physically see and test the actual products when they shop online. As such, many consumer E&E retailers have both physical and online retail stores to reach out to wider group of customers.

The presence of both physical and online retail stores has influenced consumer shopping behaviour as consumers have the option and flexibility to access the benefits of the many retail platforms available to personalise their shopping experience. For example, consumers can perform online searches and product comparisons conveniently, and have the choice to purchase the products through online retail platforms or travel to the closest physical retail stores to see and test the actual products before purchasing. Additionally, consumers who have visited a physical retail store to see and test the actual products may end up purchasing the products through online retail platforms if there are more attractive discounts offered on the retailer's online retail platforms.

Cannibalisation between the retailers' own physical and online retail platforms can be avoided if retailers adopt a unified retail strategy where the retailers offer the same range of products at the same price as well as the same services (i.e. delivery and installation) and benefits (i.e. discounts, promotions and loyalty programmes) on all their retail platforms (i.e. physical and online). Consumers will then be able to enjoy the full offerings by these retailers without being restricted to the retailers' types of retail platforms. At the same time, these retailers can focus on strengthening their market position against other competitors while expanding its network of retail platforms than to compete among their own retail platforms.

With the constant change in consumer shopping preferences and behaviour as well as unexpected changes to business environment due to unforeseen circumstances such as the COVID-19 pandemic, consumer E&E retailers would have to continuously adapt the operations of their retail business and keep the concept of their retail platforms relevant to the latest consumer trends to remain competitive in the market.

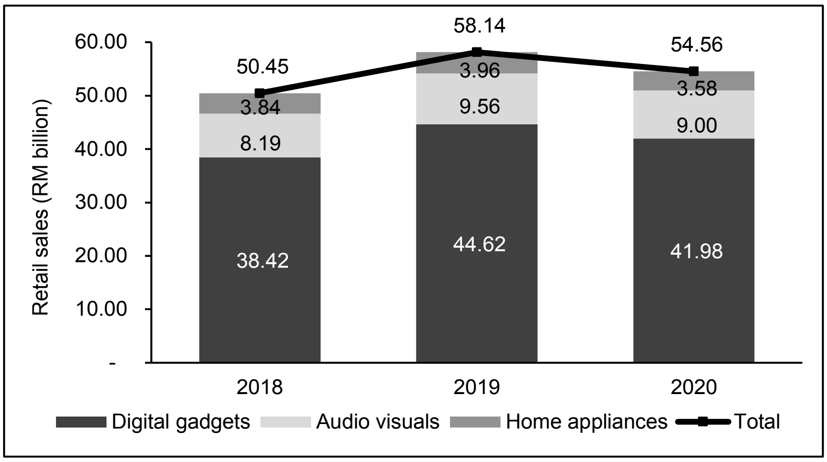
Market Performance, Size and Growth

The size of the consumer E&E retail industry is represented by the E&E retail sales of digital gadgets, audio visuals and home appliances through physical retail platforms (i.e. physical stores) in Malaysia. E&E retail sales may include sales contributed by consumer E&E retailers and other retailers who offer these products through physical retail platforms in Malaysia. For example, digital gadgets such as mobile phones are also sold through telecommunication shops; and audio visuals such as television, radio equipment, stereo equipment and recorders are sold through specialty stores for home and professional use. Retail sales for these products specifically from consumer E&E retailers are not publicly available.

E&E retail sales in Malaysia grew from RM50.45 billion in 2018 to RM54.56 billion in 2020, at a compound annual growth rate ("CAGR") of 3.99%.

E&E retail sales recorded a year-on-year ("YOY") growth of 15.24% in 2019, before a YOY decline of 6.16% in 2020 due to the COVID-19 pandemic. A similar trend was observed for the 3 product categories, namely digital gadgets, audio visuals and home appliances.

E&E retail sales (2018 - 2020)



Sources: Department of Statistics Malaysia ("DOSM"), SMITH ZANDER analysis

The decline in the E&E retail industry in 2020 was due to the COVID-19 pandemic which has adversely affected economic activities and many individuals' disposable income that has led to reduced consumer purchasing power. In addition, the decline was also contributed by the temporary mandatory closure of physical stores and/or physical distancing measures in place during the movement restriction periods, and changes in consumer behavior to avoid going out to reduce the risk of contracting the COVID-19 virus.

Nevertheless, the overall impact of the COVID-19 pandemic on the consumer E&E retail industry in 2020 was partially cushioned by the increasing demand for digital gadgets, particularly laptops and computers due to working from home arrangements and online classes for students at schools and universities. The industry was also supported by retail sales of home appliances such as cleaning and cooking appliances, as individuals spend more time at home, thus purchasing these items to ease housekeeping chores and enhance home comfort. Further, the Government's initiatives to cushion the impact of the pandemic, such as cash handouts and allowing employee provident fund withdrawal, have eased consumer spending including the purchase of consumer E&E products.

Based on latest available information, as at September 2021, E&E retail sales was recorded at RM43.76 billion whereby the average monthly sales during the 9-month period of RM4.86 billion improved by 6.81% from the average monthly sales in 2020 of RM4.55 billion. Out of the E&E retail sales as at September 2021, retail sales of digital gadgets accounted for RM36.15 billion, followed by retail sales of audio visuals and home appliances at RM4.77 billion and RM2.84 billion respectively.[1] Following the recent upliftment of movement restriction measures announced by the Government on 10 October 2021, economic activities will gradually normalise and E&E retail sales are expected to continue to improve moving forward. Please refer to **Chapter 2 – Drivers and Challenges of the Consumer E&E Retail Industry in Malaysia** of this report for further details on the demand drivers as well as risk and challenges of the consumer E&E retail industry.

On a broader perspective, the overall retail industry in Malaysia also showed recovery as at September 2021 which stood at RM390.97 billion, whereby the average monthly retail sales during the 9-month period of RM43.44 billion improved by 2.02% from the average monthly retail sales in 2020 of RM42.58 billion.[2] The COVID-19 pandemic has served as a catalyst to the rapid shift in consumer shopping behaviour from brick-and-mortar retail stores to online shopping, thereby driving the increase in overall online retail sales since 2020. Many traditional brick-and-mortar retailers have been forced to expand into online sales platforms for business sustainability, following reduced footfall at physical stores. Nevertheless, a majority of consumer goods remain sold through physical stores as shopping at physical retail stores is still the current preferred shopping platform for most consumers in Malaysia, especially for big-ticket items. This is evidenced by the small percentage share of online retail sales[3] of 1.04% (RM4.07 billion) over total retail sales in Malaysia in the first 9 months of 2021 (RM390.97 billion). Therefore, similarly for consumer E&E products, physical stores will continue to be the main retail platform, with online retail platforms serving as complementary platforms supporting the growth of the overall consumer E&E retail industry in Malaysia in the near future.

2 DRIVERS AND CHALLENGES OF THE CONSUMER E&E RETAIL INDUSTRY IN MALAYSIA

Key Industry Drivers

- **Increasing disposable income and affluence of the population signifies growth potential for the consumer E&E retail industry**

The demand for consumer E&E products from consumers is driven by increasing disposable income and affluence of the population. Growth in gross domestic product ("GDP") per capita and household income indicate growing disposable income and improving standards of living of the population, leading to a more affluent population that has greater purchasing power. This will thus create demand for basic necessities and non-essential products including consumer E&E products, which in turn creates a positive outlook for the consumer E&E retail industry.

However, the economic contraction due to the COVID-19 pandemic has negatively affected the disposable income of individuals who have experienced pay cuts or loss of employment. In 2020, Malaysia's GDP and GDP per capita declined by 5.63% and 5.82% respectively[4]. To support households affected by this economic downturn, the Government had, on 27 March 2020, announced a stimulus package known as Bantuan Prihatin Nasional (BPN) involving various forms of cash handouts to eligible Malaysians and a deferment of all loan/financing repayments for a period of 6 months effective from 1 April 2020. Moreover, the Government has subsequently announced several additional cash handouts to eligible Malaysians and households as well as allowed partial withdrawal from the Employees' Provident Fund. The Government has also introduced a

[1] *Sources: DOSM, SMITH ZANDER analysis*
[2] *Sources: DOSM, SMITH ZANDER analysis*
[3] *Represented by retail trades not in stores, stalls and markets. Sources: DOSM, SMITH ZANDER analysis*
[4] *Sources: DOSM, SMITH ZANDER analysis*

special individual income tax relief of up to RM2,500 on the purchase of handphones, laptops and tablets effective 1 June 2020 to 31 December 2021 to support work from home arrangements, whereby the tax relief was proposed to be further extended until 31 December 2022 under Budget 2022.

Following the recent upliftment of movement restriction measures announced by the Government on 10 October 2021, economic activities will gradually normalise and Bank Negara Malaysia ("BNM") expects Malaysia's GDP to grow within the range of 3.00% to 4.00% in 2021. According to the latest economic outlook published along with Budget 2022, Malaysia's GDP is expected to strengthen and grow between 5.50% to 6.50% in 2022, supported by significant improvement in global trade, stabilised commodity prices, containment of the pandemic and gradual improvement in consumer and business sentiments. This is anticipated to drive the growth of disposable income and consumer purchasing power, thereby spurring the demand for consumer E&E products.

- **Product innovation and sophistication drives demand for consumer E&E products**

Traditionally, consumer E&E products serve simple purposes in our daily lives, such as to provide entertainment and enjoyment, to ease communications and to simplify housekeeping chores. As technology evolves, consumer E&E products have been developed with additional and innovative features which have improved the functionality and attractiveness of consumer E&E products. For example, a mobile phone which was traditionally used for making calls and sending text messages can now be used as a camera, for work communications, as a tool for social enhancement, and as an electronic wallet.

Further, technological advancement has given rise to smart consumer E&E products which are incorporated with Internet of Things (IoT) technology that allows these smart consumer E&E products to be controlled remotely. This can be done through built-in monitoring or sensing devices such as cameras and/or sensors within the smart consumer E&E products, together with connections to mobile devices through the internet. Examples of smart consumer E&E products include smart televisions, smart speakers, smart refrigerators and smart robotic vacuum cleaners.

The consumer E&E products industry is expected to continue to witness product innovation and increased sophistication of functions and features of these products, driven by the advancement of technology. This is expected to encourage new purchases of consumer E&E products, which will in turn drive the consumer E&E retail industry.

- **Availability of multiple sales platforms provides convenience and flexibility to entice and influence consumers' purchasing decisions**

In Malaysia, consumer E&E products are sold through 2 key sales platforms, namely physical retail platforms and online retail platforms. The collective presence of both physical and online retail platforms by retailers of consumer E&E products has personalised consumers' shopping experience by providing them with the convenience and option to purchase these products from either platform.

In addition, the adoption of unified retail strategy by retailers also enhances consumers' shopping experience where the retailers offer the same range of products at the same price, services and benefits in all their retail platforms. Thus, consumers have the flexibility and choice to purchase these products from either physical or online retail platform while enjoying the full offerings by these retailers without being restricted to the retailers' types of retail platforms.

The imposition of movement restrictions following the outbreak of the COVID-19 pandemic has resulted in a shift in consumer shopping behaviour from brick-and-mortar retail stores to online shopping. Even after the movement restrictions are lifted, many consumers may still remain cautious and continue to practice physical distancing, and prefer to shop online to minimise shopping at physical retail stores to avoid being infected with the COVID-19 virus until the pandemic ends or when a bigger population in Malaysia is immunised. Hence, retailers who have both physical and online retail presence would have greater flexibility in adapting to the latest consumer shopping behavior to remain competitive in the market.

- **Demand for residential properties as well as home renovation and refurbishment will contribute to increased demand for consumer E&E products**

Part of the consumption of consumer E&E products is driven by new property development. New property development, specifically residential property, generates demand for first time purchases, as home buyers will purchase consumer E&E products and furniture to furnish their new homes. Home renovation and refurbishment activities may also lead home buyers to purchase new consumer E&E products and furniture to suit their newly renovated and refurbished homes.

However, the COVID-19 pandemic has temporarily dampened economic conditions in Malaysia and has reduced consumer purchasing power. As such, consumers may be more prudent in making investment decisions especially investing in high value assets such as properties, thus affecting the demand for consumer E&E products. The number of residential properties transacted in Malaysia recorded a YOY decrease of 8.57% from 209,295 units in 2019 to 191,354 units in 2020[5]. While there will still be demand for residential properties as supported by several incentives introduced by the Government (e.g. stamp duty exemptions under the home ownership campaign until 31 December 2021 and stamp duty exemptions for first-time Malaysian home-buyers who purchase residential properties priced RM500,000 and below until 31 December 2025), the demand for residential properties may temporarily slow down in the near future until economic conditions improve, which may in turn adversely affect the demand for consumer E&E products. Under Budget 2022, the Government will be providing guarantees of up to RM2.00 billion to banks to improve access to housing loan by individuals who do not have proof of fixed income but have the capacity to repay their loans, such as small business owners and farmers. This initiative is expected to drive the purchase of residential properties from these group of buyers, thereby benefitting the consumer E&E retail industry.

Key Industry Risks and Challenges

- **Adverse economic conditions have an impact on retail sales and may adversely impact retail industry players**

The consumer E&E retail industry is dependent on the state of the economy. A growing economy will contribute to increasing disposable incomes and purchasing power of consumers to spur demand for consumer E&E products. A decline in economic conditions in Malaysia may reduce consumer purchasing power and cause a reduction in the demand for consumer E&E products, which may therefore negatively impact the overall financial performance of industry players in the consumer E&E retail industry.

In view of the outbreak of the COVID-19 pandemic in 2020 and 2021, Malaysia recorded a 5.63% decrease in GDP in 2020, indicating adverse economic conditions for the year. While the daily COVID-19 positive cases in Malaysia are decreasing and the economy is gradually recovering, any sudden surge in 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 rates and reduction in consumer purchasing power. These may again result in economic uncertainty, whereby consumers will be more prudent in their spending and may withhold from buying non-essential goods including consumer E&E products, thus affecting the overall demand for these products.

- **Changing consumer shopping preferences and behaviour may have impact on the growth of consumer E&E retail industry**

Consumer shopping preferences and behaviour have been changing over the years, where such changes have resulted in a change in retail models and concepts of retail platforms for consumer E&E products. Consumer E&E products which had been traditionally sold through physical retail platforms are now widely available on online retail platforms. Some physical platform retailers have begun to invest in providing experiential shopping experience and/or adopting unified retail concepts to continuously enhance consumer shopping experience.

Retailers are required to stay abreast with the latest consumer shopping preferences and behaviour, and adapt their retail models and concepts accordingly in order to remain competitive. For example, the COVID-19 pandemic has resulted in an increasing shift in consumer shopping behaviour from brick-and-mortar retail stores to online shopping due to the movement restrictions imposed by the Government, physical distancing measures in place and changes in consumer behavior to avoid going out to reduce the risk of contracting the COVID-19 virus. Consumer E&E retailers who fail to adapt their business operations and retail concepts accordingly may face challenges in growing their business and lose their competitive edge, thereby negatively affecting their sales performance.

- **The growth in retail businesses is reliant on maintaining strong sales and customer support teams**

As the retail business is service-oriented, retail industry players are reliant on the availability of talent in generating sales and in providing customer support in both physical and online retail platforms. It is important to hire and retain suitable sales and customer support personnel as their interaction with customers as well as product knowledge may affect consumers' shopping experience and purchase decisions. In order to retain and

[5] *Source: National Property Information Centre*

attract competent sales and customer support staff, retail industry players have to continuously invest time and financial resources to provide a conducive working environment including, amongst others, competitive remuneration packages, sufficient training as well as a clear and transparent career development path; and to provide strong and efficient sales support systems.

In addition, retail industry players with chain stores rely on a network of regional managers and branch managers to oversee the operations and sales performance of their retail branches and sales personnel under their purview. Regional managers and branch managers are essential in motivating their retail branch personnel to meet sales targets and to operate with minimal complications, thus maintaining the financial performance of the overall retail business.

3 COMPETITIVE OVERVIEW OF THE CONSUMER E&E RETAIL INDUSTRY IN MALAYSIA

Competitive Landscape

The consumer E&E retail industry in Malaysia is competitive due to the large number and fragmented nature of industry players including large companies, small to medium enterprises and sole proprietorships.

Consumer E&E products in Malaysia are traditionally sold through physical retail platforms such as chain stores, departmental stores and specialty stores. Hence, retail industry players traditionally compete for market share by expanding the number of stores to increase their market reach. Along with the growing popularity of e-commerce, the competition in the retail of consumer E&E products has been further intensified with the availability of many online retail platforms such as retailers' self-operated online retail stores and third party online marketplaces such as Lazada and Shopee. There are also retailers who operate solely through online retail platforms (i.e. self-operated online retail stores and/or third party online marketplaces) without physical retail stores.

Further, these retailers also face competition from brand principals who operate brand specialty stores which are physical and/or online retail stores that display, promote and sell mostly or exclusively their branded products, and consumers can purchase the products directly from these brand principals. Examples of these E&E product brand principals are Apple, Samsung, Huawei, Oppo, Vivo, Hewlett Packard, Acer, Lenovo and Sony. In addition, retailers also compete with specialty electronic stores selling digital gadgets and/or audio visual products, such as ALL IT Hypermarket Sdn Bhd and Thunder Match Technology Sdn Bhd, and retailers in Digital Mall and Plaza Low Yat.

The barriers of entry for consumer E&E retail industry are generally low as most of these products can be easily sourced in the market and the upfront cost required can be low if a new industry player chooses to start with a small range of offerings. However, to remain competitive in the market and to have a sustainable business over the long term, industry players have to scale up their business, secure consistent supply of products and establish a strong logistics network and relationships with their suppliers in order to have a wide range of offerings and market reach, as well as a strong recognisable brand in the market. Further, consumer E&E retail industry players are required to continuously improve their product offerings and customer service levels to provide a conducive shopping experience to consumers.

Closest Competitors to Senheng Group

As Senheng Group is principally involved in the retail of consumer E&E products in Malaysia through its physical and online retail platforms, the closest competitors to Senheng Group have been identified on the following basis for selection:

- Industry players who are involved in the retail of consumer E&E products;
- Industry players who operate the same physical retail platform as Senheng Group, which focuses on chain stores. These industry players also sell consumer E&E products through online retail platforms (i.e. self-operated online retail stores and/or third party online marketplaces); and
- Industry players with more than RM50 million revenue based on their respective latest available financial statements filed with Companies Commission of Malaysia ("CCM").

The industry players below were identified by SMITH ZANDER on the abovementioned basis based on the research carried out by SMITH ZANDER and the availability of information. It is not an exhaustive list of all consumer E&E retail industry players in Malaysia. It is important to note that Senheng Group competes with their closest competitors listed as well as other E&E retailers not included in this list, such as those who sell consumer E&E products through departmental stores and/or online platforms. Further, Senheng Group also faces competition from brand principals who have physical and online retail stores (specialty stores) as well as specialty electronic stores selling digital gadget and/or audio visual products.

Company Name	Name of physical retail store	Number of physical retail stores	Physical presence in Malaysia	Types of online retail platforms	Example of products sold	Latest available financial year	Revenue [a] (RM million)
Senheng Group	• Senheng • senQ • Grand Senheng • Grand Senheng Elite	105	All states and federal territories except Labuan	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products	31 December 2020	1,294.77 [b]
Elitetrax Marketing Sdn Bhd	• Harvey Norman	26	Kuala Lumpur, Selangor, Putrajaya, Penang, Johor, Perak, Kelantan and Sarawak	• Self-operated online retail store	• Consumer E&E products • Furniture	30 June 2020	633.03
Courts (Malaysia) Sdn Bhd	• COURTS	45	All states and federal territories except Perlis, Putrajaya and Labuan	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products • Furniture	31 March 2020	407.26
Singer (Malaysia) Sdn Bhd	• SINGER	152	All states and federal territories except Putrajaya	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products • Furniture • Motorcycles	31 December 2020	240.74
Home Product Center (Malaysia) Sdn Bhd	• HomePro	7	Selangor, Putrajaya, Melaka, Perak, Penang and Johor	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products • Furniture and fittings • Hardware	31 December 2020	155.36
Onking Chain-Store (Malaysia) Sdn Bhd	• ONKING	16	Selangor	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products	31 December 2020	96.01
E.S.H. Electrical Sdn Bhd	• ESH	6	Selangor and Kuala Lumpur	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products	31 December 2019	79.11
TBC Elektrik Sdn Bhd	• TBC	13	Selangor and Kuala Lumpur	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products	31 December 2019	60.23
Best Denki Malaysia Sdn Bhd	• BEST	7	Selangor, Kuala Lumpur and Penang	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products	31 December 2020	59.00
Wah Lee Chain-Store Sdn Bhd	• Wah Lee group	15	Perak, Penang and Kedah	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products • Hardware • Hobby and recreation products	31 May 2020	58.42

Company Name	Name of physical retail store	Number of physical retail stores	Physical presence in Malaysia	Types of online retail platforms	Example of products sold	Latest available financial year	Revenue [a] (RM million)
Suria Jerai Electrical Sdn Bhd	• Suria	18	Penang, Kedah and Perlis	• Self-operated online retail store • Third party online marketplaces	• Consumer E&E products	31 March 2020	50.74

Notes:
- *Latest available as at 3 December 2021.*
- *The above identified key industry players include industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.*

a. *Revenue may derive from other businesses as segmental revenue is not publicly available from CCM.*
b. *Segmental revenue for the FYE 31 December 2020 was RM1.23 billion, which consists of retailing of consumer E&E products.*

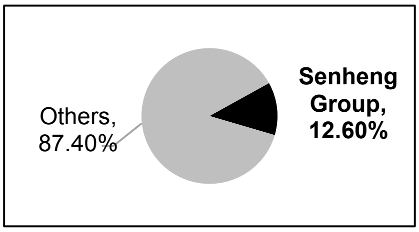
Sources: Senheng Group, various company websites, CCM, SMITH ZANDER analysis

Among the list of closest competitors to Senheng Group, Senheng Group is the leading industry player in the consumer E&E retail industry in Malaysia, based on the revenues in the respective latest available financial year of each closest competitor.

Market Share

Senheng Group's market share in 2020 is computed against the retail sales of home appliances, digital gadgets and audio visuals.

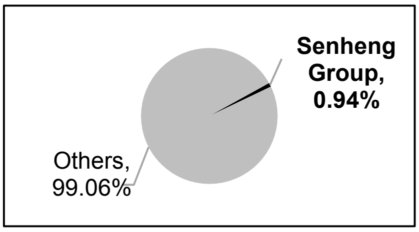
▸ Home appliances market share



Sources: Senheng Group, DOSM, SMITH ZANDER analysis

Senheng Group captured a market share of 12.60%, based on its revenue contribution from the sale of home appliances through its physical stores at RM451.20 million for the FYE 31 December 2020, computed against the retail sales of home appliances in Malaysia of RM3.58 billion in 2020.

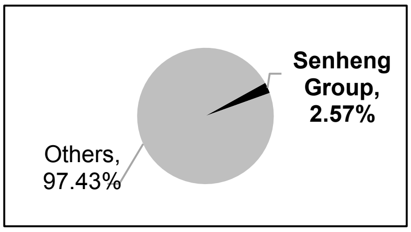
▸ Digital gadgets market share



Sources: Senheng Group, DOSM, SMITH ZANDER analysis

Senheng Group captured a market share of 0.94%, based on its revenue contribution from the sale of digital gadgets of RM395.77 million for the FYE 31 December 2020, computed against the retail sales of digital gadgets in Malaysia of RM41.98 billion in 2020.

▸ Audio visuals market share



Sources: Senheng Group, DOSM, SMITH ZANDER analysis

Senheng Group captured a market share of 2.57%, based on its revenue contribution from the sale of audio visuals of RM230.86 million for the FYE 31 December 2020, computed against the retail sales of audio visuals in Malaysia of RM9.00 billion in 2020.

Retail sales used to compute the above market shares may include sales contributed by consumer E&E retailers and other retailers who offer these products through physical retail platforms in Malaysia. For example, digital gadgets such as mobile phones are also sold through telecommunication shops; and audio visuals such as television, radio equipment, stereo equipment and recorders are sold through specialty stores for home and professional use. Retail sales for these products specifically from consumer E&E retailers are not publicly available.

4 OUTLOOK AND PROSPECTS

The size of the consumer E&E retail industry in Malaysia as represented by E&E retail sales of digital gadgets, audio visuals and home appliances through physical retail platforms (i.e. physical stores), grew from RM50.45 billion in 2018 to RM54.56 billion in 2020, at a CAGR of 3.99%. It recorded a YOY growth of 15.24% in 2019, before a YOY decline of 6.16% in 2020 due to the COVID-19 pandemic that has led to reduced consumer purchasing power, temporary mandatory closure of physical stores and/or physical distancing measures in place during the movement restriction periods, amongst others. While the overall impact of the COVID-19 pandemic on the industry was partially cushioned by increasing demand for certain consumer E&E products (e.g. laptops and computers for work at home and remote study purposes) and financial support by the Government, the overall industry was negatively impacted by the COVID-19 pandemic.

A majority of consumer goods, including consumer E&E products, remain sold through physical stores as shopping at physical retail stores is still the current preferred shopping platform for most consumers in Malaysia, especially for big-ticket items, with online retail platforms serving as complementary platforms supporting the growth of the overall consumer E&E retail industry in Malaysia in the near future.

In 2021, the consumer E&E retail industry is expected to recover. Based on latest available information, as at September 2021, E&E retail sales was recorded at RM43.76 billion whereby the average monthly sales during the 9-month period of RM4.86 billion improved by 6.81% from the average monthly sales in 2020 of RM4.55 billion. Following the recent upliftment of movement restriction measures announced by the Government on 10 October 2021, economic activities will gradually normalise and BNM expects Malaysia's GDP to grow within the range of 3.00% to 4.00% in 2021. According to the latest economic outlook published along with Budget 2022, Malaysia's GDP is expected to strengthen and grow between 5.50% to 6.50% in 2022, supported by significant improvement in global trade, stabilised commodity prices, containment of the pandemic, and gradual improvement in consumer and business sentiments. This is anticipated to drive the growth of disposable income and consumer purchasing power, thereby spurring the demand for consumer E&E products moving forward. Further, the consumer E&E retail industry will continue to be supported by several financial aids and incentives provided by the Government, including the special individual income tax relief on the purchase of handphones, laptops and tablets, until 31 December 2022.

In the longer term, the demand for consumer E&E products in Malaysia is expected to remain strong as consumer E&E products are essential items for comfort and functional purposes to ease, simplify and improve our daily lives. The demand for consumer E&E products will also continue to be driven by the introduction of innovative consumer E&E products with enhanced functionality and features, as well as the availability of multiple sales platforms that provide convenience and flexibility for the purchase of consumer E&E products.

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9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

9.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

9.1.1 Particulars and shareholdings of our Promoters and Substantial Shareholders

The details of our Promoters and Substantial Shareholders and their respective shareholdings in our Company before and after our IPO are as follows:-

		Before our IPO				After our IPO			
	Country of incorporation /	Direct		Indirect		Direct		Indirect	
Name	Nationality	No. of Shares	%[(1)]	No. of Shares	%[(1)]	No. of Shares	%[(2)]	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(11)(c) of the Act assuming full subscription of the IPO Shares reserved for Eligible Persons under the Pink Form Allocation.

Our Promoters and Substantial Shareholders do not have different voting rights from other shareholders of our Group.

Saved as disclosed above, we are not aware of any persons who, directly or indirectly, jointly or severally, exercise control over our Company and there is no arrangement between Senheng and our shareholders with any third parties, the operation of which may at a subsequent date result in a change in control of Senheng.

9.1.2 Profiles of our Promoters and Substantial Shareholders

(i) SQ Digital

SQ Digital was incorporated as a private limited company in Malaysia on 31 May 1997 under the Companies Act, 1965. The principal activity of SQ Digital is investment holding. As at the LPD, the issued share capital of SQ Digital is RM100,000 comprising 100,000 ordinary shares.

The details of SQ Digital's shareholders and their respective shareholdings as at the LPD are as follows:-

		Direct		Indirect	
Name	**Nationality**	**No. of shares**	**(1)%**	**No. of shares**	**%**
KH Lim	Malaysian	33,333	33.33	-	-
KC Lim	Malaysian	33,334	33.33	-	-
KY Lim	Malaysian	33,333	33.33	-	-
Total		**100,000**	**100.00**	**-**	**-**

Note:-
(1) The totals do not add up due to rounding.

(ii) KH Lim

KH Lim a Malaysian aged 60, is our Non-Independent Executive Chairman. He was appointed to our Board on 21 May 2021. He completed his pre-university studies at Tunku Abdul Rahman College in 1980. He has been a member of the Institute of Corporate Directors Malaysia ("**ICDM**") since August 2021.

KH Lim started his career in 1981 with Campbell Electronics Sdn Bhd as a sales representative where he was involved in the sales of electrical goods. A few months later, he was promoted to the position of shop supervisor where he was responsible for the day-to-day operations of the shop. In 1986, he left Campbell Electronics Sdn Bhd and joined Senhong Sales and Services Sdn Bhd as the head of operations where he was responsible for the operations of retail outlets. He left Senhong Sales and Services Sdn Bhd in 1989 and co-founded Senheng Electric, a partnership business together with his brothers, KC Lim and KY Lim. 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 KH Lim, our Group has grown from a single shop into the largest consumer electrical and electronics chain retailer in Malaysia by revenue, with 105 physical stores and a workforce of approximately 1,750 employees. Throughout the years, he charted the overall strategic direction of our Group including the implementation of numerous key initiatives such as the adoption of chain store concept, fixed price policy, launching our PlusOne loyalty programme, undertaking a digital transformation of our business as elaborated in Section 7.4 of this Prospectus and our seamless retail model. His leadership has also been recognised through the numerous awards received by our Group and KH Lim personally, as listed in Section 7.5 of this Prospectus.

As our Non-Independent Executive Chairman, KH Lim is responsible for crafting the business model, business direction as well as strategic planning of our Group and he will continue to leverage on his over 40 years of experience in the Malaysian retail industry to chart our Group's future direction.

He is a director of various private limited companies, details of which are set out in Section 9.2.3 of this Prospectus.

(iii) KC Lim

KC Lim a Malaysian aged 62, is our President / Non-Independent Executive Director. He was appointed to our Board on 21 May 2021. He completed his pre-university studies at Tunku Abdul Rahman College in 1979. He has been a member of ICDM since August 2021.

KC Lim began his career in 1980 as a sales representative in a stationery shop located at Kuala Lumpur. Subsequently in 1983, he became self-employed and carried out small-scale renovations for offices, shop lots and residential units.

In 1989, he co-founded Senheng Electric, a partnership business together with KH Lim and KY Lim (our business was transferred to Senheng KL in 1994). Initially, he worked part-time and was responsible for the delivery of goods to customers. In 1990, he joined full time as our sales manager where he was responsible for overseeing the sales and operations of all our physical outlets.

He is mainly responsible for the sales, operations and marketing aspects of our Group's business including identifying business opportunities and sales trends as well as initiating and implementing new operational policies and strategies, including the introduction of our centralised logistics model to improve the efficiency of our supply chain.

KC Lim also plays a vital role in assisting KH Lim in implementing our business transformation initiatives, particularly the adoption of digital technologies such as our EDMS, B2B portal, WMS and mobile application which has enhanced the overall efficiency of our business operations.

Moving forward, KC Lim will continue to oversee our Group's overall human resource and business solutions, finance and business compliance, retail operations, logistics and services, digital commerce and supply chain as well as the implementation of our future growth plans and key initiatives.

He is a director of various private limited companies, details of which are set out in Section 9.2.3 of this Prospectus.

(iv) KY Lim

KY Lim a Malaysian, aged 59, is our Non-Independent Non-Executive Director. He was appointed to our Board on 21 May 2021. He completed his secondary school education at SMK Sultan Sulaiman Shah, Selangor in 1980. He has been a member of ICDM since August 2021.

He began his career in 1981 as an assistant interior designer at Interior Graphic (Malaysia) Sdn Bhd, where he worked on the interior design of offices and residential units. In 1984, he left Interior Graphic (Malaysia) Sdn Bhd and joined Planscape (M) Sdn Bhd as an interior designer where he focused on the interior design of open space offices. In 1986, he was promoted to the position of manager where he assisted in the day-to-day operations of the company.

In 1989, he co-founded Senheng Electric, a partnership business together with KC Lim and KH Lim (our business was transferred to Senheng KL in 1994). Initially, he worked part-time and handled the delivery of goods to customers and bill collections. Three years later, he joined full time as our administration manager where he managed the human resource and administrative matters as well as billings and collections.

Over the years, KY Lim was mainly responsible for devising and implementing outlet expansion plans, including identifying suitable new locations for expansion of outlets. He was also involved in the implementation of our ERP system as well as the creation of our franchise and incentive programmes for store managers.

In 2017, KY Lim stepped down from being involved in the day-to-day operations of our Group. Nevertheless, as a Director, he continues to provide his experience and guidance to the management in his areas of expertise.

He is a director of various private limited companies, details of which are set out in Section 9.2.3 of this Prospectus.

9.1.3 Changes in our Promoters' and Substantial Shareholders' shareholdings in our Company

The table below sets out the changes in our Promoters' and Substantial Shareholders' shareholdings in our Company since the date of incorporation up to and after our IPO:-

	As at the date of incorporation				After the Acquisition of Senheng KL and before the Share Split			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(2)	No. of Shares	%(2)
SQ Digital	-	-	-	-	115,626,309	69.57	-	-
KH Lim	1	33.33	-	-	16,859,954	10.14	(5)115,626,309	69.57
KC Lim	1	33.33	-	-	16,859,954	10.14	(5)115,626,309	69.57
KY Lim	1	33.33	-	-	16,859,954	10.14	(5)115,626,309	69.57
Total	**3**	**100.00**			**166,206,171**	**100.00**		

	After the Share Split and before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%(3)	No. of Shares	%(3)	No. of Shares	%(4)	No. of Shares	%(4)
SQ Digital	869,600,000	69.57	-	-	869,600,000	57.97	-	-
KH Lim	126,800,000	10.14	(5)869,600,000	69.57	80,300,000	5.35	(5)(6)870,100,000	58.01
KC Lim	126,800,000	10.14	(5)869,600,000	69.57	80,300,000	5.35	(5)(6)870,175,000	58.01
KY Lim	126,800,000	10.14	(5)869,600,000	69.57	80,300,000	5.35	(5)869,600,000	57.97
Total	**1,250,000,000**	**100.00**			**1,110,500,000**	**74.02**		

Notes:-

(1) Based on the total number of 3 Shares before the Acquisition of Senheng KL, Share Split and our IPO.
(2) Based on the total number of 166,206,171 Shares after the Acquisition of Senheng KL but before the Share Split and our IPO.
(3) Based on the total number of 1,250,000,000 Shares after the Acquisition of Senheng KL and Share Split but before our IPO.
(4) Based on the enlarged total number of 1,500,000,000 Shares after our IPO.
(5) Deemed interested by virtue of his direct interest in SQ Digital pursuant to Section 8(4) of the Act.
(6) Deemed interested by virtue of the Shares held by his children pursuant to Section 59(11)(c) of the Act assuming full subscription of the IPO Shares reserved for Eligible Persons under the Pink Form Allocation.

9.2 BOARD OF DIRECTORS

The details of our Directors and the date of expiration of the current term of office for each of our Directors and the period for which each of them has served in that office as at the LPD are as follows:-

Name	Designation	Age	Nationality	Date of appointment	Date of expiration of the current term of office	No. of years in office
KH Lim	Non-Independent Executive Chairman	60	Malaysian	21 May 2021	At the next AGM in 2022	Less than 1 year
KC Lim	President / Non-Independent Executive Director	62	Malaysian	21 May 2021	At the next AGM in 2022	Less than 1 year
KY Lim	Non-Independent Non-Executive Director	59	Malaysian	21 May 2021	At the next AGM in 2022	Less than 1 year
Dato' Yeow Wah Chin	Independent Non-Executive Director	61	Malaysian	14 June 2021	At the next AGM in 2022	Less than 1 year
Tan Ler Chin	Independent Non-Executive Director	61	Malaysian	14 June 2021	At the next AGM in 2022	Less than 1 year
Ho Kim Poi	Independent Non-Executive Director	58	Malaysian	14 June 2021	At the next AGM in 2022	Less than 1 year
Oh Keng Leng	Independent Non-Executive Director	53	Malaysian	14 June 2021	At the next AGM in 2022	Less than 1 year

Pursuant to Clause 114 of the Constitution, any Director appointed by our Board shall hold office only until the conclusion of the next annual general meeting and shall be eligible for re-election at such meeting. Pursuant to Clause 129 of the Constitution, at each annual general meeting of our Company, 1/3 of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to 1/3, shall retire from office provided always that all Directors including our Non-Independent Executive Chairman and President / Non-Independent Executive Director shall retire from office once at least in each 3 years as required by the Listing Requirements but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between Directors of equal seniority, the Directors to retire shall (unless they otherwise agree among themselves) be determined from among them by lot.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

9.2.1 Shareholdings of our Directors

The shareholdings of our Directors in our Company before and after our IPO are as follows:-

	Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(2)	No. of Shares	%(2)
KH Lim	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	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	126,800,000	10.14	(3)869,600,000	69.57	80,300,000	5.35	(3)869,600,000	57.97
Dato' Yeow Wah Chin	-	-	-	-	(5)240,000	0.02	-	-
Tan Ler Chin	-	-	-	-	(5)240,000	0.02	-	-
Ho Kim Poi	-	-	-	-	(5)240,000	0.02	-	-
Oh Keng Leng	-	-	-	-	(5)240,000	0.02	-	-

Notes:-
(1) Based on the total number of 1,250,000,000 Shares as at the LPD.
(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(11)(c) of the Act assuming full subscription of the IPO Shares reserved for Eligible Persons under the Pink Form Allocation.
(5) Assuming the independent directors fully subscribe for the IPO Shares allotted to them under the Pink Form Allocation as disclosed in Section 4.3.1(b) of this Prospectus.

None of our Directors are representatives of corporate shareholders.

9.2.2 Profiles of our Directors

The profiles of KH Lim, KC Lim and KY Lim, our Non-Independent Executive Chairman, President / Non-Independent Executive Director and Non-Independent Non-Executive Director respectively are set out in Section 9.1.2 above. The profiles of our other Directors are set out below:-

(i) Dato' Yeow Wah Chin, D.S.T.M. and D.I.M.P

Dato' Yeow Wah Chin, a Malaysian aged 61, is our Independent Non-Executive Director. He was appointed to our Board on 14 June 2021. He graduated from the Universiti Kebangsaan Malaysia with a Bachelor of Economics (Honours) degree in 1984. He also holds a Bachelor of Laws (Honours) degree from the University College of Wales, Aberystwyth, United Kingdom ("**Aberystwyth University**") which was obtained in 1991, and he subsequently obtained a certificate in legal practice in 1992. He was called to the Malaysian Bar as an advocate and solicitor in 1993. He has been a member of ICDM since August 2021.

Dato' Yeow Wah Chin began his career in 1984 as a trainee officer with Malayan Banking Berhad ("**Maybank**"). Upon confirmation he was placed in the corporate planning department and in 1986, he was transferred to the credit review department. He took a sabbatical in 1989 to pursue his law degree at Aberystwyth University and re-joined Maybank in 1991 as a legal counsel where he was responsible for legal matters of Maybank.

He left Maybank in 1993 and joined Ismail Sabri & Wee as the head of conveyancing and commercial department. In 1994, he left Ismail Sabri & Wee and co-founded Yeow & Salleh, of which he is currently the managing partner. In his current firm, he specialises in banking and commercial law matters.

As an experienced practising lawyer, he has been appointed to serve as the legal advisor for the Yeow See Association in Melaka since 2015. He has previously served as a member of the advocates and solicitors disciplinary committee and the conveyancing practice committee of Bar Council Malaysia as well as the legal advisor for the Society of Interpreters of the Deaf in Selangor and Wilayah Persekutuan.

Dato' Yeow Wah Chin has been actively involved in the Lions Club of Kuala Lumpur Central, a voluntary service organisation committed to humanitarian service, since 1994. In 2011, he initiated the formation of the Lions Education Foundation, where students with average academic results could get financial assistance to further their tertiary education. Currently, he also sits on the board of directors of the amongst others, Lions Education Foundation, UKM Holdings Sdn Bhd, Institut Integriti Malaysia and 1MCA Medical Foundation respectively.

(ii) Tan Ler Chin, A.M.N.

Tan Ler Chin, a Malaysian aged 61, is our Independent Non-Executive Director. She was appointed to our Board on 14 June 2021. She graduated from the Universiti Kebangsaan Malaysia with a Bachelor of Economics (Honours) degree, majoring in statistics in 1983. She has been a member of ICDM since August 2021.

Tan Ler Chin began her career in 1984, in the finance department of the Employees Provident Fund ("**EPF**"). In 1988, she was transferred to the investment department where she was responsible for the management of the EPF's external fund managers and other domestic investment assets including Malaysian Government Securities, loans/debentures, equities and money market placements.

In 1996, she was promoted to the position of senior investment manager, where she specialised in fixed income investments and was involved in EPF's fixed income investments in several large privatisation projects in Malaysia. In 2009, she was appointed as the head of investment compliance and was responsible for ensuring all investment settlements were undertaken in compliance with internal policies/guidelines and other related legal requirements.

