

SENHENG

SENHENG NEW RETAIL BERHAD

Registration No. 202101019079 (1419379-T)

Interim Financial Report
For The Second Quarter Ended 30 June 2022

26 August 2022

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Registration No. 202101019079 (1419379-T)

Unaudited Condensed Consolidated Statements of Financial Position As at 30 June 2022

	Note	Unaudited As at 30.06.2022 RM	Audited As at 31.12.2021 RM
ASSETS			
Non-current assets			
Property, plant and equipment		139,121,179	108,351,158
Right-of-use assets		105,095,280	87,444,013
Intangible assets		15,233	15,177
Other investments		2,876,449	2,921,311
Deferred tax assets		22,098,807	24,675,260
Other receivables		49,053,726	47,720,743
Total non-current assets		318,260,674	271,127,662
Current assets			
Inventories		278,729,126	253,940,687
Other investments		105,491,568	37,277,432
Trade and other receivables		92,117,296	88,776,952
Current tax assets		4,482,293	32,200
Cash and cash equivalents		112,310,673	51,742,236
Total current assets		593,130,956	431,769,507
TOTAL ASSETS		911,391,630	702,897,169
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		427,867,671	166,206,171
Reserves		74,056,183	67,458,132
Total equity		501,923,854	233,664,303
Non-current liabilities			
Lease liabilities		70,912,176	55,809,057
Deferred tax liabilities		3,204	1,800
Borrowings	24	7,893,023	40,052,841
Provision for restoration costs		5,742,223	5,054,468
Contract liabilities		92,390,484	91,130,938
Total non-current liabilities		176,941,110	192,049,104
Current liabilities			
Trade and other payables		131,049,088	170,465,611
Lease liabilities		27,235,240	24,649,887
Provision for restoration cost		894,480	1,284,860
Contract liabilities		61,865,976	63,571,442
Borrowings	24	10,950,454	16,944,019
Current tax liabilities		531,428	267,943
Total current liabilities		232,526,666	277,183,762
Total liabilities		409,467,776	469,232,866
TOTAL EQUITY AND LIABILITIES		911,391,630	702,897,169
Net assets per share[^] (sen)		33.46	15.58

The unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

[^] For illustration, computed based on total equity divided by the number of ordinary shares outstanding after the completion of listing exercise of 1,500,000,000 on 25 January 2022.

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Registration No. 202101019079 (1419379-T)

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income For The Period Ended 30 June 2022

	Note	Individual Quarter		Cumulative Quarter	
		30.06.2022 RM	30.06.2021 RM	30.06.2022 RM	30.06.2021 RM
Revenue		397,708,154	299,354,670	765,022,165	673,910,919
Cost of sales		(309,951,184)	(236,974,342)	(599,681,733)	(534,774,945)
Gross profit		<u>87,756,970</u>	<u>62,380,328</u>	<u>165,340,432</u>	<u>139,135,974</u>
Other operating income		5,599,094	3,188,195	10,362,079	7,078,668
Operating and administrative expenses		(71,062,830)	(50,651,116)	(140,608,352)	(114,713,558)
Interest income		522,012	329,525	878,748	623,683
Finance costs		(1,139,896)	(1,280,665)	(2,434,581)	(2,528,686)
Profit before tax		<u>21,675,350</u>	<u>13,966,267</u>	<u>33,538,326</u>	<u>29,596,081</u>
Tax expense	23	(5,578,529)	(2,711,815)	(8,546,041)	(6,283,978)
Profit for the financial period attributable to the owners of the Company		<u>16,096,821</u>	<u>11,254,452</u>	<u>24,992,285</u>	<u>23,312,103</u>
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent period					
Foreign currency translations		697,099	8,084	817,192	370,753
Items that will not be reclassified to profit or loss in subsequent period					
Fair value gain of other investments at fair value through other comprehensive income		288,574	-	288,574	-
Other comprehensive income attributable to the owners of the Company		<u>985,673</u>	<u>8,084</u>	<u>1,105,766</u>	<u>370,753</u>
Total comprehensive income attributable to the owners of the Company		<u>17,082,494</u>	<u>11,262,536</u>	<u>26,098,051</u>	<u>23,682,856</u>
Basic/Diluted earnings per ordinary share[^] (sen)	27	<u>1.07</u>	<u>0.75</u>	<u>1.67</u>	<u>1.55</u>

The unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

[^] 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 listing exercise of 1,500,000,000 on 25 January 2022.

