

PROSPECTUS

THIS PROSPECTUS IS
DATED 29 DECEMBER 2021

SENHENG

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SENHENG NEW RETAIL BERHAD

Registration No. 202101019079 (1419379-T)
(Incorporated in Malaysia under the Companies Act, 2016)

SENHENG NEW RETAIL BERHAD

INITIAL PUBLIC OFFERING ("IPO") OF 389,500,000 ORDINARY SHARES IN SENHENG NEW RETAIL BERHAD ("SENHENG") ("SHARES") ("IPO SHARES") IN CONJUNCTION WITH THE LISTING OF SENHENG ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:-

- (A) PUBLIC ISSUE OF 250,000,000 NEW SHARES ("ISSUE SHARES") COMPRISING:-
- (I) 30,000,000 ISSUE SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - (II) 22,500,000 ISSUE SHARES AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS AND EMPLOYEES OF SENHENG AND ITS SUBSIDIARIES ("GROUP") AS WELL AS OTHER PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE GROUP;
 - (III) 48,000,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OF MALAYSIA ("MITI"); AND
 - (IV) 149,500,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND SELECTED INVESTORS; AND
- (B) OFFER FOR SALE OF 139,500,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY MITI,

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AS SET OUT IN THE PROSPECTUS, AT AN IPO PRICE OF RM1.07 PER IPO SHARE PAYABLE IN FULL ON APPLICATION.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 36.

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

THE SECURITIES COMMISSION MALAYSIA ("SC") HAS APPROVED THE ISSUE, OFFER OR INVITATION FOR THE OFFERING UNDER SECTION 214(1) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA"). THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

Principal Adviser, Managing Underwriter, Joint Underwriter and Joint Bookrunner



MERCURY SECURITIES SDN BHD
Registration No. 1984010006172 (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriter and Joint Bookrunner



AmInvestment Bank

AMINVESTMENT BANK BERHAD
Registration No. 197501002220 (23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriter and Joint Bookrunner



CIMB INVESTMENT BANK BERHAD
Registration No. 197401001266 (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



SENHENG NEW RETAIL BERHAD
202101019079 (1419379-T)

44B, JALAN PANDAN 3/2, PANDAN JAYA, 55100 KUALA LUMPUR.
Tel: +603-9285 4544 | Website: <https://www.senheng.com.my/>

SENHENG Different... Truly Different®

All defined terms used in this Prospectus are defined under "Presentation of Information", "Definitions" and "Glossary of Technical Terms" commencing on pages ix, xi and xvii respectively.

RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Mercury Securities Sdn Bhd, being our Principal Adviser, Managing Underwriter, Joint Underwriter and Joint Bookrunner acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO. It is to be noted that the role of AmInvestment Bank Berhad and CIMB Investment Bank Berhad in our IPO is limited to being Joint Underwriters and Joint Bookrunners.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval of Bursa Securities for our Listing. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Forms, has also been lodged with the Registrar of Companies Malaysia, who takes no responsibility for its contents.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Our Shares are classified as Shariah-compliant by the SAC. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

Investors should not take the agreement by the Managing Underwriter and the Joint Underwriters named in this Prospectus to underwrite our Shares under the Retail Offering as an indication of the merits of our Shares being offered.

This Prospectus is prepared and published solely for our IPO. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Offerors, Principal Adviser, Managing Underwriter, Joint Underwriters and Joint Bookrunners have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Offerors, Principal Adviser, Managing Underwriter, Joint Underwriters and Joint Bookrunners, any of their respective directors, or any other persons involved in our IPO.

The Prospectus has been prepared in the context of our IPO under to the laws of Malaysia. This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

Our Company, Directors, Promoters, Offerors, Principal Adviser, Managing Underwriter, Joint Underwriters and Joint Bookrunners named in this Prospectus have not authorised anyone and take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any of our IPO Shares in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our IPO Shares in certain jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia. We will not accept any liability whether or not any enquiry or investigation is made in connection to it.

It shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subject to. We will further assume that you had accepted our IPO in Malaysia and will at all applicable times be subject only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It shall be your sole responsibility to consult your legal and/or other professional advisers on the laws to which our IPO or you are or might be subjected to. Neither we nor the Directors, Promoters, Offerors, Principal Adviser, Managing Underwriter, Joint Underwriters and Joint Bookrunners nor any other advisers in relation to our IPO will accept any responsibility or liability if any application made by you shall become illegal, unenforceable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS / INTERNET SHARE APPLICATION

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

The internet is not a fully secure medium. Your Internet Share Application (as defined herein) may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us or the Issuing House (as defined herein), a paper / printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the contents of the paper / printed copy of this Prospectus for any reason whatsoever, the contents of the paper / printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:-

- (i) we do not endorse and are not affiliated in any way with the Third Party Internet Sites. Accordingly, we are not responsible for the availability of, or the content or any data, information, file or other material provided on, the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any agreement with the Third Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, information, file or other material is downloaded from the Third Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:-

- (i) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of the Electronic Prospectus, which has been downloaded or obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium; and
- (iii) the Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:-

Events	Date
Issuance of this Prospectus / Opening date of our IPO	10.00 a.m., 29 December 2021
Closing date of our IPO	5.00 p.m., 10 January 2022
Balloting of applications for our IPO Shares	12 January 2022
Allotment of our IPO Shares to successful applicants	21 January 2022
Listing	25 January 2022

In the event there are any changes to the timetable, we will advertise the notice of the changes in a widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

TABLE OF CONTENTS

	Page
PRESENTATION OF INFORMATION	ix
FORWARD-LOOKING STATEMENTS	x
DEFINITIONS	xi
GLOSSARY OF TECHNICAL TERMS	xvii
1. CORPORATE DIRECTORY	1
2. INTRODUCTION	5
2.1 Approvals and conditions	5
2.2 Moratorium on our Shares	6
3. PROSPECTUS SUMMARY	7
3.1 Background and overview	7
3.2 Our competitive strengths	8
3.3 Business strategies and future plans	10
3.4 Principal details of our IPO	11
3.5 Impact of the COVID-19 pandemic	12
3.6 Risk factors	13
3.7 Directors and Key Senior Management	13
3.8 Promoters and Substantial Shareholders	14
3.9 Use of proceeds	15
3.10 Financial highlights	15
3.11 Dividend policy	16
4. DETAILS OF OUR IPO	17
4.1 Opening and closing of Applications	17
4.2 Indicative timetable	17
4.3 Particulars of our IPO	17
4.4 Basis of arriving at the price of our IPO Shares	24
4.5 Dilution	24
4.6 Use of proceeds	25
4.7 Brokerage, underwriting commission and placement fees	31
4.8 Underwriting agreement	32
4.9 Trading and settlement in secondary market	35
5. RISK FACTORS	36
5.1 Risks affecting our business and operations	36
5.2 Risks affecting the industry in which we operate	44
5.3 Risks affecting our Shares	46

TABLE OF CONTENTS (CONT'D)

	Page
6. INFORMATION ON OUR GROUP	49
6.1 Our Company	49
6.2 Share capital of our Company	49
6.3 Our Group	49
6.4 Our Subsidiaries	50
6.5 Material capital expenditures and divestitures	52
6.6 Take-over offers	53
7. BUSINESS OVERVIEW	54
7.1 Group overview	54
7.2 Our competitive strengths	55
7.3 Business strategies and future plans	61
7.4 Background and transformation milestones	69
7.5 Awards	73
7.6 Principal business activities	76
7.7 Principal markets	85
7.8 Our operations	87
7.9 Technology used	96
7.10 Major customers	100
7.11 Major suppliers	101
7.12 Modes of marketing and sales	103
7.13 Seasonality	108
7.14 Employees	108
7.15 Human capital policies	108
7.16 Interruptions to business for the past 12 months	111
7.17 Research and development	116
7.18 Material property, plant, machinery and equipment	116
7.19 Major licenses, permits and approvals	117
7.20 Brand names, trademarks, patents, license agreements and other intellectual property rights	120
7.21 Material regulatory requirements	120
7.22 Dependency on contracts, agreements, documents or other arrangements	120
7.23 Environmental, social and governance	121
8. INDUSTRY OVERVIEW	122

TABLE OF CONTENTS (CONT'D)

	Page
9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT	134
9.1 Promoters and Substantial Shareholders	134
9.2 Board of Directors	139
9.3 Key Senior Management	175
9.4 Declaration by our Promoters, Directors and Key Senior Management	188
9.5 Associations or family relationships between our Promoters, Substantial Shareholders, Directors and Key Senior Management	188
9.6 Service agreements	188
9.7 Other matters	189
10. RELATED PARTY TRANSACTIONS	190
10.1 Our Group's related party transactions	190
10.2 Monitoring and oversight of related party transactions	212
11. CONFLICTS OF INTEREST	214
11.1 Interest in businesses which carry on a similar trade as our Group or which are our customers and suppliers	214
11.2 Declaration by advisers on conflicts of interest	221
12. FINANCIAL INFORMATION	223
12.1 Historical financial information	223
12.2 Significant accounting policies, estimates and judgements	225
12.3 Management's discussion and analysis of financial condition and results of operations	226
12.4 Liquidity and capital resources	269
12.5 Capitalisation and indebtedness	283
12.6 Trend information	284
12.7 Dividend policy	284
12.8 Reporting Accountants' Letter on the pro forma consolidated statements of financial position	286
13. ACCOUNTANTS' REPORT	296
14. STATUTORY AND OTHER GENERAL INFORMATION	382
14.1 Share capital	382
14.2 Extracts of our Constitution	382
14.3 Deposited securities and rights of Depositors	389
14.4 Repatriation of capital, remittance of profit and taxation	390
14.5 Material contracts	390
14.6 Material litigation	394
14.7 Consents	394
14.8 Documents available for inspection	394

TABLE OF CONTENTS (CONT'D)

	Page
15. PROCEDURES FOR APPLICATION AND ACCEPTANCE	395
15.1 Opening and closing of applications	395
15.2 Methods of Application	395
15.3 Eligibility	396
15.4 Procedures for application by way of Application Forms	397
15.5 Application by way of Electronic Share Applications	397
15.6 Application by way of Internet Share Applications	398
15.7 Authority of our Board and the Issuing House	398
15.8 Over / under-subscription	398
15.9 Unsuccessful / Partially successful applicants	399
15.10 Successful applicants	400
15.11 Enquiries	401
ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT	402
ANNEXURE B – BRAND NAMES, TRADEMARKS, PATENTS, LICENSE AGREEMENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS	419
ANNEXURE C – MATERIAL REGULATORY REQUIREMENTS	451

PRESENTATION OF INFORMATION

All references to “our Company” or “the Company” and “Senheng” in this Prospectus mean Senheng New Retail Berhad, while references to “our Group” or “the Group” or “Senheng Group” mean our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” mean our Company, and where the context requires, our Group or any member of our Group. Unless the context otherwise requires, references to “Management” are to our Directors and Key Senior Management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. The word “approximately” used in this Prospectus indicates that a number is not exact. Certain numbers presented in this Prospectus have subjected to rounding adjustments. As a result, any discrepancies in the tables or charts included in this Prospectus between the amounts listed and totals are due to rounding adjustments. Other abbreviations used here are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular will, where applicable, include the plural and *vice versa* and words denoting the masculine gender will, where applicable, include the feminine gender and/or neuter genders and *vice versa*. Reference to persons will, where applicable, include companies and corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to a time or date shall be a reference to a time or date in Malaysia, unless otherwise stated.

All references to the “LPD” in this Prospectus are to 30 November 2021, being latest practicable date prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by various third parties and us and cites third party projections regarding growth and performance of the market and industry in which we operate and our estimated market share. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from us. In addition, certain information in this Prospectus is extracted or derived from the IMR Report prepared by Smith Zander International Sdn Bhd, an Independent Market Researcher, whom we have appointed to provide an independent market and industry review for inclusion in this Prospectus.

We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the market and industry in which we operate. Third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are or can be given that the estimated figures will be achieved, and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Prospectus and you should not rely on those information for the purposes of your decision whether or not to invest in our Shares. If there is any discrepancy between the contents of such website relating to our Company and this Prospectus, the information contained in this Prospectus shall prevail.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future result, performance or achievements or industry results, expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:-

- our business strategies and potential growth opportunities;
- our plans and objectives for future operations;
- our financial position;
- our financial earnings, cash flows and liquidity;
- the general industry environment, including the supply and demand for our products and services, trends and competitive position;
- our ability to pay dividends; and
- the regulatory environment and the effects of future regulation.

Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 5 of this Prospectus on “Risk factors” and Section 12.3.2 of this Prospectus on “Significant factors affecting our financial performance and results of operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made based on information available to us as at the LPD and made only as at the LPD.

Should we become aware of any subsequent significant change or new matter arising from the date of registration of this Prospectus but before the date of allotment of our IPO Shares that will affect a matter disclosed in this Prospectus, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the term is defined otherwise or the context requires otherwise:-

Acquisition of Senheng KL	:	Acquisition by Senheng of the entire issued share capital of Senheng KL from our Offerors which was completed on 25 November 2021
Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
ADA	:	Authorised Depository Agent
AmlInvestment Bank	:	AmlInvestment Bank Berhad
Application	:	Application for our IPO Shares under the Retail Offering by way of Application Form, Electronic Share Application or Internet Share Application
Application Form	:	Application form accompanying this Prospectus for the Application
ATM	:	Automated teller machine
Authorised Financial Institution	:	Authorised financial institution participating in the Internet Share Application, with respect to payments for our IPO Shares under the Retail Offering
Board	:	Board of Directors of our Company
Bumiputera	:	In the context of:- <ul style="list-style-type: none"> (i) Individuals, Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia; (ii) Companies, a company which fulfils, among others, the following criteria or such other criteria as may be imposed by the MITI:- <ul style="list-style-type: none"> (a) registered under the Act as a private company; (b) its shareholders are 100.00% Bumiputera; and (c) its board of directors (including its staff) are at least 51.00% Bumiputera; and (iii) Cooperatives, a cooperative whose shareholders or cooperative members are at least 95.00% Bumiputera or such other criteria as may be imposed by the MITI
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
CAGR	:	Compounded annual growth rate
CDS	:	Central Depository System

DEFINITIONS (CONT'D)

CDS Account	: An account established by Bursa Depository by a Depositor for the recording of securities and for dealing in such securities by the Depositor
CFO/CCC	: Certificate of fitness for occupation / certificate of completion and compliance
CIMB	: CIMB Investment Bank Berhad
CMSA	: Capital Markets and Services Act, 2007
Constitution	: Constitution of our Company
COS	: Cost of sales
COVID-19	: Coronavirus disease 2019, an infectious disease caused by a newly discovered strain of coronavirus. The first outbreak of this new virus and disease was reported in December 2019 and it is now a pandemic affecting many countries globally
Depositor	: A holder of a CDS Account
Director	: A member of our Board
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or any electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)
Electronic Share Application	: Application for our IPO Shares under the Retail Offering through a Participating Financial Institution's ATM
Eligible Persons	: Collectively, our eligible Directors, employees and persons who have contributed to the success of the Group
EPS	: Earnings per Share
Equity Guidelines	: Equity guidelines issued by the SC
FPE	: Financial period ended 30 June
FYE	: Financial year ended / ending 31 December
GDP	: Gross domestic product
Government	: Government of Malaysia
GP	: Gross profit
IMR Report	: The independent market research report dated 8 December 2021 prepared by the Independent Market Researcher, as set out in Section 8 of this Prospectus
Independent Market Researcher or Smith Zander	: Smith Zander International Sdn Bhd

DEFINITIONS (CONT'D)

Institutional Offering	: Offering of 337,000,000 IPO Shares at the IPO Price comprising:- (i) 187,500,000 IPO Shares by way of private placement to Bumiputera investors approved by the MITI; and (ii) 149,500,000 IPO Shares by way of private placement to other institutional and selected investors, subject to clawback and reallocation provisions
Internet Participating Financial Institution	: Participating financial institution for Internet Share Application, which is set out in Section 15.6 of this Prospectus
Internet Share Application	: Application for our IPO Shares under the Retail Offering through an online share application service provided by the Internet Participating Financial Institution
IPO	: Initial public offering comprising the Public Issue and Offer for Sale collectively
IPO Price	: The issue price of RM1.07 per IPO Share payable by you for our IPO Shares
IPO Shares	: Collectively, the Issue Shares and the Offer Shares
Issue Shares	: 250,000,000 new Shares to be made available for application pursuant to the Public Issue
Issuing House or Share Registrar	: Tricor Investor & Issuing House Services Sdn Bhd
Joint Bookrunners	: Collectively, Mercury Securities, AmlInvestment Bank and CIMB
Joint Underwriters	Collectively, Mercury Securities, AmlInvestment Bank and CIMB
KC Lim	: Lim Kim Chieng, our President / Non-Independent Executive Director, Promoter, Offeror and Substantial Shareholder
Key Senior Management	: Key senior management personnel of our Group comprising Wong Che Hoe, Mah Chin Niap, Ho Weng Hung, Teng Kean Kheng, Phang Weng Nam, Ang Keng Beng, Tai Tze Yen and Raymond Tan Chun Hong
KH Lim	: Lim Kim Heng, our Non-Independent Executive Chairman, Promoter, Offeror and Substantial Shareholder
KY Lim	: Lim Kim Yew, our Non-Independent Non-Executive Director, Promoter, Offeror and Substantial Shareholder
Listing	: Admission to the Official List and the listing and quotation of our entire issued share capital on the Main Market of Bursa Securities
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 30 November 2021, being the latest practicable date prior to the registration of this Prospectus with the SC
Market Day	: A day on which Bursa Securities is open for trading in securities

DEFINITIONS (CONT'D)

MCO	: Movement control order which includes but is not limited to the conditional movement control order, recovery movement control order, full movement control order issued under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
Mercury Securities or Principal Adviser or Managing Underwriter	: Mercury Securities Sdn Bhd
MFRS	: Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board
MITI	: Ministry of International Trade and Industry of Malaysia
MOT	: Ministry of Transport Malaysia
MyIPO	: Intellectual Property Corporation of Malaysia
N/A	: Not applicable
NA	: Net assets
NBV	: Net book value
Offerors	: The offerors pursuant to the Offer for Sale, namely KH Lim, KC Lim and KY Lim, details of which are set out in Section 4.3.2 of this Prospectus
Offer for Sale	: Offer for sale of the Offer Shares by the Offerors, representing approximately 9.30% of the enlarged total number of Shares to selected Bumiputera investors approved by MITI, subject to clawback and reallocation provisions
Offer Shares	: 139,500,000 existing Shares to be offered by the Offerors pursuant to the Offer for Sale
Official List	: A list specifying all securities which have been admitted for listing and which have not been removed from the Main Market of Bursa Securities
Participating Financial Institution	: Participating financial institution for Electronic Share Application
PAT	: Profit after taxation
PBT	: Profit before taxation
PE Multiple	: Price-to-earnings multiple
Period under Review	: FYE 2018, FYE 2019, FYE 2020 and FPE 2021, collectively
Pink Form Allocations	: The allocation of 22,500,000 Issue Shares to the Eligible Persons
Prescribed Security	: Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provisions of the SICDA and the Rules of Bursa Depository
Promoters	: Collectively refers to SQ Digital, KH Lim, KC Lim and KY Lim

DEFINITIONS (CONT'D)

Prospectus	:	This Prospectus dated 29 December 2021 issued by our Company in respect of our IPO
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public or Malaysian Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Public Issue	:	Public issue of 250,000,000 Issue Shares at the IPO Price by our Company
Record of Depositors	:	A record provided by Bursa Depository to our Company under the Rules of Bursa Depository
Retail Offering	:	Offering of 52,500,000 IPO Shares at the IPO Price comprising:- <ul style="list-style-type: none"> (i) 30,000,000 Issue Shares made available to the Malaysian Public, (of which at least 50% is reserved for subscription by Bumiputera public); and (ii) 22,500,000 Issue Shares made available to Eligible Persons, subject to clawback and reallocation provisions
Rules of Bursa Depository	:	The rules of Bursa Depository
SAC	:	Shariah Advisory Council of the SC
SC	:	Securities Commission Malaysia
Senheng or Company	:	Senheng New Retail Berhad
Senheng Group or Group	:	Senheng and its subsidiaries
Senheng Shares or Shares	:	Ordinary shares in Senheng
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd
Share Split	:	Share split involving the subdivision of 166,206,171 existing Shares (after the completion of Acquisition of Senheng KL) into 1,250,000,000 Shares which was completed on 26 November 2021
SICDA	:	Securities Industry (Central Depositories) Act, 1991
SIRIM	:	SIRIM Berhad (formerly known as the Standard and Industrial Research Institute of Malaysia)
SQ Digital	:	SQ Digital Sdn Bhd, our Promoter and Substantial Shareholder
sq ft	:	Square feet
sqm	:	Square metre
SST	:	Sales and Services Tax

DEFINITIONS (CONT'D)

- Subsidiaries** : Collectively, refers to SC Alliance, Senheng Captive and Senheng KL
- Substantial Shareholders** : Refers to SQ Digital, KH Lim, KC Lim and KY Lim who prior to the Listing each have an interest (direct and/or indirect) in our Shares which is not less than 5% of the total number of all the voting shares of our Company
- Underwriting Agreement** : Underwriting agreement dated 10 December 2021 entered into between our Company, the Managing Underwriter and the Joint Underwriters for the underwriting of all the Issue Shares under the Retail Offering

CURRENCIES

- RM and sen** : Ringgit Malaysia and sen
- USD** : United States dollar

SUBSIDIARIES

- SC Alliance** : SC Alliance (M) Sdn Bhd
- Senheng Captive** : Senheng Captive Insurance Pte Ltd
- Senheng KL** : Senheng Electric (KL) Sdn Bhd

GLOSSARY OF TECHNICAL TERMS

Appointed distributors	:	Companies that are engaged by brand principals to distribute products to retailers
Audio visuals	:	Electronic devices that produce motion pictures and/or sound, usually refers to televisions, home theatre systems, audio players and audio speakers, amongst others
B2B	:	B2B refers to business-to-business, i.e. transactions between businesses or companies, rather than between a company and individual consumers
Brand principals	:	The owner of a brand. Brand principals have the right to use the brand as well as to distribute and sell products under its brand
Business intelligence	:	A process of analysing and reporting data by utilising software which aid companies to make informed business decisions
Captive insurance	:	Captive insurance is a form of self-insurance where the insurer is owned wholly by the insured. Generally defined as an insurance company that provides insurance coverage or risk-mitigation services for its holding company or related companies
CCTV	:	Closed-circuit television
CDC	:	Our central distribution centre located in Klang, Selangor which also serves as our regional hub for the Central region of Peninsular Malaysia
Consignment	:	A trading arrangement whereby the seller (i.e. consignor) agrees to place its products at the buyer's (i.e. consignee) premises to be marketed and sold to consumers. The consignee will collect payments from the consumers on behalf of the consignor when the products are sold. The consignee typically earns a commission based on an agreed percentage of the proceeds from the sale of the products at its premises
Data lake	:	Centralised storage repository that stores a pool of structured and unstructured data which can provide diverse analytics capabilities
Digital gadgets	:	Electronic devices that can perform a specific function or multiple functions (i.e. documentation, entertainment, and communication), usually refers to mobile phones, tablets, personal computers, cameras, amongst others
E-commerce	:	Electronic commerce is the buying and selling of goods over an electronic network, primarily the Internet
EDMS	:	Electronic document management system
ERP	:	Enterprise Resource Planning
Home appliances	:	Consumer durables for domestic use which serves the purpose of speeding up time-consuming housekeeping chores, thus allowing a person to be more productive
IoT	:	Internet-of-things
Last mile deliveries	:	Transportation of products from retailer to consumer

GLOSSARY OF TECHNICAL TERMS (CONT'D)

LED televisions	:	Light emitting diodes televisions
Online marketplace	:	An online platform that connects sellers and buyers for the trade of products and services
POS systems	:	POS system is a sales module which allows physical stores to record information on sales transaction, payment amounts and method of payment and generate daily sales report
Q-LED televisions	:	Quantum dot light emitting diodes televisions
SKU(s)	:	Stock keeping unit(s), an identification of a particular product that is used in inventory management to measure the distinct types of items for sale. Each SKU is distinguished based on attributes such as brand, product category, size and colour
SOP	:	Standard operating procedure
UHD televisions	:	Ultra-high definition televisions
WMS	:	Warehouse management system

1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Designation	Nationality	Address
Lim Kim Heng	Non-Independent Executive Chairman	Malaysian	No. 37-5 The Pearl @ KLCC 2A, Jalan Stonor 50450 Kuala Lumpur
Lim Kim Chieng	President / Non-Independent Executive Director	Malaysian	B-08-02, Madge Mansions Jalan Madge Taman U Thant 55000 Kuala Lumpur
Lim Kim Yew	Non-Independent Non-Executive Director	Malaysian	Villa 33, No. 10 Jalan Mandarina Damai 3 Bukit Mandarina, Cheras 56000 Kuala Lumpur
Dato' Yeow Wah Chin	Independent Non-Executive Director	Malaysian	No. 68, Jalan Pria 3 Taman Maluri, Cheras 55100 Kuala Lumpur
Tan Ler Chin	Independent Non-Executive Director	Malaysian	A-06-02, G Residence Jalan 6/76C, Desa Pandan 55100 Kuala Lumpur
Ho Kim Poi	Independent Non-Executive Director	Malaysian	No. 12, Jalan Athinahapan 3 Taman Tun Dr Ismail 60000 Kuala Lumpur
Oh Keng Leng	Independent Non-Executive Director	Malaysian	No. 31, Jalan SS 2/53 47300 Petaling Jaya Selangor Darul Ehsan

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Ho Kim Poi	Chairman	Independent Non-Executive Director
Tan Ler Chin	Member	Independent Non-Executive Director
Oh Keng Leng	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Oh Keng Leng	Chairman	Independent Non-Executive Director
Dato' Yeow Wah Chin	Member	Independent Non-Executive Director
Tan Ler Chin	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (CONT'D)**NOMINATION COMMITTEE**

Name	Designation	Directorship
Dato' Yeow Wah Chin	Chairman	Independent Non-Executive Director
Tan Ler Chin	Member	Independent Non-Executive Director
Ho Kim Poi	Member	Independent Non-Executive Director

COMPANY SECRETARIES

Ng Heng Hooi
 462A, Jalan 5/46
 Taman Petaling
 46000 Petaling Jaya
 Selangor Darul Ehsan

Professional qualification : The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") (MAICSA membership no.: 7048492)

SSM PC no. : 202008002923

Tel no. : +603 2280 6389

Wong Mee Kiat
 No. 9, Jalan SJ16A
 Taman Selayang Bahagia
 68100 Batu Caves
 Selangor Darul Ehsan

Professional qualification : MAICSA (MAICSA membership no.: 7058813)

SSM PC no. : 202008001958

Tel no. : +603 2280 6371

REGISTERED OFFICE

: BO3-B-13-1, Level 13
 Menara 3A, KL Eco City
 No. 3, Jalan Bangsar
 59200 Kuala Lumpur

Tel no. : +603 2280 6388

HEAD / MANAGEMENT OFFICE

: No. 44B, Jalan Pandan 3/2
 Pandan Jaya
 55100 Kuala Lumpur
 Wilayah Persekutuan

Tel no. : +603 9285 4544
 E-mail : ir@senheng.com.my
 Website : www.senheng.com.my

1. CORPORATE DIRECTORY (CONT'D)

**PRINCIPAL ADVISER AND
MANAGING UNDERWRITER**

: **Mercury Securities Sdn Bhd**
L-7-2, No. 2 Jalan Solaris
Solaris Mont' Kiara
50480 Kuala Lumpur

Tel no. : +603 6203 7559

**JOINT UNDERWRITERS AND
JOINT BOOKRUNNERS**
(in alphabetical order)

: **AmlInvestment Bank Berhad**
22nd Floor, Bangunan Ambank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur

Tel no. : +603 2036 2633

CIMB Investment Bank Berhad

17th Floor, Menara CIMB
No.1, Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur

Tel no. : +603 2261 8888

Mercury Securities Sdn Bhd

L-7-2, No. 2 Jalan Solaris
Solaris Mont' Kiara
50480 Kuala Lumpur

Tel no. : +603 6203 7559

**AUDITORS AND REPORTING
ACCOUNTANTS**

: **BDO PLT (LLP0018825-LCA & AF 0206)**
Level 8, BDO @ Menara Centara
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

Tel no. : +603 2616 2888

Partner in charge : Ng Soe Kei

Approval no. : 02982/08/2023J

Professional qualification : Chartered Accountant, Malaysian
Institute of Accountants ("**MIA**")
(MIA membership no.: 20134)

SOLICITORS

: *To our Company as to Malaysian law*

Mah-Kamariyah & Philip Koh

3A07, Block B, Phileo Damansara II
15 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan

Tel no. : +603 7956 8686

1. CORPORATE DIRECTORY (CONT'D)

SOLICITORS (Cont'd) : *To the Managing Underwriter, Joint Underwriters and Joint Bookrunners*

Wong Beh & Toh
 Level 19, West Block
 Wisma Golden Eagle Realty
 No. 142-C Jalan Ampang
 50450 Kuala Lumpur

Tel no. : +603 2713 6050

ISSUING HOUSE AND SHARE REGISTRAR : **Tricor Investor & Issuing House Services Sdn Bhd**
 Unit 32-01, Level 32, Tower A
 Vertical Business Suite Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur

Tel no. : +603 2783 9299

INDEPENDENT MARKET RESEARCHER : **Smith Zander International Sdn Bhd**
 No. 15-01, Level 15, Menara MBMR
 1, Jalan Syed Putra
 58000 Kuala Lumpur

Tel no. : +603 2732 7537

Person in charge : Dennis Tan Tze Wen

(Please refer to Section 8 of this Prospectus for the profile of the firm and signing partner)

LISTING SOUGHT : Main Market of Bursa Securities

SHARIAH STATUS : Approved by the SAC

2. INTRODUCTION

2.1 APPROVALS AND CONDITIONS

2.1.1 SC

The SC has, vide its letter dated 10 November 2021, approved our IPO and Listing under Section 214(1) of the CMSA, subject to the compliance with the following condition:-

Condition imposed	Status of compliance
Mercury Securities and Senheng to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Listing	To be complied

The SC has, via its letter dated 10 November 2021, approved the resultant equity structure of our Company pursuant to our Listing under the equity requirement for public listed companies. The effects of our Listing on the equity structure of our Company are as follows:-

Categories	As at 31 May 2021*		After our Listing	
	No. of Shares	(1)%	No. of Shares	(2)%
Bumiputera				
▪ Malaysian public via balloting	-	-	(3)15,000,000	1.00
▪ Bumiputera investors approved by MITI	-	-	(3)187,500,000	12.50
Total Bumiputera	-	-	202,500,000	13.50
Non-Bumiputera	(4)3	100.00	(5)1,297,500,000	86.50
Total Malaysian	3	100.00	1,500,000,000	100.00
Foreigners	-	-	-	-
TOTAL	3	100.00	1,500,000,000	100.00

Notes:-

* Being the latest practicable date prior to the submission of the application for our IPO and Listing to the SC.

(1) Based on the issued share capital of 3 Shares.

(2) Based on the enlarged issued share capital of 1,500,000,000 Shares.

(3) Assuming all Shares allocated to Bumiputera investors approved by MITI under the Institutional Offering and Bumiputera public under the Retail Offering via balloting are fully subscribed.

(4) Held by KH Lim, KC Lim and KY Lim.

(5) Assuming all the Eligible Persons that are allocated with the IPO Shares under the Pink Form Allocation are non-Bumiputera.

The SAC of the SC has, via its letter dated 28 October 2021, classified our Shares as Shariah-compliant securities based on our latest audited financial information for the FYE 2020 and the pro forma combined statements of financial position as at 31 December 2020.

2. INTRODUCTION (CONT'D)

2.1.2 Bursa Securities

Bursa Securities had, vide its letter dated 6 December 2021, approved our admission to the Official List and the listing and quotation of our entire enlarged issued share capital on the Main Market of Bursa Securities.

The approval from Bursa Securities is subject to compliance with the following conditions:-

No.	Conditions imposed	Status of compliance
1.	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements.	To be complied
2.	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance to the public share spread requirements based on the entire issued share capital of Senheng on the first day of listing.	To be complied

2.1.3 MITI

The MITI had, vide its letter dated 11 August 2021, taken note of and has no objection to our Listing.

2.2 MORATORIUM ON OUR SHARES

In accordance with the Equity Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in our Company as at the date of our Listing, for a period of 6 months from the date of our Listing ("**Moratorium Period**").

The details of our Shares which will be subject to moratorium are as follows:-

Name	Direct shareholdings	
	No. of Shares	⁽¹⁾ %
SQ Digital	869,600,000	57.97
KH Lim	80,300,000	5.35
KC Lim	80,300,000	5.35
KY Lim	80,300,000	5.35
Total	1,110,500,000	74.03

Note:-

(1) Based on the enlarged issued share capital of 1,500,000,000 Shares.

Our Promoters have provided undertaking letters to the SC that they will not sell, transfer or assign any part of their respective shareholding under moratorium during the Moratorium Period, in accordance with the Equity Guidelines.

The shareholders of SQ Digital, namely KH Lim, KC Lim and KY Lim, have also provided undertaking letters to the SC that they will not sell, transfer or assign their respective shareholdings in SQ Digital during the Moratorium Period.

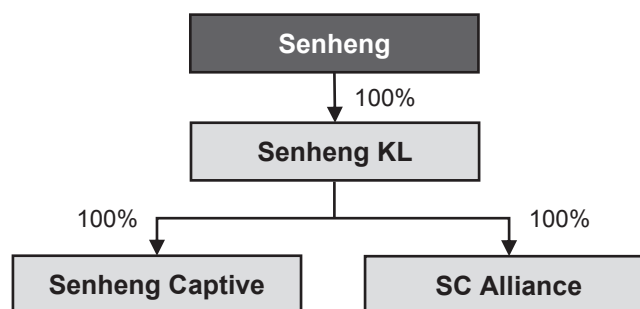
The above moratorium restriction is specifically endorsed on the share certificates representing the Shares held by our Promoters which are under the moratorium to ensure that our Share Registrar does not register any transfer that contravenes such restrictions.

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

3.1 BACKGROUND AND OVERVIEW

Our Company was incorporated in Malaysia under the Act as a public company on 21 May 2021 under the name of Senheng New Retail Berhad. We are an investment holding company and through our Subsidiaries, we are a retailer of consumer electrical and electronic products. Our Group structure as at the LPD and after our IPO is as follows:-



Our business was founded by KH Lim, KC Lim and KY Lim with the opening of our first store in 1989. We opened our 10th store in 1994 and our 20th store in 1996. In 1998, we were recognised as the largest electrical retailer in Malaysia by the Malaysian Book of Records as we had successfully expanded our chain store network to 35 physical stores. We opened our 100th outlet in 2008.

