of the COVID-19 movement restrictions and lockdown, allowing customers to easily travel beyond their neighbourhoods. This is reflected by the lower average number of sales transactions per outlet per day of 440 in the FYE 2022 compared to 459 in the FYE 2021 (representing a decrease of 4.1%), and the lower average value per sales transaction of RM23.59 in the FYE 2022 compared to RM24.54 in the FYE 2021 (representing a decrease of 3.9%).

Taking into consideration the pre-COVID-19 pandemic financial period of FYE 2019, our Group's gross SSSG between FYE 2019 and FYE 2022 was 17.0% representing a CAGR of 5.4% over the same period, which is calculated based on 1,276 outlets (net of outlet closures).

FPE 30 September 2023

SSSG for our outlets had increased by 7.3% for the FPE 30 September 2023, mainly attributable to an increase in demand for our grocery products during the same period, as evidenced by the higher average number of sales transactions per outlet per day of 475 for the FPE 30 September 2023 as compared to 436 for the FPE 30 September 2022 (representing an increase of 8.9%), offset by a slightly lower average value per sales transaction of RM22.37 in the FPE 30 September 2023 as compared to RM23.62 in the FPE 30 September 2022 (representing a decrease of 5.3%).

(ii) Growing and expanding our outlet footprint and presence across Malaysia

Our sales, costs and profitability are directly affected by the number of outlets in which we operate.

An important factor for the increase in our revenue is through the expansion of our outlet network via the strategic locations of our outlets in close proximity to residential communities that provides for a convenient shopping experience and are easily accessible by our customers. As part of our strategy to capture the growth opportunities in Malaysia's "mini-market" industry, we intend to continue to expand our outlet network across Malaysia. From 1 October 2023 to the LPD, we have already opened 88 new outlets (net of 1 outlet closure) nationwide.

As we grow our outlet network, our inventory cost and many of our operating expenses such as employee expenses, rental related expenses, utilities expenses as well as upkeep and maintenance expenses, will also grow in tandem. However, the substantial scale of our operations offers the advantage of economies of scale, contributing to improvement in profit margins. The significant size of our outlet network further strengthen our negotiating position with suppliers.

For further details on the breakdown of our outlet footprint and presence as at the end of each of the Periods Under Review across the different regions, see Section 7.4.1 of this Prospectus.

(iii) Strategic product pricing and managing our curated product range through effective sourcing and distribution

We maintain a wide range of products encompassing consumable merchandise and household products. Our products are competitively priced and the pricing is generally consistent across our outlets to provide our customers with an attractive price-to-quality value proposition, which drives our revenue.

We are able to keep our product pricing competitive by negotiating directly with principal brand owners and purchasing our products from wholesale suppliers in large volumes. Our cost of sales associated with procuring inventory from approximately 650 suppliers as at the LPD constitute our largest expense, representing approximately 90.7%, 90.4% and 90.8% of our total revenue for the FYE 2020, FYE 2021 and FYE 2022 respectively as well as 90.8% and 90.7% of our total revenue for the FPE 30 September 2022 and FPE 30 September 2023, respectively.

We generally maintain a certain selling margin above the purchasing cost for our products. In the highly competitive grocery retail sector that we operate in, achieving a balance between maximising profitability and ensuring competitive pricing is crucial, especially in situations involving price increases.

(iv) Employee benefit expenses

We operate a labour-intensive business and consequently, our employee expenses directly affect our results of operations. As at the LPD, we have in total 21,136 employees. Our employee benefits include, amongst others, employee salaries, allowances, overtime expenses, contributions to defined contribution plans and wages, incurred in respect of our employees at our outlets, DCs and corporate headquarters.

The percentage of total employee benefits expenses against our Group's revenue for the Periods Under Review are set out in the table below:

	FYE			FPE 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Total employee benefits expenses	424,761	484,675	552,089	391,797	495,141
Total employee benefits expenses as a percentage of revenue	6.2%	6.2%	6.8%	6.6%	7.3%

We determine our employees' salaries based on various factors including but not limited to the experience, position and seniority of our employees. As at the LPD, the base salary of all our employees in Malaysia are paid in accordance with the applicable Malaysian statutory minimum wage of RM1,500 nationwide, where more than 90.0% of our total employees are paid above the Malaysian minimum wage. Any future changes to our employees' salaries, such as salary increments or increases in the statutory minimum wage of Malaysia, will directly impact our employee benefits expenses. In addition to salaries and incentive-based pay, we also incur ancillary expenses relating to, amongst others, medical fees, staff refreshments, staff welfare, meal allowance as well as the recruitment and training of our employees.

(v) Outlet related expenses including rental and refurbishment

Our business is real-estate intensive and as at the LPD, we operate 2,540 outlets on tenanted properties and 2 outlets on properties owned by us. For our rented properties, we generally enter into leases which are for initial terms of 2 or 3 years, with the option for us to extend. These rental rates may be adjusted depending on prevailing property market conditions in Malaysia at the time of extension or renewal, subject to the applicable maximum increases agreed to under each tenancy agreement. Save for 2 DCs located in Sabah which we rent, we do not incur any other rental costs for the other 17 DCs as well as our corporate headquarters as we own these properties.

Apart from rental considerations, we regularly assess the condition of our outlets and generally may conduct refurbishments every 7 years or when deemed necessary, in alignment with our Group's maintenance strategy.

Significant adjustments to our rental rates would affect the repayment of our lease liabilities including the interest on lease liabilities.

(vi) Consumer spending and economic conditions in Malaysia

We are dependent on the Malaysian consumer spending and general state of the Malaysian economy as all of our outlets are located in Malaysia. Demand for, and prevailing prices of our products relate directly to the strength, purchasing power and growth of the Malaysian economy.

More specifically, we also depend on the condition of the Malaysian grocery-based retail industry. According to the IMR Report, the total grocery-based retail industry has grown at a CAGR of 0.5% between 2019 and 2022, and is expected to grow at a CAGR of 5.8% between 2022 and 2027, with chain mini-markets expected to grow by 10.4% over the same period. The expansion of such growth can be attributed to the growing population in Malaysia and the increasing demand for grocery and household related products.

Historically, there have been changes in the Malaysian tax regulations and these changes affect our costs, expenses and margins. In 2021, as part of Budget 2022, the Government introduced an one-off prosperity tax on companies with chargeable income in excess of RM100 million. Due to the prosperity tax, our Group incurred additional tax of 9% on chargeable income exceeding RM100 million above the statutory rate of 24% which resulted in a lower PAT margin and higher effective tax rate for the FYE 2022.

(vii) Other operating income

Our financial results are affected by, amongst others, our ability to consistently generate and grow our other operating income. Our other operating income includes product display fees, target incentive fees, DC fees for handling of products as well as other advertisement and promotional fees. The growth of our other operating income is a result of the expansion of our network of outlets and DCs as well as the increasing volume of product sales. The trading terms with our suppliers are typically negotiated on a yearly basis.

Throughout the Periods Under Review, we have successfully grown our other operating income at a CAGR of 14.5% between the FYE 2020 and FYE 2022 and 30.0% between the FPE 30 September 2022 and the FPE 30 September 2023.

As a key customer to our main suppliers, we are able to earn target incentive fees if we meet the targeted purchase volumes that are set for us. During the Periods Under Review, we have generally met these purchase volumes, as we were able to successfully implement our revenue growth and outlet expansion plans.

Further, our extensive distribution network, comprising our DCs and our fleet of delivery trucks, optimises our logistic operations and allows for most of our suppliers to deliver goods directly to our DCs and subsequently for our own delivery to our outlets. This eliminates the need for such suppliers to deliver goods directly to our outlets enabling us to charge DC fees for the handling of their products.

In this regard, our organised and efficient operations combined with the high sales volume generated by our extensive network of outlets has enabled us to negotiate favourable trading terms with our main suppliers, which contributed to the increase in our other operating income figures for the respective years.

For further details on the other operating income on our financial results, see Section 12.2.4(d) of this Prospectus.

(viii) COVID-19 pandemic

During the outbreak of the COVID-19 pandemic from early 2020 to early 2022, the Government implemented various safety measures such as lockdowns and other movement control orders to curb the spread of the disease.

During this period, and where there are reported cases of COVID-19, affected outlets and DCs had to temporarily suspend their operations in accordance with the safety regulations, protocols and sanitisation procedures, as required by the MOH.

Other than the affected outlets and DCs, we maintained normal operations at our outlets throughout the various lockdowns as we were classified as an "essential service". During this period, the operations of our DCs that support our outlets also continued to operate as normal.

Although the opening of new outlets was affected at the initial stages of the COVID-19 lockdown, the increase in demand for essential products during this lockdown period coupled with the continued opening of our outlets at the later stages of the lockdown period resulted in a significant increase in our revenue and other operating income in the FYE 2020 and FYE 2021. The strategic locations of our outlets which are in close proximity to residential communities, ensured residents convenient access to essential products throughout the lockdown period which in return facilitated the growth of our revenue.

It is important to note that the handling of future disease outbreak by the Government and their associated initiatives will be case specific. Therefore, we are unable to determine if future pandemics or disease(s) outbreaks will have a positive or negative impact on the financial results and operations of our Group.

12.2.3 Critical accounting estimates and judgements

The preparation of our financial statements in accordance with MFRS and IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities as at the reporting date. We periodically review our estimates and underlying assumptions. We recognise revisions to accounting estimates in the period in which the estimates are revised and in any future periods affected. Nonetheless, actual results may differ from these estimates.

Judgements made in applying accounting policies

In the process of applying the accounting policies of our 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 amount of the assets or liabilities within the next financial year are discussed below.

(i) Impairment of non-financial assets

We reviewed our non-financial assets for indications of impairment and where such indications exist, we 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.

(ii) Provision for restoration costs

We estimate 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 included in Section 13 of this Prospectus.

(iii) Discount rates used in leases

Where the interest rate implicit in the lease cannot be readily determined, we use the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that we would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the ROU 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. We estimate the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

For further details, see Note 3 of the Combined Financial Statements included in Section 13 of this Prospectus.

12.2.4 Results of operations

The principal components of our combined statements of profit or loss and other comprehensive income for the Periods Under Review are as follows:

(a) Revenue

We generate our revenue from the retail sales of consumable merchandise and other household products. The retail products we sell comprise several core product categories such as food and beverages, personal and baby care products and household products, which collectively contributed to 92.5%, 92.6%, 92.9% of our total revenue for the FYE 2020, FYE 2021 and FYE 2022 respectively. These product categories also collectively contributed 93.2% and 93.1% of our total revenue for the FPE 30 September 2022 and FPE 30 September 2023.

In addition, the revenue had increased from RM6,841.4 million in the FYE 2020 to RM8,075.3 million in the FYE 2022 which represented a CAGR of 8.6%, and increased by 15.2% from RM5,906.5 million in the FPE 30 September 2022 to RM6,803.1 million in the FPE 30 September 2023.

The following table sets out the breakdown of our revenue by product categories for the Periods Under Review.

	FYE					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Food and beverages	5,005,403	73.2	5,717,128	73.0	5,842,445	72.3
Personal and baby care products	840,266	12.3	995,954	12.7	1,090,293	13.5
Household products	480,057	7.0	543,697	6.9	575,736	7.1
Others	515,634	7.5	579,977	7.4	566,788	7.1
Total	**6,841,360**	**100.0**	**7,836,756**	**100.0**	**8,075,262**	**100.0**

	FPE 30 September			
	2022		2023	
	RM'000	%	RM'000	%
Food and beverages	4,268,944	72.3	4,948,428	72.7
Personal and baby care products	807,505	13.7	865,659	12.7
Household products	425,473	7.2	522,698	7.7
Others	404,544	6.8	466,356	6.9
Total	**5,906,466**	**100.0**	**6,803,141**	**100.0**

(b) Cost of sales

Our cost of sales consists of the purchase costs of the consumable merchandise and household products that we purchase directly from our suppliers and trading houses, as well as costs associated with inventories written off and losses.