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Unaudited Condensed Consolidated Statements of Changes in Equity For The Period Ended 30 June 2022

	Non-Distributable				Distributable	
	Share capital RM	Merger reserve RM	Fair value reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2022	166,206,171	(165,206,168)	1,830,861	(290,507)	231,123,946	233,664,303
Profit for the financial period	-	-	-	-	24,992,285	24,992,285
Other comprehensive income, net of tax	-	-	288,574	817,192	-	1,105,766
Total comprehensive income	-	-	288,574	817,192	24,992,285	26,098,051
Transactions with owners:						
Issuance of shares	267,500,000	-	-	-	-	267,500,000
Listing expenses attributable to the Public Issue	(5,838,500)	-	-	-	-	(5,838,500)
Dividend (Note 8)	-	-	-	-	(19,500,000)	(19,500,000)
Balance as at 30 June 2022	427,867,671	(165,206,168)	2,119,435	526,685	236,616,231	501,923,854
Balance as at 1 January 2021	1,000,003	-	-	(661,301)	165,867,469	166,206,171
Profit for the financial period	-	-	-	-	23,312,103	23,312,103
Other comprehensive income, net of tax	-	-	-	370,753	-	370,753
Total comprehensive income	-	-	-	370,753	23,312,103	23,682,856
Balance as at 30 June 2021	1,000,003	-	-	(290,548)	189,179,572	189,889,027

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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Registration No. 202101019079 (1419379-T)

Unaudited Condensed Consolidated Statement of Cash Flows For The Period Ended 30 June 2022

	Cumulative Quarter	
	30.06.2022 RM	30.06.2021 RM
Cash Flows From Operating Activities		
Profit before tax	33,538,326	29,596,081
Adjustment for:		
Amortisation of intangible assets	1,944	510
Depreciation of property, plant and equipment	6,371,296	5,053,921
Interest expense	2,434,581	2,528,686
Interest income	(878,748)	(623,683)
Depreciation of right-of-use assets	14,692,834	14,482,488
Other non-cash items	5,230,223	331,201
Operating profit before changes in working capital	<u>61,390,456</u>	<u>51,369,204</u>
Changes in working capital:		
Inventories	(25,599,343)	(22,626,935)
Receivables	(6,650,838)	(16,975,141)
Payables	(39,032,841)	12,311,046
Contract liabilities	(445,920)	2,093,797
Cash (used in)/generated from operations	<u>(10,338,486)</u>	<u>26,171,971</u>
Interest paid	(753,786)	(863,419)
Tax paid	(10,154,792)	(9,218,750)
Net cash (used in)/generated from operating activities	<u>(21,247,064)</u>	<u>16,089,802</u>
Cash Flows From Investing Activities		
Proceeds from disposal of other investments	195,269,595	3,082,523
Proceeds from disposal of property, plant and equipment	384,834	-
Purchase of other investments and intangible assets	(267,141,808)	(3,080,805)
Purchase of property, plant and equipment	(37,143,317)	(14,281,969)
Dividend received	1,347,572	116,253
Interest received	878,748	623,683
Net cash used in investing activities	<u>(106,404,376)</u>	<u>(13,540,315)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of share capital	267,500,000	-
Payments of share issuance expenses	(5,838,500)	-
Dividend paid	(19,500,000)	(12,000,000)
Drawdown of bankers' acceptances	142,827,145	86,776,500
Drawdown of term loans	-	5,154,950
Repayments of bankers' acceptances	(144,885,987)	(82,776,500)
Repayments of term loans	(36,094,541)	(3,031,134)
Payments of lease liabilities	(15,741,394)	(15,228,739)
Net cash generated from/(used in) financing activities	<u>188,266,723</u>	<u>(21,104,923)</u>
Net increase/(decrease) in cash and cash equivalents	60,615,283	(18,555,436)
Effects of exchange rate changes on cash and cash equivalents	(46,846)	16,382
Cash and cash equivalents brought forward	<u>47,782,186</u>	<u>64,867,148</u>
Cash and cash equivalents carried forward	<u>108,350,623</u>	<u>46,328,094</u>
Cash and cash equivalents comprises of the following:		
Cash and bank balances	108,350,623	46,328,094
Deposits placed with licensed banks	3,960,050	3,888,119
	<u>112,310,673</u>	<u>50,216,213</u>
Less: Deposits pledged with licensed banks	(3,960,050)	(3,888,119)
	<u>108,350,623</u>	<u>46,328,094</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