In 2019, she was appointed as the head of risk department where she oversaw the management of amongst others, the operational risks, technology risks, investment risks and investment market risks of EPF. She retired from EPF in April 2021.

(iii) Ho Kim Poi

Ho Kim Poi, a Malaysian aged 58, is our Independent Non-Executive Director. She was appointed to our Board on 14 June 2021. She graduated from the University of Adelaide, Australia with a Bachelor of Science degree in 1987. She obtained a Master of Business Administration from the University of Lincoln, United Kingdom in 2001. She has been a member of the Malaysian Institute of Accountants and CPA Australia since 1990 and 1991 respectively. She has been a member of ICDM since August 2021.

Ho Kim Poi began her career in 1987 as a tax assistant with KPMG Malaysia (now known as KPMG PLT), and was promoted to the position of senior tax consultant in 1988. She left KPMG Malaysia in 1990 and joined OYL Industries Berhad group of companies ("**OYL Group**") as a finance and human resources manager, where she was responsible for amongst others, finance, human resource and business development matters of the OYL Group.

In 1993, she left OYL Group and joined Astra Pharmaceutical Sdn Bhd as its finance and human resources director. In 2000, following the worldwide merger between Astra AB and Zeneca group, she was re-designated as the finance and human resources director of AstraZeneca Sdn Bhd. Subsequently, she was promoted to the position of regional chief financial officer of South East Asia, India and South Africa in 2001, where she was in charge of financial matters and strategies, including setting up the shared service centres for the abovementioned regions.

Ho Kim Poi left AstraZeneca Sdn Bhd and joined Amway Malaysia Sdn Bhd ("**Amway**") in 2012 as the regional chief financial officer and strategic planning director for the South East Asia & Australia New Zealand region and was chief financial officer of Amway (Malaysia) Holdings Berhad. In 2018, she was promoted to the position of regional chief financial officer for the Asia Pacific region with the addition of two markets in Japan and South Korea, where she was responsible for finance matters. She left Amway group in 2019 and did not take up any employment thereafter.

Ho Kim Poi is currently an Independent Non-Executive Director of Mah Sing Group Berhad, a company listed on the Main Market of Bursa Securities, a directorship she held since 2019.

(iv) Oh Keng Leng

Oh Keng Leng, a Malaysian aged 53, is our Independent Non-Executive Director. He was appointed to our Board on 14 June 2021. He graduated from the University of Melbourne, Australia with a Bachelor of Commerce degree in 1992. He has been a member of both the Malaysian Institute of Accountants and CPA Australia since 1995. He has been a member of ICDM since August 2021.

Oh Keng Leng began his career in 1992 as an audit associate with Arthur Anderson & Co. He left Arthur Anderson & Co in 1995 and joined our Group as our finance manager where he was involved in carrying out financial and management accounting functions. He was also involved in the development and implementation of our fixed price policy, loyalty program and franchising scheme.

He left our Group at the end of 2005 and joined Borneo Technical Co (M) Sdn Bhd as the finance controller in early 2006 where he managed the finance, accounts, banking, administration, human resource and information technology departments. In 2010, he was promoted to the position of finance and operation director and supervised additional departments such as warehouse and logistics departments.

In 2015, he left Borneo Technical Co (M) Sdn Bhd and joined Yokohama Distribution Services Sdn Bhd as the finance and operation director, a position he currently holds, where he oversees amongst others, the finance, accounts, banking and administration departments. He also assisted in the setting up of branch offices and a distribution center.

9.2.3 Principal directorships and principal business activities of our Directors outside our Group

Save as disclosed below, none of our Directors is involved in any other principal business activities outside our Group as at the LPD. The following table sets out the principal directorships and shareholdings of our Directors as at the LPD ("**Present directorships / shareholdings**") and those which were held within the past 5 years up to the LPD ("**Previous directorships / shareholdings**"), as well as their involvement in principal business activities outside the Group as at the LPD:-

(i) KH Lim

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present directorships / shareholdings				
Eight Development (M) Sdn Bhd	30.04.1992	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Property investment
Tenn Pacific Sdn Bhd	15.04.1993	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Bird nest farming and breeding of arowana
SH Hi Tech (M) Sdn Bhd	17.06.1995	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and is in the midst of being wound-up
E-Gate Nationwide Sdn Bhd	20.05.1998	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Letting out of warehouse storage space and delivery services
100 Value Distribution Sdn Bhd	31.07.2000	-	▪ Director ▪ Shareholder (Direct: 26.67%)	Trading of electrical appliances and accessories

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
S Active Holding Sdn Bhd	28.12.2009	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Investment holding company holding shares in 3 companies[(1)]
Home Mart Plus (M) Sdn Bhd	28.01.2010	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and has no intention to resume business in the near future
Nagamas Aquaculture (M) Sdn Bhd	29.09.2011	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[(2)]	Business of aquaculture, import and export of aquaculture product
Massive Solutions Sdn Bhd	24.12.2012	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Investment holding company holding shares in 5 companies[(3)]
Blackbox BI Consultancy Sdn Bhd	15.07.2013	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Leasing of computer software and related services
Mywindow Portal Sdn Bhd	01.10.2013	-	▪ Director ▪ Shareholder (Direct: 50.00%)	Operating solar panels
E-Gate Services Sdn Bhd	22.04.2014	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[(4)]	Providing maintenance services for digital gadgets and computers
Blackbox Insights Sdn Bhd	01.08.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and has no intention to resume business in the near future

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
SQ Digital Sdn Bhd	01.11.2014	-	▪ Director ▪ Shareholder (Direct 33.33%)	Investment holding which however does not hold shares in any company as at the LPD
SenH Mobile (M) Sdn Bhd	31.03.2015	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Providing networking and telecommunication services
100 Value Lighting Sdn Bhd	03.05.2016	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[(5)]	Retailing of lighting appliances
Genesis Resources Limited	31.05.2016	-	▪ Non-Executive Director ▪ Shareholder (Indirect: 36.01%)[(6)]	Exploration for and evaluation of gold, manganese and base metals
Goodwood Capital Sdn Bhd	27.06.2016	-	▪ Director ▪ Shareholder (Direct: 26.67%)	▪ Cultivate durians, pineapples and all kinds of fruits ▪ Retailers and dealers of all types of furniture

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Home Mart Online Sdn Bhd	26.03.2018	-	▪ Director ▪ Shareholder (Direct: 20.00%)	To carry on the business as e-commerce operation partners which to provide web support back office, net commerce solutions and support channel for general operation and management of various type of online shopping or net marketing platform, including but not limited to the orders placement, distribution and shipment of goods and products processes and secured payment processing platform and to provide customer care and services in relation thereto, in and outside Malaysia
Senwave Retail Solutions Sdn Bhd	01.10.2018	-	▪ Director ▪ Shareholder (Indirect: 60.00%)[7]	Other information technology services activities
Senheng Holdings Berhad	18.04.2019	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and is in the midst of being struck-off
SH Retail Academy Sdn Bhd	18.09.2019	-	▪ Director ▪ Shareholder (Indirect: 40.00%)[8]	▪ Training ▪ Digital marketing services
Petsmore Sdn Bhd	15.11.2019	-	▪ Director ▪ Shareholder (Indirect: 99.96%)[9]	Pets grooming, pets trading and related activities

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
IPET Technology Sdn Bhd	16.12.2020	-	▪ Director ▪ Shareholder (Indirect: 50.00%)[(10)]	To carry on the business as importers exporters, wholesales, suppliers and dealers of all kinds point of sale system and related hardware and parts, to buy, sell, import, export, distribute and otherwise deal in all kinds and varieties of pets foods, pets care products, pets food supplements and other accessories and products related to pets
Senheng Ecosystem (M) Sdn Bhd	28.04.2021	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and is in the midst of being struck-off
S Ecosystem (M) Sdn Bhd	01.06.2021	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Other information technology service activities
Q-Farm (KL) Sdn Bhd	-	-	▪ Shareholder (Direct: 10.00%)	Oil palm plantation
Barrabas Art Vantage Sdn Bhd	-	-	▪ Shareholder (Direct: 17.00%)	The company is currently dormant and it is intended to be struck-off
Acebell (M) Sdn Bhd	-	-	▪ Shareholder (Indirect: 100.00%)[(11)]	Trading in household and baby related products
Momentum Commerce Sdn Bhd	-	-	▪ Shareholder (Indirect: 13.55%)[(12)]	Other information technology service activities and web portals

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Insurnet Consultancy Sdn Bhd	-	-	▪ Shareholder (Indirect: 90.00%)[(13)]	General insurance agency, reinsurance agency and brokerage businesses
Petido Marketing Sdn Bhd	-	-	▪ Shareholder (Indirect: 70.00%)[(14)]	Trading of pet foods and merchandise
Previous directorships / shareholdings				
Brand Mall Holdings Sdn Bhd	-	-	▪ Shareholder (Indirect: 17.00%)[(15)]	Struck-off on 19.01.2018
Brand Mall Ventures Sdn Bhd	-	-	▪ Shareholder (Indirect:20.00%)[(16)]	Struck-off on 19.12.2018
Tenn Pacific (Sarawak) Sdn Bhd	18.01.2011	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[(17)]	Wound up on 10.02.2021
Nagamas Retails (M) Sdn Bhd	09.11.2012	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[(18)]	Struck-off on 09.01.2020
E-Gate BR Services Sdn Bhd	22.04.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Struck-off on 21.02.2020
E-Gate HA Services Sdn Bhd	22.04.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Struck-off on 22.05.2020

(ii) KC Lim

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present directorships / shareholdings				
Eight Development (M) Sdn Bhd	30.04.1992	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Property investment
Tenn Pacific Sdn Bhd	15.04.1993	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Bird nest farming and breeding of arowana
SH Hi Tech (M) Sdn Bhd	17.06.1995	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and is in the midst of being wound-up
SQ Digital Sdn Bhd	31.05.1997	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Investment holding which however does not hold shares in any company as at the LPD
E-Gate Nationwide Sdn Bhd	20.05.1998	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Letting out of warehouse storage space and delivery services
100 Value Distribution Sdn Bhd	31.07.2000	-	▪ Director ▪ Shareholder (Direct: 26.67%)	Trading of electrical appliances and accessories
Q-Farm (KL) Sdn Bhd	23.11.2009	-	▪ Director ▪ Shareholder (Direct: 45.00%)	Oil palm plantation

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
S Active Holding Sdn Bhd	28.12.2009	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Investment holding company holding shares in 3 companies[(1)]
Home Mart Plus (M) Sdn Bhd	28.01.2010	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and has no intention to resume business in the near future
Massive Solutions Sdn Bhd	24.12.2012	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Investment holding company holding shares in 5 companies[(3)]
Blackbox BI Consultancy Sdn Bhd	15.07.2013	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Leasing of computer software and related services
E-Gate Services Sdn Bhd	22.04.2014	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[(4)]	Providing maintenance services for digital gadgets and computers
Blackbox Insights Sdn Bhd	01.08.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and has no intention to resume business in the near future
SenH Mobile (M) Sdn Bhd	31.03.2015	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Providing networking and telecommunication services
Acebell (M) Sdn Bhd	31.03.2015	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[(11)]	Trading in household and baby related products

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
100 Value Lighting Sdn Bhd	13.04.2016	-	▪ Director ▪ Shareholder (Indirect: 100.00%)(5)	Retailing of lighting appliances
Goodwood Capital Sdn Bhd	27.06.2016	-	▪ Director ▪ Shareholder (Direct: 26.67%)	▪ Cultivate durians, pineapples and all kinds of fruits ▪ Retailers and dealers of all types of furniture
Home Mart Online Sdn Bhd	26.03.2018	-	▪ Director ▪ Shareholder (Direct: 20.00%)	To carry on the business as e-commerce operation partners which to provide web support back office, net commerce solutions and support channel for general operation and management of various type of online shopping or net marketing platform, including but not limited to the orders placement, distribution and shipment of goods and products processes and secured payment processing platform and to provide customer care and services in relation thereto, in and outside Malaysia
Senheng Holdings Berhad	18.04.2019	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and is in the midst of being struck-off
Senwave Retail Solutions Sdn Bhd	10.01.2019	-	▪ Director ▪ Shareholder (Indirect: 60.00%)(7)	Other information technology service activities

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
SH Retail Academy Sdn Bhd	18.09.2019	-	▪ Director ▪ Shareholder (Indirect: 40.00%)[(8)]	▪ Training ▪ Digital marketing services
Petsmore Sdn Bhd	15.11.2019	-	▪ Director ▪ Shareholder (Indirect: 99.96%)[(9)]	Pets grooming, pets trading and related activities
Senheng Ecosystem (M) Sdn Bhd	27.04.2021	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and is in the midst of being struck-off
S Ecosystem (M) Sdn Bhd	31.05.2021	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Other information technology service activities
Barrabas Art Vantage Sdn Bhd	-	-	▪ Shareholder (Direct: 17.00%)	The company is currently dormant and it is intended to be struck-off
Insurnet Consultancy Sdn Bhd	-	-	▪ Shareholder (Indirect: 90.00%)[(13)]	General insurance agency, reinsurance agency and brokerage businesses
Momentum Commerce Sdn Bhd	-	-	▪ Shareholder (Indirect: 13.55%)[(12)]	Other information technology service activities and web portals
Nagamas Aquaculture (M) Sdn Bhd	-	-	▪ Shareholder (Indirect: 100.00%)[(2)]	Business of aquaculture, import and export of aquaculture product
Petido Marketing Sdn Bhd	-	-	▪ Shareholder (Indirect: 70.00%)[(14)]	Trading of pet foods and merchandise

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Genesis Resources Limited	-	-	▪ Shareholder (Indirect: 36.01%)[(6)]	Exploration for and evaluation of gold, manganese and base metals
IPET Technology Sdn Bhd	-	-	▪ Shareholder (Indirect: 50.00%)[(10)]	To carry on the business as importers exporters, wholesales, suppliers and dealers of all kinds point of sale system and related hardware and parts, to buy, sell, import, export, distribute and otherwise deal in all kinds and varieties of pets foods, pets care products, pets food supplements and other accessories and products related to pets
Previous directorships / shareholdings				
Nagamas Retails (M) Sdn Bhd	-	-	▪ Shareholder (Indirect: 100.00%)[(18)]	Struck-off on 09.01.2020
Arthomer Group Sdn Bhd	-	-	▪ Shareholder (Direct: 10.00%)	Struck-off on 02.10.2020
Brand Mall Holdings Sdn Bhd	-	-	▪ Shareholder (Indirect: 17.00%)[(15)]	Struck-off on 19.01.2018
Brand Mall Ventures Sdn Bhd	-	-	▪ Shareholder (Indirect:20.00%)[(16)]	Struck-off on 19.12.2018
Tenn Pacific (Sarawak) Sdn Bhd	18.01.2011	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[(17)]	Wound up on 10.02.2021

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
E-Gate BR Services Sdn Bhd	22.04.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Struck-off on 21.02.2020
E-Gate HA Services Sdn Bhd	22.04.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Struck-off on 22.05.2020
GX O2O Solutions Sdn Bhd *(formerly known as GX Digital Sdn Bhd)*	08.08.2019	03.03.2020	▪ Director	Renting shop lot and events management
ZJZ New Retail Sdn Bhd	19.08.2019	12.02.2020	▪ Director	Other retail sale in non-specialised stores and other information service activities

(iii) KY Lim

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
<u>Present directorships / shareholdings</u>				
Eight Development (M) Sdn Bhd	30.04.1992	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Property investment
Tenn Pacific Sdn Bhd	15.04.1993	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Bird nest farming and breeding of arowana

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
SH Hi Tech (M) Sdn Bhd	17.06.1995	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and is in the midst of being wound-up
E-Gate Nationwide Sdn Bhd	20.05.1998	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Letting out of warehouse storage space and delivery services
100 Value Distribution Sdn Bhd	31.07.2000	-	▪ Director ▪ Shareholder (Direct: 26.67%)	Trading of electrical appliances and accessories
Q-Farm (KL) Sdn Bhd	23.11.2009	-	▪ Director ▪ Shareholder (Direct: 25.00%)	Oil palm plantation
S Active Holding Sdn Bhd	28.12.2009	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Investment holding company holding shares in 3 companies(1)
Home Mart Plus (M) Sdn Bhd	28.01.2010	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and has no intention to resume business in the near future
K & L Capital Property Sdn Bhd	28.05.2012	-	▪ Director ▪ Shareholder (Direct: 50.00%)	Property investment
Massive Solutions Sdn Bhd	24.12.2012	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Investment holding company holding shares in 5 companies(3)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Blackbox BI Consultancy Sdn Bhd	15.07.2013	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Leasing of computer software and related services
Planet Sonata Sdn Bhd	01.10.2013	-	▪ Director ▪ Shareholder (Direct: 50.00%)	Operating solar panels
E-Gate Services Sdn Bhd	22.04.2014	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[4]	Providing maintenance services for digital gadgets and computers
Blackbox Insights Sdn Bhd	01.08.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and has no intention to resume business in the near future
SQ Digital Sdn Bhd	01.11.2014	-	▪ Director ▪ Shareholder (Direct 33.33%)	Investment holding which however does not hold shares in any company as at the LPD
SenH Mobile (M) Sdn Bhd	31.03.2015	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Providing networking and telecommunication services
100 Value Lighting Sdn Bhd	03.05.2016	-	▪ Director ▪ Shareholder (Indirect: 100.00%)[5]	Retailing of lighting appliances
Goodwood Capital Sdn Bhd	27.06.2016	-	▪ Director ▪ Shareholder (Direct: 26.67%)	▪ Cultivate durians, pineapples and all kinds of fruits ▪ Retailers and dealers of all types of furniture

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Home Mart Online Sdn Bhd	26.03.2018	-	▪ Director ▪ Shareholder (Direct: 20.00%)	To carry on the business as e-commerce operation partners which to provide web support back office, net commerce solutions and support channel for general operation and management of various type of online shopping or net marketing platform, including but not limited to the orders placement, distribution and shipment of goods and products processes and secured payment processing platform and to provide customer care and services in relation thereto, in and outside Malaysia
Senwave Retail Solutions Sdn Bhd	10.01.2019	-	▪ Director ▪ Shareholder (Indirect: 60.00%)[7]	Other information technology service activities
TJL Property Sdn Bhd	22.01.2019	-	▪ Director ▪ Shareholder (Direct: 50.00%)	Real estate activities with own or leased property
Senheng Holdings Berhad	18.04.2019	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and is in the midst of being struck-off
SH Retail Academy Sdn Bhd	18.09.2019	-	▪ Director ▪ Shareholder (Indirect: 40.00%)[8]	▪ Training ▪ Digital marketing services

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Petsmore Sdn Bhd	15.11.2019	-	▪ Director ▪ Shareholder (Indirect: 99.96%)[(9)]	Pets grooming, pets trading and related activities
Ruma Merah Sdn Bhd	17.01.2020	-	▪ Director ▪ Shareholder (Direct: 50.00%)	▪ Real estate activities with own or leased property ▪ Restaurant and restaurant cum night clubs ▪ Buying, selling, renting and operating of self-owned or leased real estate – non-residential buildings
Senheng Ecosystem (M) Sdn Bhd	28.04.2021	-	▪ Director ▪ Shareholder (Direct: 33.33%)	The company is currently dormant and is in the midst of being struck-off
S Ecosystem (M) Sdn Bhd	01.06.2021	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Other information technology service activities
Barrabas Art Vantage Sdn Bhd	-	-	▪ Shareholder (Direct: 16.00%)	The company is currently dormant and it is intended to be struck-off
Acebell (M) Sdn Bhd	-	-	▪ Shareholder (Indirect: 100.00%)[(11)]	Trading in household and baby related products
Momentum Commerce Sdn Bhd	-	-	▪ Shareholder (Indirect: 13.55%)[(12)]	Other information technology service activities and web portals
Insurnet Consultancy Sdn Bhd	-	-	▪ Shareholder (Indirect: 90.00%)[(13)]	General insurance agency, reinsurance agency and brokerage businesses

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Petido Marketing Sdn Bhd	-	-	▪ Shareholder (Indirect: 70.00%)(14)	Trading of pet foods and merchandise
Nagamas Aquaculture (M) Sdn Bhd	-	-	▪ Shareholder (Indirect: 100.00%)(2)	Business of aquaculture, import and export of aquaculture product
Strategic Property Growth Sdn Bhd	-	-	▪ Shareholder (Direct: 33.33%)	An investment holding company which however does not hold shares in any company as at the LPD
Y & Y Property Capital Sdn Bhd	-	-	▪ Shareholder (Direct: 33.33%)	Letting of properties and investment holding company holding shares in One Motive Solutions Sdn Bhd, an investment holding company which however does not hold shares in any company as at the LPD
Genesis Resources Limited	-	-	▪ Shareholder (Indirect: 36.01%)(6)	Exploration for and evaluation of gold, manganese and base metals
IPET Technology Sdn Bhd	-	-	▪ Shareholder (Indirect: 50.00%)(10)	To carry on the business as importers exporters, wholesales, suppliers and dealers of all kinds point of sale system and related hardware and parts, to buy, sell, import, export, distribute and otherwise deal in all kinds and varieties of pets foods, pets care products, pets food supplements and other accessories and products related to pets

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Lambo Group Berhad	-	-	▪ Shareholder (Direct: 1.19%)	Investment holding and provision of information technology related products and services
Previous directorships / shareholdings				
Nagamas Retails (M) Sdn Bhd	-	-	▪ Shareholder (Indirect: 100.00%)(18)	Struck-off on 09.01.2020
Brand Mall Holdings Sdn Bhd	-	-	▪ Shareholder (Indirect: 17.00%)(15)	Struck-off on 19.01.2018
Tenn Pacific (Sarawak) Sdn Bhd	18.01.2011	-	▪ Director ▪ Shareholder (Indirect: 100.00%)(17)	Wound up on 10.02.2021
E-Gate BR Services Sdn Bhd	22.04.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Struck-off on 21.02.2020
E-Gate HA Services Sdn Bhd	22.04.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Struck-off on 22.05.2020
Brand Mall Ventures Sdn Bhd	22.01.2016	-	▪ Director ▪ Shareholder (Indirect: 20.00%)(16)	Struck-off on 19.12.2018

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Dato' Yeow Wah Chin

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present directorships / shareholdings				
Credential Acres Sdn Bhd	05.10.2006	-	▪ Director ▪ Shareholder (Direct: 50.00%)	Investment in properties
Lions Education Foundation	28.03.2011	-	▪ Director	To receive and administer funds for education and charitable purposes, all for the public welfare
Supreme Scenic Sdn Bhd	28.03.2014	-	▪ Director ▪ Shareholder (Direct: 33.33%)	Letting of property
Institut Integriti Malaysia	14.09.2020	-	▪ Director	To promote integrity as a way of life based on principles of ethics, integrity and independence
1MCA Medical Foundation	14.04.2021	-	▪ Director	To receive and administer funds to provide for and contribute towards medical treatment for individuals who have insufficient
UKM Holdings Sdn Bhd	02.06.2021	-	▪ Director	Investment activities, management services and other tourism related services

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
STAR Foundation	02.08.2021	-	▪ Director	To receive and administer funds for charitable, social and research purposes, all for the welfare of the public, for the betterment of the Malaysian society and environment and for no other purpose and to implement the objectives of the foundation for the benefits of Malaysian citizens irrespective of their race, religion and creed
Top Sparkle Bright Sdn Bhd	-	-	▪ Shareholder (Direct:20.00%)	Stock, share and bond brokers export and import of other general-purpose machinery and real estate activities with own or leased property
<u>Previous directorships / shareholdings</u>				
Bina Puri Holdings Bhd	31.05.2013	01.05.2019	▪ Director	Contractor for earthworks and building, project management services and investment holding company holding shares in companies principally involved in amongst others construction of earthworks, buildings and road construction, property developer and management

(v) Tan Ler Chin

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present directorships / shareholdings				
Sunway Construction Group Berhad	15.09.2021	-	▪ Director	Investment holding company holding shares in companies principally involved in amongst others provision of mechanical and engineering works, construction of civil and building works
Affin Islamic Bank Berhad	01.10.2021	-	▪ Director	Islamic banking and related financial services
Previous directorships / shareholdings				
Malakoff Corporation Berhad	09.08.2007	29.04.2021	▪ Director	Investment holding company holding shares in companies principally involved in amongst others design, construction, operation, maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant

(vi) **Ho Kim Poi**

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
<u>Present directorships / shareholdings</u>				
Mah Sing Group Berhad	28.03.2019	-	▪ Director	Provision of management services to its subsidiaries and investment holding company holding shares in companies principally involved in amongst others property development, property investment, manufacturing of plastic and trading other related products and provision of hospitality management services
<u>Previous directorships / shareholdings</u>				
Sempac Group Sdn Bhd	-	-	▪ Shareholder (Direct: 10.94%)	Struck-off on 16.06.2017

(vii) **Oh Keng Leng**

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
<u>Present and previous directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil

Notes:-

(1) As at the LPD, S Active Holding Sdn Bhd has direct equity interests in the following companies:-
   (a) 13.55% in Momentum Commerce Sdn Bhd, a company principally involved in other information technology service activities and web portals;
   (b) 90.00% in Insurnet Consultancy Sdn Bhd, a company principally involved in general insurance agency, reinsurance agency and brokerage businesses; and
   (c) 36.01% in Genesis Resources Limited, a company listed on the Australian Securities Exchange principally involved in exploration for and evaluation of gold, manganese and base metals.

(2) Deemed interested pursuant to Section 8(4)(c) of the Act; held via S Active Holding Sdn Bhd which in turn holds 90.00% in Insurnet Consultancy Sdn Bhd and which in turn holds 100% in Nagamas Aquaculture (M) Sdn Bhd.

(3) As at the LPD, Massive Solutions Sdn Bhd, has direct equity interests in the following companies:-
   (a) 99.88% in Petsmore Sdn Bhd, a company principally involved in pets grooming, pets trading and related activities;
   (b) 60.00% in Senwave Retail Solutions Sdn Bhd, a company principally involved in other information technology service activities;
   (c) 40.00% in SH Retail Academy Sdn Bhd, a company principally involved in training and digital marketing services;
   (d) 70.00% in Petido Marketing Sdn Bhd, a company principally involved in trading of pet foods and merchandise; and
   (e) 50.00% in IPET Technology Sdn Bhd, a company principally involved in the business as importers exporters, wholesales, suppliers and dealers of all kinds point of sale system and related hardware and parts, to buy, sell, import, export, distribute and otherwise deal in all kinds and varieties of pets foods, pets care products, pets food supplements and other accessories and products related to pets.

(4) Deemed interested pursuant to Section 8(4)(c) of the Act; held via E-Gate Nationwide Sdn Bhd which in turn holds 100% in E-Gate Services Sdn Bhd.

(5) Deemed interested pursuant to Section 8(4)(c) of the Act; held via 100 Value Distribution Sdn Bhd which in turn holds 100.00% in 100 Value Lighting Sdn Bhd.

(6) Deemed interested pursuant to Section 8(4)(c) of the Act; held via S Active Holding Sdn Bhd which in turn holds 36.01% in Genesis Resources Limited.

(7) Deemed interested pursuant to Section 8(4)(c) of the Act; held via Massive Solutions Sdn Bhd which in turn holds 60.00% in Senwave Retail Solutions Sdn Bhd.

(8) Deemed interested pursuant to Section 8(4)(c) of the Act; held via Massive Solutions Sdn Bhd which in turn holds 40.00% in SH Retail Academy Sdn Bhd.

(9) Deemed interested pursuant to Section 8(4)(c) of the Act; held via S Active Holding Sdn Bhd which in turn holds 90.00% in Insurnet Consultancy Sdn Bhd which in turn holds 0.08% in Petsmore Sdn Bhd and Massive Solutions Sdn Bhd which in turn holds 99.96% in Petsmore Sdn Bhd.

(10) Deemed interested pursuant to Section 8(4)(c) of the Act; held via Massive Solutions Sdn Bhd which in turn holds 50% in IPET Technology Sdn Bhd.

(11) Deemed interested pursuant to Section 8(4)(c) of the Act; held via 100 Value Distribution Sdn Bhd which in turn holds 100.00% in Acebell (M) Sdn Bhd.

(12) Deemed interested pursuant to Section 8(4)(c) of the Act; held via S Active Holding Sdn Bhd which in turn holds 13.55% in Momentum Commerce Sdn Bhd.

(13) Deemed interested pursuant to Section 8(4)(c) of the Act; held via S Active Holding Sdn Bhd which in turn holds 90.00% in Insurnet Consultancy Sdn Bhd.

(14) Deemed interested pursuant to Section 8(4)(c) of the Act; held via Massive Solutions Sdn Bhd which in turn holds 70.00% in Petido Marketing Sdn Bhd.

(15) Deemed interested pursuant to Section 8(4)(c) of the Act; held via S Active Holding Sdn Bhd which in turn holds 17.00% in Brand Mall Holdings Sdn Bhd.

(16) Deemed interested pursuant to Section 8(4)(c) of the Act; held via S Active Holding Sdn Bhd which in turn holds 20.00% in Brand Mall Ventures Sdn Bhd.

(17) Deemed interested pursuant to Section 8(4)(c) of the Act; held via Tenn Pacific Sdn Bhd which in turn holds 100.00% in Tenn Pacific (Sarawak) Sdn Bhd.

(18) Deemed interested pursuant to Section 8(4)(c) of the Act; held via S Active Holding Sdn Bhd which in turn holds 90.00% in Insurnet Consultancy Sdn Bhd which in turn holds 100% in Nagamas Retails (M) Sdn Bhd.

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. Further, the involvements of KH Lim and KC Lim in other businesses or corporations does not preclude them from allocating or committing their time and effort to our Group as they are not involved in the management and day-to-day operations of these businesses, other than attending meetings of the board of directors on which they serve. Such businesses do not require their involvement on a daily basis as these businesses are managed by their respective management. KH Lim and KC Lim are of the view that although they are involved in other businesses as set out above, they are able to devote sufficient time and attention to the affairs of our Group to carry out their respective duties.

9.2.4 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration accrued for the year) paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 2020 and FYE 2021 are as follows:-

FYE 2020

	Salaries	Directors' fees	Other emolument[1]	Allowances	Bonus[2]	Benefits-in-kind	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
KH Lim	1,200	-	152	1	63	42	1,458
KC Lim	1,200	-	52	1	63	42	1,358
KY Lim	240	-	30	1	-	29	300
Dato' Yeow Wah Chin	-	-	-	-	-	-	-
Tan Ler Chin	-	-	-	-	-	-	-
Ho Kim Poi	-	-	-	-	-	-	-
Oh Keng Leng	-	-	-	-	-	-	-

Notes:-

(1) Other emolument comprises EPF, Social Security Organisation and Employment Insurance Scheme.

(2) The bonus received for the year 2019, which was paid in January 2020.

Proposed for FYE 2021

	Salaries	Directors' fees	Other emolument[(1)]	Allowances	Bonus[(5)]	Benefits-in-kind	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
KH Lim	1,260	-	82	2	120	42	1,506
KC Lim	1,260	-	56	2	120	42	1,480
KY Lim	[(2)]84	[(3)]60	[(2)]16	[(2)]1	40	[(2)]9	210
Dato' Yeow Wah Chin	-	[(4)]52	-	-	-	-	52
Tan Ler Chin	-	[(4)]52	-	-	-	-	52
Ho Kim Poi	-	[(4)]65	-	-	-	-	65
Oh Keng Leng	-	[(4)]52	-	-	-	-	52

Notes:-

(1) Other emolument comprises EPF, Social Security Organisation and Employment Insurance Scheme.
(2) The salaries, emoluments, allowances and benefits-in-kind received for January 2021 to April 2021.
(3) The directors' fees for 1 July 2021 to 31 December 2021.
(4) Based on their respective appointment date of 14 June 2021 up to 31 December 2021.
(5) The bonus received for the year 2020, which was paid in January 2021.

The remuneration for each of our Directors, which includes salaries, bonuses, Directors' fees and allowances as well as other benefits, is subject to annual review by our Remuneration Committee. Our Directors' fees must be approved by our shareholders at a general meeting.

9.2.5 Board practices

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance ("**MCCG**") which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and culture of such companies. The MCCG is specifically targeted for large companies i.e. companies on the FTSE Bursa Securities Top 100 Index or companies with market capitalisation of RM2.0 billion and above, at the start of the companies' finance year ("**Large Companies**"). Although we are not deemed as a Large Company under the MCCG, our Board is committed to achieving and sustaining high standards of corporate governance.

Our Company has adopted the recommendations under the MCCG to have a Board comprising a majority of independent directors. As at the LPD, a majority of the members of our Board comprise independent directors. Further, our Board takes note of the recommendation by the MCCG to have at least 30% women directors. As at the LPD, 2 out of 7 of our Directors are women. In this regard, in relation to the target of having at least 30% of our Board comprising women directors, we endeavour to achieve the target within two years from our Listing by appointing additional women director(s) to our Board.

Accordingly, our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of our shareholders and to govern our Group effectively. The Nomination Committee will be tasked to ensure diversity among the board members regardless of age, ethnicity, cultural background and gender, at the same ensuring they possess the requisite skills, knowledge, experience, foresight and sound judgement to best serve our Group and our business and operations as a whole. Our Board will also provide a statement on the extent of compliance with the MCCG in our first annual report as a listed entity.

Within the limits set by our Constitution, our Board is responsible for the governance and the management of our Company. To ensure the effective discharge of its functions, our Board have set out the following key responsibilities in the board charter:-

(i) to review and adopt strategic plans, addressing the sustainability of our Group's business;

(ii) to oversee the conduct of our Group's businesses and evaluate whether or not the businesses are being properly managed;

(iii) to identify principal business risks faced by our Group and ensure the implementation of appropriate systems to manage these risks;

(iv) to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of our Board and senior management;

(v) to develop and implement an investor relations programme or shareholder communications policy for our Company;

(vi) to review the adequacy and the integrity of our Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;

(vii) to promote good corporate governance culture together with senior management within our Company for reinforcing ethical, prudent and professional behaviour; and

(viii) to review, challenge and decide on the senior management's critical proposals for our Company, and oversee its implementation by the senior management.

9.2.6 Audit and Risk Management Committee

Our Audit and Risk Management Committee comprises the following members:-

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

The terms of reference of our Audit and Risk Management Committee include amongst others, the following:-

(i) Financial statements

To review the quarterly results and audited financial statements of our Group, prior to our Board's approval, focusing particularly on:-

(a) the going concern assumption;

(b) compliance with applicable financial reporting standards and other legal requirements;

(c) any changes in or implementation of major accounting policies and practices; and

(d) significant matters highlighted (i.e. financial reporting issues, significant adjustments or judgments arising from the audit and / or management, significant and unusual events or transaction and solutions to address these matters.

(ii) External audit

(a) to review and discuss the following with the external auditors and report the same to our Board:-

(1) the audit plan and audit report;

(2) evaluation of the system of internal controls; and

(3) problems and reservation arising from interim and final audits or any matters that the auditors wish to discuss (i.e. resolution of disagreements between our management and the auditors regarding the financial reporting).

(b) to review and monitor the suitability and independence of the external auditors.

(c) to consider and recommend to our Board on the appointment and re-appointment of the external auditors, its compensation and to review any letter of resignation or dismissal from the external auditors and/or person(s) carrying out the internal audit function or activity of our Group.

(d) to review the extent of assistance and co-operation extended by the employees of our Group to the external auditors, including any difficulties or disputes with our management encountered during the audit.

(iii) Internal audit

(a) to review in relation to the internal audit function:

(1) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its works as well as to ensure that the internal audit function is independent of the activities it audits;

(2) the internal audit programme, processes and the results of the internal audits, necessary processes or investigation undertaken, and whether or not appropriate action is taken on the recommendations of the internal audit function;

(3) the appraisal or assessment of the performance of the internal audit function; and

(4) the appointment or resignation of internal audit staff members and reasons of resignation.

(b) direct any special investigations to be carried out by internal audit as and when necessary and consider the major findings of the internal investigations and management's response.

(iv) Related party transactions

To assess the financial risk and matters in relation to related party transactions and conflict of interest situations that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(v) Risk management and internal control

(a) to access the adequacy and effectiveness of risk management framework for identifying, managing, and monitoring the critical risks that impact to our Group;

(b) to oversee the execution of risk management process and the results; and it shall be reviewed and evaluated from time to time to ensure it is continuously improved as the business environment changes;

(c) to engage management in an ongoing risk appetite dialogue and report the same to our Board;

(d) to review and evaluate the quality and effectiveness of the internal control systems including its processes of our Groups' operation to mitigates again the risk of inefficiencies and threats to the creation of value of our Group; and

(e) to review the statements to be included in the annual report concerning risk management and internal control.

(vi) Other matters

(a) to review the terms of reference of our Audit and Risk Management Committee annually or if necessary;

(b) to evaluate the performance of the external auditors annually;

(c) to undertake such other responsibilities as may be agreed by our Audit and Risk Management Committee and our Board; and

(d) to consider any other matters as delegated by our Board.

9.2.7 Remuneration Committee

Our Remuneration Committee comprises the following members:-

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

The terms of reference of our Remuneration Committee include amongst others, the following:-

(i) to review the terms of reference of our Remuneration Committee annually or as and when necessary;

(ii) to review and recommend to our Board, the remuneration policy and framework for Directors and senior management, drawing on independent professional advice if necessary;

(iii) to review and recommend to our Board the remuneration and benefits including share options (if any) for executive Directors and senior management taking into account the responsibilities, complexities and performance of the Directors and senior management;

(iv) to review the fees and benefits (if any) payable to non-executive Directors linking the level of remuneration to their level of responsibility and contribution;

(v) to oversee any major changes in employee remuneration and benefit structures throughout our Group;

(vi) to consider and examine such other matters as the Remuneration Committee considers appropriate; and

(vii) to consider any other matters as delegated by our Board.

9.2.8 Nomination Committee

Our Nomination Committee comprises the following members:-

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

The terms of reference of our Nomination Committee include amongst others, the following:-

(i) to review the terms of reference of our Nomination Committee annually or as and when necessary;

(ii) to review our Board and senior management's succession plans and make recommendations to our Board on succession planning policy for the senior management;

(iii) to identify and recommend to our Board suitable candidates for appointment as Directors as well as candidates to fill the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee, after taking into consideration the following attributes of candidates:-

  (a) skills, qualifications, knowledge, expertise, experience, professionalism and integrity;

  (b) commitment which includes time commitment;

  (c) in the case of the candidates for the position of independent non-executive directors, the Nomination Committee would also evaluate the candidates' ability to discharge such responsibilities as expected from independent non-executive directors; and

  (d) our Board's diversity in terms of age, gender and culture background;

(iv) to review annually the structure, size, balance and composition of our Board to ensure that our Board have the appropriate mix of skills, independence, experience and other qualities including core competencies to function effectively and efficiently;

(v) to evaluate and appraise the performance of our Board as a whole, the members of our Board as well as the contribution / performance of each individual director, on an annual basis;

(vi) to deliberate and recommend any termination / removal of Director (if necessary) due to appropriate reasons in accordance with the relevant laws and regulations;

(vii) to facilitate and recommendation suitable orientation, educational and training programmes to ensure Directors receive appropriate continuous training in order to maintain an adequate level of competency to discharge their responsibilities and performance;

(viii) to consider and examine such other matters as the Nomination Committee considers appropriate; and

(ix) to consider any other matters as delegated by our Board.

9.3 KEY SENIOR MANAGEMENT

Our Key Senior Management is responsible for the day-to-day management and operations of our Group. Our Key Senior Management as at the date of the Prospectus are as follows:

Name	Age	Nationality	Designation
Wong Che Hoe	59	Malaysian	Senior Vice President of Human Resource and Business Solutions
Mah Chin Niap	48	Malaysian	Senior Vice President of Finance and Business Compliance
Ho Weng Hung	41	Malaysian	Vice President of Retail Operations, Logistics and Service
Teng Kean Kheng	41	Malaysian	Vice President of Retail Operations
Phang Weng Nam	40	Malaysian	Vice President of Digital Commerce and Supply Chain
Ang Keng Beng	51	Malaysian	Division Head of Internal Audit Compliance cum Franchise
Tai Tze Yen	49	Malaysian	Division Head of Digital Marketing
Raymond Tan Chun Hong	30	Malaysian	Division Head of New Retail Technology

9.3.1 Profiles of our Key Senior Management

The profiles of our Key Senior Management are as follows:-

(i) Wong Che Hoe

Wong Che Hoe a Malaysian, aged 59, is our Senior Vice President of Human Resource and Business Solutions and the principal officer of Senheng Captive. He completed his secondary school education at SMK Sultan Ahmad Shah, Cameron Highlands in 1980.

Wong Che Hoe began his career as a sales representative in Keat Joo Sdn Bhd in 1984 where he was involved in the sales of electrical goods. In 1987, he left Keat Joo Sdn Bhd and joined Senhong Sales and Services Sdn Bhd as a sales supervisor, where he was responsible for the sales and operations of electrical retail outlets. In 1988, he was promoted to the position of sales director where he was responsible for developing and executing strategic plans to achieve sales target and expand the company's customer base.

He left Senhong Sales and Services Sdn Bhd and joined our Group as personal assistant to KH Lim in 1996, where he assisted in the daily operations of Senheng KL. He was promoted to the position of purchasing manager in 1997 and was subsequently promoted to head of purchasing in 1998 where he was responsible for amongst others, reviewing and evaluating quotations from suppliers, negotiating contract terms and pricing and reviewing the quality of purchased products.

