

SENHENG

SENHENG NEW RETAIL BERHAD

Registration No. 202101019079 (1419379-T)

INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

28 FEBRUARY 2022

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income⁽¹⁾
For The Year Ended 31 December 2021

Current quarter and financial year to date

	Individual Quarter		Cumulative Quarter	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM	RM	RM	RM
Revenue	456,392,982	415,169,935	1,444,115,080	1,294,768,630
Cost of sales	(359,066,363)	(325,861,799)	(1,140,467,114)	(1,024,768,361)
Gross profit	97,326,619	89,308,136	303,647,966	270,000,269
Other operating income	6,260,329	4,926,289	16,776,661	13,689,182
Operating and administrative expenses	(62,752,023)	(56,824,335)	(232,649,834)	(206,355,909)
Interest income	456,261	1,053,384	1,718,570	1,681,087
Finance costs	(1,021,154)	(1,474,459)	(4,963,071)	(5,400,078)
Profit before tax	40,270,032	36,989,015	84,530,292	73,614,551
Income tax expense	(9,058,526)	(9,441,342)	(19,267,815)	(17,977,768)
Profit after tax attributable to the owners of the Company	31,211,506	27,547,673	65,262,477	55,636,783
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
(Loss)/Gain on foreign currency translations	(96,882)	(643,271)	370,794	(293,184)
Fair value gain on unquoted investments through other comprehensive income	1,830,861	-	1,830,861	-
Other comprehensive income, net of tax	1,733,979	(643,271)	2,201,655	(293,184)
Total comprehensive income attributable to the owners of the Company	32,945,485	26,904,402	67,464,132	55,343,599
Basic/Diluted earnings per share⁽²⁾ (sen)	2.50	2.20	5.22	4.45

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income⁽¹⁾
For The Year Ended 31 December 2021 (continued)

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⁽¹⁾
As at 31 December 2021**

	Unaudited As at 31/12/2021 RM	Audited As at 31/12/2020 RM
ASSETS		
Non-current assets		
Property, plant and equipment	108,351,158	96,429,977
Right-of-use assets	87,444,013	82,392,168
Intangible assets	15,177	4,930
Other investments	2,921,311	15,104,977
Deferred tax assets	24,675,260	26,063,925
Trade and other receivables	69,257,337	69,531,117
	<u>292,664,256</u>	<u>289,527,094</u>
Current assets		
Inventories	253,940,687	211,379,805
Other investments	37,277,432	12,968,291
Trade and other receivables	97,150,761	74,281,913
Current tax assets	32,200	-
Cash and bank balances	51,742,236	68,755,267
	<u>440,143,316</u>	<u>367,385,276</u>
TOTAL ASSETS	<u>732,807,572</u>	<u>656,912,370</u>
EQUITY AND LIABILITIES		
Equity attributable to the owners of the Company		
Share capital	166,206,171	1,000,003
Reserves	67,464,132	165,206,168
TOTAL EQUITY	<u>233,670,303</u>	<u>166,206,171</u>

**Unaudited Condensed Consolidated Statements of Financial Position⁽¹⁾
As at 31 December 2021 (continued)**

	Unaudited As at 31/12/2021 RM	Audited As at 31/12/2020 RM
LIABILITIES		
Non-current liabilities		
Lease liabilities	55,809,057	49,145,179
Deferred tax liabilities	1,800	1,827
Borrowings	40,052,841	40,737,355
Provision for restoration costs	5,054,468	8,640,923
Contract liabilities	138,355,396	138,821,782
	<u>239,273,562</u>	<u>237,347,066</u>
Current liabilities		
Trade and other payables	135,478,707	124,813,307
Lease liabilities	24,649,887	25,667,184
Provision for restoration cost	1,284,860	1,661,326
Contract liabilities	81,238,291	84,158,058
Borrowings	16,944,019	14,455,062
Current tax liabilities	267,943	2,604,196
	<u>259,863,707</u>	<u>253,359,133</u>
TOTAL LIABILITIES	<u>499,137,269</u>	<u>490,706,199</u>
TOTAL EQUITY AND LIABILITIES	<u>732,807,572</u>	<u>656,912,370</u>
Net assets per share attributable to owners of the Company (sen)⁽²⁾	<u>18.69</u>	<u>13.30</u>