The following table sets out the components of our cost of sales for the Periods Under Review.

	FYE					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Purchase cost of goods(1)	6,506,357	104.8	7,432,523	105.0	7,724,028	105.3
Discounts received(2)	(307,705)	(5.0)	(359,107)	(5.1)	(400,762)	(5.5)
Cost associated with inventories written off	8,093	0.2	7,301	0.1	10,685	0.2
Total cost of sales	**6,206,745**	**100.0**	**7,080,717**	**100.0**	**7,333,951**	**100.0**

	FPE 30 September			
	2022		2023	
	RM'000	%	RM'000	%
Purchase cost of goods(1)	5,619,059	104.8	6,514,108	105.5
Discounts received(2)	(263,725)	(4.9)	(350,613)	(5.7)
Cost associated with inventories written off	7,356	0.1	9,911	0.2
Total cost of sales	**5,362,690**	**100.0**	**6,173,406**	**100.0**

Notes:

(1) Computed based on cost of goods sold, after deducting return of goods to our suppliers and including packaging costs in relation to vegetables and fresh food.

(2) Including supplier fund in relation to discounts provided by suppliers for promotional items sold at our outlets and prompt payment discounts.

The following table sets out the breakdown of our cost of sales by product categories for the Periods Under Review.

	FYE					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Food and beverages	4,588,903	73.9	5,206,346	73.5	5,352,297	73.0
Personal and baby care products	750,598	12.1	889,941	12.6	977,211	13.3
Household products	416,021	6.7	472,589	6.7	503,613	6.9
Others	451,223	7.3	511,841	7.2	500,830	6.8
Total	**6,206,745**	**100.0**	**7,080,717**	**100.0**	**7,333,951**	**100.0**

	FPE 30 September			
	2022		2023	
	RM'000	%	RM'000	%
Food and beverages	3,916,498	73.0	4,518,755	73.2
Personal and baby care products	722,100	13.5	783,524	12.7
Household products	370,861	6.9	457,756	7.4
Others	353,231	6.6	413,371	6.7
Total	**5,362,690**	**100.0**	**6,173,406**	**100.0**

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(c) GP and GP margin

The following table sets out the breakdown of our GP and GP margin by product categories for the Periods Under Review.

	Food and beverages RM'000	Personal and baby care products RM'000	Household products RM'000	Others RM'000	Total RM'000
FYE 2020					
Revenue	5,005,403	840,266	480,057	515,634	6,841,360
Cost of sales	(4,588,903)	(750,598)	(416,021)	(451,223)	(6,206,745)
GP	**416,500**	**89,668**	**64,036**	**64,411**	**634,615**
GP margin	8.3%	10.7%	13.3%	12.5%	9.3%
FYE 2021					
Revenue	5,717,128	995,954	543,697	579,977	7,836,756
Cost of sales	(5,206,346)	(889,941)	(472,589)	(511,841)	(7,080,717)
GP	**510,782**	**106,013**	**71,108**	**68,136**	**756,039**
GP margin	8.9%	10.6%	13.1%	11.7%	9.6%
FYE 2022					
Revenue	5,842,445	1,090,293	575,736	566,788	8,075,262
Cost of sales	(5,352,297)	(977,211)	(503,613)	(500,830)	(7,333,951)
GP	**490,148**	**113,082**	**72,123**	**65,958**	**741,311**
GP margin	8.4%	10.4%	12.5%	11.6%	9.2%
FPE 30 September 2022					
Revenue	4,268,944	807,505	425,473	404,544	5,906,466
Cost of sales	(3,916,498)	(722,100)	(370,861)	(353,231)	(5,362,690)
GP	**352,446**	**85,405**	**54,612**	**51,313**	**543,776**
GP margin	8.3%	10.6%	12.8%	12.7%	9.2%
FPE 30 September 2023					
Revenue	4,948,428	865,659	522,698	466,356	6,803,141
Cost of sales	(4,518,755)	(783,524)	(457,756)	(413,371)	(6,173,406)
GP	**429,673**	**82,135**	**64,942**	**52,985**	**629,735**
GP margin	8.7%	9.5%	12.4%	11.4%	9.3%

(d) Other operating income

Other operating income mainly comprise product display fees, target incentives received from our suppliers, DC fees for handling of goods and advertising and promotional fees. Our product display fees constitute the largest proportion of our total other operating income.

The following table sets out the breakdown of our other operating income for the Periods Under Review.

	FYE					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Product display fees[1]	336,533	59.4	412,536	60.2	441,914	59.5
Incentives[2]	130,033	22.9	154,139	22.5	163,347	22.0
DC fees	91,453	16.1	110,150	16.1	121,937	16.4
Advertising and promotional fees[3]	4,700	0.8	4,514	0.7	12,396	1.7
Others[4]	4,235	0.8	3,900	0.5	3,264	0.4
Total other operating income	**566,954**	**100.0**	**685,239**	**100.0**	**742,858**	**100.0**

	FPE 30 September			
	2022		2023	
	RM'000	%	RM'000	%
Product display fees[1]	295,790	63.1	361,342	59.2
Incentives[2]	77,180	16.5	129,940	21.3
DC fees	84,897	18.1	106,738	17.5
Advertising and promotional fees[3]	8,714	1.8	9,274	1.5
Others[4]	2,444	0.5	2,673	0.5
Total other operating income	**469,025**	**100.0**	**609,967**	**100.0**

Notes:

(1) Includes fees for, amongst others, products displayed on shelves in our outlets, fees for ad hoc shelving of promotional products and fees for the listing of new products in our outlets.

(2) Includes conditional and target incentives for achieving certain sales target set by our suppliers.

(3) Includes fees received from suppliers who advertise products on buntings at our outlets as well as advertising leaflets at our outlets and through social media.

(4) Includes commission earned from service providers in relation to "Speedpoint Services" offered at our outlets such as bill payment, mobile prepaid and reload, e-Payment, gaming and entertainment subscriptions as well as courier services.

(e) Other income

Our other income mainly consists sale of recyclable materials such as cardboard boxes and plastic materials as well as interest income.

The following table sets out the breakdown of our other income for the Periods Under Review.

	FYE					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Sale of recyclable materials	6,329	46.9	14,464	65.6	13,657	60.7
Interest income[(1)]	2,788	20.7	4,612	20.9	3,053	13.6
Others[(2)]	4,371	32.4	2,961	13.5	5,789	25.7
Total	**13,488**	**100.0**	**22,037**	**100.0**	**22,499**	**100.0**

	FPE 30 September			
	2022		2023	
	RM'000	%	RM'000	%
Sale of recyclable materials	11,257	66.6	7,208	42.6
Interest income[(1)]	2,173	12.8	1,142	6.8
Others[(2)]	3,481	20.6	8,562	50.6
Total	**16,911**	**100.0**	**16,912**	**100.0**

Notes:

(1) Includes interest income derived from our fixed deposits and bank accounts.

(2) Includes, amongst others, recovery of uniform deposits from our ex-employees, expired and unredeemed sales voucher, sponsorships from our suppliers for our annual dinner as well as funds received for our basketball team in exchange for their brands to be printed on the jerseys.

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(f) Administrative and other operating expenses

Our administrative and other operating expenses mainly comprise employee benefit expenses, depreciation of assets including our property and equipment, and ROU assets, utilities expenses, upkeep and maintenance expenses as well as travelling expenses.

The following table sets out the breakdown of our administrative and other operating expenses for the Periods Under Review.

	FYE					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Employee benefit expenses[1]	424,761	53.3	484,675	56.5	552,089	56.3
Depreciation of ROU assets	148,597	18.7	127,896	14.9	139,622	14.2
Utilities expenses[2]	90,936	11.4	97,706	11.4	122,766	12.5
Depreciation of plant and equipment	57,466	7.2	61,499	7.2	69,383	7.1
Upkeep and maintenance expenses[3]	23,888	3.0	27,665	3.2	35,200	3.6
Plastic bag and price tag labels	12,356	1.6	12,408	1.5	13,409	1.4
Transportation expenses[4]	9,282	1.2	11,552	1.4	12,551	1.3
Bank charges[5]	6,399	0.8	9,806	1.1	10,055	1.0
Licensing and regulatory fees[6]	4,194	0.5	5,357	0.6	5,011	0.5
Office expenses[7]	2,842	0.4	2,927	0.3	3,637	0.4
Security expenses[8]	1,483	0.2	1,606	0.2	2,142	0.2
Insurance	1,029	0.1	1,017	0.1	1,172	0.1
Others[9]	12,995	1.6	13,591	1.6	13,548	1.4
Total	**796,228**	**100.0**	**857,705**	**100.0**	**980,585**	**100.0**

	FPE 30 September			
	2022		2023	
	RM'000	%	RM'000	%
Employee benefit expenses[(1)]	391,797	55.5	495,141	59.6
Depreciation of ROU assets	103,526	14.7	114,184	13.8
Utilities expenses[(2)]	90,964	12.9	96,160	11.6
Depreciation of plant and equipment	49,238	7.0	52,370	6.3
Upkeep and maintenance expenses[(3)]	26,398	3.7	26,367	3.2
Plastic bag and price tag labels	10,634	1.5	6,253	0.7
Transportation expenses[(4)]	9,217	1.3	10,030	1.2
Bank charges[(5)]	7,394	1.1	8,856	1.1
Licensing and regulatory fees[(6)]	3,722	0.5	3,857	0.5
Office expenses[(7)]	2,684	0.4	3,330	0.4
Security expenses[(8)]	1,493	0.2	2,008	0.2
Insurance	760	0.1	1,030	0.1
Others[(9)]	8,030	1.1	10,513	1.3
Total	**705,857**	**100.0**	**830,099**	**100.0**

Notes:

(1) Includes, amongst others, salaries, allowances, overtime payments, contributions to defined contribution plans, wages, bonuses as well as directors' fees and remunerations.

(2) Includes electricity expenses, telecommunication expenses as well as water expenses at our corporate headquarters, DCs and outlets.

(3) Includes expenses in relation to maintaining the conditions of our corporate headquarters, DCs and outlets, equipment, vehicles as well as our IT hardware and software.

(4) Includes, amongst others, expenses in respect of fuel for our delivery trucks for the deliveries from DCs to the respective outlets and our vans used in the renovation and fitting instalments at our outlets, tolls and road tax.

(5) Includes expenses in respect of bank transactional charges on payment received through debit and credit card, digital wallets and cheques.

(6) Includes licensing fees necessary for the operation of our outlets as well as the assessment and quit rent.

(7) Includes, amongst others, printing and stationery as well as uniform and name tag expenses.

(8) Includes expenses in relation to the engagement of security guards for our DCs and corporate headquarters.

(9) Includes, amongst others, warehouse expenses such as purchasing of garbage bags and tape, promotional materials such as bunting and flyers, annual dinner expenses, sundry expenses such as face mask, wet tissue and hand sanitisers, as well as donations and gifts.

(g) Finance costs

Finance costs comprise interest on lease liabilities on our ROU assets, interest on our loans and borrowings as well as the unwinding of discount on provision for restoration costs of our outlets.

The following table sets out our finance costs for the Periods Under Review.

	FYE					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Interest on lease liabilities	38,868	93.6	41,640	95.1	39,435	94.0
Interest expenses on loans and borrowings	2,516	6.0	1,844	4.2	2,061	4.9
Unwinding of discount on provision for restoration costs(1)	155	0.4	310	0.7	474	1.1
Total	**41,539**	**100.0**	**43,794**	**100.0**	**41,970**	**100.0**

	FPE 30 September			
	2022		2023	
	RM'000	%	RM'000	%
Interest on lease liabilities	29,826	94.3	29,443	92.7
Interest expenses on loans and borrowings	1,481	4.7	1,863	5.9
Unwinding of discount on provision for restoration costs(1)	311	1.0	462	1.4
Total	**31,618**	**100.0**	**31,768**	**100.0**

Note:

(1) Refers to the change in the present value of a provision for restoration costs over time, considering changes in interest rates and the passage of time.

