

3. PROSPECTUS SUMMARY

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

3.1 PRINCIPAL DETAILS RELATING TO OUR IPO

The following details relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text:-

Number of Shares to be issued under the Public Issue	155,000,000
- Malaysian Public	43,000,000
- Eligible Persons	16,000,000
Private placement to selected Bumiputera investors approved by the MITI	96,000,000
Number of Shares to be offered under the Offer for Sale	74,000,000
- Private placement to selected investors	62,500,000
- Private placement to selected Bumiputera investors approved by the MITI	11,500,000

Enlarged issued shares capital upon Listing RM[●] comprising
860,000,000 Shares

IPO Price RM[●]

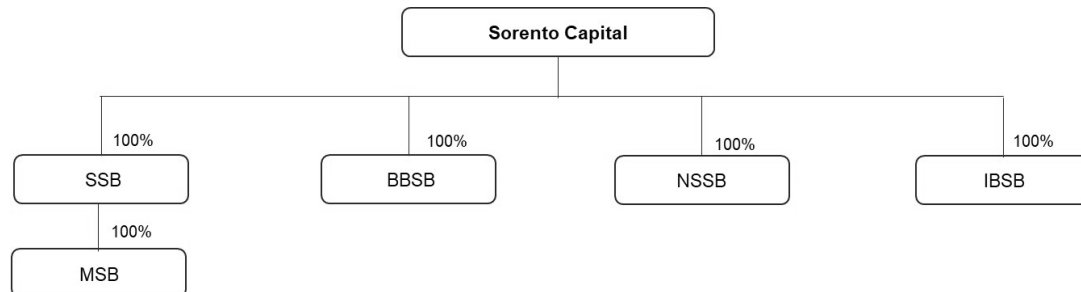
Market capitalisation upon the Listing (based on the IPO Price and our enlarged issued share capital after our IPO) RM[●]

In accordance with Rule 3.19(1A)(b) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of those Shares held by our Specified Shareholders. The moratorium shall apply to our specified shareholders for a period of six months from the date of our admission to the ACE Market.

Further details on moratorium on our Shares and our IPO are set out in Sections 2.2 and 4.1 of this Prospectus, respectively.

3.2 HISTORY AND BUSINESS OF OUR GROUP

Our Company was incorporated in Malaysia under the Act on 17 May 2023 as a private limited company under the name of Sorento Capital Sdn Bhd. On 19 March 2024, our Company was converted into a public company and assumed the name of Sorento Capital Berhad. Our Company is principally an investment holding company. Our group structure as at the LPD is as follows:-



Through our Subsidiaries, we are principally involved in the marketing, distribution and sale of bathroom and kitchen sanitary wares. We have an extensive range of bathroom and kitchen sanitary ware products under our house brands, namely 'Sorento', which is our flagship brand, 'Mocha', 'Cabana' and 'i-Born'. We are also the authorised distributor for foreign third party brand of bathroom and kitchen sanitary ware products, namely 'Bravat' branded sanitary wares (non-exclusive distributor) and 'Infinity' branded sanitary wares (exclusive distributor) in Malaysia.

3. PROSPECTUS SUMMARY (Cont'd)

Our extensive range of bathroom and kitchen sanitary wares enable us to serve a wide range of customers as a one-stop bathroom and kitchen sanitary ware solution provider for residential and commercial use.

As at the LPD, approximately 82.19% which is 4,392 SKU of the products that we carry are our house brands. We focus on branding, product development, promotion and marketing of our house brands to enhance our brand presence and recognition in the market. Over the years, we have established a wide network of distribution channels which allow us to have wide customer reach comprising B2B customers and B2C customers.

We outsource the design and manufacturing of our house brands to approved third-party manufacturers. All the products that are manufactured by third party manufacturers are in accordance with our requirements and are labelled under our house brands. This allows us to adopt an asset light operation and to focus our time, human resource and operations in product development, promotion and marketing of our house brands and expanding our distribution network. For third-party branded products, we purchase the products directly from our product principals.