In 2011, apart from his responsibilities as the head of purchasing, Wong Che Hoe also assisted our co-founders on business transformation initiatives including the adoption of digital technologies. In 2012, he also assisted in the daily retail operations and logistics of all outlets in Peninsular Malaysia.

In September 2020, Wong Che Hoe was promoted to the position of Senior Vice President of Human Resource and Business Solutions where he is responsible for overseeing all matters relating to the human resource and administration of our Group. Apart from the above, he also continues to lead a team to enhance our digital infrastructure.

(ii) Mah Chin Niap

Mah Chin Niap a Malaysian aged 48, is our Senior Vice President of Finance and Business Compliance. He graduated from the Systematic Business Training Centre with a Higher Diploma in Accounting in 1993. He has been a member of the Association of Chartered Certified Accountants ("**ACCA**") since 2004, the Malaysian Institute of Accountants since 2005, and a fellow of ACCA since 2009.

Mah Chin Niap began his career as an accounts clerk in Harbour View Dai-Ichi Hotel, Singapore in 1995 and was subsequently promoted to the position of accounts assistant. In 1996 he joined Janesis Sdn Bhd as an assistant accountant, where he was responsible for the preparation of monthly financial reports.

In early 1999, he was seconded to Empire Circle Marketing Sdn Bhd as a finance and administrative manager, where he was involved in finance, internal control and human resource matters. He left Empire Circle Marketing Sdn Bhd in end-1999 and joined HOEPharma Holdings Sdn Bhd as a finance manager where he helped oversee the financial, accounting and taxation matters of the companies under the group as well as corporate governance and compliance matters.

Mah Chin Niap joined Senheng KL in 2008 as the head of our finance division where he responsible for amongst others, the preparation of our Group's financial and accounting reporting and managing the accounts department's day-to-day functions. In this role, he also reviewed and improved the standard operating procedures and internal control processes of the accounts department.

In 2016, he was promoted to our chief financial officer, and took on additional responsibilities in the strategic development and management of the treasury and funding needs of our Group. During his tenure with our Group, he has initiated internal audit exercises and helped to successfully reduce stock losses. He also implemented cost-cutting exercises to streamline costs and expenditure.

In September 2020, he was promoted to our Senior Vice President of Finance and Business Compliance. He continues to be responsible for the overall financial accounting, risk management and tax functions of our Group.

(iii) Ho Weng Hung

Ho Weng Hung a Malaysian aged 41, is our Vice President of Retail Operations, Logistics and Service. He graduated from Universiti Putra Malaysia with a Bachelor of Mass Communication degree in 2004.

In 2004, he began his career and joined Senheng KL as an operation and sales executive, where he was involved in the sales, inventories management and staff management of the outlets located in Klang, Shah Alam and Petaling Jaya. Subsequently, he was promoted to area manager in 2006, where he was responsible for setting up and expanding new outlets in Sabah and establishing our Group's logistic systems in Sabah.

In 2013, he was promoted to the position of head of our senQ division, where he planned and implemented new strategies, policies and practices in respect of our "senQ" brand. In 2014, he was promoted to the head of our retail commerce, logistics and service division, and was based in Sabah and Sarawak to lead the expansion of our outlets and setting up of new warehouses in Sabah and Sarawak.

In September 2020, he was promoted to Vice President of Retail Operations, Logistics and Service. His added responsibilities are to oversee the outlets located in the central region, Sabah and Sarawak and to execute policies and procedures for retail, logistic and service operations at all outlets.

(iv) Teng Kean Kheng

Teng Kean Kheng a Malaysian aged 41, is our Vice President of Retail Operations. He graduated from Anglia Ruskin University with a Bachelor of Arts (Honours) in Business Administration in 2003.

He began his career in 2004 and joined Senheng KL as a trainee team manager, where he was involved in sales, inventories management and staff management for an outlet located in Penang. Subsequently, he was promoted to area manager in 2007, where he took charge of further outlets located in Penang and monitored the development and performance of the outlets. He also assisted our Group in identifying new locations for the expansion of outlets in the northern region of Peninsular Malaysia.

In 2013, he was put in charge of senQ outlets located in the northern and east coast regions of Peninsular Malaysia and reported directly to Ho Weng Hung. He also assisted in the implementation of new strategies, policies and practices in respect of our "senQ" brand. In 2015, he was promoted to head of sales division, where he developed strategic plan for the "Senheng" and "senQ" outlets located in the northern and east coast regions of Peninsular Malaysia.

In November 2020, he was promoted to Vice President of Retail Operations. His added responsibilities are to oversee the outlets located in the southern region of Peninsular Malaysia, in addition to overseeing outlets located in the northern and east coast regions and to drive strategies for our Group's outlets to achieve sales targets.

(v) Phang Weng Nam

Phang Weng Nam a Malaysian aged 40, is our Vice President of Digital Commerce and Supply Chain. He graduated from the Universiti Teknologi Malaysia with a Bachelor of Science (Human Resource Development) in 2004.

In 2004, Phang Weng Nam began his career and joined Senheng KL as an operation and sales executive, where he was responsible for supervising the daily operations of a few outlets located in the Klang Valley, took charge of the sales, inventories and staff management. Subsequently, he was promoted to a senior operation and sales executive in 2005.

In 2006, he was promoted to our head of purchasing, taking charge of the computer, digital imaging, mobile phone and office automation categories. He reported to Wong Che Hoe and was responsible for sourcing for suppliers, negotiating contracts and monitoring the quality of products and services provided for the computer, digital imaging, mobile phone and office automation categories. He was also involved in collecting and analysing data on consumers' preferences, needs and buying habits to identify potential markets and factors affecting product demand.

In 2012, Phang Weng Nam was promoted to the position of head of division for digital gadgets and took on additional responsibilities of developing and implementing new strategic marketing plans to increase the digital gadgets' revenues.

In September 2020, Phang Weng Nam was promoted to our Vice President of Digital Commerce and Supply Chain where he oversees digital marketing, home appliances, digital gadgets, audio visuals, e-commerce, shop-in-shop operations as well as leads our Group's efforts in identifying and securing suitable brands in relation to our brand distribution business.

(vi) Ang Keng Beng

Ang Keng Beng a Malaysian aged 51, is our Division Head of Internal Audit Compliance cum Franchise. He graduated from the National Chengchi University, Taiwan with a Bachelor of Business Administration in 1994.

Ang Keng Beng began his career as a business consultant in Future Management Consultants Sdn Bhd in 1994. He joined Senheng KL in 1997 as the personal assistant to KH Lim where he assisted in the daily operations of Senheng KL.

In 2012, he left our Group and joined Wiltek Homeware Sdn Bhd as the general manager, where he was responsible for overseeing the day-to-day retail operations of the company as well as developing and implementing business and corporate strategies.

In 2016, he re-joined Senheng KL as our Division Head of Internal Audit Compliance cum Franchise where he oversees our franchise department, business process compliance department and internal audit department. In respect of the franchise department, he manages all the franchised stores and ensures that all the franchisees manage the franchise business according to our Group's business model and operational standards. For the business process compliance department and internal audit department, he implements the operating procedures for all departments and conducts internal audits on all of our Group's outlets to ensure that all outlets' operations, transactions and documentation are in accordance with our Group's approved operating procedures.

(vii) Tai Tze Yen

Tai Tze Yen a Malaysian aged 49, is our Division Head of Digital Marketing. She graduated from the University of Southern Queensland, Australia, with a Bachelor of Business in 1996.

She began her career as a marketing executive in Dionn Pearl House Sdn Bhd in 1996 and was subsequently promoted to the position of assistant marketing manager in 1997, where she assisted in the development and execution of marketing and promotional campaigns. In 2000, she joined KSM Dot Com Sdn Bhd as the head of department in the marketing division where she developed internet marketing strategies for new products and provide services in the e-commerce platforms.

In 2004, she joined Clara International Beauty Group Sdn Bhd as the head of marketing where she was responsible for developing marketing strategies for the launch of new products and beauty services. In 2006 she joined F J Benjamin (M) Sdn Bhd as an operations manager where she was responsible for the overall retail operations of "GUESS" brand fashion outlets in Malaysia.

In 2008, she joined Maxis Berhad as a marketing manager in the business division where she managed promotional campaigns and event sponsorship. She left Maxis Berhad in 2013 and took a break thereafter. In 2015, she joined DePaddle Sdn Bhd as the head of marketing, where she was responsible for the operations, brand management, advertising, promotion and store openings of the "JEOEL" jewellery brand.

She joined Senheng KL as our Division Head of Digital Marketing in early 2017 and she supervises the branding, advertising and promotion of brands under our Group. She is responsible for implementing our marketing strategies, communicating through media platforms, conducting general market research and other branding and marketing initiatives.

(viii) Raymond Tan Chun Hong

Raymond Tan Chun Hong a Malaysian aged 30, is our Division Head of New Retail Technology. He graduated from the Tunku Abdul Rahman College with an Advanced Diploma in Mass Communication (Media Studies) in 2013.

He began his career as a production planning assistant in the transportation and stock department at Futuristic Store Fixtures Pte Ltd in 2013. Subsequently, he joined Legion Media Group as a junior media planner at the end of 2013, where he assisted clients in digital marketing including amongst others, setting-up and maintaining digital platforms such as social media fan pages, official websites and other e-commerce platforms such as Lazada, Lelong, Superbuy and Rakuten.

He left Legion Media Group and joined Lazada Malaysia as a content writer in mid-2014 and was subsequently promoted to the position of production associate at the end of 2014, where he assisted the commercial team in researching for the best method to onboard sellers. In 2015, he was promoted to product manager, where he was involved the provision of back-end support, including the management of technology systems.

He joined Senheng KL in 2017 as our head of department of web technology. In this role, he planned and prepared a web technology system roadmap that includes amongst others, payment integration, front-end experience, marketing and operation features. In mid-2019, he was promoted to his current position as Division Head of New Retail Technology, where he leads our new retail technology initiatives and provides guidance to our Group's departments to achieve business goals by designing technology-focused solutions. He also identifies new opportunities and technological trends that may support the continued success of our Group's business.

9.3.2 Shareholdings of our Key Senior Management

The following table sets forth the direct and indirect shareholdings of each of our Key Senior Management before and after our IPO, assuming each of our Key Senior Management will subscribe for their respective Pink Form Allocation:-

	Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(2)	No. of Shares	%(2)
Wong Che Hoe	-	-	-	-	525,000	0.04	-	-
Mah Chin Niap	-	-	-	-	252,000	0.02	-	-
Ho Weng Hung	-	-	-	-	288,000	0.02	-	-
Teng Kean Kheng	-	-	-	-	150,000	0.01	-	-
Phang Weng Nam	-	-	-	-	288,000	0.02	-	-
Ang Keng Beng	-	-	-	-	180,000	0.01	-	-
Tai Tze Yen	-	-	-	-	120,000	0.01	-	-
Raymond Tan Chun Hong	-	-	-	-	120,000	0.01	-	-

Notes:-
(1) Based on the total number of 1,250,000,000 Shares as at the LPD.
(2) Based on the enlarged total number of 1,500,000,000 Shares after our IPO.

As disclosed above, none of our other Key Senior Management has any shareholding (direct or indirect) in our Company as at the LPD. None of our Key Senior Management are representatives of corporate shareholders. Each of our Key Senior Management has been allocated between 120,000 and 525,000 IPO Shares pursuant to our IPO Shares reserved for Eligible Persons under the Retail Offering. Subject to clawback and reallocation provisions as set out in Section 4.3.4 of this Prospectus, our Key Senior Management may also subscribe for additional Excess Shares under those allocations for the Eligible Persons as well as for our IPO Shares under the Retail Offering.

9.3.3 Involvement of our Key Senior Management in other principal business activities

Save as disclosed below, none of the Key Senior Management is involved in any other principal business activities outside our Group as at the LPD. The following table sets out the principal directorships and shareholdings of our Key Senior Management as at the LPD ("**Present directorships / shareholdings**") and those which were held within the past 5 years up to the LPD ("**Previous directorships / shareholdings**"), as well as their involvement in principal business activities outside the Group as at the LPD:-

(i) Wong Che Hoe

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present and previous directorships / shareholdings				
Nil	Nil	Nil	Nil	Nil

(ii) Mah Chin Niap

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present directorships / shareholdings				
Genesis Resources Limited	31.05.2016	-	▪ Non-Executive Director	Exploration for and evaluation of gold, manganese and base metals
Previous directorships / shareholdings				
Insurnet Consultancy Sdn Bhd	05.01.2010	06.03.2019	▪ Director	General insurance agency, reinsurance agency and brokerage businesses

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) Ho Weng Hung

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present and previous directorships / shareholdings				
Nil	Nil	Nil	Nil	Nil

(iv) Teng Kean Kheng

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present and previous directorships / shareholdings				
Nil	Nil	Nil	Nil	Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(v) Phang Weng Nam

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present directorships / shareholdings				
Nil	Nil	Nil	Nil	Nil
Previous directorships / shareholdings				
Accsource Sdn Bhd	26.07.2012	-	▪ Director ▪ Shareholder (Direct: 50.00%)	Struck-off on 19.01.2018

(vi) Ang Keng Beng

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present directorships / shareholdings				
Consiscom Sdn Bhd	04.07.2013	-	▪ Director ▪ Shareholder (Direct: 10.00%)	Consists of conducting educational and learning course
Previous directorships /shareholdings				
Nil	Nil	Nil	Nil	Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(vii) Tai Tze Yen

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present and previous directorships / shareholdings				
Nil	Nil	Nil	Nil	Nil

(viii) Raymond Tan Chun Hong

Directorships / Shareholdings	Date of appointment as director / joining as partner	Date of resignation as director	Position held / % of shareholding held	Principal activities
Present and previous directorships / shareholdings				
Nil	Nil	Nil	Nil	Nil

The involvement of our Key Senior Management in those business activities outside our Group does not give rise to any conflict of interest situation with our business.

9.3.4 Key Senior Management remuneration and material benefits-in-kind

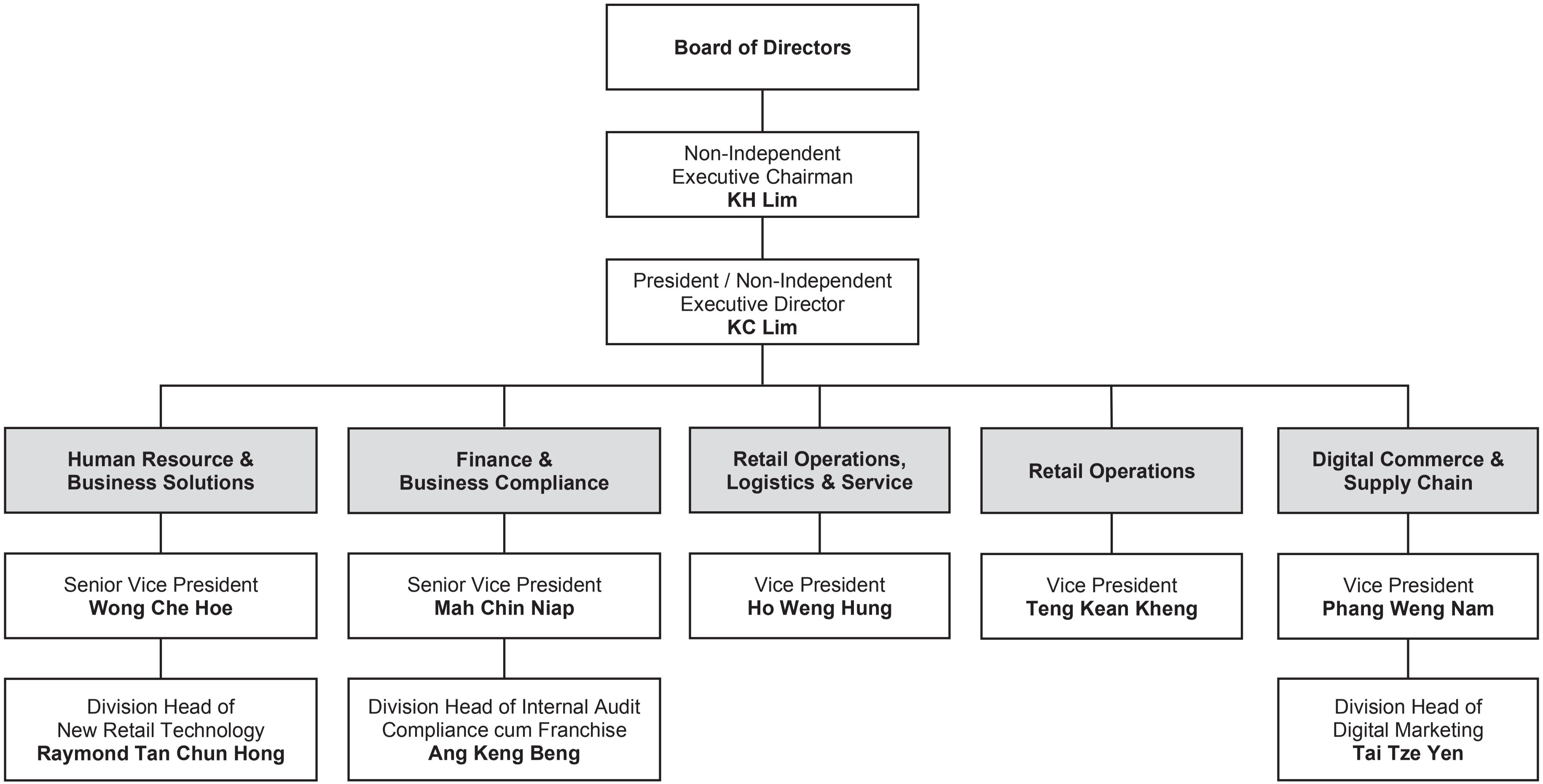
The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Key Senior Management for services rendered in all capacities to our Group for FYE 2020 and estimated for FYE 2021 are as follows:-

Name	FYE 2020 (Actual) (RM'000)	FYE 2021 (Estimate) (RM'000)
Wong Che Hoe	650 – 700	700 – 750
Mah Chin Niap	450 – 500	550 – 600
Ho Weng Hung	300 – 350	450 – 500
Teng Kean Kheng	250 – 300	400 – 450
Phang Weng Nam	350 – 400	450 – 500
Ang Keng Beng	300 – 350	300 – 350
Tai Tze Yen	200 – 250	250 – 300
Raymond Tan Chun Hong	150 – 200	150 – 200

The above remuneration comprises salaries, bonuses and allowances.

9.3.5 Management reporting structure

Our management reporting structure is as follows:-



9.4 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Our Promoters, Directors and Key Senior Management have confirmed that, as at the LPD, he or she is not and has not been involved in any of the following events (whether in or outside Malaysia):-

(i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him/her or any partnership in which he/she was a partner or any corporation of which he/she was a director or member of key senior management;

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) in the last 10 years, any judgement entered against him/her, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his/her part, involving a breach of any law or regulatory requirement that relates to the capital market;

(v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his/her part that relates to the capital market;

(vi) the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity;

(vii) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and

(viii) any unsatisfied judgement against him/her.

9.5 ASSOCIATIONS OR FAMILY RELATIONSHIPS BETWEEN OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Save as disclosed below, there are no associations or family relationships between any of our Promoters, Substantial Shareholders, Directors and Key Senior Management as at the LPD:-

(i) KH Lim, KC Lim and KY Lim are brothers; and

(ii) KH Lim, KC Lim and KY Lim are directors and shareholders of SQ Digital.

9.6 SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements between our Group and our Directors or Key Senior Management which provide for benefits upon termination of employment.

9.7 OTHER MATTERS

No amount has been paid or benefit given within the 2 years preceding the date of this Prospectus, nor are intended to be paid or given to our Promoters or Substantial Shareholders except for the following:-

(i) remunerations and benefits-in-kind paid to our Promoters who are employees in the course of their employment as set out in Section 9.2.4 of this Prospectus; and

(ii) dividend paid to our shareholders.

10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Material related party transactions

Save as disclosed below, there are no other material related party transactions entered into by our Group which involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the Period under Review and up to the LPD:-

(i) Senheng KL and Eight Development (M) Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of Eight Development (M) Sdn Bhd, each having a 33.33% direct equity interest.

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Acquisition of shop lots by Senheng KL from Eight Development (M) Sdn Bhd (a one-off transaction)[(1)]	15,825 (represents 18.50% of our NA as at 31 December 2018)	-	-	-	-
▪ Rental payable by Senheng KL to Eight Development (M) Sdn Bhd in respect of the rental of shoplots and warehouses[(2)]	4,077 (represents 13.48% of our lease payments)	3,053 (represents 10.65% of our lease payments)	2,325 (represents 8.75% of our lease payments)	547 (represents 3.59% of our lease payments)	424 (represents 3.48% of our lease payments)

Notes:-

(1) Senheng KL had on 27 December 2018, entered into 7 sale and purchase agreements with Eight Development (M) Sdn Bhd for the acquisition of 8 commercial properties located in Pandan Jaya, Kuala Lumpur (which currently house our head office and a Grand Senheng outlet) and a double-storey detached factory in Seberang Perai, Penang (which currently houses our regional hub). The total purchase consideration for all 8 properties was RM15,825,000 and was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the properties as appraised by an independent valuer appointed by Senheng KL. As at the LPD, all the above acquisitions have been completed.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(2) During the Period under Review, Senheng KL had rented several shoplots and warehouses from Eight Development (M) Sdn Bhd to house our retail outlets and regional hubs, respectively. The table below sets out the number of shoplots and warehouses rented by our Group from Eight Development (M) Sdn Bhd for the Period under Review and up to the LPD:-

	FYE 2018	FYE 2019	FYE 2020	FPE 2021	Between 1 July 2021 and the LPD
Shoplots	19	9	11	11	11
Warehouses	5	4	3	2	2
Total	**24**	**13**	**14**	**13**	**13**

As at the LPD, Senheng KL (as tenant) continues to rent the following properties from Eight Development (M) Sdn Bhd (as landlord):-

(i) The rental of a regional hub located at No. 131-133, Lot 3606-3610, Ground Floor, Block 217, Kuching North Land District, Sublot 6-8, Batu 4 ½ Jalan Batu Kawa, 93250 Kuching, Sarawak for a term of 3 years up to 31 January 2024 with an option to renew for a further 3 years upon expiry pursuant to a tenancy agreement dated 8 March 2021 between Eight Development (M) Sdn Bhd (as landlord) and Senheng KL (as tenant). The monthly rental is RM17,000. Due to the COVID-19 pandemic and pursuant to the special tax deduction for rental reduction forming part of the Prihatin Stimulus Package announced by the Government on 6 April 2020 and Pemerkasa Plus Economic Stimulus Package announced on 31 May 2021, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM10,200 and RM21,113 for the total rentals payable for the periods from April 2020 to September 2020 and June 2021 to August 2021, respectively. The tenant may terminate the tenancy at any time by giving 2 months prior written notice to the landlord or by paying to the landlord an amount equivalent to 2 months rental.

(ii) The rental of a shoplot located at Lot No. 1049-1, Ground Floor, Wisma Ladang, Jalan Sultan Sulaiman, 20000 Kuala Terengganu for a term of 2 years up to 31 March 2022 with an option to renew for a further 2 years upon expiry pursuant to a tenancy agreement dated 6 August 2020 between Eight Development (M) Sdn Bhd (as landlord) and Senheng KL (as tenant). The monthly rental is RM9,000. Due to the COVID-19 pandemic and pursuant to the special tax deduction for rental reduction forming part of the Prihatin Stimulus Package announced by the Government on 6 April 2020 and Pemerkasa Plus Economic Stimulus Package announced on 31 May 2021, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM5,400 and RM11,177 for the total rentals payable for the periods from April 2020 to September 2020 and June 2021 to August 2021, respectively. The tenant may terminate the tenancy by giving 2 months prior written notice to the landlord.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(iii) The rental of 4 shoplots located at Lot 1-6-1, 1-7-G, 1-7-1, 1-7-2, 1-8-G, 1-8-1, 1-9-G and 1-9-1 Jalan Setia Prima WU13/W, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor for a term of 3 years up 30 April 2022 pursuant to a tenancy agreement dated 14 June 2016 and letters dated 11 March 2019 and 1 December 2019 respectively between Eight Development (M) Sdn Bhd (as landlord) and Senheng KL (as tenant). The monthly rental is RM30,000. Due to the COVID-19 pandemic and pursuant to the special tax deduction for rental reduction forming part of the Prihatin Stimulus Package announced by the Government on 6 April 2020 and Pemerkasa Plus Economic Stimulus Package announced on 31 May 2021, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM18,000 and RM37,258 for the total rentals payable for the periods from April 2020 to September 2020 and June 2021 to August 2021, respectively. The tenant may terminate the tenancy at any time by giving 3 months prior written notice to the landlord.

(iv) The rental of a regional hub located at No. 10, Jalan Ekoperniagaan 1/5, Taman Ekoperniagaan, 81000 Johor Bahru, Johor for a term of 3 years up to 30 October 2022 with an option to renew for a further 3 years upon expiry pursuant to a tenancy agreement dated 30 May 2019 and a letter dated 1 December 2019 between Eight Development (M) Sdn Bhd (as landlord) and Senheng KL (as tenant). The monthly rental is RM16,916.67. Due to the COVID-19 pandemic and pursuant to the special tax deduction for rental reduction forming part of the Prihatin Stimulus Package announced by the Government on 6 April 2020 and Pemerkasa Plus Economic Stimulus Package announced on 31 May 2021, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM10,150 and RM21,009 for the total rentals payable for the periods from April 2020 to September 2020 and June 2021 to August 2021, respectively. The tenant may terminate the tenancy by giving 2 months prior written notice to the landlord.

(v) The rental of 2 double-storey shoplots located at Lot No. 93 and 93A (ground floor and first floor) and a 3 storey shoplot located at Lot 95 (ground floor, first floor and second floor), Jalan BPS 5, Bandar Prima Senawang, 70450 Seremban, Negeri Sembilan for a term of 3 years up to 14 September 2023 pursuant to a tenancy agreement dated 10 October 2017 and letters dated 1 December 2019 and 11 August 2020 between Eight Development (M) Sdn Bhd (as landlord) and Senheng KL (as tenant). The monthly rental is RM13,799. Due to the COVID-19 pandemic and pursuant to the special tax deduction for rental reduction forming part of the Prihatin Stimulus Package announced by the Government on 6 April 2020 and Pemerkasa Plus Economic Stimulus Package announced on 31 May 2021, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM8,279 and RM17,137 for the total rentals payable for the periods from April 2020 to September 2020 and June 2021 to August 2021, respectively. The tenant may terminate the tenancy by giving 3 months prior written notice to the landlord.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(vi) The rental of a 3 storey shoplots located at Lot No. 4209 (ground floor, first floor, second floor), Jalan Diwarta, Bintulu Town District, 97000 Bintulu, Sarawak for a term of 2 years up to 30 April 2023 pursuant to a tenancy agreement dated 8 May 2018 and a letter dated 7 April 2021 between Eight Development (M) Sdn Bhd (as landlord) and Senheng KL (as tenant). The monthly rental is RM4,280. Due to the COVID-19 pandemic and pursuant to the special tax deduction for rental reduction forming part of the Prihatin Stimulus Package announced by the Government on 6 April 2020 and Pemerkasa Plus Economic Stimulus Package announced on 31 May 2021, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM2,568 and RM5,315 for the total rentals payable for the periods from April 2020 to September 2020 and June 2021 to August 2021, respectively. The tenant may terminate the tenancy at any time by giving 2 months prior written notice to the landlord.

(vii) The rental of 2 shoplots located at No. 15, ground floor and No. 17, ground floor, Jalan 2/50, Jalan Gombak, Batu 3 ½, Setapak 53000, Kuala Lumpur for a tenure of 3 years up to 30 April 2023 with an option to renew for a further 2 years upon expiry pursuant to a tenancy agreement dated 18 September 2020 between Eight Development (M) Sdn Bhd (as landlord) and Senheng KL (as tenant). The monthly rental is RM8,480. Due to the COVID-19 pandemic and pursuant to the special tax deduction for rental reduction forming part of the Prihatin Stimulus Package announced by the Government on 6 April 2020 and Pemerkasa Plus Economic Stimulus Package announced on 31 May 2021, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM4,240 and RM10,532 for the total rentals payable for the periods from May 2020 to September 2020 and June 2021 to August 2021, respectively. The tenant may terminate the tenancy at any time by giving 2 months prior written notice to the landlord or by paying to the landlord an amount equivalent to 2 months rental.

These tenancy agreements entered into between Senheng KL and Eight Development (M) Sdn Bhd are expected to subsist after Listing.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(ii) Senheng KL and Tenn Pacific Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of Tenn Pacific Sdn Bhd, each having a 33.33% direct equity interest.

		Transaction value				
	Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
		(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪	Disposal of 2 double-storey shop-offices by Senheng KL to Tenn Pacific Sdn Bhd (a one-off transaction)(1)	500 (represents 0.58% of our NA as at 31 December 2018)	-	-	-	-
▪	Purchase of bird's nest by Senheng KL from Tenn Pacific Sdn Bhd(2)	479 (represents 0.05% of our COS)	11 (negligible portion of our COS)	-	-	-

Notes:-

(1) On 21 December 2009, Senheng KL entered into 2 sale and purchase agreements with Tenn Pacific Sdn Bhd for the disposal of 2 double-storey shoplots in Bandar Puncak Alam, Selangor. The total purchase consideration for both properties was RM500,000 and was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the properties as appraised by an independent valuer appointed by Senheng KL. As at the LPD, all the above acquisitions have been completed.

(2) Senheng KL purchased bird's nest from Tenn Pacific Sdn Bhd to be offered to PlusOne members for redemption during promotional periods until 1 June 2019. Since then, we have ceased to offer bird nest as a redeemable item during promotional periods.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(iii) Senheng KL and 100 Value Distribution Sdn Bhd and its subsidiary, 100 Value Lighting Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of 100 Value Distribution Sdn Bhd, each having a 26.67% direct equity interest. KH Lim, KC Lim and KY Lim are also the directors and substantial shareholders of 100 Value Lighting Sdn Bhd, with a deemed 100% indirect interest by virtue of 100 Value Distribution Sdn Bhd's shareholdings.

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Purchase of small item electrical accessories and consumables by Senheng KL from 100 Value Distribution Sdn Bhd for sale[(1)]	8,421 (represents 0.92% of our COS)	8,469 (represents 0.94% of our COS)	9,379 (represents 0.92% of our COS)	3,731 (represents 0.70% of our COS)	3,759 (represents 0.79% of our COS)
▪ Purchase of small item electrical accessories and consumables by Senheng KL from 100 Value Distribution Sdn Bhd for own use[(1)]	430 (represents 0.22% of our operating and administrative expenses)	277 (represents 0.14% of our operating and administrative expenses)	241 (represents 0.12% of our operating and administrative expenses)	137 (represents 0.12% of our operating and administrative expenses)	96 (represents 0.10% of our operating and administrative expenses)
▪ Purchase of lighting appliances by Senheng KL from 100 Value Lighting Sdn Bhd for sale[(2)]	377 (represents 0.04% of our COS)	220 (represents 0.02% of our COS)	35 (negligible portion of our COS)	-	-
▪ Purchase of lighting appliances by Senheng KL from 100 Value Lighting Sdn Bhd for installation in own premises[(2)]	5 (negligible portion of our operating and administrative expenses)	9 (negligible portion of our operating and administrative expenses)	3 (negligible portion of our operating and administrative expenses)	35 (represents 0.03% of our operating and administrative expenses)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Fee payable by 100 Value Lighting Sdn Bhd to Senheng KL in respect of the concession granted by Senheng KL(2)	96 (represents 0.87% of our other operating income)	72 (represents 0.47% of our other operating income)	18 (represents 0.13% of our other operating income)	-	-

Notes:-

(1) Senheng KL had purchased small item electrical accessories and consumables from 100 Value Distribution Sdn Bhd for sale to its retail customers and for own use. These transactions are recurrent in nature and are expected to subsist after Listing. The amounts purchased for sale are net of incentives and subsidies received in the form of discounts to our COS.

(2) Senheng KL had purchased lighting appliances from 100 Value Lighting Sdn Bhd for sale to its retail customers and for installation in own premises which have ceased since September 2020 and May 2021, respectively. In addition, Senheng KL allowed 100 Value Lighting Sdn Bhd to use certain space within our physical stores to display and sell their products as a concessionaire. When customers purchased their products, Senheng KL recognised the sale value both under revenue and COS. As a concessionaire, 100 Value Lighting Sdn Bhd paid concession fees to Senheng KL which was computed as a percentage of the monthly sales generated by 100 Value Lighting Sdn Bhd, subject to a minimum fee of RM6,000. 100 Value Lighting Sdn Bhd ceased to be a concessionaire in September 2020.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(iv) Senheng KL and Goodwood Capital Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of Goodwood Capital Sdn Bhd, each having a 26.67% direct equity interest.

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Purchase of wooden furniture by Senheng KL from Goodwood Capital Sdn Bhd for sale[(1)]	247 (represents 0.03% of our COS)	140 (represents 0.02% of our COS)	163 (represents 0.02% of our COS)	16 (negligible portion of our COS)	-
▪ Purchase of wooden furniture by Senheng KL from Goodwood Capital Sdn Bhd for own use [(1)]	34 (represents 0.04% of our NA as at 31 December 2018)	-	31 (represents 0.02% of our NA as at 31 December 2020)	-	-
▪ Fee payable by Goodwood Capital Sdn Bhd to Senheng KL in respect of the concession granted by Senheng KL[(1)]	121 (represents 1.10% of our other operating income)	115 (represents 0.75% of our other operating income)	43 (represents 0.31% of our other operating income)	4 (represents 0.06% of our other operating income)	-

Note:-

(1) Senheng KL purchased wooden furniture from Goodwood Capital Sdn Bhd for sale to its retail customers and for its own use. In addition, Senheng KL allowed Goodwood Capital Sdn Bhd to use certain space within our physical stores to display and sell their products as a concessionaire. For goods sold on concession, Senheng KL recognised the sale value both under revenue and COS. As a concessionaire, Goodwood Capital Sdn Bhd paid concession fees to Senheng KL which is computed as a percentage of the monthly sales generated by Goodwood Capital Sdn Bhd, subject to a minimum fee of RM5,000. The concession arrangement was terminated on 30 September 2021.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(v) Senheng KL and Home Mart Online Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of Home Mart Online Sdn Bhd, each having a 20% direct equity interest.

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Sale of electrical appliances by Senheng KL to Home Mart Online Sdn Bhd[(1)]	450 (represents 0.04% of our revenue)	3,514 (represents 0.31% of our revenue)	-	-	-
▪ Provision of back-office functions in relation to Senheng KL's e-commerce platforms by Home Mart Online Sdn Bhd to Senheng KL[(2)]	-	-	977 (represents 0.47% of our other operating and administrative expenses)	400 (represents 0.35% of our other operating and administrative expenses)	268 (represents 0.27% of our other operating and administrative expenses)
▪ Rental payable by Home Mart Online Sdn Bhd to Senheng KL in respect of the rental of premise[(3)]	-	-	3 (represents 0.02% of our other operating income)	2 (represents 0.03% of our other operating income)	1 (represents 0.02% of our other operating income)
▪ Sale of electrical appliances by Senheng KL to Home Mart Online Sdn Bhd for own use[(4)]	-	-	-	16 (negligible contribution to our revenue)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:-

(1) For the FYE 2018 and FYE 2019, Home Mart Online Sdn Bhd operated the online stores on behalf of certain of our brand principals whilst Senheng KL handled order fulfilment and last mile deliveries. Home Mart Online Sdn Bhd is an e-commerce service provider to the brand principals and does not maintain inventory of the products sold. When customers purchase products on the online stores managed by Home Mart Online Sdn Bhd, Senheng KL recognises the sales to Home Mart Online Sdn Bhd and arranges for deliveries to the end-customers. This arrangement has ceased since the end of the FYE 2019.

(2) For the FYE 2020, Senheng KL began to operate these online stores on behalf of brand principals. Senheng KL engaged Home Mart Online Sdn Bhd to provide back-office functions in relation to its online stores and pays a service fee to Home Mart Online Sdn Bhd which is computed as a percentage of the monthly gross sales generated by Senheng KL on its online stores for these services. As we believe that the proportion of sales generated via our online stores will continue to grow, our Group intends to carry out these back office functions in-house and this arrangement was terminated on 31 July 2021.

(3) Home Mart Online Sdn Bhd had rented office space at our head office in Pandan Jaya, Kuala Lumpur from Senheng KL from 1 January 2020 to 31 May 2021 at a monthly rental of RM250. The tenancy arrangement has ended on 31 May 2021.

Subsequently, Home Mart Online Sdn Bhd occupies spare office space at our CDC from 1 June 2021 until 31 July 2021. Senheng KL charged Home Mart Online Sdn Bhd a monthly rate of RM200 per employee occupying the office space. This arrangement has since ceased.

(4) Home Mart Online Sdn Bhd purchased laptops from Senheng KL for their own use.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(vi) Senheng KL, Blackbox Insights Sdn Bhd and Blackbox BI Consultancy Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of Blackbox Insights Sdn Bhd and Blackbox BI Consultancy Sdn Bhd, each having a 33.33% direct equity interest in both companies.

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Provision of business intelligence solutions by Blackbox Insights Sdn Bhd to Senheng KL[1]	367 (represents 0.19% of our other operating and administrative expenses)	538 (represents 0.28% of our other operating and administrative expenses)	-	-	-
▪ Provision of business intelligence solutions by Blackbox BI Consultancy Sdn Bhd to Senheng KL[1]	136 (represents 0.07% of our other operating and administrative expenses)	-	257 (represents 0.12% of our other operating and administrative expenses)	197 (represents 0.17% of our other operating and administrative expenses)	157 (represents 0.16% of our other operating and administrative expenses)
▪ Rental payable by Blackbox BI Consultancy Sdn Bhd to Senheng KL in respect of the rental of premise[2]	-	-	-	2 (represents 0.03% of our other operating income)	7 (represents 0.14% of our other operating income)

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:-

(1) Blackbox Insights Sdn Bhd and Blackbox BI Consultancy Sdn Bhd provided business intelligence solutions to Senheng KL. We utilise business intelligence system to analyse data on our business operations and generate daily reports to enable us to make informed business decisions such as procurement planning, inventory management as well as marketing and promotional activities.

Please refer to Section 7.9(i)(f) for further information on the business intelligence solutions. Our Group ceased engaging with Blackbox BI Consultancy Sdn Bhd and transacted solely with Blackbox Insights Sdn Bhd from April 2018 until December 2019. In 2020, Blackbox Insights Sdn Bhd transferred all of its business operations to Blackbox BI Consultancy Sdn Bhd. Blackbox Insights Sdn Bhd ceased its operations on 31 December 2019 and is currently dormant. Our Group intends to continue engaging Blackbox BI Consultancy Sdn Bhd in the future and this transaction is expected to subsist after Listing.

(2) Pursuant to a space licensing agreement dated 1 June 2021 between Senheng KL and Blackbox BI Consultancy Sdn Bhd, Blackbox BI Consultancy Sdn Bhd occupies spare office space at our CDC since 1 June 2021. This arrangement will subsist unless terminated by Senheng KL with 2 months prior written notice. Senheng KL charges Blackbox BI Consultancy Sdn Bhd a monthly rate of RM200 per employee occupying the office space.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(vii) Senheng KL and E-Gate Nationwide Sdn Bhd and its subsidiary, E-Gate Services Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of E-Gate Nationwide Sdn Bhd, each having a 33.33% direct equity interest. KH Lim, KC Lim and KY Lim are also the directors and substantial shareholders of E-Gate Services Sdn Bhd with a deemed 100% indirect interest by virtue of E-Gate Nationwide Sdn Bhd's shareholdings.

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Rental payable by Senheng KL to E-Gate Nationwide Sdn Bhd in respect of the rental of trucks and warehouse storage space[(1)]	180 (represents 0.60% of our lease payments)	140 (represents 0.49% of our lease payments)	140 (represents 0.53% of our lease payments)	-	-
▪ Provision of maintenance services for electrical accessories, digital gadgets and computers by E-Gate Services Sdn Bhd to Senheng KL[(2)]	6,078 (represents 0.67% of our COS)	7 (negligible portion of our COS)	-	-	-

Notes:-

(1) Senheng KL had rented from E-Gate Nationwide Sdn Bhd, warehouse storage space in Shah Alam, Selangor until 31 August 2018 and 12 trucks until the FYE 2020. These rental arrangements have since ceased.

(2) Senheng KL engaged E-Gate Services Sdn Bhd to provide maintenance services for electrical accessories, digital gadgets and computers until early 2019 and has subsequently ceased to engage their services.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(viii) Senheng KL and S Active Holding Sdn Bhd and its subsidiary, Insurnet Consultancy Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of S Active Holding Sdn Bhd, each having a 33.33% direct equity interest. KH Lim, KC Lim and KY Lim are also substantial shareholders of Insurnet Consultancy Sdn Bhd with a deemed 90% indirect interest by virtue of S Active Holding Sdn Bhd's shareholdings.

