

THIS DOCUMENT HAS NOT BEEN REGISTERED BY BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”). THE INFORMATION IN THIS DOCUMENT MAY BE SUBJECT TO FURTHER AMENDMENTS BEFORE BEING REGISTERED BY BURSA SECURITIES. UNDER NO CIRCUMSTANCES SHALL THIS DOCUMENT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE OF SECURITIES.



SORENTO CAPITAL BERHAD
(Registration No. 202301018305 (1512227-W))
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING (“IPO”) OF 229,000,000 ORDINARY SHARES IN SORENTO CAPITAL BERHAD (“SORENTO CAPITAL” OR “COMPANY”) (“IPO SHARES”) IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED SHARE CAPITAL OF SORENTO CAPITAL ON THE ACE MARKET OF BURSA SECURITIES COMPRISING:

- I. PUBLIC ISSUE OF 155,000,000 NEW ORDINARY SHARES IN SORENTO CAPITAL (“SHARES”) IN THE FOLLOWING MANNER:**
- (A) 43,000,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
 - (B) 16,000,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF SORENTO CAPITAL GROUP; AND**
 - (C) 96,000,000 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY;**
- AND**
- II. OFFER FOR SALE OF UP TO 74,000,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS IN THE FOLLOWING MANNER:**
- (A) 62,500,000 EXISTING SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND**
 - (B) 11,500,000 EXISTING SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY;**

AT AN IPO PRICE OF RM[•] PER SHARE PAYABLE IN FULL UPON APPLICATION.

Principal Adviser, Sponsor, Underwriter and Placement Agent



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

[BURSA SECURITIES HAS APPROVED OUR IPO AND THIS PROSPECTUS HAS BEEN REGISTERED BY BURSA SECURITIES. THE APPROVAL FOR THE ADMISSION OF OUR COMPANY TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES, AND THE REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. BURSA SECURITIES HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.]

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

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

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS SET OUT IN SECTION 9 OF THIS PROSPECTUS.

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THIS ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA (“SC”) UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (“CMSA”).

THIS PROSPECTUS IS DATED [•]

RESPONSIBILITY STATEMENTS

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

Alliance Islamic Bank Berhad, being our Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

STATEMENTS OF DISCLAIMER

[Approval has been granted by Bursa Securities for the listing of and quotation for the securities being offered.] Admission to the Official List of ACE Market of Bursa Securities is not to be taken as an indication of the merits of the offering, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

[This Prospectus, together with the Application Form (as defined in this Prospectus), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.]

OTHER STATEMENTS

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

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

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

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

This Prospectus is prepared and published solely for our IPO in Malaysia under the laws of Malaysia. Our IPO Shares are issued/ offered in Malaysia solely based on the contents of this Prospectus. Our Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Directors, our Promoters and our Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

It shall be your sole responsibility, if you are or may be subject to the laws of any country or jurisdiction other than Malaysia, to consult your legal and/ or other professional advisers as to whether your application for our IPO would result in the contravention of any law of such country or jurisdiction which you may be subject to. Neither we nor our Principal Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any other application made by you shall be illegal, unenforceable, voidable or void in any such country and jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you have accepted our IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus (as defined in this Prospectus) and the copy of this Prospectus registered by Bursa Securities are the same.

You are advised that the internet is not a fully secured medium. Your Internet Share Application (as defined in this Prospectus) may be subject to risks or problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined in this Prospectus). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt as to validity or integrity of the Electronic Prospectus, you should immediately request a paper/ printed copy of this Prospectus from us, our Principal Adviser or our Issuing House.

In the event of any discrepancy arising between the contents of the Electronic Prospectus and the contents of the paper/ printed copy of this Prospectus for any reason whatsoever, the contents of the paper/ printed copy of this Prospectus, which is identical to the copy of the Prospectus registered with Bursa Securities, will prevail.

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

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

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

- (i) the Internet Participating Financial Institutions are liable in respect of the integrity of the contents of an electronic Prospectus, to the extent of the contents of the electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software;

- (ii) the Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of an electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (iii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an electronic Prospectus, the accuracy and reliability of an electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or cost, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/ or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

[The rest of this page is intentionally left blank]

INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Event(s)	Tentative Date(s)
Opening of the application period for our IPO	[•]
Closing of the application period for our IPO	[•]
Balloting of applications	[•]
Allotment of Issue Shares/ Transfer of Offer Shares to successful applicants	[•]
Listing on the ACE Market of Bursa Securities	[•]

In the event there is any change to the indicative timetable above, we will advertise a notice of change in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia and will also announce it on Bursa Securities' website accordingly.

[The rest of this page is intentionally left blank]

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “our Company” or “Sorento Capital” in this Prospectus are to Sorento Capital Berhad, while references to “our Group” or “Sorento Capital Group” are to our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Managing Director, Executive Director and our Key Senior Management as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to “you” are to our prospective investors.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

In this Prospectus, references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest hundredth or two decimal places. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

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

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates or is exposed to. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originates from our Management.

In particular, certain information in this Prospectus is extracted or derived from the IMR Report (as defined in this Prospectus) included in Section 8 of this Prospectus, prepared by Smith Zander (as defined in this Prospectus), an independent market researcher. We have appointed Smith Zander to provide an independent market and industry review. In compiling its data for the review, Smith Zander had relied on their research methodology, industry sources, published materials, their own private databases and direct contacts within the industry. We believe that the information on the industry and the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We cannot assure you that the projections will be achieved and you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

If there are any discrepancies or inconsistencies between the English and Bahasa Malaysia versions of this document, the English version shall prevail.

The information on our website, or any website directly and indirectly linked to such website does not form part of this Prospectus and should not be relied upon.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements, which include all statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Management for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our Group’s control that could cause our actual results, performances or achievements to be materially different from future results, performances or achievements expressed or implied by such forward-looking statements. Such forward-looking statements include, without limitation, statements relating to:-

- (i) our business strategies, trends and competitive position;
- (ii) our plans and objectives for future operations;
- (iii) our future potential growth opportunities;
- (iv) our future financial position, earnings, cash flows and liquidity;
- (v) our ability to pay dividends; and
- (vi) the regulatory environment and the effects of future regulation.

Such forward-looking statements are based on numerous assumptions regarding our Group’s present and future business strategies and the environment in which we operate. Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:-

- (a) the general economic, business, social, political and investment environment in Malaysia and globally;
- (b) government policy, legislation and regulation;
- (c) interest rates, tax rates and exchange rates;
- (d) the competitive environment in the industry in which we operate;
- (e) reliance on approvals, licences and permits;
- (f) availability and fluctuations in prices of raw materials;
- (g) fixed and contingent obligations and commitments; and
- (h) any other factors beyond our control.

Additional factors that could cause our actual results, performances or achievements to differ materially include, but are not limited to those discussed in Section 9 – Risk Factors and Section 12.3 – Management’s Discussion and Analysis of Financial Conditions and Results of Operations of this Prospectus. We cannot assure you that the forward-looking statements in this Prospectus will be realised.

These forward-looking statements are based on information available to us as at the LPD and are made available only as at the LPD. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of the IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provision of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

DEFINITION

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

COMPANIES WITHIN OUR GROUP

BBSB	: Beyond Bath Sdn Bhd (Registration No. 201401007432 (1083510-T))
IBSB	: Ideal Bath Sdn Bhd (Registration No. 201801038126 (1300157-D))
MSB	: Mocha Sdn Bhd (Registration No. 202301027110 (1521033-A)), a wholly-owned subsidiary of SSB
NSSB	: Nautical Sanitaryware Sdn Bhd (Registration No. 201401023343 (1099430-P))
SSB	: Sorento Sdn Bhd (Registration No. 200501017483 (694526-P))
Sorento Capital or Company	: Sorento Capital Berhad (Registration No. 202301018305 (1512227-W))
Sorento Capital Group or Group	: Sorento Capital and our Subsidiaries, collectively
Subsidiaries	: BBSB, IBSB, MSB, NSSB and SSB, collectively

GENERAL

ACE Market	: ACE Market of Bursa Securities
Acquisitions	: The acquisitions of BBSB, IBSB, NSSB and SSB, collectively
Act	: Companies Act 2016, as may be amended from time to time
ADA	: Authorised Depository Agent, a person appointed by Bursa Depository under the Rules of Bursa Depository
AGM	: Annual General Meeting
AIS or Principal Adviser or Sponsor or Underwriter or Placement Agent	: Alliance Islamic Bank Berhad (Registration No. 200701018870 (776882-V))
Application(s)	: The application(s) for our Issue Shares by way of Application Form, Electronic Share Application and/ or Internet Share Application
Application Form(s)	: The printed application form(s) for the Application of our Issue Shares
ATM	: Automated Teller Machine
Board	: Board of Directors of Sorento Capital
Bukit Raja Facility	: The head office and warehouse rented by the Group located at No. 5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))

DEFINITION (Cont'd)

Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CCC	: Certificate of completion and compliance
CDS	: Central Depository System
CDS Account(s)	: Account(s) established for a Depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
CIDB	: Construction Industry Development Board
CIDB Act 1994	: Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994, as may be amended from time to time
CMSA	: Capital Markets and Services Act 2007, as may be amended from time to time
Constitution	: The constitution of Sorento Capital
Depositor	: A holder of a CDS Account
Director(s)	: Director(s) of our Company and within the meaning given in Section 2 of the CMSA
EIS	: Employment Insurance System
Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/ or an electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)
Electronic Share Application	: An application for our Issue Shares through Participating Financial Institutions' ATM
Eligible Persons	: Eligible Directors, employees and persons who have contributed to the success of our Group, as further detailed in Section 4.1.2 (ii) of this Prospectus
EPF	: Employees Provident Fund
EPS	: Earnings per Share
Executive Director(s)	: Non-independent executive director(s) of Sorento Capital, namely Loo Chai Lai, Loo Jing Kai and Lee Chee Keong
FHSB	: Fantastic Hectares Sdn Bhd (Registration No. 200701033931 (791960-X))
Financial Years Under Review	: FYE 2021, FYE 2022 and FYE 2023, collectively
FYE	: Financial year ended/ ending 30 June, as the case may be
GP	: Gross profit
GRS 2024	: Guidelines for Registration of Suppliers (Revision 16) issued by the Industry Development & Audit Division of SPAN dated 1 January 2024, as may be amended from time to time

DEFINITION (Cont'd)

IKRAM	: IKRAM QA Services Sdn Bhd (Registration No. 199901004665 (479565-A))
IMR Report	: The independent market research report titled “Independent Market Research Report on the bathroom and kitchen sanitary wares industry in Malaysia” and dated 26 March 2024, prepared by Smith Zander, as set out in Section 8 of this Prospectus
Internet Participating Financial Institution(s)	: Participating financial institution(s) for the Internet Share Application, as listed in Section 15 of this Prospectus
Internet Share Application	: Application for our IPO Shares through an online share application service provided by the Internet Participating Financial Institution(s)
IPO	: Initial public offering of our IPO Shares in conjunction with the listing of and quotation for our entire enlarged issued share capital on the ACE Market comprising the Public Issue
IPO Price	: The price of RM[●] per IPO Share
IPO Share(s)	: The Issue Share(s) and Offer Share(s), collectively
IRB	: Inland Revenue Board of Malaysia
Issue Share(s)	: 155,000,000 new Shares, representing approximately 18.02% of our enlarged issued share capital, which are to be issued pursuant to the Public Issue and subject to the terms and conditions of this Prospectus
Issuing House or Share Registrar	: Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
Jalan Meru Facility	: A warehouse and office rented by the Group, located at Lot 5074, Off 5 ½ Miles, Jalan Meru, 41050 Klang, Selangor
KCBS	: Kedai Cat Boon Seng Sdn Bhd (Registration No. 199401004550 (290229-K))
LCL Success	: LCL Success Sdn Bhd (Registration No. 202401007057 (1552907-K))
Listing	: The admission of Sorento Capital to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM[●] comprising 860,000,000 Shares on the ACE Market
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities, as may be amended from time to time
Listing Scheme	: Comprising the Acquisitions, Public Issue, Offer for Sale, Share Transfer and Listing, collectively
LPD	: 29 February 2024, being the latest practicable date prior to the issuance of this Prospectus
Malaysian Public	: Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day(s)	: Any day(s) on which Bursa Securities is open for trading of securities

DEFINITION (Cont'd)

MBS Home	: MBS Home Decorations Sdn Bhd (Registration No. 200701040362 (798394-U))
MBS Paints	: MBS Paints Sdn Bhd (Registration No. 199301023907 (278645-W))
MBS Tools	: MBS Tools Sdn Bhd (Registration No. 200701040363 (798395-V))
MFRS	: Malaysian Financial Reporting Standards
MITI	: Ministry of Investment, Trade and Industry of Malaysia, as may be amended from time to time
N/A	: Not applicable or not available
NA	: Net assets
NBV	: Net book value
Offer for Sale	: Offer for sale of the Offer Shares at the IPO Price by the Offerors comprising:- <ul style="list-style-type: none"> (i) 62,500,000 Offer Shares, representing 7.27% of our enlarged issued share capital, made available by way of private placement to selected investors; and (ii) 11,500,000 Offer Shares, representing 1.33% of our enlarged issued share capital, made available by way of private placement to selected Bumiputera investors approved by the MITI.
Offer Share(s)	: 74,000,000 existing Shares, representing approximately 8.60% of our enlarged issued share capital, which are to be offered pursuant to the Offer for Sale and subject to the terms and conditions of this Prospectus
Offeror	: Loo Chai Lai
Official List	: A list specifying all securities which have been admitted for listing on the ACE Market and not removed
Participating Financial Institution(s)	: Participating financial institution(s) for the Electronic Share Application, as listed in Section 15 of this Prospectus
PAT	: Profit after taxation
PBT	: Profit before taxation
PE Multiple	: Price earnings multiple
Pink Form Allocation	: The allocation of 16,000,000 Issue Shares to the Eligible Persons pursuant to the Public Issue
Prescribed Security(ies)	: Security(ies) of a company that is(are) prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the SICDA and the Rules
Promoter(s)	: Loo Chai Lai and Loo Jing Kai, collectively
Prospectus	: This Prospectus dated [●] in relation to the IPO

DEFINITION (Cont'd)

Prospectus Guidelines	: Prospectus Guidelines issued by the SC
PSM	: PSM Home Centre Sdn Bhd (Registration No. 200301035519 (637940-P))
Public Issue	: Public issue of 155,000,000 new Shares at the IPO Price comprising:- <ul style="list-style-type: none"> (i) 43,000,000 new Shares, representing 5.00% of our enlarged issued share capital, made available for application by the Malaysian Public; (ii) 16,000,000 new Shares, representing 1.86% of our enlarged issued share capital, made available for application by the Eligible Persons; and (iii) 96,000,000 new Shares, representing 11.16% of our enlarged issued share capital, made available by way of private placement to selected Bumiputera investors approved by the MITI.
Record of Depositors	: A record provide by Bursa Depository to the Company under Chapter 34 of the Rules
Rules	: Rules of Bursa Depository, as may be amended from time to time
SAC	: Shariah Advisory Council of the SC
SC	: Securities Commission Malaysia
Share Transfer	: Transfer by Loo Chai Lai and Loo Jing Kai of an aggregate of 516,000,000 Shares (representing 60.00% equity interests in Sorento Capital) to LCL Success, an investment holding company held by Loo Chai Lai and Loo Jing Kai during the prescribed period
SICDA	: Securities Industry (Central Depositories) Act 1991, as may be amended from time to time
Smith Zander or IMR	: SMITH ZANDER INTERNATIONAL SDN BHD (Registration No. 201301028298 (1058128-V)), our independent market researcher
SOCISO	: Social Security Organisation, Malaysia, also known as PERKESO (Pertubuhan Keselamatan Sosial)
SPAN	: National Water Services Commission (Suruhanjaya Perkhidmatan Air Negara)
Specified Shareholders	: Loo Chai Lai, Loo Jing Kai and LCL Success, collectively
Time IT	: Time IT In E (Penang) Sdn Bhd (Registration No. 200201019666 (587329-P))
Underwriting Agreement	: The underwriting agreement dated [●] entered into between our Company and AIS pursuant to our IPO
WSIA 2006	: Water Services Industry Act 2006, as may be amended from time to time, as may be amended from time to time
WSIR 2014	: Water Services Industry (Water Reticulation and Plumbing) Rules 2014, as may be amended from time to time

DEFINITION (*Cont'd*)

WSIR 2023 : Water Services Industry (Registration of Supplier) Rules 2023, as may be amended from time to time

CURRENCIES AND UNITS

RM and sen : Ringgit Malaysia and sen, the lawful currency of Malaysia

RMB : Renminbi, the lawful currency of the People's Republic of China

USD : United States Dollar, the lawful currency of United States of America

sq. ft. : Square feet

sq. mt. : Square metres

% : Per centum

[The rest of this page is intentionally left blank]

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanation of certain terms used in this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings or usage of those terms:-

Authorised distributor	: Companies that are engaged by brand principals to distribute products
B2B	: Business-to-business or transactions between business to business
B2C	: Business-to-consumer or transactions between business to individual end-consumer
Brand principals	: The owner of a brand. Brand principals have the right to use the brand and distribute and sell products under their brand
SKU(s)	: Stock keeping unit(s), an identification of a particular product that is used in inventory management to measure the distinct types of items for sale. Each SKU is distinguished based on attributes such as brand, product category, size and colour
Trading house	: A trading house may act as the intermediary to purchase goods from overseas on behalf of its customers to facilitate transactions between a home country and foreign countries. This includes the arrangement of logistics services and custom clearance

[The rest of this page is intentionally left blank]

TABLE OF CONTENTS

	PAGE
1. CORPORATE DIRECTORY	1
2. APPROVALS AND CONDITIONS	
2.1 APPROVALS FROM RELEVANT AUTHORITIES	4
2.2 MORATORIUM ON OUR SHARES	5
3. PROSPECTUS SUMMARY	
3.1 PRINCIPAL DETAILS RELATING TO OUR IPO	6
3.2 HISTORY AND BUSINESS OF OUR GROUP	6
3.3 COMPETITIVE STRENGTHS	8
3.4 FUTURE PLANS AND STRATEGIES	8
3.5 RISK FACTORS	10
3.6 DIRECTORS AND KEY SENIOR MANAGEMENT	11
3.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS OF OUR GROUP	12
3.8 USE OF PROCEEDS	13
3.9 FINANCIAL HIGHLIGHTS	13
3.10 INTERRUPTIONS TO BUSINESS AND OPERATIONS	14
3.11 DIVIDEND POLICY	14
4. DETAILS OF OUR IPO	
4.1 PARTICULARS OF OUR IPO	15
4.2 BASIS OF ARRIVING AT THE IPO PRICE	21
4.3 DILUTION	22
4.4 USE OF PROCEEDS	23
4.5 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE	27
4.6 DETAILS OF THE UNDERWRITING AGREEMENT	27
5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT	
5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS	28
5.2 BOARD OF DIRECTORS	32
5.3 BOARD PRACTICES	49
5.4 KEY SENIOR MANAGEMENT	55
5.5 DECLARATIONS BY EACH PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT	61
5.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS	62
5.7 EXISTING OR PROPOSED SERVICE AGREEMENTS	62
6. INFORMATION ON OUR GROUP	
6.1 INFORMATION ON OUR GROUP	63
6.2 INFORMATION ON OUR SUBSIDIARIES	65
6.3 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES	69
6.4 MATERIAL PROPERTIES	70
6.5 MAJOR LICENCES, APPROVALS AND PERMITS	74
6.6 BRAND NAMES, TRADEMARKS, PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS	76
6.7 DEPENDENCY ON CONTRACTS, AGREEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS	79
6.8 GOVERNING LAWS AND REGULATIONS	79

TABLE OF CONTENTS (Cont'd)

7.	BUSINESS OVERVIEW	
7.1	HISTORY AND MILESTONES OF OUR GROUP	81
7.2	PRINCIPAL BUSINESS ACTIVITIES AND BUSINESS MODEL	84
7.3	OUR THIRD PARTY MANUFACTURERS	99
7.4	OUR BUSINESS SEGMENTS AND PRINCIPAL MARKETS	100
7.5	COMPETITIVE STRENGTHS	101
7.6	FUTURE PLANS AND STRATEGIES	103
7.7	OUR BUSINESS AND OPERATIONAL PROCESS	106
7.8	SALES AND MARKETING	107
7.9	QUALITY AND GREEN CERTIFICATIONS	109
7.10	TECHNOLOGY USED	110
7.11	RESEARCH AND DEVELOPMENT	110
7.12	OUR SUPPLIERS	111
7.13	TYPES, SOURCES AND AVAILABILITY OF SUPPLIES	112
7.14	PRODUCTION CAPACITY, OUTPUT AND UTILISATION	113
7.15	INTERRUPTION TO BUSINESS AND OPERATIONS	113
7.16	SEASONALITY	114
7.17	EMPLOYEES	114
7.18	MAJOR CUSTOMERS	115
7.19	MAJOR SUPPLIERS	118
7.20	ENVIRONMENTAL, SOCIAL AND GOVERNANCE	122
8.	IMR REPORT	125
9.	RISK FACTORS	
9.1	RISKS RELATING TO OUR BUSINESS AND OPERATIONS	136
9.2	RISKS RELATING TO OUR INDUSTRY	142
9.3	RISKS RELATING TO INVESTMENT IN OUR SHARES	143
10.	RELATED PARTY TRANSACTIONS	
10.1	RELATED PARTY TRANSACTIONS	145
10.2	MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST	156
11.	CONFLICT OF INTEREST	
11.1	CONFLICT OF INTEREST	157
11.2	DECLARATION BY ADVISERS ON CONFLICT OF INTEREST	159
12.	FINANCIAL INFORMATION	
12.1	HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION	160
12.2	CAPITALISATION AND INDEBTEDNESS	162
12.3	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS	163
12.4	KEY FINANCIAL RATIOS	183
12.5	TREND INFORMATION	186
12.6	ORDER BOOK	186
12.7	SIGNIFICANT CHANGES	186
12.8	DIVIDEND POLICY	187
12.9	REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION	188
13.	ACCOUNTANTS' REPORT	205

TABLE OF CONTENTS (Cont'd)

14. ADDITIONAL INFORMATION

14.1	EXTRACT OF OUR CONSTITUTION	275
14.2	SHARE CAPITAL	283
14.3	LIMITATION ON THE RIGHT TO OWN SECURITIES	284
14.4	PUBLIC TAKE-OVERS	284
14.5	EXCHANGE CONTROLS	284
14.6	MATERIAL LITIGATION, CLAIMS AND ARBITRATION	285
14.7	MATERIAL CONTRACTS	286
14.8	CONSENTS	286
14.9	RESPONSIBILITY STATEMENTS	286
14.10	DOCUMENTS FOR INSPECTION	287

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

15.1	OPENING AND CLOSING OF APPLICATIONS	288
15.2	METHODS OF APPLICATIONS	288
15.3	ELIGIBILITY	289
15.4	PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS	290
15.5	PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS	291
15.6	PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS	291
15.7	AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE	291
15.8	OVER/ UNDER-SUBSCRIPTION	292
15.9	UNSUCCESSFUL/ PARTIALLY SUCCESSFUL APPLICANTS	292
15.10	SUCCESSFUL APPLICANTS	293
15.11	ENQUIRIES	294

1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Designation	Nationality	Address
Haji Ahmad Zakie Bin Haji Ahmad Shariff	Independent Non-Executive Chairman	Malaysian	17, Jalan Teratak U8/96A, Bukit Jelutong, 40150 Shah Alam, Selangor
Loo Chai Lai	Managing Director	Malaysian	6, Solok Pasi, Off Jalan Batu Tiga, 41300 Klang, Selangor
Loo Jing Kai	Executive Director	Malaysian	6, Solok Pasi, Off Jalan Batu Tiga, 41300 Klang, Selangor
Lee Chee Keong	Executive Director	Malaysian	PS13-19, Pelangi Sentral Persiaran Surian PJU 6, 47800 Petaling Jaya, Selangor
Christine Toh Hung Mei	Independent Non-Executive Director	Malaysian	171-04, Sri Wangsaria Condominium, Jalan Ara, 59100 Kuala Lumpur
Yeap Soo Ching	Independent Non-Executive Director	Malaysian	No. 52, Jalan BU 6/7, Bandar Utama, 47800 Petaling Jaya, Selangor
Teh Lay Sim	Independent Non-Executive Director	Malaysian	40, Jalan SS 24/21, 47301 Petaling Jaya, Selangor

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Christine Toh Hung Mei	Chairperson	Independent Non-Executive Director
Yeap Soo Ching	Member	Independent Non-Executive Director
Teh Lay Sim	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Teh Lay Sim	Chairperson	Independent Non-Executive Director
Christine Toh Hung Mei	Member	Independent Non-Executive Director
Yeap Soo Ching	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Yeap Soo Ching	Chairperson	Independent Non-Executive Director
Christine Toh Hung Mei	Member	Independent Non-Executive Director
Teh Lay Sim	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARIES** : **Cospec Management Services Sdn Bhd**
(Registration No.:199301023725 (278463-H))
- Third Floor, No. 73, 75, 77, 79 & 81
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
- Telephone No. : (03) 7725 1777
Facsimile No. : (03) 7722 3668
Email : cms_cospec@yahoo.com
Website : www.cospec.com.my
- Tea Sor Hua
SSM Practicing : 201908001272
Certificate No.
Professional : Malaysian Association of Company Secretaries
Qualification (“**MACS**”)
(Membership No.: MACS 01324)
- Loo Hui Yan
SSM Practicing : 202308000290
Certificate No.
Professional : Malaysian Institute of Chartered Secretaries
Qualification and Administrators (“**MAICSA**”)
(Membership No.: MAICSA 7069314)
- REGISTERED OFFICE** : Third Floor, No. 77, 79 & 81
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
- Telephone No. : (03) 7725 1777
Facsimile No. : (03) 7722 3668
Email : cms_cospec@yahoo.com
Website : www.cospec.com.my
- HEAD/ MANAGEMENT OFFICE** : No. 5, Jalan Astana 2/KU2
Bandar Bukit Raja
41050 Klang
Selangor Darul Ehsan
- Telephone No. : (03) 3082 9288
Email : sorento@sorento.com.my
Website : www.sorento.com.my
- PRINCIPAL ADVISER,
SPONSOR, UNDERWRITER
AND PLACEMENT AGENT** : **Alliance Islamic Bank Berhad**
(Registration No.: 200701018870 (776882-V))
Level 3, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
- Telephone No. : (03) 2604 3333

1. CORPORATE DIRECTORY (Cont'd)

AUDITORS AND REPORTING ACCOUNTANTS : TGS TW PLT
(Registration No.: 202106000004 (LLP0026851-LCA) & AF002345))

Unit E-16-2B
Level 16, Icon Tower (East)
No. 1, Jalan 1/68F
Jalan Tun Razak
50400 Kuala Lumpur

Telephone No. : (03) 9771 4326
Partner-in-charge : Ooi Poh Lim
Approval No. : 03087/10/2025J
Professional : Chartered Accountant, Member of Malaysian
Qualification : Institute of Accountants (Membership No.
32145)

LEGAL ADVISERS : David Lai and Tan

Level 8-3 & 8-4, Wisma Miramas
No. 1, Jalan 2/109E
Taman Desa, Jalan Klang Lama
58100 Kuala Lumpur

Telephone No. : (03) 7972 7968

INDEPENDENT MARKET RESEARCHER : SMITH ZANDER INTERNATIONAL SDN BHD
(Registration No. 201301028298 (1058128-V))

15-01, Level 15, Menara MBR
1, Jalan Syed Putra
58000 Kuala Lumpur

Telephone No. : (03) 2732 7537
Managing Partner : Dennis Tan Tze Wen
Qualification : Bachelor of Science
Memorial University of Newfoundland,
Canada

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

ISSUING HOUSE AND SHARE REGISTRAR : Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))

Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone No. : (03) 2783 9299

LISTING SOUGHT : ACE Market of Bursa Securities

SHARIAH STATUS : [Approved by the SAC]

2. APPROVALS AND CONDITIONS

2.1 APPROVALS FROM RELEVANT AUTHORITIES

2.1.1 Bursa Securities

Bursa Securities had, vide its letter dated [●], approved our Listing. The approval from Bursa Securities is subject to the following conditions:-

No.	Details of conditions imposed	Status of compliance
[●]		[●]
[●]		[●]

2.1.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated [●], approved the resultant equity structure of our Company pursuant to our Listing under the Bumiputera equity requirement for public listed companies, subject to the following conditions:-

No.	Details of conditions imposed	Status of compliance
[●]		[●]
[●]		[●]

The effects of our Listing on the equity structure of our Company are as follows:-

Category of shareholders	As at the LPD		After our Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Bumiputera investors to be approved by the MITI	-	-	⁽¹⁾ 107,500,000	12.50
- Bumiputera public investors via balloting	-	-	⁽¹⁾ 21,500,000	2.50
Total Bumiputera	-	-	129,000,000	15.00
Non-Bumiputera	705,000,000	100.00	731,000,000	85.00
Total Malaysian	705,000,000	100.00	860,000,000	100.00
Foreigner	-	-	-	-
Total	705,000,000	100.00	860,000,000	100.00

Note:-

(1) Assuming that all Shares allocated to Bumiputera investors to be approved by the MITI and Bumiputera public investors via balloting are fully subscribed.

2. APPROVALS AND CONDITIONS (Cont'd)

2.1.3 MITI

The MITI had, vide its letter dated [●], taken note of and has no objection to our Listing.

2.2 MORATORIUM ON OUR SHARES

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 for a period of six months from the date of our admission to the ACE Market.

Details of our Specified Shareholders and their Shares which will be subject to moratorium are as follows:-

Specified Shareholders	No. of Shares	(1) %
Loo Chai Lai	86,884,187	10.10
Loo Jing Kai	19,216,370	2.24
LCL Success	516,000,000	60.00
Total	622,100,557	72.34

Note:-

(1) Based on our enlarged issued share capital of 860,000,000 Shares after our IPO.

Our Specified Shareholders have provided written undertaking letters to Bursa Securities that they will not sell, transfer or assign their shareholdings under moratorium during the abovementioned moratorium period.

The above moratorium, which is fully acknowledged and accepted by our Specified Shareholders will be specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar does not register any sale, transfer or assign their shareholdings that contravenes with the aforesaid moratorium restrictions imposed.

[The rest of this page is intentionally left blank]

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[●]

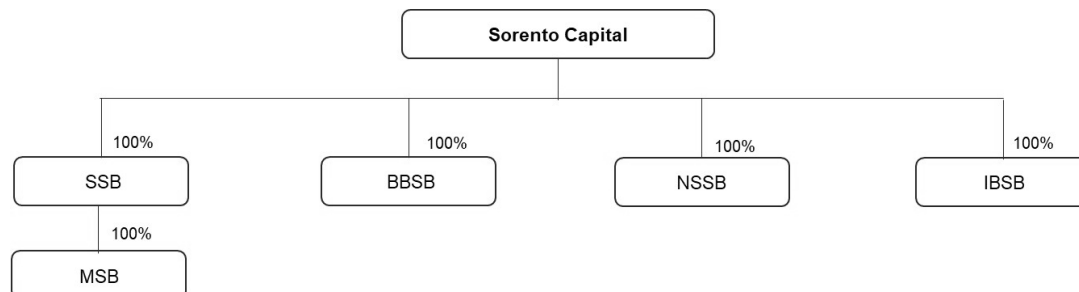
Market capitalisation upon the Listing (based on the IPO Price and our enlarged issued share capital after our IPO) RM[●]

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.

[The rest of this page is intentionally left blank]

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.

[The rest of this page is intentionally left blank]

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.

4. DETAILS OF OUR IPO

4.1 PARTICULARS OF OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus. Upon acceptance, our IPO Shares are expected to be allocated or transferred in the manner described below, subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus.

Our IPO consists of the Public Issue and the Offer for Sale, totalling up to 229,000,000 IPO Shares, representing approximately 26.62% of our enlarged total number of 860,000,000 Shares after our IPO.

4.1.1 Acquisitions

(i) Acquisition of SSB

On 18 March 2024, our Company had entered into a conditional share sale agreement with Loo Chai Lai and Loo Jing Kai for the acquisition of the entire issued share capital of SSB comprising 250,000 ordinary shares in SSB for a purchase consideration of RM35,119,020. The purchase consideration was fully satisfied via the issuance and allotment of 585,317,000 new Shares at an issue price of RM0.06 per Share to the vendors in the following manner:-

Vendors	No. of ordinary shares acquired	%	No. of Shares issued	%
Loo Chai Lai	225,000	90.00	526,785,300	90.00
Loo Jing Kai	25,000	10.00	58,531,700	10.00
Total	250,000	100.00	585,317,000	100.00

The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the adjusted audited NA of SSB of RM35,119,024, calculated based on the audited NA of SSB as at 30 June 2023 of RM43,119,024 and after accounting for the pre-IPO dividend of approximately RM8.00 million by SSB for the FYE 2024. The acquisition of SSB was completed on [●].

(ii) Acquisition of BBSB

On 18 March 2024, our Company had entered into a conditional share sale agreement with Loo Chai Lai, Loo Jing Kai and Lee Chee Keong for the acquisition of the entire issued share capital of BBSB comprising 30,000 ordinary shares in BBSB for a purchase consideration of RM5,633,370. The purchase consideration was fully satisfied via the issuance and allotment of 93,889,500 new Shares at an issue price of RM0.06 per Share to the vendors in the following manner:-

Vendors	No. of ordinary shares acquired	%	No. of Shares issued	%
Loo Chai Lai	24,500	81.67	76,676,425	81.67
Loo Jing Kai	3,000	10.00	9,388,950	10.00
Lee Chee Keong	2,500	8.33	7,824,125	8.33
Total	30,000	100.00	93,889,500	100.00

The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA of BBSB as at 30 June 2023 of RM5,633,370. The acquisition of BBSB was completed on [●].

4. DETAILS OF OUR IPO (Cont'd)

(iii) Acquisition of NSSB

On 18 March 2024, our Company had entered into a conditional share sale agreement with Loo Chai Lai and Loo Jing Kai for the acquisition of the entire issued share capital of NSSB comprising 100,000 ordinary shares in NSSB for a purchase consideration of RM1,168,026. The purchase consideration was fully satisfied via the issuance and allotment of 19,467,100 new Shares at an issue price of RM0.06 per Share to the vendors in the following manner:-

Vendors	No. of ordinary shares acquired	%	No. of Shares issued	%
Loo Chai Lai	90,000	90.00	17,520,390	90.00
Loo Jing Kai	10,000	10.00	1,946,710	10.00
Total	100,000	100.00	19,467,100	100.00

The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA of NSSB as at 30 June 2023 of RM1,168,067. The acquisition of NSSB was completed on [●].

(iv) Acquisition of IBSB

On 18 March 2024, our Company had entered into a conditional share sale agreement with Loo Chai Lai, Loo Jing Kai and Lee Chee Keong for the acquisition of the entire issued share capital of IBSB comprising 1,000 ordinary shares in IBSB for a purchase consideration of RM379,524. The purchase consideration was fully satisfied via the issuance and allotment of 6,325,400 new Shares at an issue price of RM0.06 per Share in the following manner:-

Vendors	No. of ordinary shares acquired	%	No. of Shares issued	%
Loo Chai Lai	680	68.00	4,301,272	68.00
Loo Jing Kai	150	15.00	948,810	15.00
Lee Chee Keong	170	17.00	1,075,318	17.00
Total	1,000	100.00	6,325,400	100.00

The purchase consideration was arrived at on willing buyer-willing seller basis after taking into consideration the audited NA of IBSB as at 30 June 2023 of RM379,524. The acquisition of IBSB was completed on [●].

Upon completion of the Acquisitions, the issued share capital of our Company increased from RM1,000 comprising 1,000 Shares to RM42,300,940 comprising 705,000,000 Shares. Our Group structure after the Acquisitions is set out in Section 6.1.3 of this Prospectus.

4. DETAILS OF OUR IPO (Cont'd)

4.1.2 Public Issue

The Public Issue involves the offering of 155,000,000 new Shares, representing approximately 18.02% of our enlarged issued share capital upon Listing, at the IPO Price and will be allocated in the following manner:-

(i) Malaysian Public via balloting

43,000,000 Issue Shares, representing 5.00% of our enlarged issued share capital, will be made available for application by the Malaysian Public via balloting, of which 50.00% will be set aside for application by Bumiputera investors.

(ii) Eligible Persons

16,000,000 Issue Shares, representing 1.86% of our enlarged issued share capital, will be reserved for application by the Eligible Persons in the follow manner:-

Eligible Persons	No. of persons	Aggregate number of Issue Shares allocated
Our Directors ⁽¹⁾	4	1,000,000
Eligible employees of our Group ⁽²⁾	Up to 164	12,000,000
Persons who have contributed to the success of our Group ⁽³⁾	Up to 30	3,000,000
Total	Up to 195	16,000,000

Notes:-

- (1) The criteria of allocation to our eligible Directors is based on, among others, their respective roles and responsibilities in our Group.
- (2) The criteria of allocation to the eligible employees of our Group (as approved by our Board) is based on, among others, the following factors:-
 - (i) The employee must be a full-time confirmed employee and on the payroll of our Group; and
 - (ii) The number of Issue Shares allocated to the eligible employees is based on their position, length of service, performance and their past contribution to our Group as well as other factors deemed relevant by our Board.
- (3) The number of Issue Shares to be allocated to the persons who have contributed to the success of our Group comprising our business contacts, suppliers and customers, shall be based on, among others, their length of business relationship with our Group and their contribution to our Group and as approved by our Board.

The number of Issue Shares to be allocated to our Directors is set out below:-

Name	Designation	Number of Shares
Haji Ahmad Zakie Bin Haji Ahmad Shariff	Independent Non-Executive Chairman	250,000
Christine Toh Hung Mei	Independent Non-Executive Director	250,000
Yeap Soo Ching	Independent Non-Executive Director	250,000
Teh Lay Sim	Independent Non-Executive Director	250,000
Total		1,000,000

4. DETAILS OF OUR IPO (Cont'd)

The number of Issue Shares to be allocated to our key senior management is set out below:-

<u>Name</u>	<u>Designation</u>	<u>Number of Shares</u>
Tan Gine Ngee	Chief Financial Officer	2,381,000
Loo Ai Cheng	Senior Manager - Warehouse & Customer Service	2,383,000
Ng Lai Heong	Regional Sales Manager	307,000
Lam Li Hua	Marketing Manager	307,000
Total		5,378,000

To the best of our knowledge and belief:-

- (a) save for the Pink Form Allocation for application by Eligible Persons, none of our substantial shareholders, Directors or key senior management have indicated to our Company that they intend to subscribe for our IPO Shares; and
- (b) there are no persons who have indicated to us that they intend to subscribe for more than 5.00% of our IPO Shares.