(h) Income tax expense

Our income tax expenses comprise current and deferred tax. We calculate current tax at the Malaysian statutory tax rate in respect of our PAT for the respective years/periods.

Our deferred tax expense primarily provides for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

For further details on the reconciliation of the income tax expense, see Note 23 of the Combined Financial Statements included in Section 13 of this Prospectus.

The following table sets out the breakdown of our income tax expense for the Periods Under Review.

	FYE			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax	109,223	147,770	161,140	96,064	98,887
Deferred tax	(6,861)	(5,048)	(3,692)	(2,672)	2,169
Income tax expenses	**102,362**	**142,722**	**157,448**	**93,392**	**101,056**

Our Group's effective tax rate is derived after dividing the total income tax expenses that is payable for the same financial year/period by the PBT. The effective tax rate is mainly affected by the statutory tax rate, non-deductible expenses, non-taxable income and over or under-provisions of current tax in the previous financial year/period.

The following tables set out our Group's effective tax rate for the Periods Under Review.

	FYE		
	2020	2021	2022
	RM'000	RM'000	RM'000
PBT	377,290	561,816	484,113
Income tax expense	102,362	142,722	157,448
Group effective tax rate (%)	27.1	25.4	32.5
Malaysia statutory tax rate (%)	24.0	24.0	24.0

	FPE 30 September	
	2022	2023
	RM'000	RM'000
PBT	292,237	394,747
Income tax expense	93,392	101,056
Group effective tax rate (%)	32.0	25.6
Malaysia statutory tax rate (%)	24.0	24.0

For the FYE 2020 and the FYE 2021 as well as the FPE 30 September 2023, our effective tax rate was higher than the Malaysian statutory tax rate of 24.0% mainly due to non-deductible expenses in relation to, amongst others, depreciation in relation to our property and equipment and ROU assets, donation and gift and initial licensing fees for the setting up of our outlets and DCs.

For the FPE 30 September 2022 and the FYE 2022, our effective tax rate was disproportionately higher than the Malaysian statutory tax rate of 24.0% mainly due to the one-off impact of the 33.0% prosperity tax which was imposed by the Government during the FYE 2022.

12.2.5 Review of performance for the FYE 2021 compared to the FYE 2020

The following table presents selected information from our combined statements of profit or loss in absolute terms, as a percentage of revenue and the percentage changes for the financial years indicated:

	FYE				
	2020		2021		%
	RM'000	%	RM'000	%	change
Revenue	6,841,360	100.0	7,836,756	100.0	14.5
Cost of sales	(6,206,745)	(90.7)	(7,080,717)	(90.4)	14.1
GP	**634,615**	**9.3**	**756,039**	**9.6**	**19.1**
Other operating income	566,954	8.3	685,239	8.8	20.9
Other income	13,488	0.2	22,037	0.3	63.4
Administrative and other operating expenses	(796,228)	(11.7)	(857,705)	(10.9)	7.7
Finance costs	(41,539)	(0.6)	(43,794)	(0.6)	5.4
PBT	**377,290**	**5.5**	**561,816**	**7.2**	**48.9**
Income tax expense	(102,362)	(1.5)	(142,722)	(1.8)	39.4
PAT	**274,928**	**4.0**	**419,094**	**5.4**	**52.4**

(i) Revenue

Revenue increased substantially by 14.5% from RM6,841.4 million for the FYE 2020 to RM7,836.8 million for the FYE 2021 mainly due to the positive SSSG of 3.7% and the 12.5% increase in the number of new outlets, rising from 1,799 to 2,024 outlets.

During the FYE 2021, there was an increase in demand for essential household products from our Group's outlets that are located within or near residential communities during the extension of COVID-19 movement restrictions and travel ban. This was reflected by the higher average value per sales transaction of RM24.54 in the FYE 2021 as compared to RM21.33 in the FYE 2020 (representing an increase of 15.0%). This increase in average value per sales transaction more than offset the lower average number of sales transactions per outlet per day of 459 in the FYE 2021 as compared to 523 in the FYE 2020 (representing a decrease of 12.2%).

(ii) Cost of sales

Cost of sales increased by 14.1% from RM6,206.7 million for the FYE 2020 to RM7,080.7 million for the FYE 2021, which is generally in line with the growth in revenue.

(iii) GP and GP margin

As a result of the foregoing, GP increased by 19.1% from RM634.6 million in the FYE 2020 to RM756.0 million in the FYE 2021 with a slight increase in our GP margin from 9.3% in the FYE 2020 to 9.6% in the FYE 2021.

(iv) Other operating income

Other operating income increased by 20.9% from RM567.0 million for the FYE 2020 to RM685.2 million for the FYE 2021 mainly due to the increase in supplier incentives and product display fees as a result of higher purchases that commensurate the increase in revenue as well as better negotiated terms with some suppliers.

(v) Other income

Other income increased by 63.4% from RM13.5 million for the FYE 2020 to RM22.0 million for the FYE 2021 mainly due to the increase in the sale of the recyclable boxes in which goods received from suppliers are packed in, arising from higher purchases during the year as well as an increase in interest income received in respect of higher placement of excess funds into fixed deposit in the FYE 2021.

(vi) Administrative and other operating expenses

Administrative and other operating expenses increased by 7.7% from RM796.2 million for the FYE 2020 to RM857.7 million for the FYE 2021 mainly due to an increase in staff costs, which mainly comprised of higher salaries, allowances and overtime payments in line with the growth in business operations. Additionally, there were also higher utilities expenses in line with the growth in the number of outlets.

(vii) Finance costs

Finance costs increased by 5.4% from RM41.5 million for the FYE 2020 to RM43.8 million for the FYE 2021 primarily due to an increase in the interest on lease liabilities of RM2.8 million arising from the addition of new outlets and in accordance with the initial adoption of MFRS 16 in the FYE 2020.

(viii) PBT and PBT margin

As a result of the foregoing, PBT increased by 48.9% from RM377.3 million for the FYE 2020 to RM561.8 million for the FYE 2021. PBT margin increased from 5.5% in the FYE 2020 to 7.2% in the FYE 2021, in line with higher other operating income and slightly higher GP margin.

(ix) Income tax expense

Income tax expense increased by 39.4% from RM102.4 million for the FYE 2020 to RM142.7 million for the FYE 2021. The lower increase in income tax expense as compared to the increase in PBT for the same period was mainly due to the higher non-deductible expenses in the FYE 2020. This was reflected by the higher effective tax rate in the FYE 2020 of 27.1% as compared to 25.4% in the FYE 2021.

(x) PAT

As a result of the foregoing, PAT increased by 52.4% from RM274.9 million for the FYE 2020 to RM419.1 million for the FYE 2021. The PAT margin increased from 4.0% in the FYE 2020 to 5.3% in the FYE 2021.

12.2.6 Review of performance for the FYE 2022 compared to the FYE 2021

The following table presents selected information from our consolidated statements of profit or loss, in absolute terms, as a percentage of revenue, and the percentage changes for the financial years indicated:

	FYE				
	2021		2022		%
	RM'000	%	RM'000	%	change
Revenue	7,836,756	100.0	8,075,262	100.0	3.0
Cost of sales	(7,080,717)	(90.4)	(7,333,951)	(90.8)	3.6
GP	**756,039**	**9.6**	**741,311**	**9.2**	**(1.9)**
Other operating income	685,239	8.8	742,858	9.2	8.4
Other income	22,037	0.3	22,499	0.3	2.1
Administrative and other operating expenses	(857,705)	(10.9)	(980,585)	(12.2)	14.3
Finance costs	(43,794)	(0.6)	(41,970)	(0.5)	(4.2)
PBT	**561,816**	**7.2**	**484,113**	**6.0**	**(13.8)**
Income tax expense	(142,722)	(1.8)	(157,448)	(2.0)	10.3
PAT	**419,094**	**5.3**	**326,665**	**4.0**	**(22.1)**

(i) Revenue

Our revenue increased slightly by 3.0% from RM7,836.8 million for the FYE 2021 to RM8,075.3 million for the FYE 2022, mainly contributed by the 11.2% increase in the number of new outlets, rising from 2,024 to 2,251 outlets. This growth was moderated by a decline in SSSG at negative 4.9% that resulted from the lifting of COVID-19 movement restrictions and lockdown during the year.

This is reflected by the lower average number of sales transactions per outlet per day of 440 in the FYE 2022 compared to 459 in the FYE 2021 (representing a decrease of 4.1%), and the lower average value per sales transaction of RM23.59 in the FYE 2022 compared to RM24.54 in the FYE 2021 (representing a decrease of 3.9%).

(ii) Cost of sales

Our cost of sales increased by 3.6% from RM7,080.7 million for the FYE 2021 to RM7,334.0 million for the FYE 2022. This was mainly due to higher level of sales coupled with higher purchase prices for products arising from the global supply chain disruption in 2022.

(iii) GP and GP margin

As a result of the foregoing, our GP decreased by 1.9% from RM756.0 million in the FYE 2021 to RM741.3 million in the FYE 2022. Additionally, our GP margin also decreased slightly from 9.6% in the FYE 2021 to 9.2% in the FYE 2022.

(iv) Other operating income

Our other operating income increased by 8.4% from RM685.2 million for the FYE 2021 to RM742.9 million for the FYE 2022 mainly due to the increase in product display fees from the higher number of outlets and the increase in DC fees arising from higher purchases and better negotiated terms with some suppliers.

(v) Other income

Our other income increased by 2.1% from RM22.0 million for the FYE 2021 to RM22.5 million for the FYE 2022 primarily arising from sponsorship and promotional contribution received from suppliers in conjunction with our Group's anniversary dinner in the FYE 2022, which was partially offset by lower sale of recyclable materials and interest income.

(vi) Administrative and other operating expenses

Our administrative and other operating expenses increased by 14.3% from RM857.7 million for the FYE 2021 to RM980.6 million for the FYE 2022 mainly due to:

(a) salary adjustments pursuant to the implementation of the Minimum Wages Order from 1 May 2022 coupled with the increase in the total number of employees by 2,110 from 15,127 as at 31 December 2021 to 17,237 as at 31 December 2022; and

(b) higher utilities expenses in connection with the imposition of electricity tariff surcharge on non-domestic users which commenced on 1 February 2022, and our Group had also provided mobile phone plans to employees as part of their effort to attract and retain talent.

(vii) Finance costs

Our finance costs decreased by 4.2% from RM43.8 million for the FYE 2021 to RM42.0 million for the FYE 2022 primarily due to a decrease in the interest on lease liabilities incurred arising from the reduction in outstanding lease interest of our existing outlets nearer to the end of their tenancies.

(viii) PBT and PBT margin

As a result of the foregoing, our PBT decreased by 13.8% from RM561.8 million for the FYE 2021 to RM484.1 million for the FYE 2022. Our PBT margin decreased from 7.2% in the FYE 2021 to 6.0% in the FYE 2022 mainly due to lower GP margin for the reasons set out in Section 12.2.6 (ii) of this Prospectus and higher administrative and other operating expenses for the reasons set out in 12.2.6(vi) of this Prospectus.

(ix) Income tax expense

Our income tax expense increased by 10.3% from RM142.7 million for the FYE 2021 to RM157.4 million for the FYE 2022 despite the reduction in PBT above. This was mainly due to the one-off prosperity tax of 33.0% imposed by the government in 2022. This was reflected in the higher effective tax rate of 32.5% in 2022 compared to 25.4% in 2021.