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⁽¹⁾
As at 31 December 2021

	Non-distributable			Distributable		
	Share Capital RM	Merger Reserve RM	Fair value reserves RM	Foreign currency translation reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2020	1,000,003	-	-	(368,117)	122,230,686	122,862,572
Profit for the financial period	-	-	-	-	55,636,783	55,636,783
Other comprehensive income, net of tax	-	-	-	(293,184)	-	(293,184)
Total comprehensive income	-	-	-	(293,184)	55,636,783	55,343,599
Transaction with owners of the Company:						
Dividend	-	-	-	-	(12,000,000)	(12,000,000)
Balance as at 31 December 2020	1,000,003	-	-	(661,301)	165,867,469	166,206,171

Unaudited Condensed Consolidated Statement of Changes in Equity⁽¹⁾
As at 31 December 2021 (continued)

	Non-distributable			Distributable		Total equity RM
	Share Capital RM	Merger Reserve RM	Fair value reserves RM	Foreign currency translation reserve RM	Retained earnings RM	
Balance as at 1 January 2021	1,000,003	-	-	(661,301)	165,867,469	166,206,171
Profit for the financial period	-	-	-	-	65,262,477	65,262,477
Other comprehensive income, net of tax	-	-	1,830,861	370,794	-	2,201,655
Total comprehensive income	-	-	1,830,861	370,794	65,262,477	67,464,132
Acquisition of Senheng Electric (KL) Sdn Bhd (“Senheng KL”) ⁽²⁾	165,206,168	(165,206,168)	-	-	-	-
Balance as at 31 December 2021	166,206,171	(165,206,168)	1,830,861	(290,507)	231,129,946	233,670,303

Notes:-

- (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.
- (2) The Group was formed through the acquisition of Senheng KL which was completed on 25 November 2021 as further elaborated in Note 21 of this interim financial report for further information.

**Unaudited Condensed Consolidated Statement of Cash Flows⁽¹⁾
As at 31 December 2021**

	Cumulative Quarter	
	31/12/2021	31/12/2020
	RM	RM
Cash Flows From Operating Activities		
Profit before taxation	84,530,292	73,614,551
Adjustments for:		
Amortisation of intangible assets	2,753	170
Depreciation of property, plant and equipment	11,090,197	9,827,113
Interest expense	4,963,071	5,400,078
Interest income	(1,718,570)	(1,681,087)
Depreciation of right-of-use assets	28,160,287	26,630,605
Other non-cash items	(964,731)	(1,426,981)
Operating profit before changes in working capital	126,063,299	112,364,449
Changes in working capital:		
Inventories	(38,239,973)	(40,336,668)
Receivables	(27,008,181)	(14,457,612)
Payables	18,834,470	(522,726)
Contract liabilities	(3,386,153)	10,014,193
Cash generated from operations	76,263,462	67,061,636
Interest paid	(1,937,123)	(2,075,667)
Tax refund	-	8,480,683
Tax paid	(20,256,325)	(14,840,840)
Net cash generated from operating activities	54,070,014	58,625,812
Cash flows from investing activities		
Proceeds from disposals of other investment	6,545,193	21,803,421
Proceeds from disposals of fixed asset	1,400	139,686
Purchase of other investment & intangible assets	(16,893,535)	(20,721,363)
Purchase of property, plant and equipment	(22,778,786)	(7,493,921)
Repayment to a related party	-	(6,895,603)
Dividends received	130,721	330,263
Interest received	1,718,570	1,681,087
Placement of fixed deposits with licensed banks	(71,931)	(117,029)
Net cash used in investing activities	(31,348,368)	(11,273,459)
Cash flows from financing activities		
Dividend paid	(12,000,000)	(12,000,000)
Drawdown of bankers' acceptances	230,246,538	191,854,000
Repayment of bankers' acceptances	(228,687,696)	(192,854,000)
Repayment of term loans	(6,161,524)	(3,751,132)
Addition of term loan	5,867,000	9,518,382
Repayment of lease liabilities	(29,302,994)	(26,577,209)
Net cash used in financing activities	(40,038,676)	(33,809,959)