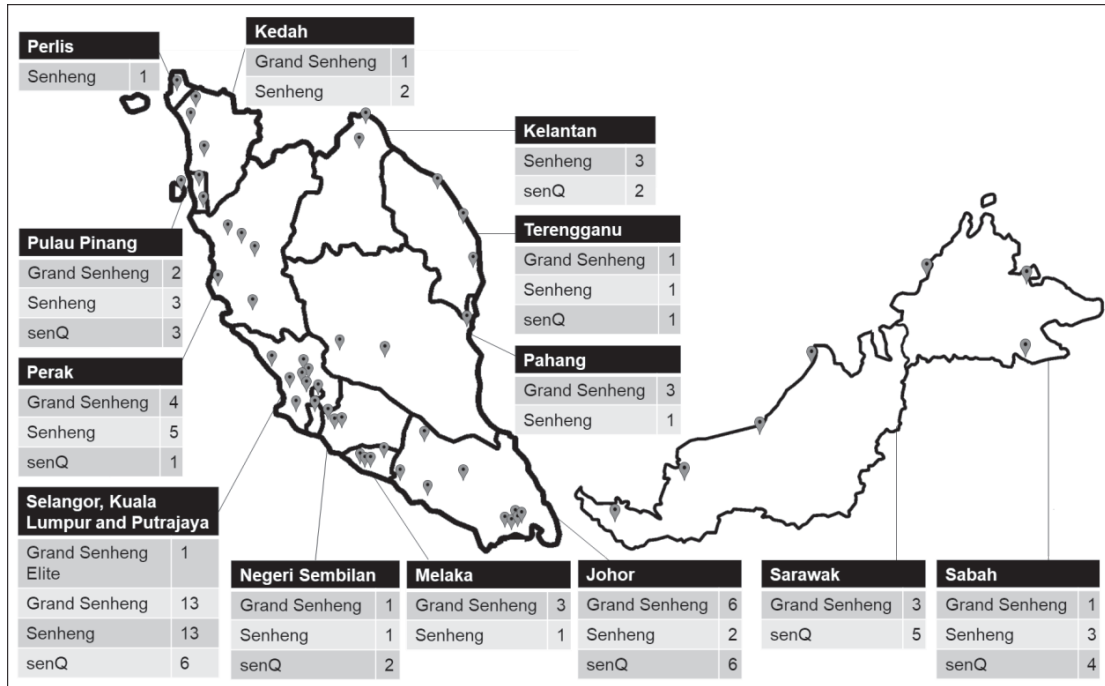
Over the years, we had implemented the following key initiatives:-

Year	Key initiatives
2000	We standardised our store operations and created a cohesive brand identity for our Group
2002	We adopted a fixed price policy and launched the PlusOne loyalty programme to attract new customers to shop with us and entice existing customers to return to our stores for repeat purchases
2003	We launched a new “senQ” store concept with the aim of reaching customers in shopping malls
2004	We invested in business intelligence to gather and analyse data to aid our management in making business decisions
2015	We embarked on a digital transformation of our business to improve our operational efficiency, enhance our customers’ experience and expand our market presence
2017	We introduced our seamless retail model with the aim of enhancing customers’ shopping experience by providing a cohesive and consistent shopping experience across physical and online retail platforms

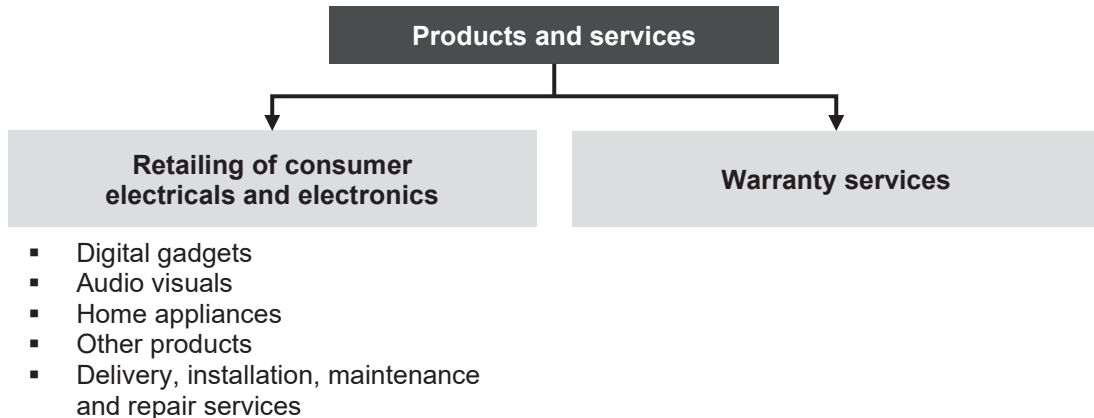
We believe that the key initiatives above have enabled us to grow and achieve our current scale of operations. As at the LPD, we have a chain of 105 physical stores across every state in Malaysia under 4 store concepts, namely “Grand Senheng Elite”, “Grand Senheng”, “Senheng” and “senQ”, as well as online platforms.

3. PROSPECTUS SUMMARY (CONT'D)

The following map depicts the locations of our physical stores in Malaysia as at the LPD:-



Our products are broadly categorised as follows:-



For further information on our group structure, background and business, please refer to Sections 6 and 7 of this Prospectus respectively.

3.2 OUR COMPETITIVE STRENGTHS

Our competitive strengths are as follows:-

(i) Largest chain retailer of consumer electrical and electronic products in Malaysia

- According to the IMR Report as included in Section 8 of this Prospectus, we are the largest consumer electrical and electronics chain retailer in Malaysia by revenue. As at the LPD, we have a chain of 105 physical stores occupying approximately 797,000 sq ft of physical retail space across every state in Malaysia.
- Our “Senheng” and “senQ” brands are recognisable and reputable in the consumer electrical and electronic industry in Malaysia.

3. PROSPECTUS SUMMARY (CONT'D)

- In recognition of the strength of our brands, we have received many awards and accolades, examples are the “*Malaysian Business of the Year Award, 2020*”, “*Best Brand (Platinum Award)*”, “*Best Employer (Platinum Award), 2020*”, “*Best Use of Technology (Platinum Award), 2020*” and “*Best in Marketing (Platinum Award), 2020*” from the Star Outstanding Business Awards (SOBA) and “*Revolutionary Hero Brand Award – Outstanding Performer, 2017*” award from Lazada Malaysia.

(ii) Seamless retail model enables an offering of a wide range of products

- We have built a strong online presence which is integrated with our network of physical stores to offer a seamless shopping experience to our customers. Through our seamless retail model, we provide a cohesive and consistent shopping experience in terms of products, prices and promotions. This standardisation simplifies the decision-making process for customers and prevent sales cannibalisation among stores. Our online customers may also choose between direct delivery of products purchased on our online stores or in-store pickup.
- Since the introduction of our seamless retail model in 2017, revenue had increased from RM0.89 billion for the FYE 2017 to RM1.29 billion for the FYE 2020, representing a CAGR of 13.2% despite a decrease in the total number of physical stores.

(iii) Strong PlusOne loyalty programme with a large base of customers who are enrolled as members

- As at the LPD, our PlusOne loyalty programme which was launched in 2002, has approximately 3.24 million registered members, of which 2.94 million are paid registered members (i.e. have signed up for a paid membership tier and are entitled to enjoy benefits such as free PlusOne extended warranty). All PlusOne members enjoy member prices and free delivery for their purchases. All PlusOne members (save for PlusOne Corporate members) are able to collect S-Coins on their purchases. In the past 3 FYEs 2018 to 2020, total registered PlusOne members have grown at a CAGR of 5.60%.
- Sales generated from PlusOne members contributed approximately 94.2%, 96.6%, 97.5% and 98.1% of our annual revenue for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021, respectively. For information, 1.04 million members have made a purchase in the last 3 years and are considered active members.

(iv) Experienced founders-led management team and a motivated workforce

- Since the founding of our business in 1989, our management team has been led by KH Lim and KC Lim, who serve as our Non-Independent Executive Chairman and President / Non-Independent Executive Director, respectively.
- KH Lim and KC Lim are assisted by other Key Senior Management with expertise across a broad spectrum of business activities, including operations, logistics, sales and marketing.

(v) Centralised logistics model and established logistics network enable efficient cost management

- Our centralised logistics model and established logistics network allows increased efficiency in the physical movement of our products, particularly on the large scale at which we operate. By accepting all deliveries at a centralised location instead of the many regional hubs and/or retail outlets directly, we simplify the delivery process for suppliers and reduce their logistics cost which translate into higher discounts given to us.

3. PROSPECTUS SUMMARY (CONT'D)

- We are able to provide customers with competitive delivery times for both in-store and online orders, which increases customer satisfaction.
- (vi) **We benefit from the large scale of our operations and our established relationship with our suppliers**
- We have maintained longstanding business relationships with our major suppliers. As at the LPD, we have had business relationships ranging from 16 to 32 years with our top 5 major suppliers for the FPE 2021. We provide special designated areas in our physical stores and online stores for brand principals enabling us to carry out advertising and promotional activities to increase the visibility of their brand and products to customers.
 - Hence, we enjoy beneficial commercial terms on our orders from them, enabling us to price products competitively and reduce instances of stock unavailability at our physical stores which contributes positively to customer satisfaction and financial performance.
- (vii) **Digital infrastructure optimises our data-driven marketing, operational workflow and enhances customers' shopping experience**
- Since 2015, we have undertaken a digital transformation of our business to keep pace with the growth in the scale of our business, including in the areas of (1) Data collection and business intelligence system; (2) Enterprise resource planning suite of applications; and (3) Online stores, e-commerce automation software, marketing automation platform and telemarketing automation application.
 - Our digital infrastructure is the backbone of our seamless retail model and has enabled us to increase the scale of our operations, improve the efficiency of our operations and contribute towards more informed decision making by our management.
- (viii) **Steady revenues, EBITDA and cashflows**
- Our Group's revenue increased by 13.1% and 20.9% for the FYE 2020 and FPE 2021, respectively while EBITDA increased by 12.5% and 34.49% for the FYE 2020 and FPE 2021, respectively, despite the temporary closure of our physical stores following the implementation of the movement controls imposed by the Government.

For further details on our competitive strengths, please refer to Section 7.2 of this Prospectus.

3.3 BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:-

- (i) **Enhance our customers' shopping experience and strengthen our market presence by upgrading our chain of physical stores**
- We aim to be the territory champion within every 5-kilometre radius of our physical stores by being the largest in terms of floor space and have the largest variety of products so as to provide customers with a wholesome retail experience. Our wide range of product offerings allow our customers to physically browse a variety of models of the same product category from multiple brands before deciding on a purchase.
 - We intend to increase the size of our individual retail outlets in order to be able to display a wider range of products from more brand principals and to provide a more comfortable shopping experience to customers by opening new and/or upgrading certain existing "Senheng" stores into "Grand Senheng" stores and "Grand Senheng Elite" stores as well as introducing a new store concept known as "Grand senQ".

3. PROSPECTUS SUMMARY (CONT'D)

(ii) **Expand product portfolio through the development of a new brand distribution business which include international brands and our own house brand**

- Since 2020, we were appointed as the exclusive distributor in Malaysia for two international brands and are involved in the direct importation and distribution of these brands. In August 2021, we also launched our own range of cookware products under our house brand “Delighto”.
- We will develop the new brand distribution business by continuing to look out for suitable brands to import and distribute in Malaysia, focusing on kitchen appliances, home electricals, personal and beauty care appliances, and IoT products.

(iii) **Increase our warehouse storage space and strengthen our logistics network in East Malaysia**

We are in the midst of expanding our Kota Kinabalu regional hub by constructing a new adjacent warehouse and increasing the number of loading bays. We are also in the midst of relocating our Kuching regional hub to a larger warehouse which we acquired in 2020 and is currently under renovation. Moving forward, we intend to construct a Bintulu regional hub which will be the distribution centre for physical stores and customers in Bintulu and Sibü.

(iv) **Boost our digital infrastructure**

Moving forward, we intend to implement the following enhancements and step-ups to our digital infrastructure over the next 3 years which comprise of the following; (a) establishing a data lake and upgrading existing technology platforms, (b) cloud-based disaster recovery system, (c) enhance our WMS and ERP system and (d) maintenance of our digital infrastructure.

(v) **Enhancement of our PlusOne loyalty programme**

- On 1 June 2021, we introduced a new credit token which can be earned by our PlusOne members known as “S-Coin”.
- We also plan to increase the benefits enjoyed by our PlusOne members by relaunching a new “Senheng App”. This is a long-term initiative to enable access to a whole new lifestyle ecosystem that provides a host of services and convenience to our members.

For further details on our business strategies and future plans, please refer to Section 7.3 of this Prospectus.

3.4 PRINCIPAL DETAILS OF OUR IPO

Our IPO Shares will be allocated at the IPO Price as summarised in the table below:-

Categories	Issue Shares		Offer Shares		Total	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
Retail Offering						
Malaysian Public (via balloting):-						
▪ Bumiputera	15,000,000	1.00	-	-	15,000,000	1.00
▪ Non-Bumiputera	15,000,000	1.00	-	-	15,000,000	1.00
Eligible Persons:-	22,500,000	1.50	-	-	22,500,000	1.50
Subtotal	52,500,000	3.50	-	-	52,500,000	3.50

3. PROSPECTUS SUMMARY (CONT'D)

Categories	Issue Shares		Offer Shares		Total	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
Institutional Offering (by way of private placement)						
Bumiputera investors approved by MITI	48,000,000	3.20	139,500,000	9.30	187,500,000	12.50
Other institutional and selected investors	149,500,000	9.97	-	-	149,500,000	9.97
Subtotal	197,500,000	13.17	139,500,000	9.30	337,000,000	22.47
Total	250,000,000	16.67	139,500,000	9.30	389,500,000	25.97

Note:-

(1) Based on the enlarged total number of 1,500,000,000 Shares after our IPO.

In accordance with the Equity Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in our Company as at the date of our Listing, for a period of 6 months from the date of our Listing.

For further information on our IPO and the moratorium on our Shares, please refer to Sections 4.3 and 2.2 of this Prospectus respectively.

3.5 IMPACT OF THE COVID-19 PANDEMIC

Pursuant to the outbreak of the COVID-19 pandemic in 2020, our business and operations faced temporary interruptions with the imposition of MCO and conditional MCO by the Government. During the MCO, our CDC and regional hubs were closed from 18 March 2020 and were allowed to operate from 6 April 2020 onwards and have continued to operate until the LPD. Our physical stores were closed from 18 March 2020 and we re-opened our physical stores in Peninsular Malaysia on 4 May 2020 and our physical stores in East Malaysia on 10 May 2020. Our physical stores were closed during the imposition of the nationwide lockdown / Phase 1 of the National Recovery Plan on 1 June 2021. Since 20 July 2021, certain of our physical stores located in states under Phase 2 of the National Recovery Plan are allowed to operate, subject to compliance with the SOPs issued by the Government.

Despite the temporary closures of our premises above, our Group's revenue for the FYE 2020 and FPE 2021 increased by 13.1% and 20.9% as compared to the FYE 2019 and FPE 2020, respectively, as we were able to capitalise on the higher demand for consumer electrical and electronic products during the MCO periods, as a result of the following:-

- (i) our ongoing store expansion exercise, whereby "Senheng" stores are upgraded to larger "Grand Senheng" stores offering a better customer experience;
- (ii) our PlusOne loyalty programme which had helped attract new customers and entice existing customers to make repeat purchases;
- (iii) our digital marketing automation efforts and expansion of last mile delivery capabilities to offer more convenience to customers during the MCO periods; and
- (iv) we were also able to continue selling products through our online stores and introduced a telemarketing automation application which enables employees to promote and sell our products remotely. These measures enable us to continue generating sales during the temporary closure of our physical stores during the MCO period.

For further details on the impact of the COVID-19 pandemic on our business, please refer to Section 7.16 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.6 RISK FACTORS

Before investing in our IPO Shares, you should carefully consider all risk factors set out in Section 5 of this Prospectus as summarised below:-

- (i) our success is dependent on our brands and our reputation which is critical to our continued ability to attract customers to shop at our physical and online stores and maintain relationships with our business partners;
- (ii) our success is dependent on our ability to secure optimal locations for our physical stores and to renew the tenancies or leases of our existing stores at rates which are acceptable to us;
- (iii) we operate a centralised logistics model and if the operations of our logistics network are disrupted or does not keep pace with the growth of our business, our business and financial performance may be adversely affected;
- (iv) any disruption in the supply of goods from our suppliers or services from third-party service providers may have an adverse impact on our business and financial performance;
- (v) we are subject to risk of unfavourable changes in the commercial terms with our suppliers which may affect our profit margin; and
- (vi) we are exposed to product liability claims and any serious product liability claims against us may have an adverse impact on our reputation, business, and financial performance.

For further details and the full list of risk factors affecting our business and operations, the industry in which we operate and our Shares, please refer to Section 5 of this Prospectus.

3.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as listed below:-

Name	Designation
<u>Directors</u>	
KH Lim	Non-Independent Executive Chairman
KC Lim	President / Non-Independent Executive Director
KY Lim	Non-Independent Non-Executive Director
Dato' Yeow Wah Chin	Independent Non-Executive Director
Tan Ler Chin	Independent Non-Executive Director
Ho Kim Poi	Independent Non-Executive Director
Oh Keng Leng	Independent Non-Executive Director
<u>Key Senior Management</u>	
Wong Che Hoe	Senior Vice President of Human Resource and Business Solutions
Mah Chin Niap	Senior Vice President of Finance and Business Compliance
Ho Weng Hung	Vice President of Retail Operations, Logistics and Service
Teng Kean Kheng	Vice President of Retail Operations
Phang Weng Nam	Vice President of Digital Commerce and Supply Chain
Ang Keng Beng	Division Head of Internal Audit Compliance cum Franchise
Tai Tze Yen	Division Head of Digital Marketing
Raymond Tan Chun Hong	Division Head of New Retail Technology

For further information on our Directors and Key Senior Management, please refer to Sections 9.2 and 9.3 of this Prospectus respectively.

3. PROSPECTUS SUMMARY (CONT'D)

3.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Our Promoters and Substantial Shareholders as well as their respective shareholdings in our Company before and after our IPO are as follows:-

Name	Country of incorporation / Nationality	Before our IPO			After our IPO				
		Direct		Indirect	Direct		Indirect		
		No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾		
SQ Digital	Malaysia	869,600,000	69.57	-	-	869,600,000	57.97	-	
KH Lim	Malaysian	126,800,000	10.14	(3)869,600,000	69.57	80,300,000	5.35	(3)(4)870,100,000	58.01
KC Lim	Malaysian	126,800,000	10.14	(3)869,600,000	69.57	80,300,000	5.35	(3)(4)870,175,000	58.01
KY Lim	Malaysian	126,800,000	10.14	(3)869,600,000	69.57	80,300,000	5.35	(3)869,600,000	57.97

Notes:-

(1) Based on the total number of 1,250,000,000 Shares after the Acquisition of Senheng KL and Share Split, but before our IPO.

(2) Based on the enlarged total number of 1,500,000,000 Shares after our IPO.

(3) Deemed interested by virtue of his direct interest in SQ Digital pursuant to Section 8(4) of the Act.

(4) Deemed interested by virtue of the Shares held by his children pursuant to Section 59(1)(c) of the Act assuming full subscription of the IPO Shares reserved for Eligible Persons under the Pink Form Allocation.

For further information on our Promoters and Substantial Shareholders, please refer to Section 9.1 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.9 USE OF PROCEEDS

We intend to use the gross proceeds from the Public Issue of RM267.50 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 our 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 our warehouse and logistics network	Within 36 months	20,000	7.48
(v)	Boost our 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

For further details on our use of proceeds arising from the Public Issue, please refer to Section 4.6 of this Prospectus.

3.10 FINANCIAL HIGHLIGHTS

The table below sets out the audited combined statements of profit or loss and other comprehensive income of our Group for the Period under Review:-

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FPE 2021
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	1,172,301	1,144,861	1,294,769	673,911
Cost of sales	(910,678)	(899,521)	(1,024,768)	(534,775)
GP	261,623	245,340	270,001	139,136
PBT	74,983	61,486	73,615	29,596
PAT attributable to the owners of the Company	61,063	49,559	55,637	23,312
Total equity	85,540	122,862	166,206	189,889
Total borrowings ⁽¹⁾	17,561	45,847	55,693	61,856
Cash and bank balances	23,735	54,412	68,755	50,216
GP margin ⁽²⁾ (%)	22.3	21.4	20.9	20.6
PBT margin ⁽³⁾ (%)	6.4	5.4	5.7	4.4
PAT margin ⁽⁴⁾ (%)	5.2	4.3	4.3	3.5
Gearing ratio (times) ⁽⁵⁾	0.2	0.4	0.3	0.3
Net gearing ratio (times) ⁽⁶⁾	⁽⁷⁾ (0.1)	⁽⁷⁾ (0.1)	⁽⁷⁾ (0.1)	0.1

Notes:-

(1) Computed based on total interest-bearing borrowings plus lease liabilities owing to financial institutions.

3. PROSPECTUS SUMMARY (CONT'D)

- (2) GP margin is computed based on GP over revenue.
- (3) PBT margin is computed based on PBT over revenue.
- (4) PAT margin is computed based on PAT over revenue.
- (5) Computed based on total borrowings divided by total equity as at the end of the financial year / period.
- (6) Computed based on net borrowings (total borrowings less cash and bank balances) divided by total equity as at the end of the financial year / period.
- (7) Negative net gearing ratio denotes a net cash position.

The table below sets out the audited combined statements of financial position of our Group as at 31 December 2018, 2019 and 2020 as well as at 30 June 2021:-

	Audited As at 31 December			Audited As at 30 June 2021
	2018	2019	2020	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Non-current assets	219,656	266,163	289,527	301,038
Current assets	281,209	321,071	367,385	390,103
Total assets	500,865	587,234	656,912	691,141
Share capital	1,000	1,000	1,000	1,000
Retained earnings	84,540	121,862	165,206	188,889
Total equity / NA	85,540	122,862	166,206	189,889
Non-current liabilities	202,388	224,326	237,347	243,354
Current liabilities	212,937	240,046	253,359	257,898
Total liabilities	415,325	464,372	490,706	501,252
Total equity and liabilities	500,865	587,234	656,912	691,141

For further details on our financial information, please refer to Section 12 of this Prospectus.

3.11 DIVIDEND POLICY

For the FYEs 2018, 2019 and 2020, our Group's dividend payout ratio was nil, 24.2% and 21.6%, respectively, which were funded via internally-generated funds. For information, we do not intend to declare and pay any dividends in 2021. Moving forward, we target a payout ratio of at least 30% of our net profit attributable to the owners of our Company for each financial year on a consolidated basis subject to the following:-

- (i) our Board's discretion as well as any applicable law, licence conditions and contractual obligations; and
- (ii) provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Investors should take note that this dividend policy merely describes our present intention and shall not constitute a legally binding obligation on our Company or legally binding statement in respect of our future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion.

For further details on our dividend policy, please refer to Section 12.7 of this Prospectus.

4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATIONS

The application period will open at 10.00 a.m. on 29 December 2021 and close at 5.00 p.m. on 10 January 2022. Late Applications will not be accepted.

4.2 INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:

Events	Date
Issuance of this Prospectus / Opening date of our IPO	10.00 a.m., 29 December 2021
Closing date of our IPO	5.00 p.m., 10 January 2022
Balloting of applications for our IPO Shares	12 January 2022
Allotment of our IPO Shares to successful applicants	21 January 2022
Listing	25 January 2022

In the event there are any changes to the timetable, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

4.3 PARTICULARS OF OUR IPO

Our IPO is subject to terms and conditions of this Prospectus and upon acceptance, the IPO Shares are expected to be allocated and transferred in the manner described below, subject to the clawback and reallocation provisions as set out in Section 4.3.4 of this Prospectus.

Our IPO of 389,500,000 Shares, representing 25.97% of the enlarged issued share capital of our Company will be allocated in the following manner:-

4.3.1 Public Issue

Our Public Issue of 250,000,000 Issue Shares (representing 16.67% of the enlarged total number of Shares) at the IPO Price, payable in full on application, will be allocated in the following manner:-

(a) Malaysian Public (via balloting)

30,000,000 Issue Shares (representing 2.00% of our enlarged total number of Shares) to be allocated via balloting, will be made available for Application by the Malaysian Public, of which at least 50% shall be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

4. DETAILS OF OUR IPO (CONT'D)**(b) Eligible Persons**

22,500,000 Issue Shares (representing 1.50% of our enlarged total number of Shares) will be reserved for application by the Eligible Persons under the Pink Form Allocation as follows:-

Eligible Persons	Number of persons	Aggregate no. of IPO Shares allocated
Directors of our Company ⁽¹⁾	4	960,000
Eligible employees of our Group ⁽²⁾	Up to 591	14,340,000
Other persons who have contributed to the success of our Group ⁽³⁾	Up to 283	7,200,000
Total	Up to 878	22,500,000

Notes:-

- (1) Excluding KH Lim, KC Lim and KY Lim who will not be allocated any IPO Shares. Each of our Independent Non-Executive Directors have been allocated 240,000 IPO Shares and collectively, a total of 960,000 IPO Shares has been allocated to them.
- (2) The IPO Shares will be allocated to our eligible employees based on the following eligibility criteria as approved by our Board:-
- (i) at least 18 years old;
 - (ii) designation and position;
 - (iii) length of service; and
 - (iv) contribution to our Group.

4. DETAILS OF OUR IPO (CONT'D)

The number of IPO Shares to be allocated to our Key Senior Management under the Pink Form Allocation is as follows:-

Name	Designation	No. of IPO Shares
Wong Che Hoe	Senior Vice President of Human Resource and Business Solutions	525,000
Mah Chin Niap	Senior Vice President of Finance and Business Compliance	252,000
Ho Weng Hung	Vice President of Retail Operations, Logistics and Service	288,000
Teng Kean Kheng	Vice President of Retail Operations	150,000
Phang Weng Nam	Vice President of Digital Commerce and Supply Chain	288,000
Ang Keng Beng	Division Head of Internal Audit Compliance cum Franchise	180,000
Tai Tze Yen	Division Head of Digital Marketing	120,000
Raymond Tan Chun Hong	Division Head of New Retail Technology	120,000
Total		<u>1,923,000</u>

(3) The criteria for allocation of the IPO Shares to other persons who have contributed to the success of our Group under the Pink Form Allocation are based on, among others, their current and/or past contributions to our Group as well as the length of their business relationship with our Group. Persons who have contributed to the success of our Group include our suppliers, business associates as well as store managers and employees of our franchised stores.

(c) Private placement to identified Bumiputera investors approved by the MITI

48,000,000 Issue Shares (representing 3.20% of our enlarged total number of Shares) to be allocated by way of private placement to identified Bumiputera investors approved by the MITI.

(d) Private placement to institutional and selected investors

149,500,000 Issue Shares (representing 9.97% of our enlarged total number of Shares) to be allocated by way of private placement to institutions and identified investors.

The Public Issue will increase our issued share capital from RM166,206,171 comprising 1,250,000,000 Shares to RM427,856,171 comprising 1,500,000,000 Shares.

4. DETAILS OF OUR IPO (CONT'D)

4.3.2 Offer for Sale

The Offerors are offering 139,500,000 Offer Shares (representing approximately 9.30% of our enlarged total number of Shares), at the IPO Price by way of private placement to identified Bumiputera investors approved by the MITI. The details of the Offerors, their relationship with our Group and details of their shareholdings in our Company are as follows:-

Name and address of the Offerors	Relationship with our Group for the past 3 years up to the LPD	As at the LPD		Offer for Sale		After the IPO	
		No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
KH Lim No. 37-5 The Pearl @ KLCC 2A, Jalan Stonor 50450 Kuala Lumpur	Our Promoter, Substantial Shareholder and Non-Independent Executive Chairman	126,800,000	10.14	46,500,000	3.10	80,300,000	5.35
KC Lim B-08-02, Madge Mansions Jalan Madge Taman U Thant 55000 Kuala Lumpur	Our Promoter, Substantial Shareholder and President / Non-Independent Executive Director	126,800,000	10.14	46,500,000	3.10	80,300,000	5.35
KY Lim Villa 33, No 10 Jalan Mandarin Damai 3 Bukit Mandarin Cheras 56000 Kuala Lumpur	Our Promoter, Substantial Shareholder and Non-Independent Non-Executive Director	126,800,000	10.14	46,500,000	3.10	80,300,000	5.35

Notes:-

(1) Based on the total number of 1,250,000,000 Shares after the Acquisition of Senheng KL and Share Split but before our IPO.

(2) Based on the enlarged total number of 1,500,000,000 Shares after our IPO.

The entire proceeds of RM149,265,000 arising from the Offer for Sale will accrue entirely to the Offerors. All expenses relating to the Offer for Sale will be fully borne by the Offerors.

4. DETAILS OF OUR IPO (CONT'D)**4.3.3 Summary of IPO Shares to be allocated and underwritten**

In summary, our IPO Shares offered under our Retail Offering and Institutional Offering (subject to clawback and reallocation provisions) are as follows:-

Categories	Issue Shares		Offer Shares		Total	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
Retail Offering						
Malaysian Public (via balloting)						
▪ Bumiputera	15,000,000	1.00	-	-	15,000,000	1.00
▪ Non-Bumiputera	15,000,000	1.00	-	-	15,000,000	1.00
Eligible Persons	22,500,000	1.50	-	-	22,500,000	1.50
Institutional Offering						
(by way of private placement)						
Bumiputera investors approved by MITI	48,000,000	3.20	139,500,000	9.30	187,500,000	12.50
Other institutional and selected investors	149,500,000	9.97	-	-	149,500,000	9.97
Total	250,000,000	16.67	139,500,000	9.30	389,500,000	25.97

Note:-

(1) Based on the enlarged total number of 1,500,000,000 Shares after our IPO.

The Retail Offering has been fully underwritten. The Institutional Offering is not underwritten. Irrevocable undertakings have been or will be obtained from investors who subscribe for our IPO Shares made available under the Institutional Offering.

The Retail Offering will be allocated on a fair and equitable manner and the basis of allocation for the Issue Shares shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants in view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market for our Shares. Applicants for the Institutional Offering will be selected in such manner as may be determined by our Joint Bookrunners, in consultation with our Company, to be in the best interest of our Company. Our Joint Bookrunners, in consultation with our Company, has the absolute discretion to decide whether to accept or reject any placement application.

There is no over-allotment or 'greenshoe' option which will increase the number of our IPO Shares.

4. DETAILS OF OUR IPO (CONT'D)

4.3.4 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:-

- (i) if our IPO Shares allocated to Bumiputera investors approved by the MITI (“**MITI Tranche**”) are not fully taken up, our IPO Shares which are not taken up may be reallocated to other institutional investors under the Institutional Offering.

If after the above reallocation, the MITI Tranche is still under-subscribed under the Institutional Offering, and there is an over-subscription by the Malaysian Public under the Retail Offering, the IPO Shares may be clawed back from the MITI Tranche and allocated firstly, to the Bumiputera public investors under the Retail Offering, and thereafter to the other Malaysian Public under the Retail Offering;

- (ii) subject to item (i) above, if there is an under-subscription in the Institutional Offering and an over-subscription in the Retail Offering, the IPO Shares not taken up may be clawed back from the Institutional Offering and reallocated to the Retail Offering; and
- (iii) if there is an under-subscription of the Retail Offering and an over-subscription in the Institutional Offering, the IPO Shares not taken up may be clawed back from the Retail Offering and reallocated to the Institutional Offering.

The clawback and reallocation provisions will not apply in the event there is an over-subscription or under-subscription in both the Retail Offering and the Institutional Offering or an under-subscription in either the Retail Offering or the Institutional Offering but no over-subscription in the other.

Any IPO Shares allocated to Eligible Persons but not taken up by them shall be made available to other Eligible Persons who have applied for excess IPO Shares (if any) in addition to their pre-determined allocation of IPO Shares (“**Excess Shares**”). Such Excess Shares will be allocated to these other Eligible Persons on a fair and equitable basis in the following priority:-

- (a) firstly, allocation on a proportionate basis to our Directors and eligible employees of our Group who have applied for Excess Shares based on the number of Excess Shares applied for;
- (b) secondly, allocation of any surplus Excess Shares after (a) above on a proportionate basis to persons who have contributed to the success of our Group who have applied for Excess Shares based on the number of Excess Shares applied for; and
- (c) thirdly, to minimise odd lots.

Our Board reserves the right to allot Excess Shares applied for in such manner as it may deem fit, expedient and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) to (c) above is achieved. Our Board also reserves the right to accept or reject any Excess Shares application, in full or in part, without assigning any reason.

Any allocated IPO Shares not fully taken up by Eligible Persons will be made available for application by the Malaysian Public under the Retail Offering, with any remaining IPO Shares thereafter underwritten by our Managing Underwriter and Joint Underwriters, subject to the clawback and reallocation set out above.

4. DETAILS OF OUR IPO (CONT'D)

4.3.5 Share capital

Upon completion of our IPO, our share capital will be as follows:

	<u>No. of Shares</u>	<u>RM</u>
Issued share capital as at the LPD	1,250,000,000	166,206,171
New Shares to be issued pursuant to the Public Issue	250,000,000	⁽¹⁾ 261,650,000
Enlarged issued share capital upon Listing	<u>1,500,000,000</u>	<u>427,856,171</u>

Note:-

(1) Calculated based on the IPO Price and after deducting the estimated listing expenses of approximately RM5.85 million which is directly attributable to our Public Issue and allowed to be debited against the share capital of our Company.

4.3.6 Classes of shares and ranking

As at the date of this Prospectus and upon completion of our IPO, we have only 1 class of shares, namely ordinary shares in our Company.

Our IPO Shares, upon allotment and issuance, will rank equally in all respects with our existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared subsequent to the date of allotment of our IPO Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution, after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

Any resolution set out in the notice of any general meeting, or in any notice of resolution which may be moved or is intended to be moved at any general meeting, is to be voted by poll. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have 1 vote for each Share held.

4.3.7 Minimum subscription level

There is no minimum subscription level in terms of proceeds to be raised from our IPO. However, in order to comply with the public spread requirement under the Listing Requirements, the minimum subscription level in terms of number of Shares will be the number of Shares required to be held by public shareholders of our Company to comply with the minimum public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

Under the Listing Requirements, we are required to have a minimum of 25.00% of our Shares held by at least 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing.

4. DETAILS OF OUR IPO (CONT'D)

If the abovesaid public spread requirement is not met, we may not be able to proceed with the Listing. See Section 5.3.2 of this Prospectus for details in the event there is a delay or failure of our Listing.

4.4 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES

Our Directors and Promoters, together with Mercury Securities have determined and agreed on the IPO Price of RM1.07 per IPO Share, after considering the following factors:-

- (i) our competitive strengths, business strategies and future plans (see Sections 7.2 and 7.3 of this Prospectus);
- (ii) the overview and prospects of our industry (see Section 8 of this Prospectus);
- (iii) our Company's financial performance and operating history as set out in Sections 12 and 13 of this Prospectus. Our EPS of 3.71 sen (based on our audited PAT attributable to the owners of our Company of RM55.64 million for the FYE 2020 and our enlarged total number of 1,500,000,000 Shares upon Listing) represents an implied PE Multiple of approximately 28.84 times;
- (iv) our pro forma NA per Share of RM0.30 after our IPO, computed based on the pro forma statement of financial position of our Company as at 30 June 2021 and our enlarged total number of 1,500,000,000 Shares upon Listing; and
- (v) the prevailing market conditions which include market performance of key global indices and companies which are in businesses similar to ours, as well as investors' sentiments.

Based on the IPO Price, the total market capitalisation of our Company will be RM1.605 billion upon Listing.

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in our Shares. You are reminded to carefully consider the risk factors as set out in Section 5 of this Prospectus before deciding to invest in our Shares.

4.5 DILUTION

Dilution is the amount by which the IPO Price exceeds our consolidated NA per Share after our IPO. Our pro forma consolidated NA per Share as at 30 June 2021 immediately before adjusting for our IPO was RM0.15, based on the total number of issued Shares of 1,250,000,000 Shares of our Company after the Acquisition of Senheng KL, Share Split and immediately prior to our IPO.

Upon issuance of the Issue Shares and after adjusting for effects of the utilisation of gross proceeds raised from our IPO, our pro forma NA per Share as at 30 June 2021 would be RM0.30 per Share based on our Company's enlarged total number of 1,500,000,000 Shares. This represents:-

- (i) an immediate increase in NA per Share of RM0.15 to our existing shareholders; and
- (ii) an immediate dilution in NA per Share of RM0.77, representing a 71.96% dilution to our new investors.

4. DETAILS OF OUR IPO (CONT'D)

The following table illustrates such dilution on a per Share basis:-

	RM
IPO Price	1.07
Pro forma consolidated NA per Share as at 30 June 2021 after the Acquisition of Senheng KL, Share Split and before adjusting for our IPO	0.15
Pro forma consolidated NA per Share as at 30 June 2021 after adjusting for our IPO	0.30
Increase in pro forma consolidated NA per Share to our existing shareholders	0.15
Dilution in pro forma consolidated NA per Share to new investors	0.77
Dilution in pro forma consolidated NA per Share to new investors as a percentage to the IPO Price	71.96%

Save for the issuance of Shares to the Promoters pursuant to the Acquisition of Senheng KL and the Share Split, details of which are set out in Section 6.3 of this Prospectus, there has been no acquisition of any of our Shares by our Promoters, Directors, Key Senior Management, Substantial Shareholders and persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares from the date of our incorporation up to the date of this Prospectus.

4.6 USE OF PROCEEDS

We intend to use the gross proceeds from the Public Issue of RM267.50 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 our 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 our warehouse and logistics network	Within 36 months	20,000	7.48
(v) Boost our digital infrastructure	Within 36 months	9,700	3.63
(vi) Estimated listing expenses	Within 3 months	9,300	3.47
Total		<u>267,500</u>	<u>100.00</u>

As shown above, we intend to use most of our Public Issue proceeds to fund the upgrading and expansion of our chain of retail stores, repay our bank borrowings, to develop our new brand distribution business, expand and upgrade our warehouse and logistics network and boost our digital infrastructure. Further details of our use of gross proceeds from the Public Issue are set out below whilst further information on our business strategies and future plans are set out in Section 7.3 of this Prospectus.

4. DETAILS OF OUR IPO (CONT'D)

4.6.1 Enhance customer experience via upgrading and expanding our chain of retail stores

Our on-going business strategy is to enrich in-store customer experience and as such, we aim to be the territory champion within every 5-kilometre radius of our stores. We aim to be the largest in terms of floor space and have the largest variety of products so as to provide customers with a wholesome retail experience. Our focus is primarily on the quality of our individual stores whilst increasing the quantity of stores is secondary.

As at the LPD, we have 1 “Grand Senheng Elite” store, 38 “Grand Senheng” stores, 36 “Senheng” stores and 30 “senQ” digital stations.