(iii) Private placement to selected Bumiputera investors approved by the MITI

96,000,000 Issue Shares, representing 11.16% of our enlarged issued share capital, will be made available for application via private placement to Bumiputera investors approved by the MITI.

4.1.3 Offer for Sale

The Selling Shareholder will offer up to 74,000,000 existing Shares for sale, representing up to approximately 8.60% of our enlarged issued share capital, at the IPO Price via placement in the following manner:-

- (i) 62,500,000 Offer Shares, representing approximately 7.27% of our enlarged issued share capital, will be made available for application via private placement to selected investors; and
- (ii) 11,500,000 Offer Shares, representing 1.33% of our enlarged issued share capital, will be made available for application via private placement to Bumiputera investors approved by the MITI.

The details of our Selling Shareholder are set out below:-

<u>Name</u>	<u>Nature of relationship with our Group</u>	<u>Shareholdings after the Acquisitions</u>		<u>Shares offered pursuant to the Offer for Sale</u>			<u>Shareholdings after the Offer for Sale⁽³⁾</u>	
		<u>No. of Shares</u>	<u>(1) %</u>	<u>No. of Shares</u>	<u>(1) %</u>	<u>(2) %</u>	<u>No. of Shares</u>	<u>(2) %</u>
Loo Chai Lai	Promoter and substantial shareholder	625,284,187	88.70	74,000,000	10.50	8.60	551,284,187	64.10

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 the Public Issue and Offer for Sale.
- (3) Shareholdings before the Share Transfer.

4. DETAILS OF OUR IPO (Cont'd)

4.1.4 Share Transfer

LCL Success is an investment holding company held by Loo Chai Lai and Loo Jing Kai with equity interest of 90.00% and 10.00% respectively. Further details of LCL Success are set out in Section 5.10 of this Prospectus.

During the prescribed period (one day after the launching date of the Prospectus up to a period of 30 days), Loo Chai Lai and Loo Jing Kai will transfer their respective shareholdings amounting to 516,000,000 Shares to LCL Success in conjunction with the IPO.

Upon Listing, LCL Success will hold 60.00% of our enlarged issued share capital. Further details of the Share Transfer are set out below:-

Shareholders	No. of Shares in Sorento before Share Transfer	(1) %	No. of Shares to be transferred	(1) %	No. of Shares in Sorento after Share Transfer	(1) %
Loo Chai Lai	551,284,187	64.10	464,400,000	54.00	86,884,187	10.10
Loo Jing Kai	70,816,370	8.23	51,600,000	6.00	19,216,370	2.24
Total	622,100,557	72.33	516,000,000	60.00	106,100,557	12.33

Note:-

(1) Based on our enlarged share capital of 860,000,000 Shares after our Listing.

4.1.5 Clawback and reallocation

The allocation of our IPO Shares shall be subject to the following clawback and reallocation provisions:-

(i) Issue Shares to selected Bumiputera investors approved by the MITI

If our IPO Shares allocated to identified Bumiputera investors approved by the MITI ("**MITI Tranche**") are under-subscribed, such IPO Shares which are not taken up will be made available for subscription by institutional investors.

After such reallocation, if the MITI Tranche is still under-subscribed and there is a corresponding over-subscription for our IPO Shares by Bumiputera investors under the Public Issue, our IPO Shares will be clawed back from the MITI Tranche and allocated to the Bumiputera investors under the Public Issue;

After item (i) above, the remaining portion will be made available for:-

- (a) Malaysian Public, if there is an over-subscription for our IPO Shares by the Malaysian Public under the Public Issue; or
- (b) application by way of private placement to selected investors to be identified.

(ii) Issue Shares for the Malaysian Public via balloting

Any Issue Shares not subscribed by the Malaysian Public will be made available for application to the following:-

- (a) firstly, by the Eligible Persons (excluding the eligible Directors) under the Pink Form Allocation as described in Section 4.1.5 (iii) of this Prospectus;
- (b) secondly, by way of private placement to selected investors; and
- (c) lastly, subscription by our Underwriter based on the terms of the Underwriting Agreement.

4. DETAILS OF OUR IPO (Cont'd)

(iii) Pink Form Shares for our Eligible Persons

Any IPO Shares not taken up by the respective Eligible Persons based on their predetermined allocations shall be allocated in the following priority:-

- (a) firstly, to other Eligible Persons (excluding the eligible Directors);
- (b) secondly, to the Malaysian Public under the Public Issue;
- (c) thirdly, by way of private placement to selected investors; and
- (d) lastly, underwritten by our Underwriter based on the terms of the Underwriting Agreement.

The allocation of our IPO Shares shall take into account the desirability of distributing our Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of our Company to meet the public spread requirements and to establish a liquid and adequate market for our Shares. Applicants will be selected on a fair and equitable manner.

There is no over-allotment or “greenshoe” option that will result in an increase in the amount of our Issue Shares.

4.1.6 Minimum subscription level

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

Under the Listing Requirements, we are required to have a minimum of 25.00% of our Shares held by at least 200 public shareholders, each holding not less than 100 Shares at the point of our Listing.

If the above requirement is not met, we may not be able to proceed with our Listing. Please refer to Section 9.3.3 of this Prospectus for further details in the event there is a delay in or cancellation of our Listing.

[The rest of this page is intentionally left blank]

4. DETAILS OF OUR IPO (Cont'd)

4.1.7 Share Capital

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

	<u>No. of Shares</u>	<u>RM</u>
Issued share capital after the Acquisitions	705,000,000	42,300,940
New Shares to be issued pursuant to the Public Issue	155,000,000	[●]
Enlarged issued share capital upon Listing	860,000,000	[●]

4.1.8 Classes of shares and ranking

As at the date of this Prospectus, we only have one class of shares, being ordinary shares, all of which rank equally with each other.

Our Issue Shares will, upon issuance and allotment, rank equally in all respects with our existing issued share capital, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of our Issue Shares.

Our Offer Shares rank equally in all respects with our existing issued share capital, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of transfer of our Offer Shares.

Subject to special rights attaching to any Share which may be issued by us in the future, our shareholders shall, in proportion to the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus to be distributed among the members in proportion to the issued share capital at the commencement of the liquidation, in accordance with our Constitution and provisions of the Act.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one vote for each Share held. A proxy may but need not be a shareholder of our Company.

4.2 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors and AIS who act as our Principal Adviser, Sponsor, Underwriter and Placement Agent, had determined and agreed upon the IPO Price after taking into consideration the following factors:-

- (i) our Group's strong financial performance, demonstrated by the growth of our revenue at a compound annual growth rate ("CAGR") of 30.34% from RM66.11 million for the FYE 2021 to RM112.31 million for the FYE 2023. Our PAT has also increased at a CAGR of 79.04% from RM7.78 million to RM24.93 million over the same period. Our financial performance is set out in Sections 12 and 13 of this Prospectus;
- (ii) Our EPS of approximately RM[●], computed based on our PAT of RM24.93 million for the FYE 2023 and our enlarged number of issued Shares of 860,000,000 Shares upon Listing translating to a PE Multiple of [●] times based on our IPO Price;
- (iii) our competitive strengths as set out in Section 7.5 of this Prospectus; and
- (iv) our future plan and strategies as set out in Section 7.6 of this Prospectus.

4. DETAILS OF OUR IPO (Cont'd)

You should note that the market price of our Shares upon our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the trading price of our Shares. You are reminded to consider the risk factors set out in Section 9 of this Prospectus before deciding to invest in our Shares.

4.3 DILUTION

Dilution is the amount by which the IPO Price to be paid by investors for our IPO Shares exceeds our pro forma combined NA per Share after our IPO.

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

	<u>RM</u>
IPO Price	[•]
Pro forma combined NA per Share as at 30 June 2023 before our Public Issue	0.07
Pro forma combined NA per Share as at 30 June after our Public Issue	[•]
Increase in combined NA per Share attributable to our existing shareholders	[•]
Dilution in pro forma combined NA per Share to new investors	[•]
Dilution in pro forma combined NA per Share to new investors as a percentage of the IPO Price	[•]%

Save as disclosed below, there has been no substantial disparity between our IPO Price and the effective cash cost to our Promoters, Directors, substantial shareholders, key senior management and/ or persons connected to them for any of our Shares acquired by them in any transaction from the date of incorporation up to the LPD:-

<u>Name</u>	<u>No. of Shares held before our IPO</u>	<u>Total consideration</u>	<u>Effective cost per Share</u>
		<u>RM</u>	<u>RM</u>
Promoters, Directors and substantial shareholders			
Loo Chai Lai	⁽¹⁾ 625,284,187	37,517,803	0.06
Loo Jing Kai	⁽¹⁾ 70,816,370	4,249,171	0.06
Director			
Lee Chee Keong	⁽²⁾ 8,899,443	533,966	0.06

Notes:-

- (1) Being Shares issued pursuant to the Acquisitions and 1,000 subscriber shares issued upon incorporation of our Company.
- (2) Being Shares issued pursuant to the Acquisitions.

As the date of this Prospectus, save for the Pink Form Allocation, there is no outstanding right granted to anyone to acquire our Shares. The Pink Form Allocation is based on our IPO Price.

4. DETAILS OF OUR IPO (Cont'd)

4.4 USE OF PROCEEDS

We expect to use the gross proceeds from our Public Issue amounting to RM[●] million in the following manner:-

Details	RM'000	%	Estimated timeframe for use of proceeds from the date of Listing
Branding and promotional marketing	[●]	[●]	Within 36 months
Expansion of dealer network and enhancement of distribution reach	[●]	[●]	Within 36 months
Repayment of bank borrowings	[●]	[●]	Within 12 months
Working capital for purchase of inventories	[●]	[●]	Within 24 months
Estimated listing expenses	[●]	[●]	Within one month
Total	[●]	[●]	

Pending the eventual use of proceeds raised from the Public Issue, the proceeds will be placed in interest-bearing short-term deposits or money market instruments with licensed financial institution.

Our Company will not receive any proceeds from the Offer for Sale. Based on the IPO Price, the gross proceeds from the Offer for Sale of up to RM[●] million will accrue entirely to the Selling Shareholder. The Selling Shareholder will bear his own placement fees in respect of the Offer Shares which is estimated to be approximately RM[●] million.

Further details on the use of the gross proceeds from our Public Issue are set out below.

4.4.1 Branding and promotional marketing

We intend to use RM[●] million or [●]% of the gross proceeds from the Public Issue to fund our branding and promotional marketing initiatives.

The estimated breakdown of the allocation of the proceeds for our branding and promotional marketing initiatives are set out below:-

No.	Details	RM'000
1.	Promotional activities and events including product demonstration and launch events, brand awareness campaigns	[●]
2.	Content marketing including advertising via websites, social media marketing, making of videos, search engine marketing, print advertisements, billboard advertising, printing of flyers, brochures and catalogues	[●]
3.	Participation in industry events and tradeshows which provide an avenue for the Group to connect with prospective suppliers and customers as well as keep abreast of the latest market trends	[●]
	Total	[●]

Depending on our business strategy, financial condition and other market conditions, we may revise and reschedule the planned branding and promotional marketing activities set out above and adjust the budget and allocation of funds for a particular planned expenditure.

4. DETAILS OF OUR IPO (Cont'd)

If at any point in time after our Listing, the actual use of proceeds towards any planned expenditure item above is lower than the amount estimated, the excess may (subject to the same first being available for use to other branding and promotional marketing activities) be used for purchasing inventories of our Group.

However, in the event the allocated proceeds are insufficient for our branding and promotional marketing activities, our Group will fund any shortfall via internally generated funds and/ or bank borrowings.

4.4.2 Expansion of dealer network and enhancement of distribution reach

We have allocated RM[●] million or [●]% of the gross proceeds from the Public Issue for the enhancement of our distribution network.

As part of our future plans and strategies, we intend to enhance our distribution network, comprising existing and new dealers. 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 provide subsidies to existing and new dealers for the following:

- (i) provide subsidy to existing and new dealers to enhance and upgrade selected dealers' retail stores;
- (ii) provide subsidy to existing and new dealers that will sell our house brands exclusively at their stores; and
- (iii) 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.

Our total estimated budget for the enhancement of our distribution network, comprising existing and new dealers, is approximately RM20.00 million, which will be funded via a combination of the proceeds raised and internally-generated funds. We plan to utilise RM[●] million from our IPO proceeds within 36 months from the date of our Listing to partially fund this enhancement plan. The breakdown of the subsidies to be given to our existing and new dealers based on the future plans:

Types of outlets	Subsidy per store (RM)
To upgrade the product displays or storefront signage, renovation cost and design ideas to set up or upgrade the display areas for our products at existing and new dealers stores	10,000 – 80,000
Subsidy for renovation and fit-out cost for existing and new dealers who sell our house brands exclusively at their stores	80,000 – 150,000
Subsidy for renovation and fit-out cost and/ or supply of display units for existing and new dealers to facilitate the setting up of the concept stores	300,000 – 500,000

We are unable to determine the number of dealers which we will subsidise, as the exact cost of renovation and fit-out for each store cannot be ascertained as at the LPD. This cost can only be determined as and when the existing and new dealers are selected for renovation and fit-out of their stores based on the size of the stores and forecast sales return.

4. DETAILS OF OUR IPO (Cont'd)

4.4.3 Repayment of bank borrowings

As at the LPD, our Group's outstanding borrowings amounted to approximately RM18.59 million.

We intend to use RM[●] million or [●]% of the gross proceeds from the Public Issue to partially repay our borrowings below:-

Types of facility	Purpose	Interest rate %	Maturity date	Balance as at the LPD RM'000	Proposed repayment RM'000
Fixed loan	Part finance the acquisition of a property in Penang which is currently used as our warehouse and office.	4.42 (i.e. 2.30% below the bank's base lending rate as at the LPD of 6.72% per annum)	November 2041	2,391	[●]
Banker's acceptance	Purchase of inventory	4.19% - 4.36%	Revolving tenure of 150 days from the date of drawdown	13,875	[●]
Total				16,266	[●]

The repayment of the fixed loan is expected to result in interest savings of approximately RM[●] million per annum based on the interest rate of 4.42% per annum as shown above. The actual interest savings may vary depending on the then applicable interest rates.

With the repayment of the banker's acceptance, we expect to improve our liquidity position in the future. However, the repayment of the banker's acceptance will not result in interest savings as the interest cost has been incurred upfront.

As set out in Section 12 of this Prospectus, the proposed repayment of bank borrowings will also reduce our Group's gearing level from [●] times (based on our Group's pro forma combined statement of financial position after the Acquisitions) to [●] times (based on the total borrowings of RM[●] million and pro forma shareholders' fund of RM[●] million of our Group upon utilisation of proceeds raised from the IPO).

In the event the actual principal balance of the borrowings at the point of repayment is less than the amount allocated for the repayment, we will re-allocate the excess amount to working capital.

4.4.4 Working capital for purchase of inventories

We anticipate the need for more inventory to support our existing and future growth. Pursuant thereto and in tandem with the anticipated growth in line with our business expansion, we have earmarked approximately RM[●] million or approximately [●]% of the gross proceeds from the Public Issue to replenish our inventory of bathroom and kitchen sanitary ware products.

Our total purchase of inventories during the FYE 2021, FYE 2022 and FYE 2023 amounted to RM49.16 million, RM49.66 million and RM54.12 million, respectively.

4. DETAILS OF OUR IPO (Cont'd)

4.4.5 Estimated listing expenses

The estimated fees and expenses for our IPO and Listing to be borne by us are approximately RM[●] million comprising the following:-

	RM'000
Professional fees ⁽¹⁾	[●]
Fees to authorities	[●]
Brokerage, underwriting commission and placement fees	[●]
Miscellaneous expenses and contingencies ⁽²⁾	[●]
Total	[●]

Notes:-

- (1) Includes advisory fees for, among others, Principal Adviser, legal advisers, Reporting Accountants, Tax advisers, IMR, Independent Internal Control Consultant, and Issuing House.
- (2) Includes any other incidental charges or related expenses in connection with our IPO, such as translation services, printing and advertising expenses, applicable service tax and IPO event expenses.

If the actual listing expenses are higher than estimated, the deficit will be funded out of the proceeds allocated for working capital purposes. Conversely, if the actual listing expenses are lower than estimated, the excess will be used for working capital purposes.

[The rest of this page is intentionally left blank]

4. DETAILS OF OUR IPO (Cont'd)

4.5 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.5.1 Brokerage fee

We will bear the brokerage fee at the rate of [●]% of the IPO Price in respect of successful Applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/ or the Issuing House.

4.5.2 Underwriting commission

Our Underwriter has agreed to underwrite 43,000,000 Issue Shares offered to Malaysian Public via balloting under the Public Issue and 16,000,000 Pink Form Allocation. We will pay our Underwriter an underwriting commission at the rate of [●]% of the total value of the Issue Shares to be underwritten based on the IPO Price.

4.5.3 Placement fee

Our Placement Agent has agreed to place out 96,000,000 Issue Shares allocated by way of private placement and 74,000,000 Offer Shares to selected investors including Bumiputera investors approved by the MITI at a placement fee and selling commission of up to [●]% of the total value of the IPO Shares successfully placed out by the Placement Agent at the IPO Price.

The placement fees to be incurred on the sale of the Offer Shares will be fully borne by the Offeror.

4.6 DETAILS OF THE UNDERWRITING AGREEMENT

On [●], we have entered into the Underwriting Agreement with our Underwriter to underwrite 59,000,000 Issue Shares ("**Underwritten Shares**"), on the terms and subject to the conditions as set out in the Underwriting Agreement.

[The salient terms will be inserted after the Underwriting Agreement has been entered into and is available.]

[The rest of this page is intentionally left blank]

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

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Shareholdings of our Promoters and substantial shareholders

The direct and indirect shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:-

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.

Save for our Promoters and substantial shareholders, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, our Promoters and substantial shareholders have the same voting rights as the other shareholders of our Company and there is no arrangement between our Company and our shareholders with any third parties, the operation of which may, at a subsequent date, result in the change in control of our Company.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.1.2 Profile of our Promoters and substantial shareholders

(i) **Loo Chai Lai**

Promoter, Specified Shareholder, substantial shareholder and Managing Director

Loo Chai Lai, Malaysian aged 60, is the Promoter, Specified Shareholder, substantial shareholder and Managing Director of our Group. He was appointed to our Board on 17 May 2023.

He completed his high school education at Sekolah Menengah Kebangsaan Sultan Abdul Samad, Klang in 1982.

He began his career in Boon Seng Paint Merchant, a family-owned business as a Sales Executive in 1984. He set up MBS Paints (previously known as MBS Paints and Tools Sdn Bhd) in 1993 where he was responsible for the overall management. In the following year, he also set up KCBS where he was involved in sales and marketing. He remains a shareholder and director of MBS Paints and KCBS.

In 2003, he founded PSM, which is principally involved in trading of paints, painting accessories, sanitary, kitchen accessories and hardware. He was primarily responsible for the overall management and day-to-day operating activities of the company. In 2024, He resigned as the director of PSM and disposed of his shares in PSM to a third party.

In 2005, he founded SSB together with his brother, Loo Chai Sing. He was responsible for the overall management and day-to-day operating activities of SSB. Loo Chai Sing subsequently resigned as a director in 2020 and disposed all of his shareholdings in SSB to Loo Chai Lai and Loo Jing Kai in 2021. Loo Chai Lai was instrumental in growing our business operations by expanding our customer base and establishing our brand presence in Malaysia.

As our Group's Managing Director, he will continue to be responsible for overseeing our Group's overall finance, business operations and business development strategies. We will continue to leverage on his 40 years of experience in home improvement and renovation industry with 21 years of experience in the bathroom and kitchen sanitary wares industry to chart our Group's future business direction.

(ii) **Loo Jing Kai**

Promoter, Specified Shareholder, substantial shareholder and Executive Director

Loo Jing Kai, a Malaysian aged 29, is the Promoter, Specified Shareholder, substantial shareholder and Executive Director of our Group. He was appointed to our Board on 17 May 2023.

He graduated with Bachelor of Business (International Business) from the Queensland University of Technology in 2017.

He began his career in 2017 as a Sales Executive in PSM. He was responsible for assisting walk-in customers at the showroom, promoting company's products and providing after sale service. In 2019, he was promoted to Sales Manager and was responsible for monitoring the daily and monthly sales performance of the company. In 2020, he was appointed as the director for PSM. In 2024, he resigned as the director and disposed of his shares in PSM to a third party.

In 2020, Loo Jing Kai joined SSB as the Sales Manager. He was responsible for monitoring the operations and the sales of the products as well as the collection of payments. In the same year, he was also appointed as the director of SSB. In 2021, he became the shareholder of SSB following the exit of Loo Chai Sing from SSB.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

As our Group's Executive Director, he is responsible for overseeing the sales and purchasing as well as warehouse and customer service functions of our Group.

(iii) LCL Success
Specified Shareholder and substantial shareholder

LCL Success was incorporated in Malaysia under the Act on 21 February 2024 as a private limited company. As at the LPD, the issued share capital of LCL Success is RM100 comprising 100 ordinary shares. LCL Success is principally an investment holding company.

As at the LPD, the directors and shareholders of LCL Success and their respective shareholdings in LCL Success are as follows:-

Name	Nationality	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Loo Chai Lai	Malaysia	90	90.00	(1) 10	10.00
Loo Jing Kai	Malaysia	10	10.00	-	-

Note:-

- (1) Deemed interested by virtue of his son, Loo Jing Kai's interest in LCL Success pursuant to Section 8 of the Act.

[The rest of this page is intentionally left blank]

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.1.3 Changes in our Promoters' and substantial shareholder's shareholdings in our Company

The changes in our Promoters' and substantial shareholders' shareholdings in our Company since our incorporation up to after our IPO are as follows:-

Name	As at the date of incorporation				After the Acquisitions and as at the LPD			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1) %	No. of Shares	(1) %	No. of Shares	(2) %	No. of Shares	(2) %
Promoter and substantial shareholder								
Loo Chai Lai	800	80.00	200	(3) 20.00	625,284,187	88.70	70,816,370	(3) 10.04
Loo Jing Kai	200	20.00	-	-	70,816,370	10.04	-	-
After our IPO								
Name	Direct		Indirect					
	No. of Shares	(3) %	No. of Shares	(3) %				
Promoter and substantial shareholder								
Loo Chai Lai	86,884,187	10.10	535,216,370	(4) 62.23				
Loo Jing Kai	19,216,370	2.24	-	-				
Substantial shareholder								
LCL Success	516,000,000	60.00	-	-				

Notes:-

- (1) Based on our issued share capital of 1,000 Shares as at the date of incorporation of our Company.
- (2) Based on our issued share capital of 705,000,000 Shares after the Acquisitions but before our IPO.
- (3) Based on our enlarged issued share capital of 860,000,000 Shares after our IPO.
- (4) 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.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.1.4 Benefits paid or intended to be paid or given to our Promoters and substantial shareholder

Save for the dividends paid or to be paid, if any, to our Promoters and substantial shareholders and the aggregate remuneration and benefits paid or proposed to be paid to our Promoters and substantial shareholders for services rendered to our Group in all capabilities for FYE 2023 and proposed to be paid for FYE 2024 as set out in Section 5.2.5 of this Prospectus, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and substantial shareholders within the two years preceding the date of this Prospectus.

5.2 BOARD OF DIRECTORS

5.2.1 Particulars of our Directors

Our Board comprises the following members:-

Name	Age	Nationality	Date of appointment	Designation
Haji Ahmad Zakie Bin Haji Ahmad Shariff	67	Malaysian	25 March 2024	Independent Non-Executive Chairman
Loo Chai Lai	60	Malaysian	17 May 2023	Managing Director
Loo Jing Kai	29	Malaysian	17 May 2023	Executive Director
Lee Chee Keong	44	Malaysian	25 March 2024	Executive Director
Christine Toh Hung Mei	43	Malaysian	25 March 2024	Independent Non-Executive Director
Yeat Soo Ching	48	Malaysian	25 March 2024	Independent Non-Executive Director
Teh Lay Sim	49	Malaysian	25 March 2024	Independent Non-Executive Director

None of our Directors represent any corporate shareholder on our Board. For details on the association of family relationship between our Promoters, Directors and key senior management, please refer to Section 5.6 of this Prospectus.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.2.2 Profile of Directors

The profiles of our Directors, Loo Chai Lai and Loo Jing Kai are set out in Section 5.1.2 above. The profiles of our other Directors are set out below:-

(i) **Haji Ahmad Zakie Bin Haji Ahmad Shariff**
Independent Non-Executive Chairman

Haji Ahmad Zakie Bin Haji Ahmad Shariff, a Malaysian, aged 67, is the Independent Non-Executive Chairman of our Group. He was appointed to our Board on 25 March 2024.

He graduated with a Bachelor of Economics from Universiti Kebangsaan Malaysia in 1980 and Master of Accounting Science at University of Illinois, Urbana-Champaign, United States of America in 1983.

He began his career in 1990 as an Equity Analyst in Rashid Hussain Securities. He then joined Smith Zain Securities Sdn Bhd in 1994 as an International Sales Dealer. In 1995, he joined Shapadu Corporation Sdn Bhd as an Assistant General Manager. In 1996, he joined PTB Asset Management Sdn Bhd (*which was then a subsidiary of Permodalan Terrenganu Berhad*) as the Chief Executive Officer where he was responsible for the day-to-day operations of the company. In 2004, he joined SJ Securities Sdn Bhd as the Executive Director (Operations) where he was responsible for its day-to-day operations.

In 2005, he joined UEM Group Berhad as the Director of Corporate Affairs where he was responsible for its human capital development. In 2010, he joined Malayan Banking Berhad as the Head of Organizational Learning Division where he was responsible for the training and talent enhancement needs of the group.

In 2012, he joined the Federation of Investment Managers Malaysia as the Chief Executive Officer where he was responsible for its day-to-day operations. In the same year, he also joined Menteri Pengajian Tinggi Malaysia as the director. He left the Federation of Investment Managers Malaysia and Menteri Pengajian Tinggi Malaysia in 2013. In 2014, he joined Perbadanan Menteri Besar Kelantan as a director where he was responsible for the business turnaround for some of the subsidiaries owned by Perbadanan Menteri Besar Kelantan.

Presently, he is an Adjunct Professor at the Graduate Business School of Universiti Kebangsaan Malaysia since 2020. He is also the director of various private limited companies as well as the Independent Non-Executive Director of LFE Corporation Berhad since 2023.

(ii) **Lee Chee Keong**
Executive Director

Lee Chee Keong, a Malaysian, aged 44, is the Executive Director of our Group. He was appointed to our Board on 25 March 2024.

He graduated with a Bachelor of Engineering (Mechanical and Production Engineering) and Graduate Diploma in Technopreneurship and Innovation Program from Nanyang Technological University, Singapore in 2003.

He began his career as a Project Engineer in Hi-P (Shanghai) Housing Appliance Co Ltd in 2004 where he was responsible for managing project development, which includes amongst others, costing, process flow and manufacturing until he left in 2006. He then joined Venture Electronics Shanghai Co. Ltd in 2006 as a Project Lead where he was responsible for managing business units in relation to manufacturing of electronic products and components.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

He left the company in 2008 to join Acumen Engineering (Shanghai) Co. Ltd as a Sales Manager where he was responsible for overseeing the overall business operations of the company in China. In 2009, he joined Superpak Shanghai Co. Ltd as an Assistant General Manager where he was responsible for managing the day-to-day operating activities of the company until he left in 2012.

In 2012, he joined Movtec Sdn Bhd (presently known as Warehouz Collection Sdn Bhd) as a Sales Manager. In 2013, he resigned as the Sales Manager but remained as the director and shareholder of the same company. As the director, he remained responsible for the sales and marketing in the company until it was dissolved in 2017. In 2013, he joined BathDeco Sdn Bhd as a Sales Manager where he was responsible for the sales and marketing activities of the company.

In 2014, he joined BBSB as a Sales Manager where he was responsible for the sales and marketing of the company's products. He was appointed a director of BBSB in 2017 and became its shareholder in 2020. In 2018, he became the director and shareholder of IBSB, assuming the same responsibilities as BBSB. In 2024, he disposed of all of his shares in BBSB and IBSB to Sorento Capital as part of the Acquisitions.

In 2019, he was also appointed as the director and shareholder of Pro Bath Sdn Bhd where he was responsible for the sales and marketing of the company. Pro Bath Sdn Bhd was struck off in 2023.

As our Group's Executive Director, he is responsible for our Group's project-based sales and marketing.

(iii) Christine Toh Hung Mei
Independent Non-Executive Director

Christine Toh Hung Mei, Malaysian, aged 43, is the Independent Non-Executive Director of our Group. She was appointed to our Board on 25 March 2024.

She graduated from Monash University with a Bachelor of Commerce and Bachelor of Business Systems in 2004. She obtained a Bachelor of Laws (Hons) from University of London (External) in 2012 and completed her Certificate of Legal Practice in 2013. She was registered as a Chartered Accountant under the Malaysian Institute of Accountants in 2023. She is also a Fellow of the Chartered Institute of Arbitrators.

She began her career in BDO McCabe Lo Ltd in Hong Kong in 2006 as an Associate. She left BDO McCabe Co Ltd and joined BDO Binder in Malaysia as an Assistant Manager in 2008 where she focused on external audit. In 2009, she joined BDO Consulting Sdn Bhd as Assistant Manager where she was in charge of internal audit for listed companies.

In 2010, she joined Prestar Precision Tube Sdn Bhd as an Assistant Accounts Manager where she was responsible for submission of financial reports, preparing annual budgets and assisting in the company's internal and external reporting requirements. During her tenure with BDO Binder, she was also studying for her Bachelor of Laws on a part time basis. Upon obtaining her Bachelor of Laws in 2012, she left Prestar Precision Tube Sdn Bhd and commenced her pupillage at Vin & Isaac Lee in 2013. She was called to the Malaysian Bar in 2014 and thereafter continued as an Associate in Vin & Isaac Lee. She left Vin & Isaac Lee in 2016 to join MahWengKwai & Associates as a Legal Assistant and was promoted to Senior Associate in 2018 before being made a Partner in 2019. In 2023, she left MahWengKwai & Associates to set up her own firm, Christine Toh & Co where she currently holds the position of Managing Partner. Her primary practice areas include construction disputes, matrimonial disputes and general litigation.

She is also the director of various private limited companies as well as the Independent Non-Executive Director of HE Group Berhad since 2023.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iv) Teh Lay Sim
Independent Non-Executive Director

Teh Lay Sim, a Malaysian, aged 49, is an Independent Non-Executive Director of our Group. She was appointed to our Group on 25 March 2024.

She graduated from the University of Sydney with Bachelor of Science (Architecture) in 1998 and Bachelor of Architecture in 2004.

She began her career with Natcon Kumagai Joint Venture as an Interior Design Coordinator in 1998 where she was responsible for the co-ordination, scheduling, planning and site supervision of the architectural and interior fit-outs until. She left the company in 2000, to join Sunway Construction Berhad as a Design Coordinator where she was responsible for overseeing and coordinating all technical and design matters for design & build and build-operate-turkey projects. In 2007, she was promoted to Manager. She left Sunway Construction Berhad in year 2008 to join SA Architects Sdn Bhd as an Associate where she was responsible for managing and overseeing the design and execution of projects.

In 2012, she founded Arkitek L. Teh, where she is in charge of managing the direction of the architecture practice of the firm as well as its day-to-day operations.

(v) Yeat Soo Ching
Independent Non-Executive Director

Yeat Soo Ching, a Malaysian aged 48, is an Independent Non-Executive Director of our Group. She was appointed to our Board on 25 March 2024.

She graduated from the University of Sheffield, the United Kingdom with a Bachelor of Law in 1998 and was called to the Malaysia Bar in 2000.

She began her career with Messrs Cheang & Ariff as a legal associate in 2000 and was subsequently made a partner in 2007. She practices in the areas of corporate and securities laws as well as banking and finance. She has advised companies on capital market transactions including fund raising exercises such as initial public offerings, rights issues and private placements. She has also been advising general partners of private equity/venture capital funds on the setting up of funds in Malaysia and offshore. Her banking and financing experience includes acting for lenders and major corporations on various domestic and international financing transactions.

She is presently an Independent Non-Executive Director in Cnержenz Berhad.

[The rest of this page is intentionally left blank]

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.3 Shareholdings of our Directors

The direct and indirect shareholdings of our Directors as at the LPD and after the IPO are as follows:-

Name	⁽¹⁾ Before our IPO and as at LPD				^{(2) (3)} After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Haji Ahmad Zakie Bin Haji Ahmad Shariff	-	-	-	-	250,000	0.03	-	-
Loo Chai Lai	625,284,187	88.70	70,816,370	⁽⁴⁾ 10.04	86,884,187	10.10	535,216,370	⁽⁴⁾ 62.23
Loo Jing Kai	70,816,370	10.04	-	-	19,216,370	2.24	-	-
Lee Chee Keong	-	-	-	-	8,899,443	1.03	-	-
Christine Toh Hung Mei	-	-	-	-	250,000	0.03	-	-
Teh Lay Sim	-	-	-	-	250,000	0.03	-	-
Yeat Soo Ching	-	-	-	-	250,000	0.03	-	-

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) Assuming our Directors will fully subscribe for their respective allocation under the Pink Form Allocation.
- (4) 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.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.4 Principal business activities performed by our Directors outside our Group for the past five years

Save as disclosed below, none of our Directors have any principal business activities and directorships in any other corporations outside of our Group, as at LPD (“**Present Involvement**”) and in the past five years preceding the LPD (“**Past Involvement**”):-

(i) Haji Ahmad Zakie Bin Haji Ahmad Shariff

<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u>	<u>Indirect interest</u>
					%	%
<u>Present involvement</u>						
Kiarafics Sdn Bhd ⁽¹⁾	General consultants; general trading; investment holdings	Shareholder	-	-	25.00	-
Showme Eduwav Berhad	Pre-primary education (private)/ kindergarten; others education; primary education (private)	Shareholder	-	-	0.05	-
Safwa Berhad	Other business support service activities; stores specialized in retail sale of pharmaceuticals, medical and orthopaedic goods; general medical services	Shareholder	-	-	0.13	-
Gana Asli Sdn Bhd	Activities of holding companies	Director and Shareholder	1 September 2008	-	30.00	-
Saracorp Sdn Bhd	Providing project management services and general contractor	Director and Shareholder	3 May 2021	-	25.51	-
Bahtera Perkasa Sdn Bhd	Investment advisory services; buying, selling, renting and operating of self-owned or leased real estate – land; other management consultancy activities	Director and Shareholder	22 January 2024	-	20.00	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest	Indirect interest
Biotek Dinamik Sdn Bhd	Wholesale of fertilizers and agrochemical products	Director	3 April 2019	-	% -	% -
Lagenda Tunjong Sdn Bhd	Property developer	Director	23 February 2021	-	-	-
Phillip Capital Sdn Bhd	Licensed future broker for its client and to execute proprietary trades in futures contracts and options	Director	1 May 2022	-	-	-
LFE Corporation Berhad	Investment holding ⁽³⁾	Director	30 August 2023	-	-	-
<u>Past Involvement</u>						
FA Securities Sdn. Bhd.	Stockbroking	Director	15 April 2010	15 August 2019	-	-
Future Asset Management (Malaysia) Sdn Bhd ⁽³⁾	Other financial service activities, except insurance/takaful and pension funding	Director	1 November 2017	-	-	-
UMP Services Sdn Bhd	Insurance agent, business asset & facility management, general trading	Director	30 June 2014	15 July 2019	-	-
UMP Advanced Education Sdn Bhd	Education, training, general trading	Director	2 October 2013	7 October 2019	-	-
Invest Kelantan Berhad ⁽⁴⁾	To carry on the business of a one-stop centre that facilitates and promotes investment; to provide incentives as well as information to potential investors to invest in Kelantan in order to encourage the economic growth of Kelantan.	Director	22 March 2016	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest	Indirect interest
Anvia (Malaysia) Sdn Bhd	Buying, selling, renting and operating of self-owned or leased real estate – residential buildings; export and import of a variety of goods without any particular specialization; activities of holding companies	Director	1 November 2017	1 April 2019	% -	% -
Kuber Venture Berhad	Investment holdings	Director	3 July 2018	28 July 2020	-	-
Saracorp Resources Berhad	Investment holding company, general contractors, housing developers, general traders	Director	2 July 2019	30 January 2020	-	-
UMP Holdings Sdn Bhd	Manage and undertake business relating to the gathering and distribution of knowledge, consultancy services, developer	Director	15 November 2019	15 November 2021	-	-
Bluechart Power Sdn Bhd	Investment holdings	Director	17 August 2020	7 April 2021	-	-
UMP Technology Sdn Bhd	General trading & agriculture, pharmaceutical, cosmetics & health products, consultancy services	Director	21 April 2021	24 December 2021	-	-
Widuri Intisar Sdn Bhd	Trusts, funds and similar financial entities; assets/ portfolio management	Director	1 April 2022	12 September 2022	-	-

Notes:-

(1) As at the LPD, Kiarafics Sdn Bhd is currently dormant and does not have any active investments in any company.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (2) LFE Corporation Berhad is an investment holding company and its subsidiaries are involved in among others, provision of specialised engineering services, distribution of consumer electronics products, providing consultant and installation service, property development and construction and project management.
- (3) Future Asset Management (Malaysia) Sdn. Bhd has been dissolved and has been struck off on 16 September 2022.
- (4) Invest Kelantan Berhad has been dissolved and has been struck off on 3 April 2023.

