

# **SENHENG**

**SENHENG NEW RETAIL BERHAD**

Registration No. 202101019079 (1419379-T)

INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

3 JANUARY 2022

**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income<sup>(1)</sup>**  
**For The Period Ended 30 September 2021**

**Current quarter and financial year to date**

	Individual Quarter		Cumulative Quarter	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM	RM	RM	RM
Revenue	313,811,179	322,066,980	987,722,098	879,598,695
Cost of sales	(246,625,806)	(256,037,176)	(781,400,751)	(698,906,562)
<b>Gross profit</b>	<b>67,185,373</b>	<b>66,029,804</b>	<b>206,321,347</b>	<b>180,692,133</b>
Other operating income	3,384,153	3,379,875	10,516,332	8,762,893
Operating and administrative expenses	(55,176,001)	(50,196,416)	(169,897,811)	(149,531,574)
Interest income	638,626	-	1,262,309	627,703
Finance costs	(1,413,231)	(1,408,978)	(3,941,917)	(3,925,619)
<b>Profit before tax</b>	<b>14,618,920</b>	<b>17,804,285</b>	<b>44,260,260</b>	<b>36,625,536</b>
Income tax expense	(3,925,311)	(4,067,511)	(10,209,289)	(8,536,426)
<b>Profit after tax attributable to the owners of the Company</b>	<b>10,693,609</b>	<b>13,736,774</b>	<b>34,050,971</b>	<b>28,089,110</b>
Other comprehensive income	96,923	(676,919)	467,676	350,087
<b>Total comprehensive income attributable to the owners of the Company</b>	<b>10,790,532</b>	<b>13,059,855</b>	<b>34,518,647</b>	<b>28,439,197</b>
<b>Basic / Diluted earnings per share<sup>(2)</sup> (sen)</b>	0.86	1.10	2.72	2.25

Notes:-

- (1) The unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 29 December 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) For illustration, computed based on profit after tax attributable to the owners of the Company divided by the number of ordinary shares outstanding after the completion of the Acquisition of Senheng KL and Share Split (both as defined in the Prospectus of the Company dated 29 December 2021) of 1,250,000,000. Please refer to Note 27 of this interim financial report for further information.

**Unaudited Condensed Consolidated Statements of Financial Position<sup>(1)</sup>  
As at 30 September 2021**

	<b>Unaudited As at 30/09/2021 RM</b>	<b>Audited As at 31/12/2020 RM</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	105,982,004	96,429,977
Right-of-use assets	86,040,817	82,392,168
Intangible assets	4,165	4,930
Other investments	13,434,621	15,104,977
Deferred tax assets	25,024,668	26,063,925
Trade and other receivables	67,479,264	69,531,117
	<u>297,965,539</u>	<u>289,527,094</u>
<b>Current assets</b>		
Inventories	234,807,476	211,379,805
Other investments	17,083,199	12,968,291
Trade and other receivables	89,512,174	74,281,913
Current tax assets	16,919	-
Cash and bank balances	51,719,044	68,755,267
	<u>393,138,812</u>	<u>367,385,276</u>
<b>TOTAL ASSETS</b>	<b><u>691,104,351</u></b>	<b><u>656,912,370</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to the owners of the Company</b>		
Share capital	1,000,003	1,000,003
Reserves	199,724,815	165,206,168
<b>TOTAL EQUITY</b>	<b><u>200,724,818</u></b>	<b><u>166,206,171</u></b>

**Unaudited Condensed Consolidated Statements of Financial Position<sup>(1)</sup>  
As at 30 September 2021 (Continued)**

	<b>Unaudited As at 30/09/2021 RM</b>	<b>Audited As at 31/12/2020 RM</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Lease liabilities	52,327,093	49,145,179
Deferred tax liabilities	2,515	1,827
Borrowings	41,291,479	40,737,355
Provision for restoration costs	9,656,583	8,640,923
Contract liabilities	136,330,412	138,821,782
	<b>239,608,082</b>	<b>237,347,066</b>
<b>Current liabilities</b>		
Trade and other payables	107,808,896	124,813,307
Lease liabilities	24,876,759	25,667,184
Provision for restoration cost	2,263,951	1,661,326
Contract liabilities	82,650,536	84,158,058
Borrowings	33,006,921	14,455,062
Current tax liabilities	164,388	2,604,196
	<b>250,771,451</b>	<b>253,359,133</b>
<b>TOTAL LIABILITIES</b>	<b>490,379,533</b>	<b>490,706,199</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>691,104,351</b>	<b>656,912,370</b>
<b>Net assets per share attributable to owners of the Company (sen)<sup>(2)</sup></b>	<b>16.06</b>	<b>13.30</b>

**Notes:-**

- (1) The unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 29 December 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) For illustration, computed based on total equity divided by the number of ordinary shares outstanding after the completion of the Acquisition of Senheng KL and Share Split (both as defined in the Prospectus of the Company dated 29 December 2021) of 1,250,000,000.