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Disposal of shares in Genesis Resources Limited by Senheng KL to S Active Holding Sdn Bhd (a one-off transaction)[(1)]	1,291 (represents 1.51% of our NA as at 31 December 2018)	-	-	-	-
▪ Insurance premium in relation to our warranty programmes and over-the-counter insurance business collected by Insurnet Consultancy Sdn Bhd from Senheng KL on behalf of third-party insurance companies[(2)]	27,059 (represents 2.97% of our COS)	27,103 (represents 3.01% of our COS)	27,685 (represents 2.70% of our COS)	14,973 (represents 2.80% of our COS)	6,615 (represents 1.39% of our COS)
▪ Insurance premium in relation to our own insurance coverage collected by Insurnet Consultancy Sdn Bhd from Senheng KL on behalf of third-party insurance companies[(2)]	2,632 (represents 1.35% of our operating and administrative expenses)	2,774 (represents 1.42% of our operating and administrative expenses)	3,278 (represents 1.59% of our operating and administrative expenses)	3,884 (represents 3.39% of our operating and administrative expenses)	320 (represents 0.32% of our operating and administrative expenses)

10. RELATED PARTY TRANSACTIONS (CONT'D)

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Administrative and marketing fees payable by Senheng KL to Insurnet Consultancy Sdn Bhd for services provided by Insurnet Consultancy Sdn Bhd in relation to the operations of our PlusOne extended warranty programme and our online insurance business(3)	298 (represents 0.03% of our COS)	283 (represents 0.03% of our COS)	314 (represents 0.03% of our COS)	168 (represents 0.03% of our COS)	101 (represents 0.02% of our COS)
▪ Administrative and marketing fees payable by Insurnet Consultancy Sdn Bhd to Senheng KL for usage of Senheng KL's resources in relation to the operation of our SWAP / Replacement warranty programme and our over-the-counter insurance business(3)	1,401 (represents 12.75% of our other operating income)	2,092 (represents 13.70% of our other operating income)	1,772 (represents 12.94% of our other operating income)	879 (represents 12.42% of our other operating income)	910 (represents 18.38% of our other operating income)

Notes:-

(1) Senheng KL had on 9 March 2018 disposed 21,764,706 shares in Genesis Resources Limited, a company listed on the Australian Securities Exchange to S Active Holding Sdn Bhd for a total disposal consideration of Australian Dollars 435,294.12 which was arrived at on a willing-buyer willing-seller basis after taking into consideration the historical market price of the quoted shares.

(2) Senheng KL purchases insurance coverage from third-party insurance companies through Insurnet Consultancy Sdn Bhd, which collects the insurance premiums on behalf of the third-party insurance companies. Our Group intends to continue to purchase insurance coverage from third-party insurance companies through Insurnet Consultancy Sdn Bhd. In addition, Insurnet Consultancy Sdn Bhd acted as the insurance agent and collected premiums on behalf of third-party insurance companies for over-the-counter insurance products such as motor and travel insurance sold at our physical stores. For sale of over-the-counter insurance products, Senheng KL recognised the sale value both under revenue and COS. For information, Senheng KL has ceased offering over-the-counter insurance products at its physical stores since 21 June 2021.

(3) Senheng KL pays an administrative fee to Insurnet Consultancy Sdn Bhd for providing coordination services in relation to the PlusOne extended warranty programme and for acting as the insurance agent for general insurance policies which Senheng KL sells on its online store. Conversely, in order to service claims from Senheng KL's customers under the SWAP / Replacement warranty coverage, Insurnet Consultancy Sdn Bhd shall reimburse Senheng KL for the cost of marketing this warranty programme and other general insurance products at Senheng KL's physical stores. These transactions are recurrent in nature and are expected to subsist after Listing (save for the fees relating to over-the-counter insurance products which are no longer offered by Senheng KL).

Please refer to Section 11.1 of this Prospectus for further information on our relationship with Insurnet Consultancy Sdn Bhd.

(ix) Senheng KL and Senwave Retail Solutions Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are also directors and substantial shareholders of Senwave Retail Solutions Sdn Bhd with a deemed 60% indirect interest by virtue of Massive Solutions Sdn Bhd's shareholdings. Massive Solutions Sdn Bhd was incorporated in Malaysia on 6 December 2012 as an investment holding company. The directors and substantial shareholders of Massive Solutions Sdn Bhd are KH Lim, KC Lim and KY Lim, each having a 33.33% direct equity interest.

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Provision of software development of business application services by Senwave Retail Solutions Sdn Bhd to Senheng KL[(1)]	-	1,727 (represents 0.88% of our other operating and administrative expenses)	2,422 (represents 1.17% of our other operating and administrative expenses)	1,937 (represents 1.69% of our other operating and administrative expenses)	669 (represents 0.68% of our other operating and administrative expenses)
▪ Rental payable by Senwave Retail Solutions Sdn Bhd to Senheng KL in respect of the rental of premise[(2)]	-	-	-	3 (represents 0.04% of our other operating income)	14 (represents 0.28% of our other operating income)

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:-

(1) Senheng KL had on 25 September 2019, entered into a professional service agreement (as amended by an addendum dated 25 June 2021) with Senwave Retail Solutions Sdn Bhd for the development of business application services software for our Group, such as our B2B portal linking our suppliers to our procurement system, our omnichannel call centre platform, our data lake, our delivery management system and updates to our "Senheng App". As at the LPD, Senwave Retail Solutions Sdn Bhd continues to work on establishing our data lake, logistics, sales and marketing and inventory management solutions and ongoing stability updates to our "Senheng App", all of which are expected to be completed by 1st quarter of 2022. The contract value depends on the business application software developed and generally comprises a one-time implementation cost (which is typically billed based on stages of completion) and an annual recurring cost for support and maintenance services as well as cloud charges.

As the professional service agreement with Senwave Retail Solutions Sdn Bhd includes the provision of support and maintenance services, our Group expects to continue with this agreement for the foreseeable future. The non-defaulting party may terminate this agreement upon material breach by the defaulting party provided that the defaulting party is notified in writing of the material breach and such breach is not remedied within 30 days after receipt of such written notice.

(2) Pursuant to a space licensing agreement dated 1 June 2021 between Senheng KL and Senwave Retail Solutions Sdn Bhd, Senwave Retail Solutions Sdn Bhd occupies spare office space at our CDC since 1 June 2021. This arrangement will subsist unless terminated by Senheng KL with 2 months prior written notice. Senheng KL charges Senwave Retail Solutions Sdn Bhd a monthly rate of RM200 per employee occupying the office space.

Please refer to Section 11.1 of this Prospectus for further information on our relationship with Senwave Retail Solutions Sdn Bhd.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(x) Senheng KL and SH Retail Academy Sdn Bhd

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of SH Retail Academy Sdn Bhd with a deemed 40% indirect interest by virtue of Massive Solutions Sdn Bhd's shareholdings.

	Transaction value				
Nature of transaction	**FYE 2018**	**FYE 2019**	**FYE 2020**	**FPE 2021**	**Between 1 July 2021 and the LPD**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
▪ Provision of training services by SH Retail Academy Sdn Bhd to Senheng KL[(1)]	-	-	1,068 (represents 0.52% of our other operating and administrative expenses)	923 (represents 0.80% of our other operating and administrative expenses)	179 (represents 0.18% of our other operating and administrative expenses)
▪ Rental payable by SH Retail Academy Sdn Bhd to Senheng KL in respect of the rental of premise[(2)]	-	-	4 (represents 0.03% of our other operating income)	3 (represents 0.04% of our other operating income)	7 (represents 0.14% of our other operating income)
▪ Sale of electrical appliances by Senheng KL to SH Retail Academy Sdn Bhd for own use[(3)]	-	-	-	-	5 (negligible contribution to our revenue)

Notes:-

(1) In the FYE 2020, Senheng KL engaged SH Retail Academy Sdn Bhd for the provision of training, learning and development programs and courses to Senheng KL. This transaction is recurrent in nature and is expected to subsist after Listing.

(2) SH Retail Academy Sdn Bhd rented an office space at our head office in Pandan Jaya, Kuala Lumpur from Senheng KL from 1 November 2019 to 31 May 2021 at a monthly rental of RM300. The tenancy arrangement has ended on 31 May 2021.

10. RELATED PARTY TRANSACTIONS (CONT'D)

Subsequently, pursuant to a space licensing agreement dated 1 June 2021 between Senheng KL and SH Retail Academy Sdn Bhd, SH Retail Academy Sdn Bhd occupies spare office space at our CDC since 1 June 2021. This arrangement will subsist unless terminated by Senheng KL with 2 months prior written notice. Senheng KL charges SH Retail Academy Sdn Bhd a monthly rate of RM200 per employee occupying the office space.

(3) SH Retail Academy Sdn Bhd had purchased laptops from Senheng KL for their own use.

(xi) Senheng KL and S Ecosystem (M) Sdn Bhd ("S Ecosystem")

KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. KH Lim, KC Lim and KY Lim are directors and substantial shareholders of S Ecosystem, each having a 33.33% direct equity interest.

	Transaction value				
Nature of transaction	FYE 2018	FYE 2019	FYE 2020	FPE 2021	Between 1 July 2021 and the LPD
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
▪ Marketing fee payable by Senheng KL to S Ecosystem[(1)]	-	-	-	1,164 (represents 1.01% of our other operating and administrative expenses)	17,346 (represents 17.59% of our other operating and administrative expenses)
▪ Commissions payable by Senheng KL to S Ecosystem[(1)]	-	-	-	31 (represents 0.03% of our other operating and administrative expenses)	3,083 (represents 3.13% of our other operating and administrative expenses)
▪ Rental payable by S Ecosystem to Senheng KL in respect of the rental of premise[(2)]	-	-	-	0.2 (negligible contribution to our other operating income)	10 (represents 0.20% of our other operating income)

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:-

(1) Pursuant to a collaboration agreement dated 17 August 2021 between Senheng KL and S Ecosystem (as supplemented by an addendum dated 1 November 2021), S Ecosystem has been appointed as the technology partner for the provision of the whole new lifestyle ecosystem via the new "Senheng App" as well as "S-Coin". Through this collaboration, our PlusOne members are entitled to earn S-Coin from purchases of selected products at our retail platforms and/or through the "Senheng App" as well as from third-party merchants on the "Senheng App", subject to terms and conditions.

Senheng KL shall pay the following fees and commissions to S Ecosystem:-

(a) Marketing fee

Generally, participating merchants on the "Senheng App" platform will reward our PlusOne members in the form of S-Coins when purchases are made on selected products (these are issued directly by S Ecosystem to the PlusOne member on behalf of the participating merchant). At the same time, S Ecosystem will provide further incentive by issuing a matching amount of S-Coins to the PlusOne member (equivalent to the value of S-Coins rewarded by the respective participating merchant), hence doubling the value of the S-Coin earned by the PlusOne member. Effectively, under this arrangement, both the participating merchant and S Ecosystem each contributes 50% of the value of the S-Coins earned by the PlusOne member that makes a purchase. The 50% contribution of S-Coin by the participating merchant is deemed as a marketing fee.

As Senheng is one of the participating merchants and is the exclusive merchant for electrical and electronic products on the "Senheng App", the same arrangement as above applies.

(b) Commissions

The commissions payable by Senheng KL to S Ecosystem comprise of the following:-

(aa) 50% of the value of the S-Coin redeemed and a transaction fee of RM2.00 per transaction upon redemption of S-Coins for purchases made by PlusOne members from our stores;

(bb) RM4.00 for every paid PlusOne membership renewed, recruited and/or upgraded from a free membership tier through the "Senheng App"; and

(cc) 1% of the total monthly sales amount of consumer electric goods sold by our Group through the "Senheng App".

The collaboration agreement shall remain in effect unless terminated by either party with 30 days' prior written notice. This transaction is recurrent in nature and is expected to subsist after Listing unless terminated. Upon termination of the collaboration agreement, S Ecosystem shall immediately discontinue all use of our trademarks and change and delete the term "Senheng" from the name of "Senheng App". S Ecosystem shall also immediately discontinue access to information on our PlusOne members.

(2) Pursuant to a space licensing agreement dated 1 June 2021 between Senheng KL and S Ecosystem, S Ecosystem occupies spare office space at our CDC since 1 June 2021. This arrangement will subsist unless terminated by Senheng KL with 2 months prior written notice. Senheng KL charges S Ecosystem a monthly rate of RM200 per employee occupying the office space.

Please refer to Section 11.1 of this Prospectus for further information on our relationship with S Ecosystem.

Our Directors are of the opinion that the related party transactions were carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties. Our Directors also confirm that there are no other material related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek our shareholders' approval each time our Company enters into a material related party transaction. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time it wishes to enter into such recurrent related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, among others, supervise and monitor any related party transactions and the terms thereof and report to our Board for further action, as set out in Section 10.2.1 of this Prospectus. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, the Directors and Substantial Shareholders, and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Director and/or Substantial Shareholder will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10.1.2 Transactions entered into that are unusual in their nature or conditions

There were no transactions entered into that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we or any of our subsidiaries were a party to in respect of the Period under Review and up to the LPD and for the subsequent financial period immediately preceding the date of this Prospectus.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.1.3 Loans made to or for the benefit of related parties

Save as disclosed below, there are no outstanding advances and/or loans made by us to or for the benefit of the related parties for the Period under Review and up to the LPD.

			Outstanding balance				
			As at 31 December			As at 30 June	As at the LPD
Company	**Relationship**	**Nature of transaction and purpose**	**2018**	**2019**	**2020**	**2021**	
			(RM)	**(RM)**	**(RM)**	**(RM)**	**(RM)**
Petsmore Sdn Bhd	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders KH Lim, KC Lim and KY Lim are directors and substantial shareholders of Petsmore Sdn Bhd with a deemed 99.96% indirect interest by virtue of Massive Solutions Sdn Bhd's and Insurnet Consultancy Sdn Bhd's shareholdings	Administrative expenses paid by Senheng KL on behalf of Petsmore Sdn Bhd	-	-	1,611	-	-
Senheng Holdings Berhad	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders KH Lim, KC Lim and KY Lim are directors and substantial shareholders of Senheng Holdings Berhad, each having 33.33% direct equity interest	Administrative expenses paid by Senheng KL on behalf of Senheng Holdings Berhad	-	6,732	15,195	-	-

As at 15 June 2021, all of these amounts have been fully repaid.

10.1.4 Financial assistance provided for the benefit of related parties

There is no other financial assistance made by us to or for the benefit of related parties for the Period under Review and up to the LPD save for a corporate guarantee provided by Senheng KL for the benefit of Eight Development (M) Sdn Bhd in respect of banking facilities amounting to RM28,500,000 granted by Public Islamic Bank Berhad to Eight Development (M) Sdn Bhd. As at the LPD, Eight Development (M) Sdn Bhd has received the conditional approval from Public Islamic Bank Berhad to discharge this corporate guarantee upon our Listing.

10.1.5 Provision of guarantees by our Substantial Shareholders for the banking facilities granted to our Group

Our Directors, namely, KH Lim, KC Lim and KY Lim have jointly and severally provided personal guarantees for the banking facilities extended by RHB Bank Berhad, Malayan Banking Berhad, Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, Public Bank Berhad and Standard Chartered Bank Malaysia Berhad ("**Financiers**") to Senheng KL. The aggregate amount of facilities secured as at the LPD is approximately RM111.74 million.

We have applied to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our KH Lim, KC Lim and KY Lim will continue to guarantee the banking facilities extended to our Group.

As at the date of this Prospectus, we have received conditional approvals from all our Financiers to discharge the above guarantees upon our Listing by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers.

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions to ensure no conflicts of interest arise within our Company or our Group. The Audit Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conducts. In reviewing the related party transactions, the following, amongst other things will be considered:-

(i) the rationale and the cost/benefit to our Company is first considered;

(ii) where possible, comparative quotes will be taken into consideration;

(iii) that the transactions are carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties; and

(iv) that the transactions are not detrimental to our Company's non-interested shareholders.

All reviews by the Audit and Risk Management Committee are reported to our Board for its further action.

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions shall be reviewed by the Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Group, on arm's length basis and are based on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and the Malaysian Code on Corporate Governance upon our Listing. The procedures which may form part of the framework include, among others, the following:

(i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment of our Independent Directors;

(ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and

(iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

11. CONFLICTS OF INTEREST

11.1 INTEREST IN BUSINESSES WHICH CARRY ON A SIMILAR TRADE AS OUR GROUP OR WHICH ARE OUR CUSTOMERS AND SUPPLIERS

Save as disclosed below, as at the LPD, none of our Directors and/or Substantial Shareholders have any interest, direct or indirect, in other businesses or corporations which are carrying on a similar trade as that of our Group or which are customers or suppliers of our Group:-

No.	Businesses / Corporations	Nature	Principal activities	Nature of interest
1.	100 Value Distribution Sdn Bhd	Our supplier	Trading of small item electrical accessories and consumables such as sockets, adaptors, phone cables, power banks and television wall mounts	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. They are also the directors and substantial shareholders of 100 Value Distribution Sdn Bhd, each having a 26.67% direct equity interest.
2.	Insurnet Consultancy Sdn Bhd	Our supplier	General insurance agency, reinsurance agency and brokerage businesses	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. They are also substantial shareholders of Insurnet Consultancy Sdn Bhd with a deemed 90% indirect interest.[(1)]
3.	Senwave Retail Solutions Sdn Bhd	Our supplier and customer	Provision of information technology services	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. They are also the directors and substantial shareholders of Senwave Retail Solutions Sdn Bhd with a deemed 60% indirect interest.[(2)]
4.	SH Retail Academy Sdn Bhd	Our supplier and customer	Provision of business trainings in the field of retail management and business coaching as well as digital marketing services	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. They are also the directors and substantial shareholders of SH Retail Academy Sdn Bhd with a deemed 40% indirect interest.[(3)]
5.	Blackbox BI Consultancy Sdn Bhd	Our supplier and customer	Provision of data asset centralisation services	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. They are also the directors and substantial shareholders of Blackbox BI Consultancy Sdn Bhd, each having a 33.33% direct equity interest.

11. CONFLICTS OF INTEREST (CONT'D)

No.	Businesses / Corporations	Nature	Principal activities	Nature of interest
6.	Eight Development (M) Sdn Bhd	Our supplier	Property holdings and investment	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. They are also the directors and substantial shareholders of Eight Development (M) Sdn Bhd, each having a 33.33% direct equity interest.
7.	Planet Sonata Sdn Bhd	Our customer	Operation of solar panels	KY Lim is our Director and Substantial Shareholder. He is also a director and substantial shareholder of Planet Sonata Sdn Bhd, with a 50% direct equity interest.
8.	S Ecosystem (M) Sdn Bhd	Our supplier and customer	Other information technology service activities	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. They are also the directors and substantial shareholders of S Ecosystem (M) Sdn Bhd, each having a 33.33% direct equity interest.
9.	Tenn Pacific Sdn Bhd	Our customer	Bird nest farming and breeding of arowana	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders. They are also the directors and substantial shareholders of Tenn Pacific Sdn Bhd, each having a 33.33% direct equity interest.

Notes:-

(1) Deemed interested pursuant to Section 8(4)(c) of the Act; held via S Active Holding Sdn Bhd which in turn holds 90% equity interest in Insurnet Consultancy Sdn Bhd.

(2) Deemed interested pursuant to Section 8(4)(c) of the Act; held via Massive Solutions Sdn Bhd which in turn holds 60% equity interest in Senwave Retail Solutions Sdn Bhd.

(3) Deemed interested pursuant to Section 8(4)(c) of the Act; held via Massive Solutions Sdn Bhd which in turn holds 40% equity interest in SH Retail Academy Sdn Bhd.

11. CONFLICTS OF INTEREST (CONT'D)

Our Board is of the view that the interests of our Directors and Substantial Shareholders in the companies mentioned above do not give rise to a conflict of interest situation after taking into consideration the following:-

(i) 100 Value Distribution Sdn Bhd

(a) 100 Value Distribution Sdn Bhd is involved in the trading of small item electrical accessories and consumables such as sockets, adaptors, phone cables, power banks and television wall mounts. It supplies such products mainly to wholesalers, distributors and retailers, such as our Group. Our Group sells such electrical accessories and consumables through our retail platforms. However, it is not a competing business as its products are sold to wholesalers, distributors and retailers while our Group sells our products to general consumers.

(b) 100 Value Distribution Sdn Bhd is not our major supplier and we are not dependent on purchases from 100 Value Distribution Sdn Bhd as there are other suppliers for such items in the market. The products supplied by 100 Value Distribution Sdn Bhd comprise only a small fraction of the products we sell and our purchases from 100 Value Distribution Sdn Bhd represents less than 1.0% of our Group's total purchases.

(c) Purchases from 100 Value Distribution Sdn Bhd are carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

(d) Although KH Lim, KC Lim and KY Lim are directors of 100 Value Distribution Sdn Bhd, they do not act in an executive capacity and do not participate in the day-to-day operations of 100 Value Distribution Sdn Bhd. The management of 100 Value Distribution Sdn Bhd is handled by its own management team which is led by Ong Cheng Tee, the managing director and a shareholder of 100 Value Distribution Sdn Bhd with 20% direct equity interest. Ong Cheng Tee is not involved in our Group's operations and is not related to KH Lim, KC Lim and KY Lim.

(ii) Insurnet Consultancy Sdn Bhd

(a) Insurnet Consultancy Sdn Bhd is an authorised insurance agent. Our Group obtains various insurance coverage through Insurnet Consultancy Sdn Bhd, such as employee hospitalisation plan, motor vehicle insurance, fire insurance and extended warranty insurance. In addition, Insurnet Consultancy Sdn Bhd acts as the insurance agent for general insurance policies sold by our Group via our online store.

(b) We pay an administrative fee to Insurnet Consultancy Sdn Bhd for providing coordination services in relation to our PlusOne extended warranty programme and for acting as the insurance agent for general insurance policies we sell on our online store. Conversely, in order to service claims from our customers under the SWAP / Replacement warranty coverage which we sell, Insurnet Consultancy Sdn Bhd shall reimburse us for the cost of marketing for this programme and other general insurance products at Senheng KL's physical stores. Senheng KL has ceased offering over-the-counter insurance products such as motor and travel insurance at its physical stores since 21 June 2021.

(c) Insurnet Consultancy Sdn Bhd is not our major supplier and we are not dependent on the services provided by Insurnet Consultancy Sdn Bhd as there are other insurance agents which can offer similar services. Our Group is not Insurnet Consultancy Sdn Bhd's only customer as it also sells insurance products to other clients.

(d) Transactions with Insurnet Consultancy Sdn Bhd are carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

(e) As KH Lim, KC Lim and KY Lim are passive investors, they do not act in an executive capacity and do not participate in the day-to-day operations of Insurnet Consultancy Sdn Bhd. The management of Insurnet Consultancy Sdn Bhd is handled by its own management team which is led by David Tai Cheng Wee, the managing director of Insurnet Consultancy Sdn Bhd.

(iii) Senwave Retail Solutions Sdn Bhd

(a) Senwave Retail Solutions Sdn Bhd is involved in the provision of information technology services. Our Group has engaged Senwave Retail Solutions Sdn Bhd to further enhance its digitalisation plans and to provide software development of business applications, including the development of a data lake and ongoing enhancements to our Group's backend systems. In addition, Senwave Retail Solutions Sdn Bhd occupies spare office space at our CDC since 1 June 2021.

(b) Senwave Retail Solutions Sdn Bhd is not our major supplier and we are not dependent on the services provided by Senwave Retail Solutions Sdn Bhd as there are other service providers in the market. Our Group is not Senwave Retail Solutions Sdn Bhd's only customer as it also provides its information technology services to its other clients.

(c) The transactions with Senwave Retail Solutions Sdn Bhd are carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

(d) Although KH Lim, KC Lim and KY Lim are directors of Senwave Retail Solutions Sdn Bhd, they do not act in an executive capacity and do not participate in the day-to-day operations of Senwave Retail Solutions Sdn Bhd. The management of Senwave Retail Solutions Sdn Bhd is handled by its own management team which is led by Cheong Jun Tong, a director of Senwave Retail Solutions Sdn Bhd.

11. CONFLICTS OF INTEREST (CONT'D)

(iv) SH Retail Academy Sdn Bhd

(a) SH Retail Academy Sdn Bhd is involved in the provision of, amongst others, business trainings in the field of retail management and business coaching as well as provision of digital marketing services. Our Group engages SH Retail Academy Sdn Bhd to provide employee training services which include, amongst others, retail management, e-commerce automation solutions and self-improvement courses. In addition, SH Retail Academy Sdn Bhd occupies spare office space at our CDC since 1 June 2021.

(b) SH Retail Academy Sdn Bhd is not our major supplier and we are not dependent on the services provided by SH Retail Academy Sdn Bhd as there are other service providers in the market. Our Group is not SH Retail Academy Sdn Bhd's only customer as it also offers its training services to its other clients.

(c) The transactions with SH Retail Academy Sdn Bhd are carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

(d) Although KH Lim, KC Lim and KY Lim are directors of SH Retail Academy Sdn Bhd, they do not act in an executive capacity and do not participate in the day-to-day operations of SH Retail Academy Sdn Bhd. The management of SH Retail Academy Sdn Bhd is handled by its own management team which is led by Lim Yau Young and Lim Hoong Koong, both of whom are directors and shareholders of SH Retail Academy Sdn Bhd with a 20% direct equity interest each. Lim Yau Young and Lim Hoong Koong are not involved in our Group's operations. Lim Yau Young is the son of KH Lim and Lim Hoong Koong is the son of KC Lim.

(v) Blackbox BI Consultancy Sdn Bhd

(a) Blackbox BI Consultancy Sdn Bhd is involved in the provision of data asset centralisation services. We have appointed Blackbox BI Consultancy Sdn Bhd to provide business intelligence (BI) solutions related informative modules such as customer relationship management, finance, human resources, logistics and online traffic operational analytics and actionable insights. Besides business intelligence solutions, Blackbox BI Consultancy Sdn Bhd also collects data from and outputs data to different systems which enables us to make faster data-driven decisions. In addition, Blackbox BI Consultancy Sdn Bhd occupies spare office space at our CDC since 1 June 2021.

(b) Blackbox BI Consultancy Sdn Bhd is not our major supplier and we are not dependent on the services provided by Blackbox BI Consultancy Sdn Bhd as there are other service providers in the market. We are not Blackbox BI Consultancy Sdn Bhd's only customer as it also offers its products to its other clients.

(c) The transactions with Blackbox BI Consultancy Sdn Bhd are carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

(d) Although KH Lim, KC Lim and KY Lim are directors of Blackbox BI Consultancy Sdn Bhd, they do not act in an executive capacity and do not participate in the day-to-day operations of Blackbox BI Consultancy Sdn Bhd. The management of Blackbox BI Consultancy Sdn Bhd is handled by its own management team which is led by Wong Kin Fei, a director of Blackbox BI Consultancy Sdn Bhd.

11. CONFLICTS OF INTEREST (CONT'D)

(vi) Eight Development (M) Sdn Bhd

(a) Eight Development (M) Sdn Bhd is involved in property holdings and investment. We rent properties from Eight Development (M) Sdn Bhd consisting of 2 regional hubs in Johor and Kuching, Sarawak and shoplots currently housing 5 of our outlets located in Bintulu, Senawang, Gombak, Shah Alam and Kuala Terengganu.

(b) The rental rates paid to Eight Development (M) Sdn Bhd are arrived at on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

(c) Although KH Lim, KC Lim and KY Lim are directors of Eight Development (M) Sdn Bhd, they do not act in an executive capacity and do not participate in the day-to-day operations of Eight Development (M) Sdn Bhd. The management of Eight Development (M) Sdn Bhd is handled by its own management team which is led by Lim Yau Young and Lim Hoong Koong, both of whom are directors of Eight Development (M) Sdn Bhd. Lim Yau Young and Lim Hoong Koong are not involved in our Group's operations. Lim Yau Young is the son of KH Lim and Lim Hoong Koong is the son of KC Lim.

(vii) Planet Sonata Sdn Bhd

(a) Planet Sonata Sdn Bhd is involved in the operation of solar panels and rents the rooftop space at our Group's regional hub in Penang for the installation and operation of solar panels at a monthly rental of RM500 pursuant to a tenancy agreement dated 1 January 2019 between Senheng KL (as landlord) and Planet Sonata Sdn Bhd (as tenant) (as supplemented by a letter dated 1 January 2019). It is not a competing business as our Group is not involved in the operation of solar panels.

(b) The rental of the rooftop space to Planet Sonata Sdn Bhd enables us to monetise what would otherwise be unutilised and non-revenue generating space.

(c) The operation of solar panels by Planet Sonata Sdn Bhd is a passive investment and does not require day-to-day management, time or attention on the part of its directors as maintenance of the rooftop solar installation is contracted out to specialist solar facility service providers and contractors. KY Lim is a non-executive Director of our Company.

(viii) S Ecosystem (M) Sdn Bhd

(a) S Ecosystem (M) Sdn Bhd is involved in the provision of information technology services. On 17 August 2021, Senheng KL entered into a collaboration agreement where S Ecosystem (M) Sdn Bhd will provide access to a new lifestyle ecosystem enabled via a new "Senheng App" mobile application which aims to provide a host of services and convenience to our members. The development of the new "Senheng App" by S Ecosystem (M) Sdn Bhd is a long-term initiative anticipated to involve substantial capital expenditure required to build a whole new lifestyle ecosystem to provide the intended host of services, including a rewards centre. The rewards centre will consist of a platform to host 3rd party merchants offering a wide variety of products and services such as fashion, sports and groceries, to expand beyond only electrical and electronic products. Please refer to Section 7.3(v) of this Prospectus for further details of the new "Senheng App". In addition, S Ecosystem (M) Sdn Bhd occupies spare office space at our CDC since 1 June 2021.

(b) S Ecosystem (M) Sdn Bhd is not our major supplier and we will not be materially dependent on the services provided by S Ecosystem (M) Sdn Bhd as we are able to appoint another technology partner for the creation of another new "Senheng App", if required.

(c) Transactions with S Ecosystem (M) Sdn Bhd are carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

(d) Although KH Lim, KC Lim and KY Lim are directors of S Ecosystem (M) Sdn Bhd, they do not act in an executive capacity and do not participate in the day-to-day operations of S Ecosystem (M) Sdn Bhd. The management of S Ecosystem (M) Sdn Bhd is handled by its own management team which is led by Cheong Jun Tong, a director of S Ecosystem (M) Sdn Bhd.

(ix) Tenn Pacific Sdn Bhd

(a) Tenn Pacific Sdn Bhd is involved in the farming of bird nest and breeding of arowana. Tenn Pacific Sdn Bhd occupies spare office space at our CDC since 1 June 2021.

(b) The rental of office space to Tenn Pacific Sdn Bhd is carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

(c) Although KH Lim, KC Lim and KY Lim are directors of Tenn Pacific Sdn Bhd, they do not act in an executive capacity and do not participate in the day-to-day operations of Tenn Pacific Sdn Bhd. The management of Tenn Pacific Sdn Bhd is handled by its own management team which is led by Chia Di Yun, a director of Tenn Pacific Sdn Bhd.

Notwithstanding the above, following our Listing, our Directors and/or Substantial Shareholders will be required to disclose any potential conflicts of interest situations to our Audit and Risk Management Committee as and when they arise and to abstain on deliberation in respect of transactions in which they have an interest which require the deliberation or approval of our Board. Our Audit and Risk Management Committee will review such situations whenever declared or brought to their attention and resolve or mitigate any such conflicts of interest situations, in the best interests of our Group.

11.2 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST

11.2.1 Mercury Securities

Mercury Securities confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Principal Adviser, Managing Underwriter, Joint Underwriter and Joint Bookrunner for our IPO.

11.2.2 AmInvestment Bank

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its subsidiaries ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of the AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of the Group.

As at LPD, AmBank Group has not extended any credit facilities to our Group. AmInvestment Bank confirms that its role as our Joint Underwriter and Joint Bookrunner for the IPO will not result in a conflict of interest or potential conflict of interest situation.

11.2.3 CIMB

CIMB and its related and associated companies, as well as its holding company CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of businesses relating to amongst others, retail banking, investment banking, commercial banking, brokerage, securities trading, asset and funds management and credit transaction services business. CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates.

In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company and/or our affiliates, and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates. This is a result of the businesses of the CIMB Group generally acting independently of each other, and accordingly there may be situations where parts of the CIMB Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of our Group.

Notwithstanding the foregoing, CIMB confirms that there is no conflict of interest in its capacity as the as the Joint Underwriter and Joint Bookrunner for our IPO as CIMB Group has not extended any credit facilities to our Group as at the LPD.

11. CONFLICTS OF INTEREST (CONT'D)

11.2.4 BDO PLT

BDO PLT confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Auditors and Reporting Accountants for our IPO.

11.2.5 Mah-Kamariyah & Philip Koh

Mah-Kamariyah & Philip Koh confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Solicitors as to Malaysian law in respect of our IPO.

11.2.6 Wong, Beh & Toh

Wong, Beh & Toh confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Solicitors to the Managing Underwriter, Joint Underwriters and Joint Bookrunners in respect of our IPO.

11.2.7 Smith Zander

Smith Zander confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Independent Market Researcher for our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated under the Act on 21 May 2021. Our Group was formed through the Acquisition of Senheng KL which was completed on 25 November 2021.

Our Company and Senheng KL have been under the common control of KH Lim, KC Lim and KY Lim throughout the Period under Review up to the LPD and are collectively regarded as a continuing entity. Accordingly, the historical combined financial information of our Group as presented in this Section has been prepared as if our Company and Senheng KL were operating as a single economic enterprise throughout the Period under Review.

You should read the historical combined financial information presented in this Section in conjunction with:-

(i) the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 12.3 of this Prospectus; and

(ii) our historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus.

The historical financial information for the Period under Review as set out in this Section have been prepared based on the audited financial statements of Senheng and Senheng KL for the Period under Review. All intragroup balances, transactions, income and expenses are eliminated in the combined financial statements. The historical financial information for the Period under Review as set out in this Section is based on financial statements that have been prepared in accordance with MFRS and International Financial Reporting Standards (IFRS) and have been audited by BDO PLT in accordance with approved standards on auditing in Malaysia.

12.1.1 Historical combined statements of profit or loss and other comprehensive income

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			Unaudited	Audited
	FYE 2018	**FYE 2019**	**FYE 2020**	**FPE 2020**	**FPE 2021**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Revenue	1,172,301	1,144,861	1,294,769	557,531	673,911
Cost of sales	(910,678)	(899,521)	(1,024,768)	(442,869)	(534,775)
GP	**261,623**	**245,340**	**270,001**	**114,662**	**139,136**
Other operating income	10,989	15,270	13,689	5,596	7,079
Operating and administrative expenses	(194,975)	(195,160)	(206,356)	(99,548)	(114,714)
Interest income	1,829	1,051	1,681	820	624
Finance costs	(4,483)	(5,015)	(5,400)	(2,709)	(2,529)
PBT	**74,983**	**61,486**	**73,615**	**18,821**	**29,596**
Income tax expense	(13,920)	(11,927)	(17,978)	(4,469)	(6,284)
PAT attributable to the owners of the Company	**61,063**	**49,559**	**55,637**	**14,352**	**23,312**
Other comprehensive income	(38)	(236)	(293)	1,027	371
Total comprehensive income attributable to the owners of the Company	**61,025**	**49,323**	**55,344**	**15,379**	**23,683**
EBITDA[1]	113,730	101,300	113,962	38,327	51,547
GP margin[2] (%)	22.3	21.4	20.9	20.6	20.6
EBITDA margin[3] (%)	9.7	8.8	8.8	6.9	7.6
PBT margin[4] (%)	6.4	5.4	5.7	3.4	4.4
PAT margin[5] (%)	5.2	4.3	4.3	2.6	3.5
Basic and diluted EPS[6][7] (sen)	4.9	4.0	4.5	1.1	1.9

Notes:-

(1) EBITDA represents earnings before net finance cost, taxation, depreciation and amortisation. The table below sets forth a reconciliation of our PBT to EBITDA:-

	Audited			Unaudited	Audited
	FYE 2018	**FYE 2019**	**FYE 2020**	**FPE 2020**	**FPE 2021**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
PBT	**74,983**	**61,486**	**73,615**	**18,821**	**29,596**
Adjusted for:-					
Finance cost	4,483	5,015	5,400	2,709	2,529
Interest income	(1,829)	(1,051)	(1,681)	(820)	(624)
Depreciation	36,093	35,850	36,458	17,617	19,536
Amortisation	-	-	170	-	510
EBITDA	**113,730**	**101,300**	**113,962**	**38,327**	**51,547**

(2) GP margin is computed based on GP over revenue.

(3) EBITDA margin is computed based on EBITDA over revenue.

(4) PBT margin is computed based on PBT over revenue.

(5) PAT margin is computed based on PAT over revenue.

(6) Basic and diluted EPS is computed based on PAT attributable to the owners of the Company divided by the enlarged total number of 1,250,000,000 Shares after the Acquisition of Senheng KL and the Share Split.

(7) Our Group does not have any outstanding convertible securities.

12.1.2 Historical combined statements of financial 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			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**

12.2 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

For a summary of our significant accounting policies, see Note 3 of the Accountants' Report as set out in Section 13 of this Prospectus.

The preparation of our financial statements requires us to make certain estimates, assumptions concerning the future and judgements. They affect the application of our Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. These estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates and judgements are based on our best knowledge of current events and actions, actual results may differ, and will seldom equal to the estimated results. See Note 4 of the Accountants' Report in Section 13 of this Prospectus for further details.

12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of Senheng's financial performance and financial condition for the Period under Review are based on, and should be read in conjunction with the accompanying notes, assumptions and bases set out in the Accountants' Report in Section 13 of this Prospectus.

This discussion and analysis contain data derived from our audited financial statements and include forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors which may cause future results to differ significantly from those included in the forward-looking statements are discussed in "Forward-Looking Statements" section of this Prospectus and elsewhere in this Prospectus, in particular the risk factors set out in Section 5 of this Prospectus. Such forward-looking statements should not in any manner or circumstance be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us or any other person. Investors are cautioned not to place undue reliance on the forward-looking statements made as of the date of this Prospectus.

12.3.1 Overview of business operations

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. Our physical stores are operated under 4 store concepts, namely "Grand Senheng Elite", "Grand Senheng", "Senheng" and "senQ".

We offer a wide range of digital gadgets, audio visuals, home appliances and other related products from major international and local brands. Our retail operations are supported by our centralised logistics model and established logistics network which comprises our CDC in Klang, Selangor, as well as 8 other regional hubs located throughout Malaysia and a fleet of both in-house and third-party transportation service providers.

We have our own loyalty programme known as PlusOne, which has approximately 2.94 million paid registered members as at the LPD. Our paid members enjoy benefits such as PlusOne extended warranty coverage of up to 24 months after the expiry of the standard manufacturer's warranty. The PlusOne extended warranty is offered to all our PlusOne paid members for free and is 100% insured by a third-party insurance provider which then reinsures 70% of the warranty liabilities to our subsidiary, Senheng Captive.

All of our physical stores are operated directly by us or through our franchise or incentive programmes. These programmes provide our high-performing store managers an opportunity to operate their own "Grand Senheng", "Senheng" or "senQ" stores either as a franchisee or an outsourced store manager who receives commissions based on the sales generated at the store. As at the LPD, of our 105 physical stores, 9 stores are franchised while 10 stores are managed under our incentive programme.

Please refer to Section 7 of this Prospectus for our detailed business overview.

12.3.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been and are expected to be affected by amongst others, the following factors:-

(i) Product mix, brand portfolio and availability of inventory

Our consumer electrical and electronic products are segmented into digital gadgets, audio visuals, home appliances and other products. We offer a wide range of these products from multiple brands. The product mix and popularity of each brand affects consumer demand for such products.

Our product mix for digital gadgets is dependent on consumer preferences and demand, which fluctuates over time. In particular, the launch of new models of digital gadgets will result in a temporary spike in demand for the new product, and we aim to stock up more of such products to meet the increased demand.

Our financial performance is therefore also dependent on amongst others, our ability to anticipate and react to shifts in consumer demand as well as interruptions in the supply of products and any fluctuations in the cost of our products. Our Group relies on a steady supply of products from our suppliers at reasonable costs to us.

We rely on our centralised logistics model whereby most of our trading goods are delivered to our CDC and regional hub in Klang as well as our regional hubs in East Malaysia by our suppliers on a daily basis. Our in-house logistics team manages the distribution of goods from our CDC to our regional hubs and physical stores, minimising operational disruptions and limiting the incidences of stock unavailability.

Please refer to our Industry Overview as set out in Section 8 of this Prospectus for further information on the demand and supply conditions for the consumer electrical and electronics industry.

(ii) Expansion in the size of our stores

The growth of our business is dependent on amongst others, our ability to continuously enhance and expand our physical outlets in terms of enriching customer experience as well as larger floor space, as it enables us to increase our product range on display at our stores as well as expand our geographical coverage and reach a larger base of potential customers.

The breakdown in the number of our physical stores by concept as at 31 December 2018, 2019 and 2020, 30 June 2021 as well as at the LPD are as follows:-

	As at 31 December			**As at 30 June**	**As at**
	2018	**2019**	**2020**	**2021**	**the LPD**
"Senheng" stores	75	57	44	39	36
"senQ" digital stations	29	29	30	30	30
"Grand Senheng" stores	9	19	29	33	38
"Grand Senheng Elite" store	-	-	-	1	1
Total	**113**	**105**	**103**	**103**	**105**

The breakdown in the number of our physical stores by geographical segments as at 31 December 2018, 2019 and 2020, 30 June 2021 as well as at the LPD are as follows:-

	As at 31 December			As at 30 June 2021	As at the LPD
	2018	**2019**	**2020**		
(i) Peninsular Malaysia					
▪ Central	42	39	38	38	39
▪ Northern	23	22	22	22	22
▪ Southern	18	17	17	17	18
▪ East Coast	11	11	10	10	10
(ii) East Malaysia	19	16	16	16	16
Total	**113**	**105**	**103**	**103**	**105**

As at the LPD, we operate a chain of 105 physical stores across every state in Malaysia. We intend to open or upgrade 63 physical stores by the end of 2024 under the "Grand Senheng Elite", "Grand Senheng", "Grand senQ" and "senQ" brands via upgrading certain existing "Senheng" stores and "senQ" digital stations as well as opening new locations.