We intend to use approximately RM160.50 million from the Public Issue for the following, within 36 months from the date of our Listing:-

- (i) upgrade certain of our existing “Senheng” stores to “Grand Senheng” or “Grand Senheng Elite” stores;
- (ii) launch a new store concept known as “Grand senQ” which is intended to be larger than the average existing “senQ” store (*further information on the key features of our physical store concepts are set out in Section 7.6.3(i) of this Prospectus*); and
- (iii) set up new outlets in previously underserved areas in Malaysia.

In this regard, we intend to allocate the RM160.50 million for the enhancement of customer experience via upgrading and expanding our chain of retail stores, in the following manner:-

Estimated breakdown of utilisation		RM'000	%
(i)	Acquisition of new properties	72,500	45.17
(ii)	Rental expenses	35,000	21.81
(iii)	Set-up costs for new and upgraded stores	53,000	33.02
Total		160,500	100.00

We intend to open 11 new “Grand Senheng Elite” stores, 37 new “Grand Senheng” stores, 8 new “Grand senQ” stores and 7 new “senQ” stores from the LPD up to the end of 2024. Most of our new “Grand Senheng Elite” stores, “Grand Senheng” stores and “Grand senQ” digital stations are intended to be upgrades of our existing “Senheng” stores and “senQ” digital stations with a few new stores to be established in previously untapped localities. Please refer to Section 7.3(i) of this Prospectus for the summary of new and upgraded stores to be opened in 2021, 2022, 2023 and 2024.

As at the LPD, we have not determined the breakdown of stores which will be upgrades of our existing “Senheng” stores and “senQ” digital stations or new stores to be opened in new locations for the FYE 2023 and FYE 2024. Any such decision will only be made at a later date subject to the ongoing evaluation of the performance of our existing physical stores as well as market studies of potential locations for new and/or upgraded stores.

The expansion and upgrading of our physical stores into new “Grand Senheng”, “Grand Senheng Elite” and “Grand senQ” stores would include securing the required retail space via long-term tenancies or even outright purchase of the property.

We intend to allocate RM72.50 million to partially cover the cost of acquiring up to 13 new properties to house our new “Grand Senheng” and “Grand Senheng Elite” stores with the balance to be funded via bank borrowings and internally-generated funds.

4. DETAILS OF OUR IPO (CONT'D)

As at the LPD, we have not identified any properties to be acquired and we will consider the location, availability of properties as well as the market prices of commercial space in the geographical locations we intend to operate in when deciding to acquire or rent a new property. We intend to acquire up to 9 properties in the Central region of Peninsular Malaysia, and at least 1 property each in East Malaysia as well as the Northern, Southern, and East Coast regions of Peninsular Malaysia.

Notwithstanding our acquisition plans above, a majority of our new and/or upgraded stores will be located in rental properties. We intend to allocate RM35.00 million to partially cover the rental costs for up to 48 new and/or upgraded stores to be opened. The total rental costs to be incurred will depend on amongst others, the location, size and type of property.

In addition to the cost of acquiring and/or renting such properties, the capital expenditure required to set up new outlets include amongst others, the cost of renovations and fit-out work. We estimate that such set up costs are expected to range between RM1.30 million to RM1.60 million for each new "Grand Senheng Elite" store and "Grand senQ" digital station, between RM0.70 million to RM0.90 million for each new "Grand Senheng" store and between RM0.70 million to RM0.80 million for each new "senQ" digital station, depending on the location, size and layout.

We intend to allocate RM53.00 million from the proceeds of the Public Issue to partially cover the set up costs of the new and upgraded stores, with the balance to be funded via bank borrowings and/or internally-generated funds.

Further information on our store expansion and enhancement plans are set out in Section 7.3(i) of this Prospectus.

4.6.2 Repayment of bank borrowings

As at the LPD, our Group's total borrowings amounted to approximately RM45.84 million with a further RM3.24 million to be drawdown. We intend to use RM46.00 million from the proceeds of the Public Issue to repay the term loans of RM45.84 million granted by Public Bank Berhad, Hong Leong Islamic Bank Berhad and RHB Bank Berhad.

The above term loans of RM45.84 million as at the LPD was drawn down in 2019, 2020 and 2021 to finance the acquisition of land and buildings for our retail stores and regional hubs. We expect to draw down an additional RM3.24 million in the 1st quarter of 2022 to fund the remaining purchase consideration of a new shoptlot located in Kuala Lumpur which is intended to house our "Grand Senheng" store. This draw down is subject to the subsequent fulfilment of the payment milestones by the developer of the property.

The repayment of the term loan facilities may be subjected to early settlement fees, therefore the actual interest savings from the repayment of the term loan facilities may be lower. For information, pursuant to the terms of the conventional term loan facilities granted by Public Bank Berhad and RHB Bank Berhad, the early settlement fee is calculated as 2% to 3% on the original approved loan amounts, subject to the amount of time which has lapsed from the first draw down of the respective term loan facility until the point of repayment. However, for the Shariah-compliant term loan facility granted by Hong Leong Islamic Bank Berhad, the bank may charge an early settlement fee to compensate the bank for any cost incurred by the bank e.g., stamp duty and legal fees. For avoidance of doubt, the bank will not impose any early settlement fee if the associated settlement costs are borne by us.

The term loan facilities to be repaid from the proceeds of the Public Issue bears a weighted average effective interest rate of 3.62% for the FPE 2021. From the LPD until the full repayment of the term loans, we will continue to service the monthly principal

4. DETAILS OF OUR IPO (CONT'D)

payments and interest expenses of the term loan from internally-generated funds. We intend to fully repay our term loan facilities above and the actual principal amount at the point of repayment may be less than the amount allocated for the repayment of the term loans. Any excess funds after repayment of the term loans will be utilised to replenish our existing cash reserves / internally generated funds that were utilised towards servicing the monthly principal repayments and interest expenses of the term loan since the LPD.

The repayment of the term loan is expected to have a positive financial impact on our Group with interest savings of approximately RM1.67 million per annum based on the weighted average effective interest rate of 3.62%.

Further information on our bank borrowings are set out in Section 12.4.3 in this Prospectus.

4.6.3 Develop new brand distribution business

The product we carry and offer in our stores are mainly supplied by the respective brand principals or local distributors of such products. As part of our efforts to offer a wider selection of products to our customers, we have ventured into importing and distributing international brands with minimal or no prior market presence in Malaysia.

As at the LPD, we are the exclusive distributor for two international brands, namely, "ROBAM" kitchen appliances such as cooking hobs, cooking hoods and ovens, as well as "JIMMY" vacuum cleaners and hair dryers (both originating from the People's Republic of China), in Malaysia. We have been looking out to other countries to identify suitable brands, with a focus on kitchen appliances, home electricals, personal and beauty care appliances and IoT products which we believe have the potential to be accepted by Malaysian consumers. In August 2021, we also launched our own range of cookware products under our house brand "Delighto".

We intend to use approximately RM22.00 million from the Public Issue to further develop our brand distribution business in Malaysia. The costs relating to the development of this new business are mainly in relation to the purchase of inventory from the brand principals and the marketing expenses relating to the launch and introduction of the brand to the market. Whilst the total costs to be incurred will depend on the terms negotiated with the respective brand principals, we expect that the purchase of inventory will comprise approximately 50% of the total cost with the balance used for marketing expenses.

Any shortfall in the allocated proceeds to fund the development of our brand distribution business in Malaysia will be funded via internally generated funds.

Further information on our brand distribution business is set out in Section 7.3(ii) of this Prospectus.

4.6.4 Expand and upgrade our warehouse and logistics network

Our Group's products are distributed throughout our stores and delivered to our end-customers through our centralised logistics model. As at the LPD, our logistics network comprises our CDC which is our main distribution point where we receive and store all products procured from our suppliers, as well as distribute the products to our other regional hubs and customers throughout Peninsular Malaysia, Sabah and Sarawak, 8 other regional hubs located throughout Malaysia which support the distribution of products to our physical stores and customers by regions, as well as a fleet of our own delivery vehicles and third-party service providers to make deliveries in instances where it is more cost-efficient to do so.

Further information on our warehouse and logistics network are set out in Section 7.8.2 of this Prospectus.

4. DETAILS OF OUR IPO (CONT'D)

We intend to scale up our logistics network to support our Group's growth in the number and size of our physical stores. Depending on the location and sales volume of our physical stores in the future, our expansion plans may include expanding our existing CDC or our regional hubs including the construction of new regional hubs. As at the LPD, we are in the midst of expanding our Kota Kinabalu regional hub and construction is expected to be completed by the 2nd quarter of 2022. We are also in the midst of relocating our Kuching regional hub to a larger warehouse, which is expected to be completed in the 1st quarter of 2022. For information, the expansion of the Kota Kinabalu regional hub and the relocation of our Kuching regional hub will not be funded from the proceeds from the Public Issue.

Moving forward, we also intend to construct a Bintulu regional hub which will be the distribution centre for physical stores and customers in Bintulu, Sibul and Miri. However, as at the LPD, we have not yet identified any suitable location and/or existing warehouse in Bintulu to serve as our regional hub. Our Group intends to identify and set-up our new regional hub in Bintulu by end of 2023. Any future property acquisition and/or construction costs is expected to be financed from the proceeds of the Public Issue and/or internally generated funds.

Further information on our future plans for our expansion and upgrading of our warehouse storage space and logistics network in East Malaysia are set out in Section 7.3(iii) of this Prospectus.

In addition, our brand distribution business requires us to store a large quantity of inventory which we purchase from our brand principals prior to distribution to other retailers and/or sale on our retail platforms. This storage requirement will increase as we secure new brands to be distributed as well as when our existing brands gain further market acceptance. Our Group may meet such future storage requirements by expanding our existing CDC or securing a new warehouse for this distribution business. We intend to use approximately RM20.00 million from the Public Issue to finance the cost of acquiring new lands and the construction cost of new warehouses.

For information, as at the LPD, we estimate that the warehouse storage space at our CDC and 8 other regional hubs are approximately 65% utilised and expects that our warehouse capacities will need to be expanded within the next 3 years.

As at the LPD, we have not finalised any plans to acquire or construct any new warehouses. The exact location and size of any land to be acquired are subject to our requirements at that point in time and is dependent on other local factors such as price and availability. Any shortfall in the allocated proceeds to fund the acquisition of land and construction of warehouses will be funded via internally generated funds and/or bank borrowings.

4.6.5 Boost our digital infrastructure

Since 2015, we have undertaken a digital transformation of our business to keep pace with the growth in the scale of our business. Further information on our digital transformation efforts and future plans to boost our digital infrastructure is set out in Section 7.2(vii) and Section 7.3(iv) of this Prospectus, respectively. Our efforts to boost our digital infrastructure are ongoing and currently comprise the following initiatives:-

(i) Establishing a data lake and upgrading existing technology platforms

We intend to upgrade our current data repository system to a centralised data repository platform known as a data lake. In conjunction with this, we intend to establish a customer data platform, upgrade our existing marketing platform, integrate our business intelligence system and switch to a headless microservices architecture.

4. DETAILS OF OUR IPO (CONT'D)

We estimate that the total cost of establishing the data lake and upgrading our existing technology platforms to be approximately RM2.79 million, which is expected to be financed from the proceeds of the Public Issue and/or internally generated funds.

(ii) Set up a cloud-based disaster recovery system

We intend to supplement our existing physical standby disaster recovery system with a cloud-based server which backs up data in real time and enables us to recover and transfer data within a shorter time.

We estimate that the total cost of setting up a cloud-based disaster recovery system to be approximately RM0.90 million, which is expected to be financed from the proceeds of the Public Issue and/or internally generated funds.

(iii) Enhance our WMS and ERP system

We intend to replace our existing WMS and ERP system with new enhanced versions of the same. This will improve our ability to handle more goods and simplify future software upgrades which will enable us to better manage the future growth in our business.

We estimate that the total cost of enhancing our WMS and ERP system to be approximately RM1.75 million, which is expected to be financed from the proceeds of the Public Issue and/or internally generated funds.

(iv) Maintain our digital infrastructure

We intend to carry out continuous enhancements to our cybersecurity systems and continue optimising our online advertisements through use of business analytics.

We estimate that the total cost of maintaining our digital infrastructure for the next 3 years to be approximately RM4.85 million, which is expected to be financed from the proceeds of the Public Issue and/or internally generated funds.

We intend to use approximately RM9.70 million to fund the above enhancements and step-ups to our digital infrastructure. Further details of our breakdown are as follows:-

Digital infrastructure enhancements		RM'000	%
(i)	Establishing a data lake and upgrading existing technology platforms ⁽¹⁾	2,600	26.80
(ii)	Set up a cloud-based disaster recovery system ⁽²⁾	800	8.25
(iii)	Enhance our WMS and ERP system ⁽²⁾	1,500	15.46
(iv)	Maintain our digital infrastructure ⁽²⁾	4,800	49.49
Total		9,700	100.00

Notes:-

(1) Includes the development cost of a data lake, the application programming interface and other business applications.

(2) Includes the software development cost as well as annual server expenses and support and maintenance cost.

4. DETAILS OF OUR IPO (CONT'D)

Any shortfall in the allocated proceeds to fund the above enhancements and step-ups to our digital infrastructure will be funded via internally generated funds.

4.6.6 Estimated listing expenses

The estimated expenses and fees for our IPO and Listing to be borne by us are estimated to be RM9.30 million, details of which are as follows:-

Expenses	RM'000
(i) Professional fees	2,800
(ii) Brokerage, underwriting and placement fees	5,150
(iii) Fees payable to authorities	700
(iv) Fees and expenses relating to printing of Prospectus and advertising	500
(v) Miscellaneous expenses and contingencies	150
Total	9,300

If the actual listing expenses are higher than budgeted above, the deficit will be funded from the proceeds allocated for the expansion and upgrading of our network of physical stores described in Section 4.6.1 of this Prospectus and vice versa.

Pending the eventual use of the gross proceeds from the Public Issue for the above intended purposes, the funds will be placed in short-term deposits with licensed financial institutions and/or short-term money market instruments.

We will not receive any proceeds from the Offer for Sale. The Offer for Sale will raise gross proceeds of approximately RM149.27 million which will accrue entirely to our Offerors. Our Offerors will be bearing their own placement fees in respect of our IPO.

4.7 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES

For the services of Mercury Securities, being our Managing Underwriter, Joint Underwriter and Joint Bookrunner in managing the distribution of the IPO Shares, we will pay a non-refundable management fee at the rate of 0.30% of the total value of all the IPO Shares under both Retail Offering and Institutional Offering. The management fee is subject to the taxes prevailing in Malaysia.

4.7.1 Brokerage fee

We will pay brokerage fees in respect of the 30,000,000 Issue Shares under the Retail Offering at the rate of 1.00% of the IPO Price for successful applications which bear the stamp of participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association in Malaysia and/or the Issuing House. The brokerage fee is subject to the taxes prevailing in Malaysia.

4. DETAILS OF OUR IPO (CONT'D)

4.7.2 Underwriting commission

Our Managing Underwriter and Joint Underwriters has agreed to underwrite all the Issue Shares under the Retail Offering (“**Underwritten Shares**”). Notwithstanding this, the final number of IPO Shares to be taken up by our Managing Underwriter and Joint Underwriters shall be such remaining Underwritten Shares not applied for after being subject to clawback and reallocation provisions set out in Section 4.3.4 above. We are obliged to pay our Managing Underwriter and Joint Underwriters an underwriting commission at the rate of 1.50% of the total value of the Underwritten Shares underwritten at the IPO Price. The underwriting commission is subject to the taxes prevailing in Malaysia.

4.7.3 Placement fee

Our Joint Bookrunners has agreed to place out 337,000,000 IPO Shares under the Institutional Offering.

We are obliged to pay our Joint Bookrunners a placement fee at the rate of 1.50% of the total value of the Issue Shares successfully placed out to investors at the IPO Price. The placement fee is subject to the taxes prevailing in Malaysia.

The Offerors will bear the placement fee in respect of the Offer Shares.

4.8 UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, our Managing Underwriter and Joint Underwriters has agreed to underwrite all the 52,500,000 IPO Shares under the Retail Offering. Notwithstanding this, the final number of Issue Shares to be taken up by our Managing Underwriter and Joint Underwriters shall be such remaining Issue Shares under the Retail Offering not applied for after being subject to clawback and reallocation provisions set out in Section 4.3.4 above. Details of the underwriting commission are set out in Section 4.7.2 above.

The salient terms of the Underwriting Agreement which, amongst others, may allow our Managing Underwriter and Joint Underwriters to withdraw from its obligations are as follows:-

- (i) the obligations of our Managing Underwriter and Joint Underwriters under the Underwriting Agreement are conditional on certain conditions precedent being satisfied or fulfilled;
- (ii) Notwithstanding anything contained in the Underwriting Agreement, the Managing Underwriter and the Joint Underwriters collectively (and not singly) may in the discretion and without liability on their part, by giving notice in writing to us at any time before the closing date of our IPO, terminate, cancel and withdraw their commitment to underwrite the Underwritten Shares with immediate effect, if:-
 - (a) any approvals required in relation to our IPO or our Listing is revoked, suspended, withdrawn or ceases to have any effect whatsoever, or is varied or supplemented upon terms that would have or is reasonably likely to have a material adverse effect;
 - (b) there is any material breach by us of any of our representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given by our Managing Underwriter and our Joint Underwriters collectively to us by the closing date of our IPO or the date of our Listing;

4. DETAILS OF OUR IPO (CONT'D)

- (c) there is a material failure on our part to perform any of our obligations contained in the Underwriting Agreement including but not limited to the conditions precedent as set out in the Underwriting Agreement;
- (d) there is withholding of information of a material nature from our Managing Underwriter and our Joint Underwriters which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of our Managing Underwriter and our Joint Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group, the success of the IPO or Listing, or the distribution or sale of the IPO Shares;
- (e) there shall have occurred, or happened any material adverse change in the business or financial condition of our Company or our Group from that set out in this Prospectus which is material in the context of the offering of the Issue Shares, our IPO and/or our Listing or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the representations, warranties and undertakings contained in the Underwriting Agreement hereof as though given or made on such dates up to the date of our Listing;
- (f) the Listing does not take place within 3 months from the date of the Underwriting Agreement or such other extended date as may be agreed by our Joint Underwriters collectively;
- (g) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading in securities is imposed for 3 consecutive Market Days or more;
- (h) the closing date of our IPO is not the day and time adopted in this Prospectus or such other extended date as may be agreed in writing by the Joint Underwriters collectively;
- (i) the placement Agreement and lock-up letters shall have been terminated or rescinded in accordance with its terms or ceased to have any effect whatsoever;
- (j) any commencement of legal proceedings or action against any member of our Group or any of our directors (excluding our independent non-executive directors) or major shareholders, which in the opinion of our Managing Underwriter and our Joint Underwriters, would have or is reasonably likely to have a material adverse effect or make it impracticable to market our IPO or to enforce contracts to allot and/or transfer the IPO Shares;
- (k) any material statements contained in this Prospectus has become or been discovered to be untrue, inaccurate or misleading in any respect;
- (l) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Main Market of Bursa Securities due to exceptional financial circumstances which, in the opinion of our Managing Underwriter and our Joint Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group, the success of our IPO, or the distribution or sale of the Issue Shares;

4. DETAILS OF OUR IPO (CONT'D)

- (m) our Company and any Subsidiaries and/or any of our major shareholders becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or make a general assignment for the benefits of its creditors;
- (n) there is any government requisition or occurrence of any other nature which materially and adversely affects or will materially and adversely affects the business or financial condition or operation of our Group;
- (o) a material adverse change in the stock market condition occurs, and for the purposes of this clause, a material adverse change in the stock market condition shall be deemed to have occurred if the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:
 - (aa) on or after the date of the Underwriting Agreement; and
 - (bb) prior to the close of the offering of the Public Issue,
 - lower than 90% of the level of Index at the last close of normal trading on Bursa Securities on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 consecutive Market Days or any other adverse change in the market conditions which our Managing Underwriter and our Joint Underwriters mutually agree to be sufficiently material and adverse to render it to be a terminating event; or
- (p) there shall have occurred, or happened any of the following circumstances:
 - (aa) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (bb) any new laws or change in laws in any jurisdiction or any event or series of events which could not have been avoided or prevented by reasonable foresight, planning and implementation (including without limitation, pandemics / epidemics, natural disasters, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, riot, uprising against constituted authority, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power, sabotage, acts of war or accidents). For the avoidance of doubt, the foregoing shall exclude any movement control order(s) issued under the Prevention and Control of Infectious Diseases Act 1988 and/or the Police Act 1967 or otherwise by the Government amid the existing COVID-19 pandemic;

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or financial condition or the operations of our Group as a whole or the success of our IPO or Listing or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

4. DETAILS OF OUR IPO (CONT'D)

4.9 TRADING AND SETTLEMENT IN SECONDARY MARKET

Pursuant to subsection 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Security. Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (which is operated by Bursa Depository). This will be effected in accordance with the provisions of SICDA and the Rules of Bursa Depository. Accordingly, our Company will not deliver share certificates to the subscribers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain the Shares in CDS Accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to their respective CDS Accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS Accounts shall not be withdrawn from the CDS except in the following instances:-

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of non-equity securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading for shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot market. Settlement and payment of trades done on a "ready" basis on Bursa Securities generally takes place on the third Market Day following the transaction date.

It is expected that our Shares will not commence trading on Bursa Securities until about 10 Market Days after the close of our IPO. Holders of our Shares will not be able to sell or otherwise deal in our Shares (except by way of book-entry transfers to other CDS Accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

5. RISK FACTORS

IN EVALUATING AN INVESTMENT OF OUR IPO SHARES, YOU SHOULD CAREFULLY CONSIDER ALL INFORMATION CONTAINED IN THIS PROSPECTUS INCLUDING THE FOLLOWING INVESTMENT CONSIDERATIONS AND RISKS.

5.1 RISKS AFFECTING OUR BUSINESS AND OPERATIONS

5.1.1 Our success is dependent on our brands and our reputation

We believe that the brand recognition of our “Senheng” and “senQ” brands which we have built up over the past 30 years have contributed significantly to the growth and success of our business. We believe that our reputation is critical to our continued ability to attract customers to shop at our physical and online stores and maintain relationships with our business partners. Any occurrence of events which negatively impact our brand and/or reputation may deter customers from shopping with us as well as discourage our business partners from conducting business with us. Such events include incidents relating to the quality or safety of our products or our business practices, which may be beyond our control. We may also be subjected to liability or negative publicity resulting from the illegal activities or actions by our employees, which are beyond our control.

Increasingly, shoppers are using social media platforms to provide feedback and information on their shopping experience in a manner that may result in a rapid and broad dissemination of such feedback. Customer complaints in relation to amongst others, our failure to meet consumer expectations with respect to our products and services, delivery times, customer support or other matters could have a negative impact on our reputation, if disseminated widely and not handled appropriately.

Further, any actual or perceived position represented by our Group on social, environmental, or other sensitive issues, and any perceived lack of transparency about those matters, could harm our reputation with certain customer demographics. There is no assurance that any negative publicity will not have an adverse impact to our business and financial performance.

5.1.2 Our success is dependent on our ability to secure optimal locations for our physical stores and to renew the tenancies or leases of our existing stores at rates which are acceptable to us

Our “Grand Senheng Elite” stores, “Grand Senheng” stores and “Senheng” stores are typically located in commercial areas located in close proximity to residential housing areas while our “senQ” digital stations are typically located in shopping malls. There is no assurance that the existing localities of our physical stores will continue to meet our expectations in terms of consumer traffic, local demographics and accessibility.

In addition, as at the LPD, out of a total of 105 physical stores, 97 stores are located in rented properties, 5 stores are located in partly owned and rented properties and 3 stores are located in our fully owned properties. Further, we may enter into more tenancy agreements in the future when we open new “Grand Senheng Elite” stores, “Grand Senheng” stores, “Grand senQ” digital stations and “senQ” digital stations. As such, we are exposed to fluctuations in the retail rental market. Our tenancy agreements are for a period of 1 to 6 years and upon expiry, the landlord will have the right to review and alter the terms and conditions of the tenancy agreement. There is no assurance that such tenancies will be renewed or that we will be able to continue to secure tenancies in prime locations at commercial terms which are acceptable to us.

5. RISK FACTORS (CONT'D)

Moving forward, we may opt to acquire commercial shoplots to house our new “Grand Senheng” and “Grand Senheng Elite” stores. We intend to open these stores in areas with high foot traffic and that are conveniently located for our customers. The terms of acquiring properties in prime locations may not be as competitive and could result in additional costs to secure these new locations.

If we are unable to secure optimal locations for our physical stores or if a substantial number of stores are unable to renew existing tenancies on reasonable commercial terms or at all, our business and financial performance may be adversely affected.

5.1.3 **We operate a centralised logistics model and if the operations of our logistics network are disrupted or does not keep pace with the growth of our business, our business and financial performance may be adversely affected**

In 2018, we migrated to a centralised logistics model based out of our CDC in Klang and 8 other regional hubs located throughout Malaysia which has enabled us to better manage the physical movement of our products, particularly on the large scale at which we operate.

As most of our products are delivered by our suppliers to our CDC before it is delivered to our regional hubs and physical stores, any significant disruption in the operations of our CDC or regional hubs due to amongst others, fire, flood, prolonged power outages, system failures, break-ins, outbreak of diseases or human error may affect our ability to move goods to our physical stores and/or to the customers or in some cases, result in loss of inventory. In addition, as our regional hubs in Johor, Kelantan, Pahang and Kuching, Sarawak are rented from third-party landlords, any unexpected termination or non-renewal of tenancy by the landlord may result in a significant disruption in the operations of those regional hubs.

The occurrence of any of the events above could have an adverse impact on our business and financial performance until such disruptions are resolved. There is no assurance that we will be able to restore our operations and/or secure and set up an alternative site in a timely manner and on terms and conditions which are commercially acceptable to us.

For the Period under Review and up to the LPD, save for the temporary disruption on the operations of our warehouse and logistics network during the MCO period from 18 March 2020 to 3 May 2020, as disclosed in Section 7.16(iii)(a) of this Prospectus, our Group did not encounter any disruption to the operations of our logistics network which had a significant impact to our business or financial performance.

5.1.4 **Any disruption in the supply of goods from our suppliers or services from third-party service providers may have an adverse impact on our business and financial performance**

As at the LPD, our physical stores carry about 10,000 SKUs from over 280 international and local brands and comprise primarily digital gadgets, audio visuals and home appliances. These products are supplied by either the brand principals themselves or through their appointed distributors. We do not enter into long term agreements or contracts with our suppliers. Further, we are dependent on our top 5 suppliers as they collectively supplied 56.64%, 59.21%, 64.31% and 62.79% of our total purchases for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021, respectively.

5. RISK FACTORS (CONT'D)

As the products supplied by these suppliers are branded products and can only be sourced from the brand principals themselves or through their appointed distributors, there are no other alternative suppliers providing the same products. Demand for a particular brand's products in certain product categories such as mobile phones, laptop computers and televisions are generally inelastic, and consumers are typically unwilling to switch to similar products from a different brand.

Any disruption or cessation of supply from our suppliers may result in a shortage of supply to our retail outlets which may affect our sales performance as customers opt to shop elsewhere for that brand's products.

Further, we rely on a combination of third-party logistics and courier service providers in addition to our own in-house logistics team for the movement of goods between our CDC, regional hubs, physical stores and our customers. We also contract with third-party service providers to install products at the customers' premises such as air conditioners, refrigerators and washing machines. We also contract third-party service providers for the maintenance and repair of goods sent-in by customers.

For the FYE 2020, approximately 59.1% of our deliveries, all of our installation and approximately 88.8% of our maintenance and repair services were handled by third-party service providers. Any disruption or cessation of supply from a substantial number of these third-party service providers in any given region may affect our ability to effectively move our goods to our physical stores and/or to the customers, and we may be unable to offer our customers competitive delivery times for their products or cause delays in providing installation, maintenance and repair services to our customers. Consequently, we may receive complaints from our customers as a result of such delays. If we are unable to arrange for other third-party service providers or address customer complaints in a timely manner, our market reputation and sales performance may be affected as customers may choose to shop from other retailers.

For the Period under Review and up to the LPD, save for the temporary disruption in the supply of products during the MCO period from 18 March 2020 to 3 May 2020 and during the nationwide lockdown / Phase 1 of the National Recovery Plan on 1 June 2021, as disclosed in Section 7.16(iii)(b) of this Prospectus, our Group did not encounter any major disruption which had significantly impacted our business and financial performance.

5.1.5 We are subject to risk of unfavourable changes in the commercial terms with our suppliers which may affect our profit margin

Whilst we do not enter into long term agreements or contracts with our suppliers, we negotiate commercial terms with our suppliers on an annual basis. These commercial terms include the amount of discounts we receive from certain of our suppliers when we purchase products from them. These discounts are provided to our Group in exchange for achieving mutually agreed sales targets, simplifying the suppliers' delivery process by centralising deliveries at only our CDC in Klang instead of various deliveries at our individual stores, and for undertaking advertising and conducting promotional activities for their products.

For the FYE 2020, we received discounts amounting to RM166.70 million from our suppliers, representing 16.3% of our total COS while for the FPE 2021, we received discounts amounting to RM91.53 million from our suppliers, representing 17.1% of our total COS (FPE 2020: RM75.69 million, representing 17.1% of our total COS). If we are unable to secure similar rates of discounts in the future, we would have to increase the selling price of our goods and/or sell these goods at a lower margin than we currently enjoy. This will have an adverse impact on our business and financial performance.

5. RISK FACTORS (CONT'D)

5.1.6 We are exposed to product liability claims and any serious product liability claims against us may have an adverse impact on our reputation, business, and financial performance

Our Group retails consumer electrical and electronic products which we source from our brand principals. If the products we sell are damaged, defective, contain other unintended features which may result in injury or is subsequently subject to product recalls by the manufacturer, we may be liable for product defects under applicable consumer protection laws. While all consumer electrical and electronic products supplied to us must obtain the necessary certifications from the relevant regulatory agencies, there is no assurance that we will not be subject to any regulatory penalties or sanctions in the event of non-compliance in the future.

Third parties who suffer injury or damage as a result of a product malfunction may bring claims or legal proceedings against us as the retailer of the product, notwithstanding that we are not the manufacturers of such products. As at the LPD, we have not been subject to any claims or sanctions by any regulatory authorities in relation to any product defects.

In addition, whilst the products we sell typically comes with a warranty from the manufacturer to protect the consumer against manufacturing defects, we also offer additional PlusOne extended warranty coverage to members of our PlusOne loyalty programme. Further information on our PlusOne extended warranty is set out in Section 7.6.2(ii) of this Prospectus.

While 100% of our PlusOne extended warranty is insured by a third-party insurance provider, 70% of the warranty liabilities is reinsured by our subsidiary, Senheng Captive. We set aside a portion of the sale price of the products covered under the PlusOne loyalty programme to cover potential claims by our PlusOne members, based on analysis of past claim patterns from the same or similar products previously sold.

Failure to accurately assess the claim rate of a particular product or product category may result in higher than expected repair or replacement costs if such products exhibit a higher than expected rate of failure within the warranty period. While the cost of such claims is also partially covered by the membership fees we collect from our PlusOne members, there is no assurance that the occurrence of widespread product failure in the future will not have an adverse impact to our reputation, business and financial performance.

5.1.7 We may not be able to successfully implement our business strategies and future plans

As part of our business strategies and future plans as set out in Section 7.3 of this Prospectus, we intend to expand and upgrade our network of physical stores, develop a new brand distribution business, increase warehouse storage space and strengthen our logistics network in East Malaysia, boost our digital infrastructure and enhance our PlusOne loyalty programme. There is no assurance that we will be able to anticipate all the business and operational risks arising from our business strategies and future plans.

The expansion and upgrading of our store network requires us to amongst others, identify and secure suitable locations for new physical stores and obtain the necessary funding to open and operate these physical stores, attract and train sufficient customer service personnel, enhance our logistics network to support these new physical stores and scale our digital infrastructure to keep pace with the growth in the number of physical stores and products sold.

5. RISK FACTORS (CONT'D)

We also intend to launch 1 new store concept, known as “Grand senQ” digital station. “Grand senQ” digital stations will carry a wider range of high-end consumer electrical and electronic products which include IoT products and will be larger than the existing “senQ” digital stations. Our profits may be impacted in the short term until the new “Grand senQ” digital stations generate sufficient revenues to cover the initial set-up costs for these stores. In addition, there is no assurance that our customers will prefer this new store concept or that the new “Grand senQ” digital stations will perform to our expectations.

While we may rely on the expertise and experience of KH Lim, KC Lim and Key Senior Management who have been the main drivers of our business over the years, there is no assurance that we will be able to successfully implement our growth plans in the future and failure to do so may have an adverse impact to our business, financial performance and prospects.

In addition, our ability to expand our product portfolio by direct importing and distributing suitable third-party brands and our house brand, “Delighto”, as part of our new brand distribution business is subject to our ability to identify, secure and successfully market and launch such brands in the future. Such investments may also take time to reach their full potential as we aim to distribute international brands and “Delighto” with minimal or no prior market presence in Malaysia and there is no assurance such products will reach a level of market acceptance or sales to be profitable.

In the initial stages of the launch of new products, we would be required to purchase a minimum amount of inventory from the brand principals / contract manufacturer as well as invest in marketing such products. There is no assurance that the introduction of new brands will be profitable as its financial performance will be subject to amongst others, the demand and supply condition of the products we distribute as well as the investments required.

There can be no assurance that we will be able to execute business strategies and future plans successfully and in a sustainable manner and in such event, we may not be able to recoup our investments or achieve the expected rate of return for these investments which may impact our business and financial performance.

5.1.8 **Any failure to operate, maintain, integrate or scale our online stores and supporting digital infrastructure could have a material adverse effect on our business, financial performance and prospects**

In 2017, we introduced our seamless retail model to integrate our online and offline retail channels. Online sales contributed to approximately 3.1%, 3.3%, 7.4% and 7.4% of our Group’s total sales for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021, respectively. We believe that the proportion of sales generated from our online stores will continue to increase and continue to be an integral part of our retail strategy.

We are dependent on the continued performance, reliability and availability of our online stores to sustain the increasing traffic, especially during peak period such as sales or festive seasons. Our inability to provide secure and reliable access to our online stores for our customers may cause us to lose potential sales to our competitors. While we continue to invest in upgrading and improving our online stores, including our mobile applications, there is no assurance that these strategies will be effective or that we will be successful in implementing these system upgrades and improvement strategies.

5. RISK FACTORS (CONT'D)

We also depend on our digital infrastructure to collect, analyse, process, store operational and financial data and manage various aspects of our business processes. Any damage or interruption to these digital infrastructures due to a variety of causes such as power outages, computer viruses and malware, cyber-attacks, physical damage to our servers and other hardware as well as design or usage errors or malfeasance by our third-party service providers would hinder our business processes which could have an adverse impact on our business and financial performance.

Our digital infrastructure is also exposed to the risk of cyber-attacks including spyware and other malware issues which may lead to breaches in customers' data that could potentially harm our reputation and business. Such malfunctions, system failures and cyber-attacks may potentially disrupt our operations and cause our customers to lose confidence in our security measures and exposure us to litigation, regulatory action or liability as a result of violation of relevant privacy, data security and other laws which in turn may have an adverse impact on our business and financial performance. In 2019, a malware was detected in our "Senheng" online store and "senQ" online digital station. We removed the malware immediately upon discovering its presence and notified affected customers whose data may have been compromised. This incident did not cause any major disruption to our operations and did not have material impact on our business and financial performance.

5.1.9 We are dependent on our skilled and experienced personnel and the loss of their continued services may affect our operations and future growth

Our success and future growth depend largely on the expertise and experience of KH Lim, KC Lim and Key Senior Management, profiles of whom are set out in Sections 9.1.2 and 9.3.1 of this Prospectus. The unexpected departure or loss of any one of them could disrupt our business and operations and hamper our growth. There is no assurance that in the event we lose any of our key people, that we will be able to identify and/or recruit suitable replacements in a timely manner, or at all.

The performance of individual physical stores is dependent on the contributions and expertise of the management teams of each store. In addition, any shortage of customer service personnel at our physical stores could affect the quality of service we provide to our customers, resulting in low customer satisfaction leading to loss of sales and loss of customer loyalty. Our customer service personnel are responsible for assisting customers in product selection, conducting sales, and arranging for delivery and installation for the customers. Our customers expect a high level of customer service and product knowledge from our customer service personnel, both at our physical stores as well as via our online stores.

Despite our employee retention efforts as set out in Section 7.15 of this Prospectus, there is no assurance that these measures would be sufficient to attract and retain our employees. In addition, our labour cost may increase due to changes in regulatory requirements in relation to minimum wage and other statutory contributions which may result in the increase of operating cost.

5.1.10 Our properties are subject to various land use, licensing and compliance certification requirements

We are required to maintain and renew various regulatory licences, approvals and permits in respect of our properties and our use of properties, including our physical stores and warehouses. As at the LPD, we operate 105 physical stores and 9 regional hubs (including our CDC in Klang which serves as the regional hub for the Central region of Peninsular Malaysia).