**Unaudited Condensed Consolidated Statement of Changes in Equity<sup>(1)</sup>  
As at 30 September 2021**

	Share Capital RM	Exchange translation reserve RM	Retained earnings RM	Total equity RM
<b>Balance as at 1 January 2020</b>	<b>1,000,003</b>	<b>(368,117)</b>	<b>122,230,686</b>	<b>122,862,572</b>
Profit for the financial period	-	-	55,636,783	55,636,783
Other comprehensive income, net of tax	-	(293,184)	-	(293,184)
	-	(293,184)	55,636,783	55,343,599
<b>Transaction with owners of the Company:</b>				
Dividend	-	-	(12,000,000)	(12,000,000)
<b>Balance as at 31 December 2020</b>	<b>1,000,003</b>	<b>(661,301)</b>	<b>165,867,469</b>	<b>166,206,171</b>
<b>Balance as at 1 January 2021</b>	<b>1,000,003</b>	<b>(661,301)</b>	<b>165,867,469</b>	<b>166,206,171</b>
Profit for the financial period	-	-	34,050,971	34,050,971
Other comprehensive income, net of tax	-	467,676	-	467,676
	-	467,676	34,050,971	34,518,647
<b>Balance as at 30 September 2021</b>	<b>1,000,003</b>	<b>(193,625)</b>	<b>199,918,440</b>	<b>200,724,818</b>

**Note:-**

- (1) The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 29 December 2021 and the accompanying explanatory notes attached to this interim financial report.

**Unaudited Condensed Consolidated Statement of Cash Flows<sup>(1)</sup>  
As at 30 September 2021**

	<b>Cumulative Quarter</b>	
	<b>30/09/2021</b>	<b>30/09/2020</b>
	<b>RM</b>	<b>RM</b>
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	44,260,260	36,625,536
Adjustments for:		
Amortisation of intangible assets	765	-
Depreciation of property, plant and equipment	7,842,315	7,113,960
Interest expense	3,941,917	3,925,620
Interest income	(1,262,309)	(627,703)
Depreciation of right-of-use assets	21,657,249	19,537,403
Other non-cash items	2,158,667	1,726,443
Operating profit before changes in working capital	<u>78,598,864</u>	<u>68,301,259</u>
Changes in working capital:		
Inventories	(25,482,367)	(57,842,375)
Receivables	(14,637,728)	(13,329,994)
Payables	(5,463,724)	21,593
Contract liabilities	(3,998,892)	3,698,740
Cash generated from operations	<u>29,016,153</u>	<u>849,223</u>
Interest paid	(1,497,640)	(1,386,630)
Tax refund	-	8,480,683
Tax paid	<u>(11,636,530)</u>	<u>(4,713,562)</u>
Net cash generated from operating activities	15,881,983	3,229,714
<b>Cash flows from investing activities</b>		
Proceeds from disposals of other investment	4,649,508	13,032,158
Proceeds from disposals of fixed asset	-	139,686
Purchase of other investment	(6,141,871)	(5,787,745)
Purchase of property, plant and equipment	(17,161,750)	(10,803,681)
Repayment to a related party	-	(1,429,000)
Dividends received	129,912	300,014
Interest received	762,261	627,703
Placement of fixed deposits with licensed banks	<u>(76,346)</u>	<u>(117,029)</u>
Net cash used in investing activities	(17,838,286)	(4,037,894)
<b>Cash flows from financing activities</b>		
Dividend paid	(12,000,000)	(12,000,000)
Drawdown of bankers' acceptances	198,687,696	138,454,000
Repayment of bankers' acceptances	(181,022,682)	(144,454,000)
Repayment of term loans	(4,626,207)	(1,566,213)
Addition of term loan	5,527,051	13,813,211
Repayment of lease liabilities	<u>(21,792,038)</u>	<u>(19,240,827)</u>
Net cash used in financing activities	(15,226,180)	(24,993,829)