(x) PAT

As a result of the foregoing, our PAT decreased by 22.1% from RM419.1 million for the FYE 2021 to RM326.7 million for the FYE 2022. Our PAT margin decreased from 5.3% in the FYE 2021 to 4.0% in the FYE 2022.

12.2.7 Review of performance for the FPE 30 September 2023 compared to the FPE 30 September 2022

The following table presents selected information from our combined statements of profit or loss, in absolute terms, as a percentage of revenue and the percentage changes for the financial periods indicated:

	FPE 30 September				
	2022		2023		%
	RM'000	%	RM'000	%	change
Revenue	5,906,466	100.0	6,803,141	100.0	15.2
Cost of sales	(5,362,690)	(90.8)	(6,173,406)	(90.7)	15.1
GP	**543,776**	**9.2**	**629,735**	**9.3**	**15.8**
Other operating income	469,025	7.9	609,967	9.0	30.0
Other income	16,911	0.3	16,912	0.2	0.0
Administrative and other operating expenses	(705,857)	(12.0)	(830,099)	(12.2)	17.6
Finance costs	(31,618)	(0.5)	(31,768)	(0.5)	0.5
PBT	**292,237**	**4.9**	**394,747**	**5.8**	**35.1**
Income tax expense	(93,392)	(1.5)	(101,056)	(1.5)	8.2
PAT	**198,845**	**3.4**	**293,691**	**4.3**	**47.7**

(i) Revenue

Our revenue increased by 15.2% from RM5,906.5 million for the FPE 30 September 2022 to RM6,803.1 million for the FPE 30 September 2023, mainly due to the positive SSSG of 7.3% and the revenue contribution from the 12.1% increase in the number of outlets, rising from 2,190 to 2,454 outlets.

During the FPE 30 September 2023, our Group had enjoyed greater demand for our products, as evidenced by the higher average number of sales transactions per outlet per day of 475 for the FPE 30 September 2023 as compared to 436 for the FPE 30 September 2022 (representing an increase of 8.9%), offset by a slightly lower average value per sales transaction of RM22.37 in the FPE 30 September 2023 as compared to RM23.62 in the FPE 30 September 2022 (representing a decrease of 5.3%).

(ii) Cost of sales

Our cost of sales increased by 15.1% from RM5,362.7 million for the FPE 30 September 2022 to RM6,173.4 million for the FPE 30 September 2023, which was in line with the growth in revenue.

(iii) GP and GP margin

As a result of the foregoing, our GP increased by 15.8% from RM543.8 million in the FPE 30 September 2022 to RM629.7 million in the FPE 30 September 2023 where our GP margin remained consistent during the same periods.

(iv) Other operating income

Our other operating income increased by 30.0% from RM469.0 million for the FPE 30 September 2022 to RM610.0 million for the FPE 30 September 2023 mainly due to:

(a) higher product display fees amounting to RM361.3 million for the FPE 30 September 2023 as compared to RM295.8 million for the FPE 30 September 2022 as a result of better negotiated terms with some of our suppliers, in tandem with the increase in the number of our outlets; and

(b) increase in target incentives as a result of higher number of purchases to support our growing business operations for the FPE 30 September 2023.

(v) Other income

Our other income remained relatively constant at approximately RM16.9 million for the FPE 30 September 2022 and the FPE 30 September 2023. For both the financial periods, our other income mainly comprise recovery of uniform deposits collected from our ex-employees, expired and unredeemed sales vouchers that were sold by our Group to customers as well as sale of recyclable materials such as cardboards and plastic.

(vi) Administrative and other operating expenses

Our administrative and other operating expenses increased by 17.6% from RM705.9 million for the FPE 30 September 2022 to RM830.1 million for the FPE 30 September 2023 mainly due to the increase in the total number of employees by 21.4% from 16,541 as at 30 September 2022 to 20,078 as at 30 September 2023. Additionally, this increase is also attributable by the 9-month impact of the Minimum Wages Order in the FPE 30 September 2023 as compared to only a 5-month impact in the FPE 30 September 2022 as the Minimum Wages Order was only implemented from 1 May 2022 onwards.

(vii) Finance costs

Our finance costs increased slightly by 0.5% from RM31.6 million for the FPE 30 September 2022 to RM31.8 million for the FPE 30 September 2023 primarily due to an increase in the interest on bank borrowings incurred for the FPE 30 September 2023.

(viii) PBT

As a result of the foregoing, our PBT increased by 35.1% from RM292.2 million for the FPE 30 September 2022 to RM394.7 million for the FPE 30 September 2023. Our PBT margin increased from 4.9% in the FPE 30 September 2022 to 5.8% in the FPE 30 September 2023 mainly due to higher other operating income which was partially offset by an increase in our administrative and other operating expenses.

(ix) Income tax expense

Our income tax expense increased by 8.2% from RM93.4 million for the FPE 30 September 2022 to RM101.1 million for the FPE 30 September 2023, which is lower than the 35.1% increase in PBT, mainly due to the one-off prosperity tax of 33.0% imposed by the Government in the FYE 2022, which was reflected in the higher effective tax rate of 32.0% in FPE 30 September 2022 compared to 25.6% in FPE 30 September 2023.

(x) PAT and PAT margin

As a result of the foregoing, our PAT increased by 47.7% from RM198.8 million for the FPE 30 September 2022 to RM293.7 million for the FPE 30 September 2023. Our PAT margin increased from 3.4% for the FPE 30 September 2022 to 4.3% for the FPE 30 September 2023.

12.2.8 Liquidity and capital resources

(i) Working capital

Our working capital is funded through cash generated from our operating activities, our cash and cash equivalents as well as loans and borrowings from financial institutions.

As at 30 September 2023, we had cash and cash equivalents of RM72.7 million and term loans of RM53.1 million. As at the LPD, our Group still has unutilised borrowing facilities amounting to RM26.8 million in respect of term loans.

As at 30 September 2023, our working capital, calculated as current assets of RM1,341.9 million minus current liabilities of RM1,218.7 million, was RM123.2 million.

Based on our cash generated from our operating activities, cash and cash equivalents, loans and borrowings, the gross proceeds that we expect to raise from our Public Issue, planned capital expenditure, expected dividends to be paid as well as the proposed bonus payout of approximately RM15.0 million to our employees before our Listing, our Board believes that we have sufficient working capital for a period of 12 months from the date of this Prospectus.

(ii) Cash flows

The following table sets out a summary of our combined statements of cash flows for the Periods Under Review.

	FYE		
	Audited		
	2020	2021	2022
	RM'000	RM'000	RM'000
Net cash generated from operating activities	505,049	572,188	401,873
Net cash (used in)/ generated from investing activities	(63,742)	(411,726)	215,352
Net cash used in financing activities	(346,162)	(260,899)	(555,938)
Net increase/(decrease) in cash and cash equivalents	95,145	(100,437)	61,287
Cash and cash equivalents at beginning of the financial year	29,061	124,206	23,769
Cash and cash equivalents at end of the financial year	**124,206**	**23,769**	**85,056**

	FPE 30 September	
	Unaudited	Audited
	2022	2023
	RM'000	RM'000
Net cash generated from operating activities	205,272	508,499
Net cash generated from/(used in) investing activities	189,341	(74,382)
Net cash used in financing activities	(389,349)	(446,433)
Net increase/(decrease) in cash and cash equivalents	5,264	(12,316)
Cash and cash equivalents at beginning of the financial period	23,769	85,056
Cash and cash equivalents at end of the financial period	**29,033**	**72,740**

Most of our cash and cash equivalents are held in RM. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

Net cash generated from operating activities

FYE 2020

Our net cash generated from operating activities was RM505.0 million for the FYE 2020. This was calculated based on our PBT of RM377.3 million, which was then adjusted for non-cash and other items of RM252.7 million mainly comprising depreciation of ROU assets and property and equipment as well as further adjustments for working capital changes of RM19.3 million which comprise:

(a) an increase in inventories of RM85.7 million for the FYE 2020 to support a higher level of demand of for essential and household products during the COVID-19 movement restriction and lockdown period as well as our Group's continuing expansion of our outlet network; and

(b) an increase in net amount owing by related parties of RM3.9 million which are trade in nature,

which was partially offset by an increase in trade and other payables of RM106.6 million for the FYE 2020 mainly from higher volume of inventories purchased in 2020 as explained above.

Our Group paid RM41.4 million in interest expense, comprising RM38.9 million interest on lease liabilities and RM2.5 million interest on bank borrowings, as well as RM105.7 million in income tax in the FYE 2021.

FYE 2021

Our net cash generated from operating activities was RM572.2 million in the FYE 2021. This was calculated based on our PBT of RM561.8 million, which was then adjusted for non-cash and other items of RM235.8 million mainly comprising depreciation of ROU assets and property and equipment, as well as further adjustment for working capital changes of RM30.5 million which mainly comprised:

(a) an increase in inventories of RM83.6 million to cater for the increase in sales; and

(b) an increase in trade and other receivables of RM14.1 million primarily due to the payment of deposit made for the acquisition of a leasehold land located in Selangor which was subsequently used to construct a DC,

which was partially offset by an increase in trade and other payables of RM64.1 million primarily due to overall increase in cost of sales.

Our Group paid RM43.5 million in interest expense, comprising RM41.6 million interest on lease liabilities and RM1.8 million interest on bank borrowings, as well as RM151.4 million in income tax in the FYE 2021.

FYE 2022

Our net cash generated from operating activities was RM401.9 million in the FYE 2022. This was calculated based on our PBT of RM484.1 million, which was then adjusted for non-cash and other items of RM258.5 million mainly comprising depreciation of ROU assets, property and equipment as well as further adjustment for working capital changes of RM137.5 million which mainly comprised:

(a) increase in inventories of RM300.6 million mainly to support our Group's expanding operations including the opening 3 new DCs in the FYE 2022, representing a significant expansion compared to only 1 new DC in the FYE 2021. In addition, following the disruption in the global supply chain during the FYE 2022, our Group took proactive measures to increase its stock levels to ensure it has sufficient inventory to support its operations and the anticipated increase in sales moving forward; and

(b) increase in net amount owing by related parties of RM4.6 million which are trade in nature,

which was partially offset by an increase in trade and other payables of RM174.5 million mainly due to (i) overall increase in cost of sales, (ii) higher volume of inventories purchased in 2022 as explained above, and (iii) increase in maintenance, upkeep and office expenses after the easing of the COVID-19 movement restrictions and the gradual shift to working-in-office on a full time basis at the corporate headquarters.

Our Group paid RM41.5 million in interest expense, comprising RM39.4 million interest on lease liabilities and RM2.1 million interest on bank borrowings, as well as RM161.8 million in income tax for the FYE 2022.

FPE 30 September 2023

Our net cash generated from operating activities was RM508.5 million in the FPE 30 September 2023. This was calculated based on our PBT of RM394.7 million, which was then adjusted for non-cash and other items of RM206.7 million mainly comprising depreciation of ROU assets, property and equipment as well as further adjustment for working capital changes of RM51.5 million which comprised of an increase in trade and other payables amounting to RM175.9 million in tandem with higher purchases as a result of higher number of outlets which was partially offset by the increase in inventories amounting to RM115.8 million to support our Group's current and expanding operations.

Our Group paid RM31.3 million in interest expense, comprising RM29.4 million interest on lease liabilities and RM1.9 million interest on bank borrowings, as well as RM113.1 million in income tax for the FPE 30 September 2023.