5. RISK FACTORS (CONT'D)

As at the LPD, we are unable to ascertain whether 3 of our 105 physical stores have the required CFO/CCC, as a copy of the CFO/CCC has not been made available to us by the landlords of such properties. Although we are working with the respective landlords to verify the status of CFO/CCC and will assist the landlords, to the extent possible, to obtain a copy of the CFO/CCC or occupation permit from the relevant authorities, there is no assurance that we will be able to obtain such CFO/CCC in a timely manner or at all (as the applications for such CFO/CCC could be rejected). As at the LPD, the potential maximum penalty applicable is up to RM1.00 million, which will not have a material adverse impact on our business and financial results. Any enforcement action in respect of the affected outlets is not expected to have a material adverse impact on our Group's business operations and financial condition. Please refer to Section 3 of Annexure A of this Prospectus for further details on the relevant non-compliances and measures being taken to rectify such non-compliances.

Under applicable Malaysian laws, we are required to obtain business licences and signage licences for our physical stores and warehouse facilities which are renewable on a yearly basis. If we are not able to obtain or renew the required business licences and signage licences for our physical stores and warehousing facilities, we may be subject to fines, penalties and/or penal liabilities. As at the LPD, 8 of our physical stores have not been issued with the required business and signboard licences while 3 of our physical stores have not been issued with a signboard licence. We have committed our best efforts to obtain the outstanding licences and will continue to actively liaise with the relevant authorities and local councils for the issuance of the outstanding licences. However, there can be no assurance that we are able to obtain the outstanding licences in a timely manner or at all (as the application for such licences could be rejected) or that we are able to renew such licences as and when they are due for expiry. Any enforcement action in respect of the affected outlets is not expected to have a material adverse impact on the Group's business operations and financial condition.

Although we have not been subject to any material enforcement actions in the past with respect to the above-mentioned non-compliances, there is no assurance that we will not be subject any enforcement action in the future and if there is any such enforcement action, we may in the worst-case scenario be required to temporarily or permanently cease our operations in such locations and relocate our physical stores or warehousing facilities to new locations. However, this is not expected to have a material adverse impact on our business, financial performance and prospects. Further, the simultaneous enforcement on all the affected stores and warehouse facilities resulting in forced closures of all the affected stores and warehouse facilities at once is remote and the risk is diversified, since the locations of the affected stores are dispersed throughout Malaysia.

5.1.11 Our business may be affected by the outbreak of pandemics of infectious diseases such as COVID-19 in Malaysia as well as in the countries of origin of consumer electrical and electronic products

The outbreak of pandemics of infectious diseases or other health epidemics may create substantial economic uncertainty and global instability, which may adversely affect business operations, consumer spending and lead to a decline in overall economic activity globally.

The Government imposed various forms of preventive and physical distancing measures since March 2020 to contain the spread of the COVID-19 virus which had resulted in mandatory closure of all Government and private premises for a short period of time in 2020 and are later allowed to operate while adhering to a set of strict standard operating procedures. In June 2021, pursuant to the imposition of the nationwide lockdown / Phase 1 of the National Recovery Plan, our head office and all physical stores were closed.

5. RISK FACTORS (CONT'D)

However, our Group obtained approval from MITI and the MOT to allow our CDC and regional hubs to operate during this lockdown period to fulfil online sales orders, subject to complying with the SOPs issued by the Government. Subject to the SOP of each individual state, we were able to gradually resume the operations of our physical stores. As at the LPD, all our physical stores are fully operational. Further details of the impact of COVID-19 to our business and operations is set out in Section 7.16 of this Prospectus.

Based on our audited combined financial statements for the FYE 2020, our revenue increased by RM149.91 million or 13.1% to RM1.29 billion as compared to the FYE 2019 as a result of our ongoing store expansion exercise, whereby “Senheng” stores are upgraded to “Grand Senheng” stores with increased floor space and a larger variety of products offering a better customer experience; our PlusOne loyalty programme which enable us to attract new customers and entice existing customers to make repeat purchases; our digital marketing automation efforts, telemarketing activities and expansion of last mile delivery capabilities to offer more convenience to customers during the MCO and conditional MCO periods. For the FPE 2021, our revenue increased by RM116.38 million or 20.9% to RM673.91 million as compared to the FPE 2020 mainly due to a lesser impact from the lockdown measures implemented by the Government as compared to in the FPE 2020, better inventory management resulting in lower incidences of stock unavailability and higher consumer demand following our increased digital advertising efforts. While we experienced an increase in revenues during the COVID-19 pandemic, there is no assurance that we will be able to maintain such financial results in the future.

For information, from the implementation of the MCO on 18 March 2020 up to the LPD, our Group had spent less than RM500,000 to purchase face masks, temperature scanners and sanitisers as well as for the sanitisation of our properties and to conduct COVID-19 swab tests for our employees.

There can be no assurance that restrictions and/or prohibitions, including the temporary closure of retail outlets will not be re-imposed in the future with periodic surges of COVID-19 cases in Malaysia or if there is a pandemic or outbreak of other infectious diseases or other health epidemics. These events may have an adverse impact on our business and financial performance. In addition, we may face disruptions to our business operations if we are required to temporarily close any of our physical stores, head office, CDC or regional hubs if our employees or customers tests positive for COVID-19. As we do not carry business interruption insurance coverage to cover breakout of diseases such as COVID-19, any losses that we may incur as a result of reduced operations of our physical stores are not recoverable under insurance.

We may also face disruptions, such as stock unavailability or delays in delivery, from some of our suppliers due to disrupted supply chains in their countries of origin. Movement restrictions and other containment measures imposed in different countries may result in a slowdown or stoppage in the production of consumer electrical and electronic products.

While we have not experienced any material shortage in inventory and product supply, there is no assurance that our suppliers will be able to continue supplying us their products in a timely manner if the COVID-19 pandemic persists or worsens or if the Government implements further restrictions or prohibitions. Any disruption in the restocking of inventories may result in loss of sales from customers as customers opt to shop elsewhere for that product.

5. RISK FACTORS (CONT'D)

Notwithstanding that our physical store operations were temporarily disrupted during the MCOs imposed by the Government to contain the spread of the COVID-19 pandemic in the FYE 2020, our Group was still able to record an increase in revenue of 13.1% and 20.9% for the FYE 2020 and FPE 2021 as compared to the FYE 2019 and FPE 2020, respectively, as a result of our Group's efforts as disclosed above.

5.1.12 We are subject to the risk of inadequate insurance coverage

We maintain different types of insurance coverage that are customary in our industry to protect against various losses and liabilities, such as fire, burglary, loss of money in transit, public liability and product liability arising from our business operations. However, we are unable to guarantee that the insurance coverage will be adequate in all circumstances to cover the losses, damages or liabilities which we may incur, in the event that any of the abovementioned incidences take place or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. Our Group does not maintain business interruption insurance coverage for breakout of diseases such as COVID-19, and any losses that we may incur as a result of reduced operations of our physical stores are not recoverable under such insurance.

In addition, we are subject to the risk of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is not sufficient to cover such risks, we would have to bear such losses and consequently our business and financial performance may be adversely affected.

5.2 RISKS AFFECTING THE INDUSTRY IN WHICH WE OPERATE

5.2.1 We face competition from other industry players

We operate in the consumer electrical and electronics retail sector where we face competition from a large number of players, including other consumer electrical and electronic product retailers, hypermarkets, department stores and online retailers. We also face competition from mono-brand electronics shops operated by brand principals themselves that sell exclusively their own branded products as well as specialty electronic shops selling digital gadgets and/or audio visual products. We compete on a variety of factors including product range, pricing, outlet locations, product presentation and customer service.

Increasingly, shoppers are using internet-enabled devices to find and compare products, prices and product reviews, whether or not they intend to make their purchases online or in-store. Potential customers also consider accessibility of outlets and delivery options, increasingly seeking faster delivery times and/or convenient pick-up options.

The barriers to entry are generally low for the consumer electrical and electronics retail industry as most of these products can be easily sourced in the market and the upfront cost required by a new industry player can be low if they start with a small range of products. As such, we potentially face competition from new entrants into this industry. Our ability to compete depend on various factors, including offering a wide range of products from many different brands at competitive prices and leveraging on our wide network of physical outlets throughout Malaysia enabling our customers to evaluate products in person or arrange for in-store pickup for online purchases. Through our centralised logistics model and regular replenishment of inventory, we are also able to arrange for quick delivery times of products to our customers who opt for delivery.

5. RISK FACTORS (CONT'D)

Notwithstanding the above, there is no assurance that we will be able to continue to compete effectively and any failure to do so may have an adverse impact to our business and financial performance.

5.2.2 Our business may be affected if we do not identify or effectively respond to changing consumer trends and preferences in a timely manner

Our future growth depends on our ability to continue to attract our existing customers and new customers to shop at our physical and online stores. We track and analyse the sales performance of each product category and brands as well as our customer's shopping preferences in order to stay abreast of emerging consumer trends and to remain competitive. For example, COVID-19 pandemic leads to the rapid shift in consumer shopping behaviour from brick-and-mortar retail stores to online shopping, thereby driving the increase in online sales. While we believe that the integration of online and offline stores and by offering home deliveries and in-store pickups for products purchased through our seamless retail model, coupled with our warranty programmes and in-house repair and service capabilities, will continue to be attractive to our customers, there can be no assurance that any changes in consumer trends and preferences in the future will not have an adverse impact to our business, financial performance and prospects.

5.2.3 We face risks arising from political, economic, social and regulatory changes

Our business may be affected by political, economic, social and regulatory changes. Such developments include, but are not limited to, changes in political leadership, changes in general economic and business conditions, fiscal and monetary policies of the Government such as methods of taxation and tax policies, unemployment trends and other matters that influence consumer confidence and spending.

Consumer demand for electrical and electronic products is driven by increasing disposable income and affluence of population. In general, a strong Malaysian economy helps boost consumer spending on consumer electrical and electronic products while a weak Malaysian economy may result in consumers being more cautious in their spending. In view of the outbreak of the COVID-19 virus in 2020, Malaysia recorded a 5.63% decrease in GDP in 2020, indicating adverse economic conditions for the year. While the daily confirmed COVID-19 cases in Malaysia are decreasing and the economy is gradually recovering, any sudden surge in the COVID-19 cases that result in the re-imposition of movement restrictions may again lead to loss of businesses and jobs, pay cuts or lower salary growth, increase in unemployment rate and reduction in consumer purchasing power. This may again result in economic uncertainty, whereby consumers will be more prudent in their spending and may withhold from buying non-essential goods which may include premium consumer electrical and electronic products, thus may affect the overall demand for these products.

Any other adverse change in the economic conditions of Malaysia including any unfavourable change in inflation rates, interest rates and foreign exchange rates, expropriation, adverse changes in political leadership and unfavourable change in government policies and regulations could have an adverse impact on our business, financial performance and prospects.

5. RISK FACTORS (CONT'D)

5.3 RISKS AFFECTING OUR SHARES

5.3.1 There is no prior market for our Shares and it is uncertain whether a sustainable market will ever develop

Prior to our IPO, there has been no public market for our Shares. Hence, there is a risk that upon Listing, an active market for our Shares may not develop, or if developed, whether such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

The IPO Price was determined after taking into consideration various factors and we believe that a variety of factors could cause our Share price to fluctuate which may adversely affect the market price of our Shares. There is no assurance that the trading price of our Shares will correspond with the IPO Price upon our Listing.

5.3.2 Delay or failure of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:-

- (i) our Managing Underwriter and/or Joint Underwriters exercising their rights pursuant to the Underwriting Agreement to be discharged of its obligations thereunder;
- (ii) our inability to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of the total number of our Shares for which Listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; or
- (iii) the revocation of approvals from the relevant authorities prior to our Listing and/or admission to the Official List for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:-

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest within 14 days.

Where subsequent to the issuance and allotment of our IPO Shares:-

- (aa) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

5. RISK FACTORS (CONT'D)

- (bb) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (i) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (ii) a solvency statement issued by the directors.

5.3.3 The interests of our Promoters who control our Group may not always align with the interests of our shareholders

Immediately after the completion of our IPO, our Promoters will own in aggregate, 74.03% of our enlarged issued share capital. As a result, our Promoters will be able to exercise significant influence over the vote of our Shares, including the election of directors and the timing and payment of dividends. Our Promoters will also be able to exercise significant influence over the outcome of certain matters requiring the vote of our shareholders, unless he and persons connected with him are required to abstain from voting either by requirement of law and/or by the relevant guidelines or regulations. The interests of our Promoters may differ from the interests of our other shareholders.

5.3.4 Payment of dividends

Our ability to declare dividends to our shareholders will depend on, amongst others, our future financial performance, distributable reserves and cash flows. This, in turn, is dependent on our operating results, capital requirements and on our ability to implement our future plans, demand for and selling prices of our products, general economic conditions, and other factors specific to our industry, many of which are beyond our control. As such, there is no assurance that we will be able to pay dividends to our shareholders.

We are a holding company and conduct substantially all of our operations through our subsidiaries. Accordingly, dividends and other distributions received from our subsidiaries are our principal source of income. The receipt of dividends from our subsidiaries may also be affected by the passage of new laws, adoption of new regulations and other events outside our control, and our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. In addition, changes in accounting standards may also affect the ability of our subsidiaries, and consequently, our ability to pay dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure as well as our ability to make interest and principal repayments on any borrowings that we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, if we incur new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

Further details of our dividend policy are set out in Section 12.7 of this Prospectus.

5. RISK FACTORS (CONT'D)

5.3.5 Share price volatility and volume of our Shares

The performance of Bursa Securities is very much dependent on external factors such as the performance of regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Group have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 10 Market Days after the close of our IPO before the commencement of trading of our Shares on Bursa Securities. We cannot assure that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:-

- (i) material variations in our financial performance and operations;
- (ii) success or failure of our management team in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (v) additions or departures of our key management personnel;
- (vi) fluctuations in stock market prices and volumes; or
- (vii) involvement in litigation.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

Our Company was incorporated in Malaysia under the Act as a public company on 21 May 2021 under the name of Senheng New Retail Berhad.

We are an investment holding company. The principal activities of our Subsidiaries are set out in Section 6.4 of this Prospectus.

6.2 SHARE CAPITAL OF OUR COMPANY

As at the LPD, our issued share capital is RM166,206,171 comprising 1,250,000,000 Shares. Details of the changes in our issued share capital since the date of our incorporation up to the LPD are as follows:-

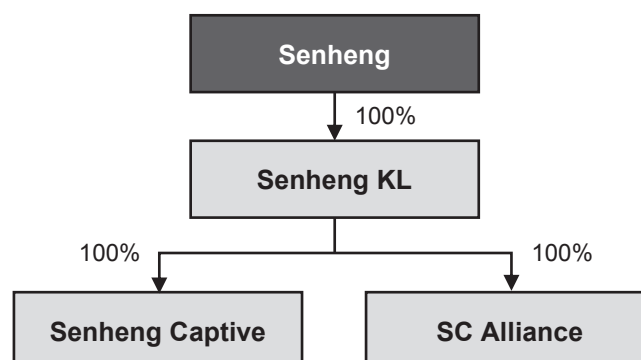
Date of allotment / subdivision	No. of Shares allotted	Consideration	Nature of transaction	Cumulative issued share capital	
				No. of Shares	RM
21 May 2021	3	Cash	Subscribers' shares	3	3
25 November 2021	166,206,168	Other than cash	Acquisition of Senheng KL	166,206,171	166,206,171
26 November 2021	1,250,000,000	N/A	Share Split	1,250,000,000	166,206,171

None of our Shares were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital.

Upon completion of our Listing, our issued share capital will increase to RM427,856,171 comprising 1,500,000,000 Shares.

6.3 OUR GROUP

As at the LPD, our corporate structure is as follows:-



Our Group was formed on 25 November 2021 upon the completion of the Acquisition of Senheng KL. Subsequent to the Acquisition of Senheng KL, we completed the Share Split. Further details on the Acquisition of Senheng KL and Share Split are set out in Sections 6.3.1 and 6.3.2 below.

6. INFORMATION ON OUR GROUP (CONT'D)

6.3.1 Acquisition of Senheng KL

On 28 June 2021, our Company entered into a conditional share sale agreement with KH Lim, KC Lim and KY Lim for the acquisition of the entire issued share capital of Senheng KL of RM1,000,000 comprising 1,000,000 ordinary shares in Senheng KL for a purchase consideration of RM166,206,168. The purchase consideration was arrived at on a willing-buyer willing-seller basis and represents the audited consolidated NA of Senheng KL as at 31 December 2020.

The Acquisition of Senheng KL was completed on 25 November 2021 and the purchase consideration was wholly satisfied via the issuance of 166,206,168 new Shares at an issue price of RM1.00 per Share to our Promoters in the following manner:-

Name	No. of Shares	%
SQ Digital ⁽¹⁾	115,626,309	69.57
KH Lim	16,859,953	10.14
KC Lim	16,859,953	10.14
KY Lim	16,859,953	10.14
Total	166,206,168	100.00

Note:-

(1) KH Lim, KC Lim and KY Lim had nominated SQ Digital to receive this portion of the Senheng Shares on their behalf.

After the completion of the Acquisition of Senheng KL, our issued share capital increased from RM3 comprising 3 Shares to RM166,206,171 comprising 166,206,171 Shares.

6.3.2 Share Split

Following the completion of the Acquisition of Senheng KL, our Company had subsequently on 26 November 2021 undertook a subdivision of 166,206,171 existing Shares into 1,250,000,000 Shares.

6.4 OUR SUBSIDIARIES

As at the LPD, we do not have any associated companies. Details of our Subsidiaries are summarised below:-

Subsidiaries and company registration number	Date of incorporation	Place of incorporation and principal place of business	Effective equity interest (%)	Principal activities
Senheng KL 199401011012 (296691-X)	20 April 1994	Malaysia	100	Retail of consumer electrical and electronic products
<u>Held by Senheng KL</u> Senheng Captive (LL11787)	9 March 2015	Malaysia	100	Provision of captive insurance
SC Alliance 202001021954 (1378274-V)	5 August 2020	Malaysia	100	Distribution of household and information technology gadget products

6. INFORMATION ON OUR GROUP (CONT'D)

6.4.1 Senheng KL

(i) History and business

Senheng KL was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 20 April 1994 under the name of Senheng Electric (KL) Sdn Bhd. Senheng KL is principally involved in the retail of consumer electrical and electronic products.

(ii) Share capital

As at the LPD, the issued share capital of Senheng KL is RM1,000,000 comprising of 1,000,000 ordinary shares. There have been no changes in the issued share capital of Senheng KL for the past 3 years preceding the LPD.

(iii) Shareholder

As at the LPD, Senheng KL is our wholly-owned subsidiary.

(iv) Subsidiary and associate

As at the LPD, save for Senheng Captive and SC Alliance, Senheng KL does not have any other subsidiary or associated company.

6.4.2 Senheng Captive

(i) History and business

Senheng Captive was incorporated in Federal Territory of Labuan, Malaysia under the Labuan Companies Act 1990 as a company limited by shares on 9 March 2015 under the name of Senheng Captive Insurance Pte Ltd. Senheng Captive is principally involved in the provision of captive insurance.

Further information on the captive insurance activities undertaken by Senheng Captive is set out in Section 7.8.3 of this Prospectus.

(ii) Share capital

As at the LPD, the issued share capital of Senheng Captive is USD82,710 comprising of 82,710 ordinary shares. There have been no changes in the issued share capital of Senheng Captive for the past 3 years preceding the LPD.

(iii) Shareholder

As at the LPD, Senheng Captive is our indirect wholly-owned subsidiary.

(iv) Subsidiary and associate

As at the LPD, Senheng Captive does not have any subsidiary or associated company.

6. INFORMATION ON OUR GROUP (CONT'D)**6.4.3 SC Alliance****(i) History and business**

SC Alliance was incorporated in Malaysia under the Act as a private limited company on 5 August 2020 under the name of SC Alliance (M) Sdn Bhd. SC Alliance is principally involved in the distribution of household and information technology gadget products.

(ii) Share capital

As at the LPD, the issued share capital of SC Alliance is RM100 comprising of 100 ordinary shares. There have been no changes in the issued share capital of SC Alliance since the date of the incorporation of the company up to the LPD.

(iii) Shareholder

As at the LPD, SC Alliance is our indirect wholly-owned subsidiary.

(iv) Subsidiary and associate

As at the LPD, SC Alliance does not have any subsidiary or associated company.

None of the ordinary shares of our Subsidiaries were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, our subsidiaries do not have any outstanding warrants, options, convertible securities and uncalled capital.

6.5 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES

Save as disclosed below, we do not have any other material investments and divestitures for the Period under Review and up to the LPD:-

Capital expenditures	FYE 2018	FYE 2019	FYE 2020	FPE 2021	1 July 2021 up to the LPD
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Short term funds ⁽¹⁾	2,111	-	117	-	84
Computer software	-	-	5	-	-
Other investments ⁽²⁾	16,581	9,471	20,716	3,081	11,973
Freehold land	7,623	66	-	-	-
Leasehold land	-	-	6,300	-	-
Buildings	15,825	27,303	157	-	-
Furniture and fittings	1,856	2,519	2,504	1,891	357
Office equipment	630	872	869	893	87
Office computers	46	2,486	1,550	934	235
Motor vehicles	1,810	2,210	1,255	720	256
Renovation and signboards	3,274	5,330	3,747	⁽⁴⁾ 6,756	1,555
Capital work-in-progress ⁽³⁾	-	15,869	4,881	4,785	-
Total investments	49,756	66,126	42,101	19,060	14,547

6. INFORMATION ON OUR GROUP (CONT'D)

Capital divestitures	FYE 2018	FYE 2019	FYE 2020	FPE 2021	1 July 2021 up to the LPD
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Short term funds ⁽¹⁾	-	1,878	-	-	-
Other investments ⁽²⁾	15,444	20,429	21,803	3,082	3,583
Buildings	1,722	-	-	-	-
Motor vehicle	334	302	140	-	-
Total divestitures	17,500	20,609	21,943	3,082	3,583

Notes:-

- (1) Short term funds comprise of fixed deposits placed with licensed banks with original maturity of more than 3 months.
- (2) Other investments comprise of unquoted and quoted investments in Malaysia and overseas as well as quoted unit trust in Malaysia.
- (3) Capital work-in-progress represents commercial shoplots purchased from property developers which are under construction or which are pending handover of vacant possession to our Group, as at the respective account dates. These shoplots were intended to house our "Grand Senheng" stores.
- (4) For the FPE 2021, the increase in our renovation and signboards capital expenditure was mainly due to the following:-
- (i) the ongoing expansion and relocation works for our Kota Kinabalu regional hub and our future regional hub in Kuching; and
 - (ii) the renovation works for our "Grand Senheng" stores opened / upgraded and to be opened / upgraded in 2021 and/or 2022, as well as the renovation works for the opening of our first "Grand Senheng Elite" store.

The material investments above were mainly financed via a combination of internally-generated funds and bank borrowings.

6.6 TAKE-OVER OFFERS

Since our incorporation up to the LPD, there were no:-

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by our Company in respect of other companies' shares.

7. BUSINESS OVERVIEW

7.1 GROUP OVERVIEW

According to the IMR Report as included in Section 8 of this Prospectus, we are the largest consumer electrical and electronics chain retailer in Malaysia by revenue, with total sales of RM1.29 billion for the FYE 2020. Our Group retails consumer electrical and electronic products through our chain of 105 physical stores as at the LPD which are located throughout Malaysia as well as via online platforms. We aim to provide a convenient and comfortable shopping experience to our customers under our seamless retail model through the integration of physical and online stores and by offering home deliveries and in-store pickup for products purchased.

As at the LPD, our stores carry about 10,000 SKUs from over 280 different brands. We offer a wide range of digital gadgets, audio visuals, home appliances and other related products from major international and local brands. We have also recently ventured into direct importation and distribution of branded kitchen appliances, home electricals, personal and beauty care appliances, and launched our own range of cookware products under our house brand "Delighto".

We are able to leverage on the large scale of our retail operations as well as our established relationships with our suppliers with whom we have maintained longstanding relationships with, to obtain beneficial commercial terms and supply priority from them. This allows us to price our products competitively which contributes positively to customer satisfaction and our financial performance.

As at the LPD, we operate approximately 797,000 sq ft of physical retail space under 4 store concepts, namely "Grand Senheng Elite", "Grand Senheng", "Senheng" and "senQ". Moving forward, we continue to expand and upgrade our network of physical stores by opening new "Grand Senheng Elite" stores, "Grand Senheng" stores and "senQ" digital stations and upgrading certain existing "Senheng" stores to "Grand Senheng" stores or "Grand Senheng Elite" stores. We intend to also introduce a new store concept, namely "Grand senQ" through opening new "Grand senQ" digital stations and/or upgrading certain existing "senQ" digital stations to "Grand senQ" digital stations.

Our physical stores are operated either directly by us or via franchise agreements or our incentive programme with long-serving store managers who participate in our franchise programme or our incentive programme, respectively. As at the LPD, out of our 105 physical stores, 86 physical stores are operated directly by us, 10 physical stores are operated under the incentive programme and 9 physical stores are operated via franchise programme. Further information on key features and differences between our physical store concepts as well as the incentive programme and the franchise programme are set out in Section 7.6.3(i), Section 7.15(ii) and Section 7.15(iii) of this Prospectus respectively.

We monitor the performance of all our stores through the data generated by our ERP and business intelligence systems which allows us to identify underperforming stores and their causes as well as develop data-driven strategies to revive said stores. Further information on our store performance monitoring and improvement is set out in Section 7.8.6 of this Prospectus.

As at the LPD, our retail operations are supported by our centralised logistics model and established logistics network which comprises the following:-

- (i) our CDC which is our main distribution point where we receive and store all products procured from our suppliers, as well as distribute the products to our other regional hubs and customers throughout Peninsular Malaysia, Sabah and Sarawak;

7. BUSINESS OVERVIEW (CONT'D)

- (ii) 8 other regional hubs located throughout Malaysia which support the distribution of products to our physical stores and customers by regions; and
- (iii) a fleet of our own delivery vehicles and third-party service providers to make deliveries in instances where it is more cost-efficient to do so.

Through the WMS, our procurement, warehousing and logistics teams are able to optimise product availability at our physical stores as well as ensure goods ordered by our customers are delivered in a timely manner.

We have our own loyalty programme known as PlusOne, which has 3.24 million registered members, of which 2.94 million have signed up for a paid membership tier as at the LPD. For the Period under Review, sales generated by PlusOne members contributed over 90% of our annual revenue and we actively recruit new members. Our paid members enjoy benefits such as additional PlusOne extended warranty coverage of up to 24 months free of charge on top of the manufacturer's standard warranty. In addition, all PlusOne members enjoy special members-only prices and promotions and free nationwide delivery for their purchases, subject to terms and conditions. All PlusOne members (save for PlusOne Corporate members) are able to collect S-Coins on their purchases. Further information on our PlusOne loyalty programme as well as the membership tiers are set out in Section 7.12(iii) of this Prospectus.

The PlusOne extended warranty is offered to all our paid PlusOne members and is 100% insured by a third-party insurance provider which then reinsures 70% of the warranty liabilities to our subsidiary, namely Senheng Captive. Further information on the reinsurance activities undertaken by Senheng Captive is set out in Section 7.8.3 of this Prospectus.

Moving forward, we intend to further entrench our position as the largest consumer electrical and electronic products chain retailer in Malaysia. Further information on our business strategies and future plans are set out in Section 7.3 of this Prospectus.

7.2 OUR COMPETITIVE STRENGTHS

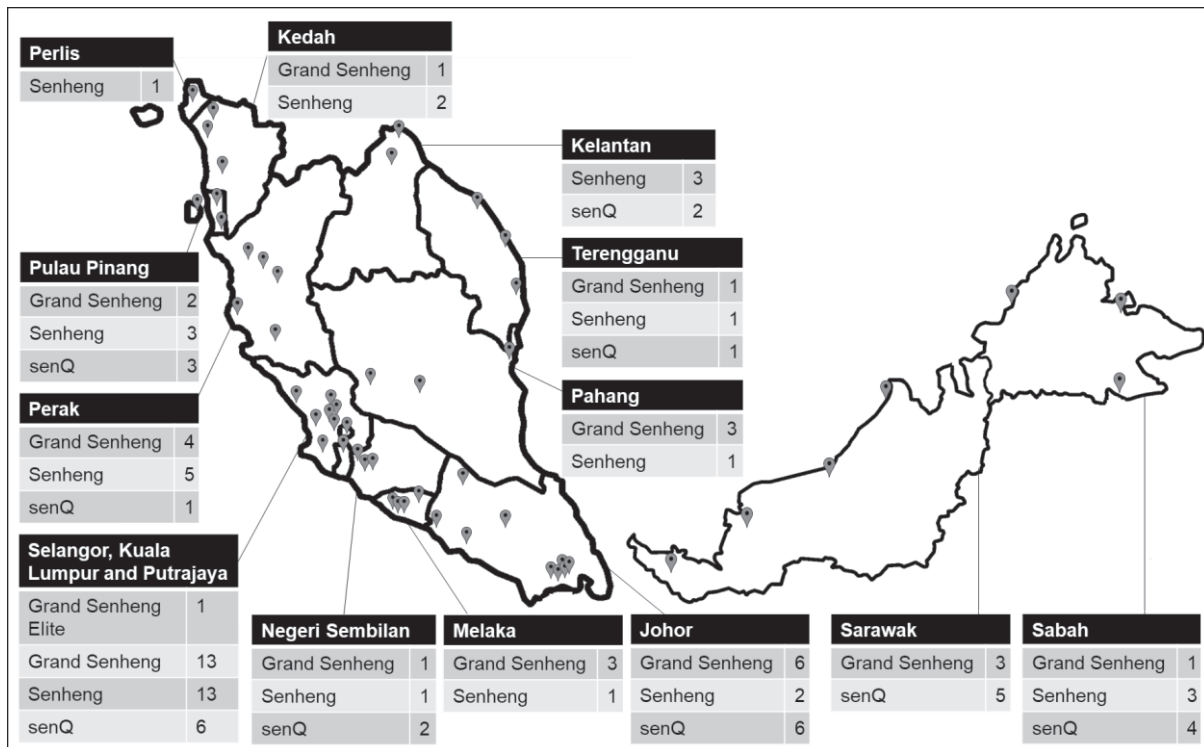
(i) Largest chain retailer of consumer electrical and electronic products in Malaysia

We are the largest consumer electrical and electronics chain retailer in Malaysia by revenue. Since the opening of our first outlet in 1989, we have grown to a chain of 105 physical stores occupying approximately 797,000 sq ft of physical retail space across every state in Malaysia. As at the LPD, we operate 4 store concepts, namely "Grand Senheng Elite", "Grand Senheng", "Senheng" and "senQ". "Grand Senheng Elite" stores, "Grand Senheng" stores and "Senheng" stores are typically located in commercial areas in close proximity to residential housing areas while our "senQ" digital stations are typically located in shopping malls.

Through our extensive retail presence which we have built up over the past 30 years, our "Senheng" and "senQ" brands are recognisable and reputable in the consumer electrical and electronic industry in Malaysia. In recognition of the strength of our brands, we have received many awards and accolades, examples of some recent awards and accolades are the "*Malaysian Business of the Year Award, 2020*", "*Best Brand (Platinum Award)*", "*Best Employer (Platinum Award), 2020*", "*Best Use of Technology (Platinum Award), 2020*" and "*Best in Marketing (Platinum Award), 2020*" from the Star Outstanding Business Awards (SOBA) and "*Revolutionary Hero Brand Award – Outstanding Performer, 2017*" award from Lazada Malaysia.

7. BUSINESS OVERVIEW (CONT'D)

The following map depicts the locations of our physical stores in Malaysia as at the LPD:-



Further information on our retail platforms is set out in Section 7.6.3 of this Prospectus.

(ii) Seamless retail model enables an offering of a wide range of products

Our seamless retail model was introduced in 2017 to align the 9 key aspects of our business, namely, product, pricing, promotions, inventory, loyalty programme, logistics, payment mode, repairs & services and sales promoter benefits. Since then, we have built a strong online presence which is integrated with our network of physical stores to offer a seamless shopping experience to our customers. In addition to our network of physical stores, we also sell our products via online retail platforms, namely the “Senheng” online store, “senQ” online digital station as well as selected third-party online marketplaces.

Through our seamless retail model, we provide a cohesive and consistent shopping experience offered via our physical and online stores. To that end, the products, prices and promotions that we offer are standardised across our physical and online stores. This standardisation simplifies the decision-making process for customers and prevent sales cannibalisation among stores. Through our physical stores, we are able to engage our customers directly and offer an engaging experience, which is coupled with our seamless online processes and enabled by our technological capabilities as set out in Section 7.9 of this Prospectus.

Through the Senheng mobile application and websites, customers can compare products, see latest promotions, contact customer service agents, make purchases, access purchase history and warranty information, request for after-sales service and keep track of the reward points and credit tokens earned by our PlusOne members. As part of our seamless retail model, instead of requesting for direct delivery of products purchased on online stores, customers may opt to inspect and collect the ordered goods at physical shops before accepting delivery and many customers prefer to do so.

7. BUSINESS OVERVIEW (CONT'D)

Since the introduction of our seamless retail model in 2017, revenue had increased from RM0.89 billion for the FYE 2017 to RM1.29 billion for the FYE 2020, representing a CAGR of 13.2% despite a decrease in the total number of physical stores, from 121 stores as at December 2017 to 103 stores as at December 2020. Our average annual sales per store also increased from RM9.80 million for the FYE 2018 to RM11.45 million for the FYE 2020. We believe the average sales growth per store is mainly due to the improved shopping experience offered to customers.

Further details of our seamless retail model are set out in Section 7.6.1 of this Prospectus.

We believe our seamless retail model puts us on a strong footing to capitalise on the evolving retail trends and advancement of technology which will continue to drive the growth of our business moving forward.

(iii) **Strong PlusOne loyalty programme with a large base of customers who are enrolled as members**

In 2002, we launched our PlusOne loyalty programme to attract new customers and enticed existing customers to return to our stores for repeat purchases. As at the LPD, our PlusOne loyalty programme has approximately 3.24 million registered members, of which 2.94 million are paid registered members. In the past 3 FYEs 2018 to 2020, total registered PlusOne members have grown at a CAGR of 5.60%. Sales generated from PlusOne members contributed approximately 94.2%, 96.6%, 97.5% and 98.1% of our annual revenue for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021, respectively. For information, 1.04 million members have made a purchase in the last 3 years and are considered active members.

Members of our PlusOne loyalty programme are able to enjoy benefits and privileges which we believe sets us apart from competitors. These include additional PlusOne extended warranty coverage of up to 24 months (except for PlusOne Online and PlusOne Basic) on top of the manufacturer's standard warranty, reward points / credit tokens collection and redemption, rebates and members' day promotions. Via our Senheng mobile application, PlusOne members are also able to track amongst others, their reward points / credit tokens, purchase history and warranty claims status.

On 1 June 2021, we introduced a new credit token which can be earned by our PlusOne members (save for PlusOne Corporate members) known as "S-Coin". This new credit token forms part of our Group's plan to provide more value-added benefits to our PlusOne members which in turn is expected to increase PlusOne membership, strengthen customer loyalty to our Group and drive sales. Moving forward, we plan to increase the benefits enjoyed by our PlusOne members by offering them more members-only features through an upgraded Senheng mobile application.

Further information on PlusOne loyalty programme and our planned enhancements to this programme is set out in Section 7.12(iii) and Section 7.3(v) of this Prospectus, respectively.

Due to our large base of members, we are able to analyse aggregate purchase history and warranty claims information which helps drive operational and business decisions. By analysing customers' purchases and warranty claims in aggregate, we are able to amongst others, ensure high-demand products are restocked frequently and in sufficient quantities, adjust our product mix to minimise storage of less popular products at each store as well as more effectively diversify the risks arising from warranties provided. We are also able to leverage on our database of members to promote products to existing customers via our various digital marketing platforms.

7. BUSINESS OVERVIEW (CONT'D)

We believe our loyalty programme has significantly contributed to the growth of business and the additional benefits and privileges is integral in our efforts to provide high levels of customer satisfaction, which has resulted in steady growth in active membership base and repeat purchases from returning customers.

(iv) Experienced founders-led management team and a motivated workforce

Since the founding of our business by our Promoters with the opening of our first store in 1989, our management team continues to be led by KH Lim and KC Lim, who serve as our Non-Independent Executive Chairman and President / Non-Independent Executive Director, respectively.

Our founder and Non-Independent Executive Chairman, KH Lim, has 40 years of retailing experience and has played a pivotal role in steering our Group's strategic direction, refocusing our business models and leveraging on new digital technologies which have led to our growth over the years. In recognition of his leadership, he has received a number of awards and accolades such as "*Business Excellence Person of the Year, 2019*" from Sin Chew Business Excellence Awards, "*EY Entrepreneur of the Year – Master Entrepreneur, 2020*" from Ernst & Young PLT, as well as "*Male Entrepreneur of the Year, 2020*" from the Star Outstanding Business Awards (SOBA).