**Unaudited Condensed Consolidated Statement of Cash Flows (Continued)  
As at 30 September 2021 (Continued)**

	<b>Cumulative Quarter</b>	
	<b>30/09/2021</b>	<b>30/09/2020</b>
	<b>RM</b>	<b>RM</b>
Net decrease in cash and cash equivalents	(17,182,483)	(25,802,009)
Effects of exchange rate changes on cash and cash equivalents	69,914	529,467
Cash and cash equivalents brought forward	64,867,148	50,640,509
	<hr/>	<hr/>
Cash and cash equivalents carried forward	47,754,579	25,367,967
	<hr/> <hr/>	<hr/> <hr/>
	<b>30/09/2021</b>	<b>30/09/2020</b>
	<b>RM</b>	<b>RM</b>
Cash and cash equivalents at the end of the financial year comprise of:		
Cash and bank balances	47,754,579	25,367,967
Deposits with licensed banks	3,964,465	3,888,119
	<hr/>	<hr/>
	51,719,044	29,256,086
Less: Deposits pledged with licensed banks	(3,964,465)	(3,888,119)
	<hr/>	<hr/>
	<b>47,754,579</b>	<b>25,367,967</b>
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**Note:-**

- (1) The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 29 December 2021 and the accompanying explanatory notes attached to this interim financial report.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****1. BASIS OF PREPARATION**

The interim financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) (including MFRS 134 Interim Financial Reporting) and International Financial Reporting Standards (“IFRSs”) in relation to the listing of and quotation for the entire ordinary shares of Senheng New Retail Berhad on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

**2. BASIS OF ACCOUNTING**

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2020 except for the adoption of the following new accounting standards, amendments and interpretation:

New MFRS adopted during the financial period:

<b>Title</b>	<b>Effective Date</b>
Amendments to MFRS 9, MFRS 139, MFRS 17, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
Amendments to MFRS 16 <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021 (early adopted)

The adoption of the above amendments to MFRSs do not have a material impact on the financial statements of the Group.

**3. AUDITORS’ REPORT**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2020.

**4. SEASONAL OR CYCLICAL FACTORS**

The business operations of the Group typically experience higher customer traffic, transaction value and sales during weekends, public holidays, school holidays and festive periods.

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

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



**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****6. MATERIAL CHANGES IN ESTIMATES**

There were no changes in estimates of amounts reported that have a material effect in the current quarter and financial period under review.

**7. DEBTS AND EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current period under review.

**8. DIVIDENDS**

There was no dividends declared in the current quarter and financial period under review.

**9. SEGMENTAL INFORMATION**

The Group is principally engaged in the retailing of electrical appliances.

The Group has arrived at two (2) reportable segments that are organised and managed separately according to the nature of the products and services. The reportable segments are summarised as follows:

- (i) Trading division – Trading of the Group's products
- (ii) Warranty division – Provision of warranty services in relation to replacement, repair and maintenance of products sold

The segmental information for the financial period ended 30 September 2021 is as follows:

	<b>Trading RM</b>	<b>Warranty RM</b>	<b>Others RM</b>	<b>Total RM</b>
<b>Revenue</b>				
Sales to external customers	934,441,718	53,280,380	-	987,722,098
Inter-segment sales	-	16,808,847	-	16,808,847
<b>Total revenue</b>	<b>934,441,718</b>	<b>70,089,227</b>	<b>-</b>	<b>1,004,530,945</b>
<b>Segment profits</b>	<b>23,065,405</b>	<b>11,172,364</b>	<b>(186,798)</b>	<b>34,050,971</b>
<b>Segment assets</b>	<b>636,974,566</b>	<b>54,124,827</b>	<b>4,958</b>	<b>691,104,351</b>
<b>Segment liabilities</b>	<b>486,675,986</b>	<b>3,542,995</b>	<b>160,552</b>	<b>490,379,533</b>

The business activities of the Group are all located in Malaysia and as such segmental reporting by geographical location is not presented.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****10. REVENUE**

The breakdown of the Group's revenue by retail channels is as follows:

	Individual Quarter ended				Cumulative Quarters ended			
	30/09/2021		30/09/2020		30/09/2021		30/09/2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Physical stores	274,856	87.6	302,525	94.0	888,734	90.0	807,021	91.7
Online stores	31,332	10.0	13,638	4.2	81,057	8.2	60,337	6.9
Others <sup>(1)</sup>	7,623	2.4	5,904	1.8	17,931	1.8	12,241	1.4
<b>Total</b>	<b>313,811</b>	<b>100.0</b>	<b>322,067</b>	<b>100.0</b>	<b>987,722</b>	<b>100.0</b>	<b>879,599</b>	<b>100.0</b>

Note:-

(1) Others comprise of sales of products and vouchers to corporate clients.

