

SENHENG

SENHENG NEW RETAIL BERHAD

Registration No. 202101019079 (1419379-T)

Interim Financial Report
For The Third Quarter Ended 30 September 2024

27 November 2024

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Unaudited Condensed Consolidated Statements of Financial Position As at 30 September 2024

	Note	Unaudited As at 30.9.2024 RM	Audited As at 31.12.2023 RM
ASSETS			
Non-current assets			
Property, plant and equipment		258,981,373	248,233,148
Right-of-use assets		93,703,604	104,972,146
Intangible assets		112,493	120,402
Deferred tax assets		7,770,492	7,511,566
Other receivables		18,588,184	26,260,711
Total non-current assets		379,156,146	387,097,973
Current assets			
Inventories		269,652,782	271,428,838
Other investments		6,105,101	17,427,928
Trade and other receivables		112,438,108	114,290,643
Current tax assets		21,973,986	23,622,412
Cash and cash equivalents		86,580,093	87,401,350
Total current assets		496,750,070	514,171,171
TOTAL ASSETS		875,906,216	901,269,144
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		427,867,671	427,867,671
Reserves		121,670,299	115,830,338
Total equity		549,537,970	543,698,009
Non-current liabilities			
Lease liabilities		58,200,177	65,175,262
Deferred tax liabilities		7,703	7,703
Provision for restoration costs		6,559,624	6,692,948
Contract liabilities		32,694,048	41,081,267
Total non-current liabilities		97,461,552	112,957,180
Current liabilities			
Trade and other payables		92,749,107	103,281,454
Lease liabilities		24,526,153	25,577,867
Provision for restoration cost		1,396,352	1,333,228
Contract liabilities		50,181,554	42,399,524
Borrowings	23	59,400,000	71,500,000
Current tax liabilities		653,528	521,882
Total current liabilities		228,906,694	244,613,955
Total liabilities		326,368,246	357,571,135
TOTAL EQUITY AND LIABILITIES		875,906,216	901,269,144
Net assets per share (sen)		36.64	36.25

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 2023 and the accompanying explanatory notes attached to this interim financial report.

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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 September 2024

	Note	Individual Quarter		Cumulative Quarter	
		30.9.2024 RM	30.9.2023 RM	30.9.2024 RM	30.9.2023 RM
Revenue		278,953,855	312,833,540	908,589,082	956,530,626
Cost of sales		(220,265,382)	(245,562,688)	(718,780,889)	(751,268,816)
Gross profit		58,688,473	67,270,852	189,808,193	205,261,810
Other operating income		3,287,308	3,663,238	9,302,362	9,077,178
Operating and administrative expenses		(56,892,595)	(64,337,955)	(180,599,376)	(191,006,678)
Interest income		1,031,953	1,292,144	3,074,880	3,649,242
Finance costs		(1,445,386)	(1,015,038)	(4,419,231)	(3,078,791)
Profit before tax		4,669,753	6,873,241	17,166,828	23,902,761
Tax expense	22	(1,046,303)	(1,717,694)	(3,676,867)	(5,995,750)
Profit for the financial period attributable to the owners of the Company		3,623,450	5,155,547	13,489,961	17,907,011
Other comprehensive (loss)/income attributable to the owners of the Company		-	-	-	-
Total comprehensive income attributable to the owners of the Company		3,623,450	5,155,547	13,489,961	17,907,011
Basic/Diluted earnings per ordinary share (sen)	26	0.24	0.34	0.90	1.19

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 2023 and the accompanying explanatory notes attached to this interim financial report.

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Unaudited Condensed Consolidated Statements of Changes in Equity For The Period Ended 30 September 2024

	← Non-Distributable →			Distributable	
	Share capital RM	Merger reserve RM	Fair value reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2024	427,867,671	(165,206,168)	88,668	280,947,838	543,698,009
Profit for the financial period	-	-	-	13,489,961	13,489,961
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	13,489,961	13,489,961
Transaction with owners:					
Dividend	-	-	-	(7,650,000)	(7,650,000)
Balance as at 30 September 2024	427,867,671	(165,206,168)	88,668	286,787,799	549,537,970
Balance as at 1 January 2023	427,867,671	(165,206,168)	2,104,433	264,355,905	529,121,841
Profit for the financial period	-	-	-	17,907,011	17,907,011
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	17,907,011	17,907,011
Transactions with owners:					
Dividends	-	-	-	(10,500,000)	(10,500,000)
Balance as at 30 September 2023	427,867,671	(165,206,168)	2,104,433	271,762,916	536,528,852

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 2023 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 September 2024