Same-store Sales Growth ("**SSSG**")

SSSG is a measure of growth in revenue generated by our stores during a period compared to the revenue generated by the same stores during the corresponding period of the same duration in the immediately preceding year. The following table shows the SSSG of our stores during the Period under Review:-

	FYE 2018	**FYE 2019**	**FYE 2020**	**FPE 2020**	**FPE 2021**
SSSG[(1)]	33.2%	(0.6%)	9.9%	(1.1%)	19.3%
Number of stores included in the calculation of SSSG[(2)]	100	92	89	103	85
Average number of stores during the financial year[(3)]	117	109	104	104	103

Notes:-

(1) The SSSGs of our stores for each financial year / period are calculated by dividing (a) the revenue generated by our stores during that period after deducting the revenue generated by those same stores during the corresponding period of the same duration in the immediately preceding year, by (b) the revenue generated by those same stores during the period of the same duration in the immediate preceding year.

(2) The SSSG for a 12-month period is calculated based on the stores which have been operational for 2 full financial years up to the respective financial year ends. The SSSG for a 6-month period is calculated based on stores which have been operational for a full 6 months for the relevant period as well as the corresponding period in the prior year. Other stores comprised new or upgraded stores which opened less than 2 years / 18 months before the respective financial year / period ends and stores which have shut down prior to the end of the respective financial years / periods and have therefore been excluded from the analysis above.

(3) Calculated based on the simple average of the number of stores at the beginning of the financial year / period and at the end of the financial year / period. The table below sets out the number of stores at the beginning and end of the following years / periods indicated:-

	FYE 2018	**FYE 2019**	**FYE 2020**	**FPE 2020**	**FPE 2021**
Number of stores at the beginning of the financial year / period	121	113	105	105	103
New stores opened during the financial year / period	2	1	3	-	-
Stores closed during the financial year / period	(10)	(9)	(5)	(2)	-
Number of stores at the end of the financial year / period	**113**	**105**	**103**	**103**	**103**

Our stores enjoyed a high SSSG of 33.2% in FYE 2018 primarily due to our Group benefiting from the tax holiday period in 2018 as a result of the transition from Goods and Services Tax ("**GST**") to Sales and Services Tax ("**SST**") regime. During the period of 1 June 2018 to 31 August 2018, GST was no longer charged whilst SST was totally exempted for all goods sold. This has created a sudden surge in consumer demand for 2018, which subsequently rationalised in FYE 2019. Consequently, SSSG of our stores was lower by 0.6% in FYE 2019 as compared to the FYE 2018.

SSSG of our stores was 9.9% in FYE 2020 mainly due to the increase in sales as our Group was able to capitalise on the higher demand for consumer electrical and electronic products during the MCO and conditional MCO periods as further elaborated in Section 12.3.3(i)(a) below.

SSSG of our stores was 19.3% in FPE 2021 mainly due to the increase in sales as a result of general recovery in consumer demand in the first half of 2021 as compared to the first half of 2020 at the onset of the COVID-19 pandemic despite the mandatory closure of all our physical stores from 1 June 2021 due to the imposition of the lockdown measures by the Government.

For the avoidance of doubt, our SSSG analysis above only includes sales generated by our physical stores and excludes online sales. Please refer to Section 12.3.3(i)(b) for a breakdown of our revenue by retail channels.

(iii) Rental expenses and capital expenditure

Our business requires us to secure retail space to operate our physical stores, which are obtained through long-term tenancies or outright purchases of the property.

As we open new stores, our cost of sales and other operating expenses such as inventory costs, staff costs, rental expenses, store utilities expenses and insurance expenses are also expected to increase. In addition, should we choose to acquire commercial shoplots to house new stores, we may incur additional interest expense if the property acquisition costs are partially funded via bank borrowings. Nevertheless, the acquisition of properties for our physical stores will mitigate the risk of future increases in the rental rates or non-renewal of tenancies by the respective landlords.

We do not have a fixed policy to determine whether to rent or purchase properties for our stores. However, we consider amongst others, 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.

(iv) Growth in our online sales

Besides our physical stores, we also operate online retail platforms through our seamless retail model. As at the LPD, we operate our Senheng online store and senQ online digital station as well as virtual stores on third-party marketplaces. 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 by providing a cohesive and consistent shopping experience offered via our online and offline channels, we are able to reach customers who prefer to shop online and provide an improved shopping experience to them. Our online stores also enable us to reach customers who may not be in the immediate vicinity of our physical stores.

(v) Staff costs

Our staff costs include salaries, bonuses, commissions, incentives, allowances and contributions to statutory contribution plans. Our staff costs may rise in tandem with the growth in size and number of our physical stores as well as to manage the growth of our logistics and other operational functions.

We face competition for experienced retail staff. As a result, we periodically review our remuneration packages as well as maintain our incentive and franchise programmes to attract and retain experienced and high-performing employees.

(vi) Competition

We operate in the consumer electrical and electronics retail sector where we face competition from a large number of players. Our competitors include other consumer electrical and electronics retailers, hypermarkets, department stores, mono-brand electronics shops and online retailers. We compete on a variety of factors including product range, pricing, outlet location, product presentation and customer service.

We are the largest consumer electrical and electronics chain retailer in Malaysia by revenue. We believe our Group will be able to stay competitive based on amongst others, our successful implementation of our digitalisation journey and our transition to the new seamless retail model that we believe puts us ahead of the competitive landscape. Besides that, we believe we are also competitive because of our brand, wide range of products, close relationship with suppliers, PlusOne loyalty programme and the benefits we provide to members, track record, after-sales service and commitment to continuously innovate and improve all aspects of our business.

We also believe that the implementation of our business strategies and future plans as set out in Section 7.3 of this Prospectus, will further entrench our position as the leading consumer electrical and electronics chain retailer in Malaysia.

(vii) Economic conditions and consumer spending in Malaysia

As all our revenue is generated in Malaysia, our business depends on, and will continue to depend on Malaysian consumer spending and the general state of the Malaysian economy. In general, a strong Malaysian economy helps boost consumer spending on consumer electrical and electronic products while a weak Malaysian economy may have a different effect on consumer spending at our stores.

The Malaysian economy contracted by 5.6% in 2020 amid a highly challenging global and domestic operating environment. However, whilst all of our physical stores were closed during the MCO period from 18 March 2020 to 3 May 2020 as well as the nationwide lockdown imposed on 1 June 2021, we continued to promote and sell products through our online retail platforms and via telemarketing during the MCO and conditional MCO periods (i.e. from 18 March 2020 to 9 June 2020) as well as during the nationwide lockdown from 1 June 2021 to 28 June 2021. We were also able to capitalise on the higher demand for consumer electrical and electronic products during the MCO and conditional MCO periods which saw our revenue increase by 13.1% and 20.9% for the FYE 2020 and FPE 2021 respectively as compared to the previous financial year / period.

Further information on the impact of the COVID-19 pandemic on our business is set out in Section 7.16 of this Prospectus.

The sales of our products are also affected by changes in tax regulations. In 2018 there was a higher demand for consumer electrical and electronic products due to the tax holiday period as a result of the transition from the GST to SST regime.

Any 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 financial condition and results of operations.

12.3.3 Results of operations

(i) Revenue

Senheng is principally an investment holding company. Through our Subsidiaries, we are principally involved in the retailing of consumer electrical and electronic products.

Our Group generates revenue from 2 business segments:-

- retailing of consumer electrical and electronic products; and
- warranty services.

Revenue generated from the retailing of consumer electrical and electronic products are derived from the sale of our products and services and can be further segmented by products and services as follows:-

- **Digital gadgets** include mobile phones, tablets, personal and gaming 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.
- **Audio visuals** include televisions, home theatre systems, audio players, audio speakers and other related accessories.
- **Home appliances** comprise consumer durables for domestic use. These include air purifiers, air conditioners, refrigerators, fans, vacuum cleaners, kettles, coffee machines, cooking appliances, hair dryers and other related accessories.
- **Other products** comprise concession sales of products displayed at our stores by third parties, PlusOne membership fees, mobile data plan subscriptions, cookware and home solutions.
- **Delivery, installation, maintenance and repair services** comprise last mile delivery services, installation and commissioning services provided for certain products purchased from us as well as maintenance and repair services to our customers and non-customers.

Revenue generated from providing warranty services is derived from revenue from the sales of our Group's warranty programmes namely, PlusOne extended warranty, V-Care extended warranty and SWAP / Replacement warranty programmes.

We do not directly charge a fee for the PlusOne extended warranty where PlusOne loyalty programme members are entitled to receive (besides the annual membership fees paid by all PlusOne members). Instead, a portion of the selling price of the product (equivalent to the fair value of the warranty if it were to be sold as a stand-alone product) is recognised as revenue for providing warranty services. This amount is also recognised as a liability (deferred income) in the statement of financial position and reclassified to revenue over the validity period of the PlusOne extended warranty.

12. FINANCIAL INFORMATION (CONT'D)

We also sell V-Care extended warranty and SWAP / Replacement warranty as an add-on service at the point of purchase of our products and we recognise the fees charged therefrom as our revenue over the period in which the service is provided based on the time elapsed.

The PlusOne extended warranty is 100% insured by a third-party insurance provider which then reinsures 70% of the warranty liabilities to our subsidiary, Senheng Captive, while the V-Care extended warranty and SWAP / Replacement warranty are 100% insured by a third-party insurance provider to cover the liabilities of these warranties.

Capitalising on our scale of transactions and PlusOne members, we are able to effectively diversify the risks arising from warranties that we provide. In other words, with our size and years of experience, we are able to analyse the historical warranty claims patterns from our customers for each product. Through this, we manage the risk through periodic rebalancing of our product portfolio. In addition, we purchase consumer electrical and electronic products from our suppliers who have established brands and reputations. This also helps us to lower the frequency and amount of warranty claims throughout the Period under Review.

12. FINANCIAL INFORMATION (CONT'D)

(a) Revenue breakdown by business segments

Our revenue is derived from the retailing of consumer electrical and electronic products and providing warranty services. 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
Revenue	**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**
Digital gadgets	*376,170*	*32.1*	*374,661*	*32.7*	*463,416*	*35.8*	*182,426*	*32.7*	*238,247*	*35.4*
Audio visual	*240,135*	*20.5*	*218,349*	*19.1*	*239,344*	*18.5*	*106,985*	*19.2*	*125,617*	*18.6*
Home appliances	*431,902*	*36.8*	*436,871*	*38.2*	*469,885*	*36.3*	*213,922*	*38.4*	*249,031*	*37.0*
Other products(1)	*25,517*	*2.2*	*23,130*	*2.0*	*23,641*	*1.8*	*9,525*	*1.7*	*12,749*	*1.9*
Delivery, installation, maintenance and repair services	*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**
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) Other products comprise concession sales of products displayed at our stores by third parties, PlusOne membership fees, mobile data plan subscriptions, cookware and home solutions.

Comparison between FYE 2018 and FYE 2019

FYE 2018 was an exceptional year as demand for consumer electrical and electronics surged during the tax holiday period from 1 June 2018 to 31 August 2018 arising from the transition from the GST to SST regime. Our Group experienced a short-term jump in revenue from RM0.89 billion in FYE 2017 to RM1.17 billion in FYE 2018, representing an increase of 31.4%. During the FYE 2019 however, with the discontinuation of the said tax holiday, our revenue decreased by RM27.44 million or 2.3% to RM1.14 billion (FYE 2018: RM1.17 billion).

The commentaries on the fluctuations in our revenue by products and services are as follows:-

(aa) Digital gadgets

For the FYE 2019, revenue from the sale of digital gadgets decreased marginally by RM1.51 million or 0.4% as compared to the FYE 2018. This was mainly due to a decrease in sales of personal computers and mid-range mobile phones of RM4.64 million and RM2.39 million respectively, which was partially mitigated by increase in sales of premium smartphones of RM5.52 million.

(bb) Audio visuals

For the FYE 2019, revenue from the sale of audio visuals decreased by RM21.79 million or 9.1% as compared to the FYE 2018. This was mainly due to lower sales of LED-televisions and UHD-televisions during the financial year following the tax holiday period during the previous financial year.

(cc) Home appliances

For the FYE 2019, revenue from the sale of home appliances increased by RM4.97 million or 1.2% as compared to the FYE 2018. This was mainly due to an increase in sales of air conditioners, premium vacuum cleaners, premium hair dryers and washer dryers of RM21.76 million which was partially offset by a decrease in sales of refrigerators and washing machines of RM17.76 million.

(dd) Other products

For the FYE 2019, revenue for the sale of other products decreased by RM2.39 million or 9.4% as compared to the FYE 2018. This was mainly due to a decrease in the sales of healthcare products by RM3.04 million which was partially mitigated by the increase of the sales of home solution products by RM0.71 million.

(ee) Delivery, installation, maintenance and repair services

For the FYE 2019, revenue from providing delivery, installation, maintenance and repair services increased by RM2.02 million or 6.9% as compared to the FYE 2018 despite the overall decrease in revenue during the financial year. This was primarily due to an increase in the maintenance and repair services by RM2.75 million but was partially offset by a decrease in installation fees charged to customers by RM0.73 million. Installation fees decreased despite an increase in the sales of home appliances that require installation such as air conditioners due to a one-off campaign undertaken with one of our suppliers to subsidise the installation costs for certain air conditioners purchased from us.

Consequentially, revenue from providing warranty services also decreased by RM8.74 million or 12.6% to RM60.62 million for the FYE 2019 (FYE 2018: RM69.37 million) in line with the decrease in the revenues from the retailing of consumer electrical and electronic products as well as lower sales of our V-Care extended warranty programme.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our revenue increased by RM149.91 million or 13.1% to RM1.29 billion (FYE 2019: RM1.14 billion), as we were able to capitalise on the higher demand for consumer electrical and electronic products during the MCO and conditional MCO periods, as a result of the following:-

(i) 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;

(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 and conditional MCO periods; and

(iv) 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.

12. FINANCIAL INFORMATION (CONT'D)

The commentaries on the fluctuations in our revenue by products and services are as follows:-

(aa) Digital gadgets

For the FYE 2020, revenue from the sale of digital gadgets increased by RM88.76 million or 23.7% as compared to the FYE 2019. This was mainly due to the higher demand for mobile phones, mobile personal computers and tablet computers as people work and study at home as part of the movement restrictions imposed by the Government as well as the successful launch of new premium smartphone models.

(bb) Audio visuals

For the FYE 2020, revenue from the sale of audio visuals increased by RM21.00 million or 9.6% as compared to the FYE 2019. This was mainly due to higher market demand for UHD televisions, Q-LED televisions and sound bars.

(cc) Home appliances

For the FYE 2020, revenue from the sale of home appliances increased by RM33.01 million or 7.6% as compared to the FYE 2019. This was mainly due to higher market demand for refrigerators, vacuum cleaners and kitchen appliances which our Group were able to supply by leveraging on our established relationships with our suppliers to secure deliveries of sufficient quantities of the same.

(dd) Other products

For the FYE 2020, revenue from the sale of other products increased by RM0.51 million or 2.2% as compared to the FYE 2019. This was mainly due to an increase in the sales of cookware by RM2.43 million which was partially offset by a decrease in sales of healthcare products and home solutions by RM1.63 million during the financial year.

(ee) Delivery, installation, maintenance and repair services

For the FYE 2020, revenue from providing delivery, installation, maintenance and repair services increased by RM3.34 million or 10.7% in line with the overall increase in the sales of audio visuals and home appliances during the financial year as well as an increase in home deliveries of products as more customers opted to have products delivered directly to them in view of the ongoing COVID-19 pandemic.

Consequentially, revenue from providing warranty services also increased by RM3.29 million or 5.4% to RM63.92 million for the FYE 2020 (FYE 2019: RM60.62 million) in line with the increase in the revenues from the retailing of consumer electrical and electronic products.

Comparison between FPE 2020 and FPE 2021

For the FPE 2021, our revenue increased by RM116.38 million or 20.9% to RM673.91 million (FPE 2020: RM557.53 million) mainly due to:-

(i) the impact of the lockdown measures implemented by the Government, whereby all of our physical stores were forced to close from 18 March 2020 to 3 May 2020 in the FPE 2020 (47 days) and from 1 June 2021 to 28 June 2021 in the FPE 2021 (28 days);

(ii) lower incidences of stock unavailability resulting from better inventory management due to the experience gained during the prolonged COVID-19 pandemic as well as an increase in our inventory levels in anticipation of future price increases; and

(iii) higher consumer demand following our increased digital advertising efforts as we utilised marketing automation platforms which leveraged on our customer data to implement targeted advertising campaigns to increase our visibility on social media platforms. This was supported by improvements in our telemarketing activities from the addition of new features such as text chat functionality as well as the simplification and standardisation of the telemarketing process due to the experience gained since the adoption of the telemarketing application in 2020. These measures have resulted in increased customer engagement and higher rate of purchase.

The commentaries on the fluctuations in our revenue by products and services are as follows:-

(aa) Digital gadgets

For the FPE 2021, revenue from the sale of digital gadgets increased by RM55.82 million or 30.6% as compared to the FPE 2020. This was mainly due to an increase in the sale of mobile phones, mobile personal computers and tablet computers of RM54.54 million as people continued to work and study at home in line with the ongoing efforts to contain the spread of COVID-19 and this was further encouraged by the Government's decision to extend a special tax relief of RM2,500 on the purchases of mobile phones, computers and tablets until the end of 2021.

(bb) Audio visuals

For the FPE 2021, revenue from the sale of audio visuals increased by RM18.63 million or 17.4% as compared to the FPE 2020. This was mainly due to higher sales of UHD televisions, Q-LED televisions and LED televisions resulting from increased promotional activities for certain television brands as well as lower incidences of stock unavailability as compared to FPE 2020.

(cc) Home appliances

For the FPE 2021, revenue from the sale of home appliances increased by RM35.11 million or 16.4% as compared to the FPE 2020. This was mainly due to an increase in sales of most home appliances by RM33.14 million, as we see a trend in people seeking to upgrade or replace their refrigerators and cooking appliances as they continued to spend more time at home as well as contribution from the sales of ROBAM and JIMMY products under our brand distribution business of RM3.08 million which commenced in the 4^{th} quarter of 2020.

(dd) Other products

For the FPE 2021, revenue from the sale of other products increased by RM3.22 million or 33.8% as compared to the FPE 2020. This was mainly due to an increase in concession sales of healthcare products namely, massage chairs by RM1.21 million, increase in the sales of cookware by RM0.62 million and increase in PlusOne membership fees collected following an increase in PlusOne members by RM0.43 million during the financial period.

(ee) Delivery, installation, maintenance and repair services

For the FPE 2021, revenue from providing delivery, installation, maintenance and repair services increased by RM1.67 million or 12.5% in line with the overall increase in the sales of audio visuals and home appliances during the financial period as well as an increase in home deliveries of products as more customers opted to have products delivered directly to them in view of the ongoing COVID-19 pandemic.

Consequentially, revenue from providing warranty services also increased by RM1.93 million or 6.2% to RM33.23 million for the FPE 2021 (FPE 2020: RM31.31 million) in line with the increase in the revenues from the retailing of consumer electrical and electronic products.

(b) Revenue breakdown by retail channels

Our revenue is derived from 3 main 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.

Further breakdown by retail channel is analysed in the following sub-sections.

(aa) Physical stores

Physical stores are a key part of our seamless retail model. While customers are able to browse and purchase products from our online store, many customers prefer to test-out the products in person prior to making a purchase decision, particularly for higher-value items. For the Period under Review, sales at our physical stores contributed over 90% of our Group's revenue.

12. FINANCIAL INFORMATION (CONT'D)

For the Period under Review, we operated 3 store concepts, namely "Senheng" stores, "senQ" digital stations and "Grand Senheng" stores, details of which are set out in Section 7.6.3(i) of this Prospectus. We opened our first "Grand Senheng Elite" store in May 2021. The following table sets out the breakdown of our Group's revenue from physical stores by store concepts:-

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
"Senheng" stores	570,956	51.6	465,182	42.9	413,751	35.1	196,600	39.0	188,939	30.8
"senQ" digital stations	473,999	42.8	479,456	44.3	500,596	42.4	212,543	42.1	245,645	40.0
"Grand Senheng" stores	62,542	5.6	138,335	12.8	265,309	22.5	95,354	18.9	178,573	29.1
"Grand Senheng Elite" store	-	-	-	-	-	-	-	-	721	0.1
Total physical stores	**1,107,497**	**100.0**	**1,082,973**	**100.0**	**1,179,656**	**100.0**	**504,497**	**100.0**	**613,878**	**100.0**

In FYE 2019, our Group's revenue generated from physical stores decreased by RM24.52 million or 2.2% to RM1.08 billion for the FYE 2019 (FYE 2018: RM1.11 billion) as our revenue was given a boost during the previous financial year which saw us benefiting from the tax holiday period as a result of the transition from GST to SST regime.

In FYE 2020, our Group's revenue generated from physical stores increased by RM96.68 million or 8.9% to RM1.18 billion in FYE 2020 (FYE 2019: RM1.08 billion), in line with the increase in demand for consumer electrical and electronic products as people work and study at home due to the movement restrictions imposed during the outbreak of the COVID-19 pandemic in Malaysia.

In FPE 2021, our Group's revenue generated from physical stores increased by RM109.38 million or 21.7% to RM613.88 million in FPE 2021 (FPE 2020: RM504.50 million), in line with the general recovery in consumer demand in the first half of 2021 and our physical stores were forced to close for a lesser number of days (28 days) as compared to in the FPE 2020 (47 days) as a result of the imposition of the lockdown measures by the Government.

12. FINANCIAL INFORMATION (CONT'D)

We have further analysed our average monthly sales by store concepts for the Period under Review as follows:-

	FYE 2018			FYE 2019			FYE 2020		
	Total sales	Cumulative operating months[1]	Average monthly sales per store[2]	Total sales	Cumulative operating months[1]	Average monthly sales per store[2]	Total sales	Cumulative operating months[1]	Average monthly sales per store[2]
	(RM'000)		(RM'000)	(RM'000)		(RM'000)	(RM'000)		(RM'000)
"Senheng" stores	570,956	990	577	465,182	805	578	413,751	627	660
"senQ" digital stations	473,999	361	1,313	479,456	357	1,343	500,596	357	1,402
"Grand Senheng" stores	62,542	70	893	138,335	160	865	265,309	287	924
	1,107,497	**1,421**	**779**	**1,082,973**	**1,322**	**819**	**1,179,656**	**1,271**	**928**

	FPE 2020			FPE 2021		
	Total sales	Cumulative operating months[1]	Average monthly sales per store[2]	Total sales	Cumulative operating months[1]	Average monthly sales per store[2]
	(RM'000)		(RM'000)	(RM'000)		(RM'000)
"Senheng" stores	196,600	331	594	188,939	257	735
"senQ" digital stations	212,543	177	1,201	245,645	180	1,365
"Grand Senheng" stores	95,354	123	775	178,573	188	950
"Grand Senheng Elite" store[3]	-	-	-	721	2	361
	504,497	**631**	**800**	**613,878**	**627**	**979**

Notes:-

(1) Being the total number of operating months of each of our physical stores, including the periods under the MCO, conditional MCO and the nationwide lockdown / Phase 1 of the National Recovery Plan where our physical stores were closed and excluding the periods when a "Senheng" store has ceased operations pending the opening of the upgraded "Grand Senheng" or "Grand Senheng Elite" store.

(2) Average monthly sales is calculated based on the total sales over the cumulative operating months during the financial year / period, including the sales generated by our store personnel via telemarketing during the periods under the MCO, conditional MCO and the nationwide lockdown / Phase 1 of the National Recovery Plan where our physical stores were closed. Please refer to Section 7 of this Prospectus for further information on our telemarketing strategy.

(3) We opened our first "Grand Senheng Elite" store in May 2021. This store was upgraded from an existing "Senheng" store in the vicinity.

The table below sets out our SSSG by store concepts for the Period under Review:-

	FYE 2018	FYE 2019	FYE 2020	FPE 2020	FPE 2021
"Senheng" stores	30.1%	(0.4%)	15.7%	3.7%	22.2%
"senQ" digital stations	37.2%	(0.8%)	4.2%	(7.1%)	14.4%
"Grand Senheng" stores	34.2%	1.8%	18.7%	3.7%	26.2%

The commentaries on the SSSG of our stores as well as the fluctuations in our average monthly sales by store concepts are as follows:-

Comparison between FYE 2018 and FYE 2019

Despite a 2.2% decrease in revenue generated from physical stores for the FYE 2019, the average monthly sales per "Senheng" store remained steady at RM0.58 million. This was due to the net effect of the closure of 8 under-performing "Senheng" stores and the conversion of 10 existing "Senheng" stores to "Grand Senheng" stores with larger floor space and a wider range of products on display. The SSSG of our "Senheng" stores was lower by 0.4% for the FYE 2019 mainly due to the exclusion of the 10 better performing "Senheng" stores which were converted into "Grand Senheng" stores during the financial year.

The average monthly sales per "senQ" digital station registered a marginal year-on-year growth of 2.3% for the FYE 2019 as these physical stores are located in shopping malls with established and stable foot traffic and cater more towards the sale of digital gadgets which has become increasingly affordable and accessible in recent years. Nevertheless, the SSSG of our "senQ" digital stations was lower by 0.8% for the FYE 2019 due to the exclusion of 2 new larger and higher revenue generating "senQ" digital stations from the SSSG calculations.

The average monthly sales per "Grand Senheng" store decreased by 3.1% for the FYE 2019 as compared to the FYE 2018. This was mainly due to the opening of 10 new "Grand Senheng" stores during the FYE 2019 which needed time to gain awareness and capture the market share within the respective area. Nevertheless, our "Grand Senheng" stores recorded a SSSG of 1.8% for the FYE 2019 as these new stores were excluded from the SSSG calculations.

Comparison between FYE 2019 and FYE 2020

The SSSG of our "Senheng" stores was 15.7% for the FYE 2020 and the average monthly sales per "Senheng" store increased by 14.2% from RM0.58 million for the FYE 2019 to RM0.66 million for the FYE 2020 mainly due to our decision to close 5 under-performing "Senheng" stores as well as our ongoing business strategy to be territory champion by converting 9 "Senheng" stores to larger "Grand Senheng" stores.

The SSSG of our "senQ" digital stations was 4.2% and the average monthly sales per "senQ" digital station continued to show a marginal year-on-year growth of 4.4% for the FYE 2020 mainly due to their location in shopping malls with established and stable foot traffic.

Total sales from "Grand Senheng" stores increased by 91.8% for the FYE 2020 as compared to the FYE 2019, driven by increases in the number of stores and the average monthly sales per store. The SSSG of our "Grand Senheng" stores was 18.7% for the FYE 2020 and the average monthly sales of "Grand Senheng" stores recorded a year-on-year increase of 6.8% for the FYE 2020, driven by existing stores gaining more market share and new stores that were opened during the FYE 2020 benefiting from increased recognition of the "Grand Senheng" brand.

Comparison between FPE 2020 and FPE 2021

The SSSG of our "Senheng" stores was 22.2% for the FPE 2021 and the average monthly sales per "Senheng" store increased by 23.7% for the FPE 2021. This improvement was mainly due to our stores being forced to close for a lesser number of days (28 days) as compared to in the FPE 2020 (47 days) as a result of the imposition of the lockdown measures by the Government. Whilst the launching of our telemarketing app allowed our store employees to continue promoting and selling products during this time and we continued its use during the store closures due to the imposition of the nationwide lockdown / Phase 1 of the National Recovery Plan on 1 June 2021, many of our customers prefer to shop at our physical stores and choose to delay making purchases until the reopening of stores.

The SSSG of our "senQ" digital stations was 14.4% and the average monthly sales per "senQ" digital station increased by 13.7% for the FPE 2021. This improvement was mainly due to shopping mall operations being affected by the MCO in the first half of 2020.

12. FINANCIAL INFORMATION (CONT'D)

Total sales from "Grand Senheng" stores increased by 87.3% for the FPE 2021 as compared to the FYE 2020, driven by both an increase in the number of stores and the average monthly sales per store. The SSSG of our "Grand Senheng" stores was 26.2% for the FPE 2021 and the average monthly sales of "Grand Senheng" stores increased by 22.6%, driven by existing and new stores benefiting from increased recognition of the "Grand Senheng" brand.

The table below sets out the breakdown of our Group's revenue from physical stores by existing, new and closed stores for the Period under Review:-

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	Revenue	No. of stores	Revenue	No. of stores	Revenue	No. of stores	Revenue	No. of stores	Revenue	No. of stores
	(RM'000)		(RM'000)		(RM'000)		(RM'000)		(RM'000)	
Existing stores(1)	1,070,636	121	1,049,819	113	1,153,939	105	502,420	105	613,878	103
New stores(2)	10,870	2	14,533	1	8,712	3	-	-	-	-
	1,081,506	123	1,064,352	114	1,162,651	108	502,420	105	613,878	103
Closed stores(3)	25,991	10	18,621	9	17,005	5	2,077	2	-	-
Total physical stores	**1,107,497**	**113**	**1,082,973**	**105**	**1,179,656**	**103**	**504,497**	**103**	**613,878**	**103**

Notes:-

(1) Being sales from existing stores for the relevant financial year / period that were operating at the start of the financial year / period and were still operating at the end of the financial year / period. Existing stores represent the number of stores at the beginning of the financial year / period and includes new stores opened as well as conversions of existing "Senheng" stores to "Grand Senheng" stores during the previous financial year / period.

(2) Being the sales contributed by new stores opened and operating during the financial year / period. For information, the breakdown of the new stores opened during the Period under Review are as follows:-

	No. of new stores opened				
	FYE 2018	FYE 2019	FYE 2020	FPE 2020	FPE 2021
"Grand Senheng" stores	1	-	1	-	-
"Senheng" stores	-	-	1	-	-
"senQ" digital stations	1	1	1	-	-

(3) Being the sales from stores that were closed during the financial year / period due to expiry of lease, non-renewal of lease or as part of our business strategy to rebrand our existing stores. For information, the breakdown of the stores closed during the Period under Review are as follows:-

	No. of stores closed				
	FYE 2018	FYE 2019	FYE 2020	FPE 2020	FPE 2021
"Senheng" stores	7	8	5	2	-
"senQ" digital station	3	1	-	-	-

Although the number of physical stores decreased from 2018 to 2020, our physical stores were able to generate increasing revenue for our Group due to our effort to streamline and optimise our physical stores through rebranding and expanding selected "Senheng" stores to "Grand Senheng" stores. The closed stores have no material negative impact to our Group's revenue for the Period under Review as the total revenue generated from physical stores (excluding the closed stores) increased from RM1.08 billion in FYE 2018 to RM1.16 billion in FYE 2020.

(bb) Online stores

Our online stores provide an additional avenue for our customers to browse, compare and purchase products and are a key part of our seamless business model. For the FYE 2018, FYE 2019, FYE 2020 and FPE 2021, sales at our online stores contributed 3.1%, 3.3%, 7.4% and 7.4% of our Group's revenue, respectively.

Our Group has three types of online stores, namely Senheng online store, senQ online digital station and our own shop-in-shop storefront on third-party online marketplaces namely, Shopee and Lazada. The following table sets out the breakdown of our Group's revenue from online stores by the online stores we operate:-

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Senheng online stores	16,305	44.2	13,034	34.8	47,901	50.2	26,562	56.9	21,832	43.9
senQ online digital stations	2,515	6.8	2,316	6.2	10,453	11.0	5,884	12.6	3,725	7.5
Third-party online marketplaces	18,054	49.0	22,090	59.0	36,973	38.8	14,252	30.5	24,168	48.6
Total online stores	**36,874**	**100.0**	**37,440**	**100.0**	**95,327**	**100.0**	**46,698**	**100.0**	**49,725**	**100.0**

For avoidance of doubt, the sales generated by our online stores above includes products delivered directly to customers as well as products purchased online but collected in-store by customers. Our revenue generated from online stores remained steady from the FYE 2018 to the FYE 2019. However, online stores sales increased by RM57.89 million or 154.6% for the FYE 2020 as compared to the FYE 2019 mainly due to the increase in our digital advertising spending coupled with the expansion of last mile delivery capabilities as part of our seamless retail model which led to an increase in the online traffic visits to our Senheng online store and senQ online digital station, particularly during the MCO and conditional MCO periods.

For the FPE 2021, our online stores sales increased by 6.5% to RM49.73 million (FPE 2020: RM46.70 million), mainly due to the increase in sales of digital gadgets on 3rd party online marketplaces. This increase was offset by a decrease in the sales generated from our Senheng online stores and senQ online digital stations as we believe most of our customers prefer the shopping experience offered by our physical stores which were forced to close for a lesser number of days (28 days) as compared to in the FPE 2020 (47 days) as a result of the imposition of the lockdown measures by the Government.

(cc) Others

Others comprise sales of products and vouchers to corporate clients for their promotional activities and/or staff benefit programmes as well as sales of goods we distribute as part of our new brand distribution business which commenced in 2020. The revenue derived from the corporate sales decreased by RM3.48 million or 12.5% and RM4.66 million or 19.1% and in FYE 2019 and FYE 2020 respectively which was partially offset by the revenue generated by our new brand distribution business of RM0.80 million. For the FPE 2021, we generated approximately RM3.08 million and RM0.76 million from our brand distribution business and inbound telemarketing sales, respectively. For information, inbound telemarketing sales refer to sales generated from customers who contact and make purchases directly through our specialised telemarketing agents based at our call centre, instead of being contacted by our physical store employees using our telemarketing app. Please refer to Section 7.12 of this Prospectus for further information on our telemarketing activities.

(c) Breakdown of sales by geographical regions

The table below sets out the breakdown of our Group's revenue by geographical regions for the Period under Review, including number of stores as at the end of each financial year / period:-

	FYE 2018			FYE 2019			FYE 2020		
	(RM'000)	(%)	No. of stores[7]	(RM'000)	(%)	No. of stores[7]	(RM'000)	(%)	No. of stores[7]
Peninsular Malaysia	**884,253**	**75.5**	**94**	**855,596**	**74.7**	**89**	**925,698**	**71.5**	**87**
▪ *Central region[1]*	*389,147*	*33.2*	*42*	*409,680*	*35.8*	*39*	*455,487*	*35.2*	*38*
▪ *Northern region[2]*	*217,734*	*18.6*	*23*	*205,714*	*17.9*	*22*	*222,683*	*17.2*	*22*
▪ *Southern region[3]*	*185,235*	*15.8*	*18*	*170,471*	*14.9*	*17*	*165,519*	*12.8*	*17*
▪ *East coast region[4]*	*92,137*	*7.9*	*11*	*69,731*	*6.1*	*11*	*82,009*	*6.3*	*10*
East Malaysia[5]	**223,244**	**19.0**	**19**	**227,378**	**19.9**	**16**	**253,959**	**19.6**	**16**
Other[6]	**64,804**	**5.5**	**-**	**61,887**	**5.4**	**-**	**115,112**	**8.9**	**-**
Total	**1,172,301**	**100.0**	**113**	**1,144,861**	**100.0**	**105**	**1,294,769**	**100.0**	**103**

	FPE 2020			FPE 2021		
	(RM'000)	(%)	No. of stores[7]	(RM'000)	(%)	No. of stores[7]
Peninsular Malaysia	**392,135**	**70.3**	**87**	**481,772**	**71.5**	**87**
▪ *Central region[1]*	*193,301*	*34.7*	*38*	*245,819*	*36.5*	*38*
▪ *Northern region[2]*	*93,206*	*16.7*	*22*	*108,140*	*16.0*	*22*
▪ *Southern region[3]*	*71,117*	*12.7*	*17*	*86,940*	*12.9*	*17*
▪ *East coast region[4]*	*34,511*	*6.2*	*10*	*40,873*	*6.1*	*10*
East Malaysia[5]	**112,362**	**20.2**	**16**	**132,106**	**19.6**	**16**
Other[6]	**53,034**	**9.5**	**-**	**60,033**	**8.9**	**-**
Total	**557,531**	**100**	**103**	**673,911**	**100**	**103**

12. FINANCIAL INFORMATION (CONT'D)

Notes:-

(1) Central region covers Kuala Lumpur, Selangor and Negeri Sembilan.

(2) Northern region covers Perak, Penang, Kedah and Perlis.

(3) Southern region covers Melaka and Johor.

(4) East coast region covers Pahang, Kelantan and Terengganu.

(5) East Malaysia region covers Sabah and Sarawak.

(6) Other includes corporate sales and e-commerce sales.

(7) Number of stores is based on number of stores in operation as at the end of each financial year.

For the Period under Review, the Central region contributed the highest revenue to our Group, where it contributed more than 33.0% for each of the financial years / periods, in line with our country's demographics and the locations of our stores. This was followed by East Malaysia region and Northern region where both regions each contributed more than 19.0% and 16.0% respectively during the Period under Review.

(ii) COS

COS include the cost of products purchased from our suppliers, net of any applicable discounts received as well as repair and services cost and delivery costs incurred. Our COS decreased from RM910.68 million for the FYE 2018 to RM899.52 million for the FYE 2019 and subsequently increased to RM1.02 billion for the FYE 2020. Our COS increased from RM442.87 million for the FPE 2020 to RM534.78 million for the FPE 2021.

The following table sets out our COS by products and services 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	**858,505**	**94.3**	**854,119**	**95.0**	**975,659**	**95.2**	**419,020**	**94.6**	**509,378**	**95.3**
Digital gadgets	*327,631*	*36.0*	*327,058*	*36.4*	*407,683*	*39.8*	*160,190*	*36.2*	*212,048*	*39.7*
Audio visual	*159,974*	*17.6*	*150,158*	*16.7*	*164,086*	*16.0*	*75,090*	*17.0*	*86,623*	*16.2*
Home appliances	*314,274*	*34.5*	*320,121*	*35.6*	*345,296*	*33.7*	*160,336*	*36.2*	*182,959*	*34.2*
Other products	*26,426*	*2.9*	*22,756*	*2.5*	*23,284*	*2.3*	*9,492*	*2.1*	*12,431*	*2.3*
Delivery, installation, maintenance and repair services	*30,200*	*3.3*	*34,026*	*3.8*	*35,310*	*3.4*	*13,912*	*3.1*	*15,317*	*2.9*
Warranty services	**52,173**	**5.7**	**45,402**	**5.0**	**49,109**	**4.8**	**23,849**	**5.4**	**25,397**	**4.7**
COS	**910,678**	**100.0**	**899,521**	**100.0**	**1,024,768**	**100.0**	**442,869**	**100.0**	**534,775**	**100.0**

The major items of our COS are as follows:-

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Purchases	1,064,849	116.9	1,072,146	119.2	1,178,646	115.0	512,940	115.8	617,596	115.5
Service and parts	7,795	0.9	7,961	0.9	7,926	0.8	3,324	0.8	5,292	1.0
Transportation costs	3,981	0.4	4,773	0.5	4,897	0.5	2,299	0.5	3,421	0.6
Discount received	(165,947)	(18.2)	(185,359)	(20.6)	(166,701)	(16.3)	(75,694)	(17.1)	(91,534)	(17.1)
COS	**910,678**	**100.0**	**899,521**	**100.0**	**1,024,768**	**100.0**	**442,869**	**100.0**	**534,775**	**100.0**

Our COS comprises the following:-

(a) Purchases

Purchases comprise the costs of our retail products purchased by our Group from our suppliers and delivered to our CDC after the rebates and discounts received as well as the costs associated with obtaining the necessary insurance coverage for providing warranty services.

Despite the decrease in our revenue of 2.3% during the FYE 2019 as compared to the previous financial year, our purchases increased by RM7.30 million or 0.7% to RM1.07 billion (FYE 2018: RM1.06 billion). This was mainly due to the change in the product mix for digital gadgets where we purchased more high-end smart phones. Our purchases increased by RM106.50 million or 9.9% to RM1.18 billion in FYE 2020 in line with the increase in business activities and revenue during that financial year. In FPE 2021, our purchases increased by RM104.66 million or 20.4% to RM617.60 million (FPE 2020: RM512.94 million) driven by the increase in revenue by 20.9% as well as an overall increase in our average inventory levels in anticipation of future price increases as well as to reduce the instances of stock unavailability.

(b) Service and parts

This represents the cost of repair and/or service (including the cost of replacement parts) incurred for repairing faulty and spoilt products returned by customers. We engage third-party service providers to repair and/or service such products returned to us. For products which are under the manufacturer's warranty period, we are able to claim back the repair cost from the supplier while we bear the costs of repairing such products returned to us under our warranty programmes.

(c) Transportation costs

Transportation costs represents transportation charges incurred for delivering goods to customers. External drivers and forwarders are paid with commission to deliver the goods to customers.

(d) Discount received

We receive discounts from certain of our suppliers when we purchase products from them. The discounts received are different depending on the sales terms agreed upon with each supplier. The discounts are recognised as a deduction to our total COS.