The breakdown of the Group's average monthly sales per store is as follows:

**9 months ended 30 September 2021**

	Total sales	Cumulative operating months <sup>(1)</sup>	Average monthly sales per store
	(RM'000)		(RM'000)
"Senheng" stores	268,335	370	725
"senQ" digital stations	349,407	270	1,294
"Grand Senheng" stores	267,596	288	929
"Grand Senheng Elite" store	3,396	5	679
	<b>888,734</b>	<b>933</b>	

**9 months ended 30 September 2020**

	Total sales	Cumulative operating months <sup>(1)</sup>	Average monthly sales per store
	(RM'000)		(RM'000)
"Senheng" stores	295,312	472	626
"senQ" digital stations	345,501	267	1,294
"Grand Senheng" stores	166,208	200	831
"Grand Senheng Elite" store	-	-	-
	<b>807,021</b>	<b>939</b>	

Note:-

(1) Being the total number of operating months of each of our physical stores, including the periods when our physical stores were closed pursuant to the imposition of any lockdown periods imposed by the Government.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****11. PROPERTY, PLANT AND EQUIPMENT****(i) Acquisitions and disposals**

There were no material acquisitions and disposals of property, plant and equipment during the current quarter and financial period under review.

**(ii) Valuation**

There was no valuation of property, plant and equipment in the current quarter and financial period under review as the Group does not adopt a revaluation policy on its property, plant and equipment.

**12. CAPITAL COMMITMENTS**

The Group's capital expenditure in respect of purchase of property, plant and equipment are as follows:

	<b>As at 31/12/2020 RM</b>	<b>As at 30/09/2021 RM</b>
Approved but not contracted for	2,650,000	-
Contracted but not provided for	5,326,250	3,240,750
<b>Total</b>	<b>7,976,250</b>	<b>3,240,750</b>

**13. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**

Saved as disclosed in Note 21 "Status of Corporate Proposals", there were no other material events subsequent to the end of the current quarter and financial period under review that have not been reflected in this interim financial report.

**14. CHANGES IN THE COMPOSITION OF THE GROUP**

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

**15. CHANGES IN CONTINGENT LIABILITY**

There was no material contingent liability as at the end of the current financial period and up to the date of this interim financial report.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****16. SIGNIFICANT RELATED PARTY TRANSACTIONS**

The significant related party transactions of the Group are as follows:

	Individual Quarter		Cumulative Quarter	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM	RM	RM	RM
Related parties:				
- Admin and marketing fees receivable	493,792	269,765	1,373,112	1,013,364
- Admin and marketing fees payable	(70,522)	(81,711)	(238,829)	(214,494)
- Concession income receivable	-	8,332	4,499	35,394
- Commission payable	(1,249,395)	-	(1,279,986)	-
- Insurance premium collected on behalf of third-party insurance companies	(4,872,699)	(7,893,918)	(23,730,340)	(20,230,632)
- Marketing expenses	(10,310,740)	-	(11,474,447)	-
- Purchases of goods	(2,124,017)	(2,874,723)	(6,043,016)	(7,943,717)
- Rental income	22,264	1,650	31,641	4,950
- Rental payable	(194,735)	(558,384)	(741,851)	(1,704,124)
- Sales of goods	-	-	15,954	-
- Service rendered	(1,335,476)	(1,245,300)	(4,791,833)	(3,060,274)

The related party transactions described above were carried out in the ordinary course of business and have been established under negotiated and mutually agreed terms.

**17. FAIR VALUE OF FINANCIAL LIABILITIES**

There was no gain or loss arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)**

**18. PERFORMANCE REVIEW**

**(i) 9 month ended 30 September 2021 (“FPE 2021”)**

The Government announced the National Recovery Plan (“NRP”) as a four-phase exit strategy, detailing the path towards the reopening of economic sectors amidst the ongoing COVID-19 pandemic. The exit strategy outlined by the National Recovery Plan is based on three indicators:

- COVID-19 transmissions among the community based on the number of daily COVID-19 infections;
- capability of public healthcare system based on the bed utilisation rate in intensive care unit (ICU) wards; and
- how much of the population is protected against COVID-19, based on the percentage that has received two doses of vaccines.