	Cumulative Quarter	
	30.9.2024	30.9.2023
	RM	RM
Cash Flows From Operating Activities		
Profit before tax	17,166,828	23,902,761
Adjustments for:		
Gain on disposal of other investments	(1,008,983)	-
Depreciation of property, plant and equipment	15,881,381	13,498,324
Interest expense	4,419,231	3,078,791
Interest income	(3,074,880)	(3,649,242)
Depreciation of right-of-use assets	21,662,819	23,897,785
Other non-cash items	(1,489,986)	621,588
Operating profit before changes in working capital	53,556,410	61,350,007
Changes in working capital:		
Inventories	1,965,548	(48,962,930)
Trade and other receivables	9,576,474	(9,406,655)
Trade and other payables	3,601,141	3,604,846
Contract liabilities	(605,189)	(799,462)
Cash generated from operations	68,094,384	5,785,806
Interest paid	(1,716,837)	(313,205)
Tax paid	(2,155,721)	(11,454,439)
Net cash generated from/(used in) operating activities	64,221,826	(5,981,838)
Cash Flows From Investing Activities		
Proceeds from disposal of other investments	12,114,839	1,310,881
Proceeds from disposal of property, plant and equipment	709,478	21,720
Purchase of other investments and intangible assets	(13,565)	(4,650)
Purchase of property, plant and equipment	(27,318,600)	(24,488,326)
Dividend received	-	22,859
Interest received	3,074,880	3,649,242
Placement of fixed deposits with licensed banks	(36,826,362)	-
Withdrawal of fixed deposits with licensed banks	29,069,687	50,000,000
Net cash (used in)/generated from investing activities	(19,189,643)	30,511,726
Cash Flows From Financing Activities		
Dividend paid	(7,650,000)	(10,500,000)
Drawdown of bankers' acceptances	81,000,000	138,000,000
Repayments of bankers' acceptances	(89,500,000)	(118,475,000)
Repayments of revolving credit	(3,600,000)	-
Payments of lease liabilities	(33,860,115)	(25,664,738)
Net cash used in financing activities	(53,610,115)	(16,639,738)
Net (decrease)/increase in cash and cash equivalents	(8,577,932)	7,890,150
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents brought forward	77,865,180	105,491,750
Cash and cash equivalents carried forward	69,287,248	113,381,900
Cash and cash equivalents comprises of the following:		
Cash and bank balances	69,287,248	113,381,900
Deposits placed with licensed banks	17,292,845	-
	86,580,093	113,381,900
Less: Fixed deposits placed with licensed banks with original maturity of more than three (3) months	(17,292,845)	-
	69,287,248	113,381,900

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 2023 and the accompanying explanatory notes attached to this interim financial report.

Notes to The Financial Report For The Period Ended 30 September 2024**1. Basis of preparation**

The unaudited 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. These interim financial statement also comply with International Accounting Standards ("IASs") (including IAS 34 Interim Financial Reporting) issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023 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 2023 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 2024:

Title	Effective Date
Amendments to MFRS 16 <i>Lease liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 4 <i>Extension of the Temporary Exemption from Applying MFRS 9</i>	Effective immediately

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

MFRS interpretations and amendments effective for annual periods beginning on or after 1 January 2025:

Title	Effective Date
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025

MFRS 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 2023.

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 Financial Report For The Period Ended 30 September 2024**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 05 April 2024, the Board of Directors declared an interim single tier dividend of RM0.0051 per ordinary share amounting to RM7,650,000 for the financial year ended 31 December 2023, which was paid on 05 June 2024 to shareholders of the Company whose names appeared in the Record of Depositors on 15 May 2024.

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
- Group revenue decr

The segmental information for the financial period ended 30 September 2024 is as follows:

	Trading RM	Warranty RM	Others RM	Total RM
Sales to external customers	856,273,137	52,315,945	-	908,589,082
Inter-segment sales	22,442,796	14,091,127	-	36,533,923
Total revenue	878,715,933	66,407,072	-	945,123,005
Segment profits/(losses)	8,820,211	5,864,418	(1,194,668)	13,489,961
Segment assets*	632,122,099	47,702,651	166,336,988	846,161,738
Segment liabilities**	301,533,384	23,604,847	568,784	325,707,015

The segmental information for the financial period ended 30 September 2023 is as follows:

	Trading RM	Warranty RM	Others RM	Total RM
Sales to external customers	900,009,223	56,521,403	-	956,530,626
Inter-segment sales	18,801,697	14,413,233	-	33,214,930
Total revenue	918,810,920	70,934,636	-	989,745,556
Segment profits/(losses)	16,338,142	4,190,201	(2,621,332)	17,907,011
Segment assets*	620,779,284	49,514,550	166,547,449	836,841,283
Segment liabilities**	309,708,166	22,475,219	520,526	332,703,911

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 Financial Report For The Period Ended 30 September 2024**10. 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.