Net cash generated from/used in investing activities

FYE 2020

Our net cash used in investing activities was RM63.7 million for the FYE 2020, which mainly comprised:

(a) RM64.9 million utilised for the purchase of furniture, fittings, office equipment, racks, roll cages and shop equipment, motor vehicles, renovation and signboards for the development, and refurbishment of our existing and new outlets, DCs and corporate headquarters;

(b) acquisition of a leasehold land in Pahang for the purpose of constructing a new DC amounting to RM3.6 million; and

(c) RM2.9 million mainly in connection with the construction of our staff training and recreation centre and new DCs located in Perak, Sabah, Melaka and Pahang,

which was partially offset by the withdrawal of fixed deposits with tenure more than 3 months with the financial institution amounting to RM7.9 million comprising approximately RM7.3 million which was initially placed in the FYE 2020, and approximately RM0.6 million of interest rolled over and added to the principal amount.

FYE 2021

Our net cash used in investing activities was RM411.7 million in the FYE 2021, which mainly comprised:

(a) placement of fixed deposits with tenure more than 3 months with the financial institution amounting to RM320.0 million;

(b) RM63.7 million utilised for the purchase of furniture, fittings, office equipment, racks, roll cages and shop equipment, motor vehicles, renovation and signboards for the development, and refurbishment of existing and new outlets, DCs and corporate headquarters;

(c) RM27.4 million mainly in connection with the construction of 4 DCs located in Pahang, Sabah, Melaka and Perak, as well as for the acquisition of the DC located in Selangor which was previously rented from Venus Gateway, a related party;

(d) purchase of freehold land in Kedah for the construction of a new DC amounting to RM4.7 million,

which was partially offset by the interest received mainly from fixed deposits amounting to RM3.3 million.

FYE 2022

Our net cash generated from investing activities was RM215.4 million for the FYE 2022, which mainly comprised:

(a) withdrawal of fixed deposits with tenure more than 3 months with the financial institution amounting to RM321.3 million, comprising RM320.0 million which was initially placed in the FYE 2021, and RM1.3 million of interest rolled over and added to the principal amount; and

(b) interest received amounting to RM3.1 million mainly from fixed deposits,

which was partially offset by:

(c) RM79.9 million utilised for the purchase and installation of furniture, fittings, office equipment, racks, roll cages and shop equipment, motor vehicles, renovation, signboards and solar photovoltaic system for the development, and refurbishment of existing and new outlets, DCs and our corporate headquarters;

(d) RM21.8 million mainly in connection with the construction of 4 DCs located in Sabah, Kedah, Pahang and Melaka; and

(e) acquisition of a leasehold land in Selangor amounting to RM6.6 million.

FPE 30 September 2023

Our net cash used in investing activities was RM74.4 million for the FPE 30 September 2023, which mainly comprised RM75.2 million utilised for the purchase and installation of racks, roll cages and shop equipment, furniture, fittings, office equipment, motor vehicles, renovation, signboards and solar system for the development and refurbishment of existing and new outlets, DCs and corporate headquarters which was partially offset by interest received amounting to RM1.1 million mainly from our Group's bank current accounts.

Net cash used in financing activities

FYE 2020

Our net cash used in financing activities was RM346.2 million for the FYE 2020, which mainly comprised:

(a) payment of dividends to our shareholders amounting to RM235.0 million;

(b) repayment of lease liabilities, which mainly arise from rental of outlets, amounting to RM92.0 million;

(c) repayment of our bills payable in respect of the purchase of goods amounting to RM15.9 million; and

(d) repayment of term loans of RM13.0 million,

which was partially offset by the drawdown of term loans of RM9.0 million which were mainly used to refinance a term loan for our corporate headquarters in Klang.

FYE 2021

Our net cash used in financing activities was RM260.9 million for the FYE 2021, which mainly comprised:

(a) payment of dividends to our shareholders amounting to RM154.3 million;

(b) repayment of lease liabilities, which mainly arose from rental of outlets, amounting to RM106.1 million; and

(c) repayment of term loans of RM15.1 million,

which was partially offset by:

(d) drawdown of term loans of RM7.4 million which were mainly used to finance in part the acquisition of the leasehold land in Cyberjaya, Selangor which was subsequently used to construct a DC; and

(e) RM7.1 million owing to Venus Gateway, a related party for the acquisition of the DC located in Jalan Kapar, Selangor, which was previously rented.

FYE 2022

Our net cash used in financing activities was RM555.9 million for the FYE 2022, which mainly comprised:

(a) payment of dividends to shareholders amounting to RM431.8 million;

(b) repayment of lease liabilities, which mainly arose from rental of outlets, amounting to RM122.4 million;

(c) repayment to related parties amounting to RM7.6 million mainly for the acquisition of the DC in Jalan Kapar, Selangor; and

(d) repayment of our term loans of RM4.6 million,

which was partially offset by drawdowns of term loans amounting to RM10.4 million that were used to partly finance the acquisitions of leasehold land in Selangor and freehold land in Kedah.

FPE 30 September 2023

Our net cash used in financing activities was RM446.4 million for the FPE 30 September 2023, which mainly comprised:

(a) payment of dividends to shareholders amounting to RM340.5 million; and

(b) repayment of lease liabilities, which mainly arose from rental of our outlets, amounting to RM103.7 million.

12.2.9 Term loans

As at 30 September 2023, our total term loans, all of which were interest bearing based on floating rates, amounted to RM53.1 million as set out in the table below:

	Average effective interest rates	RM'000
Non-current term loans (secured)	4.20% – 5.35%	48,524
Current term loans (secured)	4.20% – 5.35%	4,567
Total term loans		**53,091**

The maturity profile of our term loans as at 30 September 2023 are set out below:

	Within 1 year RM'000	1 year to 5 years RM'000	Over 5 years RM'000	Total RM'000
Term loans	4,567	19,035	29,489	53,091

As at 30 September 2023, all of our term loans are denominated in RM and secured by way of legal charges over certain properties and ROU assets belonging to our Group as well as personal guarantees provided by certain directors of our Group. We have obtained consent from the respective financial institutions to fully discharge these guarantees upon our Listing.

For more information on our term loans, see Note 13 of the Combined Financial Statements included in Section 13 of this Prospectus.

We have not defaulted on either the interest or principal sums for any of our term loans during the Periods Under Review and up to the LPD. As at the LPD, we are not in breach of the terms and conditions or covenants associated with our borrowings which could materially affect our financial position and results of operations or the investment in our Shares.

12.2.10 Lease liabilities

As at 30 September 2023, our total lease liabilities amounted to RM756.2 million as set out in the table below:

	Incremental borrowing rate	RM'000
Non-current lease liabilities	5.15%	606,327
Current lease liabilities	5.15%	149,906
Total lease liabilities		**756,233**

The maturity profile of our lease liabilities as at 30 September 2023 are set out below:

	Within 1 year RM'000	1 year to 5 years RM'000	Over 5 years RM'000	Total RM'000
Lease liabilities	149,906	602,220	4,107	756,233

We lease retail outlets for the sale of our consumable merchandise and household products and DCs to be used for the distribution of products to our retail outlets. Rental contracts for retail outlets are typically for an initial term of 2 or 3 years with renewal options for the same duration or as otherwise agreed while the rental contract for our DC is usually for a period of 5 years with a tenancy renewal option of up to 5 years. The terms and conditions of our leases are negotiated on an individual basis.

For more information on our lease liabilities, see Note 14 of the Combined Financial Statements included in Section 13 of this Prospectus.

12.2.11 Key financial ratios

The following table sets out certain of our key financial ratios for the Periods Under Review.

	FYE			FPE 30 September
	2020	**2021**	**2022**	**2023**
Average trade receivables turnover (days)[(1)]	1	1	1	1
Average trade payables turnover (days)[(2)]	31	31	36	40
Average inventory turnover (days)[(3)]	41	39	47	51
Current ratio (times)[(4)]	1.17	1.41	1.19	1.10
Gearing ratio (times)[(5)]	0.14	0.08	0.09	0.09
Net gearing ratio (times)[(6)(7)]	(0.14)	(0.40)	(0.05)	(0.03)

Notes:

(1) Computed based on the average of the opening and closing trade receivables for the financial year/period divided by revenue for such financial year/period, multiplied by number of days in the financial year/period.

(2) Computed based on the average of the opening and closing trade payables for the financial year/period divided by cost of goods sold for such financial year/period, multiplied by number of days in the financial year/period.

(3) Computed based on the average of the opening and closing inventories for the financial year divided by cost of goods sold for such financial year/period, multiplied by number of days in the financial year/period.

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

(5) Computed based on total borrowings (excluding lease liabilities) over total equity as at the end of the financial year/period.

(6) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents divided by total equity as at the end of the financial year/period.

(7) Negative net gearing ratio denotes a net cash position.

(i) Average trade receivables turnover period

Due to the nature of our mini-market business operations, we generate almost all of our revenue from our outlets where transactions with customers are mainly settled immediately on a cash basis, third party online service payment channel service providers, for e.g. Touch 'n Go eWallet, Boost, GrabPay, MAE Pay, ShopeePay, Alipay etc, or through financial institutions providing retail debit and credit card services. Our trade receivables from financial institutions which provide retail credit services typically release payment to us within 2 working days from the point of sale whilst third-party online payment channel service providers typically release payment within the range of 2 to 10 working days.

Our trade receivables turnover period for the Periods Under Review have been consistently maintained at around 1 day.

As at 30 September 2023, our total outstanding trade receivables amounted to approximately RM23.7 million mainly in relation to amounts owed to us by financial institutions which provide retail credit services and of which RM14.3 million is due from J&C Pacific which provides online payment channel services.

The following table sets out the ageing analysis for our trade receivables as at 30 September 2023:

		Past due		
As at 30 September 2023	**Current**	**1-30 days**	**31-90 days**	**Total**
Trade receivables (RM'000)	23,310	192	162	23,664
% of total trade receivables	98.5	0.8	0.7	100.0
As at the LPD:				
Trade receivables collected (RM'000)	23,310	192	162	23,664
Trade receivables settled (% of total trade receivables)	98.5	0.8	0.7	100.0
Trade receivables outstanding (RM'000)	-	-	-	-

We do not have any significant exposure to any individual customer which we believe is not recoverable.

(ii) Average trade payables turnover period

The normal trade credit period under our trade payables generally range between 14 to 90 days and our average trade payables turnover period for the Periods Under Review have remained in the lower range of the normal credit period that our trade creditors have extended to us. Our trade payables also include balances outstanding for corporate card solution facilities provided by a financial institution which is a payment arrangement between our supplier and the financial institution. These balances are deemed trade payables as they are not subject to interest charges unless repayments are made after the interest-free period. During the Periods Under Review and up to the LPD, we have not incurred interest charges under such corporate card solutions facilities.

Our trade payables turnover period remained the same at around 31 days for the FYE 2020 and the FYE 2021.

Our trade payables turnover period increased from 31 days for the FYE 2021 to 36 days for the FYE 2022 arising from higher purchases of products as at the end of the FYE 2022 to ensure that there are sufficient inventory levels for us to support the expansion of our outlet network and anticipated increase in sales.

Our trade payables turnover period increased from 36 days for the FYE 2022 to 40 days for the FPE 30 September 2023 primarily due to higher purchases of products aimed at supporting our ongoing commitment to maintaining higher stock levels to support our existing and growing business operations, including the growth of our outlets and DCs.

The following table sets out the ageing analysis for our trade payables as at 30 September 2023:

		Past due			
As at 30 September 2023	**Current**	**1-30 days**	**31-90 days**	**More than 90 days**	**Total**
Trade payables (RM'000)	[(1)]648,449	296,114	26,239	18,197	988,999
% of total trade payables	65.6	29.9	2.7	1.8	100.0
As at the LPD					
Trade payables settled (RM'000)	(646,831)	(295,408)	(25,548)	(6,324)	(974,111)
Trade payables settled (% of total trade payables)	65.4	29.9	2.6	0.6	98.5
Trade payables outstanding (RM'000)	1,618	706	691	11,873	14,888

Note:

(1) Includes RM78.3 million owing under corporate card solutions facilities provided to us as described above.