(ii) Loo Chai Lai

Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest	Indirect interest
					%	%
<u>Present involvement</u>						
KCBS	Trading of paints and hardware	Director and Shareholder	21 February 1994	-	53.00	-
FHSB	Investment holding ⁽¹⁾	Director and Shareholder	27 July 2011	-	100.00	-
Time IT	Property investment, investment holding, general trading ⁽²⁾	Director and Shareholder	8 April 2013	-	98.00	-
PSM ⁽³⁾	Trading of paints, painting accessories, sanitary, kitchen accessories and hardware	Director and Shareholder	24 December 2003	15 March 2024	60.00	⁽⁴⁾ 20.00
MBS Paints	Trading of paints and hardware, trading of home furnishing and household utensils, general trading, investment holding	Director and Shareholder	3 July 2023 (Previously appointed on 16 October 1993 and resigned on 18 December 2020)	-	100.00	-
MBS Tools	Trading of hardware and tools	Director and Shareholder	3 July 2023 (Previously appointed on 5 December 2007 and resigned on 18 December 2020)	-	100.00	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u>	<u>Indirect interest</u>
					%	%
MBS Home	Trading of home decorative items and sanitary wares	Director and Shareholder	3 July 2023 (Previously appointed on 5 December 2007 and resigned on 18 December 2020)	-	1.00	⁽⁵⁾ 99.00
Colourcon Painting Specialist Sdn Bhd	Specialist painting works	Director and Shareholder	28 September 1995	-	40.00	-
LCL Paints & Hardware Sdn Bhd	Wholesale of paints and varnish; wholesale of a variety of goods without any particular specialization; wholesale of construction materials	Director and Shareholder	30 August 2023	-	90.00	-
LCL Success	Activities of holding companies	Director and Shareholder	21 February 2024	-	90.00	⁽⁶⁾ 10.00
Logisticspac Global Sdn Bhd	Investment holding company ⁽⁷⁾	Director	20 March 2023	-	-	⁽⁸⁾ 50.00
<u>Past Involvement</u>						
Atlas Dynamics Sdn Bhd	Labour supply and related renewal services	Director	7 March 1997	19 March 2022	-	-
SRT Bathware Sdn Bhd ⁽⁹⁾	Retail of bathroom wares, bathroom utensils, bathroom equipment and related products	Director and Shareholder	30 December 2010	-	70.00	-
Boon Seng Resources Sdn Bhd ⁽¹⁰⁾	Investment holding, general trading	Director and Shareholder	21 February 2011	-	100.00	-
Topyear Logistics Sdn. Bhd.	Investment holding company	Director	7 March 2014	18 December 2020	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest	Indirect interest
					%	%
Pro Bath Sdn Bhd ⁽¹¹⁾	Wholesale of household appliances; wholesale of sanitary installation and equipment; wholesale of other construction materials, hardware, plumbing and heating equipment and supplies	Director and Shareholder	29 January 2019	-	68.00	-
Sorento East Sdn Bhd ⁽¹²⁾	Retail sale of household appliances	Director and Shareholder	25 April 2019	-	100.00	-
GBI Building Materials Sdn Bhd	Wholesale of construction materials	Director	29 July 2019	14 December 2023	-	-
GBI Certified Products Sdn Bhd	Other construction installation; wholesale of paints and varnish; wholesale of construction materials	Director	13 December 2021	9 October 2023	40.00	-
Pernama GBI Network Sdn Bhd	Wholesale of paints and varnish; wholesale of construction materials; other construction installation	Director	8 February 2022	8 December 2023	-	-

Notes:-

- (1) As at the LPD, FHSB is an investment holding company involved in real estate activities with own or leased property.
- (2) As at the LPD, Time IT is a property investment, investment holding, general trading company involved in real estate activities with own or leased property and wholesale of a variety of goods without any particular specialization.
- (3) PSM has been disposed of to a third party on 14 February 2024.
- (4) Deemed interest by virtue of the shareholding of his spouse, Chong Siew Hong pursuant to section 59(11)(c) of CA 2016.
- (5) Deemed interest by virtue of his shareholding in MBS Paints pursuant to section 8 of CA 2016.
- (6) Deemed interest by virtue of his son, Loo Jing Kai's shareholding in the company pursuant to Section 8 of the Act.
- (7) As at the LPD, Logisticpac Global Sdn Bhd is an investment holding company involved in property investment.
- (8) Deemed interest by virtue of his shareholding in FHSB pursuant to section 8 of CA 2016.
- (9) SRT Bathware Sdn Bhd has been dissolved and has been struck off on 13 April 2022
- (10) Boon Seng Resources Sdn Bhd has been wound up and has been struck off on 3 October 2023.
- (11) Pro Bath Sdn Bhd has been dissolved and has been struck off 13 December 2023.
- (12) Sorento East Sdn has been dissolved and has been struck off on 15 June 2020.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iii) Loo Jing Kai

<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u>	<u>Indirect interest</u>
					%	%
<u>Present involvement</u>						
PSM ⁽¹⁾	Trading of paints, painting accessories, sanitary, kitchen accessories and hardware	Director and Shareholder	18 December 2020	15 March 2024	10.00	-
KCBS	Trading of paints and hardware	Director	25 January 2021	-	-	-
Time IT	Property investment, investment holding, general trading ⁽²⁾	Director	11 November 2021	-	-	-
MBS Paints	Trading of paints and hardware, trading of home furnishing and household utensils, general trading, investment holding	Director	3 July 2023	-	-	-
MBS Tools	Trading of hardware and tools	Director	3 July 2023	-	-	-
MBS Home	Trading of home decorative items and sanitary wares	Director	3 July 2023	-	-	-
FHSB	Investment holding ⁽³⁾	Director	18 December 2020	-	-	-
YLF F&B Enterprise	Online advertising & marketing, dealing & supplies in hardware, household products	Sole Proprietor	8 February 2023	-	-	-
LCL Success	Activities of holding companies	Director and Shareholder	21 February 2024	-	10.00	-
<u>Past Involvement</u>						
Sorento East Sdn Bhd ⁽⁴⁾	Retail sale of household appliances	Director	25 April 2019	-	-	-
YLF F&B Enterprise	Food and beverages	Sole Proprietor	29 August 2019	28 August 2021	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest	Indirect interest
					%	%
Pro Bath Sdn Bhd ⁽⁵⁾	Wholesale of household appliances; wholesale of sanitary installation and equipment; wholesale of other construction materials, hardware, plumbing and heating equipment and supplies	Shareholder	29 January 2019	-	15.00	-
Boon Seng Resources Sdn Bhd	Investment holding, general trading	Director	18 December 2020	-	-	-
SRT Bathware Sdn Bhd ⁽⁶⁾	Retail of bathroom wares, bathroom utensils, bathroom equipment and related products	Director and Shareholder	18 December 2020	-	-	-
PSM Homeware Enterprise	Supplies & dealing in hardware, household products & building material	Sole Proprietor	28 May 2021	28 May 2022	-	-

Notes:-

- (1) PSM was disposed of to a third party on 14 February 2024.
- (2) As at the LPD, Time IT is a property investment, investment holding, general trading company involved in real estate activities with own or leased property and wholesale of a variety of goods without any particular specialization.
- (3) As at the LPD, FHSB is an investment holding company involved in real estate activities with own or leased property.
- (4) Sorento East Sdn has been dissolved and has been struck off on 15 June 2020.
- (5) Pro Bath Sdn Bhd has been dissolved and has been struck off 13 December 2023.
- (6) SRT Bathware Sdn. Bhd has been dissolved and has been struck off on 13 April 2022.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iv) Lee Chee Keong

Lee Chee Keong does not have any principal business activities or directorships outside our Group as at the LPD.

<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u>	<u>Indirect interest</u>
					%	%
<u>Past Involvement</u> Pro Bath Sdn Bhd ⁽¹⁾	Wholesale of household appliances; wholesale of sanitary installation and equipment; wholesale of other construction materials, hardware, plumbing and heating equipment and supplies	Director	29 January 2019	-	-	-

Note:-

(1) Pro Bath Sdn. Bhd. has been dissolved and struck off on 13 December 2023.

(v) Christine Toh Hung Mei

<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u>	<u>Indirect interest</u>
					%	%
<u>Present involvement</u> Platinum Leap Sdn Bhd	Investment holding company in shares of a company principally involved as contractors and subcontractors of all kinds of constructional works	Director / shareholder	1 February 2018	-	10.00	-
Tall Innovations Sdn Bhd	Contractors and subcontractors of all kinds of constructional works	Director	30 September 2020	-	-	-
HE Group Berhad	Provision of power distribution systems, other building systems and works, hook-up and	Director	26 May 2020	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u>	<u>Indirect interest</u>
					%	%
	retrofitting of electrical equipment and trading					
Christine Toh & Co	Law firm	Managing Partner	2 May 2023	-	-	-
<u>Past involvement</u>						
Tall Group Berhad	Activities of holding companies (shares)	Director	1 December 2018	25 October 2019	-	-
(vi) Yeat Soo Ching						
<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u>	<u>Indirect interest</u>
					%	%
<u>Present involvement</u>						
Cnergenz Berhad	Activities of holding companies ⁽¹⁾	Director	23 September 2021	-	0.06	-
Cheang & Ariff	Law firm	Partner	1 January 2007	-	-	-

Note:-

- (1) Cnergenz Berhad is an investment holding company and its subsidiary is involved in provision of integrated solutions for Surface-Mount Technology (“SMT”) manufacturing line, sales of related SMT machines, equipment, spare parts and consumables, and the provision of related repair, maintenance and other support services.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(vii) Teh Lay Sim

<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u>	<u>Indirect interest</u>
					%	%
<u>Present involvement</u>						
Arkitek L. Teh ⁽¹⁾	Architectural consultancy practice	Sole Proprietor	9 April 2012	-	-	-

Note:-

(1) Incorporated under Architects Act 1967 on 9 April 2012.

The involvement of our Directors in other principal business activities outside of our group will not affect their commitment and responsibilities to our Group in their respective roles as our Directors, as:-

- (a) our Non-Executive Directors are not involved in the day-to-day operations of our Group. Their involvement in other business activities outside our Group will not affect their contributions to our Group as the principal activities of those companies are not similar to our Group's business; and
- (b) our Managing Director and Executive Directors are not involved in the day-to-day operations of other business activities outside our Group. Their involvement, if any, will not affect their ability to perform their roles and responsibilities as well as their contribution to our Group.

[The rest of this page is intentionally left blank]

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.5 Remuneration and material benefits in-kind of our Directors

The aggregate remuneration and material benefits in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for services rendered to our Group in all capacities for the FYE 2023 and FYE 2024 are as follows:-

	Salary RM'000	Fees RM'000	Bonuses RM'000	Commission RM'000	Statutory Contributions RM'000	Benefits in-kind RM'000	Total RM'000
<u>FYE 2023 (Paid)</u>							
Haji Ahmad Zakie Bin Haji Ahmad Shariff	-	-	-	-	-	-	-
Loo Chai Lai	360	860	-	-	46	-	1,266
Loo Jing Kai	198	-	-	14	26	-	238
Lee Chee Keong	120	-	-	-	15	9	144
Christine Toh Hung Mei	-	-	-	-	-	-	-
Yeap Soo Ching	-	-	-	-	-	-	-
Teh Lay Sim	-	-	-	-	-	-	-
<u>FYE 2024 (Proposed)</u>							
Haji Ahmad Zakie Bin Haji Ahmad Shariff	-	(1) -	-	-	-	(1) -	(1) -
Loo Chai Lai	1,488	360	-	-	185	9	2,042
Loo Jing Kai	408	-	-	10	55	-	473
Lee Chee Keong	345	-	-	-	45	17	407
Christine Toh Hung Mei	-	(1) -	-	-	-	(1) -	(1) -
Yeap Soo Ching	-	(1) -	-	-	-	(1) -	(1) -
Teh Lay Sim	-	(1) -	-	-	-	(1) -	(1) -

Note:-

- (1) Our Independent Non-Executive Directors were appointed to our Board on 25 March 2024. The Director's fees and meeting allowances to our Independent Non-Executive Directors will only be payable upon our Listing.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.3 BOARD PRACTICES

5.3.1 Directors' terms of office

As at the LPD, the details of the date of expiration of the current term of office for each of the Directors and the period for which the Directors have served in that office are as follows:-

Director	Designation	Date of appointment	Date of expiration of the current term of office	No. of years and months in office
Haji Ahmad Zakie Bin Haji Ahmad Shariff	Independent Non-Executive Chairman	25 March 2024	At our first AGM	Less than one year
Loo Chai Lai	Managing Director	17 May 2023	At our first AGM	Less than one year
Loo Jing Kai	Executive Director	17 May 2023	At our first AGM	Less than one year
Lee Chee Keong	Executive Director	25 March 2024	At our first AGM	Less than one year
Christine Toh Hung Mei	Independent Non-Executive Director	25 March 2024	At our first AGM	Less than one year
Yeap Soo Ching	Independent Non-Executive Director	25 March 2024	At our first AGM	Less than one year
Teh Lay Sim	Independent Non-Executive Director	25 March 2024	At our first AGM	Less than one year

In accordance with our Company's Constitution, all Directors shall retire from office at the first AGM and an election of Directors shall take place every year. At every subsequent AGM, one-third (1/3) of the Directors for the time being or if their number is not three or a multiple of three, then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election, provided that all Directors shall retire from office once at least in every three years. A retiring Director shall be eligible for re-election. A Director retiring at a meeting shall retain office until the conclusion of the meeting.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.3.2 Audit and Risk Management Committee (“ARMC”)

Our ARMC shall solely comprise Independent Non-Executive Directors. Our ARMC was established on 25 March 2024 and its members are appointed by our Board. Our ARMC comprises the following members:-

Name	Designation	Directorship
Christine Toh Hung Mei	Chairperson	Independent Non-Executive Director
Yeap Soo Ching	Member	Independent Non-Executive Director
Teh Lay Sim	Member	Independent Non-Executive Director

The main functions of our ARMC as stated in its terms of reference includes, among others, the following:-

- (i) to consider any matters concerning the appointment and re-appointment, the audit and non-audit fees and any questions of resignation or dismissal of external auditors, and further ensure the suitability, objectivity and independence of external auditors;
- (ii) to review with the external auditors:-
 - (a) their audit plan, scope and nature of the audit of our Group;
 - (b) their evaluation and findings of the system of risk management and internal controls;
 - (c) their audit reports on financial statements;
 - (d) the management letter and management’s response with regard to problems and reservations arising from their audits;
 - (e) the coordination of audits where more than one audit firm is involved; and
 - (f) any other matters that the external auditors may wish to discuss (in the absence of management where necessary).
- (iii) to ensure coordination between the external auditors and the internal auditors;
- (iv) to review and assess the adequacy of the scope, functions, competency, experience and resources of the internal audit functions of which the internal auditors should report directly to the ARMC and to ensure the internal auditors are independent and objective and have the relevant qualifications and be responsible for assuring the ARMC that the internal controls are operating effectively;
- (v) to review the internal audit plan, processes, the results of internal audit assessments, investigations undertaken and whether or not appropriate action is taken on the recommendations made;
- (vi) to review the adequacy and effectiveness of our Group’s internal control systems, anti-corruption and whistle-blowing as evaluated, identified and reported by our management, internal or external auditors as well as to review whether actions taken to ratify the same are appropriate or timely;
- (vii) to review the quarterly results and year-end financial statements of our Group before the approval by our Board;
- (viii) to prepare the ARMC Report at the end of each financial year for inclusion in the annual report of our Company;
- (ix) to ensure that the Board establishes a comprehensive framework/policy to identify, evaluate, approve and report related party transactions;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (x) to assess all the disclosed conflicts by our Directors and key senior management, to evaluate their nature, significance and potential impact on our Group;
- (xi) to assist our Board to effectively discharge its risk oversight responsibilities by monitoring and overseeing our Group's risk management and processes in identifying, evaluating, monitoring and managing significant risks within our Group;
- (xii) to review our Group's risk management policy and implementation of the risk management framework;
- (xiii) to report promptly to Bursa Securities on any matter which has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
- (xiv) to verify the allocation of options under a share issuance scheme or the allocation of shares according to any incentive plan for employees of our Group, if any;
- (xv) to review and conduct an annual performance evaluation of the internal and external auditors in respect of each financial year under review; and
- (xvi) to carry out such other functions or assignments as may be delegated by our Board from time to time.

The recommendations of our ARMC are subject to the approval of our Board.

[The rest of this page is intentionally left blank]

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.3.3 Nomination Committee

Our Nomination Committee was established on 25 March 2024 and its members are appointed by our Board. Our Nomination Committee comprises the following members:-

Name	Designation	Directorship
Teh Lay Sim	Chairperson	Independent Non-Executive Director
Christine Toh Hung Mei	Member	Independent Non-Executive Director
Yeap Soo Ching	Member	Independent Non-Executive Director

The main function of our Nomination Committee's duties and responsibilities as stated in its terms of reference includes, among others, include the following:-

- (i) to review, assess, and recommend suitable candidates for appointment as Directors of our Company, as well as retiring Directors seeking re-election at the AGM. When making recommendations to our Board regarding directorship or re-appointment, the Nomination Committee must consider the "Fit and Proper Criteria" outlined in our Company's Directors' Fit and Proper Policy. These criteria include, but are not limited to:-
 - (a) diversity in skills, knowledge, expertise, experience, age, cultural background and gender;
 - (b) competence and professionalism;
 - (c) character and integrity;
 - (d) time and commitment;
 - (e) any business interest or relationship that may result in a conflict of interest that could affect the execution of the role; and
 - (f) in the case of candidates for the position of Independent Director, the committee shall also evaluate the candidates' ability to discharge such responsibilities / functions as expected from the Independent Director.
- (ii) to ensure there is a gender-diverse Board and the committee may seek out independent sources to identify qualified candidates for our Board;
- (iii) to evaluate the necessary mix of skills, experience, core competencies, and diversity (including age, cultural background, and gender) of our Board and our Board Committees. Nomination Committee will assess the contribution and performance of each Director to ensure our Board and its Committees operate effectively and efficiently;
- (iv) to review the size, structure, balance, and composition of our Board and our Board Committees to ensure optimal performance;
- (v) to identify and review the core competencies, skills and other qualities including but not limited to the skills, knowledge, experience and diversity required by each of the Non-Executive Directors, that are essential to contribute towards the effectiveness and balance of our Board;
- (vi) to review and evaluate the contributions made by each member of our Board, including the Independent Non-Executive Directors and the Chairman of our Board, as well as the Managing Director and Executive Directors;
- (vii) to assess each Director's ability to contribute to our Board's decision-making process and ensure that our Board operates actively, efficiently, and effectively in all its decision-making;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (viii) to conduct an annual review of the term of office and performance of the ARMC and each of its members. The review will assess whether the Committee and its members have fulfilled their duties in accordance with their terms of reference;
- (ix) to evaluate annually the effectiveness of our Board and our Board Committees as a whole for assessing the contribution to the effectiveness of the decision-making process of our Board;
- (x) to review and assess annually the independence of the Independent Non-Executive Directors of our Company;
- (xi) to review, consider and make recommendations regarding the continuation in office of Independent Non-Executive Directors who have served for more than nine years;
- (xii) to oversee the development of succession planning of our Board and key senior management;
- (xiii) to assess and recommend the re-election of Directors who are due to retire in accordance with our Company's Constitution;
- (xiv) to remain up-to-date and fully informed about strategic issues and commercial changes that impact our Company and the market in which it operates; and
- (xv) to carry out such other functions or assignments as may be delegated by our Board from time to time.

The Director concerned shall abstain from deliberation and voting on his/her own respective re-election.

5.3.4 Remuneration Committee

Our Remuneration Committee was established on 25 March 2024 and its members are appointed by our Board. Our Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Yeap Soo Ching	Chairperson	Independent Non-Executive Director
Christine Toh Hung Mei	Member	Independent Non-Executive Director
Teh Lay Sim	Member	Independent Non-Executive Director

The main function of our Remuneration Committee as stated in its terms of reference includes, among others, the following:-

- (i) to review and recommend to our Board the appropriate remuneration packages for all Directors of our Company, with or without professional advice;
- (ii) to review and recommend fees and benefits payable to our Directors;
- (iii) to assist our Board in formulating policies and guidelines for the composition of various components of remuneration such as basic salary, bonus, and other benefits for our Directors and key senior management;
- (iv) to ensure that remuneration packages and benefits for our Directors and key senior management of our Company align with our Company's business strategies, long-term objectives, and remuneration policy, as well as comply with all laws, rules, regulations, and guidelines set by relevant authorities and our Board;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (v) to develop and administer a fair and transparent procedure for setting policy on the remuneration of our Directors and key senior management, which considers the demands, complexities, and performance of our Company, as well as the skills and experience required;
- (vi) to implement our Board's remuneration policy and procedures in a transparent process, including reviewing and recommending matters related to the remuneration of our Board and key senior management;
- (vii) to ensure that the level of remuneration packages is fair and appropriate according to the industry, general market sentiments, or conditions, and our Company's operating results, as well as the our Director or key senior management's merit, qualification, competence, and individual performance;
- (viii) to ensure that appropriate rewards, benefits, compensation, and remuneration are offered to retain Directors, and structuring remuneration packages to link rewards to individual performance; and
- (ix) to carry out any other functions delegated by our Board that would benefit our Company and ensure the effective discharge of the Remuneration Committee's duties and responsibilities.

The Director(s) concerned shall abstain from deliberation and voting on his/ her own respective remuneration.

[The rest of this page is intentionally left blank]

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.4 KEY SENIOR MANAGEMENT

5.4.1 Particulars of key senior management

Name	Age	Designation
Tan Gine Ngee	47	Chief Financial Officer
Loo Ai Cheng	58	Senior Manager - Warehouse & Customer Service
Ng Lai Heong	55	Regional Sales Manager
Lam Li Hua	40	Marketing Manager

5.4.2 Profile of key senior management

The profiles of the key senior management of our Group are as follows:-

(i) Tan Gine Ngee
Chief Financial Officer

Tan Gine Ngee, a Malaysian, aged 47, is the Chief Financial Officer of our Group.

He graduated with a Bachelor of Science in Accounting and Finance from the University of London in 1999. He is a member of the Malaysian Institute of Accountants since 2006.

He began his career as a Graduate Audit Trainee in K.S. Soon & Company in 2000, where he was responsible for the field audits, drafting of audit reports, assisted in the computation of taxes, estimated financials, and preparation of the annual accounts for clients. In 2001, he joined TimeCom Holdings Sdn Bhd as an Accounts Executive, and was responsible for overseeing group accounts preparation which includes monitoring the group consolidation of account.

In 2001, he left TimeCom Holdings Sdn Bhd and joined MBS Paints & Tools Sdn Bhd (currently known as MBS Paints) as an Accounts Executive where he was responsible for overseeing the full set of account and audit coordination. In 2005, he was promoted to Accounts Manager in the same company where he was responsible for overseeing the accounts and human resources departments, and monitoring inter alia, the cash flow, projections, financial reporting and analysis. In 2015, he was further promoted to Group Financial Controller. His responsibilities included overseeing the group accounts and compliance of accounting standards and framework, as well as to monitor the policy and procedures in order to improve the internal control.

Following a transfer of recruitment, he was transferred from MBS Paints to SSB in 2021 and his role remained as Group Financial Controller assuming the same responsibilities as his role in MBS Paints. In 2023, he was further promoted to the role of Chief Financial Officer of SSB where he is responsible for, amongst others, the preparation of our Group's financial and accounting reporting and managing the accounts department's day-to-day functions which includes inter alia, the management of cash flows and budget for our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(ii) Loo Ai Cheng
Senior Manager - Warehouse & Customer Service

Loo Ai Cheng, a Malaysian, aged 58, is the Senior Manager for warehouse and customer service of our Group.

She graduated with a Diploma in Commerce and Economic from Meijo University in Nagoya Japan in 1993.

She began her career as a General Clerk in Kilang Plastic Winloy Sdn Bhd in 1985, where she was responsible for administration and general clerk related work. She left Kilang Plastic Winloy Sdn Bhd in 1990 to pursue her Diploma in Commerce and Economic. In 1993, she joined Sato Chemifa (M) Sdn Bhd, a manufacturer of plastic films and bags company, as a Production Administration Clerk and was responsible for the maintenance of production/ manufacturing records in the company. In 1995, she left to join Terasaki Electric (M) Sdn Bhd as a Purchasing Administration Clerk where she was responsible for warehouse inventory records and maintaining purchasing records.

In 1998, she joined MBS Paints as an Administrative Executive and was responsible for customer service. In 2005, she was promoted to Warehouse Manager and was responsible for overseeing the warehouse management.

She left MBS Paints and joined SSB in 2017 as a Warehouse Manager. Her responsibilities include warehouse management and customer service related matters which includes among others, organising deliveries, storage and dispatches of goods in warehouse and she also oversees daily warehouse operations while controlling and managing inventory and logistics and supervising the customer service department in the company. In 2023, she was promoted to her current position and her responsibilities remained the same.

(iii) Ng Lai Heong
Regional Sales Manager

Ng Lai Heong, a Malaysian, aged 55, is the Regional Sales Manager of our Group.

She completed her high school education at Tsun Jin High School in Kuala Lumpur in 1987.

She began her career as a coffee shop assistant in Lai Heong Coffeeshop in 1988, which is a family-operated business where she was responsible for handling customer orders and served as a cashier until 1990. In 1991, she joined Hup Hing Sdn Bhd as an Assistant Manager where she was responsible for building and leading a sales team, developing revenue-driving strategies and formulating sales plans until she left in 1995. In 1996, she joined Homewish Sanitarywares Sdn Bhd as a Sales Manager, assuming the same responsibilities as her role in Hup Hing Sdn Bhd until 2007. In 2008, she joined Agrow Corporation Sdn Bhd as a Sales Manager, assuming the same responsibilities as the previous companies.

In 2019, she joined SSB, assuming the position of Regional Sales Manager. Her responsibilities include building and leading a sales team, developing revenue-driving strategies and formulating sales plans.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iv) Lam Li Hua
Marketing Manager

Lam Li Hua, a Malaysian, aged 40, is the Marketing Manager of our Group.

She graduated with both Diploma in Advertising and Diploma in Marketing Communications from Institute Advertising, Communication and Technology (IACT) College in 2005.

She began her career with Mellooi Creation Sdn Bhd in 2005 as a Marketing and Business Development Executive and was subsequently promoted in 2007 to Senior Executive in Marketing and Business Development. She was responsible for marketing planning and execution and development of advertising and promotional spending for the retail stores. She left Mellooi Creation Sdn Bhd in 2007 to join Signature Cabinet Sdn Bhd (a subsidiary of Signature International Berhad) in the same year as a Brand Manager where she was responsible for brand strategy conceptualization including planning and execution for kitchen cabinet and living solutions. She left to join MGBI Malaysia Sdn Bhd in 2014 as a General Manager and was responsible for managing the company's railway project in Malaysia which includes inter alia, project management and recruitment related matters. She left to join EQ Solutions Sdn Bhd in 2018, as an Account Manager where she was responsible in managing public relation activities, digital marketing campaigns and events for their clients. In 2019 she joined H Trends Bathroom Centre Sdn Bhd (currently known as Dilooma Sdn Bhd) as a Marketing Manager. She was responsible for developing strategies, planning and execution of sales and marketing activities to achieve sales target until she left in 2021.

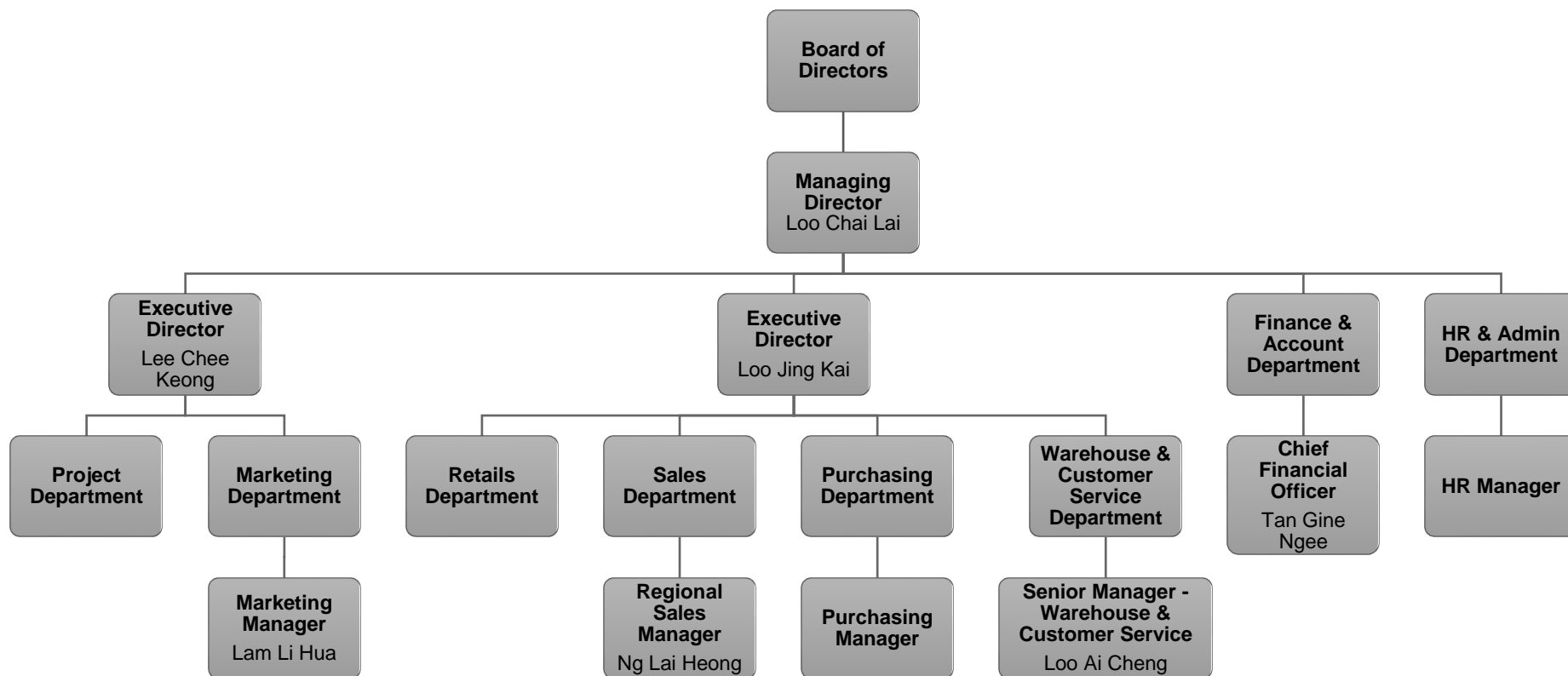
In 2023, she joined SSB as the Marketing Manager where she is responsible for marketing management which includes strategising, planning and execution for both offline and online platforms for our Group.

[The rest of this page is intentionally left blank]

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.4.3 Management Reporting Structure

Our management reporting structure is as follows:-



5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.4.4 Shareholdings of our key senior management

The following table sets forth the direct and indirect shareholdings 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:-

Key senior management	Nationality	Before our IPO				After our IPO ⁽¹⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	⁽²⁾ %	No. of Shares	%
Tan Gine Ngee	Malaysian	-	-	-	-	2,381,000	0.28	-	-
Loo Ai Cheng	Malaysian	-	-	-	-	2,383,000	0.28	-	-
Ng Lai Heong	Malaysian	-	-	-	-	307,000	0.04	-	-
Lam Li Hua	Malaysian	-	-	-	-	307,000	0.04	-	-

Notes:-

- (1) Assuming our key senior management will fully subscribe for their respective allocation under the Pink Form Allocation.
 (2) Based on our enlarged issued share capital of 860,000,000 Shares after our IPO.

[The rest of this page is intentionally left blank]

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.4.5 Principal business activities performed by our key senior management outside our Group for the past five years

Save as disclosed below, none of our key senior management has any principal business activities, directorships and shareholdings outside of our Group as at the LPD and in the past five years preceding the LPD:-

(i) Loo Ai Cheng

Saved as disclosed below, Loo Ai Cheng does not have any principal business activities, directorships and shareholdings outside of our Group as at the LPD and in the past five years preceding the LPD.

<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u> %	<u>Indirect interest</u> %
KCBS	Trading of paints and hardware	Shareholder	-	-	2.00	-

(ii) Lam Li Hua

Saved as disclosed below, Lam Li Hua does not have any principal business activities, directorships and shareholdings outside of our Group as at the LPD and in the past five years preceding the LPD.

<u>Name of company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date appointed as Director</u>	<u>Date resigned as Director</u>	<u>Direct interest</u> %	<u>Indirect interest</u> %
<u>Past Involvement</u>						
Evobiz Trading	Sales and service of home renovation, electrical and furniture items	Sole Proprietor	4 December 2019	3 December 2020	Nil	Nil
Branify Services	Marketing, branding, business management consultancy	Sole Proprietor	24 December 2020	23 December 2022	Nil	Nil

The involvement of our key senior management mentioned above in other principal business activities outside of our Group will not affect their commitment and responsibilities to our Group as they are not involved in the day-to-day operations of other business activities outside our Group. Their involvement, if any, will not affect their ability to perform their roles and responsibilities as well as their contribution to our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.4.6 Remuneration and material benefits in-kind of our key senior management

The aggregate remuneration and material benefits in-kind paid and proposed to be paid to our key senior management for services rendered to our Group in all capacities for the FYE 2023 and FYE 2024 are as follows:-

Key senior management	Remuneration band	
	FYE 2023 (Paid) RM'000	FYE 2024 (Proposed) RM'000
Tan Gine Ngee	300 - 350	450 - 500
Loo Ai Cheng	200 - 250	350 - 400
Ng Lai Heong	300 - 350	300 - 350
Lam Li Hua	100 - 150	200 - 250

5.5 DECLARATIONS BY EACH 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 within or outside Malaysia) save as disclosed below:-

- (i) in the last 10 years, a petition under any bankruptcy or insolvency law 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 judgment was 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, he/ she was 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) being the subject of any order, judgment 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 judgment against his/ her.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

As at the LPD, save as disclosed below, there is no family relationship and/ or association between any of our Promoters, substantial shareholders, Directors and key senior management:-

Name	Position in our Company	Relationship
Loo Chai Lai	Promoter, substantial shareholder and Managing Director	Father of Loo Jing Kai and brother of Loo Ai Cheng
Loo Jing Kai	Promoter, substantial shareholder and Executive Director	Son of Loo Chai Lai and nephew of Loo Ai Cheng
Loo Ai Cheng	Senior Manager - Warehouse & Customer Service	Sister of Loo Chai Lai and paternal aunt of Loo Jing Kai

5.7 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements entered into or to be entered into by our Directors or any member of our key senior management with our Group.

[The rest of this page is intentionally left blank]

6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON OUR GROUP

6.1.1 OUR COMPANY

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 and was subsequently converted to a public company on 19 March 2024.

Our principal activity is investment holding while the principal activities of our subsidiaries, namely, SSB, BBSB, IBSB, NSSB and MSB are as disclosed in Section 6.2 of this Prospectus.

6.1.2 SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

As at the LPD, our issued share capital is RM1,000 comprising 1,000 Shares.

The details of the changes in our issued share capital since incorporation up to the LPD are as follows:-

<u>Date of allotment</u>	<u>No. of Shares</u>	<u>Nature of transaction</u>	<u>Consideration</u> <u>RM</u>	<u>Cumulative issued share capital</u> <u>RM</u>	<u>Cumulative no. of Shares</u>
17 May 2023	1,000	Subscribers' shares	1,000	1,000	1,000
[•]	704,999,000	[Otherwise than cash for the Acquisitions]	42,299,940	42,300,940	705,000,000

Upon completion of our Public Issue, our issued share capital will increase to RM[•] comprising 860,000,000 Shares.

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital in respect of our Shares. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the allotments as tabulated above.

As at the LPD, we are not involved in any winding-up, receivership or similar proceedings.

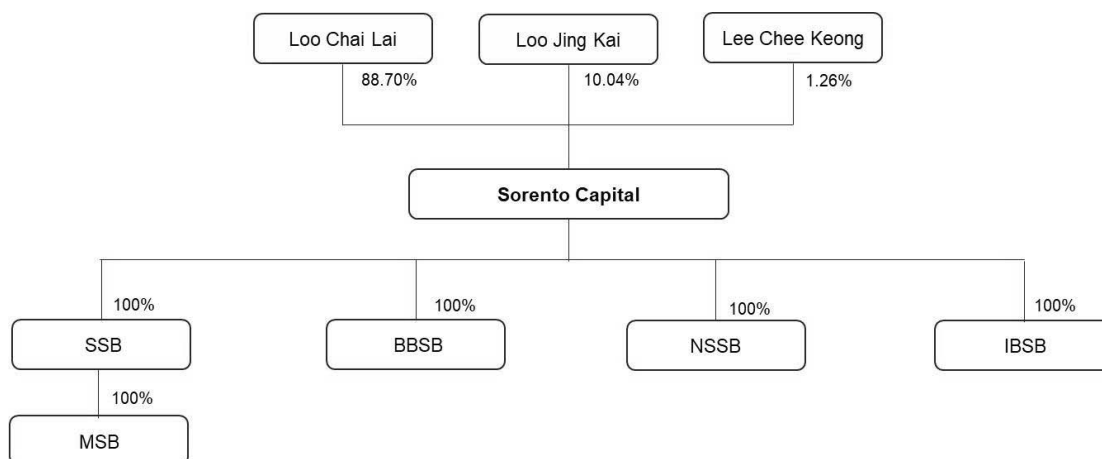
[The rest of this page is intentionally left blank]

6. INFORMATION ON OUR GROUP (Cont'd)

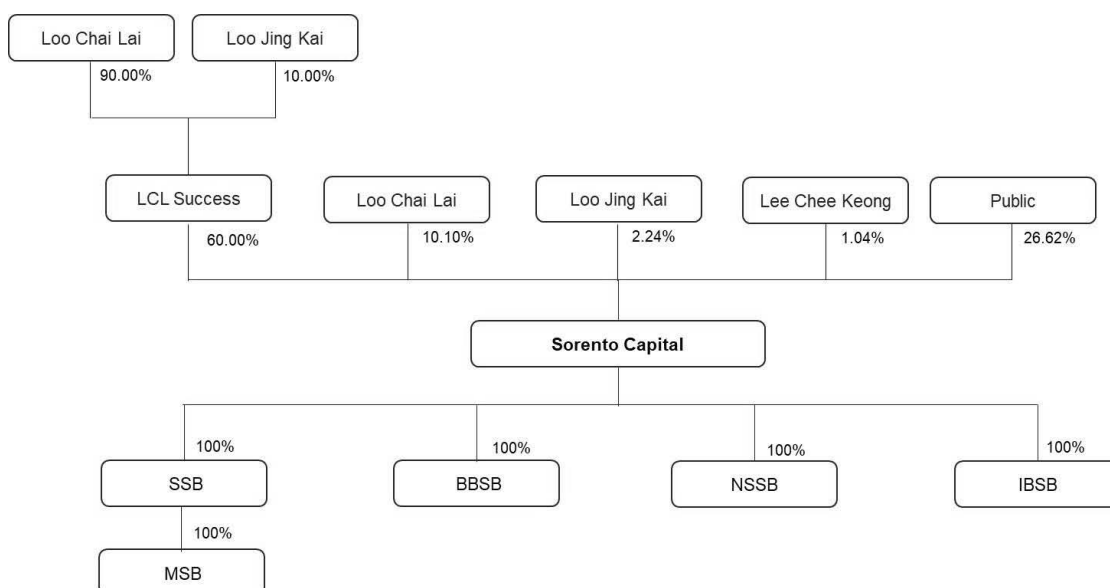
6.1.3 OUR GROUP STRUCTURE

Our Group's structure as at the LPD and after our IPO is as follows:-

(i) After the Acquisitions but prior to our IPO ⁽¹⁾



(ii) After our IPO ^{(2) (3)}



Notes:-

- (1) Based on the issued share capital of 705,000,000 Shares after the completion of the Acquisitions but before our IPO.
- (2) Based on the enlarged issued share capital of 860,000,000 Shares after our IPO.
- (3) Assuming that all the eligible Directors will subscribe for their respective Pink Form allocations, the public shareholding will be 26.62%.