**Unaudited Condensed Consolidated Statement of Cash Flows
As at 31 December 2021 (continued)**

	Cumulative Quarter	
	31/12/2021	31/12/2020
	RM	RM
Net (decrease)/increase in cash and cash equivalents	(17,317,030)	13,542,394
Effects of exchange rate changes on cash and cash equivalents	232,068	684,245
Cash and cash equivalents brought forward	64,867,148	50,640,509
Cash and cash equivalents carried forward	<u>47,782,186</u>	<u>64,867,148</u>
	31/12/2021	31/12/2020
	RM	RM
Cash and cash equivalents at the end of the financial year comprise of:		
Cash and bank balances	47,782,186	64,867,148
Deposits with licensed banks	<u>3,960,050</u>	<u>3,888,119</u>
	51,742,236	68,755,267
Less: Deposits pledged with licensed banks	<u>(3,960,050)</u>	<u>(3,888,119)</u>
	<u>47,782,186</u>	<u>64,867,148</u>

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 FOURTH QUARTER ENDED 31 DECEMBER 2021**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:

Title	Effective Date
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 FOURTH QUARTER ENDED 31 DECEMBER 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

On 28 February 2022, the Board of Directors declared an interim single tier dividend of RM0.013 per ordinary share amounting to RM19,578,743 for the financial year ended 31 December 2021, to be paid on 29 April 2022 to shareholders of the Company whose names appear in the Record of Depositors on 12 April 2022.

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 year ended 31 December 2021 is as follows:

	Trading RM	Warranty RM	Others RM	Total RM
Revenue				
Sales to external customers	1,373,243,150	70,871,930	-	1,444,115,080
Inter-segment sales	-	24,349,101	-	24,349,101
Total revenue	1,373,243,150	95,221,031	-	1,468,464,181
Segment profits	48,249,898	17,383,697	(371,118)	65,262,477
Segment assets	484,554,257	55,856,703	167,689,152	708,100,112
Segment liabilities	495,592,224	3,275,302	-	498,867,526

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 FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**10. REVENUE**

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

	Individual Quarter ended				Cumulative Quarters ended			
	31/12/2021		31/12/2020		31/12/2021		31/12/2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Physical stores	399,402	87.6	372,635	89.8	1,288,136	89.2	1,179,656	91.1
Online stores	42,652	9.3	34,990	8.4	123,709	8.6	95,327	7.4
Others ⁽¹⁾	14,339	3.1	7,545	1.8	32,270	2.2	19,786	1.5
Total	456,393	100.0	415,170	100.0	1,444,115	100.0	1,294,769	100.0

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:

Financial year ended 31 December 2021

	Total sales	Cumulative operating months ⁽¹⁾	Average monthly sales per store
	(RM'000)		(RM'000)
"Senheng" stores	364,212	480	759
"senQ" digital stations	511,534	359	1,425
"Grand Senheng" stores	403,372	401	1,006
"Grand Senheng Elite" store	9,001	8	1,125
"Grand senQ" digital stations	17	1	17
	1,288,136	1,249	

Financial year ended 31 December 2020

	Total sales	Cumulative operating months ⁽¹⁾	Average monthly sales per store
	(RM'000)		(RM'000)
"Senheng" stores	413,751	627	660
"senQ" digital stations	500,596	357	1,402
"Grand Senheng" stores	265,309	287	924
"Grand Senheng Elite" store	-	-	-
"Grand senQ" digital stations	-	-	-
	1,179,656	1,271	

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**10. REVENUE (continued)**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.

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:

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

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

Save as disclosed in Note 21 "Status of Corporate Proposals", there were no material changes in the composition of the Group during the current quarter and financial period under review.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**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.

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Individual Quarter		Cumulative Quarter	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM	RM	RM	RM
Related parties:				
- Admin and marketing fees receivable	615,233	758,907	1,988,345	1,772,271
- Admin and marketing fees payable	(62,190)	(99,477)	(301,019)	(313,971)
- Concession income receivable	-	25,554	4,499	60,948
- Commission payable	(3,710,585)	-	(4,990,571)	-
- Insurance premium collected on behalf of third-party insurance companies	(7,280,652)	(10,732,533)	(31,010,992)	(30,963,165)
- Marketing expenses	(11,599,348)	-	(23,073,795)	-
- Purchases of goods	(2,845,790)	(3,510,013)	(8,888,806)	(11,453,730)
- Rental income	25,000	1,650	56,641	6,600
- Rental payable	(328,315)	(760,827)	(1,070,166)	(2,464,951)
- Sales of goods	57,673	-	73,627	-
- Service rendered	(90,967)	(1,664,474)	(4,882,800)	(4,724,748)

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 FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**18. PERFORMANCE REVIEW****(i) Financial year ended 31 December 2021 (“FYE 2021”)**

Following the implementation of the National Recovery Plan by the government, which includes, the continuing relaxation of restrictions previously imposed to combat the ongoing COVID-19 pandemic, the Group’s physical stores were able to operate in full since the month of September 2021.