Notes to The Interim Financial Report For The Period Ended 30 June 2022**1. Basis of preparation**

The interim financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") (including MFRS 134 Interim Financial Reporting) and Paragraph 9.22 and 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial report.

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 2021 except for the adoption of the following new accounting standards, amendments and interpretation:

MFRSs interpretations and amendments effective for annual periods beginning on or after 1 January 2022:

Title	Effective Date
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

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

MFRSs interpretations and amendments effective for annual periods beginning on or after 1 January 2023:

Title	Effective Date
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Presentation of Financial Statements - Disclosures of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

MFRSs interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed:

Title	Effective Date
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

3. Auditors' report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2021.

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 Period Ended 30 June 2022**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

During the quarter under review, the Company did not purchase any ordinary shares from the open market. Aside from the above, there were no new debts and equity securities issued during the quarter.

8. Dividend

On 28 February 2022, the Board of Directors declared an interim single tier dividend of RM0.013 per ordinary share amounting to RM19,500,000 for the financial year ended 31 December 2021, which was paid on 29 April 2022 to shareholders of the Company whose names appeared in the Record of Depositors on 12 April 2022.

On 26 August 2022, the Board of Directors declared an interim single tier dividend of RM0.005 per ordinary share amounting to RM7,500,000 for the financial year ending 31 December 2022, which to be paid on 14 October 2022 to shareholders of the Company whose names appeared in the Record of Depositors on 27 September 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 period ended 30 June 2022 is as follows:

	Trading RM	Warranty RM	Others RM	Total RM
Sales to external customers	734,751,926	30,270,239	-	765,022,165
Inter-segment sales	3,838,849	9,522,870	-	13,361,719
Total revenue	738,590,775	39,793,109	-	778,383,884
Segment profits	23,742,756	3,867,830	(2,618,301)	24,992,285
Segment assets*	668,876,780	48,857,234	167,076,516	884,810,530
Segment liabilities**	404,323,069	4,231,649	378,426	408,933,144

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

	Trading RM	Warranty RM	Others RM	Total RM
Sales to external customers	637,653,980	36,256,939	-	673,910,919
Inter-segment sales	-	11,564,751	-	11,564,751
Total revenue	637,653,980	47,821,690	-	685,475,670
Segment profits	16,457,114	6,900,248	(45,259)	23,312,103
Segment assets*	612,854,915	51,496,560	403	664,351,878
Segment liabilities**	497,945,825	2,860,715	39,415	500,845,955

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

*Segment assets excluded deferred tax assets and current tax assets.

**Segment liabilities excluded deferred tax liabilities and current tax liabilities.

Notes to The Interim Financial Report For The Period Ended 30 June 2022

10. Revenue

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

	Individual Quarter ended				Cumulative Quarter ended			
	30.06.2022		30.06.2021		30.06.2022		30.06.2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Physical stores	366,019	92.0	266,976	89.2	701,270	91.7	613,878	91.1
Online stores	23,148	5.8	27,947	9.3	44,542	5.8	49,725	7.4
Others [^]	8,541	2.2	4,432	1.5	19,210	2.5	10,308	1.5
Total	397,708	100.0	299,355	100.0	765,022	100.0	673,911	100.0

[^] 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 period ended 30 June 2022