11. Capital commitments

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

	As at 30.9.2024	As at 31.12.2023
	RM	RM
Approved but not contracted for	8,910,000	-
Contracted but not provided for	-	9,252,063

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

There were no 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.

13. 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.

14. 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.

15. Significant related party transactions

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

	Individual Quarter		Cumulative Quarter	
	30.9.2024	30.9.2023	30.9.2024	30.9.2023
	RM	RM	RM	RM
Related parties: (Companies in which certain Directors have financial interests)				
Administration and marketing fee receivable	365,818	239,818	926,182	1,348,821
Administration and marketing fee payable	(77,148)	(47,104)	(202,448)	(203,752)
Commission payable	(4,172,154)	(4,729,494)	(13,450,279)	(15,495,774)
Insurance premium collected on behalf of third-party insurance companies	(4,870,961)	(6,463,180)	(17,584,568)	(20,717,924)
Marketing expenses	(6,197,652)	(4,378,524)	(19,829,788)	(16,107,042)
Purchases of goods	(2,998,595)	(2,211,038)	(9,259,940)	(7,432,446)
Rental income	47,250	33,900	137,800	95,700
Rental payable	(284,027)	(286,427)	(854,480)	(834,926)
Sales of goods	145,200	43,318	155,104	114,465
Sales of motor vehicle	-	-	290,000	-
Service rendered	(646,479)	(823,302)	(3,742,294)	(3,960,122)

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 Financial Report For The Period Ended 30 September 2024**16. 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.

17. Performance review**(i) 9 months ended 30 September 2024 ("FPE 2024")**

Group revenue declined by 5.0% or RM47.9 million to RM908.6 million in FPE 2024 (FPE 2023: RM956.5 million), attributed to lower sales due to dampened consumer sentiment.

Group gross profit ("GP") declined by 7.5% or RM15.5 million to RM189.8 million (GP margin: 20.9%) for FPE 2024 from RM205.3 million (GP margin: 21.5%) for FPE 2023, resulting from the decreased revenue and changes in product mix. Consequently, group profit before tax ("PBT") decreased by 28.2% or RM6.7 million to RM17.2 million (FPE 2023: RM23.9 million).

(i) 3 months ended 30 September 2024 ("Q3 2024")**(a) Comparison with preceding year's corresponding quarter (3 months ended 30 September 2023 ("Q3 2023"))**

Group revenue decreased by 10.8% or RM33.9 million to RM279.0 million in Q3 2024 (Q3 2023: RM312.8 million), attributed to lower sales on weaker consumer sentiment. Group GP decreased by 12.8% or RM8.6 million to RM58.7 million in Q3 2024 (Q3 2023: RM67.3 million), in line with the revenue performance.

Group PBT decreased by 32.1% or RM2.2 million to RM4.7 million in Q3 2024 (Q3 2023: RM6.9 million) mainly due to the lower revenue generated.

(b) Comparison with immediate preceding quarter (3 months ended 30 June 2024 ("Q2 2024"))

The Group's Q3 2024 revenue of RM279.0 million and PBT of RM4.7 million were lower compared to Q2 2024 (revenue: RM307.6 million, PBT: RM4.7 million), primarily due to the impact of Hari Raya festive season sales in Q2 2024.

18. Prospects

While modest growth is projected for the Malaysian retail sector in 2024, the Group anticipates that weaker consumer sentiment and spending, particularly for higher-value goods, will impact the Group's performance in the current financial year. Senheng is navigating this environment by leveraging its leadership in omnichannel capabilities and pursuing strategic initiatives to drive sustainable long-term growth.

The Group is enhancing its digital ecosystem, including its online presence, e-commerce platforms, and social media engagement, while optimizing its Online-Merge-Offline retail strategy. Senheng's integrated approach towards building a strong digital presence is essential to delivering seamless and personalized consumer experiences that drive customer acquisition and loyalty.

Furthermore, Senheng continues to refine its omnichannel retail model and intensify its online and social media marketing campaigns. By leveraging data-driven insights, the Group aims to boost online traffic, increase customer footfall, and enhance brand value.

In October 2024, Senheng relaunched its brand positioning with the new "My Rewards, My Choice" program, offering personalised rewards across a wide range of products and services, with enhanced S-Coin redemption policy. This program enables customers to earn and redeem rewards across an expanded range of platforms. The positive reception from PlusOne members and increased S-Coin redemptions underscores its effectiveness in driving customer engagement.