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Turnover incentive discount	25,395	15.3	46,386	25.0	34,230	20.5	15,023	19.8	23,037	25.2
Transport discount	13,779	8.3	15,689	8.5	20,870	12.6	10,649	14.1	11,276	12.3
Advertising and promotion discount	126,773	76.4	123,284	66.5	111,601	66.9	50,022	66.1	57,221	62.5
Total discount received	**165,947**	**100.0**	**185,359**	**100.0**	**166,701**	**100.0**	**75,694**	**100.0**	**91,534**	**100.0**

(A) Turnover incentive discount

We receive discounts on our purchases from certain of our suppliers for achieving monthly and/or yearly sales targets of their products. The sales targets and the value of the incentives which we receive are mutually agreed with the suppliers and are based on trading terms.

For the FYE 2019, the turnover incentive discount received from our suppliers increased by RM20.99 million or 82.7% to RM46.39 million (FYE 2018: RM25.40 million) mainly due to the recognition of certain discounts during the FYE 2019 which was based on FYE 2018 revenue targets. For the FYE 2020, the turnover incentive discount received from our suppliers decreased by RM12.16 million or 26.2% to RM34.23 million (FYE 2019: RM46.39 million) mainly due to the sale of digital gadgets making up a larger share of our revenue for the financial year. Our Group receives a smaller turnover incentive discount from the sale of digital gadgets as compared to other product categories. For the FPE 2021, the turnover incentive discount received from our suppliers increased by RM8.01 million or 53.3% to RM23.04 million (FPE 2020: RM15.02 million) as we were able to achieve our pre-agreed sales targets for more of our brand principals as shown in the increase in our retailing revenues during the period.

(B) Transport discount

In 2018, we migrated to a centralised logistics model to streamline our supply chain. Under this system, our CDC in Klang serves as our main distribution point where we receive and store most of the products procured from our suppliers, for onward delivery to our various regional hubs, stores and customers throughout Malaysia. By accepting all product deliveries at a centralised location instead of the many regional hubs and/or retail outlets directly, we reduce the logistics cost of our suppliers as well as simplify their delivery process. As a result, we receive discounts from certain of our suppliers based on the reduction in their cost of transportation.

The transport discount received from our suppliers increased by RM1.91 million or 13.9% for the FYE 2019 and by RM5.18 million or 33.0% for the FYE 2020, increasing in tandem with our purchases. The transport discount received from our suppliers increased by RM0.63 million or 5.9% for the FPE 2021 mainly due to increase in the overall purchase value.

(C) Advertising and promotion discount

We receive discounts from certain of our suppliers in exchange for conducting advertising and promotional activities for their products. The advertising and promotion discount includes yearly activity promotions, display incentive and shop maintenance charges. Our yearly promotions include PlusOne Members Day which will be held in April-May, July-August and November-December every year as well as Anniversary Day promotions which will be held in September-October every year. We also conduct promotional activities for new product launches as well as participate in other sales campaigns and events organised by our suppliers. In return, certain of our suppliers give us discounts on products we purchase from them. In addition, we also advertise and promote our suppliers' products in our online and offline retail platforms by showcasing their products on our showroom floors at our physical stores or by showing their product and/or brand banners on our online stores. In return, our suppliers offer us discounts on products purchased for display in our physical store as well as for advertising their products and/or brands on our online stores.

The discount received for advertising and promotion decreased from RM126.77 million in FYE 2018 to RM123.28 million in FYE 2019 and subsequently decreased to RM111.60 million in FYE 2020. This gradual reduction in advertising and promotion discount was mainly due to shortages of supply which resulted in a change in the pricing strategy of our suppliers. 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. We believe that this supply disruption affected the consumer electrical and electronics retail sector as a whole, resulting in demand exceeding supply for certain products such as laptops, cleaning appliances and cooking appliances. In view of this, our brand principals carried out lesser promotional activities which reduced the advertising and promotion discount received from them. The discount received for advertising and promotion increased by 14.4% from RM50.02 million to RM57.22 million in the FPE 2021, in line with the overall increase in our revenue and purchases.

12. FINANCIAL INFORMATION (CONT'D)

(iii) GP and GP margin

The following table sets out our GP and GP margin by business segment for the Period under Review:-

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Retailing of consumer electrical and electronic products	244,430	22.2	230,119	21.2	255,194	20.7	107,205	20.4	131,299	20.5
Warranty services	17,193	24.8	15,221	25.1	14,807	23.2	7,457	23.8	7,837	23.6
GP and GP margin	**261,623**	**22.3**	**245,340**	**21.4**	**270,001**	**20.9**	**114,662**	**20.6**	**139,136**	**20.6**

Our Group's GP margin is dependent on the product mix sold as certain product categories have higher GP margins as compared to other product categories. The breakdown of our GP and GP margin by the products and services that we offer is as follows:-

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Retailing of consumer electrical and electronic products	**244,430**	**22.2**	**230,119**	**21.2**	**255,194**	**20.7**	**107,205**	**20.4**	**131,299**	**20.5**
Digital gadgets	*48,539*	*12.9*	*47,603*	*12.7*	*55,733*	*12.0*	*22,236*	*12.2*	*26,199*	*11.0*
Audio visuals	*80,161*	*33.4*	*68,191*	*31.2*	*75,258*	*31.4*	*31,895*	*29.8*	*38,994*	*31.0*
Home appliances	*117,628*	*27.2*	*116,750*	*26.7*	*124,589*	*26.5*	*53,586*	*25.0*	*66,072*	*26.5*
Other products	*(909)*	*(3.6)*	*374*	*1.6*	*357*	*1.5*	*33*	*0.3*	*318*	*2.5*
Delivery, installation, maintenance and repair services	*(989)*	*(3.4)*	*(2,799)*	*(9.0)*	*(743)*	*(2.1)*	*(545)*	*(4.1)*	*(284)*	*(1.9)*
Warranty services	**17,193**	**24.8**	**15,221**	**25.1**	**14,807**	**23.2**	**7,457**	**23.8**	**7,837**	**23.6**
GP and GP margin	**261,623**	**22.3**	**245,340**	**21.4**	**270,001**	**20.9**	**114,662**	**20.6**	**139,136**	**20.6**

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our GP decreased by RM16.28 million or 6.2% to RM245.34 million (FYE 2018: RM261.62 million) which was in line with the decrease in revenue recorded during the financial year.

The commentaries on the fluctuations in our revenue by products and services are as follows:-

(aa) Digital gadgets

For the FYE 2019, the GP from the sale of digital gadgets decreased by RM0.94 million or 1.9% as compared to the FYE 2018 despite a marginal decrease in the revenue by 0.6% for this product category. This decrease in GP was mainly due to the implementation of SST which resulted in higher purchase costs for digital gadgets.

The GP margin from the sale of digital gadgets decreased from 12.9% for the FYE 2018 to 12.7% for the FYE 2019 mainly due to increase in the sales of premium smartphones which generated a lower GP margin as compared to other digital gadgets.

(bb) Audio visuals

For the FYE 2019, the GP from the sale of audio visuals decreased by RM11.97 million or 14.9% as compared to the FYE 2018 which was in line with the decrease in revenue for this product category. The GP margin from the sale of audio visuals decreased from 33.4% for the FYE 2018 to 31.2% for the FYE 2019 mainly due to lower sales of televisions which fetch a higher GP margin as compared to other audio visual products.

(cc) Home appliances

For the FYE 2019, the GP from the sale of home appliances decreased marginally by RM0.88 million or 0.7% as compared to the FYE 2018 despite the increase in revenue for this product category by RM4.97 million or 1.2% mainly due to a decrease in the sale of refrigerators and washing machines which was partially mitigated by the increase in the sales of air-conditioners and washer dryers.

The GP margin decreased from 27.2% to 26.7% for the FYE 2019 mainly due to the increase in the sales of air-conditioners and premium vacuum cleaners which generated a lower GP margin as compared to other home appliances products.

12. FINANCIAL INFORMATION (CONT'D)

(dd) Other products

For the FYE 2019, we recorded a GP from the sale of other products of RM0.37 million (FYE 2018: gross loss of RM0.91 million) despite a decrease in the revenue by 9.4% for this product category. We recorded a gross loss for the FYE 2018 mainly due to redemptions of free gifts offered by our Group to PlusOne members in conjunction with the 2018 FIFA World Cup which amounted to RM1.12 million. We recognised a GP for the FYE 2019 due to the non-recurrence of the FIFA World Cup-related promotional activity during the financial year as well as increase in the collection of membership fees and sale of home solutions of RM0.40 million and RM0.11 million respectively. In addition, the sale of certain healthcare products under concession arrangements do not generate any GP, as the income generated therefrom are recognised as commission income under our other operating income. As a result, the GP margin from the sale of other products also improved from a gross loss margin of 3.6% to a GP margin of 1.6%.

(ee) Delivery, installation, maintenance and repair services

For the FYE 2019, we recorded a gross loss of RM2.80 million and a gross loss margin of 9.0% from providing delivery, installation, maintenance and repair services. This was mainly due to more competitive pricing for such services offered to our customers as these services are complementary to our retailing business. In addition, our PlusOne members are entitled to free delivery of products purchased at our retail platforms, subject to terms and conditions.

For the FYE 2019, the GP from providing warranty services decreased by RM1.97 million or 11.5% to RM15.22 million (FYE 2018: RM17.19 million). This was mainly due to lower sales of our V-Care extended warranty programme. Despite this, the GP margin from providing warranty services increased from 24.8% for the FYE 2018 to 25.1% for the FYE 2019 mainly due to the improved margins recorded for providing services offered under our SWAP / Replacement warranty programme due to a change in the product mix where we sold more premium consumer electrical and electronic products which generated a higher margin for this warranty programme.

Comparison between FYE 2019 to FYE 2020

For the FYE 2019, our GP increased by RM24.66 million or 10.1% to RM270.00 million (FYE 2019: RM245.34 million) which was in line with the increase in revenue recorded during the financial year.

The commentaries on the fluctuations in our revenue by products and services are as follows:-

(aa) Digital gadgets

For the FYE 2020, the GP from the sale of digital gadgets increased by RM8.13 million or 17.1% as compared to the FYE 2019. This was mainly due to the increase in revenue for this product category.

The GP margin from the sale of digital gadgets decreased marginally from 12.7% for the FYE 2019 to 12.0% for the FYE 2020 mainly due to increase in the sales of premium smartphones which generated a lower GP margin as compared to other digital gadgets.

(bb) Audio visuals

For the FYE 2020, the GP from the sale of audio visuals increased by RM7.07 million or 10.4% as compared to the FYE 2019. This was mainly due to the increase in revenue for this product category.

The GP margin from the sale of audio visuals increased from 31.2% for the FYE 2019 to 31.4% for the FYE 2020. This increase was mainly due to the higher sales of televisions which fetch a higher GP margin as compared to other audio visuals products.

(cc) Home appliances

For the FYE 2020, the GP from the sale of home appliances increased by RM7.84 million or 6.7% as compared to the FYE 2019. This was mainly due to the increase in revenue for this product category.

The GP margin from the sale of home appliances remained relatively stable, decreasing marginally from 26.7% to 26.5% for the FYE 2020.

(dd) Other products

For the FYE 2020, despite an increase in revenue from other products by RM0.51 million or 2.2% as compared to the FYE 2019, the GP from the sale of other products decreased marginally by RM0.02 million or 4.5% as compared to the FYE 2019. This was mainly due to the decrease in membership collection of RM0.65 million which was partially mitigated by the increase in the sales of cookware by RM2.43 million. As a result of this, the GP margin from the sale of other products decreased from 1.6% for the FYE 2019 to 1.5% for the FYE 2020.

(ee) Delivery, installation, maintenance and repair services

For the FYE 2020, we recorded a gross loss of RM0.74 million and a gross loss margin of 2.1% from providing delivery, installation, maintenance and repair services. This was mainly due to higher expenses incurred from third-party logistics service providers, third-party installers and third-party service providers for maintenance and repair services as compared to the revenue generated. However, we provide these services as they are complementary to our retailing business.

For the FYE 2020, the GP from providing warranty services decreased by RM0.41 million or 2.7% to RM14.81 million (FYE 2019: RM15.22 million) and the GP margin decreased from 25.1% for the FYE 2019 to 23.2% for the FYE 2020. This was mainly due to the increase in claims from customers for the warranties provided during the financial year.

Comparison between FPE 2020 to FPE 2021

For the FPE 2021, our GP increased by RM24.47 million or 21.3% to RM139.14 million (FPE 2020: RM114.66 million) which was in line with the increase in revenue recorded during the financial period.

The commentaries on the fluctuations in our revenue by products and services are as follows:-

(aa) Digital gadgets

For the FPE 2021, the GP from the sale of digital gadgets increased by RM3.96 million or 17.8% as compared to the FPE 2020. This was mainly due to the increase in revenue for this product category.

The GP margin from the sale of digital gadgets decreased from 12.2% for the FPE 2020 to 11.0% for the FPE 2021 mainly due to increase in the sales of premium smartphones which generated a lower GP margin as compared to other digital gadgets.

(bb) Audio visuals

For the FPE 2021, the GP from the sale of audio visuals increased by RM7.10 million or 22.3% as compared to the FPE 2020. This was mainly due to the increase in revenue for this product category.

The GP margin from the sale of audio visuals increased from 29.8% for the FPE 2020 to 31.0% for the FPE 2021. This increase was mainly due to the higher sales of televisions which fetch a higher GP margin as compared to other audio visuals products.

(cc) Home appliances

For the FPE 2021, the GP from the sale of home appliances increased by RM12.49 million or 23.3% as compared to the FPE 2020. This was mainly due to the increase in revenue for this product category.

The GP margin from the sale of home appliances increased from 25.0% for the FPE 2020 to 26.5% for the FPE 2021. This increase was mainly due to the increase in the sales of refrigerators and cooker hoods which generated a higher GP margin as compared to other home appliances products.

(dd) Other products

For the FPE 2021, the GP from the sale of other products increased by RM0.29 million or 863.6% as compared to the FPE 2020. This was mainly due to the increase in the sales of cookware by RM0.62 million. As a result of this, the GP margin from the sale of other products increased from 0.3% for the FPE 2020 to 2.5% for the FPE 2021.

(ee) Delivery, installation, maintenance and repair services

For the FPE 2021, we recorded a lower gross loss of RM0.28 million and an improved gross loss margin of 1.9% from providing delivery, installation, maintenance and repair services. This was mainly due to a one-off campaign undertaken with one of our suppliers to subsidise the installation costs for certain air conditioners purchased from us in the FPE 2020. For the FPE 2021, we reduced our subsidies on the installation costs and offered discounts on the sale price of the air conditioners instead.

For the FPE 2021, the GP from providing warranty services increased by RM0.38 million or 5.1% to RM7.84 million (FPE 2020: RM7.45 million) and the GP margin decreased marginally from 23.8% for the FPE 2020 to 23.6% for the FPE 2021. This was mainly due to the increase in claims from customers for the warranties provided during the financial period.

12. FINANCIAL INFORMATION (CONT'D)

(iv) Other operating income

The following sets out a breakdown of our other operating income 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)	(%)
Gain on disposal of property[(1)]	1,142	10.4	302	2.0	125	0.9	31	0.5	-	-
Commission income[(2)]	5,120	46.6	6,365	41.7	4,275	31.2	1,781	31.8	2,958	41.8
Sundry income[(3)]	1,719	15.6	2,424	15.9	3,472	25.4	225	4.1	1,157	16.4
Dividend income (gross)	328	3.0	317	2.1	330	2.4	388	6.9	116	1.6
Rental income	1,229	11.2	1,211	7.9	1,315	9.6	645	11.5	626	8.8
Gain on disposal of quoted shares	645	5.9	-	-	-	-	-	-	-	-
Gain on foreign exchange	730	6.6	789	5.2	1,577	11.5	290	5.2	261	3.7
Rent concessions and rebates[(4)]	-	-	-	-	2,177	15.9	1,436	25.7	906	12.8
Gain on investment	-	-	2,818	18.4	-	-	-	-	612	8.6
Reversal of expected credit losses[(5)]	76	0.7	1,044	6.8	418	3.1	800	14.3	443	6.3
Other operating income	**10,989**	**100.0**	**15,270**	**100.0**	**13,689**	**100.0**	**5,596**	**100.0**	**7,079**	**100.0**

Notes:-

(1) Gain on disposal of property arising from disposal of property and motor vehicles.

(2) Commission income mainly arising from concession sales of products displayed at our stores by third-parties as well as administrative and marketing fees earned from Insurnet Consultancy Sdn Bhd, a related party from the sale of warranties. Please refer to Section 11.1(iii) of this Prospectus for further information on our relationship with Insurnet Consultancy Sdn Bhd.

(3) Sundry income mainly comprise fees charged to our franchisees such as inventory, royalty and consultancy fees and reversal of impairment loss on right of use assets.

(4) Rent concessions refer to rental discounts received from the landlords at the point of rental payments. This discount is recorded under our other operating income along with a corresponding reduction in the lease liabilities. Rental rebates refer to rental deductions given by the landlords to our Group subsequent to the rental payments made by our Group for previous months, which can be used to offset future rental payments. Prior to the offset, the rental rebate is recorded as sundry income under other operating income with a corresponding other receivable. Once the rebate is used to offset future rental payments, the amount will be reclassed from rental rebate to rent concession and derecognised from other receivables to reduce our lease liabilities.

(5) Reversal of expected credit losses mainly arising from subsequent collection from customers.

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our other operating income increased by RM4.28 million or 39.0% to RM15.27 million (FYE 2018: RM10.99 million). The increase was mainly due to the following:-

(a) increase in gain on investment by RM2.82 million arising from the fair value gain from quoted unit trusts in Malaysia as well as quoted investments in and outside Malaysia due to increase in market price of these investments;

(b) increase in commission income by RM1.25 million mainly from an increase in concession sales, the sale of mobile data plans offered by telecommunication companies and the sale of general insurance offered by third-party insurance companies; and

(c) the reversal of expected credit losses during the year of RM1.04 million.

However, the increase in our other operating income was partially offset by lesser gains on the disposal of property and quoted shares by RM0.84 million and RM0.65 million, respectively.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our other operating income decreased by RM1.58 million or 10.4% to RM13.69 million (FYE 2019: RM15.27 million). The decrease was mainly due to the following:-

(a) decrease in gain on investment by RM2.82 million arising from the fair value gain from quoted investments in and outside Malaysia due to increase in market price of these investments; and

(b) decrease in commission income by RM2.09 million mainly due to the decrease in commissions received from concession sales of products displayed at our stores by third-parties.

However, the decrease in our other operating income was partially mitigated by rent concessions received from the landlords of our rented retail outlets due to the imposition of the MCO and conditional MCO periods during March to August 2020 of RM2.18 million.

Comparison between FPE 2020 and FPE 2021

For the FPE 2021, our other operating income increased by RM1.48 million or 26.5% to RM7.08 million (FPE 2020: RM5.60 million). The increase was mainly due to the following:-

(a) increase in commission income by RM1.18 million mainly due to the increase in commissions received from concession sales of products displayed at our stores by third-parties;

(b) increase in gain on investment by RM0.61 million arising from the fair value gain on quoted investments and unit trusts in and outside Malaysia due to an increase in market price of these investments; and

(c) the increase in sundry income by RM0.93 million mainly arising from a reversal of impairment loss on right of use assets of RM0.43 million was due to the subsequent improvement in the performance of certain under-performing stores.

However, the increase in our other operating income was partially mitigated by a decrease in the rent concessions and rebates received from the landlords of our rented retail outlets by RM0.53 million, a decrease in dividend income by RM0.27 million and a reduction in the reversal of expected credit losses by RM0.36 million.

(v) Operating and administrative expenses

The following table sets out a breakdown of our operating and administrative expenses 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)	(%)
Administrative expenses[(1)]	63,711	32.7	72,620	37.2	74,664	36.2	35,665	35.8	38,205	33.4
Depreciation expenses[(2)]	36,093	18.5	35,850	18.4	36,458	17.7	17,617	17.7	19,537	17.0
Selling expenses[(3)]	24,060	12.3	23,674	12.2	24,797	12.0	11,138	11.2	12,608	11.0
Distribution expenses[(4)]	6,457	3.3	6,056	3.1	5,287	2.5	2,496	2.6	2,623	2.3
Rental of premises[(5)]	2,834	1.5	891	0.5	558	0.3	845	0.8	587	0.5
Advertising expenses	11,700	6.0	14,533	7.4	9,890	4.8	5,316	5.3	6,043	5.3
Other operating expenses[(6)]	30,503	15.6	23,559	12.0	32,323	15.7	17,295	17.4	20,508	17.8
Share of profit paid as part of our incentive programme[(7)]	19,617	10.1	17,977	9.2	22,379	10.8	9,176	9.2	14,603	12.7
Operating and administrative expenses	**194,975**	**100.0**	**195,160**	**100.0**	**206,356**	**100.0**	**99,548**	**100.0**	**114,714**	**100.0**

Notes:-

(1) Administrative expenses mainly comprise staff costs which includes staff salaries, allowances, bonuses, statutory contributions, overtime and Directors' remuneration.

(2) Depreciation expenses are calculated on a straight-line basis on all of the property, plant and equipment owned by our Group, save for freehold land and work-in-progress.

(3) Selling expenses mainly comprise credit card commissions and third-party online marketplace charges paid to third-party online platforms where we market our products.

(4) Distribution expenses comprise transportation charges payable to third-party logistics providers.

(5) Rental of premises represents all rental-related expenses payable to our landlords in respect of our rented outlets excluding the fixed rental payments which are recorded under our lease liabilities. This includes the variable rental payments which are computed as a percentage of gross revenue generated by certain of our outlets, any utilisation of rental deposits as well as any additional rental payments and/or rental refunds received due to revisions in the terms of the tenancy agreements.

We have during the Period under Review, utilised a portion of our rental deposits to offset the final rental amounts payable on tenancies that were terminated. These rental deposits comprise security deposits pledged with the landlords amounting to approximately 1 to 3 months gross rental as well as utility deposits. We recognised these rental deposits under our other receivables with a corresponding reduction in our cash and bank balances. Upon termination of tenancies, these rental deposits are utilised to offset the final rental amounts payable and this amount will be subsequently derecognised from other receivables and will be expensed off under our operating and administrative expenses in the statement of profit or loss.

(6) Other operating expenses mainly comprise utility charges, general upkeep and maintenance of our premises, office equipment and motor vehicles, professional fees for services provided, IPO-related expenses, sundry expenses, processing fees for payment plans offered by third-parties to our customers, reversal of impairment loss on right-of-use assets and donations.

(7) Share of profit paid as part of our incentive programme refers to the commission payable to the store managers and is computed net of authorisation fee, which is the annual fee levied for the rights and licenses granted to operate our physical stores under this programme.

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our operating and administrative expenses increased marginally by RM0.19 million or 0.1% to RM195.16 million (FYE 2018: RM194.98 million). The increase was primarily attributable to the following:-

(i) increase in administrative expenses by RM8.91 million mainly due to the increase in the staff remunerations and related expenses due to the increase in the average number of employees by approximately 80 employees in line with the opening of our larger "Grand Senheng" stores which require more staff as compared to "Senheng" stores as well as an expansion of our Group's finance and e-commerce employees. This resulted in an increase in other related expenses such as statutory contributions, allowances, uniform and staff benefits;

(ii) increase in advertisement expenses by RM2.83 million mainly due to the increase spending in media advertisement on online media platforms such as social media sites; and

(iii) an amount of RM1.39 million arising from the amount owing from our former franchisee following the closure of a store, which was written off during the financial year.

However, the increase in operating and administrative expenses was partially offset by the following:

(a) decrease in other operating expenses by RM6.94 million mainly due to the reversal of impairment loss on right-of-use assets of RM9.93 million due to the improvement in the performance of certain under-performing stores from the prior financial year and the non-recurrence of a one-off donation made in FYE 2018 of RM1.00 million. The decrease in other operating expenses was partially offset by an increase in professional fees by RM0.91 million and utility charges by RM1.04 million; and

(b) decrease in rental of premises by RM1.94 million mainly due to the net effect of the following:-

   (aa) utilisation of rental deposits of RM2.70 million in the FYE 2018 to offset the final rental amounts payable on tenancies that were terminated as compared to RM0.47 million in the FYE 2019; and

   (bb) an increase in the variable rental payable on our rented "senQ" outlets by RM0.28 million as certain of our "senQ" digital stations performed better in the FYE 2019.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our operating and administrative expenses increased by RM11.20 million or 5.7% to RM206.36 million (FYE 2019: RM195.16 million). The increase was primarily attributable to the following:-

(i) increase in other operating expenses by RM8.76 million mainly due to the non-recurrence of a reversal of impairment loss on right-of-use assets of RM9.93 million recognised in the FYE 2019 and the increase in upkeep of premises amounting RM0.69 million. The increase in other operating expenses was partially offset with the decrease in electricity and water amounting RM1.48 million and upkeep of office equipment amounting to RM0.64 million;

(ii) increase in share of profit paid to participants of our Group's incentive programme by RM4.40 million which was mainly due to the implementation of additional commissions offered to employees of certain of our stores in September 2019 in conjunction with our Group's 30th anniversary; and

(iii) increase in administrative expenses by RM2.04 million mainly due to an increase in the staff remunerations and related expenses.

However, the increase in operating and administrative expenses was partially offset by the following:-

(a) decrease in advertising expenses by RM4.64 million as our Group reduced its spending on advertisements on traditional media outlets such as newspapers and television in favour of online advertising;

(b) decrease in distribution expenses by RM0.77 million mainly due to decrease in transportation costs as a result of MCO during the financial year; and

(c) decrease in rental of premises by RM0.33 million mainly due to the net effect of the following:-

    (aa) decrease in the variable rental payable on our rented outlets by RM0.53 million mainly due to the refunds received from our landlords of RM0.29 million in the second half of FYE 2020 arising from the over-payment of variable rental amounts in previous financial years as well as certain of our "senQ" outlets saw a decline in their sales performance as shopping mall operations were affected by the MCO in the FYE 2020; and

    (bb) the increase in utilisation of rental deposits by RM0.20 million.

Comparison between FPE 2020 and FPE 2021

For the FPE 2021, our operating and administrative expenses increased by RM15.17 million or 15.2% to RM114.71 million (FPE 2020: RM99.55 million). The increase was primarily attributable to the following:-

(i) increase in share of profit paid to participants of our Group's incentive programme by RM5.43 million as these stores generated higher sales in line with an overall increase in our physical store revenues;

(ii) increase in other operating expenses by RM3.21 million mainly due to the increase in IT maintenance expenses by RM0.90 million, the increase in processing fees for payment plans offered by third-parties to our customers by RM0.60 million as well as IPO-related expenses incurred of RM0.52 million;

(iii) increase in administrative expenses by RM2.54 million mainly due to an increase in the staff remunerations and related expenses due to the increase in the average number of employees from the FPE 2020 to the FPE 2021 as well as annual increments given;

(iv) increase in depreciation by RM1.92 million mainly due to higher depreciation charge on right of use assets; and

(v) increase in selling expenses by RM1.47 million mainly due to an increase in credit card commission paid.

12. FINANCIAL INFORMATION (CONT'D)

However, the increase in operating and administrative expenses was partially offset by the decrease in rental of premises by RM0.26 million mainly due to the net effect of the decrease in utilisation of rental deposits by RM0.48 million and the increase in variable rental payable on our rented outlets by RM0.23 million.

For information, since 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.

(vi) Finance costs

The following table sets out a breakdown of our finance costs 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)	(%)
Term loans interest	29	0.6	488	9.7	1,681	31.1	856	31.5	731	28.9
Bankers' acceptance interest	256	5.7	474	9.4	347	6.4	67	2.5	125	4.9
Bank overdraft interest	-*	-*	-*	-*	-	-	-	-	-	-
Interest expense on advances	-	-	8	0.2	-	-	-	-	-	-
Finance cost - lease liabilities	3,939	87.9	3,694	73.7	2,999	55.6	1,578	58.3	1,480	58.5
Finance cost - provision for restoration cost	259	5.8	351	7.0	325	6.0	163	6.0	186	7.4
Interest expense paid to supplier	-	-	-	-	48	0.9	45	1.7	7	0.3
Finance costs	**4,483**	**100.0**	**5,015**	**100.0**	**5,400**	**100.0**	**2,709**	**100.0**	**2,529**	**100.0**

Note:-
* Negligible.

Our finance cost mainly comprises interest expenses relating to term loans and lease liabilities incurred in relation to the acquisition of leasehold land, building and motor vehicles.

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our Group's finance cost increased by RM0.53 million to RM5.02 million (FYE 2018: RM4.48 million) mainly due to the increase in term loan interest following our drawdown of term loan during the financial year to finance the acquisition of 16 shoplots located in Kuala Lumpur, Johor and Selangor, 2 warehouses located in Penang and Sabah and a vacant piece of industrial land in Johor.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our finance cost increased by RM0.39 million to RM5.40 million (FYE 2019: RM5.02 million) mainly due to the increase in interest of term loan following our drawdown of term loan during the financial year to finance the acquisition of 12 shoplots located in Kuala Lumpur, Putrajaya, Penang and Johor as well as a warehouse in Penang which was offset by a reduction in lease liabilities of RM0.70 million as we continue to repay such amounts owing in accordance with the terms of the respective leases. There was also an interest expense paid to certain suppliers of RM0.05 million arising from the deferment of payment for goods purchased by our Group during the financial year due to temporary drop in sales during the MCO periods.

Comparison between FPE 2020 and FPE 2021

For the FPE 2021, our finance cost decreased by RM0.18 million to RM2.53 million (FPE 2020: RM2.71 million) mainly due to the decrease in interest of term loans following our repayment of the term loans and a reduction in lease liabilities of RM0.10 million as we continued to repay such amounts owing in accordance with the terms of the respective leases.

(vii) PBT and PBT margin

	Audited			Unaudited	Audited
	FYE 2018	**FYE 2019**	**FYE 2020**	**FPE 2020**	**FPE 2021**
PBT (RM'000)	74,983	61,486	73,615	18,821	29,596
PBT margin (%)	6.4	5.4	5.7	3.4	4.4

Our PBT and PBT margin are affected by the movement in GP and GP margin in each financial year, which are dependent on the product mix sold as well as the revenue from warranty services.

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our PBT margin decreased to 5.4% (FYE 2018: 6.4%) mainly due to the decrease in GP margin from the sale of audio visuals, coupled with the increase in staff related expenses in line with the increase in the number of staff employed with our Group.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our PBT margin increased to 5.7% (FYE 2019: 5.4%) mainly due to the increase in revenue and GP primarily driven by an increase in the sales of digital gadgets and the decrease in our advertising expenses.

Comparison between FPE 2020 and FPE 2021

For the FPE 2021, despite an increase in the operating and administrative expenses by RM15.17 million, our PBT margin increased to 4.4% (FPE 2020: 3.4%), mainly due to the increase in revenue and GP from the sale of digital gadgets, audio visuals and home appliances as well as the increase in other operating income as explained in Section 12.3.3(iv).

(viii) Tax expense

Our tax expense comprises current tax and deferred tax, as follows:-

	Audited			Unaudited	Audited
	FYE 2018	**FYE 2019**	**FYE 2020**	**FPE 2020**	**FPE 2021**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Current tax expense	15,733	14,677	18,540	3,327	6,532
(Over) / Under-provision in prior years	(2,576)	(37)	917	917	393
	13,157	14,640	19,457	4,244	6,925
Deferred tax:					
Relating to origination and reversal of temporary differences	(1,367)	(2,585)	(1,065)	639	102
(Over) / Under-provision in prior years	2,130	(128)	(414)	(414)	(743)
	763	(2,713)	(1,479)	225	(641)
Tax expense	**13,920**	**11,927**	**17,978**	**4,469**	**6,284**
Effective tax rate (%)	18.6	19.4	24.4	23.7	21.2

The applicable statutory tax rate is 24.0%.

FYE 2018

Our effective tax rate of 18.6% was lower than the statutory tax rate of 24.0%. This was mainly due to income not subject to tax of RM4.61 million arising from reversal of the impairment on right-of-use assets, as well as an overprovision of tax in prior year of RM0.45 million. This was offset by expenses not deductible for tax purposes of RM1.01 million.

FYE 2019

Our effective tax rate of 19.4% was lower than the statutory tax rate of 24.0%. This was mainly due to income not subject to tax of RM6.21 million arising from fair value gain on quoted investments and lower applicable tax rate of 3% for profit derived from our reinsurance activities in Labuan, as well as an overprovision of tax in prior year of RM0.17 million. This was offset by expenses not deductible for tax purposes of RM3.57 million.

FYE 2020

Our effective tax rate of 24.4% was higher than the statutory tax rate of 24.0%. This was mainly due to non tax-deductible expenses of RM4.47 million arising from depreciation of property, plant and equipment and upkeep of premise, as well as under-provision in prior year of RM0.50 million.

This was offset by the lower applicable tax rate of 3% for profit derived from our reinsurance activities in Labuan.

FPE 2021

Our effective tax rate of 21.2% was lower than the statutory tax rate of 24.0%. This was mainly due to income not subject to tax of RM3.23 million arising from fair value gain on quoted investments and unit trusts in and outside Malaysia, reversal of impairment loss on right of use assets and lower applicable tax rate of 3% for profit derived from our reinsurance activities in Labuan, as well as an overprovision of tax in prior year of RM0.35 million. This was offset by expenses not deductible for tax purposes of RM2.77 million.

12.3.4 Inflation

There was no material impact from inflation on our Group's financial performance for the Period under Review. However, there can be no assurance that any significant increase in future inflation rate will not adversely affect our Group's business, financial performance or financial condition.

12.3.5 Government / Economic / Fiscal / Monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our Group's operations, are set out in Section 5 of this Prospectus.

12.3.6 Order book

Due to the nature of our business which is primarily as a retailer of consumer electrical and electronic products, an order book is not applicable to us.

12.3.7 Significant changes

Save as disclosed in this Prospectus, no significant changes have occurred which may have a material effect on the financial position and results of our Group.

12.3.8 Accounting standards issued but not yet effective

For a description of accounting standards issued but not yet effective and not early adopted, see Note 6.28.2 of the Accountants' Report included in Section 13 of this Prospectus.

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

Our working capital is funded by a combination of internal and external sources of funds. Our internal sources of funds comprise cash generated from our operating activities and our cash and bank balances, while our external funds are mainly from credit facilities from financial institutions.

As at 30 June 2021, our Group held cash and bank balances of RM50.22 million and unutilised credit facilities of RM47.61 million comprising banker's acceptance, bank guarantee and trade credit lines facilities. As at the LPD, we held cash and bank balances of RM36.64 million and unutilised credit facilities of RM49.60 million.

Based on the above and after taking into consideration our funding requirements for capital expenditure commitments (as set out in Section 12.4.6(ii) of this Prospectus), expected cash flows from operations, the estimated gross proceeds from the Public Issue of RM267.50 million and the potential impact from the ongoing COVID-19 pandemic, our Board believes that our Group has sufficient working capital for at least 12 months from the date of this Prospectus.

12.4.2 Summary of statements of cash flows

The table below sets out a summary of the audited combined statements of cash flows for the Period under Review:-

	Audited			Unaudited	Audited
	FYE 2018	**FYE 2019**	**FYE 2020**	**FPE 2020**	**FPE 2021**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Net cash from operating activities	34,465	96,374	58,625	29,037	16,090
Net cash used in investing activities	(30,099)	(29,666)	(11,273)	3,062	(13,540)
Net cash used in financing activities	(32,490)	(34,186)	(33,810)	(11,994)	(21,105)
Net (decrease)/increase in cash and cash equivalents	**(28,124)**	**32,522**	**13,542**	**20,105**	**(18,555)**
Cash and cash equivalents at the beginning of the year	46,054	18,086	50,641	50,641	64,867
Effects of exchange rate changes on cash and cash equivalents	156	32	684	451	16
Cash and cash equivalents at the end of the year	**18,086**	**50,640**	**64,867**	**71,197**	**46,328**
Dividends paid	(12,000)	(26,586)	(12,000)	(12,000)	(12,000)

There are no legal, financial or economic restrictions on our Subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

<u>Net cash generated from operating activities</u>

For the FYE 2018, we generated a cash flow from operating activities of RM34.47 million, after taking into account the following working capital changes:-

(i) RM47.66 million decrease in trade and other payables as a result of timely payments made to our suppliers;

(ii) RM30.11 million increase in inventories of digital gadgets following the launch of new high-end smartphones; and

(iii) RM20.48 million as tax payments.

For the FYE 2019, we generated a cash flow from operating activities of RM96.37 million, comprising mainly of the following:-

(i) RM35.90 million increase in trade and other payables as a result of purchase of excess inventory at the end of the year (while within the credit terms granted by the suppliers to us);

(ii) RM9.92 million increase in contract liabilities mainly due to an increase in the sales of warranty protection and cash vouchers for which the obligation will fall due in the future financial years; and

(iii) RM17.40 million as tax payments.

For the FYE 2020, we generated a cash flow from operating activities of RM58.63 million, comprising mainly of the following:-

(i) RM40.34 million increase in inventories mainly due to a change in our product mix whereby we increased our stock of digital gadgets such as mobile phones and computers following an increase in demand for the same; and

(ii) RM14.46 million increase in trade and other receivables mainly due to the deferred recognition of the cost of insuring the warranties provided under our warranty programmes and deposits paid for utilities, contractors for renovation work and security deposits paid to landlords for rental of shoplots.

For the FPE 2021, we generated a cash flow from operating activities of RM16.09 million, comprising mainly of the following:-

(i) RM22.63 million increase in inventories mainly due to an overall increase in our average inventory levels in anticipation of future price increases as well as to reduce the instances of stock unavailability;

(ii) RM16.98 million increase in trade and other receivables mainly due to the deferred recognition of the cost of insuring the warranties provided by our Group under our warranty programmes;

(iii) RM12.31 million increase in trade and other payables following our decision to increase our average inventory levels in anticipation of future price increases as well as to reduce the instances of stock unavailability which also led to the increase in inventories above; and

(iv) RM9.22 million as tax payments.

Net cash used in investing activities

For the FYE 2018, we recorded net cash used in investing activities of RM30.10 million mainly due to the net effect of the following:-

(i) RM23.45 million used for the acquisition of a shoplot for our head office in Kuala Lumpur and a warehouse in Penang;

(ii) RM16.58 million used for the purchase of quoted unit trusts and quoted investments in Malaysia and outside Malaysia;

(iii) RM15.44 million generated from the disposal of quoted investments in Malaysia and outside Malaysia as well as quoted unit trusts outside Malaysia; and

(iv) RM2.11 million placed in fixed deposits with licensed banks with original maturity of more than 3 months.

For the FYE 2019, we recorded net cash used in investing activities of RM29.67 million mainly due to the net effect of the following:-

(i) RM23.30 million used for the acquisition of a new warehouse in Sabah and 3 shoplots used to house our outlets located in Selangor and Johor. In addition, we also incurred RM15.87 million of capital work-in-progress for shoplots which were still under development in Johor, Putrajaya and Penang;

(ii) RM20.43 million generated from the disposal of quoted unit trusts and quoted investments in Malaysia as well as unquoted investments outside Malaysia; and

(iii) RM9.47 million used for the purchase of quoted unit trusts and unquoted investments in Malaysia as well as quoted investments outside Malaysia.

For the FYE 2020, we recorded net cash used in investing activities of RM11.27 million mainly due to the net effect of the following:-

(i) RM21.80 million generated from the disposal of quoted unit trusts and quoted investments in Malaysia as well as quoted and unquoted investments outside Malaysia;

(ii) RM20.72 million used for the purchase of quoted unit trusts and quoted investments in Malaysia as well as quoted investments outside Malaysia;

(iii) RM6.90 million of repayment to Eight Development (M) Sdn Bhd, a related party mainly arising from acquisition of shoplots in Kuala Lumpur during FYE 2018; and

(iv) RM4.88 million of capital work-in-progress for shoplots which were still under development in Johor, Penang and Kuala Lumpur. In addition, we also incurred RM3.75 million to fund renovation and signboard costs at our premises.

For the FPE 2021, we recorded net cash used in investing activities of RM13.54 million mainly due to the net effect of the following:-

(i) RM5.73 million used to fund renovation and signboard costs at our premises. In addition, we also incurred RM4.25 million of capital work-in-progress for shoplots which were still under development in Kuala Lumpur and Putrajaya;

(ii) RM3.59 million used for the purchase of furniture and fittings, office equipment and office computers;

(iii) RM3.08 million used for the purchase of quoted investments in Malaysia and outside Malaysia as well as quoted unit trusts in and outside Malaysia; and

(iv) RM3.08 million generated from the disposal of quoted investments in Malaysia as well as quoted and unquoted investments outside Malaysia.

Net cash used in financing activities

For the FYE 2018, we recorded net cash used in financing activities of RM32.49 million mainly due to the net effect of the following:-

(i) RM107.90 million received from the drawdown of bankers' acceptance;

(ii) RM97.40 million used for the repayment of bankers' acceptance;

(iii) RM30.25 million used for the payments of lease liabilities; and

(iv) RM12.00 million used for dividend payments to shareholders.

For the FYE 2019, we recorded net cash used in financing activities of RM34.19 million mainly due to the net effect of the following:-

(i) RM192.65 million received from the drawdown of bankers' acceptance;

(ii) RM27.22 million received from the drawdown of term loans to fund the acquisition of our head office in Kuala Lumpur, 2 warehouses in Penang and Sabah and 4 shoplots in Kuala Lumpur, Selangor and Johor;

(iii) RM198.15 million used for the repayment of bankers' acceptance

(iv) RM28.66 million used for the payments of lease liabilities; and

(v) RM26.59 million used for dividend payments to shareholders.