The following diagram illustrates our Group's principal activities:-



Further details of our history, group structure and business model are set out in Sections 6 and 7 of this Prospectus, respectively.

3. PROSPECTUS SUMMARY (Cont'd)

All of our Group's revenue during the Financial Years Under Review is generated in Malaysia which is the principal market in which our Group operates. The breakdown of revenue by distribution channels is as follows:-

Revenue by distribution channels	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Dealers	40,712	61.58	55,738	61.46	70,598	62.86
Project-based sales	25,317	38.30	34,490	38.03	41,216	36.70
Online	78	0.12	460	0.51	497	0.44
Total	66,107	100.00	90,688	100.00	112,311	100.00

Further details of the breakdown of our revenue is set out in Section 12.3.2 (i) of this Prospectus.

3.3 COMPETITIVE STRENGTHS

A summary of our Group's competitive strengths are set out below:-

- (i) We have an established history and proven track record in the bathroom and kitchen sanitary wares industry in Malaysia;
- (ii) We have an extensive product range as a one-stop bathroom and kitchen sanitary wares' solution provider for residential and commercial use;
- (iii) We have a wide customer base including dealers, project customers and end-consumers through direct online stores; and
- (iv) We have a team of experienced and hands-on key senior management personnel.

Further details of our Group's competitive strengths are set out in Section 7.5 of this Prospectus.

3.4 FUTURE PLANS AND STRATEGIES

A summary of our Group's future plans and strategies are set out below:-

- (i) **We intend to enhance our distribution reach to grow our market share by strengthening our support to existing dealers and expanding our network of dealers**

As part of our efforts to grow our market share in the bathroom and kitchen sanitary ware industry, we have established a dedicated team to manage the sales and marketing activities for our dealer segment. Our dealers provide us a wide reach to end-consumers, which will in turn enhance the visibility of our brands and products, and drive the growth of our market share and financial performance.

As at the LPD, we have a network of 592 dealers. We target to recruit approximately 200 new dealers throughout Malaysia over the next three years. In order to facilitate this plan and enhance our support for our existing dealers, we intend to implement the following initiatives over the next three years:-

- (a) continue to motivate sales efforts and performance through incentive trips for our dealers who meet the sales targets

3. PROSPECTUS SUMMARY (Cont'd)

(b) provide subsidy to existing and new dealers to facilitate the following enhancements and upgrades:-

- enhance personalised marketing collaborations with selected dealers;
- provide subsidy to upgrade the product displays or storefront signage at selected dealers retail stores;
- provide subsidy to existing and new dealers that will sell our house brands exclusively at their stores; and
- provide subsidy to existing and new dealers to operate 'Sorento' concept stores which will showcase our 'Sorento' products exclusively, focusing on higher-end product range.

(ii) We intend to grow our revenue from project-based sales

We will continue to grow our revenue from project-based sales, which will enhance our revenue and subsequently increase our market share in the bathroom and kitchen sanitary ware industry. Project sales would provide us with large volume orders and amplify our brand visibility within property projects, which will in turn enhance the growth of our financial performance and the sustainability of our Group. This approach fosters customers' awareness, and enables our brands to be more recognisable when customers seek similar products for their future purchases.

In addition to residential projects, we intend to increase our participation in other building segments such as affordable housing, hotels and offices, comprising new builds and renovation projects.

(iii) We intend to enhance our brand recognition through investment in branding and marketing activities in Malaysia.

We intend to roll out a brand elevation initiative to uplift our brand positioning which include the development of our company profile, brand story, product videos and marketing materials. We aim to develop informative materials in the form of videos and infographics for better engagement.

Furthermore, we intend to establish an online resource library with a comprehensive database of product specifications, design concepts, product brochures as well as detailed product training videos, including installation guides and maintenance instructions. This library is accessible to our dealers only and designed to support dealers and our project sales personnel with easy accessibility and standardised marketing materials, ensuring a cohesive and professional representation across all sales channels.