As at the LPD, our Group does not have any joint venture or associates.

Further details on our Subsidiaries are set out in Section 6.2 of this Prospectus.

6. INFORMATION ON OUR GROUP (Cont'd)

6.2 INFORMATION ON OUR SUBSIDIARIES

Our Subsidiaries as at the LPD are set out below:-

Company Name	Date/ Place of incorporation	Principal place of business	Effective equity interest (%)	Principal activities
SSB	17 June 2005 / Malaysia	Malaysia	100.00	Wholesale of sanitary, kitchen and bathroom wares, bathroom utensils, equipment and accessories
BBSB	5 March 2014/ Malaysia	Malaysia	100.00	Trading of bathroom wares, bathroom utensils, bathroom equipment and related products
NSSB	27 June 2014/ Malaysia	Malaysia	100.00	Trading of sanitary wares and bathroom accessories
IBSB	18 October 2018/ Malaysia	Malaysia	100.00	Trading of sanitary ware, tiling and building materials
Subsidiary of SSB				
MSB	14 July 2023/ Malaysia	Malaysia	100.00	Wholesale and trading of sanitary and bathroom wares, bathroom utensils, equipment and accessories, hardware and kitchen wares and household appliances

6.2.1 Information on SSB

(i) Background and history

SSB was incorporated on 17 June 2005 in Malaysia under the Companies Act 1965 as a private limited company under the name of SSB and is deemed registered under the Act.

(ii) Principal place of business

The principal place of business of SSB is at No. 5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor and No. 13, Lorong Beringin 2, Taman Industri Beringin, 14100 Simpang Ampat, Pulau Pinang.

6. INFORMATION ON OUR GROUP (Cont'd)

(iii) Share capital

As at the LPD, the issued share capital of SSB is RM250,000 comprising 250,000 ordinary shares.

The changes in SSB's issued share capital since incorporation are as follows:-

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Consideration</u>	<u>Cumulative no. of shares</u>	<u>Cumulative share capital</u> RM
17 June 2005	2	Cash	2	2
19 December 2006	199,998	Cash	200,000	200,000
13 June 2017	50,000	Cash	250,000	250,000

As at the LPD, SSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

(iv) Shareholders and directors

SSB is a wholly-owned subsidiary of our Company and the directors of SSB are Loo Chai Lai and Loo Jing Kai.

(v) Subsidiary, associate or joint venture company

As at the LPD, MSB is a wholly-owned subsidiary of SSB. Other than MSB, SSB does not have any other subsidiary, associate or joint venture company.

6.2.2 Information on BBSB

(i) Background and history

BBSB was incorporated on 5 March 2014 in Malaysia under the Companies Act 1965 as a private limited company under the name of Sorento Bathware Sdn Bhd and is deemed registered under the Act. It assumed its present name on 11 September 2014.

(ii) Principal place of business

The principal place of business of BBSB is at No. 5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor.

(iii) Share capital

As at the LPD, the issued share capital of BBSB is RM30,000 comprising 30,000 ordinary shares.

The changes in BBSB's issued share capital since incorporation are as follows:-

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Consideration</u>	<u>Cumulative no. of shares</u>	<u>Cumulative share capital</u> RM
5 March 2014	2	Cash	2	2
8 January 2018	98	Cash	100	100
2 November 2020	29,900	Cash	30,000	30,000

As at the LPD, BBSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

6. INFORMATION ON OUR GROUP *(Cont'd)*

(iv) Shareholders and directors

BBSB is a wholly-owned subsidiary of our Company and the directors of BBSB are Loo Chai Lai, Loo Jing Kai and Lee Chee Keong.

(v) Subsidiary, associate or joint venture company

As at the LPD, BBSB does not have any subsidiary, associate or joint venture company.

6.2.3 Information on NSSB

(i) Background and history

NSSB was incorporated on 27 June 2014 in Malaysia under the Companies Act 1965 as a private limited company under the name of NSSB and is deemed registered under the Act.

(ii) Principal place of business

The principal place of business of NSSB is at No. 5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor.

(iii) Share capital

As at the LPD, the issued share capital of NSSB is RM100,000 comprising 100,000 ordinary shares.

The changes in NSSB's issued share capital since incorporation up to the LPD are as follows:-

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Consideration</u>	<u>Cumulative no. of shares</u>	<u>Cumulative share capital</u> RM
27 June 2014	2	Cash	2	2
15 September 2014	99,998	Cash	100,000	100,000

As at the LPD, NSSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

(iv) Shareholders and directors

NSSB is a wholly-owned subsidiary of our Company and the directors of NSSB are Loo Chai Lai and Loo Jing Kai.

(v) Subsidiary, associate or joint venture company

As at the LPD, NSSB does not have any subsidiary, associate or joint venture company.

6. INFORMATION ON OUR GROUP (Cont'd)

6.2.4 Information on IBSB

(i) Background and history

IBSB was incorporated on 18 October 2018 in Malaysia under the Act as a private limited company under the name of IBSB.

(ii) Principal place of business

The principal place of business of IBSB is at No. 5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor.

(iii) Share capital

As at the LPD, the issued share capital of IBSB is RM1,000 comprising 1,000 ordinary shares. There have been no changes to the issued share capital of IBSB since incorporation of IBSB.

As at the LPD, IBSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

(iv) Shareholders and directors

IBSB is a wholly-owned subsidiary of our Company and the directors of IBSB are Loo Chai Lai and Lee Chee Keong.

(v) Subsidiary, associate or joint venture company

As at the LPD, IBSB does not have any subsidiary, associate or joint venture company.

6.2.5 Information on MSB

(i) Background and history

MSB was incorporated on 14 July 2023 in Malaysia under the Act as a private limited company under the name of MSB.

(ii) Principal place of business

The principal place of business of MSB is at No.5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor.

(iii) Share capital

As at the LPD, the issued share capital of MSB is RM1,000 comprising 1,000 ordinary shares. There have been no changes to the issued share capital of MSB since incorporation of MSB.

As at the LPD, MSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

(iv) Shareholders and directors

As at the LPD, MSB is a wholly-owned subsidiary of SSB and the directors of MSB are Loo Chai Lai and Loo Jing Kai.

(v) Subsidiary, associate or joint venture company

As at the LPD, MSB does not have any subsidiary, associate or joint venture company.

6. INFORMATION ON OUR GROUP (Cont'd)

6.3 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES

6.3.1 Material Capital Expenditures

Save as disclosed below, there are no material capital expenditures made by us within or outside Malaysia for the Financial Years Under Review and up to the LPD:-

	Audited FYE			Unaudited
	2021	2022	2023	1 July 2023 up to the LPD
Capital expenditures	RM'000	RM'000	RM'000	RM'000
Freehold land and building	68	3,855	233	-
Renovation	-	-	257	201
Intangible assets	-	-	-	2,000
Leasehold land and building	361	-	-	-
Total	429	3,855	490	2,201

Our material capital expenditure during the Financial Years Under Review and up to the LPD comprised mainly acquisition of buildings, renovation costs for Bukit Raja Facility and acquisition of intellectual property rights relating to the 'Mocha' brand. Our material capital expenditures were primarily funded via a combination of bank borrowings and/ or internally generated funds.

During the FYE 2021, the capital expenditure incurred was for the acquisitions of two apartment units located in Kenwingston Platz, Setapak and The Birch, Jalan Ipoh and a single storey semi-detached house located in Marang, Terengganu.

During the FYE 2022, the capital expenditure incurred was mainly for the acquisition of Penang Facility which is currently being used as a warehouse and office.

During the FYE 2023, the capital expenditure incurred was mainly for the renovation costs for our Bukit Raja Facility which is currently being used as our head office and warehouse.

From 1 July 2023 up to the LPD, our capital expenditure incurred was in relation to renovation costs for our Bukit Raja Facility and the acquisition of the intellectual property rights for 'Mocha' brand. Our indirect subsidiary MSB had on 1 September 2023 acquired the 'Mocha' brand from MBS Tools. Further details of the acquisition are set out in Section 7.1 and Section 10.1 of this Prospectus.

6.3.2 Material divestitures

Save as disclosed below, there are no material divestitures made by us within or outside Malaysia for the Financial Years Under Review and up to the LPD:-

	Audited FYE			Unaudited
	2021	2022	2023	1 July 2023 up to the LPD
Divestitures	RM'000	RM'000	RM'000	RM'000
Freehold land and building	1,467	-	-	-
Leasehold land and building	-	-	361	-
Total	1,467	-	361	-

During the FYE 2021, our material divestitures relates to the disposal of a 2-storey link semi-detached house located in Shah Alam, Selangor Darul Ehsan.

During the FYE 2023, our material divestitures relates to the disposal of a single storey semi-detached house located in Marang, Terengganu.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4 MATERIAL PROPERTIES

6.4.1 Owned properties

No.	Registered / Beneficial owner	Property address/ Title details	Description / Existing use	Approximate land area/ built-up area	Other details	Encumbrances of property	Date of CF / CCC	NBV as at 30 June 2023 RM'000
1.	SSB	<p><u>Property address:</u> No. 13, Lorong Beringin 2, Taman Industri Beringin, 14100 Simpang Ampat, Pulau Pinang</p> <p><u>Title details:</u> Geran 177187, Lot 20986, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang</p>	<p><u>Description:</u> Semi Detached Factory on the ground floor with a Corporate Office on the first and second floors</p> <p><u>Existing use:</u> Warehouse and office</p>	10,505 sq. ft./ 6,826 sq. ft.	<p><u>Category of land use</u> NIL</p> <p><u>Tenure of property</u> Freehold</p> <p><u>Express Condition</u> The land comprised in the title:-</p> <p>shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Collector's right of way; and</p> <p>subject to the implied condition the land is liable to be re-entered if it is abandoned for more than three years, shall revert to the State only if the proprietor for the time being dies without heirs; and;</p> <p>the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land</p>	Property charged by SSB to Public Bank Berhad under the presentation no. 0799SC20210241 16 registered on 14 October 2021.	22 June 2020	3,476

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered / Beneficial owner	Property address/ Title details	Description / Existing use	Approximate land area/ built-up area	Other details	Encumbrances of property	Date of CF / CCC	NBV as at 30 June 2023 RM'000
2	BBSB	<p><u>Property address:</u> C-36-01, Kenwingston Platz, No. 81, Jalan Gombak, 53000 Kuala Lumpur, Wilayah Persekutuan</p> <p><u>Title details:</u> Master Title Geran Mukim 2522, Lot No. 201527, Mukim Setapak, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur</p>	<p><u>Description:</u> Service Apartment</p> <p><u>Existing use:</u> Vacant, for sale</p>	659 sq. ft./ 650 sq. ft.	<p><u>Category of land use</u> Nil</p> <p><u>Tenure of property</u> Freehold</p> <p><u>Express Condition</u> Nil</p>	Property assigned by BBSB to Public Bank Berhad via a deed of assignment (by way of security) dated 26 September 2020 duly stamped on 30 September 2020	5 January 2023	364

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered / Beneficial owner	Property address/ Title details	Description / Existing use	Approximate land area/ built-up area	Other details	Encumbrances of property	Date of CF / CCC	NBV as at 30 June 2023 RM'000
3	BBSB	<p><u>Property address:</u> B-09-03, Residensi Sentul Barat, 35, Jalan Kasipillay, Off Jalan Ipoh, 51200, WP Kuala Lumpur</p> <p><u>Title details:</u> Strata Title Geran 80528/M1B/10/3 34, (No Bangunan, M1B, No. Tingkat 10, No. Petak 334), No. Petak Aksesori A679, Lot 80012 Seksyen 83, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur</p>	<p><u>Description:</u> Apartment Suite</p> <p><u>Existing use:</u> Vacant, for sale</p>	667 sq. ft./ 668 sq. ft.	<p><u>Category of land use</u> Building</p> <p><u>Tenure of property</u> Freehold</p> <p><u>Express Condition</u> Suite Apartment</p>	Nil	29 November 2022	376

The properties owned by our Group are not in breach of any land use conditions, statutory requirements, land rules or building regulations/ by-laws, which will have a material adverse impact on our operations as at the LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4.2 Properties rented

No.	Landlord	Tenant (s)	Property address/Title details	Existing use	Approximate land area/ built-up area	Date of CF/ CCC	Period of tenancy	Annual rental RM'000
1.	Time IT	SSB	<p>Property Address: Lot 5074, Off 5 1/2 Miles, Jalan Meru, 41050 Klang, Selangor Darul Ehsan</p> <p>Title details: Master title Geran Mukim 2459, Lot 5074, Tempat 4th Mile Sungei Binjai Road, Mukim Kapar, Daerah Klang, Negeri Selangor</p>	<p>Existing use: Warehouse and office</p>	130,684 sq. ft./ 65,804 sq. ft.	15 September 2004	<p>1 June 2023 to 31 May 2024</p> <p>1 June 2024 to 31 May 2027</p>	1,080
2.	FHSB	SSB, BBSB, NSSB and IBSB	<p>Property Address: No. 5 (Block B) Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan</p> <p>Title details: HSD 139752, PT 69179, Mukim Kapar, Daerah Klang, Negeri Selangor</p>	<p>Existing Use: Warehouse and office</p>	170,887 sq. ft./ 68,540 sq. ft.	17 February 2022	29 February 2024 to 28 February 2027	2,520

Time IT and FHSB (“Landlords”) are companies controlled by Loo Chai Lai, the Promoter, Specified Shareholder, Substantial Shareholder and Managing Director of our Group. As at the LPD, both the Jalan Meru Facility and Bukit Raja Facility have not been issued with the fire certificates. The applications to obtain the fire certificates have been submitted by the Landlords to the Fire and Rescue Department Malaysia on 11 March 2024. Our Group will not be incurring any cost to obtain the fire certificates for the Jalan Meru Facility and the Bukit Raja Facility as it is the responsibility of the Landlords to obtain such fire certificates. We do not foresee a material adverse effect on our operations as the process of applying for the fire certificates is ongoing and the landlords are engaging with the Fire and Rescue and Department Malaysia to obtain said the fire certificates. The Landlords expect to obtain the fire certificates for the two properties by June 2024.

Save for the fire certificates as mentioned above, the properties rented by the Group are not in any breach of land use conditions, statutory requirements, land rules or building regulations/ by-laws, which will have material adverse impact on our operations as at the LPD.

We do not intend to acquire the Bukit Raja Facility and the Jalan Meru Facility as it is our strategy 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.

6. INFORMATION ON OUR GROUP (Cont'd)

6.5 MAJOR LICENCES, APPROVALS AND PERMITS

As at the LPD, there are no other major approvals, licences and permits issued to our Group in order for us to carry our operations other than those disclosed below:-

6.5.1 Business Licences

No.	Licensee	Description of approval/ licence/ permit	Issuer/ Authority	Issuance date/ validity period	Major conditions	Status of compliance
1.	SSB	Industrial And Advertising License for No. 5, Block B, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang.	Majlis Perbandaran Klang	18 December 2023 / 1 January 2024 to 31 December 2024	None noted.	Not applicable
2.	SSB	Industrial And Advertising License for Lot 5074, Batu 5, Jalan Meru 41050 Klang.	Majlis Perbandaran Klang	23 October 2023 / 17 October 2023 to 16 April 2024 ⁽¹⁾	None noted.	Not applicable
3.	MSB	Industrial And Advertising License for No.5, Block B, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang..	Majlis Perbandaran Klang	23 October 2023 / 20 October 2023 to 19 April 2024 ⁽²⁾	None noted.	Not applicable
4.	SSB	Industrial And Advertising License for 13, Lorong Beringin 2, Taman Industri Beringin, 14100 Simpang Ampat, Pulau Pinang.	Majlis Bandaraya Seberang Perai	24 November 2023 / 24 November 2023 to 31 December 2024	None noted.	Not applicable
5.	NSSB	Industrial And Advertising License for No. 5, Blok B, Tingkat 2, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050, Klang	Majlis Perbandaran Klang	18 December 2023 / 1 January 2024 to 31 December 2024	None noted.	Not applicable
6.	IBSB	Industrial And Advertising License for No. 5, Blok B, Tingkat 1, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050, Klang	Majlis Perbandaran Klang	18 December 2023 / 1 January 2024 to 31 December 2024	None noted.	Not applicable
7.	BBSB	Industrial And Advertising License for No. 5, Blok B, Tingkat 1, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050, Klang	Majlis Perbandaran Klang	18 December 2023 / 1 January 2024 to 31 December 2024	None noted.	Not applicable

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:-

- (1) SSB had on 19 March 2024 submitted the application for the renewal of the industrial and advertising license.
- (2) MSB had on 15 March 2024 submitted the application for the renewal of the industrial and advertising license.

6.5.2 Product certifications

As at the LPD, we have the following certifications for our products:-

No.	Certificate holder	Certification	Issuing body	Number of product certificates ⁽¹⁾	Major conditions
1.	SSB and MSB	Certificate of Standard Compliance for importing sanitary ware product ⁽²⁾	CIDB	27	Nil
2.	SSB	Product Certificate of Conformity ⁽³⁾	Watermarks Certification Malaysia	7	Nil
3.	SSB and MSB	Certificate of Conformity ⁽³⁾	IKRAM QA Services Sdn Bhd	20	Nil
4.	SSB	Supplier Listing Certificates ^{(4) (5)}	SPAN	12	Nil

Notes:-





- (1) Each product certificate covers a range of product models, which is continually updated as and when our Group launches new products.
- (2) We are required to obtain the Certificate of Standard Compliance for approved construction products and materials by the CIDB for our sanitary wares products pursuant to CIDB Act 1994. This certificate is only required if the Group continues to import the said products.
- (3) The Product Certificate of Conformity certifies that the product meets the standards required by SPAN. The Product Certificate of Conformity has to be obtained first before we can apply to SPAN to be registered as a supplier for the certified products. This certificate is only required if the Group continues to supply and/ or trade in the said products.
- (4) Upon receipt of the Product Certificate of Conformity, our Group has to apply to be registered as a supplier with SPAN for the said products. This certificate is only required if the Group continues to supply and/ or trade the products.

Our Group has internal processes to monitor and track the renewal of all approvals, licences and permits applicable to our Group. Prior to launch of a product, our management will engage with an authorised certification body such as WCM on the requirements for product certification for the newly sourced product. The department in charge will then submit the necessary applications for the certifications to the relevant authorities. We have a designated personnel to monitor the validity of all certificates; status of new applications; conditions imposed and status of compliance; and the timing for submission of renewal applications to ensure all the certificates are renewed in a timely manner prior to their expiry. Upon submission of the renewal application, our Group will actively liaise and follow up closely with the relevant authorities on the progress of the renewal. Upon renewal, we will maintain the supporting records of the licences and permits in both hard copy and electronic formats to ensure that the relevant files are complete and available for review.






6. INFORMATION ON OUR GROUP (Cont'd)

6.6 BRAND NAMES, TRADEMARKS, PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS





As at the LPD, our Group has registered or applied for the registration of the following trademarks:-

No.	Registered owner / Beneficial owner	Trademark	Trademark no.	Class/ Description	Status / Validity period
1.	SSB		05019048	11 / Bath fittings; hot air bath fittings; bath installations; sauna bath installations; bath tubs; bath tubs for sitz baths; heaters for baths; spa bath [vessels]; bidets; mixer taps for water pipes; toilet bowls; toilet seats; wash-hand basins [parts of sanitary installations]; wash-hand bowls [parts of sanitary installations]; washers for water taps; water closets; all included in class 11.	Registered 14 November 2005 to 14 November 2025
2.	SSB		05019049	21 / Basins bowls; basins [receptacles]; baskets, for domestic use, not of precious metal; glass bowls; soap boxes; clothes racks [for drying]; cups, not of precious metal; dishes for soaps; soap dispensers; metal boxes for dispensing paper towels; dustbins; garbage cans; soap holders; toilet paper holders; toilet utensils; toothpick holders, not of precious metal; trays for domestic purposes, not of precious metal; utensils for household purposes, not of precious metal; all included in class 21.	Registered 14 November 2005 to 14 November 2025
3.	SSB		07011509	16 / Address stamps; advertisement boards of paper or cardboard; bags [envelopes, pouches] of paper or plastics, for packaging; booklets; calendars; cards; catalogues; covers [stationery]; document files [stationery]; document laminators for office use; envelopes [stationery]; forms [printed]; greeting cards; handbooks [manuals]; letters [type]; magazines [periodicals]; newsletters; newspapers; office requisites, except furniture; pads [stationery]; writing pads; pamphlets; pens [office requisites]; posters; printed publications; printing type; prospectuses; signboards of paper or cardboard; stationery; writing materials; writing paper; all included in class 16.	Registered 18 June 2007 to until 18 June 2027
4.	SSB		07011510	11 / Bath fittings; hot air bath fittings; bath installations; sauna bath installations; bath tubs; bath tubs for sitz baths; heaters for baths; spa baths [vessels]; bidets; mixer taps of water pipes; showers; sinks; taps [faucets]; toilet bowls; toilet seats; wash-hand basins [parts of sanitary installations]; wash-hand bowls [part of sanitary installations]; water closets; all included in class 11.	Registered 18 June 2007 to until 18 June 2027

6. INFORMATION ON OUR GROUP (Cont'd)

5.	SSB		07011511	21/ Basins [bowls]; basins [receptacles]; baskets, for domestic use, not of precious metal; dust bins; glass bowls; boxes of glass; boxes of metal, for dispensing paper towels; soap boxes; clothes racks [for drying]; containers for household or kitchen use [except in precious metal]; cups, not of precious metal; dishes for soap; soap dispensers; metal boxes for dispensing paper towels; garbage cans; soap holders; toilet paper holders; toilet utensils; toothpick holders, not of precious metal; trays for domestic purposes, not of precious metal; utensils for household purposes, not of precious metal; washtubs; all included in class 21	Registered 18 June 2007 to until 18 June 2027
6.	SSB		09009437	11 / Steam accumulators; bath fittings; hot air bath fittings; bath installations; sauna bath installations; faucets for pipes; showers; sinks; bath tubs for sitz-baths; taps [cocks, spigots] for pipes; taps [faucets]; washers for watertaps; wash-hand basins [parts of sanitary installations]; wash-hand bowls [parts of sanitary installations]; water heaters; water supply installations; all included in class 11.	Registered 9 June 2009 to until 9 June 2029
7.	SSB		TM2022004491	20 / Bathroom cupboards; bathroom furniture; bathroom mirrors; bathroom vanities being furniture; shower curtain hooks.	Registered 21 February 2022 to 21 February 2032
8.	SSB		TM2022004493	7 / Controlled volume pumps; electric pumps; electric water pumps; electric water pumps for baths; electric water pumps for spa baths; water pumps for baths; water pumps for spa baths.	Registered 21 February 2022 to 21 February 2032
9.	MSB		TM2022001004	11 / Bath fittings; hot air bath fittings; bath installations; sauna bath installations; bath tubs; bath tubs for sitz baths; heaters for baths; spa baths [vessels]; bidets; water closets; taps for wash-hand basins; wash-hand basins [parts of sanitary installations]; heat pumps; kitchen sinks; sanitary apparatus and installations; sinks; faucets; toilet bowls.	Pending registration of assignment from MBS Tools Sdn Bhd to MSB 12 January 2022 to 12 January 2032

6. INFORMATION ON OUR GROUP (Cont'd)

10.	MSB		2022000972	21 / Basins [bowls]; basins [receptacles]; baskets for domestic use, not of metal; glass bowls; boxes of glass; boxes of metal, for dispensing paper towels; soap boxes; racks for drying clothes; clothing stretchers; containers for household or kitchen use; drinking glasses; kitchen containers; kitchen utensils; lunch boxes; pots; toilet utensils; utensils for household purposes; washtubs.	Pending registration of assignment from MBS Tools Sdn Bhd to MSB 12 January 2022 to 12 January 2032
11.	MSB		2010018564	16 / Address stamps; advertisement boards of paper or cardboard; bags [envelopes, pouches] of paper or plastics, for packaging; booklets; calendars; cards; catalogues; covers [stationery]; document files [stationery]; document laminators for office use; envelopes [stationery]; greeting cards; handbooks [manuals]; labels, not of textile; magazines [periodicals]; newsletters; newspapers; office requisites, except furniture; pads [stationery]; writing pads; pamphlets; paper sheets [stationery]; pens [office requisites]; periodicals; pictures; posters; printed publications; printing type; prospectuses; signboards of paper or cardboard; stationery; writing materials; writing paper; all included in class 16.	Pending registration of assignment from MBS Tools Sdn Bhd to MSB 4 October 2010 to 4 October 2030
12.	MSB		2010018563	21 / Basins [bowls]; basins [receptacles]; baskets for domestic use; glass bowls; boxes of glass; boxes of metal for dispensing paper towels; soap boxes; clothes racks, for drying; containers for household or kitchen use; cups; dishes for soap; soap dispensers; dustbins; garbage cans; soap holders; strainers; toilet paper holders; toilet utensils; toothpick holders; trays for domestic purposes; utensils for household purposes; washtubs; all included in class 21.	Pending registration of assignment from MBS Tools Sdn Bhd to MSB/ 4 October 2010 to 4 October 2030
13.	MSB		2010018562	11 / Bath fittings; hot air bath fittings; bath installations; sauna bath installations; bath tubs; bath tubs for sitz baths; heaters for baths; spa baths [vessels]; bidets; mixer taps for water pipes; showers; sinks; taps [cocks, spigots] [faucets (Am.)] for pipes; taps [faucets]; toilet bowls; toilet seats; toilets [water-closets]; washers for water taps; wash-hand basins [parts of sanitary installations]; wash-hand bowls [parts of sanitary installations]; water closets; all included in class 11.	Pending registration of assignment from MBS Tools Sdn Bhd to MSB 4 October 2010 to 4 October 2030

6. INFORMATION ON OUR GROUP (Cont'd)

6.7 DEPENDENCY ON CONTRACTS, AGREEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

As at the LPD, our Group is not materially dependent on any contracts, arrangements or any matters that could affect our business or profitability.

6.8 GOVERNING LAWS AND REGULATIONS

As at the LPD there are no breach of laws, regulations, rules or requirements governing the conduct of our business and environmental issues which may materially affect our Group's business or operations and usage of properties owned by our Group.

6.8.1 Local Government Act 1976 ("LGA 1976")

Pursuant to Section 102 of the LGA 1976, local authorities are empowered to make, amend and revoke bylaws. Presently, our Group's business activities are carried out in locations under the jurisdiction of the Klang Municipal Council ("**MPK**") and Seberang Perai City Council ("**MBSP**"). The applicable bylaws are the Licensing of Trades, Businesses and Industries (Klang Municipal Council) By-Laws 2007 ("**MPK Bylaws**") and Municipal Council Province Wellesley License Fees By-Laws 1980 ("**MBSP By-Laws 1980**").

These bylaws provide that no person shall operate any activity of trade, business and industry or use any place or premise in the respective areas of each local council for any activity of trade, business and industry without a licence issued by the respective local council. A contravention of the MPK By-Laws 2007 and the MBSP By-Laws 1980 constitutes an offence and shall, on conviction be liable to a fine not exceeding RM2,000 and/ or to imprisonment for a term not exceeding one year and to a further fine not exceeding RM200 for each day during which such offence is continued after conviction.

As at the LPD, our Company has a valid industrial and advertising licence issued by MPK and MBSP respectively with further details of the licences set out in Section 6.5.1 of this Prospectus.

6.8.2 CIDB Act 1994

The CIDB Act 1994 governs the establishment of CIDB and to provide for its function relating to the construction industry and all matters in connection therewith.

Section 33D(1) of the CIDB Act 1994 further provides that a person shall not deal or undertake to deal, whether directly or indirectly, with the construction materials specified in the Fourth Schedule unless the construction materials have been certified by the CIDB.

The type of construction materials laid out in the Fourth Schedule of the CIDB Act 1994 includes ceramic pipes and pipe fittings and sanitary wares.

Pursuant to section 33D(2) of the CIDB Act 1994, any person who deals or undertakes to deal with the construction materials specified in the Fourth Schedule without the certification of the CIDB shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM500,000.

As at the LPD, our Company has valid Standard Compliance Certificate issued by CIDB with further details of the licences set out in Section 6.5.2 of this Prospectus.

6. INFORMATION ON OUR GROUP (Cont'd)

6.8.3 Standards of Malaysia Act 1996 (“SMA 1996”)

The SMA 1996 establishes the Department of Standards Malaysia, which is placed under the Ministry of International Trade and Industry. The SMA 1996, also established the Malaysian Standards and Accreditation Council.

Pursuant to Section 10 of the SMA 1996, the Department of Standards of Malaysia is to develop and promote standards, and to accredit conformity assessment bodies.

Pursuant to Section 15 of the SMA 1996, the Minister may approve and declare any standard that has been adopted with or without modification to be a Malaysian Standard or provisional Malaysian Standard.

As at the LPD, our Group has obtained relevant product certificate issued by the accredited bodies, which are WCM and IKRAM for its products, further details of the certificates are set out in Section 6.5. of this Prospectus.

6.8.4 WSIA 2006, WSIR 2014 and WSIR 2023

This WSIA 2006 establishes a regulatory framework for the water supply services and wastewater services industry in Malaysia, including the licensing and operation of water supply and sewerage services providers, and establishes the SPAN.

Pursuant to the Guidelines for Registration of Suppliers, a supplier who supplies equipment, device, material, system or facility (here in collectively called as products) for use in water supply and sewerage services in Peninsular Malaysia, Federal Territories of Kuala Lumpur, Putrajaya and Labuan is required to register as a supplier with SPAN. The registration as a supplier with SPAN shall be made before the standard products are supplied for any purpose of installing, working or operating.

Pursuant to Section 129 of the WSIA 2006, a person who uses or supplies any non-standard equipment, device, material, system or facility that he knows or has reason to believe is a non-standard equipment, device, material, system or facility to be used for any purpose of installing, working or operating the equipment, device, material, system or facility commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 6 months or to both.

Under Rule 4(1) of WSIR 2023, no person shall supply an installation, a device or an equipment relating to water supply system, sewerage system, septic tank, individual internal sewerage piping or common internal sewerage piping under the WSIA 2006 unless the person has been registered as a supplier by the SPAN. Rule 4(2) of the WSIR 2023 states that a person who fails to comply with the abovementioned Rule 4(1) of WSIR 2023 commits an offence and shall on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding one year or to both.

As at the LPD, our Company has a valid approval Supplier Listing Certificate issued by SPAN with further details of the licences set out in Section 6.5.2 of this Prospectus.

7. BUSINESS OVERVIEW

7.1 HISTORY AND MILESTONES OF OUR GROUP

Our history can be traced back to the incorporation of SSB in 2005 by our Promoter and Managing Director, Loo Chai Lai and his brother Loo Chai Sing, each holding 60% and 40% equity interest respectively.

In December 2020, Loo Chai Sing resigned as a director of SSB and subsequently in January 2021 sold his entire equity interest to Loo Chai Lai and Loo Jing Kai.

In November 2021, following Loo Chai Sing's exit, SSB entered into a trademark assignment agreement with MBS Tools, whereby SSB assigned the ownership of its brand trademark, namely 'Mocha' trademark, to MBS Tools. MBS Tools was a company owned by Loo Chai Sing and his spouse. Under the same trademark assignment agreement, SSB retained the right to import products bearing the 'Mocha' trademark until 31 December 2023 and supplying the 'Mocha' branded products to its customers within Malaysia.

On 14 July 2023, MSB was incorporated as a wholly-owned subsidiary of SSB.

On 31 July 2023, Loo Chai Sing and his spouse disposed of their entire equity interest in MBS Tools to Loo Chai Lai.

On 1 September 2023, MSB entered into a sale and purchase agreement with MBS Tools to purchase the fixed assets, stocks, debtors, and intellectual properties rights namely the 'Mocha' and 'i-Born' trademarks of MBS Tools. The 'Mocha' and 'i-Born' trademarks were assigned to MSB on 1 September 2023 pursuant to the aforementioned sale and purchase agreement.

Loo Chai Lai also co-founded Sorento Bathware Sdn Bhd on 5 March 2014, NSSB on 27 June 2014, and IBSB on 18 October 2018. Sorento Bathware Sdn Bhd subsequently underwent a name change to BBSB on 11 September 2014. Please refer to Section 6.2 for details on the principal activities of our Group's subsidiaries.

The table below sets out the history and milestones of our business:-

Year	Key events and milestones
2005	<ul style="list-style-type: none"> At the initial stage of our business, we were involved in the distribution and sale of bathroom and kitchen sanitary wares focusing on smaller items such as faucets, mixers, shower heads, bidets, and related accessories and parts. We sold our products under our first and primary house brand, namely 'Sorento' to our distributors comprising dealers and chain store retailers for onward sales to end-consumers. We operated from a rented premise with a total built-up area of approximately 6,940 sq ft in Jalan Meru, Klang, which was used as our office and for storage. We ceased the rental of the premise in 2020.
2009	<ul style="list-style-type: none"> We launched our second and third house brands of bathroom and kitchen sanitary wares under the brand 'Cabana' and 'Mocha' respectively. We expanded our product offerings to distribute kitchen sinks under the brand 'Sorento'.

7. BUSINESS OVERVIEW (Cont'd)

Year	Key events and milestones
2010	<ul style="list-style-type: none"> We expanded our product offerings to include wash basins under the brand 'Sorento'. We expanded our operations and rented a larger premise with a total built-up area of approximately 63,059 sq ft in Jalan Meru, Klang which was used as our new office to store our products. We ceased the rental of the premise in 2021.
2014	<ul style="list-style-type: none"> We were appointed by Bravat (China) GmbH, a German bathroom sanitary ware provider as the authorised distributor for 'Bravat' branded sanitary wares in Malaysia. With this, we expanded our product offerings to include our first third-party branded luxury sanitary wares under the brand 'Bravat'. We supplied our 'Sorento' branded kitchen sanitary wares to a landed residential project in Taman Alam Putra, Seri Kembangan, marking our first sales to property projects. During the Financial Years under Review, we have supplied bathroom and kitchen sanitary wares to many property projects. Please refer to Section 7.2.1(ii) of this Prospectus for the list of our notable projects during the Financial Years Under Review.
2015	<ul style="list-style-type: none"> We further expanded our product offerings to distribute and sell water closets under the brand 'Sorento' and 'Mocha'.
2016	<ul style="list-style-type: none"> We began to distribute and sell water closets under the brand 'Cabana'. Our dealer network achieved a new milestone of more than 100 dealers, whereby we distributed our products to 140 dealers by FYE 2016.
2017	<ul style="list-style-type: none"> Our project sales achieved a new milestone of more than 100 project customers, whereby we supplied to 119 project customers by FYE 2017.
2019	<ul style="list-style-type: none"> We added a third-party brand of luxury sanitary wares under the brand 'Infinity' from Spain, into our product offerings.
2020	<ul style="list-style-type: none"> We launched our Sorento Master Club, an exclusive networking platform for professional designers to gain access to our latest designer product range and a collaboration platform with professional interior designers using the products we offer. Please refer to Section 7.8(b) of this Prospectus for further details on our Sorento Master Club. We relocated our operations to a rented premises in Bukit Raja Facility, which remains as our headquarters to-date. The premises have a total built-up area of approximately 68,540 sq ft.
2021	<ul style="list-style-type: none"> We acquired a premise in Penang Facility, as a storage facility for our products to cater to the increased demand in the northern region. The premise has a total built-up area of approximately 6,826 sq ft and facilitated our delivery services to our customers in the northern region.

7. BUSINESS OVERVIEW (Cont'd)

Year	Key events and milestones
2023	<ul style="list-style-type: none">• In line with our on-going business expansion, we rented another premise with a total built-up area of approximately 65,804 sq ft, in Jalan Meru Facility used as additional storage for our products.• We launched our first Sorento Experience Centre at our Bukit Raja Facility to showcase the latest innovative bathroom and kitchen sanitary solutions, designs and trends using the products we offer. Visitation to our Sorento Experience Centre is by invitation only.

[The rest of this page is intentionally left blank]

7. BUSINESS OVERVIEW (Cont'd)

7.2 PRINCIPAL BUSINESS ACTIVITIES AND BUSINESS MODEL

Our Group is 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 appointed distributor for foreign third party brand of bathroom and kitchen sanitary ware products, namely 'Bravat' and 'Infinity'. 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.

Our business model is summarised below:-



As at the LPD, approximately 82.19% which is 4,392 SKU of 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.

Our Group adopts a multi-channel distribution strategy to sell our products through our network of distributors comprising dealers and project customers (i.e. property developers' trading/ purchasing arms, trading companies, contractors and interior designers), and to end-consumers through our online stores. Please refer to Section 7.2.1 for further details on our distribution channels and customers.

7. BUSINESS OVERVIEW (Cont'd)

With branding, marketing and promotion of our house brands, we aim to create brand equity which includes creating high brand awareness and loyalty, and establishing the desired brand image. As such, we primarily market our products through our various house brands namely, 'Sorento', 'Mocha', 'Cabana' and 'i-Born'. With these brands, the Group aims to increase its market penetration into different target customer demographics and types of property development projects. The flagship 'Sorento' products are marketed as premium quality Malaysian-branded bathroom and kitchen sanitary wares at competitive prices yet remain accessible to a broad customer base who are seeking quality and value. The other two brands 'Mocha', 'Cabana' as well as the Group's new house brand, 'i-Born', are marketed as more affordable bathroom and kitchen sanitary ware products that cater to more budget-conscious customers.

The creation of brand equity is supported by our continuous advertising and promotional activities through digital marketing on social media platforms, sales campaigns by our dealers, as well as trade fairs and exhibitions. We are responsible for setting the prices of our house brands and determining our distribution strategy and channels, both through our in-house sales and marketing team and through our external distribution network. Please refer to Section 7.8 for further information on our Group's sales and marketing activities.