We endeavour to pay our suppliers within credit period granted to us to ensure our supplies are not disrupted. As at the LPD, we do not have any material disputes or legal proceedings for outstanding payment that have been initiated by our suppliers against us.

(iii) Inventory turnover

The table below sets out a summary breakdown of our inventories for the Periods Under Review.

	FYE			FPE 30 September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Opening inventory	649,209	726,793	803,128	1,093,026
Closing inventory	726,793	803,128	1,093,026	1,198,920
Average inventory	688,001	764,961	948,077	1,145,973
Cost of goods sold	6,206,745	7,080,717	7,333,951	6,173,406
Average inventory turnover (days)(1)	41	39	47	51

Note:

(1) Computed as an average of the opening and closing inventory for the financial year/period divided by cost of goods sold for such financial year/period, multiplied by number of days in the financial year/period.

Our average inventory turnover period remained relatively constant at 41 days for the FYE 2020 and 39 days for the FYE 2021.

Our average inventory turnover period increased from 39 days for the FYE 2021 to 47 days for the FYE 2022. This was mainly due to higher inventory levels to support our expanding operations including the opening of 3 new DCs in the FYE 2022, representing a significant expansion compared to only 1 new DC in the FYE 2021. In addition, following the disruption in the global supply chain during the FYE 2022, we took proactive measures to increase our inventory levels to ensure we have sufficient inventory to support business operations as well as the anticipated increase in sales moving forward.

Our average inventory turnover period increased from 47 days for the FYE 2022 to 51 days for the FPE 30 September 2023 mainly due to our ongoing commitment to maintain higher inventory levels in support of our current and expanding business operations as well as anticipated sales moving forward.

(iv) Current ratio

Our current ratio increased from 1.17 times as at the FYE 2020 to 1.41 times as at the FYE 2021 mainly due to:

(a) higher short term bank deposits amounting to RM220.6 million as a result of higher sales generated coupled with lower dividends paid of RM154.3 million for the FYE 2021; and

(b) increase of inventory levels amounting to RM76.3 million to support the expansion of our outlet network and surge in demand for our products in conjunction with the COVID-19 movement restriction and lockdown,

which was partially offset by an increase in our trade payables amounting to RM64.2 million to support the growth of our business operations.

Our current ratio decreased from 1.41 times as at the FYE 2021 to 1.19 times as at the FYE 2022 mainly due to higher dividends of RM431.8 million paid to our shareholders for the FYE 2022 and the increase in our trade payables amounting to RM165.0 million arising from higher purchases of products as at the end of the FYE 2022 to ensure that there are sufficient inventory levels for future business operations.

Our current ratio decreased slightly from 1.19 times as at the FYE 2022 to 1.10 times as at the FPE 30 September 2023 primarily due to the increase in trade payables for the FPE 30 September 2023 arising from higher purchases to maintain higher inventory levels to support current and expanding business operations.

(v) Gearing ratio

Our gearing ratio decreased from 0.14 times as at the FYE 2020 to 0.08 times as at the FYE 2021 primarily due to an increase in our retained earnings arising from higher profitability achieved by our Group and repayment of borrowings amounting to RM15.1 million for the FYE 2021.

As at the FYE 2022, our gearing ratio had increased marginally to 0.09 times due to lower retained earnings from payment of dividends that was partially offset by the repayment of term loans amounting to RM4.6 million in the FYE 2022. Our gearing ratio remained constant at 0.09 times as at 30 September 2023 as the decrease in retained earnings as a result of payment of dividend was offset by the repayment of term loans amounting to RM3.4 million.

12.2.12 Capital expenditure

The following table sets out our capital expenditure for the Periods Under Review.

	FYE			FPE 30 September	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	-	4,667	636	636	-
Buildings	1,994	6,782	10,322	10,322	568
Furniture, fittings and office equipment	15,817	14,331	16,923	12,417	15,872
Motor vehicles	2,731	2,653	4,798	3,019	3,198
Renovation	16,940	17,363	18,762	13,964	13,649
Signboards	3,047	2,908	3,289	2,469	3,862
Solar photovoltaic system	-	-	1,068	742	1,037
Racks, roll cages and shop equipment	26,330	26,440	35,022	26,615	26,934
Capital work-in-progress	2,908	20,875	11,515	7,257	10,034
Total	**69,767**	**96,019**	**102,335**	**77,441**	**75,154**

The majority of our capital expenditures were incurred in conjunction with the setting up or renovation of our outlets and DCs including the purchase of relevant equipment such as racks and roll cages, furniture, fittings and office equipment and signboards.

Our capital expenditure increased by 37.6% from RM69.8 million for the FYE 2020 to RM96.0 million for the FYE 2021 mainly due to the construction of 4 DCs as well as the acquisition of a DC in the FYE 2021. Additionally, we also acquired a freehold land for the purpose of constructing a DC in the FYE 2021.

Our capital expenditure increased by 6.6% from RM96.0 million for the FYE 2021 to RM102.3 million for the FYE 2022 mainly due to the setting up of our new outlets and construction of 4 DCs in the FYE 2022.

Our capital expenditure decreased by 3.0% from RM77.4 million for the FPE 30 September 2022 to RM75.2 million for the FPE 30 September 2023 mainly due to lower cost incurred in relation to the construction of DCs.

For further details on the capital expenditure breakdown for each of the Periods Under Review, see Section 12.2.8(ii) of this Prospectus.

For the Periods Under Review, we have mainly funded our capital expenditure via a mixture of internally generated funds and term loans.

12.2.13 Material investments and divestitures

Saved as disclosed in Section 12.2.12 and Sections 14.6 of this Prospectus, we have not undertaken any material investments or divestitures during the Periods Under Review and up to the LPD.

12.2.14 Capital commitments and contractual obligations

Capital commitments

Our capital commitments (being our contracted capital expenditures) as at 30 September 2023 and the LPD are as follows:

	As at 30 September 2023	As at the LPD
	RM'000	RM'000
Contracted but not provided for:		
Acquisition of property and equipment	44,278	16,996
Construction of property	21,833	18,363
Total	**66,111**	**35,359**

Our capital commitments as at the LPD primarily comprise (i) approximately RM18.4 million in relation to the construction of a DC in Selangor as well as purchase of relevant equipment; (ii) approximately RM10.8 million for the purchase of approximately 100 new replacement trucks; (iii) approximately RM3.3 million for the purchase of a freehold land located in Kedah; (iv) approximately RM1.3 million in relation to the purchase of inventory management software for our DCs; and (v) approximately RM1.2 million in relation to the purchase of motor vehicles. We plan to meet our capital commitments through internally generated funds and/or borrowings.

Save as disclosed above, as at the LPD, we do not have any other material capital commitments incurred or known to be incurred by us that may have a material adverse effect on our result of operations or financial position.

Other contractual obligations

Our contractual cash obligations (excluding capital expenditure commitments) as at 30 September 2023 comprise primarily of repayment obligations for our borrowings and in respect of our lease liabilities.

The maturity profile of our undiscounted contractual cash repayment obligations for our borrowings as at 30 September 2023 are as follows:

	Within 1 year	1 year to 5 years	Over 5 years	Total
Payments due by period	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Borrowings	6,283	24,911	30,466	61,660

The maturity profile of our undiscounted contractual cash repayment obligations in respect of our lease liabilities as at 30 September 2023 are as follows:

	Within 1 year	1 year to 5 years	Over 5 years	Total
Payments due by period	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Lease liabilities	185,470	664,191	3,789	853,450

We plan to meet our contractual cash obligations through our cash and cash equivalents on hand, as well as cash generated from future operations and funding from other financing activities (if required) and in respect of our borrowings, from the gross proceeds of our Public Issue as described in Section 4.6.2 of this Prospectus.

12.2.15 Contingent liabilities

As at the LPD, we do not have any contingent liabilities that, upon becoming enforceable, may have a material adverse effect on our results of operations or financial position. We have bank guarantees as security deposits in favour of our utility providers, town councils and suppliers amounting to RM18.0 million as at the LPD.

12.2.16 Off-balance sheet arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a material effect on our business, financial performance and financial position.

12.2.17 Financial risk management

We are exposed to market risk arising from our operations and use of financial instruments. Our overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

(i) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Our exposure to credit risk arises mainly from our receivables with financial institutions which provide retail credit services and our online payment channel service providers. However, we are not reliant on any particular counterparty. Due to the nature of our business operations, majority of our transactions are immediately settled on a cash basis and therefore keeping our credit risk at a minimal.

As at 30 September 2023, our receivables are primarily amounts due from financial institutions and our online payment channel service providers. Based on our low historical observed default rates (adjusted for forward-looking estimates), the expected credits losses are not material and therefore is not recognised.

As at 30 September 2023, we have not incurred and do not expect to incur material credit losses on our financial assets or other financial instruments.

(ii) Liquidity risk

Liquidity risk is the risk that we may face difficulties in our ability to meet our financial obligations as and when they fall due. Our exposure to liquidity risk arises principally from various payables, loans and borrowings.

We continuously practise prudent liquidity risk management whilst maintaining a sufficient level of cash and cash equivalents and assessing the availability of funding through standby credit facilities deemed adequate by the management to ensure, as far as possible, that we will have sufficient liquidity to meet our liabilities as and when they fall due. For example, we check available funds in our banks on a daily basis and that daily cash outflows to our creditors and for expenditures will be checked against the daily sales collections from the previous day.

For a summary of the maturity profile of our borrowings as well as lease liabilities as at the end of the Periods Under Review based on undiscounted contractual payments, see Notes 13 and 14 of the Combined Financial Statements included in Section 13 of this Prospectus.

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Our Group is exposed to foreign currency risk on transactions that are denominated in currencies other than RM which consist of RMB in relation to the sourcing of merchandise from China through our PRC subsidiary. As at the LPD, these transactions are not material to our Group. Exposure in foreign currency is monitored on an ongoing basis and our Group endeavours to keep the net exposure at an acceptable level.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises from our interest-earning financial assets and interest-bearing financial liabilities in the form of floating rate borrowings. Short-term receivables and payables are not significantly exposed to interest rate risk fluctuations.

Our Group's practice is to observe the movements in interest rates and always strive to obtain the most favourable rates available for new financing.

Based on a 100 basis point change in the interest rates, the following table demonstrates the sensitivity of our PAT, with all other variables held constant:

	Increase/(Decrease) for the Periods Under Review			
	FYE			FPE 30 September
Floating rate instruments	**2020**	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Increase in 100 basis points	(489)	(424)	(430)	(403)
Decrease in 100 basis points	489	424	430	403

For more information in relation to interest rate risk, see Note 33 of the Combined Financial Statements included in Section 13 of this Prospectus.

12.2.18 Inflation

There has not been a material impact from inflation on our Group's financial condition and results of operations for the Periods Under Review. Nonetheless, inflation may affect our financial performance by increasing certain of our expenses, such as expenses relating to employee benefits. Any increase in inflation rate beyond levels experienced in the past may affect our future operations and financial performance if we are unable to fully offset higher costs through increased revenue.

12.2.19 Order book

Due to the nature of our business, we do not maintain an order book.

12.2.20 Trends information

Save as disclosed in Sections 5, 7 and 8 of this Prospectus, and to the best of our Board's knowledge and belief, there are no other known factors, trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our business, financial condition and results of operations.

12.2.21 Significant changes

Save as disclosed in this Prospectus, no significant changes have occurred since the FPE 30 September 2023 which may have a material effect on our financial condition and results of operation.

12.2.22 Government / economic / fiscal / monetary policies

Our Group is subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business operations, financial performance and prospects.