KH Lim and KC Lim are assisted by other Key Senior Management with expertise across a broad spectrum of business activities, including operations, logistics, sales and marketing. Our Key Senior Management have an average of 21 years of retail experience or experience in their respective fields and have been with us for an average of 15 years.

Please refer to Section 9.3.1 of this Prospectus for the profiles of Key Senior Management.

In addition, we have an incentive programme and franchise programme which offer high-performing store managers the opportunity to operate and/or own their own physical stores. These programmes encourage in-store management teams to drive sales at physical stores and for high performers to remain with us. Further information on the incentive programme and franchise programme are set out in Section 7.15 of this Prospectus.

Upon completion of our Listing, our Promoters and Key Senior Management will hold approximately 74.16% of our Company's issued Shares (assuming the Key Senior Management fully subscribe for the Issue Shares allocated to them). We also have in place policies to encourage employee retention such as providing competitive remuneration packages, benefits, incentives, training and development programmes. These measures are expected to better align the interests of Key Senior Management as well as in-store managers with our goals.

By leveraging on the collective experience of our management team, we have successfully grown to become the largest consumer electrical and electronics chain retailer in Malaysia by revenue. We believe that their collective experience in the Malaysian retail market will be instrumental in implementing our future growth plans.

(v) Centralised logistics model and established logistics network enable efficient cost management

As at the LPD, our stores carry about 10,000 SKUs from over 280 different brands. In order to support the timely restocking of products at physical stores as well as fulfil orders made on online stores, we migrated to a centralised logistics model in 2018 which simplifies the delivery of goods from suppliers and improves the efficiency of our supply chain. Our logistics network is based out of our CDC in Klang and our 8 other regional hubs located throughout Malaysia.

7. BUSINESS OVERVIEW (CONT'D)

We benefit from our centralised logistics model through increased efficiency in the delivery of products as we are able to better control the distribution of products from our CDC to regional hubs and onwards to physical stores. This allows us to minimise operational disruptions at our physical stores by reducing the number of deliveries to once per day and limit the incidences of stock unavailability.

By accepting all deliveries at a centralised location instead of the many regional hubs and/or retail outlets directly, we simplify the delivery process for suppliers and reduce their logistics cost which translate into higher discounts given to us from our suppliers. This discount is recognised as a deduction to cost of goods sold as further disclosed in Section 12.3.3(ii) of this Prospectus.

While some of the deliveries of goods within our logistics network are outsourced, our in-house logistics team manages the goods at critical points within our logistics network, such as at the CDC and regional hubs. Through our WMS, we are able to track and monitor inventory levels, warehousing activities and movement of goods in real time. Through our delivery management system, we are able to track and monitor the service quality of our in-house logistics team and third-party logistics providers.

Our centralised logistics model and established logistics network allows us to better manage the physical movement of our products, particularly on the large scale at which we operate. By having a centralised point for physical stock as well as an extensive logistics network comprising both in-house and third-party service providers, we are able to provide customers with competitive delivery times for both in-store and online orders, which increases customer satisfaction. We also believe that our current logistics system is scalable and will be able to support the future growth of our business.

(vi) We benefit from the large scale of our operations and our established relationship with our suppliers

As the largest consumer electrical and electronics chain retailer by revenue in Malaysia, we offer a wide range of products from the major international and local brands. Due to the large scale of our operations, we purchase products from suppliers in large quantities.

We have maintained longstanding business relationships with our major suppliers. As at the LPD, we have had business relationships ranging from 16 to 32 years with our top 5 major suppliers for the FPE 2021. We work closely with suppliers to market their products with a mutual aim of improving sales. We provide special designated areas in our physical stores and online stores for brand principals, enabling us to carry out advertising and promotional activities to increase the visibility of their brand and products to customers. We also work with suppliers to jointly set annual sales targets and receive additional incentives from them should we manage to achieve the targets set.

Due to our market position as the largest consumer electrical and electronics chain retailer by revenue in Malaysia as well as the established relationship with our suppliers, we enjoy beneficial commercial terms on our orders from them, Senheng-exclusive promotional activities and supply priority for new product launches in Malaysia. These benefits enable us to price products competitively and reduce instances of stock unavailability at our physical stores which contributes positively to customer satisfaction and financial performance.

7. BUSINESS OVERVIEW (CONT'D)

(vii) **Digital infrastructure optimises our data-driven marketing, operational workflow and enhances customers' shopping experience**

Since 2015, we have undertaken a digital transformation of our business to keep pace with the growth in the scale of our business. These efforts can be broadly categorised into 3 areas:-

(a) **Data collection and business intelligence system**

We utilise various systems to collect, store, retrieve and analyse information across different departments. These systems are inter-connected with each other which enables us to standardise record keeping and well as simplify the storage and retrieval of data and information. Our business intelligence system analyses a wide range of data including product sales over a period of time and customer feedback which enables our management team to make data-driven decisions which impact our business operations and financial performance.

(b) **Enterprise resource planning suite of applications**

We have a fully integrated ERP system comprising a B2B portal, delivery management system and WMS to more efficiently manage our operations. Our B2B portal links suppliers to our procurement system through a shared electronic portal which enables us to better manage procurement activities. Our WMS enable us to track and monitor inventory levels, warehousing activities and movement of goods in real time. Our delivery management system enables us to track and manage the supply and movement of goods across our operations and ensure timely delivery of products to our regional hubs, physical stores and customers.

(c) **Online stores, e-commerce automation software, marketing automation platform and telemarketing automation application**

Our expansion into digital marketing is spearheaded by our online stores where customers are able to make purchases online via digital devices. The management of these online stores are supported by e-commerce automation software. We are also involved in the digital marketing of products through these digital marketing channels and social media sites which helps us expand our reach and better target potential customers as compared to traditional forms of advertising.

In 2020, we began using a telemarketing automation application which enables employees to promote and sell our products remotely. This enables us to continue generating sales during the temporary closure of our physical stores during the MCO period.

Our digital infrastructure is the backbone of our seamless retail model which integrates our physical and online stores with back-end systems. It has enabled us to increase the scale of our operations, improve the efficiency of our operations and contribute towards more informed decision making by our management.

In recognition of our ability to leverage on and optimise the use of digital technology in our business operations, we received awards such as the "*Best Use of Technology (Platinum Award), 2020*" from the Star Outstanding Business Awards (SOBA).

Further details of the technologies we use are set out in Section 7.9 of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

(viii) Steady revenues, EBITDA and cashflows

We have generated stable revenues, EBITDA and cashflows over the Period under Review as follows:-

	<u>FYE 2018</u>	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FPE 2020</u>	<u>FPE 2021</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Revenue	1,172,301	1,144,861	1,294,769	557,531	673,911
EBITDA	113,730	101,300	113,962	38,327	51,547
Net cash generated from operating activities	34,465	96,374	58,625	29,037	16,090

Our Group's revenue and EBITDA for the FYE 2020 increased by RM149.91 million and RM12.66 million respectively, despite the temporary closure of our physical stores following the implementation of the MCO on 18 March 2020. We obtained an approval from the MOT via its letter dated 4 April 2020 to allow our CDC and regional hubs to operate during the MCO period to fulfil online sales orders. Our CDC and regional hubs resumed operations on 6 April 2020 with operations in strict compliance with SOP. We resumed full operations of the CDC, regional hubs and head office and re-opened our physical stores in Peninsular Malaysia on 4 May 2020 and our physical stores in East Malaysia on 10 May 2020.

Our Group's revenue and EBITDA for the FPE 2021 also increased by RM116.38 million and RM13.22 million respectively, mainly due to a lesser impact from the lockdown measures implemented by the Government as compared to in the FPE 2020, better inventory management resulting in lower incidences of stock unavailability and higher consumer demand following our increased digital advertising efforts.

Our Group's net cash generated from operating activities decreased from RM29.04 million for the FPE 2020 to RM16.09 million for the FPE 2021 mainly due to the higher tax paid of RM9.22 million in FPE 2021 as compared to RM4.50 million in the FPE 2020 as well as a tax refund received by our Group of RM8.48 million from Lembaga Hasil Dalam Negeri (LHDN) in the FPE 2020 arising from excess tax payments in the previous financial years due to overestimation of tax payable in relation to years of assessments 2014, 2015 and 2018 which did not recur in the FPE 2021.

Our ability to generate stable revenues, EBITDA and cashflows above is attributed to our ability to operate profitably and efficiently. We have strong brand recognition, an extensive retail presence in Malaysia and a large number of PlusOne members which have resulted in our resilient business model.

7.3 BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are intended to further entrench our position as the leading consumer electrical and electronic products chain retailer in Malaysia.

(i) Enhance our customers' shopping experience and strengthen our market presence by upgrading and expanding our chain of physical stores

Whilst the introduction of the Senheng mobile application and our online stores have provided an additional avenue for our customers to browse, compare and purchase products, most of our customers still prefer to test-out the products in person at physical stores prior to making a purchase decision, particularly for higher-value items. As such, our physical stores play an important role in our seamless retail model and are designed to provide a convenient and wholesome shopping experience for customers.

7. BUSINESS OVERVIEW (CONT'D)

Our on-going business strategy is to enrich in-store customer experience and as such, we aim to be the territory champion within every 5-kilometre radius of our physical stores. We aim to be the largest in terms of floor space and have the largest variety of products so as to provide customers with a wholesome retail experience. Our focus is primarily on the quality of our individual physical stores whilst increasing the quantity of physical stores is secondary.

In addition, by offering a wider range of product types as well as product brands in our physical stores, we also aim to be a “one-stop” consumer electrical and electronics retailer. Unlike mono-brand retailers, customers are able to physically browse a range of models of the same appliance from multiple brands before deciding on a purchase. We believe that customers are enticed to visit our physical stores as it is a convenient location to browse a large variety and choice of products and they are able to obtain relevant and helpful information on products from sales personnel.

As at the LPD, we operate 4 store concepts, namely “Grand Senheng Elite”, “Grand Senheng”, “Senheng” and “senQ” and we intend to introduce a new store concept known as “Grand senQ”. Further information on each of our store concepts are set out in Section 7.6.3(i) of this Prospectus.

Moving forward, we intend to increase the size of our individual retail outlets in order to be able to display a wider range of products from more brand principals and to provide a more comfortable shopping experience to customers. These enhancements are expected to attract more sales from our customers and consequently strengthen our market presence in our existing and new locations. To that end, we will be opening new and/or upgrading certain existing “Senheng” stores into “Grand Senheng” stores and “Grand Senheng Elite” stores which are on average 50% and 200% larger than the average “Senheng” stores, respectively. We also intend to introduce a new store concept, namely “Grand senQ”, which are between 200% and 300% larger than the average “senQ” digital stations, in January 2022.

As at the LPD, we have 1 “Grand Senheng Elite” store, 38 “Grand Senheng” stores, 36 “Senheng” stores and 30 “senQ” digital stations, and our physical presence spreads across every state in Malaysia. From the LPD up to the end of 2022, we intend to open 3 new “Grand Senheng Elite” stores, 5 new “Grand Senheng” stores and 2 new “senQ” digital stations. We also intend to upgrade 10 existing “Senheng” stores to 9 “Grand Senheng” stores and 1 “Grand Senheng Elite” store as well as upgrade 3 “senQ” digital stations into “Grand senQ” digital stations.

For the FYEs 2023 and 2024, we intend to open or upgrade 40 new physical stores, comprising 7 “Grand Senheng Elite” stores, 23 “Grand Senheng” stores, 5 “Grand senQ” digital stations and 5 “senQ” digital stations. These 40 physical stores may be newly set up physical stores or upgraded from existing physical stores.

The set-up cost of these new larger physical stores consisting of the renovations and fit-out work, together with additional expenses such as rental expenses, initial inventory stocking and other ancillary costs are expected to be funded via a combination of the proceeds from our IPO, bank borrowings and internally-generated funds. Please refer to Section 4.6.1 of this Prospectus for the breakdown of the total estimated set-up costs for our new and upgraded stores.

7. BUSINESS OVERVIEW (CONT'D)

As we open new “Grand Senheng” stores and “Grand Senheng Elite” stores, we intend to transform and/or rationalise existing “Senheng” stores and transfer their operations and staff to the newer stores. In addition, depending on the location, availability of properties as well as the market prices of commercial space in the locality, we may opt to acquire commercial shoplots to house new physical stores which we intend to fund via a combination of the proceeds from our IPO, bank borrowings and internally-generated funds.

A summary of the new and upgraded physical stores opened from 1 January 2021 up to the LPD as well as our future are as follows:-

Store concept	No. of stores opened / upgraded and to be opened / upgraded					Total
	From 1 January 2021 up to the LPD	From LPD up to 31 December 2021	2022	2023 ⁽¹⁾	2024 ⁽¹⁾	
“Grand Senheng Elite” stores						
▪ New stores	-	-	3	4	3	12
▪ Upgraded stores	1	-	1	-	-	-
“Grand Senheng” stores						
▪ New stores	2	-	5	12	11	46
▪ Upgraded stores	7	2	7	-	-	-
“Grand senQ” digital stations						
▪ New stores	-	-	-	2	3	8
▪ Upgraded stores	-	-	3	-	-	-
“senQ” digital stations						
▪ New stores	-	-	2	3	2	7
Total	10	2	21	21	19	73

Note:-

(1) For the FYEs 2023 and 2024, we have not determined the breakdown of stores which will be upgrades of our existing “Senheng” stores and “senQ” digital stations or new stores to be opened in new locations. Please refer to Section 4.6.1 of this Prospectus for our criteria for deciding on whether to upgrade our existing stores or open new stores in new locations.

7. BUSINESS OVERVIEW (CONT'D)

(ii) **Expand product portfolio through the development of a new brand distribution business which include international brands and our own house brand**

As part of our efforts to offer a wider selection of products to customers, we have ventured into direct importation and distribution of international brands with minimal or no prior market presence in Malaysia. In 2020, we were appointed as the exclusive distributor for two international brands, namely, "ROBAM" kitchen appliances such as cooking hobs, cooking hoods and ovens, as well as "JIMMY" vacuum cleaners and hair dryers (both originating from the People's Republic of China) in Malaysia. We are involved in the direct importation and distribution of these brands through our seamless retail platform as well as through B2B sales to other retailers.

As the distributor of these brands, we are able to purchase products directly from the manufacturer and/or brand owner, without going through intermediaries such as other distributors or wholesalers. Through this, we are able to purchase such products at a lower price.

We will develop this new brand distribution business by continuing to look out for suitable brands to import and distribute in Malaysia, focusing on kitchen appliances, home electricals, personal and beauty care appliances, and IoT products. We aim to leverage on our seamless retail platform to encourage market acceptance of these brands as well as any new brands to be identified in the future.

Once we have identified such suitable brands and are appointed as their authorised distributor in Malaysia, we would typically be required to purchase a certain amount of inventory within a set timeframe to be imported and distributed in Malaysia. The range and amount of inventory is determined at the onset of the agreement and is intended to show our commitment and confidence in our ability to successfully launch and market the new products via our retail platforms as well as other third-party channels.

In addition, we expect to bear the cost of organising launch events, printing promotional materials and organise traditional and digital marketing campaigns in order to promote these newly introduced brands to Malaysia with the hope that they achieve local consumer acceptance. Whilst brand principals typically subsidise a portion of such marketing expenses, we may have to bear some of the costs incurred.

Further, we have launched our own range of cookware products comprising amongst others, soup pots, frying pans, sauce pans and woks, under our house brand "Delighto" in August 2021. The manufacturing of these products was outsourced to third-party contract manufacturers. These products are currently sold on our seamless retail platform and we plan to distribute our "Delighto" products through B2B sales to other retailers as we expand the product range over time.

We intend to fund the initial purchase of inventory from the brand principals / contract manufacturer and the marketing expenses relating to the launch and introduction of the brands to the market via a combination of the proceeds from our IPO and internally-generated funds.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Increase our warehouse storage space and strengthen our logistics network in East Malaysia

We operate 2 regional hubs in East Malaysia, located in Kota Kinabalu and Kuching. As at the LPD, we are in the midst of expanding our Kota Kinabalu regional hub by constructing a new adjacent warehouse and increasing the number of loading bays. The construction is expected to be completed by the 2nd quarter of 2022. We are also in the midst of relocating our Kuching regional hub to a larger warehouse which we acquired in 2020 and is currently under renovation. The renovation works and the relocation of the Kuching regional hub are expected to be completed in the 1st quarter of 2022. For information, the expansion of the Kota Kinabalu regional hub and the relocation of our Kuching regional hub will not be funded from the proceeds from the Public Issue.

Moving forward, we intend to construct a Bintulu regional hub which will be the distribution centre for physical stores and customers in Bintulu, Sibul and Miri. With the new regional hub in Bintulu, we will be able to allocate more storage space for our product distribution in Bintulu, Sibul and Miri. Further, as compared to our Kuching regional hub, a regional hub in Bintulu is closer to our physical stores in Bintulu, Sibul and Miri. As such, we expect to reduce the product delivery time to such areas and schedule more product deliveries should the need arise, thus improving the efficiency of our logistics network.

As at the LPD, we have not yet identified any suitable location and/or existing warehouse in Bintulu to serve as our regional hub. Our Group intends to identify and set-up our new regional hub in Bintulu by end of 2023. Any future property acquisition and/or construction costs is expected to be financed from the proceeds of the Public Issue and/or internally generated funds.

Through the ongoing expansion of warehouse storage space at the 3 locations mentioned above, these regional hubs will be able to receive more goods from our CDC which would minimise incidences of stock unavailability and allow us to fulfil our customers' orders quickly which would enhance customer experience. The expansion / setting up of the regional hubs above will also improve our supply chain by giving us the flexibility of storing more inventory in East Malaysia.

(iv) Boost our digital infrastructure

Modern technologies have changed the dynamics of the global retail industry. This leads to new retailing models that emphasises the incorporation of technological advances in response to changing consumer trends. At this juncture, consumers demand a seamless shopping experience which allows consumers to shop from any retail channel interchangeably at their disposal.

Our digital infrastructure is the backbone of our business as it supports and facilitates our seamless retail model and business operations as a whole. We believe that the use of technology will be integral to our expansion plans and our efforts to continuously engage customers to maintain high levels of customer satisfaction.

7. BUSINESS OVERVIEW (CONT'D)

Moving forward, we intend to implement the following enhancements and step-ups to our digital infrastructure over the next 3 years:-

(a) Establishing a data lake and upgrading existing technology platforms

We are in the midst of upgrading our current data repository system to a centralised data repository platform known as a data lake. Upon successful migration to a data lake, we will be able to store both structured and unstructured data in a non-duplicated, centralised manner, as compared to our current system which stores only structured data and the same data may be duplicated and stored by separate departments.

Some of the advantages of migrating to a data lake system are as follows:-

- improved efficiency of data sharing across different business applications as all data handled by us are stored and can be retrieved from a centralised data repository platform for use across different departments;
- enables more complex data analysis of both structured and unstructured data to produce better business analysis for use by our management in decision making; and
- facilitates better customer service by collating and making available detailed customer information including their browsing history, purchase history and past complaints to our relevant customer service personnel. This allows us to improve the customers' complaint handling time as well as allow us to provide personalised product recommendations and service reminders.

In conjunction with the planned migration to the data lake platform, we also intend to upgrade the following existing systems in order to take advantage of the improved functionality that the data lake can provide:-

(aa) Customer data platform

We are in the midst of establishing a customer data platform that integrates and aggregates customer-related data collected from multiple sources including the data lake, our social media accounts and information shared by third-party sources such as our suppliers. Such data collected by our customer data platform include transactional data (e.g. past purchases, services obtained, warranties, membership details), demographic data (e.g. gender, mobile number, language used) and behavioural data (e.g. categories, products and promotions viewed, current location, products in cart, analytics of views in other websites and browsers).

Our customer data platform will enable us to maintain unified records of all existing and potential customers and their attributes which can be exported to our marketing automation platform to generate targeted marketing materials for customers.

7. BUSINESS OVERVIEW (CONT'D)

(bb) Marketing automation platform

We are in the midst of upgrading the existing marketing automation platform to ensure it is compatible and is able to integrate with the data lake and customer data platform which would enable us to target specific groups of customers more effectively with focused marketing materials and promotional offerings. Through our marketing automation platform, we expect to see a higher rate of conversions of visits into sales as well as enhance the following capabilities:-

- cross-selling complementary products (e.g. sound bars and/or mounting brackets to customers purchasing televisions);
- upselling higher value products of the same type (e.g. selling newer or premium models of televisions as oppose to older models); and
- entice new customers to purchase from us.

(cc) Business intelligence system

We are in the midst of integrating our business intelligence system with the data lake which will enable the system to access to a large pool of structured and unstructured data in the data lake. With greater access to information, we will be able to analyse data with greater precision to produce comprehensive business analysis and reports to aid us in making business decisions.

(dd) Headless microservices technology

We are in the midst of transforming our existing digital infrastructure to make future software development and enhancements easier by migrating from a monolithic architecture to a microservice architecture. Microservice architecture focuses on connecting different independent systems together into one application which can fulfil our business needs. As it allows each of our systems to be upgraded or removed independently, future maintenance of the systems can be done conveniently where the relevant systems can be removed or upgraded without affecting other systems. This flexibility could not be achieved under the monolithic architecture.

By switching to a headless microservices architecture, we are able to improve the overall functionality and efficiency of all our back-end systems and will simplify our ongoing software upgrades as well as the replacement of obsolete systems from our digital infrastructure.

(b) Set up a cloud-based disaster recovery system

A disaster recovery is the process of recovering data from a compromised server which may be caused by unexpected incidents such as physical accidents, hardware and software problems, human error and cyber-attacks. Currently, we rely on a physical standby server to recover and retrieve data from our main server which stores data from our digital and IT infrastructure. The disaster recovery process may take around 10 hours to a few days' time, depending on the severity of the adverse event.

7. BUSINESS OVERVIEW (CONT'D)

Moving forward, our disaster recovery process will utilise a cloud-based server. A cloud-based server backs up data in real time and enables us to recover and transfer data from the main server to a new server within a shorter time. This minimises potential operational disruption arising from server downtime as compared to physical standby server.

As an additional precautionary measure, we will maintain our current physical standby server located outside of our operating premises alongside our main server, which is located within our operating premises. We intend to store our data in two separate locations to minimise any incidence of data loss before the migration of the backup physical standby server to the cloud server is completed.

(c) Enhance our WMS and ERP system

We intend to replace our existing WMS with a new enhanced WMS which will improve our ability to manage the increase in product handling as our business expands, in terms of increase in SKUs, stock level and the movement of products at our CDC and regional hubs. We also intend to replace our existing ERP system with a new enhanced ERP system which will be based on headless microservices technology which will simplify software upgrades and the replacement of any obsolete modules from the system.

(d) Maintenance of our digital infrastructure

Alongside boosting our digital infrastructure, we intend to carry out continuous enhancements to our cybersecurity systems to ensure that our back-end systems and customer data are secured. We also intend to continue optimising our online advertisements through use of business analytics to create targeted advertisements to showcase relevant products to online media users with the aim of driving traffic to our online stores.

Our digital infrastructure is safeguarded by firewall and antivirus system. We intend to apply for and obtain International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) 27001 (“ISO/IEC 27001”) certification for our information security management system by the 1st quarter of 2022. ISO/IEC 27001 specifies the requirements for establishing, operating, monitoring, reviewing, maintaining and improving an organisation’s information security management system. Compliance to this standard indicates that we are able to maintain the confidentiality, integrity and availability of our information security management system.

Through use of business analytics, we are able to adopt improved targeted marketing solutions, such as more robust algorithm programming and more accurate targeted advertisements according to the targeted viewers. Further, we are able to leverage on any new features such as the ability to track online conversions (i.e. number of customers who purchase at online stores after viewing the targeted advertisement) and offline conversions (i.e. number of customers who purchase at physical stores after viewing the targeted advertisement).

We anticipate that the abovementioned digital infrastructure upgrades will cost our Group approximately RM10.29 million over the next 3 years, which will be funded via a combination of IPO proceeds and internally generated funds.

7. BUSINESS OVERVIEW (CONT'D)

(v) Enhancement of our PlusOne loyalty programme

We believe our PlusOne loyalty programme has significantly contributed to the growth of business and will continue to be integral to our efforts to provide high levels of customer satisfaction and draw both new and repeat customers to our stores.

As part of our enhancement plans for our PlusOne loyalty programme, we had on 1 June 2021, introduced a new credit token which can be earned by our PlusOne members known as “S-Coin”.

As part of our plan to increase the benefits enjoyed by our PlusOne members, we had in November 2021 relaunched a new “Senheng App” which enables access to a whole new lifestyle ecosystem that provides a host of services and convenience to our members. Please refer to Section 7.9(ii)(a) of this Prospectus for further information on the new “Senheng App”.

The provision of the whole new lifestyle ecosystem via the new “Senheng App” as well as “S-Coin” will be made possible via a collaboration agreement with our technology partner, namely S Ecosystem (M) Sdn Bhd, a company owned by certain of our Directors and Promoters. Please refer to Section 10.1.1(xi) of this Prospectus for the salient terms of the collaboration agreement between our Group and S Ecosystem (M) Sdn Bhd and Section 11.1 of this Prospectus for further information on our Group’s relationship with S Ecosystem (M) Sdn Bhd.

7.4 BACKGROUND AND TRANSFORMATION MILESTONES

Our business was founded in 1989 with the founding of Senheng Electric, a partnership business by KH Lim, KC Lim and KY Lim and we opened our first store in the same year. Our business was transferred to Senheng KL in 1994 and the business license for Senheng Electric expired on 12 September 2002. Under the leadership of our Non-Independent Executive Chairman and President / Non-Independent Executive Director, as at the LPD, we have grown to a chain of 105 physical stores across every state in Malaysia and is now the largest consumer electrical and electronics chain retailer in Malaysia by revenue.

Our Group’s tagline, “Different... Truly Different”, is embodied in our business processes and operations. We aspire to continuously innovate and improve all aspects of business with the aim of differentiating ourselves from our competitors and to facilitate the growth of business in an organic and sustainable manner.

Over the years, the following key initiatives were implemented which enabled us to grow and achieve our current scale of operations:-

(i) Chain store concept via standardisation of business processes, store operations and a fixed price policy

Following the opening of our first Senheng store, we began to further expand our network of physical stores throughout Malaysia with the opening of 13 new physical stores in the Klang Valley between 1990 and 1995. In 1998, we were recognised as the largest electrical retailer in Malaysia by the Malaysian Book of Records as we had successfully expanded our chain store network to 35 physical stores.

7. BUSINESS OVERVIEW (CONT'D)

In the early years of our business, the operations of our physical stores were not standardised, with different prices, products and branding as decided by the individual store managers to best suit the market conditions in each locality. However, as the number of our physical stores increased, we decided to standardise store operations and create a cohesive brand identity for our Group in 2000. Under the leadership of KH Lim, we introduced a standardised store front design, signages and customer service procedures with the aim of building customer loyalty for the “Senheng” brand.

In 2002, a fixed price policy was adopted to further simplify our store operations and to differentiate ourselves from competitors. Prior to this, customers could bargain with sales promoters for discounts which could lead to different sale prices for the same product for different customers, as was the norm in the industry at the time. We believe that we were one of the first major electrical appliances retailer in Malaysia to implement a fixed price policy for products, minimising friction and building trust between the customer and sales personnel as well as avoiding customer dissatisfaction of the outcome of price negotiations by giving customers the certainty of product pricing when shopping in all our physical stores.

By adopting a standardised business model for our physical stores, we were able to better manage the growth of our business in a stable and sustainable manner beyond the Klang Valley. By the end of 2002, we operated 58 physical stores nationwide and subsequently extended our geographical presence to East Malaysia with the opening of our first physical stores in Sabah and Sarawak in 2006 and 2007 respectively.

As at the LPD, our chain store network comprises 105 physical stores nationwide. Please refer to Section 7.6.3 of this Prospectus for more information on our retail platforms.

(ii) PlusOne loyalty programme

In 2002, we launched the PlusOne loyalty programme simultaneously with the adoption of a fixed price policy to attract new customers to shop with us and entice existing customers to return to our stores for repeat purchases by providing PlusOne members various benefits and privileges.

The key benefits accorded to PlusOne members include additional PlusOne extended warranty coverage of up to 24 months free of charge on top of the manufacturer's standard warranty (except for PlusOne Online and PlusOne Basic), reward points / credit tokens collection and redemption and members' day promotions. Further information on PlusOne loyalty programme is set out in Section 7.12(iii) of this Prospectus.

We believe that the launch of our PlusOne loyalty programme has significantly contributed to the growth of business and allows us to stand out amongst competitors as well as cultivate a long-term relationship with customers.

(iii) Motivating and developing our employees through training, performance-based compensation packages and employee ownership programmes

The success of our business is also due to our ability to identify, train and retain the services of high-performing employees to manage retail outlets. At the local level, in-store management are empowered and incentivised to deliver high levels of customer service as well as drive sales and profitability of the stores.

7. BUSINESS OVERVIEW (CONT'D)

As part of our efforts to cultivate a high-performance culture and retain the services of our high-performing employees, we introduced employee ownership programmes, namely, the franchise programme and incentive programme in 2001 and 2003, respectively. These programmes are offered mainly to store managers who meet certain performance metrics and they are given an opportunity to receive commissions from the sales generated at the store (under the incentive programme) or operate our Group's branded physical stores as a franchisee (under the franchise programme).

Subsequently in 2010, we introduced another incentive programme for our team of delivery truck drivers, providing them the opportunity to become independent delivery operators through rent-to-own schemes.

Please refer to Section 7.15 of this Prospectus for more information on our incentive programme and franchise programme.

(iv) New concept stores and online retail platforms

In 2003, we opened our first retail outlet under the "senQ" brand in South City Plaza, Selangor. Through our "senQ" digital stations, our Group aims to reach customers in shopping malls and these stores dedicate a larger portion of its floor space for the display of digital gadgets such as mobile phones, tablets, personal computers and smart wearables.

Subsequently, we launched the following online retail platforms:-

- "Senheng" online store (www.senheng.com.my) in 2012;
- "senQ" online digital station (www.senq.com.my) in 2014;
- "Senheng" store page on Lazada in 2016; and
- "Senheng" store page on Shopee in 2017.

Our presence through multiple online retail platforms has enabled us to reach out to a wider group of customers throughout Malaysia. The products, prices and promotions that we offer are standardised across our physical and online stores.

Further information on our seamless retail model is set out in Section 7.6.1 of this Prospectus.

In 2016, we launched our first "Grand Senheng" store, an upgraded version of our "Senheng" stores with an increased floor space and a larger variety of products. "Grand Senheng" stores were introduced to provide a more wholesome shopping experience to our customers through spacious store layouts while also allowing our customers to test and compare a greater variety of products.

In 2021, we launched our first "Grand Senheng Elite" store, an upgraded version of our "Grand Senheng" stores with bigger floor space. The "Grand Senheng Elite" store displays a wider range of high-end consumer electrical and electronic products which include IoT products.

Further information on the key features and differences between our physical store concepts are set out in Section 7.6.3 of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

(v) Digital transformation

We have invested in business intelligence to gather and analyse data to aid our management in making business decisions since 2004. In addition, as we continue to innovate and improve all aspects of business, we embarked on a digital transformation of our business since 2015 to improve our operational efficiency, enhance our customers' experience and expand our market presence.

Further information on our business intelligence system and digital transformation efforts is set out in Sections 7.9(i)(f) and 7.2(vii) of this Prospectus, respectively.

Further, we have introduced a paperless initiative to replace paper documentation with electronic documentation among our employees, suppliers and customers. Through this initiative, we transformed our business processes to be carried out digitally through the usage of Senheng mobile application, B2B platform and electronic delivery order application, amongst others, which enable us to automate and ease business processes.

(vi) Seamless retail model

In 2017, we introduced our seamless retail model to align the 9 key aspects of our business, namely, product, pricing, promotions, inventory, loyalty programme, logistics, payment mode, repairs & services and sales promoter benefits. Our seamless retail model is aimed at enhancing customers' shopping experience by providing a cohesive and consistent shopping experience across physical and online retail platforms.

Further information on our seamless retail model is set out in Section 7.6.1 of this Prospectus.

(vii) Outbound telemarketing as a strategy to address the impact from the COVID-19 pandemic and as an additional on-going mode of marketing and sales

In view of the closure of physical stores during the MCO period, we began using telemarketing automation application to enable employees to conduct outbound telemarketing calls from their homes and launched the same on 9 April 2020. This enabled us to remotely engage with PlusOne members and promote products, thus driving sales to our online retail platforms and subsequently to our physical stores when we were allowed to reopen. Moving forward, outbound telemarketing will continue to be a mode of marketing to further generate sales. Further, we have also introduced an online payment centre for customers to make payments for their orders placed during our outbound telemarketing calls. Through our telemarketing efforts as well as our online payment centre, our customers are able to purchase from us without having to be physically present at our physical store.

7. BUSINESS OVERVIEW (CONT'D)

7.5 AWARDS

The table below sets out the key awards that we and our founder and Non-Independent Executive Chairman, KH Lim, have received from 2016 up to the LPD, a testimony to our achievements in consumer electrical and electronics retailing business:-

Award	Awarding party	Recipient	Year(s)
Sin Chew Business Excellence Awards	Sin Chew Media Corporation Berhad	KH Lim	2019
▪ Business Excellence Person of the Year, 2019			
EY Entrepreneur of the Year – Master Entrepreneur	Ernst & Young PLT	KH Lim	2020
CXP Best Customer Experience Awards	Business Media International Sdn Bhd	Senheng KL	2020
Star Outstanding Business Awards (SOBA)	The Star		
▪ Male Entrepreneur of the Year – Par Excellence Achievement			
▪ Malaysian Business of the Year Award			
▪ Best Innovation (Platinum Award)			
▪ Best Use of Technology (Platinum Award)			
▪ Best in Marketing (Platinum Award)			
▪ Best Brand (Platinum Award)			
▪ Best Green Initiative (Silver Award)			
▪ Best Employer (Platinum Award)			
▪ Best in Retail (Platinum Award)			
▪ Best in Customer Service (Platinum Award)			
▪ Male Entrepreneur of the Year – Outstanding Achievement			
▪ Malaysian Business of the Year Award			
▪ Best Innovation (Platinum Award)			
▪ Best Use of Technology (Platinum Award)			
▪ Best in Marketing (Gold Award)			
▪ Best Brand (Gold Award)			
▪ Best in Corporate Social Responsibility (CSR) (Gold Award)			
▪ Best Employer (Gold Award)			

7. BUSINESS OVERVIEW (CONT'D)

Award	Awarding party	Recipient	Year(s)
Putra Brand Awards	Association of Accredited Advertising Agents Malaysia	Senheng KL	2020, 2019, 2018
<ul style="list-style-type: none"> ▪ Home Improvement Product and Stores Category - Bronze ▪ Home Improvement Product and Stores Category - Silver ▪ Billion Dollar Club Award ▪ Largest Distribution of Electronics in Malaysia 		Senheng KL	2017
Retail Asia-Pacific Top 500 Award	Malaysia Retail Chain Association	Senheng KL	2019
<ul style="list-style-type: none"> ▪ Top 10 Retailers, Malaysia 	Retail Asia and Euromonitor International	Senheng KL	2017, 2016
Malaysia Franchise Awards	Malaysia Franchise Association	Senheng KL	2019
<ul style="list-style-type: none"> ▪ Best Franchise Employer ▪ Best Franchise Corporate Social Responsibility (CSR) 		Senheng KL	2017
Mycybersale	Pikom (the National ICT Association of Malaysia) and Malaysia Digital Economy Corporation Sdn Bhd	Senheng KL	2018
<ul style="list-style-type: none"> ▪ Top Category Electronics ▪ Top 3 Electronics ▪ Top 10 Local Gross Merchandise Value Achiever 		Senheng KL	2017
Revolutionary Hero Brand Award	Lazada Malaysia	Senheng KL	2017
<ul style="list-style-type: none"> ▪ Outstanding Performer 			
Seller Adoption Pilot Programme	Malaysia Digital Economy Corporation Sdn Bhd	Senheng KL	2016
<ul style="list-style-type: none"> ▪ Top 30 Sellers by Domestic Gross Merchandise Value 			

7. BUSINESS OVERVIEW (CONT'D)

Further, from 2016 up to the LPD, we have also received the following awards from our brand principals in recognition of our sales performance for the respective brands we carry:-

Brands	Year	Award
Acer	2019, 2018, 2017, 2016	▪ Best Performing Superstore Partner
Alpha	2020, 2019, 2016	▪ Million Dollar Dealer
Asus	2020	▪ Best Performance Notebook Consumer Electric Store
	2019	▪ Top Performance Notebook Consumer Electric Store (Silver)
	2018, 2017, 2016 2020, 2016	▪ Consumer Electric Store of the Year ▪ Golden Premium Partner
Electrolux	2017	▪ Top 10 Customers Award
	2016	▪ Best Product Category Award – Small Appliances
Haier	2019	▪ Best Growth (Mid-High Product)
	2019	▪ Million Dollar Star Achiever
Hisense	2019, 2018	▪ Golden Star Award
HP	2018, 2017, 2016	▪ Outstanding PPS Achievement of US\$1 Million Achiever Award
Huawei	2016	▪ Modern Trade Best Partner
Intel	2017	▪ Gold Partner Award
KDK	2020, 2019	▪ Million Dollar Club
Microsoft	2019	▪ Outstanding Contribution and Partnership
	2018	▪ Consumer Best Online Transformation
	2018	▪ Consumer Highest Growth Achievement (Bronze)
Philips	2019, 2018, 2017	▪ Million Ringgit Award
	2019, 2018	▪ Excellent Business Performance Award
	2018	▪ Million Dollar Sales – TV
	2016	▪ Personal Health Million Dollar Award
Robam	2020	▪ Best Selling Platforms Award
Samsung	2016	▪ Top Performer (Mass Merchant)
Sharp	2020, 2019, 2016	▪ Platinum Award
Sony	2016	▪ 4K & Android TV, Outstanding Performance Award
Vivo	2021	▪ Vivo Club Member 1 st Quarter 2021

7. BUSINESS OVERVIEW (CONT'D)

7.6 PRINCIPAL BUSINESS ACTIVITIES

Our Group is principally involved in the retail of consumer electrical and electronic products. We aim to provide our customers a seamless retail experience whereby they have the flexibility to choose to either shop at our physical or online stores, depending on which option they find most convenient and comfortable.