We also carry foreign third-party branded bathroom and kitchen sanitary ware products to complement our product offerings. These imported luxury products that are generally offered at higher prices as compared to the Group's premium products range and are targeted to customers who seek exclusivity and internationally recognised branded and/ or luxury designer range of bathroom and kitchen sanitary wares. As at the LPD, we are the authorised distributor for 'Bravat' branded sanitary wares in Malaysia (non-exclusive), since our appointment in 2014 by Bravat (China) GmbH, a German sanitary ware provider. We are also authorised distributor for 'Infinity' branded bathroom sanitary wares in Malaysia (exclusive), for which we were appointed on January 2024 by IDC Group Company SL, a Spanish sanitary ware provider. Save for Bravat (China) GmbH and IDC Group Company SL, we have not entered into any agreements with any other brand principals of third-party branded products.

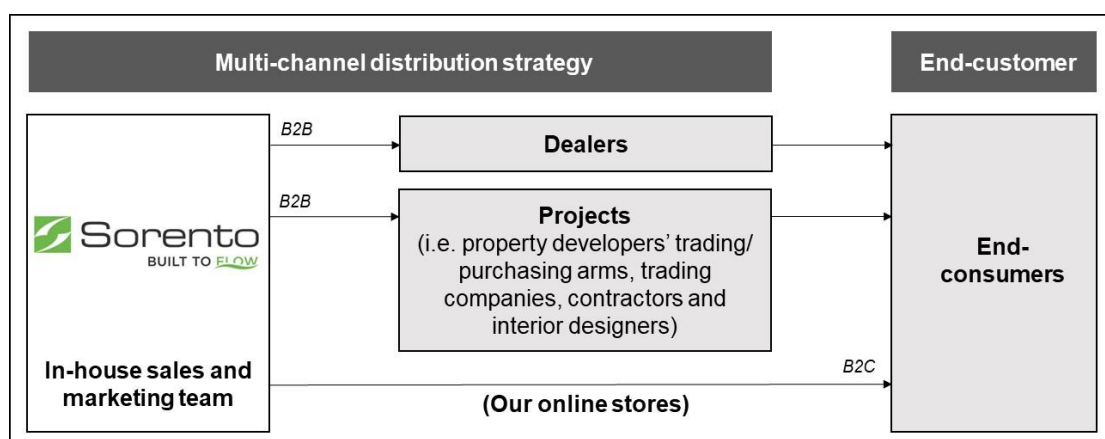
During the Financial Years Under Review, we have also distributed the "elleci" brand bathroom sanitary ware for which we have no distributorship agreement. However, as at the LPD, we have stopped purchasing new stock of 'elleci' branded bathroom sanitary wares and we intend to cease the distribution of 'elleci' branded bathroom sanitary wares once existing stocks are cleared.

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. Please refer to Section 7.3 and Section 7.12 for further information on our Group's third-party manufacturers and suppliers respectively.

7.2.1 Our distribution network and customers

Our Group adopts a multi-channel distribution strategy to sell its products through its network of dealers comprising of wholesalers and retailers. Our Group also supply our products to property projects through our project customers, and sell our products directly to end consumers through our online stores.

7. BUSINESS OVERVIEW (Cont'd)



Note:-

- denotes our direct customers.

During the Financial Years Under Review, our customers base, comprising dealers and project sales, increased by approximately 28.11% from 370 customers in FYE 2021 to 474 customers in FYE 2023, and by 56.96% to 744 customers as at the LPD.

Further information on our distribution channels are as follows:-

(i) Dealers

We distribute bathroom and kitchen sanitary wares to dealers for onward sale to end-consumers.

Dealers comprise wholesalers and retailers. Wholesalers generally purchase in large quantity to be distributed to other retailers or sold through its own retail channels. Our retail customers comprise home improvement or hardware retailers and chain store retailers who may sell our products through their physical retail stores and/ or through e-commerce platforms. These retailers may offer various types of home improvement and hardware products while exclusively carrying only our products or may carry multiple brands of bathroom and kitchen sanitary wares.

Our dealers purchase products outright from us on purchase order basis, to be sold to their customers. All of our dealers are required to adhere to our product pricing guide when setting the retail prices of our products. Generally, we update our product pricing guide three times a year and the updated guide will be disseminated to all our dealers. We provide trainings to our dealers when onboard new dealers and as and when required for existing dealers, on the specifications and functionality of our products and provide them with marketing materials to facilitate the marketing of our products to their customers.

For new dealers, we will assess their financial status, industry experience, store locations and product offerings before qualifying them as our distributors. We provide renovation subsidies for new dealers to set up the space within their stores to promote and sell our products. We monitor the performance of our dealers on an on-going basis with the intention to extend any marketing and/ or technical support to them in a timely manner.

We also have incentives or reward programmes throughout the year for our dealers to drive sales of our products and reward high performing dealers. These incentives and rewards are granted based on our dealers' sales performance. We incentivise high performing dealers who meet their sales targets in the form of paid overseas trips,

7. BUSINESS OVERVIEW (Cont'd)

special rebates for product purchases, marketing and promotional subsidies or cash rebates.

The breakdown of the distribution of our dealers, by geographical region in Malaysia, in the FYE 2023 and as at the LPD are as shown in the table below:-

Geographical region	Number of active ⁽¹⁾ dealers	
	FYE 2023	As at the LPD
Peninsular Malaysia		
• Central ⁽²⁾	158	289
• Northern ⁽³⁾	70	134
• Southern ⁽⁴⁾	60	117
• East Coast ⁽⁵⁾	25	45
East Malaysia	2	7
Total	315	592

Notes:-

- (1) Recorded based on the number of active dealers who had made at least one sale transaction with our Group in the FYE 2023 and up to the LPD.
- (2) Central region comprises Selangor, Kuala Lumpur and Putrajaya.
- (3) Northern region comprises Perlis, Kedah, Penang and Perak.
- (4) Southern region comprises Negeri Sembilan, Malacca and Johor.
- (5) East Coast region comprises Pahang, Kelantan and Terengganu.
- (6) East Malaysia region comprises Sabah and Sarawak.

Our dealers may operate one or more physical stores and our products may be displayed and sold at some or all their physical stores. Among our dealers, as at the LPD, we have entered into a trading contract with one chain store retailer at our dealer's request. The trading contract comprises credit terms, sales targets, rebates and fees (e.g. advertising and promotion, distribution cost). The contract is valid for a period of one year and is renewable upon expiry and consensus agreement to the terms in the trading contract. Save for this dealer, we have not entered into any contracts with our other dealers.

(ii) Projects

We supply our products to residential and commercial property projects, including new build, refurbishment and renovation projects. As at the LPD, we supplied to 152 projects customers, comprising property developers' trading/ purchasing arm, trading companies, contractors and interior designers.

We submit our proposals with recommended products and pricing to project customers, based on the requirements for their projects. Generally, for project sales, we will receive purchase orders from our customers to confirm us as their supplier for bathroom and kitchen sanitary wares. Some project customers will issue us letter of award or letter of confirmation as supplier. The purchase orders and letter of award/ letter of confirmation include information on the brand, type and quantity of products to be delivered, as well as the estimated delivery period. For new build projects, the purchase orders and letter of award/ letter of confirmation are typically secured at the start of a project development, and the delivery of our products takes place during the interior fit-out stage which generally takes place up to three years from the commencement of the development project. For refurbishment and renovation projects, and occasionally for new build projects, we receive purchase orders that require delivery of goods within weeks to months from confirmation of orders. We are responsible to deliver the goods to our customers' project site, and our products will then be installed in the property units by their contractors.

7. BUSINESS OVERVIEW (Cont'd)

Our notable projects that contributed above RM2.00 million revenue to our Group during the Financial Years Under Review, are as follows:-

Name of project	Product supplied	Status
The Valley Residences @ SkySierra, Setiawangsa	Water closets, wash basins, bathroom faucets	Completed
MUZE @ Penang International Commercial City (PICC)	Bathroom faucets, bathroom accessories, shower and bidets	Completed
Vertu Resort Condominium @ Aspen	Water closets, wash basins, bathroom faucets	Completed
Sentul Point Apartment Suites	Water closets, wash basins, bathroom accessories, shower and bidets	Completed
Horizon Suites	Water closets, wash basins, bathroom accessories, shower and bidets	Completed
Residensi Aurora @ Cyberjaya	Water closets, wash basins, bathroom accessories, shower and bidets, floor grating	Completed
Avara Seputeh	Water closets, wash basins, bathroom accessories, shower and bidets, floor grating	Completed
M Arisa	Shower and bidets, bathroom faucets, wash basins	Completed
Vivo Executive Apartment @ Aspen	Water closets, wash basins and bathroom accessories	Completed
Edgewood Residence @ SkySanctuary	Water closets, kitchen sinks, bathroom faucets, shower and bidets	Expected to be completed by 2nd quarter of 2024
Avela @ IJM Rimbayu	Water closets, wash basins, bathroom accessories, shower and bidets	Expected to be completed by 3rd quarter of 2024
M Luna	Water closets, wash basins, bathroom accessories, shower and bidets	Expected to be completed by 3rd quarter of 2024
Curvo Residence	Water closets, kitchen sinks, bathroom accessories, shower and bidets	Expected to be completed by 4th quarter of 2025

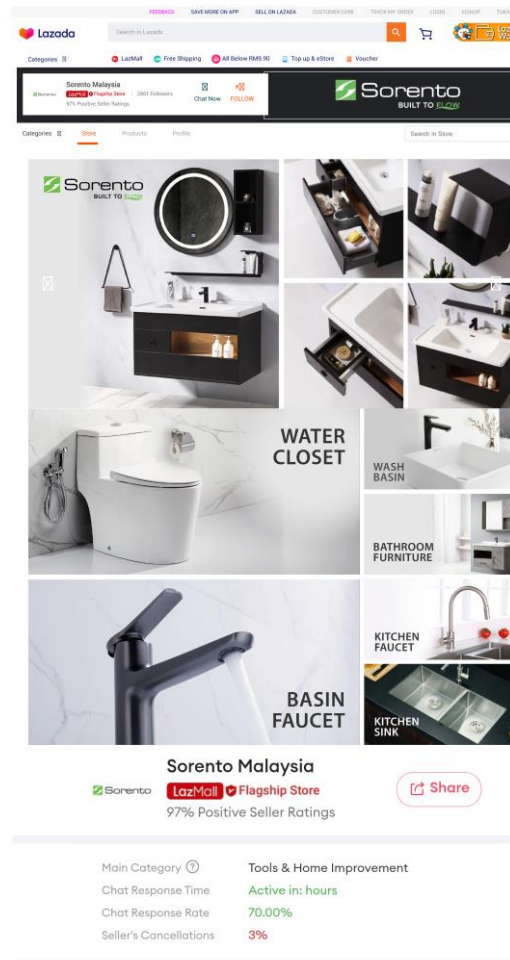
7. BUSINESS OVERVIEW (Cont'd)

(iii) Our online stores

We market and sell our products directly to end-customers through third party e-commerce platforms namely Lazada and Shopee.

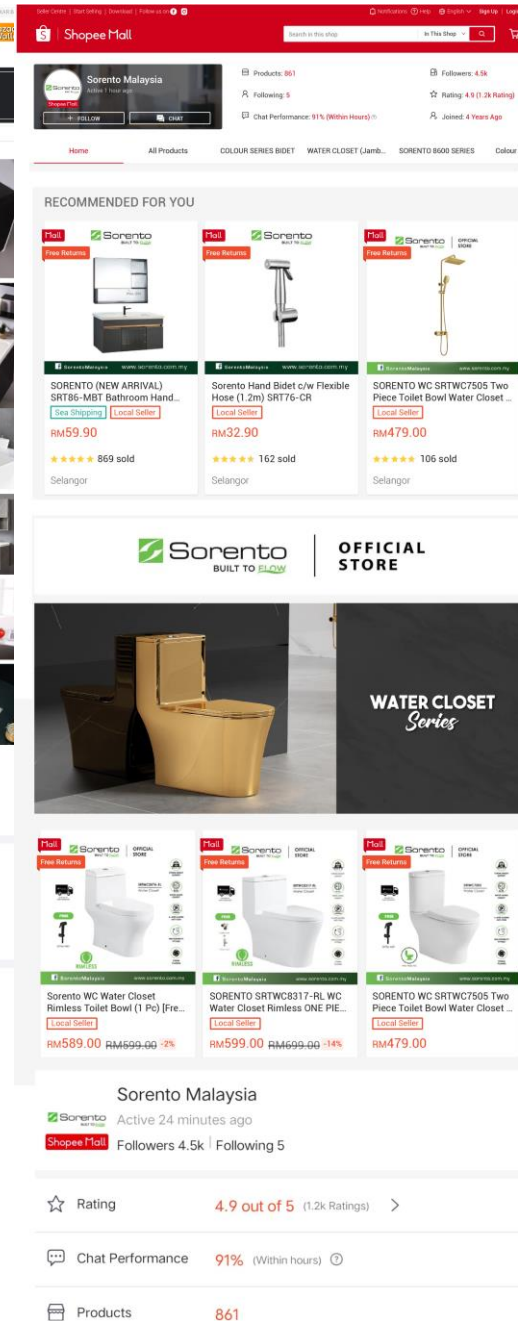
Our store on Lazada

(a) Sorento



Our store on Shopee

(a) Sorento



7. BUSINESS OVERVIEW (Cont'd)

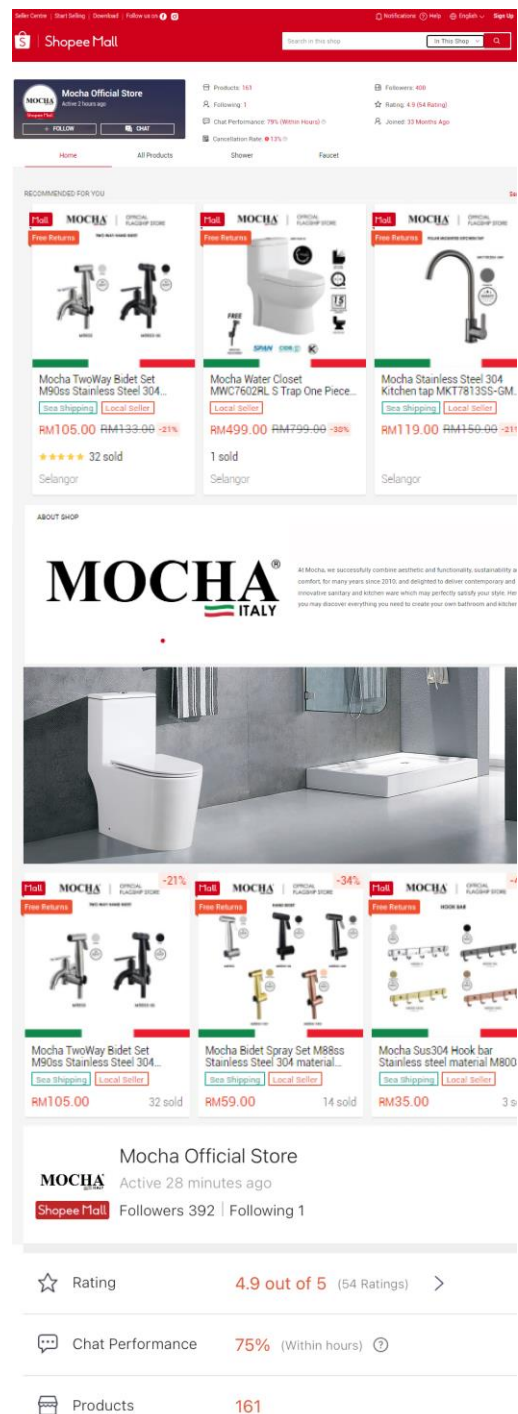
Our store on Lazada

(b) Mocha



Our store on Shopee

(b) Mocha



Our online stores on these third party e-commerce platforms are managed internally by our sales and marketing team. By establishing our presence on third party e-commerce platforms, we are able to expand our customer reach, brand equity and product exposure to retail end-users. Our online stores also serve as official brand pages with up-to-date and accurate product information. We also adhere to our product pricing guide when setting the retail prices of our products sold on our online stores to prevent sales cannibalisation with our dealers.

7. BUSINESS OVERVIEW (Cont'd)

The strategy of using indirect distribution through our B2B customers is in line with our objective of targeting the mass market. Using a wide network of distributors, property developers' trading arm and contractors enable us to utilise their network to expand our market coverage as well as to reach out to a wide customer base to achieve economies of scale and grow our market share. We actively source new distributors where we assess their suitability based on their respective customer base, product range, market outreach, geographical coverage and level of commitment to promote our products. Further, we actively market our products to property developers' trading arm and contractors to use our products in their projects.

In addition, selling directly to end-consumers (B2C customers) through our online platforms gives us an avenue to have direct engagement with our end-consumers to gather product feedback and to assess consumer data. This enables us to have access to first-hand consumer data based on prevailing market trends, which are essential for us to adapt our overall marketing strategy and product development to keep abreast with changing consumer trends.

7.2.2 Details of our products

Our bathroom and kitchen sanitary wares comprise a comprehensive range of offerings which comprise wash basins, water closets, jacuzzi and bathtub, bathroom furniture, bathroom faucets, shower and bidets and bathroom accessories, kitchen sinks and kitchen accessories. As at the LPD, we have approximately 82.19% which is 4,392 SKUs are our house brands. All of our products are sold as off-the-shelf products.

As at the LPD, the bathroom and kitchen sanitary wares that we offer under the respective brands are as follows:-

Categories	Bathroom sanitary wares	Kitchen sanitary wares
House brands – (premium & affordable range)		
Sorento	<ul style="list-style-type: none"> • Wash basins • Water closets • Jacuzzi and bathtubs • Bathroom furniture and mirrors • Bathroom faucets • Shower and bidets • Bathroom accessories • Water pumps 	<ul style="list-style-type: none"> • Kitchen sinks • Kitchen accessories • Kitchen faucets
Mocha	<ul style="list-style-type: none"> • Wash basins • Water closets • Jacuzzi and bathtubs • Bathroom furniture and mirrors • Bathroom faucets • Shower and bidets • Bathroom accessories • Water pump 	<ul style="list-style-type: none"> • Kitchen sinks • Kitchen accessories • Kitchen faucets
Cabana	<ul style="list-style-type: none"> • Wash basins • Water closets • Jacuzzi and bathtubs • Bathroom furniture and mirrors • Bathroom faucets • Shower and bidets • Bathroom accessories 	<ul style="list-style-type: none"> • Kitchen sinks • Kitchen accessories • Kitchen faucets
i-Born	<ul style="list-style-type: none"> • Water closets • Wash basins • Bathroom furniture and mirrors • Bathroom accessories • Bidets • Bathroom faucets 	<ul style="list-style-type: none"> • Kitchen sinks • Kitchen faucets

7. BUSINESS OVERVIEW (Cont'd)

Categories	Bathroom sanitary wares	Kitchen sanitary wares
Foreign third party brand/ Luxury range		
Bravat	<ul style="list-style-type: none">• Water closets• Wash basins• Bathtubs• Bathroom faucets• Shower and bidets• Bathroom accessories	<ul style="list-style-type: none">• Kitchen faucets
Infinity	<ul style="list-style-type: none">• Water closets• Wash basins• Bathtubs• Bathroom faucets• Shower and bidets• Bathroom accessories	<ul style="list-style-type: none">• Kitchen faucets

[The rest of this page is intentionally left blank]

7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)

MOCHA[®]

ITALY



Excellent Quality

————— For Your Home

7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)

∞. Infinity



7. BUSINESS OVERVIEW (Cont'd)

7.2.3 Warranty policy

We provide product warranty claims to end-consumers against manufacturing defects. As at the LPD, we have warranty policy for 'Sorento' branded products. There is no warranty offered for 'Mocha', 'Cabana' and 'i-Born' branded products to keep the pricing of this product range relatively lower compared to 'Sorento'. We provide warranty coverage from the range of one year to a lifetime warranty, from the date of purchase, depending on the type of product. Our dealers may facilitate warranty claims from their customers by submitting the claim request to us on behalf of their customers.

The eligibility for warranty claims by end-consumers is subject to conditions such as the provision of a valid proof of purchase of the product, and registering the product at the Group's warranty page on our website upon purchase. During a claim, end-consumers may send the products directly to our warehouses or to our dealers from which they purchased their products for product inspection to determine the cause of defect. The inspection allows our Group to assess whether the claimed defects are genuine manufacturing defects, and whether the parts are eligible for warranty claims. For repair and replacement of parts and products covered under our warranty, we have a back-to-back agreement with our third party manufacturers to cover the cost of repair and replacement of parts and products.

Our Group does not provide cash returns or refunds for our products. We are also not liable for any defects caused by unsuitable or improper use, external force, wear and tear, wilful damage, negligence and failure to follow our instructions.

7.2.4 Our locations

Our business operations are based in Malaysia at the following locations:-

Facility	Function	Location
Bukit Raja Facility	Head office and warehouse	Bandar Bukit Raja, Klang, Selangor
Jalan Meru Facility	Warehouse and office	Jalan Meru, Klang, Selangor
Penang Facility	Warehouse and office	Simpang Ampat, Penang

7.3 OUR THIRD PARTY MANUFACTURERS

We outsource all manufacturing works of our house brands to third party manufacturers as we are not involved in any manufacturing activities. Our third party manufacturers are responsible for the design, purchase of materials and manufacturing/ assembly of our house brands in accordance to our specifications and requirements. The products sourced from our third party manufacturers are final products for onward sale to our customers.

The third party manufacturers engaged by our Group are evaluated and selected based on their pricing, production capabilities, product quality (i.e. in terms of minimal defects and usability) and ability to deliver within the stipulated timeframe. We also carry out annual review on our third party manufacturers to evaluate the quality of their products and services.

As at the LPD, we have engaged 12 third party manufacturers for the manufacturing of our house brands, whereby we have at least one transaction with each of these manufacturers. All of our third party manufacturers are located in China. Nevertheless, we source plastics parts and components, as well as complementary products (e.g. toilet seats, soap dispenser, floor trap, cistern fittings, flush valves, etc) from suppliers in Malaysia and Singapore.

Generally, we maintain a list of approved third party manufacturers which allow us to source high volume SKUs (e.g. water closets), from more than one third party manufacturer. In the event that we are unable to procure our products from our existing third party manufacturers, we are able to replace with other third party manufacturers as these manufacturers have similar product and service offerings.

7. BUSINESS OVERVIEW (Cont'd)

7.4 OUR BUSINESS SEGMENTS AND PRINCIPAL MARKETS

In the Financial Years Under review, the sales from our dealer segment was the largest revenue contributor as they contributed 61.58%, 61.46% and 62.86% to our Group revenue, respectively.

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

The breakdown of the Group's revenue by product segments for the Financial Years Under Review is as follows:-

Revenue by product segments	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Bathroom sanitary ware	56,702	85.77	75,385	83.13	93,973	83.67
• Wash basins, water closets, jacuzzi and bathtubs	24,561	37.15	33,395	36.83	42,122	37.50
• Bathroom furniture	7,130	10.79	10,790	11.90	11,828	10.53
• Bathroom faucets, shower and bidets	19,271	29.15	23,997	26.46	30,663	27.30
• Bathroom accessories	5,740	8.68	7,203	7.94	9,360	8.34
Kitchen sanitary ware	8,636	13.07	14,365	15.84	17,530	15.61
• Kitchen sinks	5,594	8.47	9,301	10.26	12,212	10.87
• Kitchen faucets and accessories	3,042	4.60	5,064	5.58	5,318	4.74
Others ⁽¹⁾	769	1.16	938	1.03	808	0.72
Total	66,107	100.00	90,688	100.00	112,311	100.00

Note:-

(1) Comprises water pump and titles.

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

Revenue by geographical region	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Central ⁽¹⁾	43,401	65.65	58,392	64.39	71,205	63.40
Northern ⁽²⁾	11,949	18.07	18,481	20.38	20,712	18.44
Southern ⁽³⁾	7,124	10.78	9,043	9.97	13,245	11.79
East Coast ⁽⁴⁾	1,993	3.02	2,979	3.28	4,185	3.73
East Malaysia ⁽⁵⁾	1,640	2.48	1,793	1.98	2,964	2.64
Total	66,107	100.00	90,688	100.00	112,311	100.00

Notes:-

- (1) Central region comprises Selangor, Kuala Lumpur and Putrajaya, and also includes online sales.
- (2) Northern region comprises Perlis, Kedah, Penang and Perak.
- (3) Southern region comprises Negeri Sembilan, Malacca and Johor.
- (4) East Coast region comprises Pahang, Kelantan and Terengganu.
- (5) East Malaysia region comprises Sabah and Sarawak.

7. BUSINESS OVERVIEW (Cont'd)

7.5 COMPETITIVE STRENGTHS

Our competitive strengths as set out below provide us with a platform for future growth.

7.5.1 We have an established history and proven track record in the bathroom and kitchen sanitary ware industry in Malaysia

We have an established track record in Malaysia as we involved in the distribution and sales of bathroom and kitchen sanitary wares, with a history that spans 19 years since the commencement of our business in 2005. Over the years, we have grown our business from supplying 'Sorento' products to a company offering a wide range of sanitary wares' products for bathroom and kitchen for residential and commercial use. Further, we have expanded the brands under our Group from 'Sorento' to include 'Mocha', 'Cabana', and 'i-Born' as well as foreign luxury third party brands, namely 'Bravat' and 'Infinity', to cater to different budgets and design preferences.

While construction activities in Malaysia is gradually improving after the COVID-19 pandemic, the sustained focus on hygiene, coupled with ongoing urbanisation and economic growth, paints a resilient picture for the continued growth of the bathroom and kitchen sanitary wares market. Further, as tourism activities resume to pre-COVID level in 2024, the demand for accommodation and public sanitary facilities is expected to increase to support tourism activities, which consequently drives the demand for bathroom and kitchen sanitary wares. With a wide range of products under our product offerings as well as a solid foundation and proven track record, we are well-positioned to ride on this continuous demand for bathroom and kitchen sanitary wares to continue to expand and grow our business.

Armed with a 19-year business history in the bathroom and kitchen sanitary ware industry, our Group has been through business and economic cycles. Despite the COVID-19 pandemic, our Group's revenue grew from RM66.11 million in FYE 2021 to RM112.31 million in FYE 2023, representing a CAGR of 30.34%. This demonstrates our business resilience and sustainability, including weathering adverse economic and market conditions.

7.5.2 We have an extensive product range as a one-stop bathroom and kitchen sanitary wares' solution provider for residential and commercial use

As at the LPD, approximately 82.19% which is 4,392 SKU of products are our house brands. Our products comprise water closets, wash basins, bathroom and kitchen faucets and related parts, kitchen sinks and related parts and accessories, which essentially covers all the needs for bathroom and kitchen sanitary wares in any single residential or commercial premises.

We sell our products under various brands to cater to different design preferences and consumer budgets. Our flagship 'Sorento' products are marketed as premium Malaysian-branded bathroom and kitchen sanitary wares' products at competitive prices. The 'Sorento' brand of products is a recognisable brand in the market and is often marketed to large property development projects by large and reputable property developers. Our other house brands, namely 'Mocha', 'Cabana' and 'i-Born', are marketed as more affordable products targeted at customers who are more budget conscious. Our third-party branded bathroom and kitchen sanitary wares, namely 'Bravat' and 'Infinity' are imported luxury products, targeting customers who seek international brands and/ or designer range products which are generally uniquely designed and/or made of more expensive materials.

With our wide range of product and brand offerings, we are positioned as a one-stop solution provider of bathroom and kitchen sanitary wares, whereby our B2B and B2C customers can essentially purchase all of their bathroom and kitchen sanitary wares from our Group.

7. BUSINESS OVERVIEW (Cont'd)

7.5.3 We have a wide customer base including dealers, project customers and end-consumers through direct online stores

As we operate in a consumer-oriented industry, having an extensive market reach is crucial to ensure our products can be easily accessed and purchased by end-consumers. We leverage on our customer base which includes dealers for onward sales to end-consumers; and property developers trading arms or appointed contractors who install our products in their development projects, to extend our market reach to end-consumers. As at the LPD, we sold our products to a total of approximately 592 dealers, and 152 project customers.

Apart from leveraging on our B2B customers (i.e. dealers, chain store retailers, property developer trading arms, and contractors) we also sell our house brands directly to end-consumers through online channels, whereby we have set up online stores for 'Sorento' and 'Mocha' established on third party e-commerce platforms, namely Shopee and Lazada. The move towards establishing our online presence since 2020 was in recognition of the increasing popularity of online shopping, and the accessibility to consumer purchasing data which provides insights to our Group on the latest consumer preferences that serves as valuable feedback for product development.

Project sales give us large volume orders and amplify our brand visibility within new development projects, which will in turn enhance the growth of our financial performance and the sustainability of our Group. This approach fosters consumer recognition, and enables our brand to be top-of-mind when customers seek similar products for future purchases. The presence of our products in development projects not only reinforces brand recognition among end-consumers but also signals a reputable and trustworthy brand image to property developers and contractors, further enhancing our brand's market standing. We are also able to leverage on the reputation of property developers to further grow our brand presence. With a strong brand presence, our house brands can be perceived as the preferred home-grown brands for bathroom and kitchen sanitary wares in Malaysia, thus increasing the demand for our products, which ultimately serves as a strong foundation to support our Group's future business expansion and growth.

7.5.4 We have a team of experienced and hands-on key senior management personnel

Our Group is led by an experienced and technically skilled management team that has accumulated years of industry experience and in-depth knowledge of our business operations. Our Managing Director, Loo Chai Lai, who has 40 years of experience in home improvement and renovation industry with 21 years of experience in the bathroom and kitchen sanitary ware industry, has played a pivotal role in steering the growth and success of our Group. His experience, drive and passion for our business have been instrumental to our Group's success to date. He has conceptualised and implemented various business and marketing strategies that led our Group to its current position in the industry.

He is supported by our Executive Directors, namely Loo Jing Kai and Lee Chee Keong; and key senior management, namely Tan Gine Ngee, Loo Ai Cheng, Ng Lai Heong and Lam Li Hua, with extensive experience in their respective expertise.

Our management team has strong industry and functional expertise as a result of years of experience in their respective fields. Further, they take an active, hands-on role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand. Please refer to Sections 5.1.2, 5.2.2 and 5.4.2 of this Prospectus for the profiles of our Executive Directors and key senior management.

7. BUSINESS OVERVIEW (Cont'd)

7.6 FUTURE PLANS AND STRATEGIES

7.6.1 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 such, we intend to enhance our distribution network, comprising existing and new dealers.

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 and new 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;
- (b) provide subsidy to existing and new dealers to facilitate the following enhancements and upgrades:-
 - (i) enhance personalised marketing collaboration with our selected dealers through store-specific marketing efforts, such as subsidising their grand store opening and highlighting their store(s) on our social media to bring awareness to their stores, co-organising roadshows, digital marketing campaigns and targeted marketing activities based on their target markets;
 - (ii) provide subsidy to upgrade the product displays or storefront signage at selected dealers' retail stores; and
 - (iii) provide subsidy for renovation cost and design ideas to set up or upgrade the display areas for our products at our selected dealers' stores to enhance their customers' shopping experience. The display areas comprise customised carpentry racking or standard racking for our bathroom sanitary wares, and kitchen sink racking, as shown below:-

Customised carpentry racking



Standard racking



Kitchen sink racking



7. BUSINESS OVERVIEW (Cont'd)

The allocation of this subsidy will range from RM10,000 to RM80,000 per store based on the size of the store and forecast sales return.

- (c) provide subsidy to existing and new dealers that will sell our house brands exclusively at their stores. Each of these stores will market and sell any selected house brands, namely 'Sorento', 'Mocha' and/ or 'Cabana', based on their target market. The stores will display a wide range of our product offerings. We intend to provide subsidies for renovation and fit-out cost to facilitate the setting up of these stores. The allocation of this subsidy will range from RM80,000 to RM150,000 per store, based on the size of the store and forecast sales return.
- (d) 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. These concept stores will target customers with higher purchasing power and design conscious to have higher quality of life. Further, the concept stores serve as a showroom for our B2B customers to view our 'Sorento' product range and envision how our products can be used in their projects. We intend to provide subsidies for renovation and fit-out cost and/ or supply of display units to facilitate the setting up of these concept stores. The allocation of this subsidy will range from RM300,000 to RM500,000 per concept store, based on the size of the store and forecast sales return.

We are unable to determine the number of dealers which we will subsidise, as the exact cost of renovation and fit-out for each store cannot be ascertained as at the LPD. This cost can only be determined as and when the existing and new dealers are selected for renovation and fit-out of their stores based on the size of the stores and forecast sales return. Further, as we do not have ownership of any of our dealers' stores, our dealers ultimately decide their participation in our initiatives and implementation of any changes to their stores. Nevertheless, our total estimated budget for the enhancement of our distribution network, comprising existing and new dealers, is approximately RM20 million, which will be funded via a combination of the proceeds from our IPO and internally-generated funds. We plan to utilise RM[●] million from our IPO proceeds within 36 months from the date of our Listing to partially fund this plan. Please refer to Section 4.4.2 of this Prospectus for the breakdown of the total estimated expenses for this plan.

7.6.2 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-based 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. The presence of our products in property projects not only reinforces brand recognition among the end consumers but also signals a reputable and trustworthy brand image to property developers, contractors and interior designers, further enhancing our brand's market standing.

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. While some of these projects typically have shorter delivery lead times, our Group has extensive industry knowledge and strong understanding of the market trends to plan our product inventory to cater for projects with shorter delivery lead time. We are also supported by our established network of third party manufacturers and have sufficient warehouse space to cater for the anticipated increase in orders for our products.

7. BUSINESS OVERVIEW (Cont'd)

We plan to utilise RM[●] million from our IPO proceeds within 12 months from the date of our Listing to fund the purchase of product inventory. This product inventory will support both sales to dealers and projects. Please refer to Section 4.4.4 of this Prospectus for the breakdown of the total estimated expenses for this plan.

7.6.3 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.

We intend to collaborate with advertising agencies to develop and execute external campaigns, via online and offline channels:-

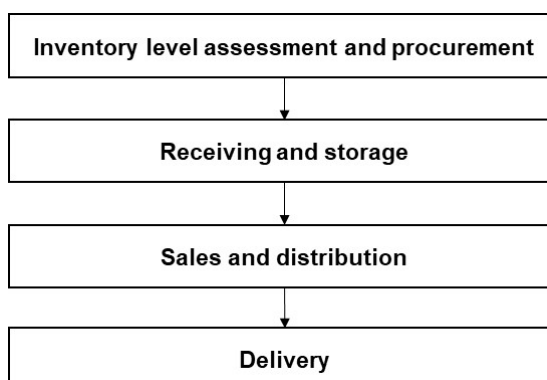
- (a) intensify our marketing and promotional events to increase face-to-face interactions with our customers for higher brand engagement in exhibitions and trade fairs;
- (b) improve customers overall buying experience from our online and offline channels as customers prefer to gather product information from online channels (i.e. website and online stores) before making a physical store visit. For example, our marketing effort involves providing relevant information, such as product specifications and design ideas to support customers' buying journey and leading them to our dealers' physical stores or purchasing through our online stores;
- (c) utilise pay per impression or pay per click advertising across search engines and social media platforms such as Google, YouTube, Facebook, Instagram, Tiktok, and Xiaohongshu;
- (d) utilise search engine optimisation, where it enables maximisation of traffic to our website and online stores through high ranking of our website and online stores on Google search results; and
- (e) utilise search engine marketing, where it increases the visibility of our product advertisements on Google search results when customers search for the product keywords.

We plan to utilise RM[●] million from our IPO proceeds within 36 months from the date of our Listing to fund our branding and marketing plans. This will, in turn, aid our Group in enhancing our brand recognition and expanding our market reach in the industry. Please refer to Section 4.4.1 of this Prospectus for the breakdown of the total estimated expenses for this plan.

7. BUSINESS OVERVIEW (Cont'd)

7.7 OUR BUSINESS AND OPERATIONAL PROCESS

Our operational process flow is set out as follows:-



(a) Inventory level assessment and procurement

We conduct inventory level assessment on a weekly basis to identify the type and quantity of products to be replenished. The product inventory level to be replenished depends on our purchase orders received, projected sales, lead time required for the specific SKUs to arrive at our facilities, and the pricing of the products. For any SKUs with insufficient inventory level, we will submit purchase orders to our suppliers for replenishment of inventory.

(b) Receiving and storage

Upon receiving ordered products from our suppliers, we will conduct quality checks on the products received and ensure the products received match with the quantity and specifications ordered. We will inform our suppliers in case there are discrepancies or defects for product replacement or payment deductions. Our inventory will be stored in our warehouse before delivery to our customers upon confirmation of sales.

(c) Sales and distribution

The following are the sales and distribution processes of our B2B and B2C customers.

(i) B2B

For sales to dealers, we will prepare the price quotations according to the inquiries for our customers to review. Once our dealers agree with our price quotations, the sales orders will be confirmed with the issuance of purchase orders by our dealers. Upon recipient of the purchase orders, we will proceed to prepare and pack the products to arrange for delivery based on delivery schedule.

For project sales, we may be invited to quote or we may approach our project customers to participate in submitting quotations for projects. We prepare and submit our quotations based on the project specifications. While some customers for project sales will issue us letter of award or letter of confirmation as supplier, most of the customers only confirm us via issuance of purchase order. The purchase orders and letter of award/ letter of confirmation include information on the brand, type and quantity of products to be delivered, as well as the estimated delivery period. For new build projects, the purchase orders and letter of award/ letter of confirmation are typically secured at the start of a project development, and the delivery of our products takes place during the interior fit-out stage which generally takes place up to three years from the

7. BUSINESS OVERVIEW (Cont'd)

commencement of the development project. For refurbishment and renovation projects, and occasionally for new build projects, we receive purchase orders that require delivery of goods within weeks to months from confirmation of orders. Typically, affordable housing projects have shorter delivery lead time. Further, when there are projects that may have last minute changes in the sanitary wares used due to changes in budget or insufficient stock availability for the original shortlisted products, the delivery lead time is also relatively short. Upon the receipt of purchase order with the quantity and delivery schedule from our customers for project sales, we will prepare and pack the products to arrange for delivery. We will conduct quality checks on the products before packing and ensure the products match with the quantity and specifications ordered.

(ii) B2C

Upon receiving purchase order from our end-customers through our online stores on Lazada and Shopee, we will prepare and pack the products to arrange for delivery. We will conduct quality checks on the products before packing and ensure the products match with the quantity and specifications ordered.

