

SENHENG NEW RETAIL BERHAD

Registration No.: 202101019079 (1419379-T)

Appendix I (Questions and Answers during the First Annual General Meeting held on Friday, 24 June 2022)

Pre-Submitted Questions received from Shareholders/Proxy Holders:-

1. How did the Company perform financially compared to pre-listing years?

- Senheng listed in January 2022. In the immediate pre-listing years, the Group achieved growth in revenue and profit after tax in financial year ended 2020 ("FY 2020") and financial year ended 2021 ("FY2021").

Year	Revenue	Change (vs previous year)	Profit After Tax	Change (vs previous year)
FY2021	RM1.44 billion	+11.5%	RM65.3 million	+17.3%
FY2020	RM1.29 billion	+13.1%	RM55.6 million	+12.3%

- The improved financial performance, despite multiple occurrences of store shutdowns during the pandemic, reflects the success of the Group's seamless retail model. The extensive adoption of technology in Senheng operations, including fully digitalised sales and marketing capabilities, enables us to continue serving customers even amid changes in the operating environment.
- The Group is also benefitting from its ongoing store expansion and upgrading programme which lead to higher per-store sales.

2. What is the sales contribution of retail stores compared to online stores?

- The following is the breakdown of revenue source in FY2021:
 - Physical stores: 89.2%
 - Online stores: 8.6%
 - Others: 2.2% (mainly product insurance coverage)

3. How will the weaker Ringgit against the USD impact your profit margin?

- As Senheng's stock purchases are from distributors in Malaysia and transacted in MYR, the Group does not have significant exposure to fluctuations in foreign exchange rates.

4. What is the impact of the minimum wage hike to RM1,500 on the operation cost?

- The impact of the minimum wage hike to RM1,500 is minimal to the group, which was approximately 0.5% of the total operating expenditure.

5. Does senQ sell used or refurbished items? What was the reason for the recent customer dispute incident?

- Senheng stores only sell new products from Senheng's brand partners. Senheng do not sell used or refurbished items.
- The customer service incident in May 2022 relates to a cosmetic detail in a brand partner's product, which was covered by the manufacturer's warranty.
- The brand partner had swiftly resolved the matter with the customer as well as issued a statement. In addition, Senheng have conducted a personal meet up with the customer by Senheng's management team to continuously ensure high levels of customer satisfaction. The customer had also issued several clarification postings on social media with regards to the incident.

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6. Does the company's e-waste collection help to bring back better sales?
- The e-waste collection programme is part of Senheng's commitment to green practices for better environmental health and brings significant intangible benefits to the society.
 - Senheng also hope to build greater brand recognition and trust among Malaysians through Senheng initiatives, which will ultimately contribute to long term business sustainability and performance.
7. Senheng's share price has dropped below IPO price. What is the proposal to boost profit and improve shareholder confidence?
- The Group's share price is subject to pressures from external factors such as the weak global economy and uncertainties in the equities markets.
 - Senheng delivered its best performance in FY2021 and is focused on executing growth strategies to continue bringing greater shareholder value.
8. Will the Company pay higher dividends in future?
- The Group targets to pay at least 30% of net profit to shareholders.
9. How did supply chain disruptions affect your inventories and stock availability?
- Senheng did not face significant impact to inventory and stock availability, as Senheng mainly procure Senheng's products from local distributors. Senheng also increased the inventory levels to mitigate potential disruptions.
 - Additionally, Senheng stores nationwide are supported by Senheng in-house logistics fleet and distribution centres, ensuring that Senheng stores across the country carry adequate inventory levels.
 - Furthermore, Senheng use business analytics to understand and predict customers' product preferences based on their frequented stores, which allow Senheng to be more efficient in inventory management.
10. Any doorgift provided for attendees?
- Attendees of this AGM will be provided with e-vouchers. The details will be sent to the attendee's registered email address.

Questions received from Shareholders/Proxy Holders via TIH Online website

11. Any plans to increase the profit margin?
- Senheng's aim is to increase our sales and, in turn, profit. To achieve this, we are undertaking our retail stores upgrading and enhancement initiative, which enables us to showcase a wider variety of products and provide enhanced shopping experience. The growing contribution of our brand distribution business, which has higher margin compared to retaining, will also enhance our future profit margins.
12. What are the other investments in year 2021?
- The "other investments" mainly consisted of quoted and unquoted shares in Trusted funds in Malaysia and oversea. Details may refer to Annual Report 2021.