7.6.1 Business model

We aim to provide a cohesive and consistent shopping experience to customers via physical and online stores through our seamless retail model. To that end, the products, prices and promotions that we offer are standardised across our physical and online stores. We have built a strong online presence which is integrated with our network of physical stores to offer a seamless shopping experience to customers. The standardisation of products, prices and promotions is able to simplify the decision-making process for customers and prevent sales cannibalisation among our own stores.

Further, we have optimised our transportation and logistics routes to ensure goods will be consistently delivered to our physical stores in order to minimise incidences of stock unavailability as well as directly to our customers in an efficient and timely manner. We aim to give customers the flexibility of choosing where to browse and purchase products without compromising on benefits and quality of services by shopping at either physical or online stores.

Our seamless retail model is made functional by aligning 9 key aspects of our business and operations as follows:-

(i) Product

All products offered by us are available for purchase through our physical stores and online stores. This allows our customers to purchase the products anytime, anywhere based on their preference. Discontinued products by suppliers are only available at our physical stores while stocks last. We also developed a platform for our suppliers to manage their respective brand page on our website directly, thereby freeing-up internal resources to increase efficiency and reduce time for product launching.

(ii) Pricing

We monitor the prices of other retailers on a daily basis. This enables us to ensure that our prices remain competitive. Further, all products are priced the same across all our online stores and physical stores nationwide; there are no additional surcharges for purchasing from a different location or retail platform. This simplifies the decision-making process for our customers.

(iii) Promotions

The same promotions and discounts are offered at all our physical stores and online stores, save for in the following instances:-

- (a) promotions on discontinued products and display units offered by us at our physical stores; and
- (b) additional discounts offered by third-party marketplaces during seasonal promotions such as the 11.11 sale.

7. BUSINESS OVERVIEW (CONT'D)

The standardisation of promotions and discounts gives certainty to our customers that they have access to all our promotions and discounts which simplifies decision-making process for our customers and prevents sales cannibalisation among our own stores.

(iv) Inventory

Our CDC is the main hub for inventory storage and is integrated across our seamless retail platforms through our WMS. We apply the 80-20 long tail inventory management concept where 80% of our inventory comprises popular and high demand products and the remaining 20% of our inventory comprises less popular and lower demand products. This enables better inventory management where the required stock can be made available in the shortest time possible when required at our physical stores and online customers.

(v) Loyalty programme

PlusOne loyalty programme is administered through the Senheng mobile application where members can conveniently track their membership information and purchase records. Members can also enjoy additional PlusOne extended warranty coverage of up to 24 months (except for PlusOne Online and PlusOne Basic) free of charge, amongst other exclusive benefits. Further information on our PlusOne loyalty programme is set out in Section 7.12(iii) of this Prospectus.

(vi) Logistics

Following our migration to a centralised logistics model in 2018, we were able to achieve the following:-

- daily replenishment of stocks by a majority of our suppliers due to close proximity of our CDC to their warehouses;
- daily delivery of stocks from our CDC to our regional hubs and physical stores nationwide, save for regional hubs in Sabah and Sarawak where products are delivered once a week;
- improve inventory management by reducing inventory storage in each regional hub; and
- these ultimately enable the timely fulfilment of customers' orders.

(vii) Payment mode

We are in the progress of extending the same modes of payment such as instalment payment plans, credit cards, 3rd party e-wallets and direct bank transfer payment options, to customers across all our online stores and physical stores. This is part of an ongoing initiative undertaken by our Group to continuously enhance our modes of payment to provide convenience and flexibility for customers to make purchases when shopping with us. We are unable to ascertain a specific timeframe to complete this initiative as we will continue to add more options and providers for each of the modes of payment and the implementation for each of the modes of payment will vary based on the procedures and processes of each provider.

7. BUSINESS OVERVIEW (CONT'D)

(viii) Repairs & services

We offer repair and services (i.e. delivery and installation) to all consumer electrical and electronic products sold at all our physical stores and online stores. Progress of delivery of product and service requests as well as warranty details can be conveniently tracked using Senheng mobile application. Our QuickChat function in Senheng mobile application also aims to respond to our customer's enquiry in the shortest time possible during working hours. These after-sales services enable us to provide comfort to our customers to continue shopping with us.

(ix) Sales promoter benefits

Our sales personnel are incentivised for sales closed at physical stores and in outbound telemarketing, as well as for serving customers who collect online purchases at physical stores. This ensures that our customers who make purchase from both physical and online stores will receive the same quality of customer service.

7.6.2 Our products and services

(i) Retail of electrical and electronic products

As at the LPD, we carry products of about 10,000 SKUs from over 280 brands at our stores including products from international brands such as Samsung, Panasonic, Apple, Sony, Sharp, Huawei and LG. The products that we carry can be broadly categorised into the following segments:-

(a) Digital gadgets

We offer a wide range of digital gadgets such as mobile phones, tablets, personal computers, smart wearables (i.e. smart watches and fitness trackers), cameras, printers, drones, gaming equipment (i.e. gaming consoles and accessories) and other related accessories such as external hard drives, power banks, computer keyboards and mouse, amongst others.

(b) Audio visuals

We offer a broad category of audio visuals that mainly serve to provide entertainment and enjoyment. Examples include televisions, audio players, audio speakers, home theatre systems and other related accessories such as speakers, cables, surge protectors and plug extensions, amongst others.

(c) Home appliances

We offer home appliances which comprise consumer durables for domestic use. The home appliances that we offer include the following:-

<u>Category</u>	<u>Products</u>
Home electricals	Air purifiers, air conditioners, air coolers, washing machines, refrigerators, freezers, fans, wine coolers, irons, water heaters, vacuum cleaners and other related accessories

7. BUSINESS OVERVIEW (CONT'D)

Category	Products
Kitchen appliances	Toasters, kettles, coffee machines, blenders and choppers, ovens, hoods and hobs, dish washers, dish warmers and cooking appliances (e.g. rice cookers, induction cookers, slow cookers, multi cookers, fryers, grills, steamboat pots and steamers), amongst others
Personal and beauty care	Hair dryers, hair stylers, grooming devices, facial cleansing and toning devices, epilators and battery-operated toothbrushes, amongst others

(d) Other products

We also have concessions with 3rd parties to allow them to use spaces in our physical stores to display and sell their products, such as massage products.

In addition, we provide additional services such as bill payment, credit reloads, mobile prepaid products and electronic-paper subscriptions to national newspapers such as Berita Harian, Harian Metro and Borneo Post for the ease of our customers to conduct these activities.

(e) Delivery, installation, maintenance and repair services

We provide free delivery and installation services to our PlusOne members for purchases of RM100 and above in a single receipt and will charge a delivery and installation fee otherwise. Last mile delivery services are provided either by our in-house logistics team or outsourced to third-party courier service providers, logistics service providers and installers. Please refer to Section 7.8.2(iii) of this Prospectus for information on our logistics and installation arrangement.

Our in-house logistics team and third-party logistics service providers provide installation and commissioning services for most of the large size products which require installation. We outsource installation and commissioning services for certain large size products (i.e. air conditioners, water heater, and ceiling and wall fans) to third-party installers. These third-party installers are selected based on their area of expertise, product installation requirements as well as past service track records.

The delivery and installation of products are tracked and monitored by our delivery management system. Through the reports generated from our delivery management system, we are able to monitor the performance (i.e. punctuality and customer rating) of our drivers and installers. Further, customers' feedback gathered on the services provided gives us an insight on quality of service provided by our in-house logistics team and third-party logistics providers and third-party installers. To align the drivers and installers' interest, we provide incentives to highly-rated drivers and installers to ensure satisfactory services are provided to our customers.

7. BUSINESS OVERVIEW (CONT'D)

We also provide maintenance and repair services for a fee and this service is not limited to products bought from our stores. Our in-house repair team provides repair services for digital gadgets, such as smart phones and tablets, as well as certain products for which we are authorised by Samsung, to provide repair works. For all other products, we appoint third-party repair service providers to undertake the repair works. Repair works are undertaken for products purchased from our stores outside the warranty period or products purchased from other retailers. Customers will be charged for any repair or replacement of parts required.

(ii) Warranty services

The products we sell on our retail platforms typically comes with a warranty from the manufacturer to protect the consumer against manufacturing defects, subject to the terms and conditions stipulated in the warranty card of each product.

In addition to the manufacturer's warranty, our Group provides 3 types of additional warranties as detailed in the table below:-

Types of warranties	Features
PlusOne extended warranty	<ul style="list-style-type: none"> ▪ Subject to the different types of PlusOne memberships as set out in Section 7.12(iii) of this Prospectus, PlusOne members can enjoy additional PlusOne extended warranty coverage of up to 24 months on top of manufacturer warranty ▪ The warranty period begins upon the end of manufacturer warranty and covers manufacturing defects ▪ PlusOne members are entitled to the PlusOne extended warranty automatically upon the purchase of products from us free of charge
V-Care extended warranty	<ul style="list-style-type: none"> ▪ Can be purchased at the point of purchasing the products ▪ The price of V-Care extended warranty is determined based on the value of products and tenure of the warranty period ▪ PlusOne members can claim for repairs of any amount within a specified period upon the expiry of the manufacturer warranty and PlusOne extended warranty, whenever applicable ▪ Warranty period ranges from 12 to 36 months
SWAP / Replacement warranty	<ul style="list-style-type: none"> ▪ Can be purchased at the point of purchasing the products ▪ The price of SWAP / Replacement warranty is determined based on the value of products ▪ PlusOne members can replace defective products with a brand-new product ▪ Applies for products with purchase price of less than RM500.00 or mobile phones with purchase price of less than RM1,599.00. SWAP warranty is only applicable for one replacement within 12 months of purchase, while replacement warranty is only applicable for one replacement within 24 months of purchase

7. BUSINESS OVERVIEW (CONT'D)

The PlusOne extended warranty is offered to all our paid PlusOne members and is 100% insured by a third-party insurance provider which then reinsures 70% of the warranty liabilities to our subsidiary, namely Senheng Captive. The V-Care extended warranty and SWAP / Replacement warranty are sold at the point of purchase and are 100% insured by a third-party insurance provider to cover the liabilities of these warranties. Further information on our reinsurance activities is set out in Section 7.8.3 of this Prospectus.

We offer these additional warranties only to our PlusOne members whose memberships have not lapsed. Our customers can submit their warranty claims through any of our physical stores, subject to terms and conditions such as non-claim against consequential losses, normal wear and tear, or damage to the products due to negligence by our customers.

For manufacturer warranty claims, the customers can either process the warranty claims at the respective brand principals' service centres or they can seek our help to submit the warranty claims to the brand principals for the defective products.

Products sent to us as part of a claim under our additional warranties will be sent to the nearest regional hub for inspection. For products covered under the PlusOne extended warranty and V-Care extended warranty, once we have confirmed that the manufacturing defects and/or defective parts are covered under the warranty, the defective parts will be repaired or replaced by us or by our appointed third-party service providers at no additional cost to our customers. For products covered under the replacement warranty, once we have confirmed that the products have a defect, we will replace the defective product with a new unit, subject to the terms and conditions of the replacement warranty.

Subsequent to the end of the warranty period, in the case of any defective product claims, we will charge the customers for any repair or replacement of parts required.

7.6.3 Our retail platforms

(i) Physical stores

Our physical stores are an essential part of our seamless retail model as it enables our customers to experience the product, i.e. to view, feel, test and inquire before purchasing the products. Our online stores provide customers the flexibility to access product information and make purchasing decision via the internet anytime and anywhere. Through our seamless retail model, both retail platforms complement and supplement each other to drive sales and traffic to both our physical stores and online stores.

As at the LPD, we have 105 physical stores spread out throughout Malaysia and are located in commercial areas and shopping malls with high foot traffic. We have 4 physical store concepts, namely "Grand Senheng Elite", "Grand Senheng", "Senheng" and "senQ". We also plan to introduce a new store concept namely "Grand senQ".

7. BUSINESS OVERVIEW (CONT'D)

The following summarises the key features based on the concept of our physical stores:-

Physical stores	Key features
"Grand Senheng Elite"	<ul style="list-style-type: none"> ▪ Focused on prime and premium areas in cities such as in the Klang Valley, Penang, Johor Bahru, Kuching and Kota Kinabalu ▪ To carry wider range of high-end consumer electrical and electronic products which include IoT products ▪ Large in size to provide a comfortable shopping environment (intended to be between 14,000 sq ft and 20,000 sq ft)
"Grand Senheng"	<ul style="list-style-type: none"> ▪ Located at shop houses in high foot traffic commercial areas surrounded by residential areas ▪ Has a wider range of product displays at the store as compared to a "Senheng" store ▪ Large in size to provide a comfortable shopping environment (typically between 8,000 sq ft and 12,000 sq ft)
"Senheng"	<ul style="list-style-type: none"> ▪ Located at shophouses or hypermarkets in high foot traffic commercial areas surrounded by residential areas ▪ Target customers from surrounding neighbourhoods ▪ Store size is typically between 3,000 sq ft and 6,000 sq ft
"Grand senQ"	<ul style="list-style-type: none"> ▪ Focused on shopping malls with high foot traffic as anchor tenants, in prime and premium areas in cities such as in the Klang Valley, Penang, Johor Bahru, Kuching and Kota Kinabalu ▪ Has a wider range of high-end consumer electrical and electronic products which include IoT products ▪ Large in size to provide a comfortable shopping environment (intended to be between 24,000 sq ft and 30,000 sq ft)
"senQ"	<ul style="list-style-type: none"> ▪ Located in shopping malls with high foot traffic ▪ Target customers at shopping malls ▪ Generally has a wider range of digital gadget displays at the store ▪ Large in size to provide a comfortable shopping environment (typically between 8,000 sq ft and 15,000 sq ft)

7. BUSINESS OVERVIEW (CONT'D)

Our physical stores are either self-operated, operated under incentive programme or franchise programme. The number of physical stores operated under each category are as tabulated below:-

	No. of physical stores operated by our Group as at the LPD					Total
	Peninsular Malaysia					
	Northern ⁽³⁾	Central ⁽⁴⁾	Southern ⁽⁵⁾	East Coast ⁽⁶⁾	East Malaysia	
“Grand Senheng Elite” stores⁽¹⁾						
▪ Self-operated	-	1	-	-	-	1
“Grand Senheng” stores						
▪ Self-operated	6	12	7	4	4	33
▪ Incentive programme	-	-	1	-	-	1
▪ Franchised	1	2	1	-	-	4
Subtotal	7	14	9	4	4	38
“Senheng” stores						
▪ Self-operated	10	10	2	5	2	29
▪ Incentive programme	-	1	1	-	-	2
▪ Franchise programme	1	3	-	-	1	5
Subtotal	11	14	3	5	3	36
“senQ” digital stations⁽²⁾						
▪ Self-operated	4	4	5	3	7	23
▪ Incentive programme	-	4	1	-	2	7
Subtotal	4	8	6	3	9	30
Total	22	37	18	12	16	105

Notes:-

- (1) As at the LPD, there is no “Grand Senheng Elite” stores operated under incentive or franchise programme.
- (2) As at the LPD, there is no “senQ” digital stations operated under franchise programme.
- (3) Northern region comprises Perlis, Kedah, Penang and Perak.
- (4) Central region comprises Selangor, Kuala Lumpur, Putrajaya and Negeri Sembilan.
- (5) Southern region comprises Johor and Melaka.
- (6) East Coast region comprises Pahang, Kelantan and Terengganu.

Please refer to Section 7.15 (ii) and (iii) of this Prospectus for further information on our incentive programme and franchise programme.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Online stores

We have 3 in-house online retail platforms, namely our “Senheng” online store and “senQ” online digital station as well as virtual stores on third-party marketplaces:-

(a) “Senheng” online store

“Senheng” online store at <https://www.senheng.com.my> is an online version of our “Senheng” stores. Our customers are able to browse and purchase all products which are available at our “Senheng” stores, on our “Senheng” online store.

(b) “senQ” online digital station

“senQ” online digital station at <https://www.senq.com.my> is an online version of our “senQ” digital stations. Our customers are able to browse and purchase all products which are available at our “senQ” digital stations, on our “senQ” online digital station.

(c) Third-party marketplaces

We have dedicated store pages for our “Senheng” store on 2 third-party e-commerce marketplaces namely Lazada and Shopee where our customers are able to browse and purchase the products which are available at our “Senheng” stores. By establishing a presence on these e-commerce marketplaces, we are able to expand our customer reach and product exposure to the customer base of these e-commerce marketplaces.

7. BUSINESS OVERVIEW (CONT'D)

7.7 PRINCIPAL MARKETS

All of our revenue is generated in Malaysia, which is our principal market. The breakdown of our revenue by business segments and retail channels for the Period under Review are as follows:-

(i) Revenue by business segments

The following table sets out the breakdown of our Group's revenue by business segment for the Period under Review:-

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Retailing of consumer electrical and electronic products	1,102,935	94.1	1,084,238	94.7	1,230,853	95.1	526,225	94.4	640,677	95.1
Warranty services	69,366	5.9	60,623	5.3	63,916	4.9	31,306	5.6	33,234	4.9
Total	1,172,301	100.0	1,144,861	100.0	1,294,769	100.0	557,531	100.0	673,911	100.0

Our revenue can be further segmented by the products and services that we offer:-

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Retailing of consumer electrical and electronic products	1,102,935	94.1	1,084,238	94.7	1,230,853	95.1	526,225	94.4	640,677	95.1
<i>Digital gadgets</i>	376,170	32.1	374,661	32.7	463,416	35.8	182,426	32.7	238,247	35.4
<i>Audio visuals</i>	240,135	20.5	218,349	19.1	239,344	18.5	106,985	19.2	125,617	18.6
<i>Home appliances</i>	431,902	36.8	436,871	38.2	469,885	36.3	213,922	38.4	249,031	37.0
<i>Other products</i>	25,517	2.2	23,130	2.0	23,641	1.8	9,525	1.7	12,749	1.9
<i>Delivery, installation, maintenance and repair services</i>	29,211	2.5	31,227	2.7	34,567	2.7	13,367	2.4	15,033	2.2
Warranty services	69,366	5.9	60,623	5.3	63,916	4.9	31,306	5.6	33,234	4.9
Total	1,172,301	100.0	1,144,861	100.0	1,294,769	100.0	557,531	100.0	673,911	100.0

7. BUSINESS OVERVIEW (CONT'D)

(ii) Revenue by retail channels

The following table sets out the breakdown of our Group's revenue by retail channels for the Period under Review:-

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Physical stores	1,107,497	94.5	1,082,973	94.6	1,179,656	91.1	504,497	90.5	613,878	91.1
Online stores	36,874	3.1	37,440	3.3	95,327	7.4	46,698	8.4	49,725	7.4
Others ⁽¹⁾	27,930	2.4	24,448	2.1	19,786	1.5	6,336	1.1	10,308	1.5
Revenue	1,172,301	100.0	1,144,861	100.0	1,294,769	100.0	557,531	100.0	673,911	100.0

Note:-

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

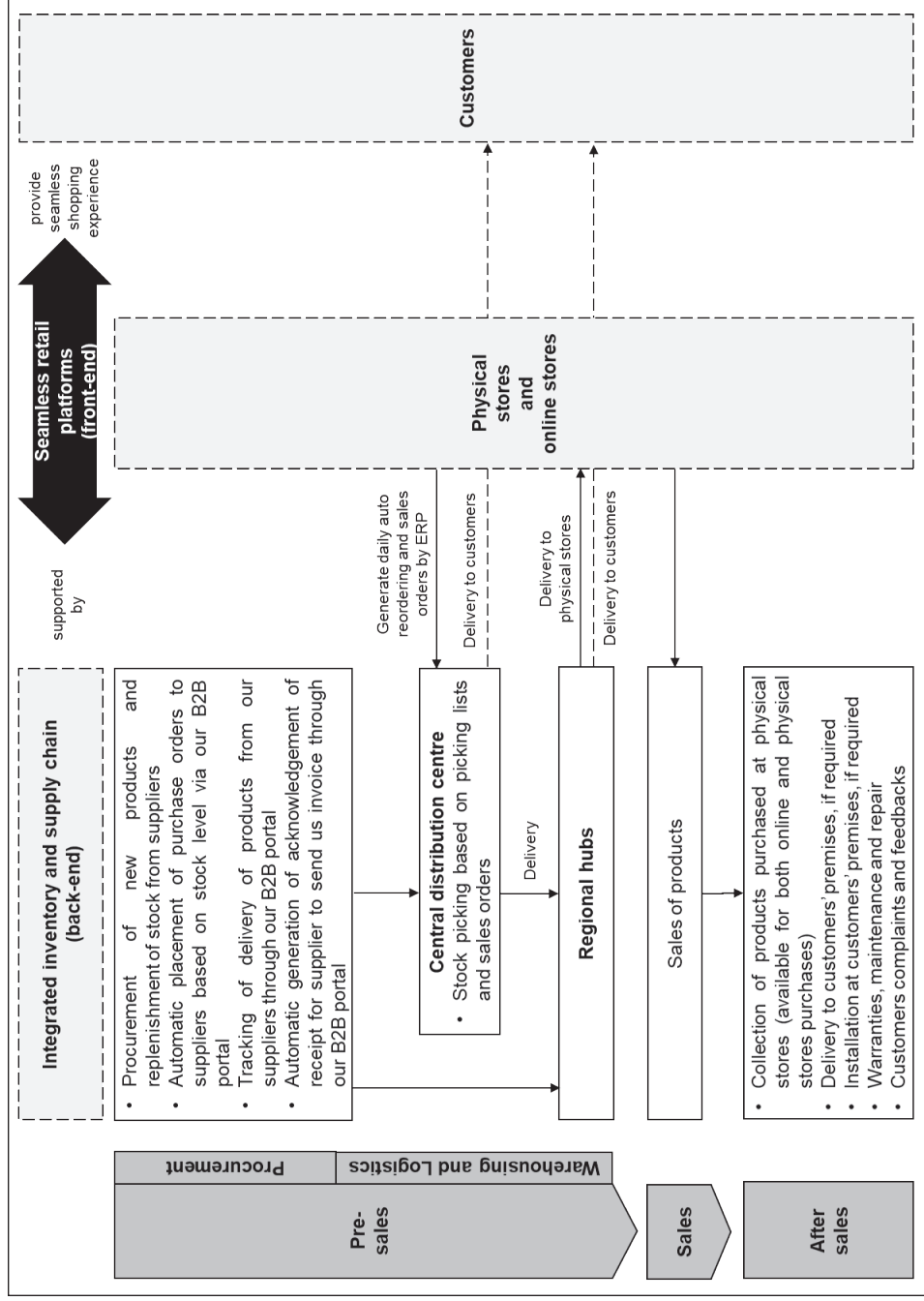
Please refer to Section 12 of this Prospectus for further information on our financial performance.

7. BUSINESS OVERVIEW (CONT'D)

7.8 OUR OPERATIONS

7.8.1 Process flow

Our operational process flow for the retailing of consumer electrical and electronic products is as follows:-



7. BUSINESS OVERVIEW (CONT'D)

(i) Pre-sales

(a) Procurement

Our procurement team handles procurement of new products and replenishment of stock for existing products.

Our suppliers will submit product proposals on a monthly basis where information of new products will be presented to our procurement team. Our procurement team will first request for samples of the new products to conduct checks to ensure that the new products have obtained the necessary certifications to comply with the safety, performance and energy efficiency requirements set by the Energy Commission of Malaysia. We will also review the commercial viability of the new products to evaluate if these products meet certain internal criteria such as target profit margin, market demands for such products, promotions required, lead time for delivery of stock from our suppliers and availability of after sales services (i.e. back-to-back warranties arrangement with our suppliers, availability of spare parts, etc). Qualified products will be added into our approved product list and we will place orders to our suppliers through our B2B portal.

For our existing range of products, our procurement team will assign a safety stock level for each product for each physical store whereby the auto replenishment function within our inventory management module will automatically generate a purchase order to replenish the product when the stock level is below the indicated threshold. Our inventory management module is a module within our ERP system and is integrated with our B2B portal. This allows automatic submission of the purchase orders to our B2B portal for the placement of purchase orders with our suppliers. We monitor the status of the delivery of products procured to our CDC and regional hubs by tracking the delivery orders uploaded by our suppliers into our B2B portal.

(b) Warehousing and logistics

Upon receiving products from our suppliers at our CDC and regional hubs in East Malaysia, our warehouse team will perform stock count and visual check on the packaging. Once the products are accepted by our warehouse team, an acknowledgement of receipt will be automatically generated for our suppliers to issue invoice to us through our B2B portal.

The inventory levels of all our physical stores are monitored by our ERP system which will generate auto-reordering of products to fulfil inventory replenishment once the inventory level of our products at any of our physical stores are below the predetermined level. Through auto-reordering, our ERP system sends the product orders to WMS which will then generate picking lists for our warehouse team to pick and pack the required products to be delivered to our physical stores.

Our warehouse team will also check and retrieve sales orders from our online stores on a daily basis through the ERP system. The sales orders comprise the list of products to be delivered directly to our customers or for customer's collection at our physical stores.

7. BUSINESS OVERVIEW (CONT'D)

If sufficient stock is available at our CDC or regional hubs in East Malaysia, the required items will be retrieved from the respective storage shelves. We will conduct stock count and visual check on the items retrieved before packing the items for delivery to ensure that the products are picked accurately and the packaging of the products are in good condition. Subsequently, the products will be delivered to our physical stores or directly to our customers.

(ii) Sales**Physical store sales**

Upon receiving the products, our sales and operations team at the physical stores will perform a stock check to ensure that the complete list of products ordered are delivered correctly and the products are not damaged. Products will be stored or displayed in our physical stores to be promoted, marketed and sold to our customers.

Our sales and operations team will provide product explanations and recommendations to our customers, and demonstrate the product features using the display unit in response to any customer query on the product. If the customer chooses to purchase the product, our sales and operations team will check for stock availability and bring out a new unit if the product is available in our physical store, or arrange for subsequent delivery or pick-up in store based on the customer's preference. Our sales and operations team will check for product defects and functionality, arrange for the desired payment method of our customer and register the product warranty for our customer.

Typically, small products and products that are available in our physical store will be collected by customers at our physical stores. Our sales and operations team will arrange for delivery to our customer's premise for products which are large in size and products that require installation, as well as products that do not have available stock in our physical store.

Online sales

In line with our seamless retail model, products that are made available in our physical stores are also available on our online stores and third-party online marketplaces. We will upload the details of new products to our online stores and the third-party online marketplaces once any new products are added into our approved product list.

Telemarketing

We conduct telemarketing calls to promote and sell products to PlusOne members. If the PlusOne members are interested in making purchases during the calls, our telemarketers will send them product information from our online stores and recommend them suitable products based on their preference. PlusOne members may then proceed to purchase the products through an online payment centre during the call or at our online stores without having to be physically present at our physical store.

7. BUSINESS OVERVIEW (CONT'D)

(iii) After-sales

(a) Collection, delivery and installation of products

Subject to availability, all products purchased from our seamless retail platforms can be collected from our physical stores. We also offer delivery services and installation services to our customers, if required. Please refer to Section 7.8.2(ii) of this Prospectus for information on our logistics arrangement.

(b) Warranty, maintenance and repair services

Our customers can claim warranty for products, subject to the terms and conditions set out in our warranty claim policy. We also provide repair services for products that are still under our warranty claims.

For maintenance and repair services orders, our appointed third-party repair service providers will conduct the maintenance and repair work at our customers' premises for mounted or stationary large size products. For the repair of other small products, our customers will bring the products to our physical stores which will then be collected by our regional hubs. Subsequently, these products will be collected by our appointed third-party repair service providers to conduct the required repair works or will be delivered to our repair and service department located at our CDC for our in-house repair team to conduct the required repair works.

As at the LPD, we maintain a network of 59 third-party repair service providers for maintenance throughout Malaysia, as below:-

	Region	Number of third-party repair service providers for maintenance
(i)	Peninsular Malaysia	
	▪ Central	7
	▪ Northern	19
	▪ Southern	11
	▪ East Coast	9
(ii)	East Malaysia	13
	Total	59

(c) Customer complaints, feedback and information procurement

Customers can reach out to our customer service personnel via our general line, social media, WhatsApp, email and QuickChat to lodge complaints and provide feedback, as well as to obtain information on products and services, delivery and after sales services such as warranty claims, maintenance and repair services. All calls relating to purchases made from physical stores, online stores or via our telemarketing activities, our in-house customer service personnel will assess the nature of the calls and attend to customers' queries.

Any customer complaints will be accessed by the customer service personnel before an investigation is launched together with the relevant departments involved to rectify the issues.

7. BUSINESS OVERVIEW (CONT'D)

We conduct net promoter score (NPS) surveys on the following day after the transaction is made to measure consumers' experience, our customer satisfaction level and customer loyalty to our brand. These surveys allow a better understanding of the shopping behaviour of our customers and enable us to make necessary adjustments to continuously enhance our customers' shopping experience with us.

7.8.2 Our warehouse and logistics network

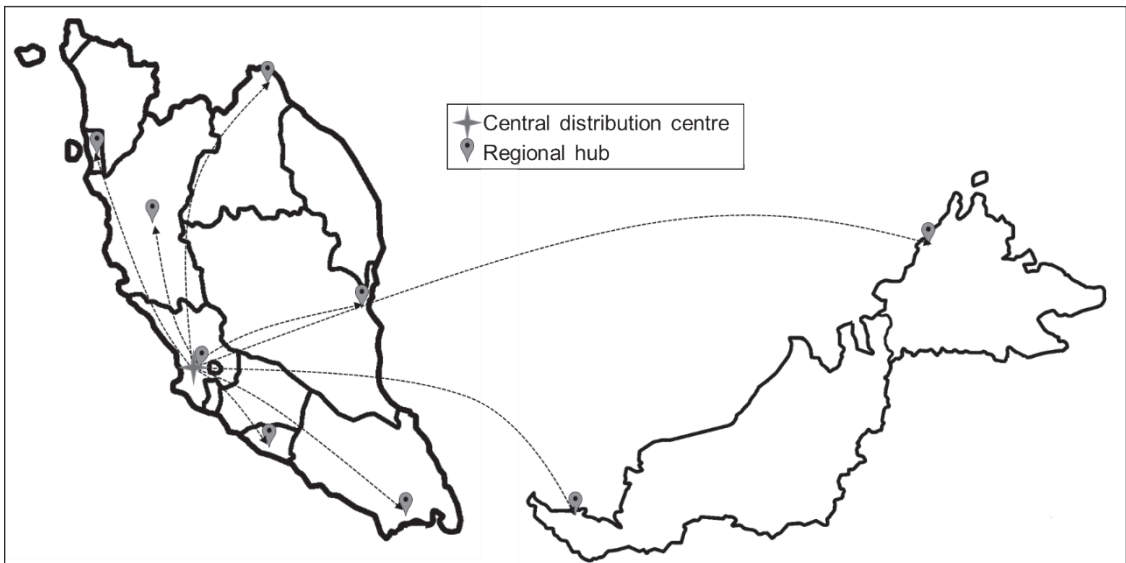
Our CDC, regional hubs, physical stores and customers' premises are connected with a systematic logistics network, handled by our logistics team as well as third-party logistics service providers and courier service providers. This systematic logistics network allows us to deliver products to the specified location within the required period.

WMS is used to manage and control product handling at our CDC, regional hubs and seamless retail platforms in order to ensure proper handling of products. Please refer to Section 7.9(i)(c) of this Prospectus for further details on our WMS.

(i) CDC and regional hubs

Our CDC is our main distribution point where we receive and store all products procured from our suppliers, as well as distribute the products to our other regional hubs and customers throughout Peninsular Malaysia, Sabah and Sarawak. Our CDC has a built-up area of 200,035 sq ft and a main warehouse area of approximately 157,000 sq ft. There are 106 loading bays in our CDC which are used for the unloading of products from our suppliers' trucks into the CDC as well as to load and deploy more outgoing trucks for the delivery of products from the CDC to regional hubs and to physical stores and customers in the Central region. Our CDC also serves as the regional hub for Central region.

We have 8 other regional hubs to support the distribution of products to our physical stores and customers by regions. Our Sabah and Sarawak regional hubs also receive and store digital gadgets delivered by our suppliers. The location of our CDC and 8 other regional hubs are as follows:-



7. BUSINESS OVERVIEW (CONT'D)

Region and location of our CDC and regional hubs	State coverage
Northern	
<ul style="list-style-type: none"> ▪ Seberang Perai Tengah, Penang ▪ Ipoh, Perak 	Penang, Kedah, Perlis Perak
Central	
<ul style="list-style-type: none"> ▪ Klang, Selangor 	Selangor, Kuala Lumpur, Putrajaya Negeri Sembilan and Pahang
Southern	
<ul style="list-style-type: none"> ▪ Johor Bahru, Johor ▪ Batu Berendam, Melaka 	Johor Melaka
East Coast	
<ul style="list-style-type: none"> ▪ Kuantan, Pahang ▪ Kota Bahru, Kelantan 	Pahang and Terengganu Kelantan
East Malaysia	
<ul style="list-style-type: none"> ▪ Kota Kinabalu, Sabah ▪ Kuching, Sarawak 	Sabah Sarawak

We conduct the following at our CDC and regional hubs as part of our warehousing and inventory management:-

(a) Quality check

We perform physical quantity check and visual check on the packaging upon receiving the products from our suppliers at our CDC and before delivering to our regional hubs.

(b) Barcoding

All the products we receive from our suppliers have original barcodes which we scan into our WMS. This enables us to track the product movement in our CDC, regional hubs and physical stores.

(c) Picking and packing of products

For physical store sales

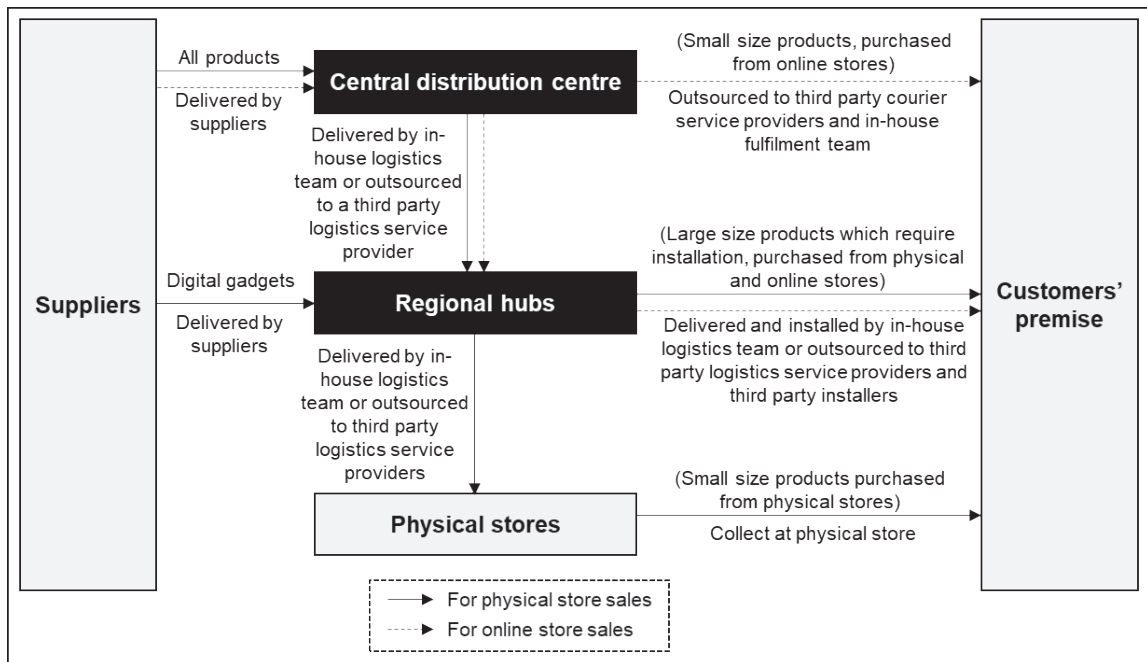
Products to be delivered to our physical stores are picked and packed according to the picking list of respective physical stores.