About 58.2% and 21.9% of our stores experienced a shutdown in the months of July and August 2021, due to the COVID-19 pandemic lockdown. These restrictions were subsequently relaxed in September 2021.

During the onset of the COVID-19 pandemic in 2020, the Group began using a telemarketing automation application which enables employees to promote and sell products remotely. This enabled the Group to continue generating sales during the temporary closure of physical stores during the abovementioned lockdowns. In addition, the Group shifted its advertising strategy to focus on digital marketing to both entice customers to visit the Group’s online stores which remained operational as well as keep the “Senheng” brand in the minds of consumers during this challenging time.

The Group’s revenue increased by approximately RM108.1 million or 12.3% to RM987.7 million for the FPE 2021 (9 month ended 30 September 2020 (“FPE 2020”): RM879.6 million). The growth in the Group’s revenue was mainly due to the increase in the number and average monthly sales generated by the Group’s “Grand Senheng” stores.

The Group’s gross profit (“GP”) increased by approximately RM25.6 million or 14.2% to RM206.3 million (GP margin: 20.9%) for the FPE 2021 from RM180.7 million (GP margin: 20.5%) for the FPE 2020. This increase in GP was mainly attributable to the increase in revenue from January to May 2021 as well as the slight increase in GP margin. The GP margin improved marginally by 0.4% in the FPE 2021.

The Group’s other operating income increased by approximately RM1.8 million or 20.0% to RM10.5 million (FPE 2020: RM8.8 million). This increase was mainly due to an increase in commission income earned by the Group from concession sales of products displayed at stores by third-parties as well as an increase in the fair value gain on investments.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****18. PERFORMANCE REVIEW (Continued)**

The Group's profit before tax ("PBT") increased by approximately RM7.6 million or 20.8% to RM44.3 million (FPE 2020: RM36.6 million), mainly due to the higher sales achieved during this financial period as mentioned above.

**(ii) 3 month ended 30 September 2021 ("Q3 2021")****a) Comparison with preceding year's corresponding quarter**

The Group's revenue decreased by approximately RM8.3 million or 2.6% to RM313.8 million for the Q3 2021 (3 month ended 30 September 2020 ("Q3 2020"): RM322.1 million). This decrease was mainly attributable to the shutdowns of physical stores during the quarter under review as elaborated in note (i) above.

However, the Group's GP increased by approximately RM1.2 million or 1.8% to RM67.2 million (GP margin: 21.4%) for the Q3 2021 from RM66.0 million (GP margin: 20.5%) for the Q3 2020. This increase in GP and GP margins are mainly attributable to replacement of the previous credit token (namely the EZ Credit) which was earned from purchases of selected products, and the introduction of the new credit token known as "S-Coin" in June 2021. Whilst the EZ Credit was treated as deferred revenue until redemption or expiry, the issuing cost of S-Coin was fully recognised as an operating expense in the month incurred.

The Group recorded a lower PBT of RM14.6 million for the Q3 2021 as compared to RM17.8 million for the Q3 2020, mainly due to the Group continuing to incur operating and administrative expenses such as staff salaries during the abovementioned store closures.

**b) Comparison with immediate preceding quarter**

There are no comparative figures for the immediate preceding quarter as this is the first interim financial report on the Group's unaudited condensed consolidated financial results for the third quarter ended 30 September 2021 announced in compliance with the Listing Requirements of Bursa Securities.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****19. PROSPECTS**

In November 2021, the Government announced the revision of its 2021 full-year GDP growth forecast for Malaysia to between 3% and 4%, from the previous forecast of between 6% and 7.5%. The operating condition was also affected by the lockdown measures implemented in June 2021, which saw MCO restrictions being imposed nationwide, and subsequent relaxation was guided by the National Recovery Plan.

Nevertheless, the Group is optimistic of its prospects in view of the systematic reopening of economic sectors from August 2021. The Group intends to continue with its on-going business strategy to enrich in-store customer experience and provide customers with a wholesome retail experience. To that end, the Group is opening new and/or upgrading its chain of retail stores into larger and more appealing formats.

