

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.

Nature of transaction	Transaction value			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	Between 1 January 2021 and the LPD (RM'000)
<ul style="list-style-type: none"> ▪ Acquisition of shop lots by Senheng KL from Eight Development (M) Sdn Bhd (a one-off transaction)⁽¹⁾ 	15,825 (18.50% of our NA as at 31 December 2018)	-	-	-
<ul style="list-style-type: none"> ▪ 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)	497 (represents 3.98% 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. 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, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM10,200 for the rentals payable for the period April 2020 to September 2020. 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, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM5,400 for the rentals payable for the period April 2020 to September 2020. The tenant may terminate the tenancy by giving 2 months prior written notice to the landlord.
 - (iii) The rental of 8 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 to 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, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM18,000 for the rentals payable for the period April 2020 to September 2020. The tenant may terminate the tenancy at any time by giving 3 months prior written notice to the landlord.

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (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, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM10,150 for the rentals payable for the period April 2020 to September 2020. 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, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM8,279.40 for the rentals payable for the period April 2020 to September 2020. The tenant may terminate the tenancy by giving 3 months prior written notice to the landlord.
- (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, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM2,568 for the rentals payable for the period April 2020 to September 2020. 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 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, Eight Development (M) Sdn Bhd granted Senheng KL a total rent reduction of RM4,240 for the rentals payable for the period May 2020 to September 2020. 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.

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.

Nature of transaction	Transaction value			Between 1 January 2021 and the LPD (RM'000)
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	
<ul style="list-style-type: none"> ▪ 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)	-	-	-
<ul style="list-style-type: none"> ▪ 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.

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.

Nature of transaction	Transaction value			Between 1 January 2021 and the LPD (RM'000)
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	
▪ Purchase of small item electrical accessories and consumables by Senheng KL from 100 Value Distribution Sdn Bhd for sale ⁽¹⁾	9,784 (represents 1.07% of our COS)	10,260 (represents 1.14% of our COS)	11,222 (represents 1.10% of our COS)	4,487 (represents 0.92% of our COS)
▪ 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 0.04% of our operating and administrative expenses)
▪ 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.

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (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. 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. 100 Value Lighting Sdn Bhd ceased to be a concessionaire in 2020.

(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.

Nature of transaction	Transaction value			Between 1 January 2021 and the LPD (RM'000)
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (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)	13 (negligible contribution to 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 (0.31% to our other operating income)	4 (represents 0.07% 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 allows 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 recognises the sale value both under revenue and COS. As a concessionaire, Goodwood Capital Sdn Bhd pays concession fees to Senheng KL. Either party may terminate this concession with a 90 days' prior written notice.

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.

Nature of transaction	Transaction value			Between 1 January 2021 and the LPD (RM'000)
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (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)	314 (represents 0.33% of our other operating and administrative expenses)
▪ Rental payable by Home Mart Online Sdn Bhd to Senheng KL in respect of the rental of premises ⁽³⁾	-	-	3 (represents 0.02% of our other operating income)	1 (represents 0.02% of our other operating income)

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. When customers purchase products on their online stores, Home Mart Online Sdn Bhd will purchase electrical appliances from Senheng KL to fulfil such orders.

(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 for these services. Either party may terminate this arrangement by giving 1 month prior written notice of its intention to terminate. Moving forward, our Group intends to carry out these back office functions in-house and Senheng KL had on 21 June 2021 served a notice of termination to Home Mart Online Sdn Bhd pursuant to which both parties have agreed that the said arrangement with Home Mart Online Sdn Bhd will be terminated on 31 July 2021.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(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.

(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.

Nature of transaction	Transaction value			Between 1 January 2021 and the LPD (RM'000)
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	
<ul style="list-style-type: none"> ▪ 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)	-	-
<ul style="list-style-type: none"> ▪ 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)	156 (represents 0.16% of our other operating and administrative expenses)

Note:-

(1) Blackbox Insights Sdn Bhd and Blackbox BI Consultancy Sdn Bhd provided business intelligence solutions to Senheng KL. The Group ceased engaging with Blackbox BI Consultancy Sdn Bhd and transacted solely with Blackbox Insights Sdn Bhd from April 2019 until December 2019. In 2020, Blackbox Insights Sdn Bhd transferred all of its business operations to Blackbox BI Consultancy Sdn Bhd and ceased its operations on 31 December 2019.

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.

Nature of transaction	Transaction value			Between 1 January 2021 and the LPD (RM'000)
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (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, a warehouse 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.

Nature of transaction	Transaction value			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	Between 1 January 2021 and the LPD (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 the Group's warranty programmes 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)	10,417 (represents 2.13% of our COS)
▪ Insurance premium in relation to the Group's 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)	3,236 (represents 3.39% of our operating and administrative expenses)
▪ 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 the Group's PlusOne Extended Warranty programme and the Group's 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)	123 (represents 0.03% of our COS)

10. RELATED PARTY TRANSACTIONS (CONT'D)

Nature of transaction	Transaction value			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	Between 1 January 2021 and the LPD (RM'000)
<ul style="list-style-type: none"> ▪ 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 the Group's SWAP / Replacement warranty programme and the Group's offline 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)	881 (represents 15.20% 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.
- (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. Senheng KL has ceased offering over-the-counter insurance products such as motor and travel insurance at its physical stores.

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

10. RELATED PARTY TRANSACTIONS (CONT'D)

(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.

Nature of transaction	Transaction value			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	Between 1 January 2021 and the LPD (RM'000)
<ul style="list-style-type: none"> ▪ 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)	1,770 (represents 1.86% of our other operating and administrative expenses)

Note:-

(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. This agreement will continue until all the services have been delivered. 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.

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.

Nature of transaction	Transaction value				Between 1 January 2021 and the LPD (RM'000)
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)		
<ul style="list-style-type: none"> ▪ 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)	680 (represents 0.71% of our other operating and administrative expenses)	
<ul style="list-style-type: none"> ▪ Rental payable by SH Retail Academy Sdn Bhd to Senheng KL in respect of the rental of premises⁽²⁾ 	-	-	4 (represents 0.03% of our other operating income)	2 (represents 0.03% of our other operating income)	

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.

(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)

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.

Company	Relationship	Nature of transaction and purpose	Outstanding balance			
			As at 31 December		As at the LPD	
			2018 (RM)	2019 (RM)	2020 (RM)	(RM)
Petsmore Sdn Bhd	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders	Administrative expenses paid by Senheng KL on behalf of Petsmore Sdn Bhd	-	-	1,611	-
	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					
Senheng Holdings Berhad	KH Lim, KC Lim and KY Lim are our Directors and Substantial Shareholders	Administrative expenses paid by Senheng KL on behalf of Senheng Holdings Berhad	-	6,732	15,195	25,279
	KH Lim, KC Lim and KY Lim are directors and substantial shareholders of Senheng Holdings Berhad, each having 33.33% direct equity interest					

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

10. RELATED PARTY TRANSACTIONS (CONT'D)

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, this corporate guarantee is in the midst of being discharged.

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 LPD is approximately RM113.64 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 (save for Standard Chartered Bank Malaysia Berhad) to discharge the above guarantees 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. RELATED PARTY TRANSACTIONS (CONT'D)

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 the 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 MCCG 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.