For online sales

Products are picked and packed according to the sales orders. Products to be couriered or delivered directly to customers are picked and repacked to avoid damage during delivery.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Logistics and installation arrangement



All products, (save for some digital gadgets meant for Sabah and Sarawak, which are delivered directly to the regional hubs in those states), are delivered to our CDC by our suppliers.

The delivery of products between our CDC, regional hubs and physical stores are handled by our in-house logistics team or outsourced to a third-party logistics service provider. Last mile deliveries of products from our CDC and regional hubs to customers' premises are handled by our in-house logistics team or outsourced to third-party logistics service providers or third-party installers, depending on the quantity and size of the products as well as installation requirements.

For small products which do not require installation that are purchased from our physical stores, our customers are required to collect these products personally at our physical stores. However, we also offer delivery services for small products purchased in multiple quantities. For small products and products which do not require installation that are purchased from our online stores, these products will be couriered by third-party courier service providers to the address provided by our customers. Customers may also collect their online purchases of these products at our physical stores. Since September 2019, the deliveries of small products and products which do not require installation that are purchased from our online stores are delivered by our in-house fulfilment team to customers in selected locations within the Klang Valley.

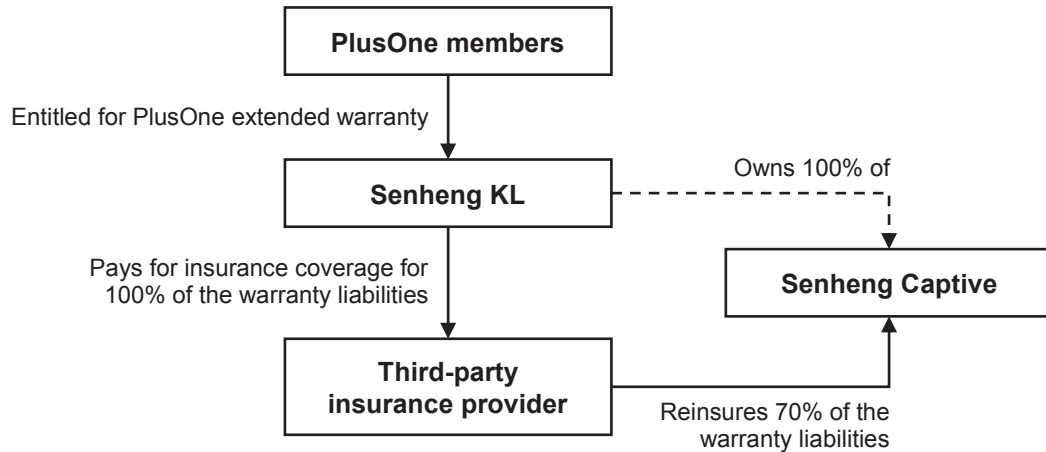
We offer delivery and installation for large size products which require installation that are purchased from online and physical stores. Our in-house logistics team or third-party logistics service providers will deliver most of the large size products stored in our regional hubs to our customers' premises and provide simple installation services. When required, third-party installers will provide installation and commissioning services for certain types of products such as air conditioners, water heaters as well as ceiling and wall fans at our customer's request.

7. BUSINESS OVERVIEW (CONT'D)

7.8.3 Reinsurance

PlusOne extended warranty is offered to all our paid PlusOne members free of charge and is 100% insured by a third-party insurance provider. We then reinsure 70% of the said warranty liabilities through our subsidiary, namely Senheng Captive, on the insurance purchased from the third-party insurance provider.

The reinsurance process flow is as follows:-



For information, our Group has not experienced any major claim events in the past.

Reinsurance ultimately allows us to provide coverage for ourselves without being exposed to possible volatile pricing by third-party insurance provider and hence allows us to have better control over how we want to be insured. If there are no claims, we have the choice to either return the unused funds in the form of profits or invest them for future claim payouts, which give us more financial protection and ease our cash flow.

7.8.4 Cash management

We have an SOP on cash management which is designed to standardise practices with respect to cash handling and cash deposits to prevent possibilities of cash mismanagement and theft.

Our SOP on cash management outlines the responsibilities of employees in our physical stores, including:-

- (i) to receive, deposit and/or disburse cash;
- (ii) to reconcile cash and its equivalents with the daily sales transactions;
- (iii) to ensure cash and its equivalents are handled in a safe manner; and
- (iv) to ensure cash is deposited in the designated bank account on a scheduled basis.

In the event of theft, mismanagement or mishandling of cash, we will take appropriate action such as conducting internal inquiries, taking disciplinary actions or reporting such incidences to the police, when required.

7. BUSINESS OVERVIEW (CONT'D)

7.8.5 Security and loss prevention

We maintain strict security procedures to protect our physical stores, CDC and regional hubs from pilferage, shoplifting and theft. All of our properties are installed with CCTVs and alarm systems and our staff conducts regular internal stock audit to monitor instances of theft. All our physical stores are further installed with safe boxes as well as anti-theft systems, such as sensor tags and security labels on the products. We also hire security guards to patrol our CDC.

Awareness talks on crime prevention are conducted for our employees twice a year to impart knowledge, create awareness and share the importance of pro-active measures to be taken to prevent pilferage, shoplifting and theft incidences.

In the event of pilferage, shoplifting and theft, our Chief Discipline Officer will investigate, trace and resolve the incidents by conducting internal inquiries, taking disciplinary actions or reporting such incidences to the police, when required.

7.8.6 Store performance monitoring and improvement

We monitor the performance of all our stores on daily basis using our ERP and business intelligence systems. Sales information for each store can be retrieved and analysed to develop data-driven strategies to identify any areas of improvement and develop relevant action plans.

For stores which achieve a lower revenue growth rate than comparable stores and regularly fail to achieve their sales targets, we analyse amongst others, the store performance, sales personnel performance, store operations, location and customer demographics before determining the right mix of measures to revive these under-performing stores.

Based on our internal policy, in the event a certain store has a lower revenue growth rate compared to other stores and/or consistently fails to achieve their sales targets over a 6-month period, such stores would be considered under-performing and our management will formulate steps to revive and/or improve the sales performance of such stores. We may undertake the following measures to improve the performance of these stores:-

- (i) provide training to the sales personnel to improve customer service as well as product and sales knowledge;
- (ii) relocate such stores situated in locations with poor accessibility; or
- (iii) refresh the exterior and interior look of the stores through renovations of the shop façade, refurbishment of the interior shopping area or change the product display layout to improve customer shopping experience.

If certain stores continue to underperform despite measures taken to improve their performance, we may consider closing these stores. As each of our stores are unique by its location, size, customer demographics and layout, each underperforming store may require a different approach to improve their performance. If these stores continue to consistently underperform over a further 6-month period despite measures taken to improve their performance, we may consider closing these stores if these stores are economically unviable.

7. BUSINESS OVERVIEW (CONT'D)

7.9 TECHNOLOGY USED

We use, and will continue to invest in, relevant technologies to enable our various operational platforms and departments to communicate and share valuable information seamlessly as well as to improve efficiency, profitability and competitiveness. Our digital infrastructure spans our back-end and front-end systems. The key technologies that we have adopted are:-

(i) Back-end systems

Our back-end systems comprise software applications and digital infrastructure to facilitate our procurement, warehousing and logistics management, as well as organise and analyse data to be used by our management team. These technologies include:-

(a) ERP (Enterprise resource planning) system

Our ERP system comprises internal modules which are integrated with other systems of our core business functions, allowing relevant personnel to update, store, manage, interpret, and retrieve data, which thus facilitate the flow of information of our core business functions. Internal modules within our ERP system include inventory management module, POS module and financial management module. Other systems which are integrated to our ERP system include, B2B portal, WMS and delivery management system.

(b) B2B (Business-to-business) portal

B2B portal is our purchasing system which is integrated to our ERP system. This system is used for procurement of goods from our suppliers. The B2B portal enables our Group and our suppliers to electronically update and download procurement information, track delivery status during our procurement process, and include the following activities:-

- (aa) Our warehouse team uploads purchase orders onto the B2B portal which will be received by our suppliers.
- (bb) Our suppliers upload delivery order onto the B2B portal and arrange delivery of the goods to our CDC or regional hubs via the system.
- (cc) Upon completion of delivery at our CDC or regional hubs, we will automatically generate the receipt of acknowledgement for our suppliers to issue invoice through our B2B portal.
- (dd) Our Group will use the receipt of acknowledgement for payment matching.

(c) WMS (Warehouse management system)

WMS is our inventory system which is integrated to our ERP system. This system is used to manage and control product handling at our CDC and regional hubs. Through WMS, we are able to manage inventory levels, track and manage the movement of products from point of receipt, handling in CDC and regional hubs, to delivery of products to our physical stores. This enables us to control and optimise inventory holding, inventory storage space and schedules for delivery to customers and returns to suppliers.

7. BUSINESS OVERVIEW (CONT'D)

(d) Delivery management system

Delivery management system is integrated to our ERP system. Our delivery management system utilises a mobile application as an interface to manage product delivery and installation. It is aimed to increase efficiency and customer satisfaction of our delivery and installation services. Our drivers and installers are equipped with a tablet which is pre-installed with the mobile application that enables fleet tracking in real time and remote management of delivery by the logistic team. The mobile application enables the following functions:-

- (aa) Upon arrival at our CDC, the driver will tally the picked stock against the mobile application to ensure the correct product and quantity are loaded into the truck;
- (bb) Customers can check the delivery status of their order(s);
- (cc) Upon completion of the delivery and installation, the driver or installer will take pictures of the goods delivered and/or with proper installation;
- (dd) Customers can rate the delivery and installation services via the mobile application and sign off on the drivers' or installers' tablet; and
- (ee) Customers immediately receive an electronic delivery note via their email.

(e) EDMS (Electronic document management system)

EDMS is a system which stores all our records digitally (i.e. sales, inventory, delivery, customer service, employees' archives). This enables us to standardise our recordkeeping, reduce physical storage space, enhance data security and more efficiently comply with the regulatory requirements on data protection as we digitalise and systemise our recordkeeping and documents.

(f) Business intelligence system

We utilise business intelligence system to analyse data on our core business operations and generate daily reports of our Group as well as our physical and online stores for us to make informed business decisions in various operational processes such as procurement planning, inventory management and marketing and promotion activities. This system extracts data from various modules in the ERP to conduct analysis and to generate the required reports. The system is also used to monitor the key performance indicators of our employees.

Our business intelligence system is supported by Blackbox BI Consultancy Sdn Bhd which is appointed to provide our Group with business intelligence solutions related informative modules such as customer relationship management, finance, human resources, logistics and online traffic operational analytics. The analysis generated by our business intelligence systems also provide us with actionable insights which allows us to make data-driven action plans and decisions. For example, data analysis of net promoter score surveys gives us a better understanding of our customer satisfaction levels, allowing us to make targeted adjustments to meet our customers' expectations and improve their shopping experience with us.

7. BUSINESS OVERVIEW (CONT'D)

Besides business intelligence solutions, Blackbox BI Consultancy Sdn Bhd also collects data from and outputs data to different systems which enables faster data-driven decision-making by our Group. Please refer to Section 11.1(vi) of this Prospectus for further information on our relationship with Blackbox BI Consultancy Sdn Bhd.

(g) **Data lake**

A platform where information in the form of structured data (e.g. spreadsheets, CRM and ERP systems, and POS systems) and unstructured data (e.g. photos, audio files, social media data, and data in Word and PDF format) is collected from various sales channels and business applications and stored in an integrated, non-duplicated manner. The information is stored in raw format. Whenever reporting is required, the information could be extracted from the data lake, analysed and transformed into useful information. Reports can be generated with standardised information for relevant personnel to make informed business decisions. With the data lake platform, relevant personnel at different level of business operations are able to make better informed business decisions based on the analysed insights which increase the effectiveness and efficiency of operational processes.

The Group expects to achieve the benefits above in view that the data lake can perform the following:-

Cross system integration

Data that are readily available from every facet of our business and operations are integrated and easily extracted and analysed. This increases the collaboration between departments through data sharing which improves the efficiency of our Group's workflow.

Complex data analysis

Data (i.e. structured and unstructured data) throughout the supply chain is captured and digitalised at primary level, allowing high level of accuracy and transparency during data analysis. This will allow us to gain accurate business insights and predictions (e.g. customers shopping patterns and preference) through the data analysis, and setup supply chain governance model based on the outcome.

Real-time analytic reports for departments and employees of different levels could be automatically generated, thereby allowing relevant personnel to take necessary corrective and counter measures immediately.

(h) **Recruitment module**

Our recruitment module assists our recruitment process and allow efficient management of candidates. The recruitment module enables our recruitment department to create and store a database of candidates, manage and publish vacancies, process applications, invite and reject applicants during the hiring process.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Front-end systems

Our front-end systems comprise software applications relating to customer service and marketing. These technologies include:-

(a) Senheng App

In November 2021, we relaunched our lifestyle mobile application which enables access to a whole new lifestyle ecosystem that is meant to provide a host of services and convenience to our PlusOne members. As at the LPD, in addition to the functions of the previous iteration of our mobile application, (e.g. access to their receipts, purchase history and warranty information) the new "Senheng App" also allows PlusOne members to access amongst others, home improvement services (e.g. cleaning, home disinfection, electrical and wiring services) and mobile reloads.

In 2022, the "Senheng App" will include a rewards centre where our PlusOne members can earn S-Coins through purchases of goods and services from other 3rd party merchants (e.g. fashion, footwear, health and pets). This reward centre is expected to drive traffic and increase user activities within the "Senheng App" as the rewards centre is an avenue for our PlusOne members to earn S-Coins. As S-Coins can be used as cash equivalent to pay for products purchased at our physical stores, PlusOne members can purchase products from us with lower cash outflow. This is expected to drive the recruitment of PlusOne members, entice existing PlusOne members to shop more with us and drive more sales for our Group.

Moving forward, the "Senheng App" ecosystem will be further enhanced with new offerings by other 3rd party service providers including insurance, self improvement / training services and e-waste management and disposal. This online platform is also intended to provide PlusOne members access to a marketplace for trade-in / second-hand goods as well as a leasing platform for consumer products.

These enhancements will be made possible via our ongoing collaboration with our technology partner, S Ecosystem (M) Sdn Bhd. Subsequent enhancements are still under planning phase and there is no definite timeline for the launching for other features at this juncture. Please refer to Section 11.1 of this Prospectus for further information on our Group's relationship with S Ecosystem (M) Sdn Bhd.

(b) Telemarketing automation application and online payment centre

An application used to manage outbound telemarketing activities, to prevent duplications of calls. Leads are pushed to telemarketers to make telemarketing calls, follow up with interested PlusOne members and track purchases made during each telemarketing call. The telemarketing automation application displays the PlusOne member's birth date, telephone number as well loyalty programme category and expiry date. With this information, telemarketers may send reactivation vouchers and members' vouchers accordingly to eligible PlusOne members.

The telemarketing automation application also records telemarketing calls, enabling customers' feedback on products and services to be collected for business intelligence analysis. The telemarketing automation application is integrated with Senheng mobile application, allowing our telemarketers to access the past purchases of PlusOne members. This enables our telemarketers to recommend products and services based on brand preference and services required.

7. BUSINESS OVERVIEW (CONT'D)

The online payment centre will create order forms and automatically send secure payment links for customers to make payments for their orders placed during our outbound telemarketing calls. Through our telemarketing efforts as well as our online payment centre, our customers are able to purchase from us without having to be physically present at our physical store.

(c) Omnichannel call centre solutions

Our omnichannel call centre solutions manage communications (including incoming and outgoing) with customers on complaints, feedback and information procurement and sharing. It integrates our general line, chatbots through WhatsApp and QuickChat, email queries, as well as telemarketing automation application and Senheng mobile application into a single platform, thus centralising our customer service channels and allowing information sharing to be done effectively. Through the omnichannel call centre solutions our customer service personnel are also able to trace past conversations, behavioural data on past purchases of individual customers, thus enabling us to serve our customers more effectively by providing them a personalised and consistent customer experience on all our communication channels. Our omnichannel call centre solutions utilise a cloud-based server, which enables our customer service personnel to serve our customers remotely. Each call and email query is tracked, thus providing us visibility on the performance of customer service personnel.

(d) E-commerce automation software

We utilise an e-commerce automation software to host and manage our “Senheng” online store, “senQ” online digital station and online store on third-party marketplaces. This e-commerce automation software is integrated with omnichannel features, which enable customers to buy online and pick up from our physical stores, to check PlusOne membership details and to contact our sales personnel directly to acquire product information, thereby enhance our customers’ shopping experience. This e-commerce automation software is also integrated with automation features which allow synchronisation of products, pricing and stock information across all our online stores, as well as automation of order processing, payment reconciliation and fulfilment processing. This enables us to process orders efficiently with minimal manpower. Further, as this e-commerce automation software is scalable and reliable with it being hosted on a cloud-based server and supported by a third-party software provider with at least 99% uptime, our online stores can accommodate increased traffic and transaction activities, especially during promotional periods.

7.10 MAJOR CUSTOMERS

As a retailer, our customer base primarily comprises walk-in customers at our physical stores and customers who purchase products on online platforms. The sales contribution from each customer as a percentage of our Group revenue is negligible. As such, we do not have any major customers and hence we are not dependent on any single customer for our business.

7. BUSINESS OVERVIEW (CONT'D)**7.11 MAJOR SUPPLIERS**

Our Group's top 5 suppliers by total purchases for the FYE 2018, FYE 2019 and FYE 2020 are as follows:-

Suppliers	Categories of products supplied	Length of business relationship (years)	FYE 2018	
			(RM'000)	(%)
Samsung Malaysia Electronics (SME) Sdn Bhd	Audio visuals, digital gadgets, and home appliances	16 (32 years including transactions done with other authorised distributors of Samsung) ⁽¹⁾	204,145	19.17
Panasonic Malaysia Sdn Bhd	Audio visuals and home appliances	27	146,969	13.80
VSTECS Astar Sdn Bhd ("VSTECS") ⁽²⁾	Digital gadgets	21	87,598	8.23
Sharp Electronics (Malaysia) Sdn Bhd	Audio visuals and home appliances	27	87,290	8.20
Sony (Malaysia) Sdn Bhd	Audio visuals	24	77,178	7.25
Total			603,180	56.64
Total purchases of our Group			1,064,849	100.00

Suppliers	Categories of products supplied	Length of business relationship (years)	FYE 2019	
			(RM'000)	(%)
Samsung Malaysia Electronics (SME) Sdn Bhd	Audio visuals, digital gadgets, and home appliances	16 (32 years including transactions done with other authorised distributors of Samsung) ⁽¹⁾	216,281	20.17
Panasonic Malaysia Sdn Bhd	Audio visuals and home appliances	27	132,561	12.36
VSTECS ⁽²⁾	Digital gadgets	21	123,797	11.55
Sharp Electronics (Malaysia) Sdn Bhd	Audio visuals and home appliances	27	89,688	8.37
LG Electronics (M) Sdn Bhd	Audio visuals and home appliances	16	72,516	6.76
Total			634,843	59.21
Total purchases of our Group			1,072,146	100.00

7. BUSINESS OVERVIEW (CONT'D)

Suppliers	Categories of products supplied	Length of business relationship (years)	FYE 2020	
			(RM'000)	(%)
Samsung Malaysia Electronics (SME) Sdn Bhd	Audio visuals, digital gadgets, and home appliances	16 (32 years including transactions done with other authorised distributors of Samsung) ⁽¹⁾	241,584	20.50
VSTECS ⁽²⁾	Digital gadgets	21	235,812	20.01
Panasonic Malaysia Sdn Bhd	Audio visuals and home appliances	27	98,389	8.35
Sharp Electronics (Malaysia) Sdn Bhd	Audio visuals and home appliances	27	95,943	8.14
LG Electronics (M) Sdn Bhd	Audio visuals and home appliances	16	86,304	7.32
Total			758,032	64.31
Total purchases of our Group			1,178,646	100.00

Suppliers	Categories of products supplied	Length of business relationship (years)	FPE 2021	
			(RM'000)	(%)
Samsung Malaysia Electronics (SME) Sdn Bhd	Audio visuals, digital gadgets, and home appliances	16 (32 years including transactions done with other authorised distributors of Samsung) ⁽¹⁾	125,480	20.20
VSTECS ⁽²⁾	Digital gadgets	21	117,514	18.92
LG Electronics (M) Sdn Bhd	Audio visuals and home appliances	16	59,417	9.57
Panasonic Malaysia Sdn Bhd	Audio visuals and home appliances	27	47,048	7.58
Sharp Electronics (Malaysia) Sdn Bhd	Audio visuals and home appliances	27	40,502	6.52
Total			389,961	62.79
Total purchases of our Group			621,087	100.00

Notes:-

- (1) Represents the number of years our Group has transacted with Samsung Malaysia Electronics (SME) Sdn Bhd. Our Group has retailed Samsung-branded products for the past 32 years and was previously supplied by other authorised distributors of Samsung.
- (2) VSTECS supplies us Apple, Asus, HP and Microsoft-branded digital gadgets. A majority of our purchases from VSTECS comprises Apple-branded products which amounts to RM61.58 million, RM91.64 million, RM198.54 million and RM108.51 million of our purchases from VSTECS for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021, respectively.

7. BUSINESS OVERVIEW (CONT'D)

Our major suppliers comprise brand principals whose products we sell. Our purchases from these major suppliers primarily comprise audio visuals, digital gadgets and home appliances. We do not enter into long term agreements or contracts with our suppliers.

We are dependent on our top 5 suppliers as they collectively supplied 56.64%, 59.21%, 64.31% and 62.79% of our total purchases for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021, respectively. Further, as the products supplied by these suppliers are branded products and can only be sourced from the brand principals themselves or through their appointed distributors, there are no other alternative suppliers providing the exact same products. Any disruption or cessation of supply from these major suppliers may result in a shortage of supply which may affect our sales performance as products from these top 5 suppliers comprise one of our largest revenue contributors.

During the Period under Review, we have not faced any material supply disruptions or delays by our major suppliers. Nevertheless, there are temporary shortages of certain models and/or colours of digital gadgets (i.e. mobile phones) of certain brands upon their respective product launches due to the initial high demand for that particular model and/or colour.

Due to our Group's market position as well as our longstanding business relationships with our major suppliers, we believe that we will be able to maintain a stable and good business relationship with our major suppliers and brand principals.

7.12 MODES OF MARKETING AND SALES

Our Group's overall sales and marketing activities are spearheaded by our President / Non-Independent Executive Director, KC Lim. We actively engage in the following sales and marketing strategies:-

(i) Telemarketing

We are involved in 2 types of telemarketing activities (i.e. outbound telemarketing and inbound telemarketing) to promote and sell products to customers over the telephone.

Outbound telemarketing is conducted when telephone calls are made to PlusOne members to promote and sell products. It is conducted by our in-house telemarketing team and our physical stores sales personnel. Our employees based in head office may be assigned to conduct outbound telemarketing activities during their spare time.

For inactive members, our telemarketers will encourage the renewal of memberships during the calls through reactivation voucher which can be redeemed through our Senheng mobile application, by reminding the inactive members that their balance unredeemed reward points and/or credit tokens can be redeemed when their membership is activated, as well as sharing of ongoing promotions, which aim to entice inactive members to renew their memberships and continue to shop with us. For active members, we continue to engage with them through telemarketing calls and remind them to redeem their EZ credit, S-Coin and members' vouchers during Members' Day which are available in Senheng mobile application. A telemarketing automation application is used to manage outbound telemarketing activities by pushing relevant customer information to our telemarketers.

Inbound telemarketing is conducted when our customer service personnel receive telephone calls from customers who are interested in purchasing products from us. Telemarketing enables the needs and brand preferences of our customers to be gauged immediately, which allows our telemarketers to recommend suitable products and services to customers without being present at our physical stores. Thus, we can actively follow up and keep customers updated with the latest promotions and consequently enable us to build stronger relationships with our customers.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Marketing campaigns

The following marketing campaigns are held several times a year, to promote our brand and products and to potentially boost our sales:-

Key campaigns	Descriptions
Seasonal campaigns	We hold seasonal campaigns during Chinese New Year, Harvest Festival, Hari Raya Aidilfitri, Merdeka, and Christmas, where we launch sales and promotions activities.
Members' day	PlusOne members' day is held to reward customers by offering attractive premiums for redemption via PlusOne points. It is usually held 3 times a year, during April/May, July/August, and November/December.
Seamless campaigns	Seamless campaigns are held to spread awareness on our seamless retail model with integrated physical and online stores. Further, we aim to promote the use of online stores as a mode of purchase. Seamless campaigns are held several times a year, which include Seamless Day, MyCyberSale, and Big One – 11.11 and 12.12. Big One – 11.11 and 12.12 events are held annually on 11 November and 12 December respectively.
Bank fairs	We collaborate with banks to enable their card holders to enjoy special discounts and promotions during the promotion period. The banks we collaborate with include Hong Leong Bank, CIMB Bank, Maybank, Citibank, Standard Chartered Bank, HSBC Bank and AmBank.
Other campaigns	<p>We also tailor special campaigns that will potentially attract interest from customers. The examples of some of these past campaigns are as follows:-</p> <ul style="list-style-type: none"> (i) "30th Anniversary" in 2019 where discount vouchers and product giveaways are given to customers for their purchase; (ii) "50% off voucher during MCO" in 2020 where we launched 50% off brand voucher together with brand owners. This enables customers to buy the products of the participating brands at discounted prices with the aim to lighten their financial burden during the 1st MCO; (iii) "Yes Hello! Superstar" in 2021 where PlusOne members can receive up to RM1,000 instant rebates on exclusive items, RM25,000 cash prize when customers review and share and a RM3 million voucher give away with a minimum purchase; (iv) "Wow! Double Coins" in 2021 where customers can earn S-Coin of up to 70% on purchases of selected products; (v) "Shop? Jimat! Pocket? Selamat!" in 2021 where customers can redeem vouchers for selected items for instant savings of up to RM2,000;

7. BUSINESS OVERVIEW (CONT'D)

Key campaigns	Descriptions
(vi)	“Boost Your Redemption” in 2021 where PlusOne members can utilise more S-Coin, instead of maximum RM100 worth of S-Coin per week; and
(vii)	“32 nd Anniversary” in 2021 where discount vouchers and product giveaways are given to customers for their purchase.

Discounts given on products at all our marketing campaigns are determined and agreed upon by both our Group and our suppliers. In addition to discounts, our suppliers may also offer free gifts to customers who purchase suppliers' products during our marketing campaign, subject to our suppliers' terms and conditions. Our Group also offers exclusive privileges to PlusOne members to collect more S-Coin during our marketing campaign period which can be used to purchase products on our seamless retail platforms.

(iii) PlusOne loyalty programme

We actively recruit customers to join our PlusOne loyalty programme. Customers who sign up for our PlusOne loyalty programme can enjoy benefits and privileges such as additional PlusOne extended warranty coverage, member prices and free delivery for their purchases. All PlusOne members (save for PlusOne Corporate members) are also able to collect S-Coins on their purchases. As at the LPD, we have approximately 3.24 million registered members, of which 2.94 million have signed up for a paid membership tier. Of these paid members, 1.04 million members have made a purchase from our Group in the last 3 years and are considered active members. Our PlusOne members contributed approximately 94.2%, 96.6%, 97.5% and 98.1% of our annual revenue for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021, respectively.

In view of the preferences of certain groups of our members, as at the LPD, we offer 8 categories of our PlusOne loyalty programme; PlusOne Online and PlusOne Basic, both of which are free membership tiers as well as PlusOne Classic, PlusOne Gold, PlusOne Lady, PlusOne Lady Gold, PlusOne Corporate and PlusOne Lazada which are paid membership tiers. The different categories were designed to cater to the different needs of our members. For example, PlusOne Lady and PlusOne Lady Gold caters for women, where they are entitled for benefits designed for women such as additional PlusOne points during Mother's Day and International Women's Day as well as exclusive invitations to cooking classes sponsored/organised by our Group.

PlusOne Corporate caters for companies to sign up for a membership account with us for office purchases. PlusOne Lazada is launched in collaboration with Lazada to provide customers with additional rewards and/or promotions such as additional warranty, PlusOne membership fee waiver and/or pre-approval for payment schemes.

Due to the differences in level of benefits and intended customer groups, there are different types of registration modes for PlusOne loyalty programme comprising online registration, in-store registration and registration by invitation. The registration fee for our paid PlusOne membership tiers range from RM12.00 to RM24.00 per annum depending on the category applied for. For information, the paid memberships are valid for a period of 12 months from the date of registration / renewal and these memberships may be renewed by our PlusOne members. Upon expiry, the paid memberships must be renewed by our customers to enjoy the PlusOne benefits mentioned above.

7. BUSINESS OVERVIEW (CONT'D)

One of the main features of our loyalty programme is that our members (except for PlusOne Online and PlusOne Basic members) will be able to enjoy PlusOne extended warranty coverage of up to 24 months free of charge on top of the manufacturer's standard warranty on products they purchase from us. Further, for members seeking additional protection, they can purchase the replacement warranty at a discounted price. Also, our members will earn reward points and/or credit tokens from each purchase which may be used to redeem or purchase products, subject to the terms and conditions of the types of PlusOne loyalty programme.

As at the LPD, the key features of the reward points and credit tokens are as follows:-

Types	Key features
PlusOne points	<ul style="list-style-type: none"> ▪ Earned from any purchases made on our retail platforms which is calculated on a fixed ratio to the sale price. For example, the points earned varies according to the type of memberships (i.e. 3 points for spending RM20 for PlusOne Classic, PlusOne Lady, PlusOne Corporate and PlusOne Lazada members; and 6 points for spending RM20 for PlusOne Gold, PlusOne Lady Gold members) ▪ Can be used to redeem products during our members' days only ▪ The PlusOne points has a validity period of 3 years
EZ credit	<ul style="list-style-type: none"> ▪ Earned from purchases on selected products as determined from time to time; the credit value earned may differ depending on the product purchased ▪ We ceased to issue new EZ credit on 31 May 2021. EZ credit previously earned can be used as cash equivalent to pay for products purchased from us up to the expiry of the EZ credit. Thereafter, any unused EZ credit will be forfeited
S-Coin	<ul style="list-style-type: none"> ▪ A new credit token that can be earned from 1 June 2021 onwards from purchases on selected products with S-Coin label on the new "Senheng App". The list of products with S-Coin label will be determined from time to time; the credit value of S-Coin earned may differ depending on the product purchased ▪ Can be used as cash equivalent to pay for products purchased from us at any time ▪ The S-Coin has a validity period of 2 years

Through integration with our Senheng mobile application, our PlusOne members are able to track information on their reward points / credit token collection, purchase history, warranty claim status as well as progress of delivery of product and service requests.

(iv) Digital and print advertising

We place digital and print advertisements to promote our "Senheng" brand name and advertise promotions and campaigns. Our advertisements are placed on various channels such as our online retail platforms, social media platforms and in-store point-of-purchase displays.

7. BUSINESS OVERVIEW (CONT'D)

We also utilise a marketing automation platform for our marketing activities, where promotional materials and advertisements are pushed automatically to specific targeted customers through social media, websites and other channels (i.e. email, SMS, etc).

To increase our brand awareness and drive traffic to our stores, we utilise pay per impression or pay per click advertising across search engine and social media platforms such as Google, Facebook and Instagram.

With Google, we utilise the following digital marketing strategies:

- Search engine optimisation, where it enables maximisation of traffic to our online stores through high ranking of our online stores on Google search results;
- Search engine marketing, where it increases the visibility of our product advertisements on Google search results when consumers search for product keywords;
- Google display network, where we are able to display specific product advertisements and promotions which are targeted to specific online media users in websites; and
- Google shopping advertisement, where relevant products with image, price and link to our online stores are displayed at the top of Google search results when consumers search for product keywords.

With Facebook and Instagram, we utilise boosted posts, where we are able to display specific product advertisements and promotions which are targeted to specific Facebook and Instagram users.

We also implement collaborative advertisements with brand owners to promote their products through targeted advertising on Facebook. These advertisements are linked to our online stores for viewers to make their purchases. Brand owners may also place these advertisements on their official website which drive traffic from their official website to our online stores for product viewing and purchases.

Further, we engage third-party service providers to promote our products on their digital platforms or using their marketing solutions such as third-party affiliate marketing, with the aim to drive traffic to our online stores.

(v) Livestream marketing

In November 2021, we introduced livestream marketing as a new digital marketing channel. Through livestreams held on social media platforms, our livestreamers provide product demonstrations and descriptions, share their personal experience with the product and engage directly with viewers in realtime, with the assistance of either our employees or our brand principals.

We offer exclusive privileges such as S-Coin rewards, special promotions, lucky draws or free giveaways to viewers of our livestreams to entice viewers to tune in and shop with us. Viewers can make purchases during the livestreams through affiliate links provided to every livestreamer which will direct them to our online stores.

As at the LPD, our livestreamers comprise third-party social media users who are paid a fee for appearing on our livestreams. We select these third-party social media users based on amongst others, their social media influence and reach, which is based on their number of active followers and follower engagement during the livestreams. We intend to open up participation in our livestreams to our in-store sales personnel who wish to conduct livestreams to contribute towards their sales figures.

7. BUSINESS OVERVIEW (CONT'D)

7.13 SEASONALITY

We typically experience seasonal increases in our sales during our marketing campaign periods especially for our Members' Day sale, 11.11 sale and 12.12 sale. Our Members' Day is carried out three times a year, during April/May, July/August, and November/December, while the 11.11 and 12.12 promotional sales are held annually on 11 November and 12 December, respectively. During these campaign periods, we will potentially benefit from an increase in sales volumes and revenue.

7.14 EMPLOYEES

As at the LPD, we employ a total of 1,754 employees, out of which 109 are contract employees. All our permanent and contract employees are locals and our Group does not employ any foreigners. The breakdown of our employees by division is set out as follows:-

Function	Permanent employees	Contract employees	Total number of employees
Executive directors and senior management	26	-	26
Administration, finance and information technology employees	108	2	110
Product development and marketing employees	88	3	91
Customer service and telemarketing employees	25	6	31
Outlet employees	1,098	96	1,194
Warehouse and logistics employees	271	1	272
Repair and service employees	29	1	30
Total	1,645	109	1,754

None of our employees belongs to any labour union. During the past FYEs 2018 to 2020 and up to the LPD, there has been no major labour disputes pertaining to our employees.

7.15 HUMAN CAPITAL POLICIES

We believe that the success of our Group depends in part on the ability to attract and retain the services of experienced and high performing personnel. To ensure a pipeline of talented and skilled workers, we have implemented several initiatives as follows:-

(i) Training programmes

We conduct regular training programmes for our employees on various topics to enhance their management and technical skills such as training on product knowledge, customer service capabilities, adoption of new technologies and SOPs to ensure familiarity of employees on our operations. These training programmes are conducted either in physical classrooms or online and are provided by our outsourced training provider, SH Retail Academy Sdn Bhd, a related party. Please refer to Section 11.1(v) of this Prospectus for further information on our relationship with SH Retail Academy Sdn Bhd.

We also organise local study trips for our employees to visit selected local companies to learn about some of these companies' best practices as well as overseas study trips for our employees to learn about the differences in retail culture and dynamism of the industry's supply chain in other countries. In light of the travel restrictions imposed on travel to and from Malaysia due to the COVID-19 pandemic in 2020 and up to the LPD, we had also conducted online conferences with selected local companies.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Incentive programme for store managers

In 2003, we established an incentive programme to retain the services of high performing store managers who have shown consistently good performance. Potential candidates for the incentive programme are identified from store managers who meet certain performance metrics such as consistently achieving its profit targets as well as having a good track record on inventory and debt management. Shortlisted candidates will be offered the opportunity to receive commissions from the sales generated at the store. Nevertheless, suitable candidates who are not existing store managers of our Group but have the required sales experience (e.g. former store managers of our Group or experienced hires who were store managers in other retail companies, both of which must serve at least 1 year as our store manager) could be considered for the incentive programme.

As at the LPD, 10 of our physical stores are operated under the incentive programme.

For the purpose of the incentive programme, store managers will terminate their employment with us, set up their own company to operate the physical stores. The physical stores which are operated under the incentive programme are owned by our Group. These store managers can select any one of our existing self-operated physical store which they wish to manage and operate.