For the FYE 2020, we recorded net cash used in financing activities of RM33.81 million mainly due to the net effect of the following:-

(i) RM191.85 million received from the drawdown of bankers' acceptance;

(ii) RM192.85 million used for the repayment of bankers' acceptance;

(iii) RM26.58 million used for the payments of lease liabilities; and

(iv) RM12.00 million used for dividend payments to shareholders.

For the FPE 2021, we recorded net cash used in financing activities of RM21.11 million mainly due to the net effect of the following:-

(i) RM86.78 million received from the drawdown of bankers' acceptance;

(ii) RM82.78 million used for the repayment of bankers' acceptance;

(iii) RM15.23 million used for the payments of lease liabilities; and

(iv) RM12.00 million used for dividend payments to shareholders.

12.4.3 Borrowings

Our Group's total outstanding borrowings as at 30 June 2021 amounted to RM61.86 million, the breakdown of which is as follows:-

Type of borrowings	Purpose	Weighted average effective interest rate for the FPE 2021	On demand or within one year	Two to five years	Over five years	Total
		(%)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Bankers' acceptance	Working capital	2.34	14,000	-	-	14,000
Term loans	Finance acquisition of land and buildings	3.62	5,323	20,974	21,559	47,856
Total			**19,323**	**20,974**	**21,559**	**61,856**

Our bankers' acceptance facility has a fixed interest rate term and is secured by a joint and several guarantee by certain of our Directors, namely, KH Lim, KC Lim and KY Lim. Our term loans have floating interest rate terms and are secured by legal charges over certain of our properties and a joint and several guarantee by certain of our Directors, namely, KH Lim, KC Lim and KY Lim. As at the date of this Prospectus, we have received conditional approvals from the financial institutions to discharge the above guarantees upon our Listing by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to them. Further information on these personal guarantees provided by these Directors for these banking facilities granted to our Group is set out in Section 10.1.5 of this Prospectus.

Our Group has not defaulted on payments of interest or principal sums on any of our borrowings throughout the Period under Review and up to the LPD.

Furthermore, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or borrowings which can materially affect our financial position and results of operations or the investments in our Shares. We do not encounter any seasonality in our borrowings trend and there are no restrictions on our committed borrowing facilities.

12.4.4 Contract liabilities

Our Group's total contract liabilities as at the end of the respective financial years / period as follows:-

	Audited As at 31 December			Audited As at 30 June 2021
	2018	2019	2020	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Current:-				
Deferred income	72,502	77,130	84,158	84,994
Non-current:-				
Deferred income	130,548	135,836	138,822	140,080
Total	**203,050**	**212,966**	**222,980**	**225,074**

Contract liabilities comprise deferred income expected to be recognised in the future relating to performance obligations of customer loyalty programme, warranty, membership fee and cash vouchers.

12.4.5 Financial instruments

Our financial instruments, from an accounting perspective, comprise financial assets such as cash and cash equivalents, trade and other receivables as well as financial liabilities such as borrowings and trade and other payables as shown on our combined statements of financial position. These financial instruments are used in our Group's ordinary course of business.

In addition to the above, we use forward currency exchange contracts to manage some of our transaction exposure arising from the importation of products from China in relation to our brand distribution business which we commenced in 2020. The outstanding forward currency exchange contract as at 30 June 2021 and the LPD are nil and RM2.50 million, respectively.

12.4.6 Treasury policies and objectives

We have been financing our operations and growth through a combination of cash generated from our operating activities, existing cash and bank balances and external sources of funds, such as credit extended by our suppliers and banking facilities from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas, our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet our anticipated commitments arising from our operational expenditure and financial liabilities.

The trade credit terms granted by suppliers to our Group range from 15 to 90 days. We also have finance leases for acquisition of motor vehicles and short term borrowings such as banker's acceptances for working capital purposes.

The decision to either utilise banking facilities or internally generated funds for our operations depend on, inter alia, our cash reserves, expected cash inflows or receipts from customers, future working capital and the prevailing interest rates of the banking facilities.

12.4.7 Material commitments

As at the LPD, save as disclosed below, our Board, after having made all reasonable enquires, confirm that there are no other material capital commitments which upon becoming enforceable, may have a material impact on our business, financial performance and financial position:-

	As at 30 June 2021	As at the LPD
	(RM'000)	(RM'000)
Contracted but not provided for	3,241	3,241

Our contracted but not provided for capital expenditure commitment comprises capital expenditure in respect of the acquisition of a new shoplot located in Kuala Lumpur. This shoplot is intended to house our "Grand Senheng" store. For information, this commitment represents the remaining purchase consideration to be paid subject to the subsequent fulfilment of the payment milestones by the developer of the property.

The above capital commitment will be financed through our current cash and bank balances, cash generated from future operations as well as the proceeds from the Public Issue. Further details on the use of proceeds are set out in Section 4.6 of this Prospectus.

12.4.8 Other contractual obligations

Our contractual cash obligations (excluding capital expenditure commitments) as at 30 June 2021 comprise primarily of repayment obligations under our leases and in respect of our borrowings.

The following table sets out the maturity profile of our contractual cash repayment obligations under our leases and borrowings as at 30 June 2021:-

Payment due by period	Within 1 year	1 - 5 years	More than 5 years	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Lease liabilities[(1)]	27,037	50,215	4,009	81,261
Borrowings[(2)]	20,566	24,337	24,956	69,859
Total	**47,603**	**74,552**	**28,965**	**151,120**

Notes:-

(1) Our lease liabilities primarily comprise tenancy agreements entered with our landlords in relation to the lease of certain of our rented properties as well as lease contracts for motor vehicles.

(2) Our borrowings comprise bankers' acceptance and term loans.

We plan to meet our contractual obligations through our cash and cash equivalents on hand as well as cash generated from future operations and funding from other financing activities (if required).

12.4.9 Off-balance sheet arrangements

We do not have any off-balance sheet arrangements which are reasonably likely to have a material effect on our business, financial performance or financial position.

12.4.10 Material litigation

Our Group has not, in the 12 months immediately preceding the date of this Prospectus been engaged in any governmental, legal, litigation or arbitration proceedings including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our business, financial performance or financial position.

12.4.11 Contingent liabilities

As at the LPD, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on our business, financial performance or financial position save for the corporate guarantee provided by Senheng KL in favour of Eight Development (M) Sdn Bhd in respect of banking facilities amounting to RM28,500,000 granted by Public Islamic Bank Berhad to Eight Development (M) Sdn Bhd. As at the LPD, Eight Development (M) Sdn Bhd has received the conditional approval from Public Islamic Bank Berhad to discharge this corporate guarantee upon our Listing.

12.4.12 Key financial ratios

The following table sets forth certain key financial ratios of our Group based on the audited financial statements of our Group for the financial years indicated:-

	FYE 2018	**FYE 2019**	**FYE 2020**	**FPE 2021**
Trade receivables turnover period (days)(1)	8	9	8	7
Trade payables turnover period (days)(2)	29	28	30	31
Inventory turnover period (days)(3)	59	66	66	73
Current ratio (times)(4)	1.3	1.3	1.5	1.5
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 the average of the trade receivables as at the beginning and end of the respective financial year / period multiplied by 365 days for the FYEs 2018, 2019 and 2020 figures and 182 days for the FPE 2021, divided by the total revenue for the respective financial year / period.

(2) Computed based on the average of the trade payables as at the beginning and end of the respective financial year / period multiplied by 365 days for the FYEs 2018, 2019 and 2020 figures and 182 days for the FPE 2021, divided by the total cost of sales for the respective financial year / period.

(3) Computed based on the average of the inventories as at the beginning and end of the respective financial year/period multiplied by 365 days for the FYEs 2018, 2019 and 2020 figures and 182 days for the FPE 2021, divided by the total purchases for the respective financial year / period.

(4) Computed based on current assets divided by current liabilities as at the end of the financial year / period.

(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.

(i) Trade receivables turnover period

	FYE 2018	FYE 2019	FYE 2020	FPE 2021
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**
Trade receivables (average)	26,227	27,668	27,153	26,279
Revenue	1,172,301	1,144,861	1,294,769	673,911
Trade receivables turnover period (days)(1)	**8**	**9**	**8**	**7**

Note:-

(1) Computed based on the average of the trade receivables as at the beginning and end of the respective financial year / period multiplied by 365 days for the FYEs 2018, 2019 and 2020 figures and 182 days for the FPE 2021, divided by the total revenue for the financial year / period. Average closing balance is derived based on the sum of the closing balance of the previous financial year / period and the closing balance of the current financial year / period, divided by 2.

Due to the nature of our business, a majority of our transactions with customers are settled immediately on a cash basis, either through cash, by cheque, through financial institutions providing retail credit services such as credit and debit cards via instalment plans backed by credit cards or instalment plans offered by third-parties or through third-party online payment channels. Our trade receivables mainly comprise amounts owing from retail customers, corporate customers and amounts owing from banks arising from credit card sales.

As at 30 June 2021, we had RM29.66 million in trade receivables outstanding and the ageing analysis of the trade receivables is as follows:-

		Past due			
As at 30 June 2021	**Within credit period**	**0 to 30 days**	**31 to 120 days**	**>120 days**	**Total**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Trade receivables	25,677	2,153	1,173	656	29,659
% of total trade receivables	86.6	7.3	3.9	2.2	100.0
As at the LPD:-					
Trade receivables settled	25,658	2,103	1,098	566	29,425
% of total trade receivables	86.5	7.1	3.7	1.9	99.2
Trade receivables outstanding	**19**	**50**	**75**	**90**	**234**

Our trade receivables turnover period for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021 was generally consistent at 8 days, 9 days, 8 days and 7 days, respectively. It was within the credit period granted to our corporate customers of between 7 and 60 days. As at the LPD, we do not have any significant exposure to any individual customer which we believe is not recoverable.

(ii) Trade payables turnover period

	FYE 2018	FYE 2019	FYE 2020	FPE 2021
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Trade payables (average)	72,269	68,525	83,811	91,315
Cost of sales	910,678	899,521	1,024,768	534,775
Trade payables turnover period (days)[1]	**29**	**28**	**30**	**31**

Note:-

(1) Computed based on the average of the trade payables as at the beginning and end of the respective financial year / period multiplied by 365 days for the FYEs 2018, 2019 and 2020 figures and 182 days for the FPE 2021, divided by the total cost of sales for the respective financial year / period. Average closing balance is derived based on the sum of the closing balance of the previous financial year / period and the closing balance of the current financial year / period, divided by 2.

Our trade payables mainly comprise transactions with third-party suppliers. The trade credit terms granted to our Group by our suppliers typically range from 15 to 60 days. Our trade payables turnover period for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021 was generally consistent at 29 days, 28 days 30 days and 31 days, respectively and was within the credit period granted to our Group by our suppliers.

As at 30 June 2021, the ageing analysis of our trade payables is as follows:-

		Past due			
As at 30 June 2021	**Within credit period**	**0 to 30 days**	**31 to 120 days**	**>120 days**	**Total**
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Trade payables	55,974	40,399	2,848	84	99,305
% of total trade payables	56.4	40.7	2.8	0.1	100.0
As at the LPD:					
Trade payables settled	55,974	40,399	2,848	84	99,305
% of total trade payables	56.4	40.7	2.8	0.1	100.0
Trade payables outstanding	**-**	**-**	**-**	**-**	**-**

We endeavour to pay our suppliers within the trade credit terms granted to us to ensure our supplies are not disrupted. As at the LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us.

(iii) Inventory turnover period

	FYE 2018	FYE 2019	FYE 2020	FPE 2021
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Inventories (average)	149,649	165,187	191,547	222,603
Total purchases[(1)]	928,700	912,575	1,064,434	557,221
Inventory turnover period (days)[(2)]	**59**	**66**	**66**	**73**

Notes:-

(1) Total purchases are computed based on the cost of sales plus change in opening and closing in inventory for the period.

(2) Computed based on the average of the inventories as at the beginning and end of the respective financial year / period multiplied by 365 days for the FYEs 2018, 2019 and 2020 figures and 182 days for the FPE 2021, divided by the total purchases for the respective financial year. Average closing balance is derived based on the sum of the closing balance of the previous financial year and the closing balance of the current financial year, divided by 2.

Our inventories turnover period for the FYE 2018, FYE 2019 and FYE 2020 were generally consistent at 59 days, 66 days and 66 days, respectively. For the FPE 2021, our inventory turnover period increased to 73 days as we increased our overall average inventory levels in anticipation of future price increases as well as to reduce the instances of stock unavailability. Our inventories consist of various range of products that we purchased from our suppliers. We endeavour to always maintain a sufficient level of inventory to limit the instances of stock unavailability at our stores.

Our Group performs periodic review on our inventories to assess if there is any indication of impairment for our inventories such as obsolescence or slow-moving inventories. Any slow-moving and/or obsolete inventory will be provided for and written down to its realisable value as assessed by our management.

(iv) Current ratio

	As at 31 December			As at 30 June 2021
	2018	2019	2020	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Current assets	281,209	321,071	367,385	390,103
Current liabilities	212,937	240,046	253,359	257,898
Net current assets	**68,272**	**81,025**	**114,026**	**132,205**
Current ratio (times)[(1)]	**1.32**	**1.34**	**1.45**	**1.51**

Note:-

(1) Computed based on current assets divided by current liabilities as at the end of the financial year / period.

Our current ratio as at 31 December 2018 and 2019 was generally consistent at 1.32 times and 1.34 times, respectively.

The current ratio increased from 1.34 times as at 31 December 2019 to 1.45 times as at 31 December 2020. This was mainly due to an increase in inventories as a result of a change in our product mix whereby we increased our stock of digital gadgets.

Our current ratio increased from 1.45 times as at 31 December 2020 to 1.51 times as at 30 June 2021. This was mainly due to the increase in our inventories and trade and other receivables, in line with the continued growth of our business and our decision to increase our average inventory levels. This was partially offset by a decrease in our cash and cash equivalents.

(v) Gearing ratio

	As at 31 December			**As at 30 June 2021**
	2018	**2019**	**2020**	
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**
Total borrowings[(1)]	17,561	45,847	55,693	61,856
Total equity	85,540	122,862	166,206	189,889
Gearing ratio (times)[(2)]	**0.21**	**0.37**	**0.34**	**0.33**

Notes:-

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

(2) Computed based on total borrowings divided by total equity as at the end of the financial year / period.

Our gearing ratio increased from 0.21 times as at 31 December 2018 to 0.37 times as at 31 December 2019, mainly due to an increase in our borrowings in respect of term loans facilities in the FYE 2019.

Despite an increase in our borrowings of RM9.85 million in the FYE 2020, our gearing ratio decreased from 0.37 times as at 31 December 2019 to 0.34 times as at 31 December 2020, mainly due to an increase in our shareholders' equity arising from the profits recorded during the financial year.

As at 30 June 2021, our gearing ratio has improved marginally to 0.33 times primarily due to increase in retained earnings by RM23.31 million which outpaced the increase in our borrowings of RM6.16 million.

12.4.13 Financial risk management objectives and policies

Our Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of our businesses whilst managing the credit, liquidity, interest rate, market and insurance risks.

Our Group operates within clearly defined guidelines that are approved by our Directors and it is our policy not to engage in speculative transactions. There has been no change to our Group's exposure to these financial risks or the manner in which it manages and measures the risks for the Period under Review.

The policies in respect of the major areas of treasury activity are set out as follows:-

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the recognition of a loss in the event a counterparty fails to perform as contracted. The counterparties are reputable institutions and organisations. It is the policy of our Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that our Group is exposed to minimal credit risk.

As majority of our transactions are settled immediately on a cash basis, our credit risk is minimal. We do not have any significant exposure to any individual customer or counterparty nor do we have any major concentration of credit risk related to any financial instruments. Our receivables are primarily made up of amount due from our corporate customers and settlement from banks arising from credit card sales. Our receivable balances are monitored on an ongoing basis and our exposure to bad debt is not significant.

(ii) Liquidity risk

Liquidity risk is the risk that our Group will not be able to meet our financial obligations as they fall due.

Our Group actively manages our debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing the liquidity risk management strategy, we measure and forecast cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance our activities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Our objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will be affected because of changes in interest rates.

Our interest rate risk arises primarily from interest-earning deposits and interest-bearing borrowings from financial institutions. The fixed-rate deposits and borrowings expose us to fair value interest rate risk. The floating rate deposits and borrowings expose us to cash flow interest rate risk. Our Group borrows in the desired currencies at both fixed and floating rates of interest.

We actively review our debt portfolio, taking into account the investment holding period and nature of their assets. This strategy allows us to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the financial instruments of our Group would fluctuate because of changes in foreign currency rate.

Our Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the operating entities. Exposure in foreign currency is monitored on an ongoing basis and our Group endeavours to keep the net exposure at an acceptable level.

(v) Price risk

Price risk is the risk that the fair value or future cash flows of the financial instruments of our Group would fluctuate because of changes in market prices (other than interest or exchange rates).

Our Group is exposed to price risks arising from investments we hold. These instruments are classified as financial assets designated at fair value through profit or loss.

12.5 CAPITALISATION AND INDEBTEDNESS

The following table summarises our pro forma capitalisation and indebtedness based on the unaudited statement of financial position of our Group as at 31 October 2021 and giving effect to the completion of our IPO and the utilisation of proceeds having occurred on 31 October 2021. The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at 31 October 2021 and is provided for illustration purposes only.

	Unaudited	**Pro forma**
	As at 31 October 2021	**After IPO and utilisation of proceeds**
	(RM'000)	**(RM'000)**
Indebtedness:-		
Secured and guaranteed		
Bankers' acceptance	10,000	10,000
Term loans	46,253	253
Not secured and not guaranteed		
Lease liabilities	74,577	74,577
Total indebtedness(1)	**130,830**	**84,830**
Capitalisation:-		
Total shareholder's equity	**209,618**	(2)**469,722**
Total capitalisation(2)	**209,618**	**469,722**
Total capitalisation and indebtedness	**340,448**	**554,552**

Notes:-

(1) Total indebtedness includes current and non-current borrowings.

(2) Computed after taking into account the issuance of the Issue Shares based on the IPO Price and the estimated listing expenses.

12.6 TREND INFORMATION

Save as disclosed in this Section and in Sections 5, 7 and 8 of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our financial condition and results of operations.

12.7 DIVIDEND POLICY

Our Group's dividend history for the Period under Review and the corresponding dividend pay-out ratios are as follows:-

	FYE 2018	FYE 2019	FYE 2020	FPE 2021
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Dividends declared	-	12,000	12,000	-
Dividends paid(1)	12,000	26,586	12,000	12,000
PAT	61,063	49,559	55,637	23,312
Dividend pay-out ratio(2) (%)	-	24.2	21.6	-

Notes:-

(1) The dividends paid during the Period under Review were funded via internally-generated funds.

(2) Computed based on dividends declared divided by PAT during the financial year.

Save for the above, since 1 January 2021 up to the LPD, we have not declared any dividends. For information, we do not intend to declare and pay any dividends in 2021.

On 21 December 2020, Senheng KL declared a single-tier tax-exempt final dividend of RM12.00 per ordinary share in Senheng KL amounting to RM12.00 million in respect of the FYE 2020 which was paid in the first quarter of 2021. This dividend does not exceed Senheng KL's retained profits as at 31 December 2020 and have been paid out of the accumulated cash and bank balances of Senheng KL. This dividend is not expected to have any impact on the execution and implementation of our Group's future plans or strategies.

No inference should be made from any of the foregoing statements to our actual future and profitability or our ability to pay dividends in the future.

As we are a holding company, our income and ability to pay dividends are dependent upon the dividends received from our Subsidiaries. The payment of dividends by our Subsidiaries is dependent upon their respective financial condition, anticipated capital expenditure requirement, business expansion plans, availability of distributable reserves and other relevant factors.

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 after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payments of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

12. FINANCIAL INFORMATION (CONT'D)

In addition to the factors above which may affect the ability of our Subsidiaries to distribute dividends to us, our Board may recommend or declare the actual dividends in respect of any particular financial year or period subject to the factors outlined below:-

(i) our results of operations and cash flow;

(ii) our expected financial performance and working capital needs;

(iii) our capital expenditures and other investment plans;

(iv) any material impact of tax laws and regulatory requirements;

(v) any restrictive covenant contained in our current and future financing requirements; and

(vi) the general economic and business conditions and other factors deemed relevant by our Board.

The level of dividends declared in the past should also not be treated as an indication of our future dividend pay-out.

You 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.

12.8 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

BDO

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Malaysia

The Board of Directors
Senheng New Retail Berhad
No. 44B, Jalan Pandan 3/2,
Pandan Jaya,
55100 Kuala Lumpur.

Date: 10 December 2021

Our ref: BDO/AN/LPL

Dear Sirs and Madams,

Senheng New Retail Berhad ("Senheng" or the "Company") and its subsidiaries ("Senheng Group" or the "Group")
Report on the Compilation of Pro Forma Consolidated Statements of Financial Position Included in A Prospectus

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of the Group as at 30 June 2021 ("Pro Forma Consolidated Statements of Financial Position"). The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes thereon, for which we have stamped for purpose of identification, have been compiled by the Board of Directors of the Company ("Board of Directors") for inclusion in the prospectus of the Company ("Prospectus") in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and are specified in paragraphs 9.18 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors to illustrate the impact of the events or transactions as set out in the Notes to the Pro Forma Statements of Financial Position on the financial position of the Group as at 30 June 2021 had the Listing been affected as at 30 June 2021. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors from the Group's audited combined statements of financial position as at 30 June 2021.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Our Independence and Quality Control

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants *(including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our Independence and Quality Control (continued)

The firm applies International Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board of Directors on the basis described in Notes to the Pro Forma Consolidated Statements of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinion were addressed by us at the dates of their issue.

The purpose for inclusion of the Pro Forma Consolidated Statements of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted statements of financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position of the Group have been compiled, in all material respects, on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matter

This report has been prepared solely for the purpose stated above, in connection with the listing and quotation of the entire enlarged issued share capital in the Company on the Main Market of Bursa Malaysia Securities Berhad. As such, this Report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

BDO PLT

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Ng Soe Kei
02982/08/2023 J
Chartered Accountant

1. INTRODUCTION AND BASIS OF PREPARATION

1.1 Introduction

The Pro Forma Consolidated Statements of Financial Position of Senheng New Retail Berhad ("Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2021 ("Pro Forma Consolidated SOFP") together with the notes thereon, for which the Directors of the Company are solely responsible, has been prepared for illustrative purposes only for the purpose of inclusion in the prospectus in connection with the initial public offering of the Company ("IPO") and the listing of and quotation for the entire enlarged issued share capital in the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

1.2 Basis of preparation

The Pro Forma Consolidated SOFP have been prepared based on the audited combined statements of financial position of the Group as at 30 June 2021, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Pro Forma Consolidated SOFP are consolidated using merger method as the Company and its subsidiaries are under common control by the same parties, both before and after the acquisition of the Group, and control is not transitory. When the merger method is used, the difference between the cost of investment recorded by the Company and the share capital of Senheng Electric (KL) Sdn Bhd ("Senheng KL") is accounted for as merger reserves in the Pro Forma Consolidated SOFP as disclosed in Note 3.1.1.

The audited combined statements of financial position of the Group for the financial period ended 30 June 2021 used in the preparation of the Pro Forma Consolidated SOFP was not subject to any audit qualification.

The Pro Forma Consolidated SOFP of the Group comprise Pro Forma Statements of Financial Position as at 30 June 2021, adjusted for the impact of the events or transactions as set out in Note 2 to the Pro Forma Consolidated SOFP.

Due to its nature, the Pro Forma Consolidated SOFP is not necessarily indicative of the financial position of the Group that would have been attained had the effects of the transactions as set out in Note 2 actually occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group.

2. LISTING SCHEME

2.1 Pre-IPO reorganisation

2.1.1 Acquisition of Senheng KL

The Company had on 28 June 2021 entered into a conditional share sale agreement with Lim Kim Heng, Lim Kim Chieng and Lim Kim Yew to acquire the entire issued share capital of Senheng KL of RM1,000,000 comprising 1,000,000 ordinary shares for a total consideration of RM166,206,168 ("Acquistion of Senheng KL"). The Acquisition of Senheng was wholly satisfied via the issuance of 166,206,168 new ordinary shares of the Company ("Shares") at an issue price of RM1.00 per share which was then issued to SQ Digital Sdn. Bhd., Lim Kim Heng, Lim Kim Chieng and Lim Kim Yew.

The total purchase consideration of RM166,206,168 was arrived at on a "willing-buyer willing-seller" basis and represents the audited net assets of Senheng KL as at 31 December 2020. The Acquisition of Senheng KL was completed on 25 November 2021.

2. LISTING SCHEME (continued)

2.1 Pre-IPO reorganisation (continued)

2.1.2 Share Split

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

2.2 Listing exercise

In conjunction with the Listing, the Company will undertake an IPO comprising public issue of 250,000,000 new ordinary shares in the Company ("Public Issue") and offer for sale of 139,500,000 existing ordinary shares in the Company ("Offer for Sale"), representing 16.67% and 9.30% of the Company's enlarged total number of Shares respectively, at an indicative IPO price of RM1.07.

Upon completion of the Listing, the enlarged issued share capital of RM427,856,171 comprising 1,500,000,000 ordinary shares in the Company will be listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

Utilisation of proceeds

The proceeds from the Public issue of RM267,500,000 are expected to be utilised as follows:

Details of utilisation		Estimated timeframe for utilisation upon Listing	RM'000	Percentage of gross proceeds %
(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**

The Group intends to use RM46,000,000 from the proceeds from the Public Issue to repay the term loans facility as set out in Note 3.2.2.

The estimated listing expenses totaling RM9,300,000 to be borne by the Company comprise underwriting fees, placement fees, brokerage fees, regulatory fees, professional fees and miscellaneous expenses relating to the Public Issue and the Listing, of which RM1,903,500 had been incurred and charged to profit or loss of the Group as of 30 June 2021. Upon completion of the Listing, a total of RM5,850,000 of the estimated listing expenses is assumed to be directly attributable to the Public Issue and as such, will be debited against the share capital of the Company and the remaining expenses of RM1,546,500 will be expensed off to the profit or loss.

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

The Pro Forma Consolidated SOFP of the Group as at 30 June 2021 have been prepared for illustrative purposes only to show the effects on the audited combined statements of financial position of the Group as at 30 June 2021 based on the assumptions that transactions set out in Note 2 had been effected on 30 June 2021, and should be read in conjunction with notes accompanying to the Pro Forma Consolidated SOFP.

	Note	Audited as at 30 June 2021 RM	Adjustments for pre-IPO reorganisation RM	Pro Forma I After the pre-IPO reorganisation RM	Adjustments for listing exercise RM	Pro Forma II After Pro Forma I and listing exercise RM
ASSETS						
Non-current assets						
Property, plant and equipment		-	107,048,098	107,048,098	-	107,048,098
Right-of-use assets		-	84,816,049	84,816,049	-	84,816,049
Intangible assets		-	4,420	4,420	-	4,420
Other investments		-	13,676,297	13,676,297	-	13,676,297
Deferred tax assets		-	26,704,780	26,704,780	-	26,704,780
Other receivables		-	68,788,441	68,788,441	-	68,788,441
		-	301,038,085	301,038,085	-	301,038,085
Current assets						
Inventories		-	233,826,021	233,826,021	-	233,826,021
Other investments		-	15,281,841	15,281,841	-	15,281,841
Trade and other receivables		400	90,694,098	90,694,498	-	90,694,498
Current tax assets		-	84,863	84,863	-	84,863
Cash and bank balances	3.2.1	3	50,216,210	50,216,213	214,103,500	264,319,713
		403	390,103,033	390,103,436	214,103,500	604,206,936
TOTAL ASSETS		403	691,141,118	691,141,521	214,103,500	905,245,021
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share capital	3.2.3	3	166,206,168	166,206,171	261,650,000	427,856,171
Merger reserves	3.2.3	-	(165,206,168)	(165,206,168)	-	(165,206,168)
Foreign currency translation reserve	3.2.3	-	(290,548)	(290,548)	-	(290,548)
Retained earnings	3.2.3	(45,259)	189,224,831	189,179,572	(1,546,500)	187,633,072
(CAPITAL DEFICIENCY)/TOTAL EQUITY	3.2.3	(45,256)	189,934,283	189,889,027	260,103,500	449,992,527

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021 (continued)

	Note	Audited as at 30 June 2021 RM	Adjustments for pre-IPO reorganisation RM	Pro Forma I After the pre-IPO reorganisation RM	Adjustments for listing exercise RM	Pro Forma II After Pro Forma I and listing exercise RM
LIABILITIES						
Non-current liabilities						
Lease liabilities		-	51,118,947	51,118,947	-	51,118,947
Deferred tax liabilities		-	2,333	2,333	-	2,333
Borrowings	3.2.2	-	42,533,097	42,533,097	(40,676,739)	1,856,358
Provision for restoration costs		-	9,620,104	9,620,104	-	9,620,104
Contract liabilities		-	140,079,750	140,079,750	-	140,079,750
		-	243,354,231	243,354,231	(40,676,739)	202,677,492
Current liabilities						
Trade and other payables		45,659	126,161,511	126,207,170	-	126,207,170
Lease liabilities		-	24,722,190	24,722,190	-	24,722,190
Provision for restoration costs		-	2,247,549	2,247,549	-	2,247,549
Contract liabilities		-	84,993,887	84,993,887	-	84,993,887
Borrowings	3.2.2	-	19,323,261	19,323,261	(5,323,261)	14,000,000
Current tax liabilities		-	404,206	404,206	-	404,206
		45,659	257,852,604	257,898,263	(5,323,261)	252,575,002
TOTAL LIABILITIES		45,659	501,206,835	501,252,494	(46,000,000)	455,252,494
TOTAL EQUITY AND LIABILITIES		403	691,141,118	691,141,521	214,103,500	905,245,021
Net (liabilities)/assets (RM)		(45,256)		189,889,027		449,992,527
Number of ordinary shares assumed in issue		3		1,250,000,000		1,500,000,000
Net assets attributable to equity holders per ordinary share (RM)		(15,085)		0.15		0.30

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021 (continued)

3.1 Pro Forma adjustments to the Pro Forma Consolidated Statements of Financial Position

3.1.1 Pro Forma I

Pro Forma 1 incorporates the effects of the pre-IPO reorganisation as set out in Note 2.1.

The merger reserve of the Acquisition of Senheng KL are as below:

	RM
Purchase consideration	166,206,168
Less: Share capital of Senheng KL	(1,000,000)
Merger reserves	165,206,168

3.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I as set out in Note 2.1 and the effects of the listing exercise as set out in Note 2.2.

3.2 Notes to the Pro Forma Consolidated Statements of Financial Position

3.2.1 Cash and Bank Balances

The movement of cash and bank balances are as follows:

	Note	RM
As at 30 June 2021		3
Arising from the Acquisiton of Senheng KL		50,216,210
Pro Forma I		50,216,213
Public Issue	2.2	267,500,000
Repayment of borrowings	2.2	(46,000,000)
Estimated listing expenses	2.2	(7,396,500)
Pro Forma II		264,319,713

3.2.2 Borrowings

	Audited as at 30 June 2021 RM	Adjustments for pre-IPO reorganisation RM	Pro Forma I RM	Repayments of bank borrowings (Note 2.2) RM	Pro Forma II RM
Current liabilites					
Bankers' acceptances	-	14,000,000	14,000,000	-	14,000,000
Term loans	-	5,323,261	5,323,261	(5,323,261)	-
	-	19,323,261	19,323,261	(5,323,261)	14,000,000
Non-current liabilites					
Term loans	-	42,533,097	42,533,097	(40,676,739)	1,856,358
Total borrowings					
Bankers' acceptances	-	14,000,000	14,000,000	-	14,000,000
Term loans	-	47,856,358	47,856,358	(46,000,000)	1,856,358
	-	61,856,358	61,856,358	(46,000,000)	15,856,358

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Chartered Accountants
Kuala Lumpur

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021 (continued)

3.2.3 Share Capital and Reserves

	Share capital RM	Merger reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total equity RM
Equity attributable to owners of the Company					
As at 30 June 2021	3	-	-	(45,259)	(45,256)
Arising from the Acquisition of Senheng KL	166,206,168	(165,206,168)	(290,548)	189,224,831	189,934,283
Pro Forma I	166,206,171	(165,206,168)	(290,548)	189,179,572	189,889,027
Public Issue	267,500,000	-	-	-	267,500,000
Estimated listing expenses attributable to the Public Issue	(5,850,000)	-	-	-	(5,850,000)
Estimated other listing expenses	-	-	-	(1,546,500)	(1,546,500)
Pro Forma II	427,856,171	(165,206,168)	(290,548)	187,633,072	449,992,527

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Senheng New Retail Berhad in accordance with a resolution dated 10 December 2021.

Signed on behalf of the Board of Directors.

....	....
Lim Kim Chieng	**Lim Kim Heng**
Director	Director

Kuala Lumpur
10 December 2021

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The Board of Directors
Senheng New Retail Berhad
No. 44B, Jalan Pandan 3/2
Pandan Jaya, 55100
Kuala Lumpur

Date: 10 December 2021

Our Ref: BDO/AN/LPL

Dear Sirs

Reporting Accountant's Opinion on the Combined Financial Statements Contained in the Accountants' Report of Senheng New Retail Berhad ("Senheng" or "the Company")

Opinion

We have audited the combined financial statements of Senheng New Retail Berhad and its combining entities, Senheng Electric (KL) Sdn. Bhd and its subsidiaries (collectively known as the "Group"), which comprise the combined statements of financial position as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 June 2021 of the Group, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years/period ended 31 December 2018 and 31 December 2019, 31 December 2020 and 30 June 2021, and notes to the combined financial statements, including a summary of significant accounting policies as set out in this report.

The historical combined financial statements have been prepared for inclusion in the prospectus of the Company (the "Prospectus") in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad (the "Listing"). This report is given for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 June 2021 and of their financial performance and their cash flows for each of the financial years/period ended 31 December 2018, 31 December 2019, 31 December 2020 and 30 June 2021 in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Reporting Accountant's Opinion on the Combined Financial Statements Contained in the Accountants' Report of Senheng New Retail Berhad ("Senheng" or "the Company") (continued)

Directors' Responsibility for the Combined Financial Statements

The Directors of the Company ("Directors") are responsible for the preparation of the combined financial statements of the Group that gives a true and fair view in accordance with MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibility for the Audit of Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the financial statements of the Group represent the underlying transactions and events in a manner that achieve fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Reporting Accountant's Opinion on the Combined Financial Statements Contained in the Accountants' Report of Senheng New Retail Berhad ("Senheng" or "the Company") (continued)

Reporting Accountants' Responsibility for the Audit of Combined Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

The comparative information in respect of the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity, combined statements of cash flows and related notes to the combined financial statements for the financial period ended 30 June 2020 has not been audited.

Restriction on Distribution and Use

This report has been prepared solely to comply with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the Listing and for no other purposes. We do not assume responsibility to any other person for the content of this report.

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BDO PLT
LLP0018825-LCA & AF : 0206
Chartered Accountants

Ng Soe Kei
02982/08/2023 J
Chartered Accountant

ACCOUNTANTS' REPORT ("THIS REPORT")

1. GENERAL INFORMATION

The Company was incorporated in Malaysia under the Companies Act 2016 on 21 May 2021 as a public limited company under the name Senheng New Retail Berhad.

The registered office of the Company is located at B03-B-13-1, Level 13, Menara 3A, KL Eco City, No.3, Jalan Bangsar, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 44B, Jalan Pandan 3/2, Pandan Jaya, 55100 Kuala Lumpur.

The Company is principally engaged in investment holding activities. The principal activities of Senheng Electric (KL) Sdn. Bhd. and its subsidiaries are set out in Note 6.26 to the combined financial statements.

The combined financial statements are presented Ringgit Malaysia ("RM"), which is also the functional currency of the Group.

2. BASIS OF PREPARATION

The combined financial statements of the Group consist of the financial statements of Senheng New Retail Berhad and the consolidated of financial statements of Senheng Electric (KL) Sdn. Bhd. and its subsidiaries, on a combined basis, which are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and based on the Guidance Note on Combined Financial Statements issued by the Malaysian Institute of Accountants in relation to the listing of and quotation for the enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year.

The combined financial statements of the Group for the relevant period are prepared under historical cost convention except as otherwise stated in the combined financial statements. The combined financial statements are prepared for the relevant period in a manner similar to the "pooling of interest" method of accounting, as if the combining entities, Senheng New Retail Berhad and Senheng Electric (KL) Sdn. Bhd. and its subsidiaries, were operating as a single economic enterprise from beginning of the earliest comparative period covered for the relevant period. Such manner of presentation reflects the economic substance of the combined entities, which are under common control throughout the relevant period.

The preparation of these combined financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

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Kuala Lumpur

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group applies the accounting policies set out below consistently throughout the periods presented in these combined financial statements, unless otherwise stated.

3.1 Basis of consolidation

The combined financial statements of the Group incorporate the financial statements of the Company and all its combined entities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee;
(b) exposure, or rights, to variable returns from its involvement with the investee; and
(c) the ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting of similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual agreements; and
(c) the voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statement. Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the combined entities are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, appropriate adjustments are made to its financial statements in preparing the combined financial statements.

Non-controlling interests, if any, represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the combined statement of profit or loss and other comprehensive income and within equity in the combined statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Amounts previously recognised in other comprehensive income in relation to the subsidiaries are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.2 Business combinations

Business combinations other than those involving entities under common control, are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) right of use assets and lease liabilities for leases are recognised and measured in accordance with MFRS 16 *Leases*;

(c) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacements by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(d) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. The Group accounts for changes in fair value of contingent consideration that are not measurement period adjustments as follows:

(a) Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

(b) Other contingent consideration that:

    (i) is within the scope of MFRS 9 *Financial Instruments* shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9 *Financial Instruments* for the relevant period.

    (ii) is not within the scope of MFRS 9 *Financial Instruments* shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Business combinations (continued)

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRS. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method of accounting. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements of the Group. Any difference between the consideration paid and the share capital and capital reserves of the "acquired" entity is reflected within equity as merger reserve. The statements of profit or loss and other comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

Entities under common control are entities, which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

3.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of an item property, plant and equipment are recognised in profit or loss in the period in which the costs are incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment and depreciation (continued)

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	2%
Furniture and fittings	20%
Office equipment	20%
Office computers	20%
Motor vehicles	20%
Renovations and signboards	20%

Freehold land has unlimited useful life and is not depreciated. Capital work-in-progress represents building under construction and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.8 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method of previous estimates shall be reviewed if there is indication of impairment to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If current expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

3.4 Leases

The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonable certain to exercise that option; and

(b) periods covered by an option to terminate the lease is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Leases (continued)

The Group as lessee (continued)

Right-of-use asset

The right-of-use asset is initially recorded at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date of the lease, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use asset is measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease terms of right-of-use assets are as follows:

Leasehold land	Over the remaining lease period of 57 - 95 years
Buildings	3 – 12 years
Motor vehicles	5 years

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group as lessor

As a lessor, Group determines at lease inception whether each lease is a finance lease or an operating lease. To clarify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

3.5 Investment in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less any accumulated impairment losses, if any.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise the carrying amount of the investment and recognise the consideration received. The resulting difference is recognised as a gain or loss on disposal of the subsidiary in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Intangible asset

Intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met. Intangible assets are initially measured at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the operating and administrative expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Expenditure on an intangible item that are initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

Computer software

Acquired computer software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. This cost is amortised over its estimated useful live of five (5) years on a straight-line basis. The estimated useful lives represent common life expectancies applied in the industry within which the Group operates.

3.7 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined on a weighted average basis and comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.

Inventories are assessed for impairment at the end of each reporting period by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets, excluding deferred tax assets and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

3.9 Financial instruments

(a) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

(a) Financial assets (continued)

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below: (continued)

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments, which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. Any gains or losses arising from the changes in fair value are recognised in profit or loss.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group has an option to elect an irrevocable option to designate its equity instruments at initial recognition as financial assets measured at FVTOCI if the equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss for equity instruments measured at FVTPL. As for equity instruments measured at FVTOCI, any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss.

Dividend on equity instruments are recognised in profit or loss when the right to receive payment is established.

Cash and bank balances are measured at amortised cost. Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

(a) Financial assets (continued)

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.10 Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Equity (continued)

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholder in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the parent at the fair value of the assets to be distributed. The carrying amount of the dividend is re-measured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the asset distributed and the carrying amount of the liability in profit or loss.

3.11 Impairment of financial assets

The Group recognises an impairment loss allowance for expected credit losses on a financial asset that is measured at amortised cost. The Group applies the simplified and general approach to measure expected credit loss ("ECL") on trade and other receivables.

The Group measures loss allowances for cash and bank balances that are determined to have low credit risk at the reporting date at 12-month expected credit loss.

The Group recognises allowance for impairment loss for trade receivables based on the simplified approach in accordance with MFRS 9 *Financial Instruments* and measures the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

Impairment for other receivables and amounts owing by related companies are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. The Group determined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment delays and past due information.