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13. Why did trade and other payables increased from RM124.8 million in year 2020 to RM170.5 million in year 2021?
- To higher trade and other payables were due to increased stock levels, to mitigate potential impacts of global supply chain disruptions and price hike. This is in line with the increase of approximately RM42.60 million in inventories.
14. Does the Company's fully digital marketing activity cost more than traditional marketing? What is the performance in comparison to traditional?
- The Group's digital marketing spend is set at 1% of monthly sales target. Comparatively, our use of traditional marketing before 2020 incurred a spending of 1.5% and above. Digital marketing costs lesser and is measurable every step of the way. This optimizes our marketing spend and achieves better sales conversion.
15. How does the Company manage old/unsold or obsolete inventory?
- The Group's aging stock is at minimal level, as we practice daily replenishment from brand partners. This supports health inventory turnover. We also strive to clear existing products models prior to new model launches. Moreover, we receive protection from price reduction/revision from brands partners, which helps to maintain profit. We are able to reduce potential losses from aging inventory, by getting depreciation support from brands and clearing the products at competitive prices.
16. How does the Company use Artificial intelligence ("AI")? What is the cost and benefit to the Company?
- The Group's AI solutions are integrated with our full funnel marketing solutions strategy, which relies on audience targeting, predictive analysis based on audience interests, browsing behavior, and other metrics. This is an automated process that efficiently generates personalized marketing content based on high-quality customer insights, therefore enhancing our customer service delivery as well as conversion rates. The results are reflected in higher Return on Ad Spend (ROAS) of at least 40X, whereby for every Ringgit spent on marketing, we get back RM40 in return.
17. What asset caused the fair value gain RM1.8 million of other investments in year 2021 compared to year 2020.
- The fair value gain was due to the revaluation of unquoted investment in year 2021.
18. What are contract liabilities and why did they decline in year 2021?
- Contract liabilities comprise deferred income expected to be recognized in the future, relating to performance obligations of customer loyalty programme, warranty, membership fee and cash vouchers. More details are available on page 120 of the Annual Report 2021 (Note 23). The decrease in contract liabilities was mainly due to recognition of deferred revenue from warranty and customer loyalty programme, i.e. EZ Credit.
19. How does the Board think about its gender and ethnics diversity?
- Senheng practices a culture of equal opportunity. More information on our commitment to diversity and equal opportunity, and our workforce demographics, are available on page 37 of the Annual Report. We also recognize the Malaysian Code of Corporate Governance recommendation for greater gender diversity with at least 30% women directors on the Board and are working towards its adoption.

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20. Please elaborate on the purchase of RM16.9 million related to other investments, and RM22.8 million in Property, Plant and Equipment (“PPE”). What are these assets for?
- The additions to property, plant and equipment (PPE) are mainly contributed by purchase of property and renovation works for our retail store expansions. More information on purchases of PPE is available on page 94 of the Annual Report 2021 (Note 8). The other investments mainly consist of quoted investments.
21. What is the cost of developing the Senheng superapp. What is the return on investment?
- The superapp development cost is borne by the third-party developer that is collaborating with Senheng on the project. The app enables our members to make purchases conveniently, browse latest products and campaigns, and track rewards and product warranties. Since 2021, we relaunched the Senheng App ecosystem to host a whole new shopping experience with third-party lifestyle products and services. As members spend on the ecosystem, they earn S-Coin reward credits which can be redeemed during purchases of consumer electronics at Senheng.
22. Does Senheng face high competition from online sellers?
- Senheng has maintained healthy sales growth, which reflects the satisfying retail experience and value-added propositions that differentiate us. We bring convenience and seamless experience via our retail and online stores. Additionally, we offer a valuable loyalty rewards programme, provide door-to-door delivery and installation, as well as extended warranty services.
23. How many percent of sales are from repeat customers?
- Approximately 75% of the Group’s sales come from repeat customers.
24. What is the breakdown in number of retail stores that are self-owned versus rented?
- The breakdown of our stores (by ownership status) as at 31 December 2021:

Retail stores (by ownership status) –

(i) Units Fully Owned – 4 units
(ii) Partially Owned – 4 units
(iii) Rented – 97

Total Number of Units: 105
25. What are the mid term strategies applied by the Company and what’s the target aimed?
- TERRITORY CHAMPION Strategy delivered good result
 - Technology helped to improve Customer Experience and Operations Efficiency
 - Moving forward to aimed 30% market shares by 2025.