Despite the temporary closures of the Group’s physical stores in the months of June, July and August 2021, the Group’s revenue continued to grow by approximately RM149.3 million or 11.5% to RM1,444.1 million for the FYE 2021 (as compared to the financial year ended 31 December 2020 (“FYE 2020”): RM1,294.8 million). The growth in the Group’s revenue was mainly due to the below key factors:

- a) our on-going store expansion strategy whereby the Group is upgrading and expanding its chain of physical stores to build territory champion within every 5-kilometre radius of each store. The Group aims to be the largest in terms of floor space & range of products which it believes is crucial in enriching the in store customer experience that ultimately leads to higher customer spending. To That end, the Group saw an increase in the number and average monthly sales generated by the Group’s “Grand Senheng” stores;
- b) the continued use of the Group’s in-house telemarketing app, which enables employees to promote and sell products using their mobile phones, improving productivity ;
- c) a decrease in stock unavailability at both the Group’s online and offline stores as a result of better inventory management; and
- d) the Group’s targeted digital advertising and marketing efforts which improved conversion rates

The Group’s gross profit (“GP”) increased by approximately RM33.6 million or 12.5% to RM303.6 million (GP margin: 21.0%) for the FYE 2021 from RM270.0 million (GP margin: 20.9%) for the FYE 2020. This increase in GP was mainly attributable to the increase in revenue throughout the year.

The Group’s profit before tax (“PBT”) increased by approximately RM10.9 million or 14.8% to RM84.5 million (FYE 2020: RM73.6 million), mainly due to the higher sales achieved during this financial period as mentioned above.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**18. PERFORMANCE REVIEW (continued)****(ii) 3 months ended 31 December 2021 (“Q4 2021”)****a) Comparison with preceding year’s corresponding quarter (3 months ended 31 December 2020 (“Q4 2020”))**

The Group’s revenue increased by approximately RM41.2 million or 9.9% to RM456.4 million for the Q4 2021 (Q4 2020: RM415.2 million). This increase was mainly driven by the new/upgraded Grand Senheng stores, whereby the revenue increased by 37% as compared to Q4 2020.

The Group’s GP increased by approximately RM8.0 million or 9.0% to RM97.3 million (GP margin: 21.3%) for the Q4 2021 from RM89.3 million (GP margin: 21.5%) for the Q4 2020. The GP margin remained stable at 21.3%.

The Group recorded a higher PBT of RM40.3 million for the Q4 2021 as compared to RM37.0 million for the Q4 2020, mainly attributable to the increase in revenue for the period under review.

b) Comparison with immediate preceding quarter (3 months ended 30 September 2021 (“Q3 2021”))

The Group’s revenue and PBT was 45.4% and 175.5% higher versus the immediate preceding quarter, Q3 2021. This increase is in line with seasonal increases in our sales during the marketing campaign periods especially the Members’ Day sale, 11.11 sale and 12.12 sale held in the months of November and December.

19. PROSPECTS

Following the announcement by the government of the National Recovery Plan, a four-phase exit strategy detailing the path towards the reopening of economic sectors amidst the ongoing COVID-19 pandemic, all economic sectors have since reopened, subject to compliance with SOPs. In addition, the vaccination rate of the adult population and the total population has reached 98% and 79%, respectively.

The Group is optimistic of its prospects as well as the prospects for the retail industry as a whole. The Group believes that it is well-positioned to reap the benefits of the recovering economy, through its ongoing store enhancement and expansion exercise as well as the launch of the new “Senheng App” in November 2021 which provides access to a lifestyle ecosystem with various 3rd party merchants offering a host of services and convenience to PlusOne members.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**19. PROSPECTS (continued)**

In January 2022, the Group opened its first Grand senQ digital station in Paradigm Mall, Johor Bahru. This new concept store, which is between 200% and 300% larger than the average “senQ” digital stations, is intended to target customers in shopping malls and carries a wide range of high-end consumer electrical and electronic products, including IoT products.