The Group also believes that the PlusOne loyalty programme has significantly contributed to the growth of business and will continue to be integral to the Group's efforts to provide high levels of customer satisfaction and draw both new and repeat customers to shop with Senheng. To that end, the Group has collaborated with its technology partner to launch the new "Senheng App" in November 2021 which provides access to a lifestyle ecosystem with various 3<sup>rd</sup> party merchants offering a host of services and convenience to PlusOne members.

**20. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST OR PROFIT GUARANTEE**

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

**21. STATUS OF CORPORATE PROPOSALS**

In conjunction with and as an integral part of the Company's listing on the Main Market of Bursa Securities ("Listing"), the following listing scheme was undertaken by the Company:

**(i) Acquisition of Senheng KL**

On 25 November, the Company completed the acquisition of the entire issued share capital of Senheng Electric (KL) Sdn Bhd ("Senheng KL") of RM1,000,000 comprising 1,000,000 ordinary shares from Lim Kim Heng, Lim Kim Chieng and Lim Kim Yew for a total purchase consideration of RM166,206,168 ("Acquisition of Senheng KL"). The purchase consideration of RM166,206,168 was arrived at on a "willing-buyer willing-seller" basis and represents the audited net assets of Senheng KL as at 31 December 2020.

The Acquisition of Senheng KL was wholly satisfied via the issuance of 166,206,168 new ordinary shares of the Company ("Shares") at an issue price of RM1.00 per share which was issued to SQ Digital Sdn Bhd, Lim Kim Heng, Lim Kim Chieng and Lim Kim Yew.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****21. STATUS OF CORPORATE PROPOSALS (Continued)****(ii) Share Split**

Following the completion of the Acquisition of Senheng KL, the Company undertook a subdivision of 166,206,171 existing Shares into 1,250,000,000 shares ("Share Split") on 26 November 2021.

**(iii) Listing exercise**

On 29 December 2021, the Company issued its Prospectus and undertook an initial public offering ("IPO") comprising a public issue of 250,000,000 new ordinary shares in the Company ("Public Issue") and an offer for sale of 139,500,000 existing ordinary shares in the Company ("Offer for Sale"), representing 16.67% and 9.30% of the Company's enlarged total number of Shares respectively, at an indicative IPO price of RM1.07. The listing of the Company's entire enlarged issued share capital is expected to take place on 25 January 2022.

**22. PROFIT BEFORE TAX**

Profit before tax for the current quarter and financial period under review is arrived at after charging/(crediting):-

	Individual Quarter		Cumulative Quarter	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM	RM	RM	RM
Directors' remuneration	750,073	728,336	2,509,838	2,283,813
Interest expenses	1,413,231	1,216,527	3,941,917	3,925,620
Fair value loss on other investments	-	-	-	848,137
Share of profit paid as part of incentive programme	3,247,093	5,136,295	17,850,008	14,312,672
Inventories written off / (written back)	1,873,977	(509,232)	2,054,696	2,053,394
Impairment of right of use assets	-	433,859	-	433,859
Depreciation of property, plant and equipment	2,788,394	2,517,254	7,842,315	7,113,960
Depreciation of right-of-use assets	7,174,761	6,517,330	21,657,249	19,537,403
Amortisation of intangible assets	255	-	765	-
Impairment loss on trade and other receivables	252,824	808,100	1,475,340	1,739,910
Realised loss on foreign exchange	52,395	465,212	234,291	838,329
Unrealised loss on foreign exchange	498,322	-	1,668,581	-



**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****22. PROFIT BEFORE TAX (Continued)**

	Individual Quarter		Cumulative Quarter	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM	RM	RM	RM
Fair value gain on other investments	(76,893)	(58,372)	(688,828)	-
Interest income	(638,626)	192,452	(1,262,309)	(627,703)
Income from rent concession	(868,718)	(409,741)	(1,241,818)	(1,846,110)
Unrealised gain on foreign exchange	-	(2,557,481)	-	(759,540)

Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Securities are not applicable.