	Total sales	Cumulative operating months ^{^^}	Average monthly sales per store
	RM'000		RM'000
"Senheng" stores	141,760	199	712
"senQ" digital stations	273,318	172	1,589
"Grand Senheng" stores	269,880	251	1,075
"Grand Senheng Elite" store	8,631	6	1,439
"Grand senQ" digital stations	7,681	6	1,280
	701,270	634	

Financial period ended 30 June 2021

	Total sales	Cumulative operating months ^{^^}	Average monthly sales per store
	RM'000		RM'000
"Senheng" stores	188,939	257	735
"senQ" digital stations	245,645	180	1,365
"Grand Senheng" stores	178,573	188	950
"Grand Senheng Elite" store	721	2	361
	613,878	627	

^{^^} 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

On 25 May 2022, the Group entered into a SPA to acquire a leasehold land and building for a purchase consideration of RM8,280,000. A total cash deposit of RM828,000 was paid and the balance of the purchase consideration shall be paid upon completion of the acquisition. The acquisition is expected to be completed within three (3) months from the date of the SPA or one (1) month from the Economic Planning Unit's Consent being obtained by the Group or the Group's Solicitors, whichever is later.

Save as disclosed above, 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.

Notes to The Interim Financial Report For The Period Ended 30 June 2022**12. Capital commitments**

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

	As at 30.06.2022 RM	As at 31.12.2021 RM
Contracted but not provided for	10,152,625	3,240,750

13. Material events subsequent to the end of the financial period

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.

16. Significant related party transactions

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

	Individual Quarter		Cumulative Quarter	
	30.06.2022 RM	30.06.2021 RM	30.06.2022 RM	30.06.2021 RM
Related parties: (Companies in which certain Directors have financial interests)				
Administration and marketing fee receivable	527,466	392,788	1,150,133	879,320
Administration and marketing fee payable	(92,458)	(73,813)	(188,157)	(168,307)
Concession income receivable	-	3,090	-	4,499
Commission payable	(5,083,773)	(30,591)	(8,997,523)	(30,591)
Insurance premium collected on behalf of third-party insurance companies	(8,390,361)	(11,283,312)	(16,673,964)	(18,857,641)
Marketing expenses	(7,349,974)	(1,163,707)	(18,275,419)	(1,163,707)
Purchases of goods	(2,703,664)	(1,746,379)	(5,127,098)	(3,918,999)
Rental income	32,700	5,427	62,400	9,377
Rental payable	(298,427)	(248,689)	(596,854)	(547,116)
Sales of goods	35,450	-	36,829	15,954
Sales of motor vehicle	140,000	-	140,000	-
Service rendered	(938,708)	(1,379,072)	(2,412,673)	(3,456,357)

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.

Notes to The Interim Financial Report For The Period Ended 30 June 2022**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.

18. Performance review**(i) 6 months ended 30 June 2022 ("FPE 2022")**

The Group reported revenue growth of 13.5% or RM91.1 million to RM765.0 million in FPE 2022 (FPE 2021: RM673.9 million). The growth in the Group's revenue was mainly due to the following key factors:

- a) Our on-going store expansion strategy whereby the Group is upgrading and expanding its chain of physical stores to build "Territory Champions" 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 senQ, Grand Senheng, Grand Senheng Elite and Grand senQ stores;

- b) Use of the Group's automated digital marketing solutions integrated with its Customer Data Platform, for personalized and targeted marketing based on AI-driven consumer insights. This has enabled the Group to reach more customers across various online platforms, improve customer engagement, and boost conversion rates.

The Group's gross profit ("GP") increased by 18.8% or RM26.2 million to RM165.3 million (GP margin: 21.6%) for the FPE 2022 from RM139.1 million (GP margin: 20.6%) for the FPE 2021. This increase in GP was mainly attributable to the increase in revenue for the period and product mix.

The Group's profit before tax ("PBT") increased by 13.3% or RM3.9 million to RM33.5 million (FPE 2021: RM29.6 million), mainly due to higher store productivity with Same Store Sales Growth ("SSSG") of 8.85% for FPE 2022. The higher operating cost was mitigated by generating higher revenue.