(d) Delivery

We utilise in-house transportation as well as third party logistics services to deliver the products to our customers. As at the LPD, we have an in-house fleet of 12 lorries and two vans to primarily to cater for delivery of our products to customers within the Klang Valley. We utilise third-party logistics services to provide delivery of the products to most of our customers outside Klang Valley.

For B2B sales, upon delivery of the products, our customer is required to acknowledge receipt by signing off on the delivery note. We will issue the invoice to our customers for payment, some are on cash terms while some are given credit terms ranging from 30 to 90 days.

7.8 SALES AND MARKETING

Our Group has a dedicated team to manage the sales and marketing activities, including branding, promotion and marketing of our brands to enhance our brand presence and recognition in the market. We actively engage in the following sales and marketing strategies:-

(a) **Multi-channel distribution network**

Our Group adopts a multi-channel distribution strategy to sell its products through its network of dealers comprising of wholesalers and retailers. Our Group also supply our products to property projects through our project customers, and sell our products directly to end consumers through our online stores. Please refer to Section 7.2.1 for further information on our distribution network.

(b) **Sorento Master Club**

The Sorento Master Club is an exclusive membership programme for interior designers. As at the LPD, we have approximately 2,032 Sorento Master Club members. Interior designers play an important role in facilitating end-consumers' renovation or home improvement projects whereby our products can be part of the interior designers' design solution offered to their customers.

7. BUSINESS OVERVIEW (Cont'd)

The Sorento Master Club serves as a collaborative platform for professional designers, our affiliated partners (such as tile and lighting experts) and ourselves. Together, we work with designers to create bathroom and kitchen designs, incorporating products from both our affiliated partners and our own collection.

This platform not only fosters a closer connection with interior designers who wield direct influence over homeowners' brand choices for their renovations but also serves as another avenue for us to build brand awareness among interior designers as an exclusive and premium brand. The designs crafted through this collaboration are then brought to life as mock bathrooms and/or kitchens at our Sorento Experience Centre at our Bukit Raja Facility. Here, we showcase the most recent lifestyle trends and distinctive innovations in bathroom and kitchen sanitary solutions, highlighting trends derived from the collaborative efforts of our team, professional designers, and affiliated partners. Any visitation to our Sorento Experience Centre is by invitation only. Other than interior designers, we may extend the invitation to our Sorento Experience Centre to our project customers and product principals.

(c) Digital and print advertising

We place digital advertisements to promote our brands and products on social media platforms. Our social media pages are managed jointly between our in-house team and third-party media agency to generate promotional contents for our social media pages (e.g. Facebook, YouTube, Instagram, Tiktok and Xiaohongshu) to increase brand awareness.

We also place advertisement on outdoor billboards on highways and dealers stores signages. To support our dealers, we maximise brand awareness space in their stores through posters, product displays, banners and printed flyers.

(d) Exhibitions and fairs

We participate in trade fairs and exhibitions to trade fairs and exhibitions to promote our products and establish contact with potential customers while promoting our brand. We may also collaborate with our dealers to participate in trade fairs and exhibitions by providing them subsidy on the set up cost of their booth.

Trade exhibitions and events that our Group participated as exhibitor over the Financial Years Under Review and up to the LPD are as follows:-

Year	Exhibition/event	Organiser	Location
2021	Homedec Exhibition ⁽¹⁾	CIS Network Sdn Bhd	Kuala Lumpur, Malaysia
2021	Homefair'21 – Home Furnishing Exhibition ⁽¹⁾	X Two Media Sdn Bhd	Johor Bharu, Malaysia
2022	Archidex ⁽²⁾	CIS Network Sdn Bhd	Kuala Lumpur, Malaysia
2022	Modern Living Home Expo ⁽¹⁾	Modern Living Event Sdn Bhd	Johor Bharu, Malaysia
2022	Homefair'22 ⁽¹⁾	X Two Media Sdn Bhd	Johor Bharu, Malaysia
2022	Modern Living Exhibition ⁽¹⁾	Modern Living Event Sdn Bhd	Johor Bharu, Malaysia
2023	Home Living Exhibition ⁽¹⁾	Eco & Green Exhibition Sdn Bhd	Johor Bharu, Malaysia

7. BUSINESS OVERVIEW (Cont'd)

Notes:-

- (1) Participated jointly with our dealers, whereby we provided subsidy on the set up cost of their booths.
- (2) Direct participations.

7.9 QUALITY AND GREEN CERTIFICATIONS

Our Group places strong emphasis on the safety and quality of all products including house brands products and third party branded products. Further, we must ensure our ceramic bathroom sanitary wares that we import comply with the requirements of Malaysian Standards (“MS”) before it can be imported and distributed in Malaysia pursuant to the Procedures for Importing Construction Products Fifth Edition issued by CIDB Act 1994. The compliance to the MS standards is a pre-requisite for us to apply for the mandatory certifications/ registrations required for our business such as standard compliance certificates by CIDB, other relevant product certificates issued by accredited certification bodies and supplier registration with SPAN. Please refer to Section 6.8 of this Prospectus for the list and further information on our standard compliance certificates issued by CIDB, other relevant product certificates issued by accredited certification bodies and supplier registration.

We participate in green product recognition assessments with Malaysian Green Technology and Climate Change Corporation (“MGTC”) and SPAN under the Water Efficient Product Labelling Scheme for some of our products. The assessments enable the endorsement of water efficiency capabilities in our products after being compared through a scoring system or criteria.

MGTC/ MyHIJAU mark

MyHIJAU mark is a government initiative to promote the sourcing and purchasing of green products and services in Malaysia. This programme was approved by the Green Technology & Climate Change Council (MTHPI) on 23 October 2012.

MGTC is entrusted to manage MyHIJAU mark and directory and is responsible for the promotion, business advisory, verification, and monitoring of certified green products and services. Registered green products and services will be listed in the MyHIJAU directory which as a reference for green procurement (including Government Green Procurement; GGP and Green Private Purchasing; GPP), green incentives (including Green Investment Tax Allowance; GITA and Green Income Tax Exemption; GITE) and related green technology initiatives.

For a product and services to be qualified for MyHIJAU mark, the product and services must be deemed to minimise the degradation of the environment or reduce greenhouse emission; and promotes health and improvement of the environment; and conserves the use of energy, water and/or other forms of natural resources or promote the use of renewable energy or able to recycle waste material resources.

MyHIJAU mark



The certifications issued by MGTC allow us to use MyHIJAU mark on our registered products. As at the LPD, we have received the following registration certificates from MGTC:-

<u>Product (number of models)</u>	<u>Brands</u>	<u>Issue date</u>	<u>Expiry date</u>
Basin cold tap (10 models), basin tap (2 models), wall mounted basin cold tap (1 model), pillar mounted kitchen tap (1 model) and bib tap (1 model)	Sorento, Mocha and Cabana	24 October 2023	14 June 2026
One piece water closet (15 models)	Sorento, Mocha and Cabana	10 November 2023	31 May 2026

7. BUSINESS OVERVIEW (Cont'd)

SPAN/ WEPLS label

WEPLS is a voluntary Water Efficient Product Labelling Scheme initiated by SPAN to register and label water efficient products according to the guidelines set by SPAN.

WEPLS label serves to inform consumers of the product's water efficiency rating and the consumers will be able to take these factors into accounts when making their purchasing decision. five types of products are covered under WEPLS, namely water taps which include basin tap, sink tap, shower tap and ablution tap, water closet, urinal equipment, shower heads and clothes washing machine. Water efficiency products are rated according to their water consumption based on the 3 star rating system.

Once the products are rated and registered with SPAN, we can use the relevant WEPLS label on our registered products. As at the LPD, we have received seven registration certificates from SPAN for our 'Sorento', 'Cabana' and 'Mocha' water closet (66 models) and water taps (15 models), issued in 2023 and expiring in 2026.

A sample of WEPLS label



7.10 TECHNOLOGY USED

We adopt a cloud-based business management solution comprising an accounting system and relevant plug-ins which is used for automating and streamlining core business processes, including sales lead management, financial management, order processing, inventory management, production, supply chain and warehouse operations, through a single and integrated suite of applications. It also provides access to real-time data from across departments for business analysis purposes. The analysis generated by the system furnishes us with information which allows it to make data-driven decisions to facilitate efficient operations.

7.11 RESEARCH AND DEVELOPMENT

Due to the nature of our business, we do not conduct any research and development activities and we do not have any specific research and development policy.

However, we conduct product development activities which primarily revolve around efforts in developing new product range and improving or enhancing existing product features. We leverage on the manufacturing and design expertise of our third-party manufacturers, and combine their capabilities with our extensive industry experience and knowledge of our markets and customer preferences in our product development activities. Through this close collaboration with our third-party manufacturers, we adapt their designs to align with the specific preferences of our customer base. This process involves adjustments to various specifications including colours, materials, lengths, shapes, and value added features, ensuring our products comply to MS standards and suit our target customers.

Gathering customer feedback and market observations through our direct interactions with our customers and through our online stores, are important parts of our product development activities, whereby we keep abreast with latest market trends and consumer preferences on the design and functions of sanitary wares. We also participate (directly or through our dealers) in renovation, home improvement and interior design fairs and exhibitions, and engage with our distribution network stakeholders, including our dealers and project customers to discover the latest consumer trends and preferences.

7. BUSINESS OVERVIEW (Cont'd)

As we have established online stores on third party e-commerce platforms, we have access to consumer purchasing data where we are able to analyse sales data (e.g. top sale products) as well as product reviews, which are valuable feedback for product development and enhancement. Our product development activities are headed by Loo Chai Lai, our co-founder and Managing Director, who has 40 years of experience in home improvement and renovation industry with 21 years of experience in the bathroom and kitchen sanitary ware industry, together with Loo Jing Kai (our Executive Director).

7.12 OUR SUPPLIERS

Our suppliers comprise third party manufacturers and trading houses, suppliers in Malaysia and Singapore, as well as our product principals:-

(a) Third party manufacturers and trading houses

We source and negotiate directly with our third party manufacturers and ensure our house brands ordered are manufactured based on our specifications and requirements. If intermediaries are required, we will engage their services after the purchase orders are placed with our end suppliers. During the Financial Years Under Review, all of our house brands were imported from China. Our suppliers comprised third party manufacturers in China and intermediaries such as trading houses in China and Malaysia. We regard our third party manufacturers as our end suppliers as our products are ultimately sourced from them. We also appoint trading houses in China to assist some of our third party manufacturers to ship the products to Malaysia and to conduct quality check on the goods before shipping to Malaysia, as these third party manufacturers do not have export licenses for the export of goods from China to Malaysia. As such, we also regard intermediaries as our direct suppliers.

During the Financial Years Under Review, we had increasingly purchased our house brands directly from our third party manufacturers without going through trading houses at 35.00%, 41.85% and 78.42% of our Group's total purchases respectively. With on-going business growth, we have gained the relevant supply chain knowledge to manage imports directly and we have also achieved economies of scale and sufficient purchase volume to import goods directly to reduce our reliance on trading houses. Further, most of our third party manufacturers in China have obtained their respective export licenses, which reduces the need to engage trading houses to handle export logistics.

For purchases through trading houses, the respective trading houses will issue invoices to us for the cost of the products ordered from our third party manufacturers, customs duties, SST, exportation/importation fee for the trading houses and the freight management service provider fees. We make payments to these trading houses against their invoices which are denominated in RMB and USD for trading houses in China, and the trading houses pass on the applicable portion of these payments to the relevant third party manufacturers in settlement for the price of the products we purchase. As at the LPD, we do not have any minimum purchase obligations with any of our third party manufacturers.

Please refer to Section 7.3 for further information on our third party manufacturers.

(b) Suppliers in Malaysia and Singapore

We source plastics parts and components, as well as complementary products (e.g. toilet seats, soap dispenser, floor trap, cistern fittings, flush valves, etc) from suppliers in Malaysia and Singapore.

7. BUSINESS OVERVIEW (Cont'd)

(c) Product principals

For foreign third party brands, we purchase directly from our product principals which are located in overseas. They issue us invoices and make all the necessary export and logistics arrangements based on our delivery schedule.

7.13 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

Our purchases in the Financial Years Under Review comprised product inventory as detail below:-

Supplies	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Bathroom sanitary ware	41,817	85.07	40,372	81.29	45,790	84.61
• Wash basins, water closets, jacuzzi and bathtubs	15,578	31.69	19,017	38.29	21,722	40.14
• Bathroom furniture	4,721	9.60	5,276	10.62	5,894	10.89
• Bathroom faucets, shower and bidets	15,980	32.51	11,981	24.13	13,404	24.77
• Bathroom accessories	5,538	11.27	4,098	8.25	4,770	8.81
Kitchen sanitary ware	6,417	13.05	8,295	16.70	7,588	14.02
• Kitchen sinks	4,073	8.29	4,840	9.75	5,331	9.85
• Kitchen faucets and accessories	2,344	4.77	3,455	6.96	2,257	4.17
Others ⁽¹⁾	925	1.88	996	2.01	740	1.37
Total purchases	49,159	100.00	49,663	100.00	54,118	100.00

Note:-

(1) Comprises water pump and titles.

For our house brands, we maintain a list of approved third party manufacturers which allow us to source any particular SKU from multiple third party manufacturers, if required. In the event that we are unable to purchase from our existing third party manufacturers, we are able to replace with other third party manufacturers. When required, we also source for plastic products in smaller quantities as and when requested by our customers from local suppliers comprising manufacturers and suppliers. These are offered as value added services to our customers.

We do not enter into any contracts with our third party manufacturers and our product principals. Our third party manufacturers will commence the manufacturing process upon receiving purchase orders from us. The lead time for delivery is generally about 45 days. For foreign third party brands, upon receiving purchase orders from us, our product principals will arrange for delivery of the products if there is available stock or commence manufacturing to fulfil our orders. The prices of our supplies are subject to price fluctuations as the result of fluctuations in production costs and fluctuations in exchange rates. Please refer to Section 7.3 and Section 7.12 for further information on our third party manufacturers and suppliers respectively.

In order to ensure that our inventory is sufficient to support the distribution and sale of our products to dealers, projects and end-consumers, we will generally maintain a minimum inventory of four months. The product inventory level to be replenished depends on our purchase orders received, projected sales, lead time required for the specific SKUs to arrive at our facilities, and the pricing of the products. We have not experienced any major inventory shortages in the past as we recognise the importance of maintaining sufficient inventory level to cater for our customers' needs.

7. BUSINESS OVERVIEW (Cont'd)

7.14 PRODUCTION CAPACITY, OUTPUT AND UTILISATION

We outsource all manufacturing works of our house brands to third party manufacturers, and purchase foreign third party branded products directly from our product principals. As such, production capacity is not applicable in our business model.

In terms of storage of our product inventory, our Group's estimated annual capacity, actual annual utilisation and utilisation rate for the FYE 2023 of our warehouse facilities, are as set out below:-

	Bukit Raja Facility	Jalan Meru Facility	Penang Facility
Annual capacity (Number of pallets) ⁽¹⁾	3,940	3,602	363
Actual annual utilisation (Number of pallets) ⁽²⁾	3,883	1,324	322
Utilisation rate (%) ⁽³⁾	98.55	36.76	88.71

Notes:-

- (1) The annual capacity is tabulated based on the number of pallets that can be stored at the allocated storage spaces in the warehouse comprising the floor space, racks and loose space, at the end of each month during the FYE 2023.
- (2) The actual annual utilisation is tabulated based on pallet counts recorded at the end of the month during the FYE 2023.
- (3) The utilisation rate is computed by dividing actual annual utilisation against estimated annual capacity.

7.15 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for minor interruptions to our operations arising from COVID-19 pandemic as detailed below, our Group had not experienced any other interruptions in our operations in the last 12 months from the LPD which had a significant effect on our operations.

(a) Impact on our business operations

Pursuant to the outbreak of the COVID-19 pandemic in 2020, the Government of Malaysia had implemented different forms of MCO since 18 March 2020 to contain the spread of the virus. During this period, our Group was required to comply with the changes in SOP outlined by MITI throughout the period. 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.

Malaysia entered into the "Transition to Endemic" phase beginning 1 April 2022. Our business operations were not impacted by the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

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

Pursuant to the outbreak of the COVID-19 pandemic, 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.

7. BUSINESS OVERVIEW (Cont'd)

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. Further, there was no material impact on our sales, delivery, and receipt of supplies upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

There was no material impact to our business cash flows, liquidity, financial position and financial performance for the Financial Years Under Review.

7.16 SEASONALITY

Due to the nature of our business, there are no significant seasonality or cyclical patterns in the revenue of our Group during the Financial Years.

7.17 EMPLOYEES

As at FYE 2023, we employed a total of 107 employees, all of which are full time Malaysian employees, and as at the LPD, we employed a total of 164 employees, all of which are Malaysian full time employees. The breakdown of our employees by division is set out as follows:-

Department/ Business function	Number of employees	
	FYE 2023	As at the LPD
Directors	3	3
Finance and account	6	12
Human resources and admin	4	10
Purchasing	3	6
Dealer sales	5	15
Project sales	22	20
Retail support personnel	3	5
Marketing	12	16
Customer service	15	21
Warehouse	34	56
Total	107	164

None of our employees belong to any labour union. During the Financial Years Under Review and up to the LPD, we did not experience any strikes or other disruptions due to labour disputes.

We have in place a management succession policy to identify key competencies and requirements of managers and higher ranking personnel, to take positive approach towards addressing talent management to ensure our Group has talent readily available from a capability perspective to undertake leadership positions and to frequently train our middle management to ensure they are well equipped with all the necessary knowledge to succeed at senior management positions in the future in our Group.

7. BUSINESS OVERVIEW (Cont'd)

7.18 MAJOR CUSTOMERS

For the Financial Years Under Review, our top five customers' revenue contributions are 21.55%, 17.31% and 15.28%, respectively. Our top five customers in the Financial Years Under Review comprise dealers and project customers.

As none of our top five major customers each contributed to more than 10% of our Group's total revenue during the Financial Years Under Review, we are not dependent on any of our top five major customers.

Our Group's top five customers for the Financial Years Under Review are as follows:-

FYE 2021

Customer name	Customer type	Products sold	Type of project supplied	Length of relationship (years) ⁽¹⁾	Sales (RM '000)	% of our Group's revenue (%)
PSM ⁽²⁾	Dealer	Bathroom and kitchen sanitary wares	Not applicable	11	3,985	6.03
Eco World Trading Sdn Bhd ⁽³⁾	Project	Bathroom and kitchen sanitary wares	Semi-detached houses and bungalow houses	5	2,908	4.40
Customer A ⁽⁴⁾	Project	Bathroom and kitchen sanitary wares	Residential houses	4	2,716	4.11
Trade Empire Sdn Bhd	Project	Bathroom and kitchen sanitary wares	Condominium and serviced residences	5	2,422	3.66
Home Product Center (Malaysia) Sdn Bhd	Dealer	Bathroom and kitchen sanitary wares	Not applicable	6	2,216	3.35
Sub-total					14,247	21.55
Total revenue					66,107	100.00

7. BUSINESS OVERVIEW (Cont'd)

FYE 2022

Customer name	Customer type	Products sold	Type of project supplied	Length of relationship (years) ⁽¹⁾	Sales (RM '000)	% of our Group's revenue (%)
PSM ⁽²⁾	Dealer	Bathroom and kitchen sanitary wares	Not applicable	12	4,346	4.79
Eco World Trading Sdn Bhd ⁽³⁾	Project	Bathroom and kitchen sanitary wares	Serviced residence and terrace houses	6	3,127	3.45
Home Product Center (Malaysia) Sdn Bhd	Dealer	Bathroom and kitchen sanitary wares	Not applicable	7	3,126	3.45
Exaco Marketing Sdn Bhd	Project	Bathroom and kitchen sanitary wares	Not applicable	3	3,080	3.40
Customer B ⁽⁵⁾	Project	Bathroom and kitchen sanitary wares	Residential houses	1	2,019	2.22
				Sub-total	15,698	17.31
				Total revenue	90,688	100.00

7. BUSINESS OVERVIEW (Cont'd)

FYE 2023

Customer name	Customer type	Products sold	Type of project supplied	Length of relationship (years) ⁽¹⁾	Sales (RM '000)	% of our Group's revenue (%)
PSM ⁽²⁾	Dealer	Bathroom and kitchen sanitary wares	Not applicable	13	3,776	3.36
Home Product Center (Malaysia) Sdn Bhd	Dealer	Bathroom and kitchen sanitary wares	Not applicable	8	3,614	3.22
Mah Sing Trading Sdn Bhd ⁽⁶⁾	Project	Bathroom and kitchen sanitary wares	Service apartment condominium and apartment	9	3,441	3.06
Eco World Trading Sdn Bhd ⁽³⁾	Project	Bathroom and kitchen sanitary wares	Serviced residence, serviced apartment, terrace houses	7	3,274	2.92
Customer B	Project	Bathroom and kitchen sanitary wares	Residential houses	2	3,053	2.72
Sub-total					17,158	15.28
Total revenue					112,311	100.00

Notes:-

- (1) Length of business relationship with the major customers is determined at each respective FYE.
- (2) PSM is a related party. Please refer to Section 10 of this Prospectus for further information.
- (3) Eco World Trading Sdn Bhd is a subsidiary of Eco World Development Group Berhad, a company listed on the Main Market of Bursa Securities and is involved in trading or business of building materials.
- (4) Customer A is a company involved in trading of construction materials located in Malaysia. It is a subsidiary of a public listed company on the Main Market of Bursa Securities. Customer A's holding company is a company involved in infrastructure and property. Customer A's name has not been disclosed as consent was not provided by them. It is one of our major customers for FYE 2021.
- (5) Customer B is a company involved in fabrication, installation and sale of wood products, provisions of kiln dry services, sale of building materials and household goods located in Malaysia. It is a subsidiary of a public listed company on the Main Market of Bursa Securities. Customer B's holding company is a company primarily involved in property development. Customer B's name has not been disclosed as consent was not provided by them. It is one of our major customers for FYE 2022 and FYE 2023.
- (6) Mah Sing Trading Sdn Bhd is a subsidiary of Mah Sing Group Berhad, a company listed on the Main Market of Bursa Securities and is involved in trading of building materials.

7. BUSINESS OVERVIEW (Cont'd)

7.19 MAJOR SUPPLIERS

For the Financial Years Under Review, our top five suppliers' purchase of products contributions are 91.99%, 90.62% and 74.10%, respectively. Our Group's top five suppliers by total purchases for the Financial Years Under Review are as follows:-

FYE 2021

<u>Supplier name</u>	<u>Countries</u>	<u>Type of supplier</u>	<u>Products sourced</u>	<u>Length of relationship (years) ⁽¹⁾</u>	<u>Purchases (RM '000)</u>	<u>% of our Group's purchases (%)</u>
MPM Resources Sdn Bhd ⁽²⁾	Malaysia	Trading house	<ul style="list-style-type: none"> • Bathroom accessories • Bathroom furniture • Faucets • Jacuzzi • Kitchen sinks • Shower and bidets 	4	24,596	50.03
Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory	China	Third party manufacturer	<ul style="list-style-type: none"> • Bathroom furniture • Wash basins • Water closets 	5	10,442	21.24
Chaozhou Changhong Sanitary Ware Co., Ltd.	China	Third party manufacturer	<ul style="list-style-type: none"> • Bathroom furniture • Wash basins • Water closets 	5	6,764	13.77
Bravat (China) GMBH	China	Product principal	<ul style="list-style-type: none"> • Bathroom accessories • Faucets • Jacuzzi • Shower • Wash basins • Water closets 	7	2,165	4.40
Shenzhen Onetouch Business Service Ltd	China	Trading house	<ul style="list-style-type: none"> • Kitchen sinks 	5 months	1,255	2.55
				Subtotal	45,222	91.99
				Total purchases	49,159	100.00

7. BUSINESS OVERVIEW (Cont'd)

FYE 2022

Supplier name	Countries	Type of supplier	Products sourced	Length of relationship (years) ⁽¹⁾	Purchases (RM '000)	% of our Group's purchases (%)
MPM Resources Sdn Bhd ⁽²⁾	Malaysia	Trading house	<ul style="list-style-type: none"> • Bathroom accessories • Faucets • Jacuzzi • Kitchen sinks • Shower and bidets 	5	20,286	40.85
Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory	China	Third party manufacturer	<ul style="list-style-type: none"> • Bathroom furniture • Wash basins • Water closets 	6	13,270	26.72
Chaozhou Changhong Sanitary Ware Co., Ltd.	China	Third party manufacturer	<ul style="list-style-type: none"> • Bathroom accessories • Bathroom furniture • Faucets • Shower and bidets • Wash basins • Water closets 	6	7,050	14.19
Heshan Hang Chuan Trading Co., Ltd	China	Trading house	<ul style="list-style-type: none"> • Kitchen sinks 	5	2,982	6.00
Bravat (China) GMBH	China	Product principal	<ul style="list-style-type: none"> • Bathroom accessories • Faucets • Jacuzzi • Showers • Wash basins • Water closets 	8	1,419	2.86
Subtotal					45,007	90.62
Total purchases					49,663	100.00

7. BUSINESS OVERVIEW (Cont'd)

FYE 2023

Supplier name	Countries	Type of supplier	Products sourced	Length of relationship (years) ⁽¹⁾	Purchases (RM '000)	% of our Group's purchases (%)
Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory	China	Third party manufacturer	<ul style="list-style-type: none"> • Bathroom accessories • Bathroom furniture • Faucets • Shower • Wash basins • Water closets 	7	16,493	30.48
Xiamen Taiyang Technology Co., Ltd	China	Third party manufacturer	<ul style="list-style-type: none"> • Bathroom accessories • Faucets • Shower and bidets 	5	10,682	19.74
Chaozhou Jinbaichuan Sanitary Ware Co., Ltd	China	Third party manufacturer	<ul style="list-style-type: none"> • Bathroom furniture • Wash basins • Water closets 	7	4,638	8.57
Guangdong Yanggang Intelligent Technology Co., Ltd	China	Third party manufacturer	<ul style="list-style-type: none"> • Bathroom accessories • Kitchen sinks 	10	4,408	8.14
Dongguan Yuyi Trading Co., Ltd.	China	Trading house	<ul style="list-style-type: none"> • Bathroom accessories • Bathroom furniture • Faucets • Jacuzzi • Showers 	7 months	3,881	7.17
Subtotal					40,102	74.10
Total purchases					54,118	100.00

Notes:-

- (1) Length of business relationship with the major suppliers is determined at each respective Financial Years Under Review.
- (2) MPM Resources Sdn Bhd, a local trading house, which contributed 50.03% and 40.85% of the Group's total purchases in FYE 2021 and FYE 2022, ceased as its top five major supplier in FYE 2023 as the Group increased direct purchases from its third party manufacturers who have obtained their export licences.

7. BUSINESS OVERVIEW (Cont'd)

During the financial year under review, our purchases from Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory increased from 21.24%, 26.71% and 30.48% of our Group's total purchases in the respective FYEs. We have been purchasing Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory since 2016, and it is our main supplier for our water closets and wash basins. We also source these products from two other third party manufacturers in China. In the event Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory is unable to fulfil our orders, we can engage the other third party manufacturers to manufacture the same products for us. We have obtained the relevant product certifications for CIDB registration which enable us to import water closets and wash basins from all three third party manufacturers. As at the LPD, our Group has identified more third party manufacturers to manufacture our water closets and wash basins to support the anticipated future increased demand for these products. Once the selection is finalised, we will submit the relevant applications and product testing to obtain the relevant product certifications for CIDB registration for importation of water closets and wash basins from the new suppliers.

Xiamen Taiyang Technology Co., Ltd became our major supplier in FYE 2023, contributed 19.74% of our Group's total purchases. We have been purchasing bathroom faucets, showerheads and related accessories from Xiamen Taiyang Technology Co., Ltd since 2018, and it is our main supplier for our bathroom faucets, shower and related accessories. Prior to FYE 2023, purchases from Xiamen Taiyang Technology Co., Ltd were made through MPM Resources Sdn Bhd. We also source these products from three other third party manufacturers in China. In the event Xiamen Taiyang Technology Co., Ltd is unable to fulfil our orders, we can engage the other three third party manufacturers to manufacture the same products for us. Product certifications and CIDB registration for bathroom faucets, shower and related accessories are not mandatory.

Notwithstanding that certain major suppliers of our Group have contributed substantially to our Group's purchases during the Financial Years Under Review, we are not dependent on any of our suppliers as we maintain a list of approved third party manufacturers which allow us to source high volume SKUs (e.g. water closets, from more than one third party manufacturer. In the event that we are unable to procure our products from our existing third party manufacturers, we are able to replace with other third party manufacturers as these manufacturers have similar product and service offerings. As such, our Group is not dependent on any of our major suppliers. Please refer to Section 7.3, Section 7.12 and Section 7.13 for further information on our third party manufacturers, suppliers and purchases respectively.

7. BUSINESS OVERVIEW (Cont'd)

7.20 ENVIRONMENT, SOCIAL AND GOVERNANCE (“ESG”) PRACTICES

We recognise the importance of ensuring environmentally responsible operations, providing a conducive workplace for our employees and adopting a high standard of corporate governance in shaping our Group’s future growth and development. Our Group’s sustainability efforts are guided by our sustainability policy. We have implemented and are in the midst of implementing the following practices:-

(i) Environmental

Our Group aims to integrate sustainable and eco-friendly practices into our business operations to minimise our impact on the environment. The measures that we have taken or plan to take including the following:-

(a) Reduce energy, water consumption and vehicle emissions

At our workplace, we prioritise energy saving practices to promote sustainability. We actively encourage our employees to adopt responsible habits such as powering off all electrical and electronic devices, including laptops, computers, lights, fans and air conditioners when they are not in use. By doing so, we aim to minimize unnecessary energy consumption. Furthermore, we emphasize the importance of conserving water by reminding everyone to turn off water taps when not in use. Together, these efforts contribute to a more environmentally conscious and efficient workplace.

Our vehicles also undergo regular checks and maintenance to ensure their emission controls are functioning optimally and in compliance with the pollutant emission standards set by the government. By doing so, we actively promote cleaner and more efficient operation of our vehicles. Our commitment to maintaining these standards not only helps reduce harmful emissions but also contributes to a healthier environment.

(b) Waste management

We prioritise the reuse wooden pallets to efficiently organise storage space in our warehouses. Additionally, we repurpose packaging scraps by utilising them as fillers or protective cushioning within our product carton boxes. These practices ensure that our products are well-protected during transit.

In addition, we sort the waste according to waste-sorting labels (paper, plastic, e-waste and general waste) to ensure proper segregation of waste which in turn helps to enhance efficiency in the recycling process.

We are also committed to practice paperless initiative where our Group is moving towards digitalising our marketing materials by reducing printing of the catalogues and brochures and uploading them to our website. As for our office administrative function, we encourage our employees to reduce paper usage and recycle used papers. Going forward, we intend to adopt enterprise resource planning system to further reduce unnecessary printing while enhancing our operational efficiency.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Social

The safety and health of our employees are our priorities, specifically on mitigating any safety and health risks at our workplace to create a healthy and productive environment.

This objective is achieved throughout the exercises and goals in the following aspects:-

(a) Occupational, safety and health

In accordance with Occupational Safety and Health Act 1994, we have established a Safety and Health Committee with our Group to create a workplace that prioritises safety, health and environment.

Besides, personal protection equipment such as safety helmet, safety harness, weightlifting waist belt and safety shoes are provided to our employees, when necessary. This measure is aimed to ensure personnel safety and prevent any injuries at workplace.

In response to the COVID-19 situation, our Group had also implemented precautionary measures across our premises to protect our employees and customers and we ensured compliance with the relevant laws and regulations introduced by the Malaysian government from time to time to curb the spread of COVID-19.

(b) Diversity and equal opportunity

We practice gender equality and cultural diversity with equal opportunities irrespective of one's age, gender and ethnicity for employment, career development and advancement to attract and retain talent. As at the LPD, our Group's workforce comprises 45% female and 55% male employees. From ethnicity perspective, our workforce comprises 53% Bumiputera, 46% Malaysian Chinese and 1% Malaysian Indian employees.

We promote team bonding among our employees by organising festival celebrations and activities. These events provide a platform for cultural exchange, enabling our employees to appreciate and celebrate the various cultural heritages and traditions within our Group. Promoting cross-cultural understanding, cultivates a sense of unity, respect and appreciation among our workforce.

In addition, we empower our employees by supporting their personal and professional growth. We aim to enhance the skills of our employees through training programmes and education initiatives such as production techniques, leadership skills and self-development training. In 2023, we invested approximately RM25,000 in personal and professional development training programmes for our employees.

(c) Corporate social responsibility

We remain committed to supporting the communities where we operate by actively contributing to their well-being. In our on-going efforts to consistently assist these communities, we donated and sponsored approximately RM59,100 to non-governmental organisations in 2023. These organisations include Sekolah Jenis Kebangsaan (China) Pui Ying, Sekolah Menengah Kebansaaan Bandar Putra, Khor Teng Tong & Hunza Charity Berhad, Mah Sing Foundation, Eco World Foundation and Bandar Raya Developments Berhad- Rotary Children's Residence.

7. BUSINESS OVERVIEW (Cont'd)

(iii) Governance

Our Group recognises that high standard of corporate governance is the foundation upon which we build a sustainable business. In essence, we are committed to conduct our business ethically and ensure compliance with all relevant laws and regulations that govern our business operations.

As at the LPD, our Group has adopted the following recommendations under the Malaysian Code on Corporate Governance:-

- (a) at least half of our Board members are independent directors;
- (b) at least 30% of our Board members are women directors;
- (c) our ARMC comprises solely independent directors; and
- (d) our Non-Independent Non-Executive Chairman is not a member of any of our board committees.

We have also established the following policies and procedures to ensure the sufficiency and integrity of our Group's risk management and internal control system:-

- (a) Anti-Bribery and Anti-Corruption Policy to promote ethical business conduct;
- (b) Whistleblowing Policy to encourage reporting of inappropriate, unethical or unlawful behaviour and practices by our management or employees, which in turn helps to maintain trust and integrity within our Group and our stakeholders; and
- (c) Conflict of Interest Policy to identify, manage and minimise the conflict arising from personal and financial interest of individuals which may interfere their professional responsibilities. This policy also serves to ensure that the engagement between our Group and the ARMC is free from any conflict of interest element, which could impair its objectivity and independence.

8. IMR REPORT

SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 26 March 2024

The Board of Directors

Sorento Capital Berhad

No.5, Jalan Astana 2/KU 2
Bandar Bukit Raja
41050, Klang
Selangor

Dear Sirs/Madams,

Independent Market Research Report on the Bathroom and Kitchen Sanitary Ware Industry in Malaysia (“IMR Report”)

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“**SMITH ZANDER**”) for inclusion in the prospectus in conjunction with the listing of Sorento Capital Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry in which Sorento Capital Berhad and its subsidiaries (“**Sorento Capital Group**”) operate and to offer a clear understanding of the industry dynamics. Sorento Capital Group is principally involved in the marketing, distribution and sale of bathroom and kitchen sanitary wares. Hence, the scope of work for this IMR Report will address the following areas:

- (i) The bathroom and kitchen sanitary ware industry in Malaysia;
- (ii) Key industry drivers, risks and challenges of the bathroom and kitchen sanitary ware industry in Malaysia; and
- (iii) Competitive landscape of the bathroom and kitchen sanitary ware industry in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report.

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

8. IMR REPORT (Cont'd)

SMITH ZANDER

COPYRIGHT NOTICE

No part of this IMR Report may be given, lent, resold, or disclosed to non-customers or any other parties, in any format, either for commercial or non-commercial reasons, without express consent from SMITH ZANDER. Further, no part of this IMR Report may be extracted, reproduced, altered, abridged, adapted, modified, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, for purposes other than the listing of Sorento Capital Berhad on the ACE Market of Bursa Malaysia Securities Berhad, without express consent from SMITH ZANDER.

Any part of this IMR Report used in third party publications, where the publication is based on the content, in whole or in part, of this IMR Report, or where the content of this IMR Report is combined with any other material, must be cited and sourced to SMITH ZANDER.

The research for this IMR Report was completed on 13 March 2024.

For further information, please contact:

SMITH ZANDER INTERNATIONAL SDN BHD

15-01, Level 15, Menara MBMR
1, Jalan Syed Putra
58000 Kuala Lumpur
Malaysia
Tel: + 603 2732 7537

www.smith-zander.com

© 2024, All rights reserved, **SMITH ZANDER INTERNATIONAL SDN BHD**

About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 26 years of experience in market research and strategy consulting, including over 21 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

8. IMR REPORT (Cont'd)

SMITH ZANDER

1 THE BATHROOM AND KITCHEN SANITARY WARE INDUSTRY IN MALAYSIA

Overview

Bathroom and kitchen sanitary wares refer to a range of plumbing fittings and fixtures that are used in bathrooms and kitchens for sanitation purposes. The products are available in a wide range of designs and specifications to meet different consumer needs, and are made of materials that are durable and moisture proof to prevent rust, which are the essential characteristics of sanitary wares.

Bathroom sanitary wares comprise fittings and fixtures (e.g. bathtubs, water closets, wash basins, shower heads and hand showers, bidets, bathroom faucets and water pumps), bathroom furniture (e.g. bathroom cabinets and mirrors) and bathroom accessories (e.g. towel bars and hand dryers). Bathroom sanitary wares such as bathtubs, water closets and wash basins are typically made of materials such as ceramic, porcelain, acrylic glass, crystal, stone, concrete, enamelled steel or enamelled cast iron; while shower heads and hand showers, bidets and bathroom faucets are typically made of materials such as stainless steel, brass, zinc or zinc alloy, and engineering plastics.

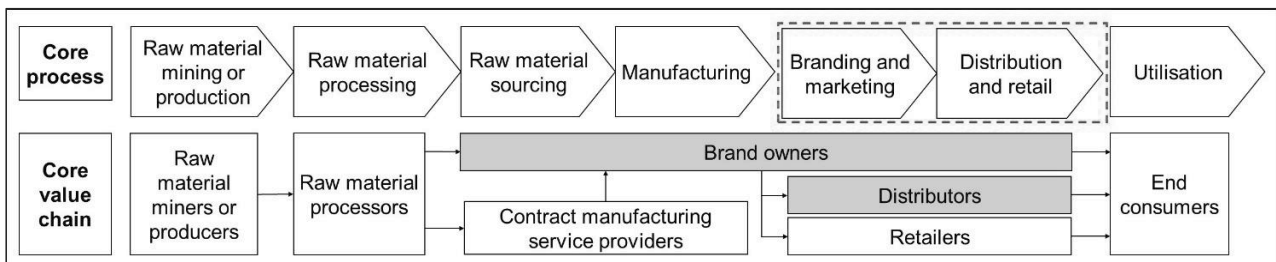


Kitchen sanitary wares comprise kitchen sinks and kitchen faucets, and may also include a selected range of kitchen accessories such as dish racks and waste traps. Kitchen sinks are typically made of materials such as stainless steel, ceramic, porcelain, acrylic, fire clay, stone, enamelled cast iron and steel and quartz. Kitchen faucets are typically made of materials such as stainless steel, brass, zinc or zinc alloy, and engineering plastics.