**23. TAXATION**

	Individual Quarter		Cumulative Quarter	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM	RM	RM	RM
Current tax expense				
- Current period	2,245,017	4,692,950	8,776,700	8,019,638
- Under provision in prior years	-	-	392,644	917,122
	<u>2,245,017</u>	<u>4,692,950</u>	<u>9,169,344</u>	<u>8,936,760</u>
Deferred tax:				
- Relating to origination and reversal of temporary differences	1,680,294	(625,439)	1,782,447	13,478
- Over provision in prior years	-	-	(742,502)	(413,812)
	<u>1,680,294</u>	<u>(625,439)</u>	<u>1,039,945</u>	<u>(400,334)</u>
<b>Total tax expense</b>	<b><u>3,925,311</u></b>	<b><u>4,067,511</u></b>	<b><u>10,209,289</u></b>	<b><u>8,536,426</u></b>
Effective tax rate (%)	26.8 <sup>(1)</sup>	22.8	23.1 <sup>(2)</sup>	23.3
Statutory tax rate (%)	24.0	24.0	24.0	24.0

Notes:-

- (1) The effective tax rate of the Group for the current quarter under review was higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes and offset by the lower applicable tax rate of 3% for profit derived from our reinsurance activities in Labuan.
- (2) The effective tax rate of the Group for the financial period under review was slightly lower than the statutory tax rate mainly due to certain income which are not taxable and lower applicable tax rate of 3% for profit derived from our reinsurance activities in Labuan.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****24. BORROWINGS**

	<b>As at 30/09/2021 RM</b>	<b>As at 31/12/2020 RM</b>
<b>Current liabilities</b>		
<b>Secured</b>		
Bankers' acceptances	27,665,014	10,000,000
Term loans	5,341,907	4,455,062
	<u>33,006,921</u>	<u>14,455,062</u>
<b>Non-current liabilities</b>		
<b>Secured</b>		
Term loans	41,291,479	40,737,355
<b>Total borrowings</b>		
Bankers' acceptances	27,665,014	10,000,000
Term loans	46,633,386	45,192,417
	<u>74,298,400</u>	<u>55,192,417</u>

The above borrowings are denominated in Ringgit Malaysia.

**25. DERIVATIVES**

There were no derivatives in the current quarter and financial period under review.

**26. MATERIAL LITIGATION**

There were no derivatives in the current quarter and financial period under review.

**27. EARNINGS PER SHARE ("EPS")**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30/09/2021</b>	<b>30/09/2020</b>	<b>30/09/2021</b>	<b>30/09/2020</b>
Profit attributable to owners of the Company (RM'000)	10,694	13,737	34,051	28,089
Weighted average number of ordinary shares in issue <sup>(1)</sup> ('000)	1,250,000	1,250,000	1,250,000	1,250,000
Basic EPS <sup>(2)</sup> (sen)	0.86	1.10	2.72	2.25
Diluted EPS <sup>(2)(3)</sup> (sen)	0.86	1.10	2.72	2.25

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (Continued)****27. EARNINGS PER SHARE (“EPS”) (Continued)**Notes:-

- (1) Based on the number of ordinary shares outstanding after the completion of the Acquisition of Senheng KL and Share Split (both as defined in Note 21) of 1,250,000,000.
- (2) Basic and diluted EPS is computed based on PAT attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue during the period under review.
- (3) Diluted EPS is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the financial period under review.

The diluted earnings per ordinary share equal basic earnings per ordinary share because there was no potential dilutive ordinary shares as at the end of the reporting period.

**28. UTILISATION OF PROCEEDS FROM THE PUBLIC ISSUE**

As at the date of this interim report, the Company’s IPO and Listing (both as defined in Note 21) are pending completion. Upon completion of the IPO and Listing, the Group expects to raise and use the gross proceeds of approximately RM267.5 million in the following manner:

<b>Details of use of proceeds</b>	<b>Estimated timeframe for use from the date of our Listing</b>	<b>(RM'000)</b>	<b>(%)</b>
(i) Enhance customer experience via upgrading and expanding the Group’s chain of retail stores	Within 36 months	160,500	60.00
(ii) Repayment of bank borrowings	Within 6 months	46,000	17.20
(iii) Develop new brand distribution business	Within 36 months	22,000	8.22
(iv) Expand and upgrade the Group’s warehouse and logistics network	Within 36 months	20,000	7.48
(v) Boost the Group’s digital infrastructure	Within 36 months	9,700	3.63
(vi) Estimated listing expenses	Within 3 months	9,300	3.47
<b>Total</b>		<b>267,500</b>	<b>100.00</b>

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED  
30 SEPTEMBER 2021 (Continued)****28. UTILISATION OF PROCEEDS FROM THE PUBLIC ISSUE (Continued)**

The use of proceeds as disclosed above should be read in conjunction with the Company's Prospectus dated 29 December 2021. As at the date of this interim financial report, the IPO is pending completion. Hence, there is no utilisation of proceeds by the Company yet.