For the Periods Under Review and up to the LPD, save for the one-off prosperity tax of 33.0% and the Minimum Wages Order which was imposed by the Government during the FYE 2022, our results have not been materially and adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

For further information on government, economic, fiscal or monetary policies or factors which could materially affect our Group's operations, see Section 5 of this Prospectus.

12.2.23 Accounting standards issued but not yet effective and not early adopted

For a description of accounting standards issued but not yet effective and not early adopted, see Note 2.1 of the Combined Financial Statements included in Section 13 of this Prospectus.

12.2.24 Treasury policies and objectives

Our principal sources of funds for day-to-day operations and growth mainly comprise a combination of cash and cash equivalents, cash generated from our operations as well as loans and borrowings. One of the primary responsibilities of our finance function is to ensure that we maintain sufficient working capital to meet our obligations as they fall due as well as our anticipated commitments. Using appropriate governance and policies, our Group's finance is tasked with the responsibility to identify, quantify, monitor and control the risks (liquidity, interest, currency, credit, legal and regulatory) associated with these activities, using appropriate mitigation techniques.

Adhering to our SOP, sales proceeds from each of our outlets are banked-in daily and monitored by our assistant branch managers, branch managers and our corporate headquarters. We rely on our daily sales proceeds to enable us to make timely payments to our creditors where the normal credit period given to our Group generally range from 14 to 90 days.

The overarching goal of our capital management is to ensure sustainability of shareholders' equity, thereby fortifying our capacity to support and expand our business to maximise shareholders' value.

12.3 CAPITALISATION AND INDEBTEDNESS

The table below presents our capitalisation and indebtedness as at the LPD and on the assumption that our IPO, our Listing and the use of proceeds from our Public Issue as set out in Section 4 of this Prospectus had occurred on the LPD. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at the LPD and is provided for illustrative purposes only.

	As at the LPD (Unaudited)	Adjustments[(1)]	After our IPO, Listing and use of proceeds
	RM'000	RM'000	RM'000
Indebtedness			
Current			
Term loans (secured and guaranteed)	4,613	-	4,613
Lease liabilities	154,899	-	154,899
Non-current			
Term loans (secured and guaranteed)	46,936	[•]	[•]
Lease liabilities	636,457	-	636,457
Total indebtedness	842,905	[•]	[•]
Total equity / capitalisation	547,293	[•]	(1)[•]
Total capitalisation and indebtedness	**1,390,198**	**[•]**	**[•]**

Note:

(1) Calculated after taking into account, amongst others, the gross proceeds raised from our Public Issue based on the Retail Price, the remaining estimated listing expenses of approximately RM[•] million.

12.4 DIVIDEND POLICY

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

The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to consider various factors including:

(i) the level of our cash, gearing, debt profile, return on equity and retained earnings;

(ii) our expected financial performance for the year;

(iii) our projected levels of capital expenditure and other growth/investment plans;

(iv) our working capital requirements;

(v) applicable restrictive covenants under our financing documents; and

(vi) the general economic and business conditions and other factors deemed relevant by our Board.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries. Distributions by our subsidiaries will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors.

We target a payout ratio of approximately 50% of our PAT attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payments of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Save for certain banking restrictive covenants which our Group are subject to, there are no dividend restrictions imposed on our subsidiaries as at the LPD.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. There can be no assurance that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. For the factors which may affect or restrict our ability to pay dividends, see Section 5 of this Prospectus.

The following table sets out our dividends declared and paid for the Periods Under Review.

	FYE			FPE 30 September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Total dividends declared and paid	235,000	154,300	431,800	340,500
PAT	274,928	419,094	326,665	293,691
Dividend payout ratio(1)	0.85	0.37	1.32	1.16

Note:

(1) Computed based on dividend paid out divided by PAT during the Periods Under Review.

From 1 October 2023 up to the LPD, our Group has declared a further dividend of RM150.0 million in respect of the FYE 2023 which was subsequently paid in tranches of RM50.0 million, RM20.0 million, RM30.0 million, RM20.0 million and RM30.0 million on 4 December 2023, 8 January 2024, 9 January 2024, 30 January 2024 and 13 February 2024 respectively. As a result, the total dividends declared in respect of the FYE 2023 is RM490.5 million. Our Group also intends to pay a further dividend of approximately RM100.0 million by the 1st half of 2024 in respect of the FYE 2024.

Save as mentioned above, we have not declared or paid any other dividends to our shareholders for the past 3 financial years up to the LPD. All the dividends mentioned above and for the planned FYE 2024 dividend is intended to be funded by internal funds generated from our operations. The dividends paid after 30 September 2023 and the planned FYE 2024 dividend described above will not affect the execution and implementation of our future plans and strategies as mentioned in this Prospectus.

For more information on our dividends, see Note 24 of the Combined Financial Statements included in Section 13 of this Prospectus.

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12.5 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

Crowe Malaysia PLT
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Chartered Accountants

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22 FEB 2024

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,

99 SPEED MART RETAIL HOLDINGS BERHAD. (FORMERLY KNOWN AS "99 SPEED MART HOLDINGS SDN. BHD.") ("99 HOLDINGS" OR "THE COMPANY")

REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of the Company and its subsidiaries (collectively known as the "**Group**") as at 30 September 2023 and related notes as set out in Appendix A, for which we have stamped for the purpose of identification. The pro forma combined statements of financial position have been prepared by the Directors for inclusion in the prospectus to be issued 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.

The applicable criteria on the basis of which the Directors have compiled the pro forma combined statements of financial position are set out in Note 3 of Appendix A, and in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia ("**Prospectus Guidelines**") and the Guidance Note for Issuers of pro forma financial information issued by the Malaysian Institute of Accountants ("**Guidance Note**").

The pro forma combined statements of financial position have been compiled by the Directors, to illustrate the impact of the events or transactions as set out in Notes 3.3, 3.4 and 3.5 of Appendix A of this letter on the Group's financial position as at 30 September 2023.

As part of this process, information about the Group's financial position have been extracted from the audited combined financial statements of the Company for the financial period ended 30 September 2023 as set out in the Accountants' Report of the Company.

THE DIRECTORS' RESPONSIBILITIES

The Directors are responsible for compiling the pro forma combined statements of financial position on the basis as described in the notes thereon to the pro forma combined statements of financial position and in accordance with the requirements of Prospectus Guidelines.

REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We are independent of the Company 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.

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma combined statements of financial position has been compiled, in all material respects, by the Directors on the basis as described in the notes thereon of the pro forma combined statements of financial position.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma combined statements of financial position on the basis as described in the notes thereon of the pro forma combined statements of financial position in Appendix A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the pro forma combined statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma combined statements of financial position in Appendix A.

The purpose of the pro forma combined statements of financial position included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position has been compiled, in all material respects, on the basis of applicable criteria involves performing procedures to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma combined statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma combined statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the pro forma combined statements of financial position of the Group have been compiled, in all material respects, on the basis as described in the notes thereon to the pro forma combined statements of financial position in Appendix A and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTERS

Our report on the pro forma combined statements of financial position has been prepared for inclusion in the prospectus. 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.

Yours faithfully

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

Shah Alam

Ong Beng Chooi
03155/05/2025 J
Chartered Accountant

APPENDIX A

99 SPEED MART RETAIL HOLDINGS BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

		Audited		Pro Forma I		Pro Forma II		Pro Forma III
	Note	As at 30 September 2023* RM'000	Subsequent Events RM'000	After Subsequent Events RM'000	Proposed IPO RM'000	After Pro Forma I and Proposed IPO RM'000	Utilisation of Proceeds RM'000	After Pro Forma II and Utilisation of Proceeds RM'000
ASSETS								
NON-CURRENT ASSETS								
Property and equipment		408,875		408,875		408,875		408,875
Right-of-use assets		746,372		746,372		746,372		746,372
Deferred tax assets		13,432		13,432		13,432		13,432
		1,168,679		1,168,679		1,168,679		1,168,679
CURRENT ASSETS								
Inventories		1,198,920		1,198,920		1,198,920		1,198,920
Trade receivables		23,664		23,664		23,664		23,664
Other receivables, deposits and prepayments		46,564		46,564		46,564		46,564
Cash and cash equivalents	5.1	72,740	(150,000)	(77,260)	[●]	[●]	[●]	[●]
		1,341,888		1,191,888		[●]		[●]
TOTAL ASSETS		2,510,567		2,360,567		[●]		[●]
EQUITY AND LIABILITIES								
EQUITY								
Share capital	5.2	#	474,506	474,506	[●]	[●]	[●]	[●]
Invested equity	5.3	17,500	(17,500)	-		-		-
Merger deficit	5.4	-	(457,006)	(457,006)		(457,006)		(457,006)
Retained profits	5.5	567,543	(150,000)	417,543		417,543	[●]	[●]
TOTAL EQUITY		585,043		435,043		[●]		[●]

 # - denote RM100.

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APPENDIX A

99 SPEED MART RETAIL HOLDINGS BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

		Audited		Pro Forma I		Pro Forma II		Pro Forma III
	Note	**As at 30 September 2023* RM'000**	**Subsequent Events RM'000**	**After Subsequent Events RM'000**	**Proposed IPO RM'000**	**After Pro Forma I and Proposed IPO RM'000**	**Utilisation of Proceeds RM'000**	**After Pro Forma II and Utilisation of Proceeds RM'000**
EQUITY AND LIABILITIES (CONT'D)								
NON-CURRENT LIABILITIES								
Term loans	5.6	48,524		48,524		48,524	[•]	[•]
Lease liabilities		606,327		606,327		606,327		606,327
Provision for restoration costs		51,944		51,944		51,944		51,944
		706,795		706,795		706,795		[•]
CURRENT LIABILITIES								
Trade payables		988,999		988,999		988,999		988,999
Other payables and accruals		57,890		57,890		57,890		57,890
Contract liability		2,150		2,150		2,150		2,150
Term loans	5.6	4,567		4,567		4,567		4,567
Lease liabilities		149,906		149,906		149,906		149,906
Current tax liabilities		15,217		15,217		15,217		15,217
		1,218,729		1,218,729		1,218,729		1,218,729
TOTAL LIABILITIES		1,925,524		1,925,524		1,925,524		[•]
TOTAL EQUITY AND LIABILITIES		2,510,567		2,360,567		[•]		[•]
No. of shares in issue ('000)	5.2	#	8,000,000	8,000,000	400,000	8,400,000		8,400,000
Net assets (RM'000)		585,043		435,043		[•]		[•]
Net assets per share (RM)		5,850.43		0.05		[•]		[•]

 # - denote RM100.

Note:-
** Extracted from Accountants' Report included in Section 13 of this Prospectus.*

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APPENDIX A

99 SPEED MART RETAIL HOLDINGS BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

1. ABBREVIATION

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

Directors	:	Directors of our Company
Guidance Note	:	the Guidance Note for Issuers of pro forma financial information issued by the Malaysian Institute of Accountants
IPO	:	Initial public offering of up to 1,428,000,000 IPO Shares via the Offer for Sale and the Public Issue
Issue Shares	:	New Shares to be issued under the Public Issue
Listing	:	Listing of and quotation for the entire enlarged issued Shares on the Main Market of Bursa Securities
LPD	:	31 January 2024, being the latest practicable date prior to the registration of this Prospectus with the SC
MFRSs	:	Malaysian Financial Reporting Standards as issued by the Malaysian Accounting Standards Board
MPERS	:	Malaysian Private Entities Reporting Standard as issued by the Malaysian Accounting Standards Board
Offer for Sale	:	Offer for sale of up to 1,028,000,000 Offer Shares by the Selling Shareholders
Offer Shares	:	Existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
Pink Form Allocations	:	The allocation of 42,000,000 IPO Shares to the Eligible Persons under the Retail Offering
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public Issue	:	Public issue of 400,000,000 Issue Shares by our Company
Subdivision	:	Subdivision of our 474,506,402 shares into 8,000,000,000 shares
Shares	:	Ordinary shares in our Company