The Group's plans are complemented by the ongoing Territory Champion store expansion program, which enhances in-store experiences, increases per-store sales, and boosts customer footfall. This program involves strategic new store openings and upgrades, and will continue until 2026 with a measured pace in expansion. Senheng also optimizes its physical store network through ongoing review and consolidation of stores, improving operational efficiency and cost management.

19. 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.

20. Status of corporate proposals

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

Notes to The Financial Report For The Period Ended 30 September 2024**21. 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	
	30.9.2024	30.9.2023	30.9.2024	30.9.2023
	RM	RM	RM	RM
Interest expenses	1,445,386	1,015,038	4,419,231	3,078,791
Loss/(Gain) on disposal of other investments	139,487	-	(1,008,983)	-
Fair value (gain)/loss on other investments	(637,354)	924,090	(496,120)	167,310
Depreciation of property, plant and equipment	5,367,875	4,788,776	15,881,381	13,498,324
Depreciation of right-of-use assets	7,179,431	8,052,089	21,662,819	23,897,785
Amortisation of intangible assets	7,384	1,369	21,474	3,643
Impairment loss on trade and other receivables	1,135	28,874	51,412	28,874
Interest income	(1,031,953)	(1,292,144)	(3,074,880)	(3,649,242)
Realised gain on foreign exchange	(5,508)	(104)	(5,508)	(20,443)
Unrealised loss/(gain) on foreign exchange	68,740	38,320	268,003	(501,606)

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.

22. Tax expense

	Individual Quarter		Cumulative Quarter	
	30.9.2024	30.9.2023	30.9.2024	30.9.2023
	RM	RM	RM	RM
Current tax expense:				
- Current period	805,429	1,737,045	3,423,214	5,542,543
- Prior years	512,579	(549,200)	512,579	(549,200)
	<u>1,318,008</u>	<u>1,187,845</u>	<u>3,935,793</u>	<u>4,993,343</u>
Deferred tax:				
- Relating to origination and reversal of temporary differences	(271,705)	529,849	(258,926)	1,002,407
Total tax expense	<u>1,046,303</u>	<u>1,717,694</u>	<u>3,676,867</u>	<u>5,995,750</u>
Effective tax rate (%)	22.4 *	25.0 ^	21.4 *	25.1 ^

* The effective tax rate of the Group for the financial period under review was 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.

^ The effective tax rate of the Group for the previous financial period was higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes.

23. Borrowings

	As at 30.9.2024		As at 31.12.2023	
	Current	Total	Current	Total
	RM	RM	RM	RM
Secured				
Bankers' acceptances	17,000,000	17,000,000	25,500,000	25,500,000
Revolving credit	42,400,000	42,400,000	46,000,000	46,000,000
	<u>59,400,000</u>	<u>59,400,000</u>	<u>71,500,000</u>	<u>71,500,000</u>

The above borrowings are denominated in Ringgit Malaysia.

Notes to The Financial Report For The Period Ended 30 September 2024**24. Derivatives**

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

25. Material litigation

There is no material litigation for the current financial period to date.

26. Earnings per share ("EPS")

	Individual Quarter		Cumulative Quarter	
	30.9.2024	30.9.2023	30.9.2024	30.9.2023
Profit attributable to owners of the Company	3,623,450	5,155,547	13,489,961	17,907,011
Weighted average number of ordinary shares in issue ('000)	1,500,000	1,500,000	1,500,000	1,500,000
Basic EPS [^] (sen)	0.24	0.34	0.90	1.19
Diluted EPS ^{^**} (sen)	0.24	0.34	0.90	1.19

[^] Basic and diluted EPS is computed based on profit after tax 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.

27. Utilisation of proceeds from the public issue

The status of the utilisation of proceeds from the Initial Public Offering and listing as at 30 September 2024 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	Revised 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	(80,037)	(30,000)	50,463	Within 60 months [^]
(ii) Repayment of bank borrowings	46,000	(46,000)	-	-	Within 6 months
(iii) Develop new brand distribution business	22,000	(22,000)	-	-	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	(9,700)	-	-	Within 36 months
(vi) Estimated listing expenses	9,300	(9,178)	(122)	-	Within 3 months
(vii) Acquisition of warehouse*	-	(30,000)	30,000	-	Within 3 months
Total	267,500	(217,037)	-	50,463	

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

* The unutilized balance of RM30 million earmarked for upgrading and expanding the Group's chain of retail stores has been re-allocated to the acquisition of warehouse during the last financial year.

[^] The revised timeframe for the utilisation has been extended for another 24 months from initial timeframe.