Bathroom and kitchen sanitary wares are used in a wide variety of settings across different types of residential, commercial, and industrial properties as well as hotels, healthcare facilities, educational facilities, sports facilities and public spaces. Depending on the setting (e.g. residential properties, commercial properties or hotels), usage (e.g. private use or public use), budget and aesthetic needs, different designs and material types for bathroom and kitchen sanitary wares will be used to suit the conditions under which they will be used.



Value chain of the bathroom and kitchen sanitary ware industry



Notes:

- [Dashed box] denotes the core process segments in which Sorento Capital Group is involved.
- [Grey box] denotes the roles of Sorento Capital Group within the core value chain.

Source: SMITH ZANDER

Within the bathroom and kitchen sanitary ware industry, the core processes generally entail raw materials mining or production, raw materials processing, raw material sourcing, manufacturing, branding and marketing, and distribution and retail to end consumers for utilisation. The mining, production and processing of raw materials are the initial stages of the value chain whereby raw material miners, producers and processors

8. IMR REPORT (Cont'd)

SMITH ZANDER

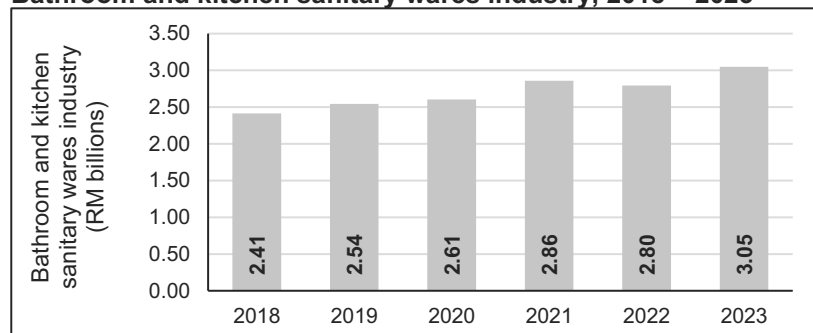
obtain, produce and process the raw materials required for the manufacturing of bathroom and kitchen sanitary wares.

Brand owners of bathroom and kitchen sanitary wares may manufacture their products at their own capacity or source the services of contract manufacturing service providers to manufacture the products for their brands. Brand owners will carry out branding and marketing for their brands and products, and distribute their products to dealers and/or retailers for onward sale to end consumers and/or retail their products directly to end consumers. Distributors and retailers may also carry out marketing activities for the brands and products which they sell, on behalf of brand owners.

2 INDUSTRY PERFORMANCE, SIZE AND GROWTH

The bathroom and kitchen sanitary ware industry, measured by revenue, was recorded at RM2.80 billion in 2022, increasing at a compound annual growth rate (“CAGR”) of 3.58% from RM2.41 billion in 2018.

The size of the bathroom and kitchen sanitary ware industry in Malaysia was recorded at RM3.05 billion in 2023, a year-on-year (“YOY”) increase of 8.93% from 2022.

Bathroom and kitchen sanitary wares industry, 2018 – 2023

Source: SMITH ZANDER

3 KEY INDUSTRY DRIVERS, RISKS AND CHALLENGES OF THE BATHROOM AND KITCHEN SANITARY WARE INDUSTRY IN MALAYSIA**Key Industry Drivers**

- **Economic growth, rising population, urbanisation and rising affluence of the population drive the property market**

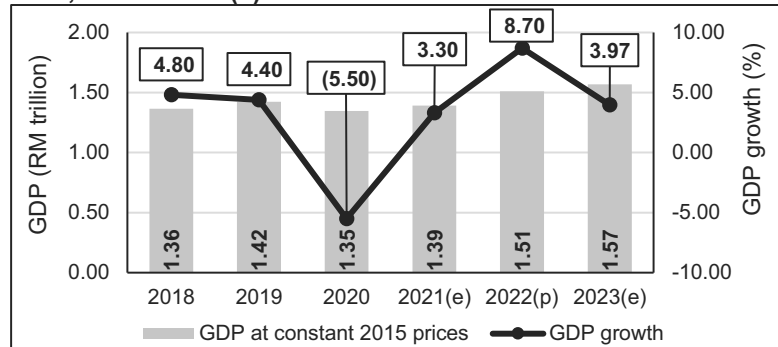
The development of residential, commercial and industrial buildings, as well as leisure and hospitality, healthcare and educational institutions are essential in supporting the economic and social growth of the nation. Bathroom and kitchen sanitary wares form an essential component in the construction of buildings. A Malaysia Standard, namely MS 1402:2006, was established to set out the sanitary accommodation requirements for buildings to ensure public accessibility to bathroom sanitary facilities. The MS 1402:2006 stipulates the required number, position and types of sanitary wares and fittings for a property, depending on the size and type of the premises. This requirement applies to all properties, including but not limited to, residential buildings, commercial buildings (e.g. offices, shops and eating establishments), industrial properties (e.g. factories and workshops), hotels, healthcare facilities, educational facilities, sports facilities and public recreational spaces (e.g. parks and tourist sites). To support the continuous economic growth, more buildings and public amenities are required to accommodate the increase in business operations. This, in turn, drives the demand for bathroom and/or kitchen sanitary wares.

[The rest of this page is intentionally left blank]

8. IMR REPORT (Cont'd)

After an economic contraction of 5.50% in 2020 due to the COVID-19 pandemic, Malaysia recorded consecutive growth in gross domestic product (“GDP”) of 3.30% in 2021, 8.70% in 2022, and 3.97% in 2023, contributed by economic recovery and normalisation of business and economic activities as the impact from the COVID-19 pandemic gradually subsided. According to Bank Negara Malaysia, the Malaysian economy is projected to grow by between 4.00% and 5.00% in 2024, supported by expansion in domestic demand amid stable employment and income prospects.

GDP, 2018 – 2023(e)



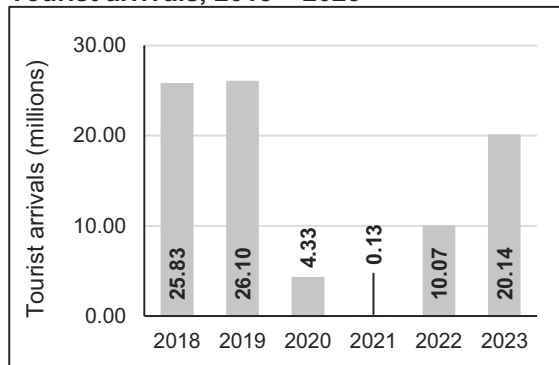
Notes:

- (e) – Estimate.
- (p) – Preliminary.

Source: Department of Statistics Malaysia (“DOSM”)

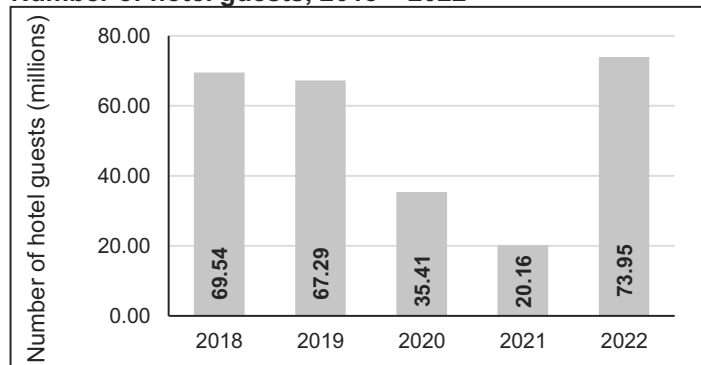
Post-pandemic, the number of annual tourist arrivals in Malaysia recovered significantly in 2022 at 10.07 million, at a CAGR of 52.50% from 4.33 million in 2020. The number of hotel guests in Malaysia also improved significantly at 73.95 million in 2022, exceeding pre-COVID-19 levels. As tourism activities in Malaysia resume to pre-pandemic levels, tourist arrivals reached 20.14 million in 2023 and Tourism Malaysia projects tourist arrival to exceed pre-COVID-19 levels in 2024. This will drive the demand for hotels and public recreational spaces such as tourist sites as well as food preparation facilities (e.g. restaurants and food courts) which must be equipped with bathroom and kitchen sanitary wares.

Tourist arrivals, 2018 – 2023



Source: Tourism Malaysia

Number of hotel guests, 2018 – 2022

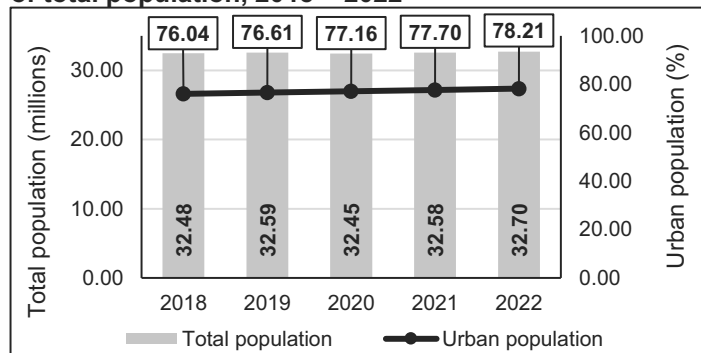


Note: Latest available data as of the date of this report.

Source: Tourism Malaysia

Overall rising population and increasing urbanisation, in turn, drives the growth of the residential property market and subsequently the demand for bathroom and kitchen sanitary wares. From 2020 to 2022, the total population of Malaysia increased from 32.45 million to 32.70 million at a CAGR of 0.38%. Over the same period, urban population as a percentage of the total population increased from 77.16% to 78.21%.

Total population and urban population as a percentage of total population, 2018 – 2022



Note: Latest available data as of the date of this report.

Sources: DOSM, United Nations Department of Economic and Social Affairs

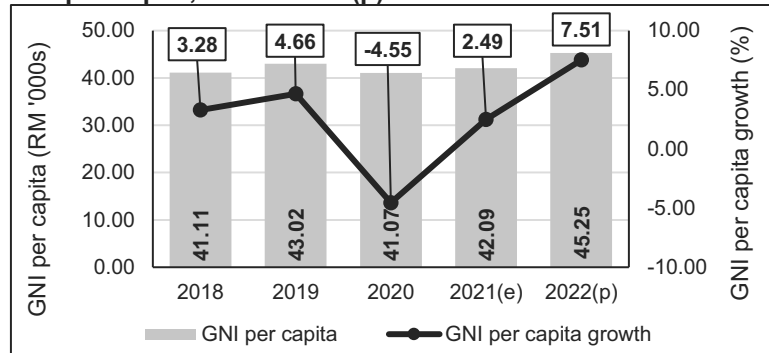
The need for more buildings and public amenities in Malaysia as a result of economic growth, rising population and increasing urbanisation will contribute to the overall growth of the bathroom and kitchen sanitary ware industry in Malaysia.

8. IMR REPORT (Cont'd)



Further, Malaysia is an upper-middle income developing country with a growing economy and increasing wealth. The gross national income (“GNI”) per capita in Malaysia increased by 4.66% from RM41,105.30 in 2018 to RM43,022.40 in 2019. Nevertheless, the adverse impact of the COVID-19 pandemic on the economy, which gave rise to pay cuts and loss of employment, had resulted in a decline of the GNI per capita in 2020 to RM41,066.46.

GNI per capita, 2018 – 2022(p)



In 2021 and 2022, the GNI per capita grew by 2.49% and 7.51% YOY respectively as the nation’s economic conditions gradually recovered post-pandemic.

Notes:

- (e) – Estimate.
- (p) – Preliminary.
- Latest available data as of the date of this report.

Source: DOSM

The increasing GNI per capita indicates a more affluent population with improved standards of living and greater propensity to spend. This may, in turn, contribute to a growing interest of property owners in carrying out home improvement and maintenance works to improve the aesthetic appeal as well as maintain the condition of their properties, thus driving the demand for bathroom and/or kitchen sanitary wares.

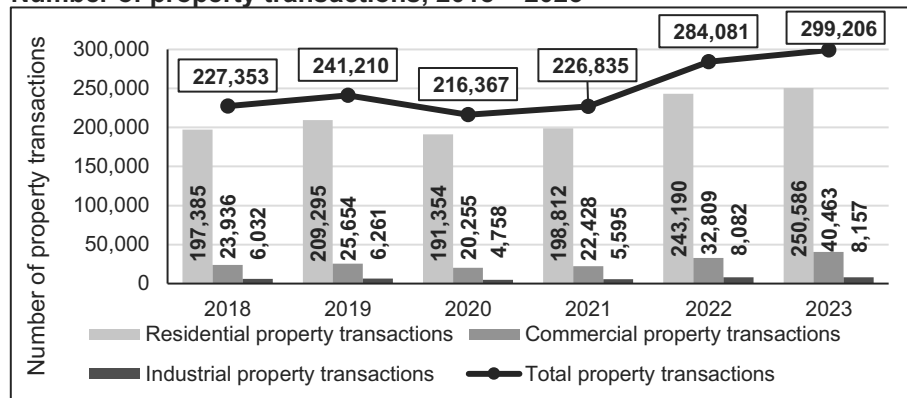
Further, a more affluent population contributes to more property purchases as well as renovation of properties to increase lifestyle comfort as well as to improve the aesthetic quality and/or asset value of the properties, which in turn drive the demand for bathroom and/or kitchen sanitary wares.

► **Increasing demand for property drives property development as well as home improvement, maintenance and renovation activities**

Increasing demand for property in Malaysia as a result of economic growth, rising population and urbanisation will drive property development activities. As bathroom and kitchen sanitary wares are essential to the construction of property, an increase in demand for property in Malaysia will contribute to the overall growth of the bathroom and kitchen sanitary ware industry in Malaysia.

Post-pandemic, property transaction volume in Malaysia increased from 216,367 transactions in 2020 to 248,081 transactions in 2022 at a CAGR of 14.58%, and continued to exceed pre-COVID-19 levels with 299,206 transactions in 2023. This shows strong demand in the primary property market which is expected to drive more launches of property development projects, as evidenced by the rising number of newly launched properties in Malaysia between 2020 and 2022.

Number of property transactions, 2018 – 2023



Note:

- Commercial units comprise shops, SOHO units, shopping complexes, purpose-built offices and serviced apartments.

Source: National Property Information Centre (“NAPIC”)

8. IMR REPORT (Cont'd)

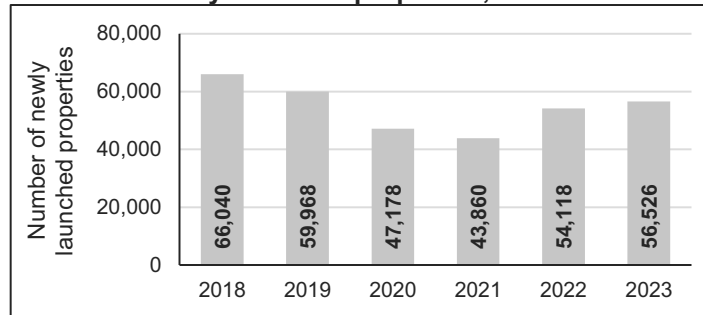


The number of newly launched properties in Malaysia increased from 47,178 units in 2020 to 54,118 units in 2022 at a CAGR of 7.10%, and continued to recover towards pre-COVID-19 levels, with 56,526 units in 2023. With more project launches, demand for building materials, including bathroom and kitchen sanitary wares, to construct and furnish the properties will increase accordingly.

In addition to increasing demand in the primary property market, there is a growing trend of home buyers purchasing second hand residential properties and subsequently carrying out renovation projects to refurbish these properties.

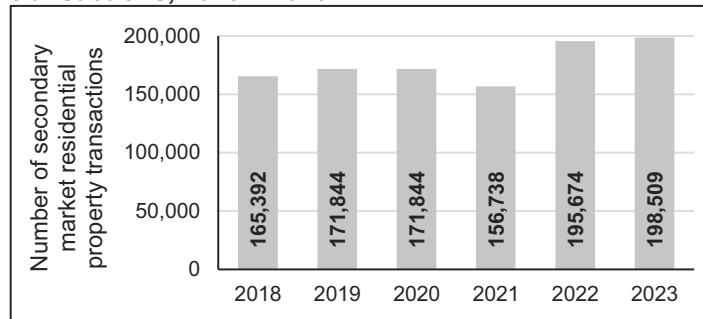
The trend of home buyers purchasing second hand residential properties is evidenced by the increase in the number of secondary market residential property transactions (i.e. residential property transactions in which the transferor is not the property developer) between 2020 and 2022, from 171,844 transactions in 2020 to 195,674 transactions in 2022 at a CAGR of 6.71%, and continued to exceed pre-COVID-19 levels, with 198,509 transactions in 2023.

Number of newly launched properties, 2018 – 2023



Source: NAPIC

Number of secondary market residential property transactions, 2018 – 2023



Source: NAPIC

Often times, refurbishment of older residential properties to suit modern lifestyles includes a makeover of bathrooms and kitchen. This includes replacement of new bathroom and kitchen sanitary wares which will drive the demand for these products.

► **Product innovation and increasingly sophisticated consumer lifestyle and aesthetic preferences**

With the continuous advancement of technology and rising affluence of the population, aesthetic concepts and consumer preferences have become increasingly sophisticated. This prompts manufacturers of bathroom and kitchen sanitary wares to develop new and innovative designs to enhance user experience, as well as to cater to the lifestyle and/or aesthetic concepts desired by property owners, in order to remain competitive in the market. Such designs include intelligent and sensor-enabled sanitary wares which provide added convenience and a touchless user experience; environmentally-conscious sanitary wares which reduce water wastage; and sanitary wares of a broad range of design, colours, patterns, textures and materials to enhance the aesthetic appeal of properties. The wide variety of bathroom and kitchen sanitary wares, coupled with the introduction of increasingly innovative and sophisticated designs in the market, present property owners with a diverse array of options for their properties.

Further, property owners have become increasingly aware of the extensive options available to them as a result of the accessibility of the internet and from online sales channels. This has given rise to a well-informed consumer base which has influenced the lifestyle and aesthetic preferences of consumers, thus attracting property owners to improve their standards of living by upgrading their homes.

[The rest of this page is intentionally left blank]

8. IMR REPORT (Cont'd)**SMITH ZANDER****► Government initiatives to refurbish, maintain and construct public lavatories, public amenities, educational and sports facilities, and affordable housing projects**

The Government of Malaysia has set out various initiatives under the Budget 2024 to refurbish public lavatories across the nation as well as refurbish, maintain and construct public amenities, healthcare, educational and sports facilities, and affordable housing projects, as follows:

- allocation of RM150 million for the maintenance and repair of public lavatories in 150 local authorities' areas nationwide;
- allocation of RM300 million to the National Disaster Management Agency for flood preparedness activities, including the refurbishment of lavatories and bathrooms at 1,500 Temporary Evacuation Centres;
- allocation of RM110 million for the repair of dilapidated stalls, hawker centres and public infrastructure in 150 local authorities' areas, as well as RM50 million for the construction of 4,000 units of new trade spaces;
- allocation of RM1.29 billion for health development projects comprising the construction and expansion of hospitals and health clinics in selected locations nationwide;
- allocation of RM31 million to build 10 new children's nurseries and pre-schools under the Community Development Department ("KEMAS") Early Childhood Education Program; RM20 million for upgrading existing KEMAS Early Childhood Education premises; RM82 million for the construction of 26 new pre-schools under the Ministry of Education; RM1.90 billion for the upgrading and maintenance of schools nationwide; and RM2.5 billion for the construction of 26 new schools nationwide;
- allocation of RM50 million for the upgrading and maintenance of youth and sports facilities nationwide, with a particular focus on facilities with dilapidated infrastructure; and
- allocation of RM2.47 billion to implement affordable housing projects. These include the completion of 15 projects under the People's Housing Program by the end of 2024 which are expected to benefit 5,100 new residents; the construction of 3,500 housing units under the Rumah Mesra Rakyat Program; and the construction and upgrading of residential homes under the People's Welfare Development Scheme.

The abovementioned government initiatives in the refurbishment, maintenance and construction of public lavatories, public amenities, educational and sports facilities, and affordable housing projects will drive the demand for bathroom and kitchen sanitary wares.

Key Industry Risks and Challenges**► Demand for bathroom and kitchen sanitary wares is subject to economic conditions and performance**

As the demand for bathroom and kitchen sanitary wares is dependent upon property construction and renovation activities, the performance of the bathroom and kitchen sanitary ware industry in Malaysia is subject to the economic conditions and performance of the country. In the event that economic growth stagnates or decreases, consumer spending power will decrease and, consequently, the property market is likely to slow down or decrease as consumers become less inclined to purchase new properties. As a result, construction activities can be expected to decline, which will in turn reduce the demand for bathroom and kitchen sanitary wares from property developers.

Further, with reduced spending power under poor economic conditions, consumers are also less likely to carry out home renovation projects in which they replace existing bathroom and kitchen sanitary wares with new ones. Further, the durability of bathroom and kitchen sanitary wares compounded with the high costs which may be involved in replacing them, is likely to lead consumers to be disinclined to replace existing bathroom and kitchen sanitary wares unless replacement is made necessary by damage to existing sanitary wares. As a result, adverse economic conditions and performance can pose a risk to the bathroom and kitchen sanitary ware industry where it reduces demand for bathroom and kitchen sanitary wares by negatively affecting consumer spending power and the performance of the property market.

8. IMR REPORT (Cont'd)**SMITH ZANDER****► Industry players are exposed to competition as well as changes in consumer preferences**

The bathroom and kitchen sanitary ware industry in Malaysia is competitive due to the large number of industry players comprising brand owners, distributors and retailers offering local brands, foreign brands and/or generic brands. Industry players generally compete in terms of branding, product quality, product pricing, and range of product offerings. Further, the e-commerce industry experienced a boom during the outbreak of the COVID-19 pandemic as brick-and-mortar stores in the bathroom and kitchen sanitary ware industry were forced to temporarily stop operations. Increased access to e-commerce platforms for bathroom and kitchen sanitary wares increased the convenience of consumers in accessing a larger variety of choices, thus increasing competition for industry players in Malaysia.

The barriers to entry to this industry is low as bathroom and kitchen sanitary wares can be readily sourced locally or from overseas. However, in order to remain competitive and have a sustainable and profitable business over the long term, industry players must be able to implement measures and strategies such as providing wide ranges of product designs and quality products at competitive prices, employing effective branding and marketing strategies, as well as continuously innovating and offering bathroom and kitchen sanitary wares with new and/or enhanced features to cater to changing market trends and consumer needs. Any failure on the industry players' part to remain competitive could lead to reduced sales which will impact their profitability.

► Industry players are exposed to changes in regulations and regulatory standards

Industry players in the bathroom and kitchen sanitary wares industry in Malaysia are subject to regulations and regulatory standards set out by local authorities such as the Department of Standards Malaysia, CIDB and National Water Services Commission ("SPAN"). For instance, industry players must ensure that the bathroom sanitary wares (e.g. ceramic water closets, ceramic wash basins, ceramic flushing cisterns, ceramic urinals, ceramic bidets and pedestals, ceramic and plastic flushing cisterns) they procure have valid Standard Compliance Certificate issued by CIDB as being compliant with Malaysia Standards before importing and distributing the bathroom sanitary wares in Malaysia. Further, registration as a supplier with SPAN is also required to supply products (e.g. water pipes, water fittings, storage cisterns, valves, back flow preventers, meters, taps and mixers, water closets, water closet flushing cisterns and flush pipes, flush valves, sanitary appliances and urinals) used for water supply and sewerage services in Peninsular Malaysia, Federal Territories of Kuala Lumpur, Putrajaya and Labuan.

Over time, regulations governing the manufacture, import and/or distribution of bathroom and kitchen sanitary wares may change and become more stringent. In the event of any such changes in regulations, existing bathroom and kitchen sanitary wares distributed by industry players may no longer be compliant and thus, industry players may be subject to financial losses as they may be forced to recall their existing products. Further, complying with new regulations is likely to give rise to additional costs which may also adversely affect the financial performance of industry players.

4 COMPETITIVE LANDSCAPE OF THE BATHROOM AND KITCHEN SANITARY WARE INDUSTRY IN MALAYSIA

The bathroom and kitchen sanitary ware industry in Malaysia is competitive and fragmented due to the large number of industry players including brand owners, distributors and retailers offering local brands, foreign brands and/or generic brands. Industry players may concurrently operate multiple roles within the industry value chain. For instance, a local brand owner may also operate as a distributor and/or retailer for other foreign brands. These industry players may also offer a variety of product mix within the home and living industry, such as building materials, furniture, fixtures and paints.

Foreign brand owners may establish their own local companies in Malaysia to distribute their products through retail stores or to their distributors. Many foreign brand owners do not have local presence in Malaysia and they appoint local companies as authorised distributors to distribute their products to other distributors and/or retailers.

Within the large range of bathroom and kitchen sanitary wares, based on latest information available, there are 66 companies who are importers of ceramic sanitary ware registered with the CIDB. Nevertheless, other

8. IMR REPORT (Cont'd)**SMITH ZANDER**

than ceramic sanitary ware, there are many other products within bathroom and kitchen sanitary wares that do not require registration with the CIDB. There are also many distributors and retailers who source products locally from importers and suppliers for onward sales to end-consumers. Further, there are also a large number of small to medium independent retailers (e.g. hardware stores) who may import products directly or source products locally to supply their products with generic brands, whereby the products are marketed without widely recognised brand names and/or logos because these products are not typically advertised publicly.

Regardless of their mode of operations, industry players offering the same products compete in terms of branding, product quality, product pricing, and range of product and brand offerings, amongst others, as they ultimately compete to capture the same customer base.

Nevertheless, as Sorento Capital Group is a local brand owner, its closest competitors are selected based on the following criteria:

- Companies in Malaysia who own house brands of bathroom and kitchen sanitary wares. These companies may also be involved in the distribution of third party brands of bathroom and kitchen sanitary wares; and
- Companies which recorded more than RM10 million revenue based on their respective latest available financial years.

Key Competitors of Sorento Capital Group

Company name	House brand(s)	Third party brand(s)	Latest available financial year	Revenue ⁽ⁱ⁾ (RM million)	Gross profit margin (%)	Profit/(loss) after tax margin (%)
Sorento Capital Group	Sorento, Cabana, Mocha and i-Born	Bravat and Infinity	30 June 2023	112.31	47.56	22.20
Roca Malaysia Sdn Bhd	Johnson Suisse, Roca	None	31 December 2022	96.14	Not available	(5.44)
Inno Ceramitec Sdn Bhd	Inno, Sericite	None	21 December 2022	39.68	11.52	1.96
Leonfast Sdn Bhd	Big Bath, Le Celebrity, Tora	Anthill, Co Moov, Faurex, Gemy, Hansgrohe, Savaginni	31 December 2022	27.75	34.87	7.23
LTL Corporation Sdn Bhd	Konig	American Standard, Duravit, Grohe, Inax, Superino	31 December 2022	23.54	18.44	2.45
Shower Scene (M) Sdn Bhd	Abagno	Atget, Estillo, Teka, SSWW	31 December 2022	17.46	38.88	3.07
TC Bath Mart Sdn Bhd	Saniware	None	31 December 2022	17.33	17.18	1.00

8. IMR REPORT (Cont'd)

SMITH ZANDER

Company name	House brand(s)	Third party brand(s)	Latest available financial year	Revenue ⁽ⁱ⁾ (RM million)	Gross profit margin (%)	Profit/(loss) after tax margin (%)
Rigel Technology (M) Sdn Bhd	Rigel	None	31 December 2022	17.26	44.73	16.12
Doe Industries Sdn Bhd ⁽ⁱⁱ⁾	Caravaggio, Doe, Doff, Potex	Damixa, ISA Idrosanitaria, Nelco, Nikles, Solomon, Supergrif	30 June 2023	14.87	22.63	(15.41)
Sanieuro Sdn Bhd	Novatec	None	31 March 2023	10.69	4.94	0.83
Team Strength Sdn Bhd	Effegi, Latina, Rinocon, Storm	None	31 December 2022	10.63	17.79	1.02

Notes:

- The identified key industry players include all 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.
- (i) Comprises segmental revenue from trading of sanitary goods only. However, the company may also be involved in other businesses that are not related to the marketing, distribution and sale of bathroom and/or kitchen sanitary wares.
- (ii) Doe Industries Sdn Bhd is a subsidiary of CI Holdings Berhad (a company listed on Bursa Stock Exchange).

Sources: Sorento Capital Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

Market Share

In 2023, the bathroom and kitchen sanitary ware industry in Malaysia was recorded at RM3.05 billion. For the financial year ended 2023, Sorento Capital Group's revenue derived from the sale of bathroom and kitchen sanitary wares was recorded at RM112.31 million, and thereby Sorento Capital Group captured a market share of 3.61% in the bathroom and kitchen sanitary ware industry in Malaysia.



Sources: Sorento Capital Group, SMITH ZANDER

[The rest of this page is intentionally left blank]

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH ALL OTHER RELEVANT INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 Our house brands are critical to our success and the value of our brands and our reputation may be adversely affected by negative perception

Our success depends on the value of our house brands, which are integral to our business as well as to the implementation of our strategies for expanding our business. Maintaining, promoting, and positioning our brands will depend largely on the success of our marketing and our ability to provide consistent quality products. Our brands could be adversely affected if we fail to achieve these objectives or if our public image or reputation were to be tarnished by negative publicity through traditional or social media platforms, including negative publicity about our products, customer service, personnel, or marketing efforts. Content that is adverse to our interests, whether or not accurate or truthful, could be posted to social media platforms and immediately disseminated to broad audiences without any verification of such content. Even isolated incidents involving us, our dealers or other business partners, or the products we sell, could erode the trust and confidence of our customers and damage the strength of our brands, especially if such incidents result in adverse publicity. For instance, we may be wrongly faulted and subject to market rumours based on unfounded claims for poor quality or defective products when in reality, such issues may stem from improper installation by the users. We cannot guarantee that our brand development strategies will prevent or mitigate the occurrence of such incidents, accelerate the recognition of our brands, or increase revenue.

We may also be subject to liabilities resulting from actions by our employees and our dealers, which may be beyond our control. As 'Sorento', 'Mocha', 'Cabana' and 'i-Born' are integral to our corporate identity, we are reliant on the goodwill of these brands. Consequently, if the activities of our employees or dealers result in negative publicity which adversely affect our brands, our reputation may be affected and the value of our brands may be harmed. Any harm to our reputation or brands could adversely affect our ability to attract and engage customers and adversely impact our business, financial condition, and results of operations.

9.1.2 We are dependent on our third party manufacturers as we are not involved in any manufacturing activities

Our Group is principally involved in the marketing, distribution and sale of bathroom and kitchen sanitary wares. We are not involved in any manufacturing activities, hence the products sourced from our third party manufacturers are final products for onward sale to our customers. We source and negotiate directly with our third party manufacturers and ensure our house brands ordered are manufactured based on our specifications and requirements. During the Financial Years Under Review, all of our house brands were imported from China. Our third party manufacturers are responsible for the design, purchase of raw materials and manufacturing of the products in accordance with our specifications and requirements. As such, our Group's business operations are dependent on the services of our third party manufacturers.

As our third party manufacturers are responsible for raw material purchases, any significant increase in production costs due to increase in the raw material prices arising from amongst others, increase in commodity prices and shipping costs, and/ or labour costs may impact our cost of sales. If we are unable to pass the increased production costs to our customers, this will negatively impact our profit margin.

9. RISK FACTORS (Cont'd)

Presently, we do not have any long-term agreement or contract with our third party manufacturers. Our purchases from them are based on purchase order on an as-needed basis and we negotiate commercial terms per purchase order with them. The absence of long-term agreements with these third party manufacturers possess a risk to us as we may be subject to unfavorable changes in the commercial terms or they are not obliged to provide their services at all to us. In such events, we are required to find alternative third party manufacturers which can be time-consuming. Any failure to identify suitable replacements at commercially acceptable terms or at all in a timely manner may lead to increased supply costs or interruptions in fulfilling our customer orders, which could lead to decreased customer confidence, loss of sales and adversely impact our Group's reputation, operations, and financial performance.

Further, our third party manufacturers may also experience financial difficulties, resource constraints or other difficulties which may affect their ability to carry out the manufacturing works for our products, thereby resulting in delays to the fulfilment of orders and delivery of products to our customers. This may result in loss and damages against our Group, and may eventually negatively impact the overall operations, financial performance and reputation of our Group.

Save for the delays arising from port congestion resulting from the COVID-19 pandemic as set out in Section 7.15 of this Prospectus, we have not experienced any other major disruptions to our business operations as a result of our dependence on third party manufacturers.

9.1.3 We are subject to risks on the maintenance or renewal of product certifications and approvals

We operate within the bathroom and kitchen sanitary wares industry where we market, distribute and sell the said products to our customers. Our Group is required to obtain product certificates issued by accredited bodies, such as WCM or IKRAM for conforming with Malaysian Standards as well as Standard of Compliance Certificates by CIDB and Supplier Listing Certificates by SPAN before we can market, distribute and sell the products. For more information on our product certificates and the relevant laws and regulations governing the product certifications and approvals are as set out in Sections 6.5.2 and 6.8 of this Prospectus, respectively.

The Certificate of Standard Compliance by CIDB and Supplier Listing Certificates by SPAN are required to be obtained by our Group before we can import our products from third party manufacturers and/or supply the products to our customers. For instance, we must submit to the accredited bodies recognised by CIDB and SPAN for product testing in order to obtain the relevant product certifications required under the relevant laws and regulations for CIDB registration for importation and registration as a supplier with SPAN, respectively. The third party manufacturers also require our Group to have a valid product certification from CIDB before we can continue to import these products from our third party manufacturers.

Failure to renew or maintain the above certifications and approvals may result in us being fined for any non-compliance and/ or unable to import and sell our products. This may result in delays to the fulfilment of orders and delivery of products to our customers, which may lead to loss and damages against our Group, and eventually negatively impact the overall operations, financial performance and reputation of our Group.

9.1.4 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

While all manufacturing works for our house brands are outsourced to our third party manufacturers, our Group is ultimately responsible for the quality of these products. As such, we are susceptible to impacts resulting from product liability claims for manufacturing defects by our customers. We cannot guarantee that there will be no defects in our products by our third party manufacturers. Further, our products are also susceptible to improper handling by third party logistics service providers during the storage and delivery processes, and as such we are unable to assure that there will be no defects in the products delivered to our customers.

9. RISK FACTORS (Cont'd)

We provide product warranty claims to end-consumers against manufacturing defects for some of our house brand products. In cases where our customers notify us about any defects such as hairline cracks or broken parts, we will investigate if these are manufacturing defects or caused by third party logistic service providers. Further details on product warranty are set out in Section 7.2.3 of this Prospectus.

Additionally, in the event our products are proven to be defective, causing our customers to suffer from any injury, loss or damages, we may be liable to product liability claims under the Malaysian law or laws of other jurisdictions which may be applicable to our Group. As such, we may be subject to penalties, fines and/or losses arising from any such claims. Further, notwithstanding the outcome of the claims, we may also be subject to significant legal costs. Any successful product liability claim against our Group will adversely affect our Group's business and reputation in the industry which may subsequently negatively impact our financial performance. Further, if we are able to successfully defend such claims, there can also be no assurance that we will not face a loss of confidence in our products by our customers. In the Financial Years Under Review and up to the LPD, there were no product liability claims against our Group.

9.1.5 We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group

During the Financial Years Under Review, 45.62%, 55.39% and 89.40% of our Group's purchases were sourced from overseas suppliers (i.e. third party manufacturers and trading houses, suppliers and product principals). As such, our purchases are exposed to foreign exchange fluctuation risks as the purchases are mostly denominated in USD and RMB. The breakdown of our purchases by currencies in the Financial Years Under Review is as follows:-

Purchases denominated in:-	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
USD	22,136	45.03	27,537	55.44	23,721	43.84
RMB	88	0.18	-	-	24,653	45.55
RM	26,728	54.37	22,113	44.53	5,737	10.60
Others*	207	0.42	13	0.03	7	0.01
Total purchases	49,159	100.00	49,663	100.00	54,118	100.00

Note:-

* Others comprise Singapore Dollar and the Euro Dollar.

For illustration purposes, for the FYE 2023, assuming the fluctuation of the RM against the USD, RMB, Singapore Dollar and Euro Dollar is 1.00%, this will result in an increase or decrease in our GP by RM0.466 million, depending on the direction of the foreign exchange movement between RM and said currencies. As our Group continues to expand, any fluctuation in foreign exchange rates may have a material impact on our financial performance.

As at the LPD, we do not have a formal policy with respect to our foreign exchange transactions and we do not hedge our exposure to fluctuations in foreign currency exchange rates. However, to a certain extent, we enter into foreign exchange forward contracts with banking institutions to buy USD and RMB for payment to our suppliers.

Notwithstanding that, our purchases are subject to foreign exchange fluctuation risks as a depreciation of RM against any other currency will lead to higher costs of supplies incurred by our Group. In the event that we are unable to pass the increase in cost to our customers, our financial performance may be adversely affected due to the higher cost of sales.

9. RISK FACTORS (Cont'd)

9.1.6 The absence of contracts with customers may result in the fluctuation of our Group's financial performance

Our customers purchase our products outright from us on purchase order basis. Given that we do not have contracts with our customers, we are exposed to the risk of losing our existing customers as they are not obliged to continue purchasing our products. In the event that we lose any of our customers, particularly our major customers, as well as being unable to secure additional sales from existing customer or secure new customer in a timely manner, our financial performance may be adversely affected.

While our Group continuously seeks to ensure customer satisfaction by improving our product offerings, maintaining and strengthening existing business relationships as well as establishing relationships with new customers, any external factors such as adverse economic conditions, significant price reduction by our competitors or slowdown in demand for bathroom and kitchen sanitary wares may negatively impact our sales in view of the absence of contracts, which will subsequently negatively impact the financial performance of our Group.

9.1.7 We may not be able to successfully implement our business strategies

Our future plans and strategies are focused on leveraging our key strengths and capitalising on our core competencies in our operation as a one-stop bathroom and kitchen sanitary wares solution provider. Part of our strategies is to enhance our brand recognition and grow our dealer network. Please refer to Section 7.6 of this Prospectus for further details of our future plans and strategies.