Further details of our Group's future plans and strategies are set out in Section 7.6 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

3.5 RISK FACTORS

Our business is subject to a number of risk factors, many of which may have a material adverse impact on our business operations, financial positions and performance. A summary of the key risk factors are set out below:-

- (i) Our house brands are critical to our success and the value of our brands and our reputation may be adversely affected by negative perception;
- (ii) We are dependent on our third party manufacturers as we are not involved in any manufacturing activities;
- (iii) We are subject to risks on the maintenance or renewal of product certifications and approvals;
- (iv) We may be adversely affected by product defects caused by our third party manufacturers or logistics service providers, which may lead to product liability claims;
- (v) We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group;
- (vi) The absence of contracts with customers may result in the fluctuation of our Group's financial performance;
- (vii) We may not be able to successfully implement our business strategies;
- (viii) Our profitability levels may be affected by higher operating costs;
- (ix) We are dependent on our Managing Director, Executive Directors and key senior management for the future growth and continuing success of our business;
- (x) We may be subject to excess inventory risk;
- (xi) Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations; and
- (xii) We may be adversely affected by political, economic, legal and social conditions in Malaysia and China.

Please refer to Section 9 of this Prospectus for further details and the full list of risk factors which should be considered before investing in our Shares.

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3. PROSPECTUS SUMMARY (Cont'd)

3.6 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and key senior management are as follows:-

Name	Designation
<u>Directors</u>	
Haji Ahmad Zakie Bin Haji Ahmad Shariff	Independent Non-Executive Chairman
Loo Chai Lai	Managing Director
Loo Jing Kai	Executive Director
Lee Chee Keong	Executive Director
Christine Toh Hung Mei	Independent Non-Executive Director
Yeat Soo Ching	Independent Non-Executive Director
Teh Lay Sim	Independent Non-Executive Director
<u>Key senior management</u>	
Tan Gine Ngee	Chief Financial Officer
Loo Ai Cheng	Senior Manager - Warehouse & Customer Service
Ng Lai Heong	Regional Sales Manager
Lam Li Hua	Marketing Manager

Further details of our Directors and key senior management are disclosed in Sections 5.2 and 5.4 of this Prospectus.

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3. PROSPECTUS SUMMARY (Cont'd)

3.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS OF OUR GROUP

The details of our Promoters and/ or substantial shareholders, and their respective shareholdings in our Company before and after our IPO are as follows:-

Name	Nationality/ Country of incorporation	Before our IPO and as at the LPD				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(1) %	No. of Shares	(1) %	No. of Shares	(2) %	No. of Shares	(2) %
Promoters and substantial shareholders									
Loo Chai Lai	Malaysian	625,284,187	88.70	70,816,370	⁽³⁾ 10.04	86,884,187	10.10	535,216,370	⁽³⁾ 62.23
Loo Jing Kai	Malaysian	70,816,370	10.04	-	-	19,216,370	2.24	-	-
Substantial shareholder									
LCL Success	Malaysia	-	-	-	-	516,000,000	60.00	-	-

Notes:-

- (1) Based on our issued share capital of 705,000,000 Shares after the Acquisitions but before our IPO.
- (2) Based on our enlarged issued share capital of 860,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of his son, Loo Jing Kai's interest in our Company and his direct shareholding in LCL Success pursuant to Section 8 of the Act.

Further details of our Promoters and substantial shareholders and their shareholdings in our Company as well as moratorium imposed on their Shares are disclosed in Sections 2.2 and 5.1 of this Prospectus, respectively.