(ii) 3 months ended 30 June 2022 ("Q2 2022")**(a) Comparison with preceding year's corresponding quarter (3 months ended 30 June 2021 ("Q2 2021"))**

The Group reported revenue growth of 32.9% or RM98.3 million to RM397.7 million in Q2 2022 (Q2 2021: RM299.4 million). The strong growth was attributed to higher demand for consumer electronics, improved retail sector activity on economic recovery and border reopening.

The Group's GP increased by 40.7% or RM25.4 million to RM87.8 million in Q2 2022 (Q2 2021: RM62.4 million), while GP margin improved 1.3 pts to 22.1% in Q2 2022 (Q2 2021: 20.8%) due to product mix.

Other operating income rose 75.6% or RM2.4 million to RM5.6 million in Q2 2022 (Q2 2021: RM3.2 million) due to insurance payout and dividend income.

The Group's PBT rose 55.2% or RM7.7 million to RM21.7 million in Q2 2022 (Q2 2021: RM14.0 million) on the higher revenue generated and improved gross margins from product mix changes.

(b) Comparison with immediate preceding quarter (3 months ended 31 March 2022 ("Q1 2022"))

The Group reported revenue of RM397.7 million and PBT of RM21.7 million in Q2 2022 (Q1 2022 revenue: RM367.3 million, PBT: RM11.9 million). The better revenue and PBT in Q2 2022 was attributed to marketing campaigns such as Member Month, 6.6 Macam-Macam Sales and for the Hari Raya Aidilfitri festive season.

Notes to The Interim Financial Report For The Period Ended 30 June 2022**19. Prospects**

The Malaysian economy maintained its momentum to recovery with stronger GDP growth of 8.9% in Q2 2022 from 5.0% in Q1 2022. With the recovering economy, the Group is optimistic of the prospects for the retail industry.

The Group seeks to meet our customers' growing demand for value-added services and experiences, and will be launching its the new "S-Rewards Centre" marketplace pillar in September 2022 under the Group's "Senheng App" platform. The Group had seen increased app user traffic and in-app engagement throughout the soft launch period of "S-Rewards Centre", and foresees the engagement will further improve after its official launch.

The Group will also be offering an expanded range of payment modes similar to its existing Buy Now Pay Later ("BNPL") option for customers, which is expected to support affordability amidst rising inflation and interest rates, and had seen increasing adoption by customers. In view of the impact of inflationary pressures on household disposable income, the introduction of new payment modes will assist our customers in acquiring essential consumer electronics.

Additionally, the country's newly implemented minimum wage policy of RM1,500 since 1st May 2022, is hoped to provide higher disposable income among the B40 and M40 income groups. The anticipated increase in consumer purchasing power is expected to contribute positively to the retail industry.

Furthermore, the Group is upgrading and expanding our chain of physical stores to build Territory Champions – leaders by floor space and product range within a 5-kilometre radius of each store. The ongoing upgrading and expansion initiative, involving up to 61 new and existing stores from 2022 to 2024, will enrich in-store experience and generate higher per-store sales. The Group observed increased productivity among the new/upgraded stores opened in the first half of 2022 and is expecting to launch 6 new/upgraded stores in Q3 2022.

Given the ongoing growth strategies and recovery trend in the economy, the Group expects to register healthy performance in the coming quarters.

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

21. Status of corporate proposals

There were no corporate proposals for the current quarter and financial period under review.

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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM	RM	RM	RM
Directors' remuneration	836,520	711,049	1,998,390	1,759,765
Interest expenses	1,139,896	1,280,665	2,434,581	2,528,686
Fair value loss/(gain) on other investments	1,458,787	(629,178)	3,529,332	(611,935)
Share of profit paid as part of incentive programme	7,038,198	4,930,717	14,403,869	14,602,915
Depreciation of property, plant and equipment	3,328,247	2,731,582	6,371,296	5,053,921
Depreciation of right-of-use assets	7,564,818	7,233,104	14,692,834	14,482,488
Amortisation of intangible assets	1,005	340	1,944	510
Impairment loss on trade and other receivables	613,632	450,421	1,053,973	1,222,516
Interest income	(522,012)	(329,525)	(878,748)	(623,683)
Income from rent concession	-	(362,148)	-	(373,100)
Realised (gain)/loss on foreign exchange	(449,453)	650,273	(476,287)	181,896
Translation losses on foreign exchange [^]	2,257,660	167,468	2,279,288	1,170,259

[^] Unrealised translation loss arises from the process of converting the outstanding balances of a subsidiary into its functional currency.