As a result of the Group’s nationwide footprint of physical stores, strong online presence and unique value proposition for PlusOne members, the Group was able to register over 145,000 new members for its PlusOne loyalty programme in 2021. The Group 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.

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 2021, the Company completed the acquisition of the entire issued share capital of 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 FOURTH QUARTER ENDED 31 DECEMBER 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 Company's entire enlarged issued share capital was listed on the Main Market of Bursa Securities 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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM	RM	RM	RM
Directors' remuneration	1,098,508	762,380	3,608,346	3,046,193
Interest expenses	1,021,154	1,474,458	4,963,071	5,400,078
Fair value loss on other investments	910,148	-	221,320	234,883
Share of profit paid as part of incentive programme	6,678,653	8,066,409	24,528,661	22,379,081
Inventories written off / (written back)	(6,375,605)	(1,382,138)	(4,320,909)	671,256
Impairment of right of use assets	-	-	-	433,859
Depreciation of property, plant and equipment	3,247,882	2,713,153	11,090,197	9,827,113
Depreciation of right-of-use assets	6,503,038	7,093,202	28,160,287	26,630,605
Amortisation of intangible assets	1,988	170	2,753	170
Impairment loss on trade and other receivables	2,194,979	(326,713)	3,670,319	1,413,197
Realised loss on foreign exchange	-	-	220,022	149,993
Unrealised loss on foreign exchange	-	-	1,227,918	-

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**22. PROFIT BEFORE TAX (continued)**

	Individual Quarter		Cumulative Quarter	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM	RM	RM	RM
Fair value gain on other investments	-	(613,254)	-	-
Interest income	(456,261)	(1,053,384)	(1,718,570)	(1,681,087)
Income from rent concession	143,353	(330,587)	(1,098,465)	(2,176,697)
Realized gain on foreign exchange	(14,269)	(688,336)	-	-
Unrealised gain on foreign exchange	(440,663)	(296,819)	-	(1,056,359)

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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM	RM	RM	RM
Current tax expense				
- Current period	8,710,870	10,519,826	17,487,570	18,539,464
- Under/(Over) provision in prior years	(1,037)	-	391,607	917,122
	8,709,833	10,519,826	17,879,177	19,456,586
Deferred tax:				
- Relating to origination and reversal of temporary differences	341,950	(1,078,484)	2,124,397	(1,065,006)
- Over provision in prior years	6,743	-	(735,759)	(413,812)
	348,693	(1,078,484)	1,388,638	(1,478,818)
Total tax expense	9,058,526	9,441,342	19,267,815	17,977,768
Effective tax rate (%)	22.5 ⁽¹⁾	25.5 ⁽²⁾	22.8	24.4
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 lower 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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**23. TAXATION (continued)**

- (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 offset by lower applicable tax rate of 3% for profit derived from our reinsurance activities in Labuan.

24. BORROWINGS

	As at 31/12/2021 RM	As at 31/12/2020 RM
Current liabilities		
Secured		
Bankers' acceptances	11,558,842	10,000,000
Term loans	5,385,177	4,455,062
	<u>16,944,019</u>	<u>14,455,062</u>
Non-current liabilities		
Secured		
Term loans	40,052,841	40,737,355
Total borrowings		
Bankers' acceptances	11,558,842	10,000,000
Term loans	45,438,018	45,192,417
	<u>56,996,860</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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**27. EARNINGS PER SHARE (“EPS”)**

	Individual Quarter		Cumulative Quarter	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Profit attributable to owners of the Company (RM'000)	31,212	27,548	65,262	55,637
Weighted average number of ordinary shares in issue (RM'000) ⁽¹⁾	1,250,000	1,250,000	1,250,000	1,250,000
Basic EPS ⁽²⁾ (sen)	2.50	2.20	5.22	4.45
Diluted EPS ⁽²⁾⁽³⁾ (sen)	2.50	2.20	5.22	4.45

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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (continued)**28. UTILISATION OF PROCEEDS FROM THE PUBLIC ISSUE**

As at the end of this quarter, 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:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	(RM'000)	(%)
(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
Total		267,500	100.00

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