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APPENDIX A

99 SPEED MART RETAIL HOLDINGS BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

2. INTRODUCTION

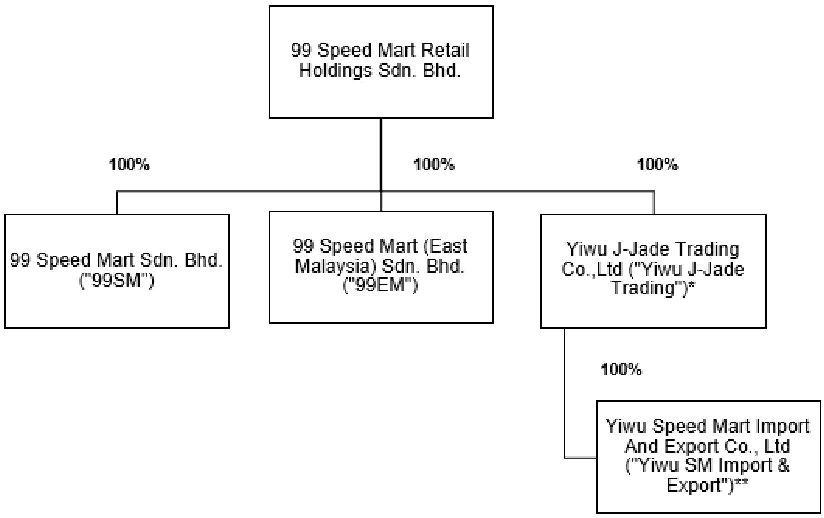
The pro forma combined statements of financial position of the Group as at 30 September 2023 have been prepared for inclusion in the prospectus in connection with the initial public offering of ordinary shares in the Company and the listing of and quotation for the entire enlarged issued Share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing") and should not be relied upon for any other purposes.

The pro forma combined statements of financial position have been prepared for illustrative purposes only to show the effects of the transactions as set out in notes 3.3, 3.4 and 3.5 had the transactions been effected on 30 September 2023. The pro forma combined statements of financial position may not, because of their nature, give a true picture of the Group's actual financial position. Further, such financial information does not purport to predict the future financial position of the Group.

3. PRO FORMA GROUP AND BASIS OF PREPARATION

3.1 Pro Forma Group

The pro forma corporate structure of the Group, pursuant to the completion of the transactions in note 3.3 are as follows:-



**Yiwu J-Jade Trading was incorporated in China on 28 September 2023 as a subsidiary of the Company.*

***Yiwu SM Import & Export was incorporated in China on 19 October 2023 as a subsidiary of Yiwu J-Jade Trading.*

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APPENDIX A

99 SPEED MART RETAIL HOLDINGS BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

3. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

3.2 Basis of Preparation

The pro forma combined statements of financial position of the Group have been prepared for illustration purposes using the audited combined financial statements of the Group as at 30 September 2023 which was prepared in accordance with Malaysian Financial Reporting Standards ("**MFRSs**") and International Financial Reporting Standards ("**IFRS**") and are not subject to any qualification, modification or disclaimer.

The pro forma combined statements of financial position of the Group have also been compiled in a manner consistent with both the format of the audited combined financial statements and accounting policies of the Group as set out in the Accountants' Report of the Company for the financial period ended 30 September 2023.

3.3 Subsequent Events

In conjunction with and as an integral part of the Listing, the Company had undertaken the following:

3.3.1 Acquisition of 99SM and 99EM

On 9 November 2023, the Company entered into a Conditional Share Sales Agreement to acquire the entire issued share capital of 99SM and 99EM comprising 15,000,000 and 2,500,000 ordinary shares respectively for the total purchase consideration of RM474,506,302 which has been fully satisfied via the issuance of 474,506,302 new ordinary shares in the Company at an issue price of RM1.00 per share, to the vendor. The purchase consideration was arrived at on a willing-buyer-willing-seller basis, after taking into consideration of the unaudited net assets position of 99SM and 99EM respectively, as at 30 June 2023.

The Acquisition of 99SM and 99EM has been accounted for using book value accounting. Under book value accounting, the difference between the consideration paid and the share capital of the acquiree is accounted for as merger reserve.

3.3.2 The Subdivision

The subdivision of all existing Shares in issue of 474,506,402 Shares into 8,000,000,000 Shares. It is involving the subdivision of every 1 existing Share into approximately 16.8596 Shares in the Company.

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NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

3. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

3.3 Subsequent Events (Cont'd)

3.3.3 Transfer of Shares

The transfer of 256,589,283 Shares from Lee Thiam Wah to Lee LYG Holdings Sdn. Bhd.

3.3.4 Declaration of Dividend

On 30 November 2023, 99SM had declared and paid a third interim dividend of RM10 per ordinary share amounted to RM150,000,000 in respect of the financial year ending 31 December 2023. On 13 February 2024, the dividend has been fully paid.

3.4 Proposed IPO

In conjunction with the Listing, the Company proposes to undertake the following:

(i) public issue of 400,000,000 Issue Shares, representing approximately 4.8% of the enlarged issued Shares of the Company, at an issue price of RM[●] per Share, detailed as follows:

   (a) 168,000,000 Issue Shares, representing 2.0% of the enlarged issued Shares, will be made available for application by the Malaysian Public via balloting, of which 50% will be set aside for Bumiputera investors;

   (b) 42,000,000 Issue Shares, representing 0.5% of the enlarged issued Shares, will be reserved for the application by directors, eligible employees of the Group and persons who have contributed to the success of the Group under the Pink Form Allocations; and

   (c) 190,000,000 Issue Shares, representing approximately 2.3% of the enlarged issued Shares, will be reserved for Bumiputera investors approved by Ministry of Trade and Industry of Malaysia ("MITI").

(ii) offer for sale of 1,028,000,000 offer shares, representing approximately 12.2% of the enlarged issued Shares of the Company, at an offer price of RM[●] per Share.

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3. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

3.5 Listing

Upon completion of the subsequent events and proposed IPO and before deducting the estimated listing expenses directly attributable to the issuance of new shares of RM[●], the share capital has increased from RM100 comprising 100 Shares to RM[●] comprising 8,400,000,000 Shares.

Upon completion of the IPO, the Company shall be admitted to the Official List and the entire enlarged share capital of RM[●] (after deducting the estimated listing expenses directly attributable to the issuance of new Shares of RM[●]) comprising 8,400,000,000 Shares shall be listed and quoted on the the Main Market of Bursa Malaysia Securities Berhad.

4. PRO FORMA ADJUSTMENTS TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

The pro forma combined statements of financial position as at 30 September 2023 have been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they have been effected on 30 September 2023:-

4.1 Pro Forma I

After incorporating the pro forma effects of the subsequent events as set out in note 3.3 above.

4.2 Pro Forma II

After incorporating the cumulative effects of Pro Forma I and the IPO as set out in note 3.4 above.

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NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

4. PRO FORMA ADJUSTMENTS TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

4.3 Pro Forma III

After incorporated the cumulative effects of Pro Forma II and the utilisation of the proceeds from the IPO.

The proceeds from the IPO as stated in the prospectus in relation to the IPO, will be utilised as follows:-

No	Details of use of proceeds	Note	Estimated timeframe for utilisation upon Listing	RM'000	%
1.	Capital expenditure of the Group	4.3.1			
	(i) Expansion of network of outlets		Within 36 months	[●]	[●]
	(ii) Establishment of new distribution centres		Within 36 months	[●]	[●]
	(iii) Purchase of delivery trucks		Within 36 months	[●]	[●]
	(iv) Upgrading of existing outlets		Within 36 months	[●]	[●]
2	Repayment of existing bank borrowings	5.6	Within 6 months	[●]	[●]
3	Defray fees and expenses for the Proposed Public Issue	4.3.2	Within 6 months	[●]	[●]
				[●]	[●]

4.3.1 As at the LPD, the planned utilisation of proceeds for capital expenditure of the Group are still in a discussion phase and the Group has yet to enter into any definitive agreements with any parties. Accordingly, the proceeds earmarked for expansion of network of outlets, establishment of new distribution centres, purchase of delivery trucks and upgrading of existing outlets are not reflected in the pro forma combined statements of financial position.

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NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

4. PRO FORMA ADJUSTMENTS TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

4.3 Pro Forma III (Cont'd)

4.3.2 The estimated listing expenses comprising the following:

	RM'000
Profeesional fees	[●]
Fees to authorities	[●]
Underwriting, placement and brokerage fees	[●]
Contingencies and other incidental expenses in connection with the IPO which includes marketing, advertising, roadshow expenses, service tax and other miscellaneous expenses	[●]
	[●]

From the estimated listing expenses of RM[●], RM[●] is assumed to be directly attributable to the issuance of new shares and therefore will be set-off against equity. The remaining RM[●] are assumed to be attributable to the listing and therefore will be charged out to profit or loss and this represents a one-off expenditure in conjunction with the Listing. As at financial period 30 September 2023, the Company had recognised the listing expenses of approximately RM[●] in profit or loss and the amount had been paid.

5. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

5.1 Cash and cash equivalents

	Note	RM'000
As at 30 September 2023		72,740
Less: Declaration of dividend**	3.3.4	(150,000)
As per Pro Forma I		(77,260)
Add: Proceeds from Public Issuance	3.4 (i)	[●]
As per Pro Forma II		[●]
Less: Utilisation of proceeds:		
- estimated listing expenses		[●]
- repayment of bank borrowings	4.3 (3)	[●]
		[●]
As per Pro Forma III		[●]

***Upon declaration of dividend, the Company remains solvent after the distribution in accordance with section 131(1) of Companies Act 2016.*

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99 SPEED MART RETAIL HOLDINGS BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

5. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.2 Share Capital

	Note	Number of Ordinary Shares ('000)	RM'000
As at 30 September 2023		#	#
Add: Acquisition of 99SM and 99EM	3.3.1	474,506	474,506
Add: The subdivision	3.3.2	7,525,494	-
As per Pro Forma I		8,000,000	474,506
Add: Shares issued under the Public Issue	3.4 (i)	400,000	[●]
As per Pro Forma II		8,400,000	[●]
Less: Estimated listing expenses	4.3.2	-	[●]
As per Pro Forma III		8,400,000	[●]

 # - denote RM100.

5.3 Invested Equity

	Note	Number of Ordinary Shares ('000)	RM'000
As at 30 September 2023		17,500	17,500
Less: Acquisition of 99SM and 99EM	3.3.1	(17,500)	(17,500)
As per Pro Forma I, II and III		-	-

5.4 Merger Deficit

	Note	RM'000
As at 30 September 2023		-
Less: Acquisition of 99SM and 99EM	3.3.1	(457,006)
As per Pro Forma I, II and III		(457,006)

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5. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.5 Retained profits

	Note	RM'000
As at 30 September 2023		567,543
Less: Declaration of dividend	3.3.4	(150,000)
As per Pro Forma I and II		417,543
Less: Item expensed off to the statement of profit or loss and other comprehensive income:		
- estimated listing expenses	4.3.2	[●]
As per Pro Forma III		[●]

5.6 Term Loans

	Note	Non-Current Liabilities RM'000	Current Liabilities RM'000	Total RM'000
As per 30 September 2023/ As per Pro Forma I/II		48,524	4,567	53,091
Less: Utilisation of Proceeds	4.3 (3)	[●]	-	[●]
As per Pro Forma III		[●]	4,567	[●]

Any outstanding term loan balances remaining after utilisation of proceeds will be settled using internal funds.

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APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 22 FEB 2024

On behalf of the Board of Directors,

Lee Thiam Wah
Director

Ng Lee Tieng
Director

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