The Group considers historical credit loss experience and observable data such as current changes and future forecasts in economic conditions i.e. Gross Domestic Product ("GDP"), inflation rate and consumer price index, to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Evidence that a financial asset is credit impaired includes the following observable data:

(i) Significant financial difficulties of the debtor;
(ii) It is probable that the debtor will enter bankruptcy or other financial reorganisation; or
(iii) The disappearance of an active market for a security because of financial difficulties.

The Group defines significant increase in credit risk based on past due information, i.e. 365 days after credit term, operating performance of the receivables, changes to contractual terms and payment trends.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Borrowing costs

All borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

3.13 Income tax

Income taxes include all taxes on taxable profits.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provision for restoration costs

This provision is recognised in respect of the obligation of the Group to restore leased outlets to its original state upon the expiry of tenancy agreements.

Provision for restoration costs comprises estimates of reinstatement costs for stores upon termination of tenancy.

3.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

3.16 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

(a) Sales of goods

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out below:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue recognition (continued)

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers: (continued)

(a) Sales of goods (continued)

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out below: (continued)

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the performance of the Group:

(i) Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or

(ii) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

(b) Sales of services

(i) Warranty

The Group and the Company provides a warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold together with the sale of goods. Contracts for bundled sales of goods and service-type warranty comprise two performance obligations because the goods and service-type warranty are both sold on a stand-alone basis and are distinct within the context of the contract. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a liability (deferred income) in the statement of financial position. Revenue for service-type warranties is recognised over the period in which the service is provided based on the time elapsed.

(ii) Membership income

Membership income is recognised in profit or loss when the payment is received and proportion to the membership tenure.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue recognition (continued)

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers: (continued)

(c) Customer loyalty awards

The Group operates the customer loyalty programme, which allows customers to accumulate points for future redemption when they purchase products at the Group's stores.

The consideration received from the sale of goods is allocated to the goods sold and the points issued that are expected to be redeemed. The consideration allocated to the points issued is measured at fair value of the points. It is recognised as a liability (deferred revenue) in the statement of financial position and recognised as revenue when the points are redeemed, have expired or are no longer expected to be redeemed. The amount of revenue recognised is based on the number of points that have been redeemed, relative to the total number of points expected to be redeemed.

Revenue recognition not in relation to performance obligations is described below:

(a) Dividend income

Dividend income is recognised when the right to receive payment is established.

(b) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(c) Rental income

Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

(d) Subsidies and incentives income

The Group receives subsidies and incentives from suppliers for various programs, primarily advertisement and promotional incentives. Subsidies and incentives are recognized to statements of profit or loss and other comprehensive income when the performance obligations for promotional programs have been fulfilled by the Group in accordance with the terms as stipulated in the agreements with suppliers.

3.17 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as a current liability when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate of the obligation can be made.

(b) Defined contribution plan

The Group makes contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any amount already paid and as an expense in the period in which the employees render their services.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The combined financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Group.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

3.19 Fair value measurement

The fair value of an asset or a liability except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) the condition and location of the asset; and

(b) restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) an entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Fair value measurement (continued)

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable:

(a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

3.20 Operating segments

Operating segments are defined as components of the Group that:

(a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the consolidated revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

(i) the consolidated reported profit of all operating segments that did not report a loss; and

(ii) the consolidated reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the consolidated assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

4.2 Critical judgements made in applying accounting policies

There are no significant judgements made by the management in the process of applying the accounting policies of the Group that have a significant effect on the amounts recognised in the financial statements.

4.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Determination of the lease term for leases

The Group determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant options. Management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.

(b) Provision for restoration costs

The Group estimates provision for restoration costs based on historical costs incurred per square feet of rent area. The estimated provision for restoration costs are reviewed periodically and are updated if expectations differ from previous estimates due to changes in cost factors. Where expectations differ from the original estimates, the differences would impact the carrying amount of provision for restoration costs of the Group.

(c) Impairment of trade and other receivables

The impairment allowances for trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, the existing market conditions including forward looking estimates i.e. GDP, inflation rate and consumer price index, at end of the reporting period.

5. HISTORICAL FINANCIAL INFORMATION

5.1 COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

	Note	31.12.2018 Audited RM	31.12.2019 Audited RM	31.12.2020 Audited RM	30.6.2021 Audited RM
ASSETS					
Non-current assets					
Property, plant and equipment	6.2	44,341,466	91,308,774	96,429,977	107,048,098
Right-of-use assets	6.3	82,814,871	75,416,467	82,392,168	84,816,049
Intangible assets	6.4	-	-	4,930	4,420
Other investments	6.5	14,967,152	18,506,588	15,104,977	13,676,297
Deferred tax assets	6.6	21,869,995	24,583,280	26,063,925	26,704,780
Trade and other receivables	6.7	55,662,620	56,348,377	69,531,117	68,788,441
		219,656,104	266,163,486	289,527,094	301,038,085
Current assets					
Inventories	6.8	158,660,101	171,714,393	211,379,805	233,826,021
Other investments	6.5	22,306,018	10,589,405	12,968,291	15,281,841
Trade and other receivables	6.7	68,754,636	73,649,537	74,281,913	90,694,498
Current tax assets		7,752,874	10,706,037	-	84,863
Cash and bank balances	6.9	23,735,344	54,411,599	68,755,267	50,216,213
		281,208,973	321,070,971	367,385,276	390,103,436
TOTAL ASSETS		500,865,077	587,234,457	656,912,370	691,141,521
EQUITY AND LIABILITIES					
Equity attributable to owners of the Parent					
Share capital	6.10	1,000,003	1,000,003	1,000,003	1,000,003
Reserves	6.11	84,539,652	121,862,569	165,206,168	188,889,024
TOTAL EQUITY		85,539,655	122,862,572	166,206,171	189,889,027
LIABILITIES					
Non-current liabilities					
Lease liabilities	6.3	66,841,234	50,958,192	49,145,179	51,118,947
Deferred tax liabilities	6.6	-	-	1,827	2,333
Borrowings	6.12	-	31,026,256	40,737,355	42,533,097
Provision for restoration costs	6.14	4,998,848	6,505,782	8,640,923	9,620,104
Contract liabilities	6.16	130,547,793	135,835,464	138,821,782	140,079,750
		202,387,875	224,325,694	237,347,066	243,354,231
Current liabilities					
Trade and other payables	6.15	98,747,298	123,931,764	124,813,307	126,207,170
Lease liabilities	6.3	24,757,038	23,391,784	25,667,184	24,722,190
Provision for restoration costs	6.14	410,959	1,364,322	1,661,326	2,247,549
Contract liabilities	6.16	72,502,427	77,130,183	84,158,058	84,993,887
Borrowings	6.12	16,500,000	14,017,766	14,455,062	19,323,261
Current tax liabilities		19,825	210,372	2,604,196	404,206
		212,937,547	240,046,191	253,359,133	257,898,263
TOTAL LIABILITIES		415,325,422	464,371,885	490,706,199	501,252,494
TOTAL EQUITY AND LIABILITIES		500,865,077	587,234,457	656,912,370	691,141,521

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.2 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP

	Note	1.1.2018 to 31.12.2018 Audited RM	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 30.6.2021 Audited RM	1.1.2020 to 30.6.2020 Unaudited RM
Revenue	6.17	1,172,300,731	1,144,861,528	1,294,768,630	673,910,919	557,531,715
Cost of sales		(910,677,419)	(899,521,120)	(1,024,768,361)	(534,774,945)	(442,869,386)
Gross profit		261,623,312	245,340,408	270,000,269	139,135,974	114,662,329
Other operating income		10,989,381	15,269,667	13,689,182	7,078,668	5,595,712
Operating and administrative expenses		(194,975,114)	(195,159,661)	(206,355,909)	(114,713,558)	(99,547,852)
Interest income		1,829,017	1,050,768	1,681,087	623,683	820,155
Profit from operations		79,466,596	66,501,182	79,014,629	32,124,767	21,530,344
Finance costs		(4,483,485)	(5,014,914)	(5,400,078)	(2,528,686)	(2,709,093)
Profit before tax	6.18	74,983,111	61,486,268	73,614,551	29,596,081	18,821,251
Income tax expense	6.19	(13,920,018)	(11,927,510)	(17,977,768)	(6,283,978)	(4,468,915)
Profit for the financial year/period, attributable to the owners of the parent		61,063,093	49,558,758	55,636,783	23,312,103	14,352,336

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.2 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP (continued)

	Note	1.1.2018 to 31.12.2018 Audited RM	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 30.6.2021 Audited RM	1.1.2020 to 30.6.2020 Unaudited RM
Profit for the financial year/period, attributable to the owners of the parent		61,063,093	49,558,758	55,636,783	23,312,103	14,352,336
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
(Loss)/Gain on foreign currency translation		(37,820)	(235,841)	(293,184)	370,753	1,027,006
Other comprehensive income, net of tax		(37,820)	(235,841)	(293,184)	370,753	1,027,006
Total comprehensive income, attributable to the owners of the parent		61,025,273	49,322,917	55,343,599	23,682,856	15,379,342
Earnings per share attributable to the owners of the parent						
Basic (RM)	6.20	61.06	49.55	55.64	23.31	14.35
Diluted (RM)	6.20	61.06	49.55	55.64	23.31	14.35

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5. **HISTORICAL FINANCIAL INFORMATION (continued)**

5.3 **COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE GROUP**

	Note	Share capital RM	Foreign currency translation reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2018		1,000,003	(94,456)	23,608,835	24,514,382
Profit for the financial year		-	-	61,063,093	61,063,093
Other comprehensive income, net of tax		-	(37,820)	-	(37,820)
Total comprehensive income		-	(37,820)	61,063,093	61,025,273
Balance as at 31 December 2018/1 January 2019		1,000,003	(132,276)	84,671,928	85,539,655
Profit for the financial year		-	-	49,558,758	49,558,758
Other comprehensive loss, net of tax		-	(235,841)	-	(235,841)
Total comprehensive income		-	(235,841)	49,558,758	49,322,917
Transactions with owners:					
Dividends paid	6.21	-	-	(12,000,000)	(12,000,000)
Balance as at 31 December 2019/1 January 2020		1,000,003	(368,117)	122,230,686	122,862,572

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.3 COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE GROUP (continued)

	Note	Share capital RM	Foreign currency translation reserve RM	Retained earnings RM	Total equity RM
Balance as at 31 December 2019/1 January 2020		1,000,003	(368,117)	122,230,686	122,862,572
Profit for the financial year		-	-	55,636,783	55,636,783
Other comprehensive loss, net of tax		-	(293,184)	-	(293,184)
Total comprehensive income		-	(293,184)	55,636,783	55,343,599
Transactions with owners:					
Dividends paid	6.21	-	-	(12,000,000)	(12,000,000)
Balance as at 31 December 2020		1,000,003	(661,301)	165,867,469	166,206,171

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5. HISTORICAL FINANCIAL INFORMATION (continued)

5.3 COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE GROUP (continued)

Audited	Note	Share capital RM	Foreign currency translation reserve RM	Retained earnings RM	Total equity RM
Balance as at 31 December 2020/1 January 2021		1,000,003	(661,301)	165,867,469	166,206,171
Profit for the financial period		-	-	23,312,103	23,312,103
Other comprehensive loss, net of tax		-	370,753	-	370,753
Total comprehensive income		-	370,753	23,312,103	23,682,856
Balance as at 30 June 2021		1,000,003	(290,548)	189,179,572	189,889,027
Unaudited					
Balance as at 31 December 2019/1 January 2020		1,000,003	(368,117)	122,230,686	122,862,572
Profit for the financial period		-	-	14,352,336	14,352,336
Other comprehensive loss, net of tax		-	1,027,006	-	1,027,006
Total comprehensive income		-	1,027,006	14,352,336	15,379,342
Balance as at 30 June 2020		1,000,003	658,889	136,583,022	138,241,914

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.4 COMBINED STATEMENTS OF CASH FLOWS OF THE GROUP

	Note	1.1.2018 to 31.12.2018 Audited RM	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 30.6.2021 Audited RM	1.1.2020 to 30.6.2020 Unaudited RM
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		74,983,111	61,486,268	73,614,551	29,596,081	18,821,251
Adjustments for:						
Amortisation of intangible assets		-	-	170	510	-
Bad debts written off		-	1,385,888	-	-	-
Depreciation of property, plant and equipment		8,609,210	9,688,075	9,827,113	5,053,921	4,596,706
Depreciation of right-of-use assets	6.3(a)	27,484,839	26,161,714	26,630,605	14,482,488	13,020,073
Dividend income	6.18	(327,932)	(317,057)	(330,263)	(116,253)	(388,463)
Gain on disposal of property, plant and equipment	6.18	(1,142,505)	(301,534)	(125,236)	-	(31,000)
Fair value adjustment on other investments	6.18	1,989,849	(2,817,706)	234,883	(611,935)	906,509
Interest expense on:						
- borrowings		285,636	969,618	2,075,667	863,419	968,934
- lease liabilities	6.3(a)	3,938,809	3,694,397	2,999,005	1,479,645	1,577,581
- unwinding of discount on provision for restoration costs		259,040	350,899	325,406	185,622	162,578
Interest income		(1,829,017)	(1,050,768)	(1,681,087)	(623,683)	(820,155)
Inventories written down		13,523,767	5,656,386	6,379,841	6,045,263	6,744,664
Inventories written back		(1,432,700)	(11,510,913)	(5,708,585)	(5,864,544)	(4,182,038)
Impairment losses on:						
- trade receivables		1,456,780	2,555,846	1,407,861	1,222,446	918,660
- other receivables		-	254	5,336	70	13,150
- right-of-use assets		1,212,899	328,421	433,859	-	-
Property, plant and equipment written off	6.18	-	-	-	307,533	-
Rent concessions		-	-	(2,176,697)	(373,100)	(1,436,369)
Reversal of impairment losses on:						
- trade receivables		(76,175)	(1,044,005)	(418,444)	(443,411)	(799,845)
- right-of-use assets		-	(9,928,373)	-	(762,280)	(328,421)
Reversal of provision of restoration costs	6.14	(212,181)	-	(73,177)	(242,847)	(73,177)
Unrealised foreign exchange (gain)/loss	6.18	(726,025)	(1,014,854)	(1,056,359)	1,170,259	1,797,941
Operating profit before changes in working capital		127,997,405	84,292,556	112,364,449	51,369,204	41,468,579

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5. **HISTORICAL FINANCIAL INFORMATION (continued)**

5.4 **COMBINED STATEMENTS OF CASH FLOWS OF THE GROUP (continued)**

	Note	1.1.2018 to 31.12.2018 Audited RM	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 30.6.2021 Audited RM	1.1.2020 to 30.6.2020 Unaudited RM
CASH FLOWS FROM OPERATING ACTIVITIES (continued)						
Operating profit before changes in working capital		127,997,405	84,292,556	112,364,449	51,369,204	41,468,579
Changes in working capital						
Increase in inventories		(30,113,918)	(7,199,765)	(40,336,668)	(22,626,935)	(30,902,731)
(Increase)/Decrease in trade and other receivables		(876,790)	(8,163,592)	(14,457,612)	(16,975,141)	5,295,398
(Decrease)/Increase in trade and other payables		(47,658,247)	35,900,058	(522,726)	12,311,046	13,167,751
Increase/(Decrease) in contract liabilities		5,882,671	9,915,427	10,014,193	2,093,797	(3,003,652)
Cash generated from operations		55,231,121	114,744,684	67,061,636	26,171,971	26,025,345
Interest paid		(285,636)	(969,618)	(2,075,667)	(863,419)	(968,934)
Tax paid		(20,480,581)	(18,586,670)	(14,840,840)	(9,218,750)	(4,500,000)
Tax refund		-	1,185,630	8,480,683	-	8,480,683
Net cash from operating activities		34,464,904	96,374,026	58,625,812	16,089,802	29,037,094
CASH FLOWS FROM INVESTING ACTIVITIES						
Repayments to a related party		-	-	(6,895,603)	-	(1,429,000)
Dividend received		327,932	317,057	330,263	116,253	388,463
Interest received		1,829,017	1,050,768	1,681,087	623,683	820,155
Drawdown/(Placement) of fixed deposits with licensed banks with original maturity of more than three (3) months		(2,111,429)	1,877,763	(117,029)	-	-
Proceeds from disposal of:						
- other investments		15,444,273	20,429,580	21,803,421	3,082,523	10,838,855
- property, plant and equipment		2,055,972	301,664	139,686	-	31,000
Purchases of:						
- intangible assets		-	-	(5,100)	-	-
- other investments		(16,580,939)	(9,471,441)	(20,716,263)	(3,080,805)	(3,781,023)
- property, plant and equipment		(31,064,128)	(44,171,658)	(7,493,921)	(14,281,969)	(3,806,073)
Net cash (used in)/from investing activities		(30,099,302)	(29,666,267)	(11,273,459)	(13,540,315)	3,062,377

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.4 COMBINED STATEMENTS OF CASH FLOWS OF THE GROUP (continued)

	Note	1.1.2018 to 31.12.2018 Audited RM	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 30.6.2021 Audited RM	1.1.2020 to 30.6.2020 Unaudited RM
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(12,000,000)	(26,586,066)	(12,000,000)	(12,000,000)	(12,000,000)
Drawdowns of:						
- bankers' acceptance		107,900,000	192,649,000	191,854,000	86,776,500	117,454,000
- term loans		-	27,221,000	9,518,382	5,154,950	11,595,801
Payments of lease liabilities		(30,250,556)	(28,660,293)	(26,577,209)	(15,228,739)	(12,576,090)
Repayments of:						
- bankers' acceptance		(97,400,000)	(198,149,000)	(192,854,000)	(82,776,500)	(114,954,000)
- term loans		(739,200)	(660,833)	(3,751,132)	(3,031,134)	(1,513,655)
Net cash used in financing activities		(32,489,756)	(34,186,192)	(33,809,959)	(21,104,923)	(11,993,944)
Net (decrease)/increase in cash and cash equivalents		(28,124,154)	32,521,567	13,542,394	(18,555,436)	20,105,527
Effects of exchange rate changes on cash and cash equivalents		156,265	32,451	684,245	16,382	450,866
Cash and cash equivalents at beginning of financial year		46,054,380	18,086,491	50,640,509	64,867,148	50,640,509
Cash and cash equivalents at end of financial year		18,086,491	50,640,509	64,867,148	46,328,094	71,196,902

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.4 COMBINED STATEMENTS OF CASH FLOWS OF THE GROUP (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities RM	Other borrowings RM
At 1 January 2018	97,492,484	6,739,200
Cash flows	(30,250,556)	9,760,800
Non-cash flows		
- Addition	6,615,005	-
- Reassessments and modifications	13,802,530	-
- Unwinding of interest	3,938,809	-
At 31 December 2018	91,598,272	16,500,000
At 1 January 2019	91,598,272	16,500,000
Cash flows	(28,660,293)	21,060,167
Non-cash flows		
- Addition	4,288,423	7,483,855
- Reassessments and modifications	3,429,177	-
- Unwinding of interest	3,694,397	-
At 31 December 2019	74,349,976	45,044,022
At 1 January 2020	74,349,976	45,044,022
Cash flows	(26,577,209)	4,767,250
Non-cash flows		
- Addition	17,581,995	5,381,145
- Reassessments and modifications	8,635,725	-
- Rent concessions	(2,176,697)	-
- Exchange differences	(432)	-
- Unwinding of interest	2,999,005	-
At 31 December 2020	74,812,363	55,192,417

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5. HISTORICAL FINANCIAL INFORMATION (continued)

5.4 COMBINED STATEMENTS OF CASH FLOWS OF THE GROUP (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Lease liabilities RM	Other borrowings RM
Audited		
At 1 January 2021	74,812,363	55,192,417
Cash flows	(15,228,739)	6,123,816
Non-cash flows		
- Addition	4,551,578	540,125
- Reassessments and modifications	10,599,270	-
- Rent concessions	(373,100)	-
- Exchange differences	120	-
- Unwinding of interest	1,479,645	-
30 June 2021	75,841,137	61,856,358
Unaudited		
At 1 January 2020	74,349,976	45,044,022
Cash flows	(12,576,090)	12,582,146
Non-cash flows		
- Addition	6,064,346	2,181,611
- Reassessments and modifications	(1,436,369)	-
- Rent concessions	7,092,730	-
- Exchange differences	1,238	-
- Unwinding of interest	1,577,581	-
At 30 June 2020	75,073,412	59,807,779

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6. NOTES TO THE COMBINED FINANCIAL STATEMENTS

6.1 OPERATING SEGMENTS

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

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

(i) Trading division – Trading of the Group's products

(ii) Warranty division – Provision of warranty services in relation to replacement, repair and maintenance of products sold

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The Group evaluates performance on the basis of profit or loss from operations after tax.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the combined financial statements. These policies have been applied consistently throughout the current and previous financial years.

Inter-segment revenue are carried out at negotiated terms and conditions.

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6. HISTORICAL FINANCIAL INFORMATION (continued)

6.1 OPERATING SEGMENTS (continued)

1.1.2018 to 31.12.2018	Trading RM	Warranty RM	Others RM	Total RM
Segment profits	56,491,328	4,571,765	-	61,063,093
Included in the measure of segment profits are:				
Revenue from external customers	1,102,934,828	69,365,903	-	1,172,300,731
Inter-segment revenue	-	21,836,808	-	21,836,808
Depreciation of property, plant and equipment	(8,609,210)	-	-	(8,609,210)
Depreciation of right-of-use assets	(27,484,839)	-	-	(27,484,839)
Interest expense	(4,483,485)	-	-	(4,483,485)
Interest income	1,829,017	-	-	1,829,017
Inventories written down	(13,523,767)	-	-	(13,523,767)
Inventories written back	1,432,700	-	-	1,432,700
Impairment loss on trade receivables	(1,456,780)	-	-	(1,456,780)
Impairment loss on right-of-use assets	(1,212,899)	-	-	(1,212,899)
Reversal of impairment losses on trade receivables	76,175	-	-	76,175
Reversal of provision of restoration costs	212,181	-	-	212,181
Tax expense	(13,900,018)	(20,000)	-	(13,920,018)
31.12.2018				
Segment assets	463,772,572	7,469,633	3	471,242,208
Current tax assets	7,752,874	-	-	7,752,874
Deferred tax assets	21,869,995	-	-	21,869,995
Total assets				500,865,077
Included in the measure of segment assets are:				
Additions to property, plant and equipment	31,064,128	-	-	31,064,128
Additions to right-of-use assets	6,809,019	-	-	6,809,019
Additions to other investments	16,580,939	-	-	16,580,939
Segment liabilities	411,808,395	3,497,202	-	415,305,597
Current tax liabilities	-	19,825	-	19,825
Total liabilities				415,325,422

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6. HISTORICAL FINANCIAL INFORMATION (continued)

6.1 OPERATING SEGMENTS (continued)

1.1.2019 to 31.12.2019	Trading RM	Warranty RM	Others RM	Total RM
Segment profits	47,189,359	2,369,399	-	49,558,758
Included in the measure of segment profits are:				
Revenue from external customers	1,084,238,454	60,623,074	-	1,144,861,528
Inter-segment revenue	-	16,301,232	-	16,301,232
Bad debts written off	1,385,888	-	-	1,385,888
Depreciation of property, plant and equipment	(9,687,690)	(385)	-	(9,688,075)
Depreciation of right-of-use assets	(26,155,296)	(6,418)	-	(26,161,714)
Interest expense	(5,014,136)	(778)	-	(5,014,914)
Interest income	912,759	138,009	-	1,050,768
Inventories written down	(5,656,386)	-	-	(5,656,386)
Inventories written back	11,510,913	-	-	11,510,913
Impairment loss on right-of -use assets	(328,421)	-	-	(328,421)
Impairment loss on trade receivables	(2,541,091)	(14,755)	-	(2,555,846)
Reversal of impairment losses on right-of-use assets	9,928,373	-	-	9,928,373
Reversal of impairment losses on trade receivables	1,044,005	-	-	1,044,005
Tax expense	(11,714,592)	(212,918)	-	(11,927,510)
31.12.2019				
Segment assets	537,593,374	14,351,763	3	551,945,140
Current tax assets	10,706,037	-	-	10,706,037
Deferred tax assets	24,583,280	-	-	24,583,280
Total assets				587,234,457
Included in the measure of segment assets are:				
Additions to property, plant and equipment	56,649,758	5,755	-	56,655,513
Additions to right-of-use assets	4,519,710	-	-	4,519,710
Additions to other investments	9,471,441	-	-	9,471,441
Segment liabilities	458,421,102	5,740,411	-	464,161,513
Current tax liabilities	-	210,372	-	210,372
Total liabilities				464,371,885

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6. HISTORICAL FINANCIAL INFORMATION (continued)

6.1 OPERATING SEGMENTS (continued)

1.1.2020 to 31.12.2020	**Trading RM**	**Warranty RM**	**Others RM**	**Total RM**
Segment profits	52,553,180	3,083,603	-	55,636,783
Included in the measure of segment profits are:				
Revenue from external customers	1,231,311,318	63,457,312	-	1,294,768,630
Inter-segment revenue	-	18,855,709	-	18,855,709
Amortisation of intangible assets	170	-	-	170
Depreciation of property, plant and equipment	(9,825,895)	(1,218)	-	(9,827,113)
Depreciation of right-of-use assets	(26,619,780)	(10,825)	-	(26,630,605)
Interest expense	(5,399,144)	(934)	-	(5,400,078)
Interest income	1,497,564	183,523	-	1,681,087
Inventories written down	(6,379,841)	-	-	(6,379,841)
Inventories written back	5,708,585	-	-	5,708,585
Impairment loss on right-of -use assets	(433,859)	-	-	(433,859)
Impairment loss on trade receivables	(1,407,861)	-	-	(1,407,861)
Impairment loss on other receivables	-	(5,336)		(5,336)
Reversal of impairment losses on trade receivables	403,689	14,755	-	418,444
Tax expense	(17,667,185)	(310,583)	-	(17,977,768)
31.12.2020				
Segment assets	591,160,440	39,688,002	3	630,848,445
Deferred tax assets	26,063,925	-	-	26,063,925
Total assets				656,912,370
Included in the measure of segment assets are:				
Additions to property, plant and equipment	14,962,766	-	-	14,962,766
Additions to intangible assets	5,100	-	-	5,100
Additions to right-of-use assets	24,122,878	-	-	24,122,878
Additions to other investments	20,716,263	-	-	20,716,263
Segment liabilities	484,432,825	3,667,351	-	488,100,176
Current tax liabilities	2,295,649	308,547	-	2,604,196
Deferred tax liabilities	1,827	-	-	1,827
Total liabilities				490,706,199

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6. HISTORICAL FINANCIAL INFORMATION (continued)

6.1 OPERATING SEGMENTS (continued)

Audited	Trading RM	Warranty RM	Others RM	Total RM
1.1.2021 to 30.6.2021				
Segment profits	16,457,114	6,900,248	(45,259)	23,312,103
Included in the measure of segment profits are:				
Revenue from external customers	637,653,980	36,256,939	-	673,910,919
Inter-segment revenue	-	11,564,751	-	11,564,751
Amortisation of intangible assets	510	-	-	510
Depreciation of property, plant and equipment	(5,053,466)	(455)	-	(5,053,921)
Depreciation of right-of-use assets	(14,476,918)	(5,570)	-	(14,482,488)
Interest expense	(2,528,343)	(343)	-	(2,528,686)
Interest income	456,965	166,718	-	623,683
Inventories written down	(6,045,263)	-	-	(6,045,263)
Inventories written back	5,864,544	-	-	5,864,544
Impairment loss on trade receivables	(1,222,446)	-	-	(1,222,446)
Impairment loss on other receivables	-	(70)	-	(70)
Reversal of impairment losses on right-of-use assets	762,280	-	-	762,280
Reversal of impairment losses on trade receivables	443,411	-	-	443,411
Tax expense	(6,246,627)	(37,351)	-	(6,283,978)
30.6.2021				
Segment assets	612,854,915	51,496,560	403	664,351,878
Current tax assets	84,863	-	-	84,863
Deferred tax assets	26,704,780	-	-	26,704,780
Total assets				691,141,521
Included in the measure of segment assets are:				
Additions to property, plant and equipment	15,979,575	-	-	15,979,575
Additions to right-of-use assets	4,761,557	-	-	4,761,557
Additions to other investments	3,080,805	-	-	3,080,805
Segment liabilities	497,945,825	2,860,715	39,415	500,845,955
Current tax liabilities	48,738	355,468	-	404,206
Deferred tax liabilities	2,333	-	-	2,333
Total liabilities				501,252,494

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6. HISTORICAL FINANCIAL INFORMATION (continued)

6.1 OPERATING SEGMENTS (continued)

Unaudited 1.1.2020 to 30.6.2020	Trading RM	Warranty RM	Others RM	Total RM
Segment profits	6,944,680	7,407,656	-	14,352,336
Included in the measure of segment profits are:				
Revenue from external customers	523,536,141	33,995,574	-	557,531,715
Inter-segment revenue	-	9,513,393	-	9,513,393
Depreciation of property, plant and equipment	(4,596,353)	(353)	-	(4,596,706)
Depreciation of right-of-use assets	(13,014,319)	(5,754)	-	(13,020,073)
Interest expense	(2,708,532)	(561)	-	(2,709,093)
Interest income	736,583	83,572	-	820,155
Inventories written down	(6,744,664)	-	-	(6,744,664)
Inventories written back	4,182,038	-	-	4,182,038
Impairment loss on trade receivables	(918,660)	-	-	(918,660)
Impairment loss on other receivables	-	(13,150)	-	(13,150)
Reversal of impairment losses on right-of-use assets	328,421	-	-	328,421
Reversal of impairment losses on trade receivables	785,090	14,755	-	799,845
Tax expense	(4,388,197)	(80,718)	-	(4,468,915)

Geographical segments

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

Major customer

There are no major customers with revenue equal or more than ten percent (10%) of the Group revenue. As such, information on major customers is not presented.

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6. HISTORICAL FINANCIAL INFORMATION (continued)

6.2 PROPERTY, PLANT AND EQUIPMENT

31 December 2018	Balance as at 1.1.2018 RM	Additions RM	Disposals RM	Balance as at 31.12.2018 RM
At cost				
Freehold land	1,241,271	7,622,600	-	8,863,871
Buildings	3,737,957	15,825,000	(466,778)	19,096,179
Furniture and fittings	11,143,220	1,856,574	-	12,999,794
Office equipment	9,862,023	629,710	-	10,491,733
Office computers	8,785,847	45,932	-	8,831,779
Motor vehicles	10,544,723	1,810,002	(1,751,609)	10,603,116
Renovation and signboards	69,879,701	3,274,310	-	73,154,011
	115,194,742	31,064,128	(2,218,387)	144,040,483

	Balance as at 1.1.2018 RM	Depreciation charge for the financial year RM	Disposals RM	Balance as at 31.12.2018 RM
Accumulated depreciation				
Buildings	1,122,097	91,799	(139,911)	1,073,985
Furniture and fittings	7,619,961	1,800,623	-	9,420,584
Office equipment	8,204,306	816,045	-	9,020,351
Office computers	7,114,631	778,531	-	7,893,162
Motor vehicles	9,482,232	593,179	(1,751,609)	8,323,802
Renovation and signboards	59,438,100	4,529,033	-	63,967,133
	92,981,327	8,609,210	(1,891,520)	99,699,017

31 December 2019	Balance as at 1.1.2019 RM	Additions RM	Disposals RM	Balance as at 31.12.2019 RM
At cost				
Freehold land	8,863,871	66,226	-	8,930,097
Buildings	19,096,179	27,303,182	-	46,399,361
Furniture and fittings	12,999,794	2,518,312	-	15,518,106
Office equipment	10,491,733	872,361	-	11,364,094
Office computers	8,831,779	2,486,346	-	11,318,125
Motor vehicles	10,603,116	2,210,253	(1,034,932)	11,778,437
Renovation and signboards	73,154,011	5,329,873	-	78,483,884
Capital work-in-progress	-	15,868,960	-	15,868,960
	144,040,483	56,655,513	(1,034,932)	199,661,064

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6. HISTORICAL FINANCIAL INFORMATION (continued)

6.2 PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2019	Balance as at 1.1.2019 RM	Depreciation charge for the financial year RM	Disposals RM	Balance as at 31.12.2019 RM
Accumulated depreciation				
Buildings	1,073,985	604,096	-	1,678,081
Furniture and fittings	9,420,584	1,749,039	-	11,169,623
Office equipment	9,020,351	840,942	-	9,861,293
Office computers	7,893,162	952,896	-	8,846,058
Motor vehicles	8,323,802	954,628	(1,034,802)	8,243,628
Renovation and signboards	63,967,133	4,586,474	-	68,553,607
	99,699,017	9,688,075	(1,034,802)	108,352,290

31 December 2020	Balance as at 1.1.2020 RM	Additions RM	Disposals RM	Reclassification	Balance as at 31.12.2020 RM
At cost					
Freehold land	8,930,097	-	-	-	8,930,097
Buildings	46,399,361	157,094	-	20,649,145	67,205,600
Furniture and fittings	15,518,106	2,503,610	-	-	18,021,716
Office equipment	11,364,094	868,878	-	-	12,232,972
Office computers	11,318,125	1,550,111	-	-	12,868,236
Motor vehicles	11,778,437	1,254,818	(183,900)	-	12,849,355
Renovation and signboards	78,483,884	3,747,131	-	-	82,231,015
Capital work-in-progress	15,868,960	4,881,124	-	(20,649,145)	100,939
	199,661,064	14,962,766	(183,900)	-	214,439,930

	Balance as at 1.1.2020 RM	Depreciation charge for the financial year RM	Disposals RM	Balance as at 31.12.2020 RM
Accumulated depreciation				
Buildings	1,678,081	1,229,424	-	2,907,505
Furniture and fittings	11,169,623	1,855,843	-	13,025,466
Office equipment	9,861,293	700,665	-	10,561,958
Office computers	8,846,058	849,764	-	9,695,822
Motor vehicles	8,243,628	1,108,337	(169,450)	9,182,515
Renovation and signboards	68,553,607	4,083,080	-	72,636,687
	108,352,290	9,827,113	(169,450)	118,009,953

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6. HISTORICAL FINANCIAL INFORMATION (continued)

6.2 PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2021	Balance as at 1.1.2021 RM	Additions RM	Disposals RM	Balance as at 30.6.2021 RM
At cost				
Freehold land	8,930,097	-	-	8,930,097
Buildings	67,205,600	-	-	67,205,600
Furniture and fittings	18,021,716	1,891,549	(144,080)	19,769,185
Office equipment	12,232,972	893,305	(42,070)	13,084,207
Office computers	12,868,236	933,571	-	13,801,807
Motor vehicles	12,849,355	719,930	-	13,569,285
Renovation and signboards	82,231,015	6,755,720	(150,460)	88,836,275
Capital work-in-progress	100,939	4,785,500	-	4,886,439
	214,439,930	15,979,575	(336,610)	230,082,895

	Balance as at 1.1.2021 RM	Depreciation charge for the financial period RM	Disposals RM	Balance as at 30.6.2021 RM
Accumulated depreciation				
Buildings	2,907,505	672,056	-	3,579,561
Furniture and fittings	13,025,466	869,559	(12,007)	13,883,018
Office equipment	10,561,958	318,412	(4,207)	10,876,163
Office computers	9,695,822	478,991	-	10,174,813
Motor vehicles	9,182,515	605,359	-	9,787,874
Renovation and signboards	72,636,687	2,109,544	(12,863)	74,733,368
	118,009,953	5,053,921	(29,077)	123,034,797

Net carrying amounts	31.12.2018 RM	31.12.2019 RM	31.12.2020 RM	30.6.2021 RM
Freehold land	8,863,871	8,930,097	8,930,097	8,930,097
Buildings	18,022,194	44,721,280	64,298,095	63,626,039
Furniture and fittings	3,579,210	4,348,483	4,996,250	5,886,167
Office equipment	1,471,382	1,502,801	1,671,014	2,208,043
Office computers	938,617	2,472,067	3,172,414	3,626,994
Motor vehicles	2,279,314	3,534,809	3,666,840	3,781,411
Renovation and signboards	9,186,878	9,930,277	9,594,328	14,102,908
Capital work-in-progress	-	15,868,960	100,939	4,886,439
	44,341,466	91,308,774	96,429,977	107,048,098

6. HISTORICAL FINANCIAL INFORMATION (continued)

6.2 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The Group made the following cash payments to purchase property, plant and equipment:

	1.1.2018 to 31.12.2018 Audited RM	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 30.6.2021 Audited RM	1.1.2020 to 30.6.2020 Unaudited RM
Additions of property, plant and equipment	31,064,128	56,655,513	14,962,766	15,979,575	7,589,809
Other payables	-	(5,000,000)	(2,087,700)	(1,157,481)	(1,602,125)
Financed by term loans	-	(7,483,855)	(5,381,145)	(540,125)	(2,181,611)
Cash payments on purchase of property, plant and equipment	31,064,128	44,171,658	7,493,921	14,281,969	3,806,073

(b) Certain freehold land, buildings and capital work-in-progress of the Group have been pledged as securities to banks for bank borrowings granted to the Group as disclosed in Note 6.13 to the financial statements with carrying amounts as follows:

	31.12.2018 Audited RM	31.12.2019 Audited RM	31.12.2020 Audited RM	30.6.2021 Audited RM
Freehold land	-	7,536,264	7,688,826	7,688,826
Buildings	-	42,174,793	60,234,834	65,762,942
Capital work-in-progress	-	5,475,891	-	2,186,439
Carrying amount	-	55,186,948	67,923,660	75,638,207

6. HISTORICAL FINANCIAL INFORMATION (continued)

6.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as lessee

Right-of-use assets

31 December 2018	Leasehold land RM	Buildings RM	Motor vehicles RM	Total RM
Cost				
As at 1 January 2018	4,135,100	162,706,385	1,729,225	168,570,710
Addition	-	6,809,019	-	6,809,019
Reassessment and modifications	-	12,953,423	-	12,953,423
Disposals	(700,168)	-	-	(700,168)
Reversals	-	(9,163,378)	-	(9,163,378)
As at 31 December 2018	3,434,932	173,305,449	1,729,225	178,469,606
Accumulated depreciation and impairment losses				
As at 1 January 2018	661,776	75,683,094	345,845	76,690,715
Depreciation charged for the year	34,695	27,104,299	345,845	27,484,839
Reassessments and modifications	-	(456,772)	-	(456,772)
Disposals	(113,568)	-	-	(113,568)
Reversals	-	(9,163,378)	-	(9,163,378)
Impairment losses	-	1,212,899	-	1,212,899
As at 31 December 2018	582,903	94,380,142	691,690	95,654,735
31 December 2019				
Cost				
As at 1 January 2019	3,434,932	173,305,449	1,729,225	178,469,606
Addition	-	4,519,710	-	4,519,710
Reassessment and modifications	-	5,589,043	-	5,589,043
Reversals	-	(7,411,983)	-	(7,411,983)
As at 31 December 2019	3,434,932	176,002,219	1,729,225	181,166,376
Accumulated depreciation and impairment losses				
As at 1 January 2019	582,903	94,380,142	691,690	95,654,735
Depreciation charged for the year	34,696	25,781,172	345,846	26,161,714
Impairment losses	-	328,421	-	328,421
Reassessments and modifications	-	945,395	-	945,395
Reversals	-	(7,411,983)	-	(7,411,983)
Reversal of impairment losses	-	(9,928,373)	-	(9,928,373)
As at 31 December 2019	617,599	104,094,774	1,037,536	105,749,909

6. HISTORICAL FINANCIAL INFORMATION (continued)

6.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

Right-of-use assets (continued)

31 December 2020	**Leasehold land RM**	**Buildings RM**	**Motor vehicles RM**	**Total RM**
Cost				
As at 1 January 2020	3,434,932	176,002,219	1,729,225	181,166,376
Addition	6,300,000	17,822,878	-	24,122,878
Reassessment and modifications	-	10,775,095	-	10,775,095
Reversals	-	(12,876,176)	-	(12,876,176)
As at 31 December 2020	9,734,932	191,724,016	1,729,225	203,188,173
Accumulated depreciation and impairment losses				
As at 1 January 2020	617,599	104,094,774	1,037,536	105,749,909
Depreciation charged for the year	85,502	26,199,258	345,845	26,630,605
Reassessments and modifications	-	857,380	-	857,380
Reversals	-	(12,876,176)	-	(12,876,176)
Exchange differences	-	428	-	428
Impairment losses	-	433,859	-	433,859
As at 31 December 2020	703,101	118,709,523	1,383,381	120,796,005
30 June 2021				
Cost				
As at 1 January 2021	9,734,932	191,724,016	1,729,225	203,188,173
Addition	-	4,761,557	-	4,761,557
Reassessment and modifications	-	11,915,495	-	11,915,495
Reversals	-	(4,573,927)	-	(4,573,927)
As at 30 June 2021	9,734,932	203,827,141	1,729,225	215,291,298
Accumulated depreciation and impairment losses				
As at 1 January 2021	703,101	118,709,523	1,383,381	120,796,005
Depreciation charged for the year	118,961	14,190,604	172,923	14,482,488
Reassessments and modifications	-	533,406	-	533,406
Reversals	-	(4,573,927)	-	(4,573,927)
Exchange differences	-	(443)	-	(443)
Impairment losses	-	(762,280)	-	(762,280)
As at 30 June 2021	822,062	128,096,883	1,556,304	130,475,249