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.

Notes to The Interim Financial Report For The Period Ended 30 June 2022

23. Tax expense

	Individual Quarter		Cumulative Quarter	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM	RM	RM	RM
Current tax expense:				
- Current period	5,578,959	2,278,064	5,968,184	6,531,683
- Prior years	-	1,037	-	392,644
	<u>5,578,959</u>	<u>2,279,101</u>	<u>5,968,184</u>	<u>6,924,327</u>
Deferred tax:				
- Relating to origination and reversal of temporary differences	(430)	431,416	2,577,857	102,153
- Prior years	-	1,298	-	(742,502)
	<u>(430)</u>	<u>432,714</u>	<u>2,577,857</u>	<u>(640,349)</u>
Total tax expense	<u>5,578,529</u>	<u>2,711,815</u>	<u>8,546,041</u>	<u>6,283,978</u>
Effective tax rate (%)	25.7 [^]	19.4 [*]	25.5 [^]	21.2 [*]
Effective tax rate (%)	24.0	24.0	24.0	24.0

[^] The effective tax rate of the Group for the financial period 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.

^{*} 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.

24. Borrowings

Secured	As at 30.06.2022			As at 31.12.2021		
	Current RM	Non-current RM	Total RM	Current RM	Non-current RM	Total RM
Bankers' acceptances	9,500,000	-	9,500,000	11,558,842	-	11,558,842
Term loans	1,450,454	7,893,023	9,343,477	5,385,177	40,052,841	45,438,018
	<u>10,950,454</u>	<u>7,893,023</u>	<u>18,843,477</u>	<u>16,944,019</u>	<u>40,052,841</u>	<u>56,996,860</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 is no material litigation for the current financial period to date.

Notes to The Interim Financial Report For The Period Ended 30 June 2022**27. Earnings per share ("EPS")**

	Individual Quarter		Cumulative Quarter	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Profit attributable to owners of the Company	16,096,821	11,254,452	24,992,285	23,312,103
Weighted average number of ordinary shares in issue* ('000)	1,500,000	1,500,000	1,500,000	1,500,000
Basic EPS [^] (sen)	1.07	0.75	1.67	1.55
Diluted EPS ^{^**} (sen)	1.07	0.75	1.67	1.55

* Based on the number of ordinary shares outstanding after the completion of the listing exercise of 1,500,000,000.

[^] 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.

^{**} 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

The status of the utilisation of proceeds from the Initial Public Offering and listing as at 30 June 2022 are summarized as follows:

Details of use of proceeds	Proposed utilisation RM'000	Actual utilisation RM'000	Re-allocation RM'000	Balance unutilised RM'000	Estimated timeframe for use from the date of our Listing
(i) Enhance customer experience via upgrading and expanding the Group's chain of retail stores	160,500	(7,298)	-	153,202	Within 36 months
(ii) Repayment of bank borrowings	46,000	(36,095)	-	9,905	Within 6 months
(iii) Develop new brand distribution business	22,000	(10,698)	-	11,302	Within 36 months
(iv) Expand and upgrade the Group's warehouse and logistics network [^]	20,000	(20,122)	122	-	Within 36 months
(v) Boost the Group's digital infrastructure	9,700	(1,266)	-	8,434	Within 36 months
(vi) Estimated listing expenses [^]	9,300	(9,178)	(122)	-	Within 3 months
Total	267,500	(84,657)	-	182,843	

Save as disclosed above, there were no other corporate proposal announced as at the date of issue of this quarterly report.

[^] The unutilised balance of RM122,000 allocated for estimated listing expenses for IPO and Listing had been re-allocated to expand and upgrade the Group's warehouse and logistics during the financial period.