The key performance target for these store managers is to manage and operate the physical stores efficiently and to ensure sales targets are achieved. Support such as store setting-up expenses, rental expenses, and inventory management and supplies will be provided to these store managers.

These store managers manage and operate the physical stores based on our Group's business model and operation standards. All physical stores managed and operated by these store managers share the same back-end systems and offer the same products and services, advertising and promotions, loyalty programme and warranty services. These store managers are responsible for the sales aspects of the physical stores, in areas such as sales performance, in-store product display and cleanliness, price tag and promotional banner updates, in-store safety stock level monitoring, and employee management. We provide pre-sales and after-sales supports to these store managers in areas such as product marketing, inventory management, logistics, finance, human resource and employee trainings, delivery and installations, maintenance and repair services.

We impute authorisation fees, inventory fees, royalty fees, and consultancy fees, as follows:-

- (a) **Authorisation fees** – An annual fee levied for the rights and license granted to operate our physical store.
- (b) **Inventory fees** – A monthly fee levied for the inventory management (e.g. storage, administration, and delivery). It is based on a percentage of the total inventory balance held at a predetermined date. The percentage imposed differs according to the amount of total inventory balance.
- (c) **Royalty fees** – A monthly fee levied for our branding and administrative support which covers pre-sale and after sales. It is based on a percentage of the total monthly gross turnover. The percentage imposed differs according to the amount of total monthly gross turnover.
- (d) **Consultancy fees** – A monthly fee levied for consultations. It is based on a percentage of the net profit of a store.

7. BUSINESS OVERVIEW (CONT'D)

These store managers receive commissions from the sales generated at the physical store. Eligible employees can participate in this programme for an initial period of 3 years which may be renewed at the discretion of our management provided that the said employee consistently achieves his/her profit targets and has a clean disciplinary record (i.e. no material breaches of company policy) during the incentive programme period.

At the end of the incentive programme, these store managers' performance will be evaluated to see whether they are eligible to be a franchisee under our franchise programme. Qualified store managers will be our franchisee while the other store managers may return to employment with our Group.

(iii) Franchise programme for store managers

In 2001, we introduced our franchise programme which aims to offer capable and entrepreneurial store managers the opportunity to own and operate their own physical store. As at the LPD, potential candidates for the franchise programme are identified from participants from the incentive programme who had performed consistently and has a clean disciplinary record (i.e. no material breaches of company policy) during the incentive programme period. For the purpose of the franchise programme, we will enter into a franchise agreement (which supersedes the earlier incentive programme business agreement) with our franchisee's company which will operate the franchise store as a separate entity. The franchisee will also be required to make a capital investment in the franchise store to cover the cost of renovation as well as the franchise fee and inventory security deposit as further elaborated below.

As at the LPD, we have 9 franchise stores.

Our franchisees operate the franchise stores based on our Group's business model and operational standards. These franchise stores share the same back-end systems and offer the same products and services, advertising and promotions, loyalty programme and warranty services as our self-operated physical stores. Franchisees are responsible to ensure that adequate financial resources are available for business operations. They are also responsible for the operational and sales aspects of the franchise stores, in areas such as sales performance, in-store product display and cleanliness, price tag and promotional banner updates, in-store safety stock level, and employee management. We provide pre-sales and after sales support to our franchisees in areas such as product marketing, inventory management, logistics, finance, human resource and employee training, delivery and installations, maintenance and repair services.

Our Group, as the franchisor, will grant the right and license to our franchisee to operate a physical store for a fixed term of 5 years. The franchise agreement is renewable at the end of the 5-year term, subject to our management assessment and approval. All products sold by our franchisees are sourced from us on consignment basis which we supply at cost plus mark-up. In turn, our franchisees earn the difference between the price paid to us for the products and the sale price of the products.

As the franchisor, in addition to the mark-up stated above, our Group receives franchise fees, inventory security deposit, inventory fees, royalty fees, and consultancy fees from our franchisees as follows:-

- (a) **Franchise fees** – A fixed one-time fee charged to franchisees for the rights and license granted to operate our physical store.

7. BUSINESS OVERVIEW (CONT'D)

- (b) **Inventory security deposit** – A security deposit to be paid by franchisees for the use of our inventory on consignment basis. It is based on the total inventory balance held at a predetermined date. The deposited amount differs according to the range of the total inventory balance and is reimbursable if the total inventory balance at a predetermined date is lesser than the previous predetermined date.
- (c) **Inventory fees** – A monthly fee to be paid by franchisees for inventory management (e.g. storage, administration, and delivery). It is based on a percentage of the total inventory balance held at a predetermined date. The percentage imposed differs according to the total inventory balance.
- (d) **Royalty fees** – A monthly fee charged to franchisees for our branding and administrative support which covers both pre-sales and after sales support. It is based on a percentage of the total monthly gross turnover. The percentage imposed differs according to the amount of total monthly gross turnover.
- (e) **Consultancy fees** – A monthly fee charged to franchisees for consultations provided. It is based on a percentage of the net profit of a franchise store.

(iv) Incentive programme for our delivery drivers

In 2010, we established an incentive programme to retain the services of experienced drivers who have shown a track record of consistent on-time delivery and have received positive customer service reviews. For the purpose of the own-to-operate programme, successful candidates will need to terminate their employment with us, set up their own company and delivery teams to offer delivery services to our Group.

These drivers rent our trucks from us under a rent-to-own scheme. Ownership of the trucks will be transferred to these drivers when the monthly rental collected within a stipulated period is sufficient to offset the predetermined price of the trucks. These drivers are responsible for operating, maintaining and servicing the trucks rented from us as well as hiring replacement drivers or extra installers as required.

These drivers are required to provide transportation services to us only and are not allowed to offer delivery services to other parties whilst under the incentive programme. These drivers are paid according to the delivery orders fulfilled. As at the LPD, we have 55 truck drivers under our incentive programme and from the commencement of this programme up to the LPD, 25 trucks have been transferred to truck drivers who have successfully completed the incentive programme.

7.16 INTERRUPTIONS TO BUSINESS FOR THE PAST 12 MONTHS

Notwithstanding that our physical store operations were temporarily disrupted during the movement controls imposed by the Government to contain the spread of the COVID-19 pandemic in the FYE 2020, our Group was still able to record an increase in revenue of 13.1% for the FYE 2020 as compared to the FYE 2019 and 20.9% for the FPE 2021 as compared to the FPE 2020, as we were able to capitalise on the higher demand for consumer electrical and electronic products during the MCO periods, as a result of the following:-

- (a) our ongoing store expansion exercise, whereby “Senheng” stores are upgraded to “Grand Senheng” stores with increased floor space and a larger variety of products offering a better customer experience;
- (b) our PlusOne loyalty programme which had helped attract new customers and entice existing customers to make repeat purchases;

7. BUSINESS OVERVIEW (CONT'D)

- (c) our digital marketing automation efforts and expansion of last mile delivery capabilities to offer more convenience to customers during the MCO periods; and
- (d) the adoption of our telemarketing automation application which enabled us to continue generating sales during the temporary closure of our physical stores during the MCO period.

We believe that the eventual relaxation of the MCOs imposed by the Government and the resolution of the COVID-19 pandemic will provide a more conducive environment to further spur our growth.

(i) The stages of movement restriction orders imposed by the Government

The imposition of the MCO was effected from 18 March 2020 to 3 May 2020, which resulted in mandatory closure of all Government and private premises, except those involved in essential services or unless written permission is obtained from the relevant Governmental bodies.

The Government later announced a conditional MCO effected from 4 May 2020 to 9 June 2020, which allowed more businesses to operate under a set of strict SOPs. Subsequently, a recovery MCO was implemented from 10 June 2020 with further easing of movement control where interstate travel and various recreational activities allowed.

A conditional MCO was gradually reimposed in most states beginning October 2020 for different durations due to a surge in COVID-19 cases in the country. Nonetheless, most businesses are allowed to operate subject to the adherence to a set of strict SOPs. A MCO was reimposed in most states beginning January 2021 to March 2021 for different durations where only businesses categorised under essential services by MITI and had obtained approval from MITI were allowed to operate under a set of strict SOPs. Another MCO was imposed in most states beginning May 2021, and subsequently, a four-phase recovery plan, known as the National Recovery Plan was implemented beginning 1 June 2021. The phases of National Recovery Plan varies from one state to another, subject to the improvement of COVID-19 cases in each state and the announcement by the Government. Since 17 July 2021, the Government gradually announced the transition of phases for states with lower record of COVID-19 cases, whereby relaxation of economic activities were granted to the respective states. As at the LPD, Kelantan and Sarawak were under Phase 3 of the National Recovery Plan; and Kedah, Pulau Pinang, Perak, Sabah, Melaka, Terengganu, Johor, Selangor, Putrajaya, Kuala Lumpur, Perlis, Negeri Sembilan, Pahang and Labuan were under Phase 4 of the National Recovery Plan.

(ii) The stages of the resumption of our business operations

In view of the MCO, all our business premises (including our physical stores, CDC, regional hubs and head office) were closed beginning 18 March 2020. We obtained an approval from MOT via its letter dated 4 April 2020 to allow our CDC and regional hubs to operate during the MCO period to fulfil sales orders. Hence, on 6 April 2020, we resumed the operations of our CDC and regional hubs.

Subsequent to the implementation of the conditional MCO, we obtained an approval from MITI via its letter dated 3 May 2020 which allowed our CDC, regional hubs, head office and physical stores to operate. Hence, on 4 May 2020, we resumed operations of our head office and re-opened our physical stores in Peninsular Malaysia on 4 May 2020 and our physical stores in East Malaysia on 10 May 2020.

7. BUSINESS OVERVIEW (CONT'D)

We are allowed to operate during the conditional MCO and MCO period reimposed in most states beginning October 2020 and January 2021, respectively, for different durations. Hence, the operations of our CDC, regional hubs, head office and physical stores are not affected during this period.

Pursuant to the imposition of the nationwide lockdown / Phase 1 of the National Recovery Plan on 1 June 2021, our head office and all physical stores were closed beginning 1 June 2021. However, our Group obtained approval from MITI via its letter dated 1 June 2021 and from the MOT via its letter dated 7 June 2021 to allow our CDC and regional hubs to operate during this lockdown period to fulfil online sales orders, subject to complying with the SOPs issued by the Government. Subject to the SOP of each individual state, we were able to gradually resume the operations of our physical stores. As at the LPD, all our physical stores were operating at full workforce capacity.

(iii) Impact on our business operations

(a) Impact on our product sales

Due to the closure of our physical stores during the MCO period from 18 March 2020 to 3 May 2020, we were unable to generate sales at our physical stores.

Nevertheless, we continued to promote and sell products through our online stores and via telemarketing during the MCO and conditional MCO period (i.e. from 18 March 2020 to 9 June 2020). We managed to secure RM241.16 million worth of sales during the MCO and conditional MCO period. We also introduced outbound telemarketing to increase our sales during the MCO and conditional MCO period.

During the MCO and conditional MCO, our telemarketers comprised our existing in-house telemarketing team, customer service personnel, physical stores sales personnel and employees who are based in our head office. Further, we also sold product vouchers (RM100 and RM50) to increase our source of income during this period. These product vouchers can be used to purchase products within a stipulated time after the MCO period. The total value of vouchers sold during this period was RM7.43 million.

We also collaborated with several business partners including Citibank, Lazada and AEON Credit to introduce business partner special programmes to provide customers with additional rewards and/or promotions such as additional warranty, PlusOne membership fee waiver and/or pre-approval for payment schemes. These programmes enable us to attract customers to shop with us despite the COVID-19 pandemic.

Due to the closure of our physical stores during the nationwide lockdown / Phase 1 of the National Recovery Plan imposed on 1 June 2021, we continued to leverage on both our online retail platforms and telemarketing activities to continue generating sales. Upon reopening of our physical stores in states which are under the Phase 2 of the National Recovery Plan beginning 17 July 2021, we are able to again generate sales from walk-in customers at our physical stores.

7. BUSINESS OVERVIEW (CONT'D)

(b) Impact on our warehouse operations and logistics network

The closure and subsequent partial operations of our CDC and regional hubs during the MCO period from 18 March 2020 to 3 May 2020 caused temporary delays in the delivery of products to customers. Since our CDC and regional hubs began full operations on 4 May 2020, we have managed to clear all delayed delivery of products and have resumed our warehouse operations and product deliveries as usual.

Our CDC and regional hubs are allowed to operate during the nationwide lockdown / Phase 1 of the National Recovery Plan imposed on 1 June 2021 to fulfil online sales orders. As such, we did not encounter any delays in the delivery of online orders.

(c) Impact on our supply of products

During the MCO period from 18 March 2020 to 3 May 2020, we faced temporary supply disruptions such as stock unavailability or delays in delivery from some of our suppliers due to disrupted supply chains in their respective countries and closure of our business operations between 18 March 2020 to 5 April 2020. Transportation networks were also disrupted due to closure of airports and other transportation hubs at our suppliers' countries, causing delays in delivery of consumer electrical and electronic products. As a result, we were unable to sell certain consumer electrical and electronic products during the MCO period prior to these products' stock availability. The supply of products from our suppliers has fully resumed since 4 May 2020.

We faced temporary supply disruptions from some of our suppliers during the nationwide lockdown / Phase 1 of the National Recovery Plan imposed on 1 June 2021. Nevertheless, we stocked up our inventory prior to the imposition of the nationwide lockdown / Phase 1 of the National Recovery Plan to cater to sales from online stores and telemarketing activities. Since the implementation of Phase 2 of the National Recovery Plan in July 2021 in some states, we have not faced any supply disruptions as all of our suppliers are allowed to operate.

Out of stock products are clearly indicated on our online stores to prevent customers from purchasing products which are out of stock, thus reducing instances of product delivery delays to our customers and minimise customer dissatisfaction. Customers who purchased through telemarketing calls are also notified on stock availability and if unavailable, provided with alternative product options for their consideration before a purchase is made.

(d) Impact on our sales and marketing

Our sales and marketing activities were also affected during the MCO period from 18 March 2020 to 3 May 2020 and during the nationwide lockdown / Phase 1 of the National Recovery Plan imposed on 1 June 2021 as we are unable to implement our marketing campaigns such as Members' Day, bank fairs and other campaigns in our physical stores. Nevertheless, we continued to run our marketing campaigns through our online stores and increased digital advertising of our products and online stores across various online media platforms.

7. BUSINESS OVERVIEW (CONT'D)

We also continue to engage with PlusOne members to promote our products through telemarketing and send promotional materials which include reactivation vouchers and members' vouchers through our Senheng mobile application and email as well as notify PlusOne members to redeem their EZ credit and S-Coin. Further, we engage with PlusOne members whose memberships have expired and encourage them to renew their membership and shop with us using the reactivation vouchers.

(e) Impact on our cash flows, liquidity, financial position and financial performance

In view of the business interruptions faced during the MCO from 18 March 2020 to 3 May 2020 and during the nationwide lockdown / Phase 1 of the National Recovery Plan imposed on 1 June 2021, we implemented several prudent cash flow management initiatives, including negotiating and securing rental reductions for selected physical stores, extended payment terms with selected suppliers and obtaining new credit facilities. Through these measures, as well as with our continued promotion and sales efforts, we did not face any significant liquidity crunch during the MCO periods up to the LPD. There was no termination of employment and reduction of salary during this period of time, giving our workforce a sense of job security and encouraging them to continue demonstrating full commitment in their work.

We also conducted online trainings for our workforce to enhance their knowledge of our products and services, business functions, policies and procedures.

(iv) Health and safety

We value the health and safety of our employees and customers at our physical stores, as well as our employees at our warehouses and head office. In order to ensure the safety and productivity of our workforce during the MCO and conditional MCO period as well as the nationwide lockdown / Phase 1 of the National Recovery Plan, a majority of our workforce were directed to work from home and meetings were conducted online. Our established digital infrastructure resulted in minimal disruptions to our finance, administrative and management functions and operations.

In response to the COVID-19 pandemic, our Group observes infection control measures based on the guidelines and SOPs issued by MITI. The infection control measures at our premises include amongst others:-

- wearing of face masks by all employees, customers and visitors;
- taking and recording daily body temperatures before entering our premises;
- sanitisation of hands before entering our premises;
- sanitisation of all common areas 3 times a day;
- practice 1 metre physical distancing; and
- limiting the number of customers at any given time at our physical stores.

In addition, our Group has put in place a business contingency plan in the event of any infection cases at our premises, which is summarised as follows:-

- monitoring the health status of all employees and maintaining an up-to-date contact list of employees;

7. BUSINESS OVERVIEW (CONT'D)

- if an employee exhibits a fever or symptoms of COVID-19, the employee's superior, our health and safety officer and overall human resource and administration department will be notified immediately to relief the ill employee from work to seek medical attention;
- disinfection of the ill employee's workplace;
- self-quarantine and monitoring of employees who are contacted with the ill employee or the ill employee's used items;
- undertaking staff planning and rotation, and cross training in all departments; and
- any infected employee will be quarantined and we will close the affected business premises for disinfection and for all employees will undergo health screening test. The back-up employee will cover the duties of the infected employee's functions to ensure continuity of operations.

Despite having the abovementioned infection control measures in place, from the onset of the COVID-19 pandemic until the LPD, 162 employees from our head office, warehouses and physical stores were tested positive for COVID-19 at different durations up to the LPD. The infected employees were absent from work for approximately 2 weeks, which was the period in which they were sent to the designated hospitals and quarantine centres for quarantine. Upon confirmation of the positive test results, all employees and visitors (e.g. suppliers' drivers, third-party logistics service providers and third-party installers) which had close contacts to them were immediately notified to undergo COVID-19 tests, while our customers who visited our physical stores were notified by the Ministry of Health, Malaysia. Further, the affected premises were closed for disinfections by third-party service providers, and upon disinfection, the affected premises were allowed to reopen. Notwithstanding the incidents above, with the above business contingency plans in place, our operations were not affected by their absence during their quarantine periods. During the period of closures of the affected physical stores, our physical stores sales personnel continued to promote and sell products through telemarketing. The disinfecting works at our CDC had been completed within a day upon receiving confirmation of any positive test results, as such our operations at our CDC have not been materially affected due to the infection incidences.

From the implementation of the MCO on 18 March 2020 up to the LPD, our Group had spent less than RM500,000 to purchase face masks, temperature scanners and sanitisers as well as for the sanitisation of properties and to conduct COVID-19 swab tests for our employees.

Save for the abovementioned, we have not experienced any other major interruptions to our business and our operations for the past 12 months preceding the LPD.

7.17 RESEARCH AND DEVELOPMENT

We do not conduct any research and development activities and we do not have any specific research and development policy.

7.18 MATERIAL PROPERTY, PLANT, MACHINERY AND EQUIPMENT

Please refer to Annexure A of this Prospectus for the material property, plant, machinery and equipment of our Group.

7. BUSINESS OVERVIEW (CONT'D)

7.19 MAJOR LICENSES, PERMITS AND APPROVALS

Details of the approvals, major licenses and permits obtained by our Group for our business operations and the status of compliance are set out below:-

No.	Approving authority / issuer	Type of approvals / licenses / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
Senheng KL						
1.	Ampang Jaya Municipal Council	<p>Licence to conduct the following:</p> <ul style="list-style-type: none"> (a) showroom; (b) business office; (c) storage; (d) exhibition and advertising space; (e) repairing of electrical goods; and (f) 2 units of illuminated advertisement board; and (g) 1 unit of unilluminated advertisement board, <p>at our head office and Grand Senheng store located at Lot 38-1B, 40-G, 40-1, 40-2, 40-3, 42-G, 42-1, 42-2, 42-3, 44-G, 44-1, 44-2, 44-3, 46-1, 46-2, 46-3, 48-1 and 48-3, Jalan Pandan 3/2, Pandan Jaya, 55100 Kuala Lumpur</p>	Licence no.: L00699853	Validity period: Up to 31.12.2022	Nil	N/A
2.	Klang Municipal Council	<p>Industrial licence to conduct the following:</p> <ul style="list-style-type: none"> (a) business office; (b) wholesale / storage of electronic, electrical or mechanical equipment; and (c) 2 units of advertisement boards; <p>at our CDC located at 11, Jalan Astana 5/KU2, Bandar Bukit Raja, 41050 Klang, Selangor</p>	Licence no.: LL030191921	Validity period: Up to 01.02.2022	Nil	N/A

7. BUSINESS OVERVIEW (CONT'D)

No.	Approving authority / issuer	Type of approvals / licenses / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
3.	Johor Bahru City Council	<p>Licence to conduct the following:</p> <p>(a) warehouse / storage;</p> <p>(b) business office; and</p> <p>(c) 1 unit of advertisement board,</p> <p>at our regional hub located at No. 10, Jalan Eko Perniagaan 1/5, Taman Ekoperniagaan, 81100 Johor Bahru, Johor</p>	Reference no.: L2021393287	Validity period: Up to 31.12.2022	Nil	N/A
4.	Kota Bharu Bandar Raya Islam Municipal Council	<p>Licence to conduct the following:</p> <p>(a) selling / repairing electronic / computer / electrical equipment; and</p> <p>(b) warehouse / storage;</p> <p>at our regional hub located at Lot 678, Jalan Kampung Telok, Panji, 16100 Kota Bharu, Kelantan</p>	Reference no.: L)13/2016	Validity period: Up to 31.12.2022	Nil	N/A
5.	Kuantan Municipal Council	<p>Licence to conduct warehouse / storage at our regional hub located at No. 32, 34 and 36, Jalan IM 3/3, Jalan Sultan Mahmud, Mukim Kuala Kuantan, 25200 Kuantan, Pahang</p>	Reference no.: L0120215415	Validity period: Up to 31.12.2022	Nil	N/A
6.	Council of the City of Kuching South	<p>Licence to conduct warehouse for electrical products at our regional hub located at No. 131-133, Lot 3606 to 3610, Ground Floor, Block 217, K.N.L.D., Sublot 6 – 8, Batu 4½, Jalan Batu Kawa 93250, Kuching, Sarawak</p>	Licence no.: 1046989	Validity period: Up to 18.02.2022	Nil	N/A

7. BUSINESS OVERVIEW (CONT'D)

No.	Approving authority / issuer	Type of approvals / licenses / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
7.	Seberang Perai City Council	Licence to conduct the following: (a) warehouse; and (b) business office; at our regional hub located at 2770, Lorong Jelawat 2, Seberang Jaya, 13700, Perai, Penang	Reference no.: 35/230640/68896	Validity period: Up to 31.12.2022	Nil	N/A
8.	Hang Tuah Jaya Municipal Council	Licence to conduct the following: (a) business office; and (b) storage for electrical goods; at our regional hub located at No. 105 and 107, Jalan Perindustrian Merdeka 2, Taman Perindustrian Merdeka, Mukim Batu Berendam, 75350 Melaka Tengah, Melaka	Reference no.: P.06.003542	Validity period: Up to 14.08.2022	Nil	N/A
9.	Ipoh City Council	Licence to conduct warehouse / wholesale at our regional hub located at No. 79 and 81, Persiaran Klebang 1, Kawasan Perusahaan IGB, 31200 Chemor, Perak	Reference no.: G1/A/2/64/1/05	Validity period: Up to 31.12.2022	Nil	N/A
10.	Kota Kinabalu City Hall	Licence to conduct business of selling electrical and electronic products at our regional hub located at Lot 2, KKIP E012, Phase 2, KKIP Jalan Sepanggar, 88450 Kota Kinabalu, Sabah	Licence no.: 644357	Validity period: Up to 31.12.2021 ⁽¹⁾	Nil	N/A

7. BUSINESS OVERVIEW (CONT'D)

No.	Approving authority / issuer	Type of approvals / licenses / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
Senheng Captive						
1.	Labuan Financial Services Authority	License to carry on Labuan captive insurance business as defined under Section 101 of the Labuan Financial Services and Securities Act 2010 in, from and through the Federal Territory of Labuan, Malaysia	Licence no: IS2015155	Date of issuance: 17.04.2015 ⁽²⁾	The licence is not transferable and any change in ownership of the licensee shall be submitted to Labuan Financial Services Authority for its approval	N/A

Notes:-

(1) As at the LPD, we are in the midst of arranging for the renewal of this licence.

(2) There is no expiry date for the licence and the licence will remain in force until it is surrendered or revoked in accordance with the Labuan Financial Services and Securities Act 2010.

7.20 BRAND NAMES, TRADEMARKS, PATENTS, LICENSE AGREEMENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

Please refer to Annexure B of this Prospectus for the brand names, trademarks, patents, license agreements and other intellectual property rights of our Group.

7.21 MATERIAL REGULATORY REQUIREMENTS

Please refer to Annexure C of this Prospectus for the material laws and regulations that are relevant to the business operations of our Group.

7.22 DEPENDENCY ON CONTRACTS, AGREEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

As at the LPD, our Group is not highly dependent on any material contracts, agreements, documents or other arrangements including patents or licenses, industrial, commercial or financial contracts which are material to our Group's business or profitability.

7. BUSINESS OVERVIEW (CONT'D)

7.23 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

(i) Environmental

Our Group believes in preserving and caring for the environment. For example, in 2003, we introduced biodegradable plastic bags across all outlets and in 2009, we launched a recyclable eco-friendly carrier bag to further promote environmental awareness among shoppers. In 2010, we launched a tree planting project in the forests of northern Ulu Segama, Sabah whereby a tree would be planted for every energy-efficient inverter air conditioner sold. Through this initiative, a total of 7,700 trees were planted, covering 46 hectares of forest.

In 2013, we launched our e-Waste Recycling Program whereby we encourage and facilitate the disposal of electronic waste in a responsible and safe manner. Through our programme, members of the public can bring their non-bulky electronic appliances such as personal computers, mobile phones, tablet computers, projectors and media players to any of our physical stores for recycling. In addition, when our customers request for delivery of bulky products purchased from us such as televisions, refrigerators, washing machines and air conditioners, we can also collect any unwanted electronic appliances for recycling. Such collected electronic waste will then sent to licensed e-Waste recycling centres for processing.

In 2015, as part of our digital transformation, we launched our paperless initiative to replace paper documentation with electronic documentation among our employees, suppliers and customers. These include our internal correspondence and documentation, the purchase orders issued to our suppliers as well as receipts and warranty cards previously issued to our customers which can now be accessed by our customers through our mobile application. Please refer to Section 7.4(v) of this Prospectus for further information on our digital transformation.

(ii) Social

Our Group is committed to act responsibly in our business operations, not only in our dealings with our stakeholders but also in giving back to the community. For example, since 2010 we have been a title sponsor for the Purple League badminton tournament, which is an initiative supported and sanctioned by the Ministry of Youth and Sports and the Badminton Association of Malaysia to develop the potential badminton players to raise the level of competitive badminton in Malaysia. We are proud to support this local sport initiative which has produced many members of the national badminton team, including the bronze medal winners at the 2020 Tokyo Olympics.

In 2019, we launched the Senheng Education Assistance Programme which offers financial assistance to talented Malaysian students to seek higher education. Amidst the ongoing COVID-19 pandemic, we also donated air purifiers to local hospitals in the states of Selangor, Perak, Johor, Kedah and Penang.

(iii) Governance

Our Board is committed to achieving and sustaining high standards of corporate governance and has adopted the recommendations under the Malaysian Code on Corporate Governance ("MCCG"). As at the LPD, a majority of the members of our Board comprise independent directors.

As at the LPD, 2 out of 7 of our Directors are women. In this regard, in relation to the recommendation of the MCCG to have at least 30% women directors, we endeavour to achieve this by appointing additional women director(s) to our Board within two years from our Listing. Please refer to Section 9.2.5 of this Prospectus for further information on our Board practices in accordance with the corporate governance principles stated in the MCCG.

8. INDUSTRY OVERVIEW

SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)
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 T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 8 December 2021

The Board of Directors

Senheng New Retail Berhad
 No. 44B, Jalan Pandan 3/2
 Pandan Jaya
 55100 Kuala Lumpur

Dear Sirs / Madams,

Independent Market Research Report on the Consumer Electrical and Electronic (“E&E”) Retail Industry in Malaysia (“IMR Report”)

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“SMITH ZANDER”) for inclusion in the Prospectus in conjunction with the proposed listing of Senheng New Retail Berhad (“Senheng”) on the Main Market of Bursa Malaysia Securities Berhad.


The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Senheng and its subsidiaries (“Senheng Group”) operate and to offer a clear understanding of the industry and market dynamics. As Senheng Group is principally involved in the retail of consumer E&E products, the scope of work for this IMR Report will thus address the following areas:

- (i) The consumer E&E retail industry in Malaysia, which is the industry in which Senheng Group operates;
- (ii) The drivers and challenges of the consumer E&E retail industry in Malaysia;
- (iii) The competitive overview of the consumer E&E retail industry in Malaysia; and
- (iv) Outlook and prospects.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:



DENNIS TAN
 MANAGING PARTNER

8. INDUSTRY OVERVIEW (CONT'D)

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No part of this IMR Report may be given, lent, resold, or disclosed to non-customers or any other parties, in any format, either for commercial or non-commercial reasons, without express consent from SMITH ZANDER. Further, no part of this IMR Report may be extracted, reproduced, altered, abridged, adapted, modified, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, for purposes other than the listing of Senheng on the Main Market of Bursa Malaysia Securities Berhad, without express consent from SMITH ZANDER.

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The research for this IMR Report was completed on 3 December 2021.

For further information, please contact:

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 23 years of experience in market research and strategy consulting, including over 18 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

8. INDUSTRY OVERVIEW (CONT'D)

SMITH ZANDER

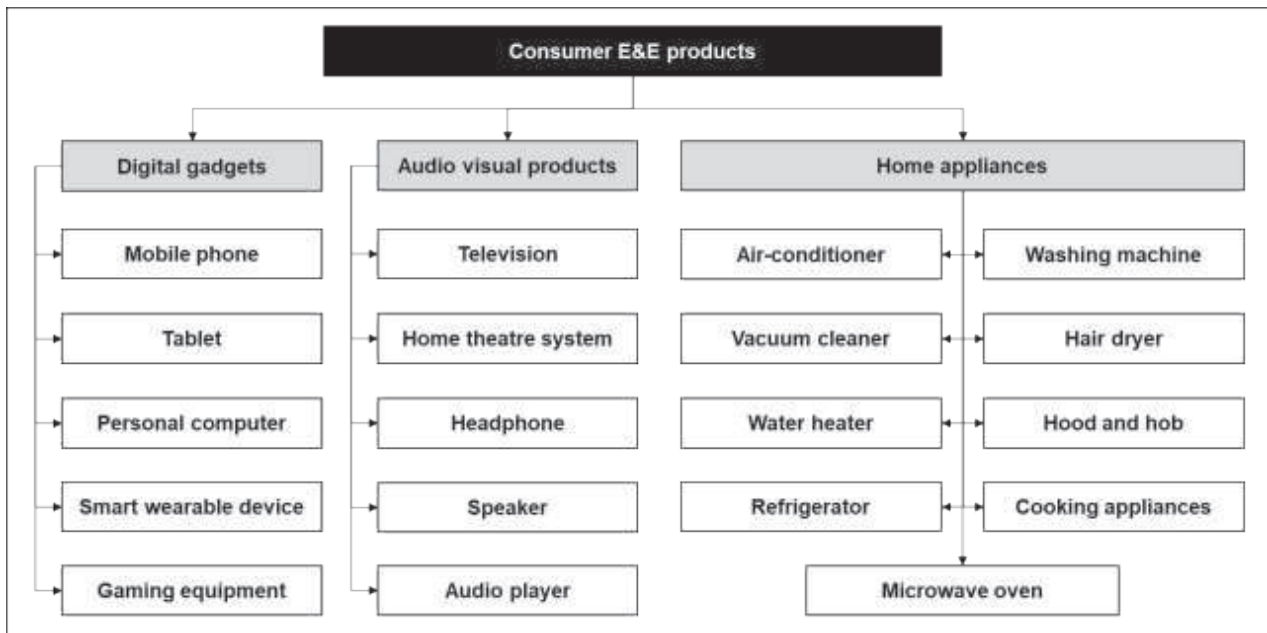
1 THE CONSUMER E&E RETAIL INDUSTRY IN MALAYSIA

Introduction

Consumer E&E products are products intended for daily use with the purpose of easing, simplifying and improving our daily lives. It encompasses a broad category of consumer products including digital gadgets, audio visuals and home appliances. Digital gadgets are digital products or electronic devices designed for individuals to carry out daily activities such as work tasks, communication, navigation and for entertainment purposes. Audio visual products mainly serve to provide entertainment and enjoyment through the presentation of audio and/or visual effects. Home appliance is a type of consumer durables for domestic use to speed up time-consuming housekeeping chores, thus allowing a person to be more productive.

The range of consumer E&E products is very wide as it comprises many variations of product with different functions to serve different purposes. Consumer E&E products have evolved over the last decade from serving its stated functionality to having energy saving features and smart technologies to connect one product to another through the internet. Consumer E&E products industry players such as brand principals and manufacturers continuously innovate to improve the functionality and the attractiveness of products.

Examples of consumer E&E products



Note:

- The examples above are not exhaustive.

Source: SMITH ZANDER

As an effective sales channel is crucial for consumer E&E product brand principals to ensure their products are made available to a large pool of consumers, brand principals may sell their products through multiple intermediary parties including distributors/wholesalers and retailers, or directly to consumers through their own retail stores. Retailers sell products to consumers through 2 key sales platforms namely, physical retail platforms and online retail platforms.

- **Physical retail platforms** are where retailers offer consumer E&E products at a store front. Store front refers to a traditional brick-and-mortar retail store where consumer E&E products are displayed, promoted and sold to consumers. Some examples of the types of store front are as follows:

8. INDUSTRY OVERVIEW (CONT'D)

SMITH ZANDER

Types of store front	Description
Chain stores	Multiple stores sharing similar basic design and layout which market and sell the same brands and categories of consumer E&E products. Chain stores are generally supported by a company which manages product sourcing, provides centralised warehousing, strategises overall sales and marketing activities as well as oversees the overall business performance of its network of chain stores. Consumer E&E product chain stores may sell their own products and/or third party products sourced from brand principals.
Departmental stores	Stores where retailers market and sell multiple categories of products, including consumer E&E products, under different departments within the stores. Departmental stores sell third party consumer E&E products sourced from brand principals.
Specialty stores	Stores that market and sell mostly single brand and managed by the brand principals of the consumer E&E products or through their appointed representatives; and stores that specialise in specific types of products (e.g. specialty electronic stores selling digital gadgets and/or audio visual products).

- **Online retail platforms** are where retailers offer consumer E&E products through online platforms such as their own websites and/or mobile applications (i.e. self-operated online retail stores), third party online marketplaces (e.g. Lazada, Shopee and PrestoMall) and/or social media sites (e.g. Facebook and Instagram).

Physical retail platform is a traditional sales platform where retailers display consumer E&E products at store fronts, coupled with assistance of sales personnel in explaining and/or demonstrating the products' features and functions, which enables consumers to physically inspect the products and provides confidence to consumers during purchasing. Physical retail platforms also serve as a point of direct contact with consumers for after-sales services such as warranty claims and repairs. It is also an important platform for brand principals to carry out face-to-face advertising and promotional activities to consumers.

As a majority of consumer E&E products are more costly than other consumer products such as daily supplies and apparels, consumers often prefer to physically test the actual products before purchasing. Hence, many consumer E&E retailers sell their products through physical stores. Further, as each model of a consumer E&E product has different features and functions, it may be difficult for consumers to fully understand the product by merely reading the product descriptions. The presence of physical stores is therefore essential to provide consumers with an avenue to interact with the products for a better understanding about the products before purchasing. For example, apart from the product demonstration as well as explanation and advice provided by sales personnel at the store, consumers can test a product and compare their experience using several displayed models.

Over the years, online shopping has become increasingly acceptable with the advancement of internet technology and mobile devices (i.e. mobile phones and tablets). Online retail platforms have become an alternative retail platform to physical retail platforms that allow consumers to shop for a wide range of consumer E&E products conveniently through their mobile devices anytime and anywhere without being physically present at retailers' physical stores. Further, the outbreak of the coronavirus disease ("COVID-19") pandemic in 2020 and 2021 has led to the imposition of movement restrictions (i.e. Movement Control Order ("MCO"), conditional MCO, recovery MCO, enhanced MCO and various phases under the National Recovery Plan) by the Government of Malaysia ("the Government") to curb the spread of the virus. As individuals are encouraged to practice physical distancing and stay at home, it has resulted in an increasing shift in consumer shopping behaviour from brick-and-mortar retail stores to online shopping.

Despite being an alternative to physical retail platforms, online retail platforms can also complement physical retail shopping. For example, consumers can scan the Quick Response (QR) code attached to a product at physical stores using their mobile devices, and they will be directed to an online retail page (i.e. website or mobile application) that contains comprehensive information and/or user reviews of the particular product. Consumers can then place orders directly through the online retail platform at their mobile devices without having to queue for payment at the physical stores. Online retail platforms also enable online retailers to expand their customer reach without the constraint of distance. However, consumers would not be able to