3. PROSPECTUS SUMMARY (Cont'd)

3.8 USE OF PROCEEDS

Based on the IPO Price of RM[●], the total gross proceeds of RM[●] million from our Public Issue will be utilised by our Group in the following manner:-

Details	RM'000	%	Estimated timeframe to use (from our Listing date)
Advertising and branding promotion	[●]	[●]	Within 36 months
Dealer network expansion	[●]	[●]	Within 36 months
Repayment of bank borrowings	[●]	[●]	Within 12 months
Working capital for purchase of inventory	[●]	[●]	Within 24 months
Estimated listing expenses	[●]	[●]	Within one month
Total	[●]	100.00	

3.9 FINANCIAL HIGHLIGHTS

The key financial highlights based on the historical audited combined financial statements of our Group for the Financial Years Under Review are set out below:-

	Audited FYE		
	2021 RM'000	2022 RM'000	2023 RM'000
Revenue	66,107	90,688	112,311
Cost of sales	(45,318)	(58,174)	(58,894)
GP	20,789	32,514	53,417
PBT	9,923	16,968	33,121
PAT	7,777	12,742	24,930
Total assets	53,204	67,453	77,789
Total equity	24,205	32,586	50,301
Total liabilities	28,999	34,867	27,488
GP margin ⁽¹⁾ (%)	31.45	35.85	47.56
PBT margin ⁽²⁾ (%)	15.01	18.71	29.49
PAT margin ⁽³⁾ (%)	11.76	14.05	22.20
Effective tax rate (%)	21.63	24.91	24.73
Average trade receivables turnover period ⁽⁴⁾ (days)	91	92	89
Average trade payables turnover period ⁽⁵⁾ (days)	183	147	105
Average inventories turnover period ⁽⁶⁾ (days)	109	122	145
Current ratio ⁽⁷⁾ (times)	1.75	1.89	2.90
Gearing ratio ⁽⁸⁾ (times)	0.11	0.30	0.25

Notes:-

- (1) GP margin is calculated based on GP divided by revenue
- (2) PBT margin is calculated based on PBT divided by revenue
- (3) PAT margin is calculated based on PAT divided by revenue
- (4) Computed based on average trade receivables of the respective financial years over the revenue of the respective financial years, multiplied by 365 days
- (5) Computed based on average trade payables of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days
- (6) Computed based on average inventories of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days
- (7) Computed based on current assets divided by current liabilities
- (8) Computed based on total interest-bearing borrowings divided by total equity

Further details of our Group's financial information are set out in Section 12 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

3.10 INTERRUPTIONS TO BUSINESS AND OPERATIONS

(a) Impact on our business operations

Our business and operations were temporarily suspended from 18 March 2020 to 4 May 2020 due to the imposition of the 1st MCO. Thereafter, our Group was allowed to operate while complying with MITI's SOP such as reducing workforce capacity. The reduction of workforce capacity as per MITI's SOP during this period did not result in material adverse impact to our business and operations.

(b) Impact on sales, delivery and receipt of supplies

For the FYE 2021, our sales of products were slightly affected due to the slowdown in demand as construction and renovation activities were disrupted by the SOPs that were implemented during the pandemic. Between June 2020 and July 2020, we experienced port closure and congestion in Malaysia which resulted in extended period required to store our goods at the port, which caused us to incur RM112,256.00 for storage and demurrage charges. Nevertheless, there was no material impact to our revenue as we recorded an increase in revenue in FYE 2021.

Save for the temporary disruptions to our business operations as disclosed above, there was no material impact on the delivery of our products, receipt of supplies, and the collectability of our trade receivables. There was no material impact to our business cash flows, liquidity, financial position and financial performance for the Financial Years Under Review.

Further details on the interruptions to our business and operations is set out in Section 7.15 of this Prospectus.

3.11 DIVIDEND POLICY

Our Company presently does not have a fixed dividend policy. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business.

During FYE 2021 to FYE 2023, we declared and paid the following dividends:-

	Audited FYE		
	2021 RM'000	2022 RM'000	2023 RM'000
PAT attributable to the owners of our Company	7,777	12,742	24,930
Dividends declared and paid	4,233	4,361	7,216
Dividend payout ratio (%)	54.43	34.23	28.94

In addition, our Group had declared and paid total dividends amounting to approximately RM2.00 million for FYE 2024. The Group intends to declare an additional interim dividend of approximately RM7.00 million for the FYE 2024. The dividend is expected to be declared and paid in the fourth quarter of FYE 2024, prior to our Listing.

Further details on our Group's dividend policy are set out in Section 12.8 of this Prospectus.