As the prospects of these initiatives are uncertain, there can be no assurance that we will be able to successfully execute our plans or that these business strategies will not prove to be more difficult or costly than we had originally anticipated. In this respect, our strategic initiatives may expose us to a number of risks and challenges, among others:-

- (i) the implementation of our operational plans and business strategies may require higher capital expenditures and operational costs than initially planned or anticipated. We may not be able to secure sufficient funding and/or bank borrowings in addition to the IPO proceeds;
- (ii) new and expanded business activities may result in lower growth or profit than we anticipate or not profitable at all. For example, we may incur higher overhead costs than initially planned for our branding and marketing plan as well as the expansion of our dealer network. Such increase in costs will lead to a decrease in our profit margin if our business is unable to generate additional sales following the implementation of these strategies. In such event, our financial performance and prospects may be adversely affected;
- (iii) to support our continued growth, we are required to manage relationships with our customers and suppliers. If we are unable to expand our supply and distribution capabilities when required, or our business processes are inadequate to support the future growth of these relationships, we could experience delays in customer service and shipping times, which would adversely impact our reputation and brands; and
- (iv) the implementation of our future plans may require devotion of substantial amount of time by our management and may divert our attention and resources from our existing operations.

While our management has the experience and expertise in running our business operations, we are not able to guarantee that we will be successful in executing our future plans and strategies. Further, we cannot assure that we will be able to anticipate and mitigate all the business and operational risks associated with our future plans and strategies. In the event of any delays or failures in implementing our future plans and strategies efficiently, our growth may be negatively impacted and this could lead to a material adverse effect on our prospects and financial performance.

9. RISK FACTORS (Cont'd)

9.1.8 Our profitability levels may be affected by higher operating costs

Our Group's overall profitability levels may be affected due to increase in our overall operating costs including, but not limited to, product costs, staff costs, rental, inventory management and other operating costs. If we are unable to (a) increase our sales volume and selling price of our products, (b) efficiently manage our inventories and other operational costs (i.e. labour costs and capital expenditure costs) or (c) utilise our workforce effectively, our profit may be materially adversely affected to the extent we are unable to pass on any increasing costs to our customers (such as increases in production costs or transportation costs), or where such costs are passed to our customers, demand is affected as a result of an increase in the price of our products.

9.1.9 We are dependent on our Managing Director, Executive Directors and key senior management for the future growth and continuing success of our business

The future growth and success of our Group largely depends on the experience, business relationship, expertise, continuous contribution and involvement of our Managing Director, Executive Directors and key senior management. Our Managing Director, Loo Chai Lai, is responsible for steering the overall strategic direction of our Group. With his years of experience and in-depth knowledge in the bathroom and kitchen sanitary wares industry and understanding of the demand of our business and customers' needs, he plays a pivotal role in formulating and implementing business strategies and policies to drive the future development and growth of our Group.

Further, our Executive Directors and key senior management who are equipped with relevant knowledge and skills in their respective roles are responsible in executing our Group's business strategies and plans as well as ensuring the smooth operation of our business. Please refer to Sections 5.1.2, 5.2.2 and 5.4.2 of this Prospectus for the profiles of our Managing Directors, Executive Director and key senior management.

Any significant loss of the services of our Managing Director, Executive Directors and key senior management without suitable and timely replacements may create unfavourable impact on our Group's operations, financial performance and future growth of our business.

9.1.10 We may be subject to excess inventory risk

In order to ensure that our inventory is sufficient to support the distribution and sale of our products to dealers, project customers and end-consumers, we will generally maintain a minimum inventory of four months. During the Financial Years under Review, our average inventory turnover period was 109 days, 122 days and 145 days respectively, further details of which are set in Section 12.4.

There is no assurance that our customers will place orders with us, or the demand for our products may change significantly and our customers may not order in the quantities that we expect. If these happen, any substantial differences between our sales forecast and the final purchase orders may result in excessive inventory. If we fail to sell such excess inventory, we will not be able to realise sales to generate revenue which may materially and adversely affect out results of operations and financial condition.

9. RISK FACTORS (Cont'd)

9.1.11 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance coverage at levels that are customary in our industry to protect against various losses and liabilities in our business operations. As at the LPD, our Group have taken up the following insurance policies which include:-

- (i) Fire insurance policy, with a sum insured of RM26.60 million;
- (ii) Burglary insurance policy, with a sum insured of RM1.00 million;
- (iii) Marine Cargo insurance policy for the goods in transit, with a sum insured of RM50,000;
- (iv) All risk policy, with a sum insured of RM400,000; and
- (v) Product liability insurance policy for claims made against the Group, with a limit of liability of RM1.00 million.

As these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations as a result of any unforeseen circumstances. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business operations and financial performance. Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates.

9.1.12 We may be adversely affected by political, economic, legal and social conditions in Malaysia and China

As we continue to expand our business, our business operations are expected to be increasingly affected by political, economic, legal and social conditions in Malaysia as well as China as we source the majority of our bathroom and kitchen sanitary wares from third party manufacturers in China.

Risks that we are exposed to in the market we serve, Malaysia, include, amongst others, changes in government or regulatory policies such as import/ export regulations, tax rates and interest rates, unstable economic conditions, changes in political leadership and wars. These events are beyond our control and thus we cannot assure that there would not be such occurrences in the future. Therefore, any unfavourable changes in political, economic, legal and social conditions in Malaysia, may cause significant disruptions to our business operations and/ or impact our financial performance.

With China being our dominant import source, we may be especially sensitive to changes in domestic Chinese export policy which affects our third party manufacturers and product principals' ability to supply products to us. Such changes may relate to capital controls, foreign currency exchange restrictions and the validity and export licensing restrictions. Our supply chain may also be disrupted as a result of factors beyond our or our end suppliers' control, such as political instability, military conflicts, acts of terrorism, trade restrictions, tariffs, fluctuations in currency exchange rates, any disruptions in our end suppliers' logistics, supply chain networks or information technology systems, labour unrest, changes in the transportation and other logistics costs (such as fuel and labour costs), port labour disputes, port congestions, weather-related events, natural disasters, work stoppages and shipping capacity restraints, could in turn disrupt our business.

9. RISK FACTORS

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition from other brands of bathroom and kitchen sanitary wares

The bathroom and kitchen sanitary wares industry in Malaysia is highly competitive due to the large number of brands available in the market, comprising local and foreign brands. Industry players selling these brands generally compete in terms of branding, pricing, range of products and quality of products.

There is no assurance that our Group will be able to consistently implement measures and strategies such as providing quality products at competitive prices, employing effective branding, marketing and distribution strategies, to cater to the changing market trends and customer needs and to remain competitive. Any failure to remain competitive could result in a loss of customers, which would consequently lead to a negative impact on our business and financial performance.

9.2.2 We are dependent on home improvement and renovation activities as well as the property sector

Our business operations are dependent on home improvement and renovation activities as well as on the performance of the residential and commercial property sector in Malaysia. While bathroom and kitchen sanitary wares are essential in buildings to meet basic hygiene needs, bathroom and kitchen sanitary wares such as water closets, wash basin and kitchen sink are made to be durable and are not easily replaceable. Hence, consumers do not often replace bathroom and kitchen sanitary wares, whereby any decision to replace bathroom and kitchen sanitary wares results from damage to the products or decision to upgrade as part of home improvement and renovation projects. As such, any adverse economic conditions that affect consumer purchasing power will influence such spending.

The outlook of the Malaysian residential and commercial property sector may be affected by market risks such as the economic performance of the country, political stability, consumer purchasing power and shortage of labour supply and financing costs. The slowdown in the property sector may contribute to reduction in construction activities and subsequently negatively affect the demand for bathroom and kitchen sanitary wares in property projects.

9.2.3 Our business may be affected by evolving market trends and consumer preferences on bathroom and kitchen sanitary ware designs

Our products are primarily targeted at consumers who are in general influenced by changing market trends and consumer preferences. In this respect, our success depends on our ability to anticipate, identify, interpret and respond promptly to the changing consumer preferences, expectations and needs, trends and spending habits. As such, it is crucial that we have a wide variety of designs to meet these consumer demands. While we continue to supply designs and functions that are generally accepted by the mass market, we also strive to respond to changes in market trends and consumer preferences to suit the current industry trend by offering sanitary wares with environmentally friendly features, better comfort, unique designs and advanced technology functions. As a result of the evolving market trends and consumer preferences, we face the risk not being able to respond to these changes in a timely manner.

Further, there is no assurance that any or all of our product offerings will be well accepted by our customers at all times. Any failure to keep up with market demands and delay in responding to these changing trends may result in a loss of customers, which may consequently lead to adverse impact on our business and financial performance.

9. RISK FACTORS (Cont'd)

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration a number of factors including but not limited to our business strategies and our financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

9.3.2 The trading price and volume of our Shares upon Listing may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

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

- (i) material variations in our financial results and operations;
- (ii) success or failure of our management in implementing future plans, and business and growth strategies;
- (iii) gain or loss of an important business relationship;
- (iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (v) changes in conditions affecting our industry, the prevailing global and local economic conditions or stock market sentiments or other events or factors;
- (vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vii) additions or departures of key personnel;
- (viii) fluctuations in stock market prices and volumes;
- (ix) involvement in claims, litigation, arbitration or other form of dispute resolution; or
- (x) general operational and business risks.

9. RISK FACTORS (Cont'd)

9.3.3 There may be a potential delay to or failure of our Listing

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

- (i) our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder; or
- (ii) the revocation of approvals from the relevant authorities for the Listing and/ or admission for whatever reason.

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

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

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

- (aa) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (bb) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:-
 - the sanction of our shareholders by special resolution in a general meeting, supported by consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - the sanction of our shareholders by special resolution in a general meeting, supported by a solvency statement from our Directors.

9.3.4 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

As disclosed in Section 5.1 of this Prospectus, our Promoters will collectively hold in aggregate 70.00% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations.

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

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

10.1.1 Material related party transactions entered into by our Group

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value			1 July 2023 up to the LPD
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	
1.	MSB and MBS Tools	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders are also the directors of MBS Tools. Loo Chai Lai is the shareholder of MBS Tools. They are also the directors of MSB.	Acquisition of assets and stocks including inventories, as well as branding, assignment of trademarks, trade names, logos and intellectual property rights from MBS Tools by MSB. ⁽¹⁾	-	-	-	5,500
2.	SSB and Time IT	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders are the directors of Time IT. Loo Chai Lai is also the shareholder of Time IT. Loo Chai Lai and Loo Jing Kai are the directors and shareholders of SSB.	Rental of Jalan Meru Facility as a warehouse and office from Time IT by SSB. ⁽²⁾	-	-	90 (0.36% of our Group's PAT)	720

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value			1 July 2023 up to the LPD
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	
3.	SSB, BBSB, NSSB and FHSB	SSB, BBSB and NSSB are the wholly-owned subsidiaries of Sorento Capital Group. Loo Chai Lai, our Promoter, Director and substantial shareholder is the director and sole shareholder of FHSB. Loo Jing Kai, our Promoter and Director is a director of FHSB.	• Rental of Bukit Raja Facility as a warehouse and office by SSB. ⁽³⁾	560 (7.20% of our Group's PAT)	600 (4.71% of our Group's PAT)	945 (3.79% of our Group's PAT)	760
			• Rental of Bukit Raja Facility as a warehouse and office by BBSB. ⁽³⁾	120 (1.54% of our Group's PAT)	180 (1.41% of our Group's PAT)	180 (0.72% of our Group's PAT)	120
			• Rental of Bukit Raja Facility as a warehouse and office by NSSB. ⁽³⁾	80 (1.03% of our Group's PAT)	120 (0.94% of our Group's PAT)	120 (0.48% of our Groups' PAT)	80
4.	SSB and MBS Home	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders are also the directors of MBS Home. Loo Chai Lai is also a shareholder of MBS Home. Loo Chai Lai and Loo Jing Kai are the directors and shareholders of SSB.	Purchase of a motor vehicle by SSB from MBS Home.	-	-	-	170
5.	SSB and Lee Chee Keong	Lee Chee Keong is a Director and shareholder of our Company.	Disposal of a two-storey link semi-detached property by SSB to Lee Chee Keong. ⁽⁴⁾	1,500 (6.20% of our Group's NA)	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Interested Person(s) and relationship	Nature of transaction	Transaction value			
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	1 July 2023 up to the LPD RM'000
6.	SSB, BBSB, IBSB, NSSB; and PSM ⁽⁵⁾	SSB, BBSB, IBSB and NSSB are the wholly-owned subsidiaries of Sorento Capital Group. Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders were also the directors and shareholders of PSM.	<ul style="list-style-type: none"> Sale of bathroom and kitchen sanitary ware products by SSB and BBSB to PSM. Purchase of bathroom and kitchen sanitary ware products by BBSB, IBSB and NSSB from PSM. Purchase of property, plant and equipment by SSB from PSM. Purchase of paint and hardware products by SSB from PSM. 	3,985 8 -	4,346 - -	3,776 - -	2,367 (*)

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value			
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	1 July 2023 up to the LPD RM'000
7.	SSB, BBSB, IBSB, NSSB; and MBS Tools	SSB, BBSB, IBSB and NSSB are the wholly-owned subsidiaries of Sorento Capital Group.	<ul style="list-style-type: none"> Sale of bathroom and kitchen sanitary ware products by SSB to MBS Tools. 	35 (0.05% of our Group's revenue)	*	-	28
		Loo Chai Lai and Loo Jing Kai our Promoters, Directors and substantial shareholders are directors of MBS Tools.	<ul style="list-style-type: none"> Purchase of bathroom and kitchen sanitary ware products by SSB, BBSB, IBSB and NSSB from MBS Tools. 	236 (0.52% of our Group's cost of sales)	39 (0.07% of our Group's cost of sales)	(*)	3
		Loo Chai Lai is also the shareholder of MBS Tools.	<ul style="list-style-type: none"> Purchase of one unit motor vehicle and office equipment by SSB from MBS Tools. 	-	-	-	37

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value			
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	1 July 2023 up to the LPD RM'000
8.	SSB and KCBS	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial are also the directors of KCBS. Loo Chai Lai is a shareholder of KCBS.	<ul style="list-style-type: none"> Sale of bathroom and kitchen sanitary ware products by SSB to KCBS. Purchase of paint and hardware products by SSB from KCBS. Purchase of one unit motor vehicle by SSB from KCBS. Rental of a property at Lot 5083, Batu 5, Jalan Meru, 41050 Klang, Selangor as a warehouse from KCBS to SSB.⁽⁶⁾ 	205 187 (0.31% of our Group's revenue)	194 - - -	205 - -	114 1 83 -
9.	SSB,BBSB; and Pro Bath Sdn Bhd ⁽⁷⁾	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders are also the shareholders of Pro Bath Sdn Bhd. Loo Chai Lai is also the director of Pro Bath Sdn Bhd.	<ul style="list-style-type: none"> Sale of bathroom and kitchen sanitary ware products by SSB and BBSB to Pro Bath Sdn Bhd. Purchase of bathroom and kitchen sanitary ware products by BBSB from Pro Bath Sdn Bhd 	483 (0.73% of our Group's revenue)	283 14 (0.31% of our Group's revenue)	- - -	- -

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value			
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	1 July 2023 up to the LPD RM'000
10.	SSB, BBSB; and MBS Home	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders are also the directors of MBS Home. Loo Chai Lai is the shareholder of MBS Home.	<ul style="list-style-type: none"> Purchase of bathroom and kitchen sanitary ware products by SSB and BBSB from MBS Home 	8 (0.02% of our Group's cost of sales)	-	-	-
			<ul style="list-style-type: none"> Rental of an office space in of No. 9, Jalan Bayu Mutiara 2, Taman Bayu Mutiara, 14000, Bukit Mertajam, Penang by SSB and BBSB ⁽⁸⁾ 	3 (0.04% of our Group's PAT)	-	-	-
11.	SSB and MBS Paints	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders are also the directors of MBS Paints. Loo Chai Lai is the shareholder of MBS Paints.	<ul style="list-style-type: none"> Purchase of property, plant and equipment by SSB from MBS Paints 	5 (0.06% of our Group's PAT)	-	-	2
			<ul style="list-style-type: none"> Administrative fee paid by SSB to MBS Paints 	84 (1.08% of our Group's PAT)	-	-	-
12.	SSB and Loo Chai Lai	Loo Chai Lai is our Promoter, Director and substantial shareholder.	Disposal of 25% equity interest in Boon Seng Resources Sdn Bhd by SSB to Loo Chai Lai ⁽⁹⁾	-	(*)	-	-
13.	SSB and Loo Chai Sing	Loo Chai Sing is the brother of Loo Chai Lai, our Promoter, Director and substantial shareholder.	Disposal of 50% equity interest in Topyear Logistics Sdn Bhd by SSB to Loo Chai Sing ⁽¹⁰⁾	50 (0.21% of our Group's NA)	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value			
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	1 July 2023 up to the LPD RM'000
14.	NSSB, BBSB and MBS Paints	Loo Chai Lai, our Promoter, Director and substantial shareholder is also the director and shareholder of MBS Paints.	Rental of a warehouse space at Lot 5083, Batu 5, Jalan Meru, 41050 Klang, Selangor from MBS Paints ⁽¹¹⁾	16 (0.21% of our Group's PAT)	-	-	-
15.	SSB and MBS Tools	Loo Chai Lai our Promoter, Director and substantial shareholder, is also the director and shareholder of MBS Tools. Loo Chai Sing, the brother of Loo Chai Lai, was the director and shareholder of MBS Tools. He resigned as a director in MBS Tools on 3 July 2023 and disposed of his equity interest on 31 July 2023.	Assignment of the trademark and logo of "Mocha" from SSB to MBS Tools ⁽¹²⁾	-	*	-	-
16.	MSB and MBS Tools	Loo Chai Lai our Promoter, Director and substantial shareholder, is also the director and shareholder of MBS Tools. Loo Jing Kai our Promoter and Director is also the director of MBS Tools.	Purchase of four units of motor vehicles by MSB from MBS Tools.	-	-	-	137
17.	MSB and MBS Paints	Loo Chai Lai our Promoter, Director and substantial shareholder, is also the director and shareholder of MBS Paints. Loo Jing Kai our Promoter and Director is also the director of MBS Paints.	Purchase of two units of motor vehicles, two units of forklift and computer software by MSB from MBS Paints.	-	-	-	123

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value			
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	1 July 2023 up to the LPD RM'000
18.	MSB and MBS Home	Loo Chai Lai our Promoter, Director and substantial shareholder, is also the director and shareholder of MBS Home Loo Jing Kai our Promoter and Director is also the director of MBS Home	Purchase of one unit of motor vehicle by MSB from MBS Home	-	-	-	85
19.	MSB and KCBS	Loo Chai Lai our Promoter, Director and substantial shareholder, is also the director and shareholder of KCBS Loo Jing Kai our Promoter and Director is also the director of KCBS	<ul style="list-style-type: none"> Sale of bathroom and kitchen sanitary wares by MSB to KCBS Purchase of paints and hardware 	-	-	-	25 (*)
20.	MSB and PSM	Loo Chai Lai our Promoter, Director and substantial shareholder, is also the director and shareholder of PSM Loo Jing Kai our Promoter and Director is also the director and shareholder of PSM	Sale of bathroom and kitchen sanitary wares by MSB to PSM	-	-	-	14

Notes:-

* Less than RM1,000.

(1) MSB had on 1 September 2023 purchased the fixed assets, stocks, intellectual property rights and debtors of MBS Tools for a purchase consideration of RM5.50 million. The purchase consideration was arrived at on a willing-buyer willing-seller basis after taking into account the net book value of the fixed assets of RM54,000, stock value of RM2.17 million, receivables of RM1.28 million and value of the "Mocha" trademark of RM2.00 million.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (2) Rental of Jalan Meru Facility from Time IT by SSB as a warehouse and office from 1 June 2023 to 31 May 2024 at a rental rate of RM90,000 per month. The rental rates paid by SSB was based on prevailing market rates and as such was on an arm's length basis.

SSB had on 21 February 2024 entered into a new tenancy agreement for a period of three years from 1 June 2024 to 31 May 2027 at the same rental rate of RM90,000 per month. The tenancy agreement is based on terms which are commonly adopted by tenancy arrangement of similar nature entered into by parties dealing on an arm's length basis. The rental rate is arrived based on the market rate as appraised by an independent valuer.

- (3) Relates to rental of Bukit Raja Facility from FHSB as a warehouse and office from 1 June 2020 to 28 February 2024 by SSB, BBSB and NSSB ("**Bukit Raja Facility Rental**") for a combined rental rate of RM120,000 per month. The rental rates paid by SSB, BBSB and NSSB in the FYE 2021, FYE 2022 and FYE 2023 were not on an arm's length basis as they were lower than the market value.

However, the companies had on 21 February 2024 entered into new tenancy agreements for a period of three years from 29 February 2024 to 28 February 2027 for a combined rental rate of RM210,000 per month. The tenancy agreements are based on terms which are commonly adopted by tenancy arrangement of a similar nature entered into by parties dealing on arm's length basis. The rental rate is based on the market rate as appraised by an independent valuer.

For illustration purposes, the impact of the revised rental rate on our PAT for the Financial Years Under Review (based on the rental rates paid in the respective years) is as follows:-

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
PAT (RM'000)	7,777	12,742	24,930
Less: differential rental (RM'000) *	(1,338)	(1,231)	(969)
Adjusted PAT (RM'000)	6,439	11,511	23,961

Note:-

* Nett of tax at 24%

- (4) The disposal consideration of RM1.50 million was arrived at on a willing-buyer willing-seller based after taking into consideration the market value of the property and as such was on an arm's length basis.
- (5) PSM is principally involved in the trading of paint, painting accessories, sanitary, kitchen accessories and hardware. On 14 February 2024, Loo Chai Lai and Loo Jing Kai disposed of their entire equity interest in PSM to a third party.
- (6) Rental of a warehouse from KCBS ("**KCBS Rental**"). The rental arrangement ceased on 1 June 2021. The rental arrangement was not on an arm's length basis.
- (7) Pro Bath Sdn Bhd was struck off on 13 December 2023.
- (8) Rental of an office located in Penang by SSB and BBSB from MBS Home. The rental arrangement ceased on 31 July 2020. The rental arrangement was not at an arm's length basis. ("**Penang Office Rental**").

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (9) The disposal of 25% equity interest in Boon Seng Resources Sdn Bhd to Loo Chai Lai by SSB was completed on 13 October 2021. Boon Seng Resources Sdn Bhd is principally involved in investment holding and general trading. The disposal consideration of RM25.00 was arrived at a no gain no loss position and as such was on an arm's length basis. Boon Seng Resources Sdn Bhd was struck off on 3 October 2023.
- (10) The disposal of 50% interest in Topyear Logistics Sdn Bhd by SSB to Loo Chai Sing (the brother of Loo Chai Lai) was completed on 11 January 2021. Topyear Logistics Sdn Bhd is principally involved in investment holding. The disposal consideration of RM50,000.00 was arrived at a no gain no loss position and as such was on arm's length basis. Loo Chai Sing resigned as a director of SSB on 18 December 2020 and disposed of his entire equity interest in SSB to Loo Chai Lai and Loo Jing Kai on 11 January 2021.
- (11) Rental of warehouse from MBS Paints ("**MBS Paints Rental**"). The rental arrangement ceased on 31 October 2020. The rental arrangement was not at an arm's length basis.
- (12) On 22 November 2021, pursuant to a trademark assignment agreement between SSB and MBS Tools, SSB had assigned the ownership of trademark and logo under the brand of "Mocha" to MBS Tools for a nominal consideration of RM10.00 ("**Mocha Assignment**"). The shareholders of MBS Tools during the said period were Loo Chai Sing (brother of Loo Chai Lai) and his spouse. On 31 July 2023, Loo Chai Sing and his spouse disposed of their entire equity interest in MBS Tools to Loo Chai Lai. The assignment of the trademark and logo of "Mocha" at a nominal value was not transacted on an arm's length basis.

Save for the KCBS Rental, Bukit Raja Facility Rental, MBS Paints Rental, Penang Office Rental and the Mocha Assignment, our Directors confirm that remaining related party transactions were conducted on arm's length basis and based on terms and conditions which were not unfavourable to our Group and are not detrimental to our minority shareholders.

After our Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. In the event there are any proposed related party transactions that require prior approval of our shareholders, our Directors, major shareholders and/ or persons connected with them who have any direct or indirect interest in the proposed related party transactions shall abstain from all deliberations and voting on resolution(s) pertaining to the respective transactions. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation/ asset or of various parcels of land contiguous to each other.

Upon Listing, our ARMC will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

10. RELATED PARTY TRANSACTIONS (Cont'd)**10.1.2 Related party transactions that are unusual in nature or condition**

Our Directors have confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/ or any of our subsidiaries were a party for the Financial Years Under Review and up to the LPD.

10.1.3 Loans and/ or financial assistance made to or for the benefit of related parties

Prior to the LPD, our Group has provided corporate guarantees for the banking facilities extended to our related parties in favour of the following financiers ("**Corporate Guarantees**").

Details of which are as follows:-

No	Guarantor	Guarantee	Amount (RM)	Financier
1.	SSB	Time IT	<ul style="list-style-type: none"> • RM11.50 million • RM3.80 million • RM3.00 million 	<ul style="list-style-type: none"> • Public Bank Berhad • United Overseas Bank (Malaysia) Berhad
2.	SSB	FHSB	<ul style="list-style-type: none"> • RM17.80 million 	<ul style="list-style-type: none"> • Public Bank Berhad

We have applied to the financiers to discharge the Corporate Guarantees. We have received conditional approval from United Overseas Bank (Malaysia) Berhad and Public Bank Berhad to discharge the above Corporate Guarantees upon the successful Listing of our Company.

10.1.4 Loans and/ or financial assistance from related parties to our Group

Our Directors, namely, Loo Chai Lai, Loo Jing Kai and Lee Chee Keong have jointly and severally provided personal guarantees for banking facilities and/ or hire purchase facilities extended by Malayan Banking Berhad, Public Bank Berhad, United Overseas Bank (Malaysia) Berhad, Affin Bank Berhad and BMW Credit (Malaysia) Sdn Bhd ("**Financiers**") to our Group, specifically SSB and BBSB. The aggregate amount of banking facilities secured by the Directors as at the LPD is approximately RM18.59 million.

We have written to the Financiers to obtain a release and/ or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/ or other securities from our Group acceptable to the Financiers. Until such release and/ or discharge and substitution of guarantees are obtained by the Financiers, Loo Chai Lai, Loo Jing Kai and Lee Chee Keong will continue to guarantee the banking facilities extended to our Group.

As at the LPD, we have received conditional approvals from United Overseas Bank (Malaysia) Berhad and Affin Bank Berhad to discharge the above personal guarantee upon the successful Listing of our Group, by substituting the same with a corporate guarantee from our Company or such other securities acceptable to the Financiers. As at the LPD, we have yet to receive the approval to discharge the above personal guarantee from the remaining Financiers.

10. RELATED PARTY TRANSACTIONS (Cont'd)

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

10.2.1 Audit and Risk Management Committee review

Our ARMC reviews 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. It also maintains and periodically reviews the adequacy of the procedures and processes established by our Company to monitor related party transactions and conflicts of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of our Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Company's minority shareholders. Among others, the related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations on the transactions.

All reviews by our ARMC are reported to our Board for its further action.

10.2.2 Our Group's policy on related party transactions and conflicts of interest

Related party transactions, by their nature, involve conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Any such related party transactions may individually and in aggregate give rise to potential conflicts of interest.

It is the policy of our Group that all related party transactions in the course of our business are made on an arm's length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and these terms are not detrimental to our non-interested shareholders who are not part of the transaction. The related parties and any other parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations and voting on resolutions pertaining to the matters and/ or transactions where a conflict of interest may arise.

[The rest of this page is intentionally left blank]

11. CONFLICT OF INTEREST

11.1 CONFLICT OF INTEREST

11.1.1 Interest in similar business of our Group

Save as disclosed below, as at the LPD, none of our Directors and/ or substantial shareholders have any interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group or which are the customers and/ or suppliers of our Group.

Name of company	Principal activities	Nature of transaction	Nature of interest
KCBS	Trading of paints and hardware	Customer of our Group	Loo Chai Lai and Loo Jing Kai, our promoters and substantial shareholders are directors of KCBS. Loo Chai Lai is the shareholder of KCBS.
MBS Tools	Trading of hardware and tools	Customer/ Supplier of our Group	Loo Chai Lai and Loo Jing Kai are directors of MBS Tools. Loo Chai Lai is the shareholder of MBS Tools.
PSM	Trading of paints, painting accessories, sanitary, kitchen accessories and hardware	Customer of the Group	Loo Chai Lai and Loo Jing Kai were the directors and shareholders of PSM.

Nevertheless, our Board is of the view that any potential conflict of interest situation which may arise through the aforesaid interest has been mitigated on the following basis:-

(1) KCBS

- (a) KCBS is not a major customer of our Group. The total sales to KCBS was 0.31%, 0.21% and 0.18% of our revenue in FYE 2021, FYE 2022 and FYE 2023, respectively. The transactions with KCBS were on arm's length basis and on normal commercial terms.
- (b) Notwithstanding that KCBS is principally involved in the trading of paints including our Group's products, KCBS is not in competition with our Group. KCBS's sales are directed towards the end user/ individual customers. In addition, the volume of its sales of bathroom or kitchen sanitary ware products is usually not in bulk.
- (c) Loo Chai Lai and Loo Jing Kai are not involved in the day-to-day management and operations of KCBS.
- (d) Loo Chai Lai and Loo Jing Kai will abstain from deliberations and voting in their capacity as shareholders and directors of our Group, on all resolutions pertaining to any future transactions involving KCSB and our Group.

11. CONFLICT OF INTEREST (Cont'd)

(2) MBS Tools

- (a) Pursuant to a sale and purchase agreement dated 1 September 2023 (“**MBS SPA**”) made between MBS Tools and MSB, MSB has acquired all fixed assets, stocks, intellectual property rights and debtors from MBS Tools for a purchase consideration of RM5.50 million and in consideration of which, MBS Tools has transferred all assets, stocks, intellectual property (IP) rights and debts to MSB with effect from 1 September 2023.
- (b) Following the acquisition by MSB, MBS Tools is no longer involved in the trading of bathroom and kitchen sanitary ware.
- (c) Further, Loo Chai Lai has undertaken and warranted via a letter of undertaking dated 1 September 2023, that MBS Tools will not from the date of the letter of undertaking engage in any similar or related business of our Group and will undertake all necessary actions to wind up/ strike off MBS Tools upon the completion of the MBS SPA. The MBS SPA is pending completion and is expected to be completed by April 2024.

(3) PSM

On 14 February 2024, Loo Chai Lai and Loo Jing Kai disposed of their entire equity interest in PSM to a third party. The disposal is pending completion and is expected to be completed by May 2024.

As set out in Section 10.2 of this Prospectus, our ARMC will review any conflict of interest situation that may arise within our Company or our Group including any transaction, procedure or course of conduct that raises questions on management integrity. Our ARMC will also ensure that any such transactions are carried out on terms that are not detrimental to our Group.

Notwithstanding the above, the interests that are held by our Directors and/ or substantial shareholders and the interests that may be held by our Directors and substantial shareholders in the future in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers or suppliers may give rise to a conflict of interest situation with our business. Where such interests give rise to a conflict of interest situation, our Directors and/ or substantial shareholders and persons connected to them shall abstain from deliberating and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interests. Such transactions will be carried out on arm's length basis and on normal commercial terms.

11.1.2 Conflict of interest in relation to loans and/ or financial assistance from related parties to our Group

As at the LPD, save as disclosed in Section 10.1.4 of this Prospectus, there are no loans and/ or financial assistance from related parties to our Group.

11. CONFLICT OF INTEREST (Cont'd)

11.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

11.2.1 Principal Adviser, Sponsor, Underwriter and Placement Agent

AIS has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent to our Group in relation to the Listing. The Underwriting Agreement, which salient terms are set out in Section 4.6 of this Prospectus, was entered into on arm's length basis and on market terms.

11.2.2 Solicitors to our Group as to the laws of Malaysia

David Lai and Tan has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the solicitors to our Group as to the laws of Malaysia in relation to our Listing.

11.2.3 Auditors and Reporting Accountants

TGS TW PLT has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Group in relation to our Listing.

11.2.4 Independent Market Researcher

Smith Zander has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to our Listing.

[The rest of this page is intentionally left blank]

12. FINANCIAL INFORMATION

12.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The following historical combined financial information of our Group for the FYE 2021, FYE 2022 and FYE 2023 have been extracted from the audited combined financial statements contained in the Accountants' Report set out in Section 13 of this Prospectus.

You should read the historical combined financial information below together with the Management's Discussion and Analysis of Financial Conditions and Results of Operations as set out in Section 12.3 of this Prospectus and the Accountants' Report as set out in Section 13 of this Prospectus.

(i) Historical combined statements of comprehensive income

	Audited		
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 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
Other income	2,016	212	224
Administrative expenses	(9,258)	(9,920)	(13,049)
Selling and distribution expenses	(3,524)	(4,849)	(6,782)
Other expenses	-	(514)	(327)
Net gain /(loss) on impairment of financial assets	3	(340)	33
Profit from operation	10,026	17,103	33,516
Finance costs	(103)	(135)	(395)
PBT	9,923	16,968	33,121
Taxation	(2,146)	(4,226)	(8,191)
PAT/ Total comprehensive income for the financial year	7,777	12,742	24,930
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
Number of Shares in issue			
- After the Acquisitions ('000)	705,000	705,000	705,000
- After the IPO ('000)	860,000	860,000	860,000
Basic EPS ⁽⁴⁾ (sen)	1.10	1.81	3.54
Diluted EPS ⁽⁵⁾ (sen)	0.90	1.48	2.90

Notes:-

- (1) Computed based on GP divided by revenue.
- (2) Computed based on PBT divided by revenue.
- (3) Computed based on PAT divided by revenue.
- (4) Computed based on PAT divided by the number of Shares in issue of 705,000,000 after the Acquisitions.
- (5) Computed based on PAT divided by the number of Shares in issue of 860,000,000 after our IPO.

There was no share of profits of associated companies or joint ventures, and no exceptional or extraordinary items throughout the financial years under review. The audited financial statements of our Group for the financial years under review were not subject to any qualification or modification.

12. FINANCIAL INFORMATION (Cont'd)

(ii) Historical audited combined statements of financial position of our Group

	Audited		
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	2,111	5,956	6,707
Investment properties	596	874	739
Investment in associates	*	*	*
Deferred tax assets	102	173	74
Total non-current assets	2,809	7,003	7,520
Current assets			
Inventories	18,133	20,742	26,133
Trade receivables	17,835	27,725	27,142
Other receivables	2,555	2,011	3,001
Amount due from associates	2,865	50	50
Tax recoverable	1,542	1,715	917
Fixed deposits with a licensed bank	4,504	4,515	5,033
Cash and bank balances	2,961	3,692	7,993
Total current assets	50,395	60,450	70,269
Total assets	53,204	67,453	77,789
EQUITY AND LIABILITIES			
EQUITY			
Share capital	-	-	1
Invested equity	381	381	381
Retained earnings	23,824	32,205	49,919
Total equity	24,205	32,586	50,301
LIABILITIES			
Non-current liabilities			
Loans and borrowings	-	2,579	2,633
Lease liabilities	62	200	397
Deferred tax liabilities	149	149	209
Total non-current liabilities	211	2,928	3,239
Current liabilities			
Loans and borrowings	2,475	6,799	9,531
Lease liabilities	50	73	145
Trade payables	23,730	22,971	10,785
Other payables	1,430	1,387	2,921
Amount due to directors	1,069	709	867
Tax payable	34	-	-
Total current liabilities	28,788	31,939	24,249
Total liabilities	28,999	34,867	27,488
Total equity and liabilities	53,204	67,453	77,789
NA	24,205	32,586	50,301

Note:-

* Denotes less than RM1,000.

12. FINANCIAL INFORMATION (Cont'd)

12.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:-

- (i) as at 31 January 2024, after taking into account the Acquisitions but before the Public Issue and use of proceeds; and
- (ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds from the Public Issue.

	Unaudited as at 31 January 2024	After the Public Issue and use of proceeds
	RM'000	RM'000
INDEBTEDNESS		
<u>Current</u>		
Secured and guaranteed:		
- Bankers' acceptance	14,349	[•]
- Term loans	92	92
- Lease liabilities	172	172
	<u>14,613</u>	<u>[•]</u>
<u>Non-current</u>		
Secured and guaranteed:		
- Term loans	2,585	2,585
- Lease liabilities	517	517
	<u>3,102</u>	<u>3,102</u>
Total borrowings	<u>17,715</u>	<u>[•]</u>
<u>Corporate guarantees</u>		
Secured and guaranteed:		
- Corporate guarantee given to financial institutions for credit facilities granted to companies in which the Directors have interests	37,955	37,955
Total Indebtedness ⁽¹⁾	55,670	[•]
CAPITALISATION		
Shareholders' equity	65,960	[•]
Total capitalisation and indebtedness	<u>121,630</u>	<u>[•]</u>
Gearing ratio (times) ⁽²⁾	0.27	[•]

Notes:-

- (1) Comprises total borrowings and corporate guarantee.
- (2) Computed based on total borrowings divided by our shareholders' equity.

12. FINANCIAL INFORMATION (Cont'd)

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

The following discussion and analysis should be read together with the Accountants' Report as set out in Section 13 of this Prospectus.

The management's discussion and analysis contains data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in these forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

12.3.1 Overview of our operations

Our Group is 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 appointed distributor for foreign third party brand of bathroom and kitchen sanitary ware products, namely 'Bravat' and 'Infinity'.

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.

We are responsible for setting the prices of our house brands and determining our distribution strategy and channels, both through our in-house sales and marketing team and through our external distribution network.

(i) Revenue

Our revenue for the Financial Years Under Review was generated from the following business segments:-

(a) Dealers

Dealers comprise wholesalers and retailers. Wholesalers generally purchase in large quantity to be distributed to other retailers or sold through its own retail channels. Retail customers comprise home improvement or hardware retailers and chain store retailers who may sell our products through their physical retail stores and/ or through e-commerce platforms.

Our dealers purchase products outright from us on purchase order basis, to be sold to their customers.

(b) Projects

We supply our products to residential and commercial property projects, including new build, refurbishment and renovation projects. Our project customers include property developers' trading/ purchasing arms, trading companies, contractors and interior designers.

We submit our proposals with recommended products and pricing to project customers, based on the requirements for their projects. Generally, for project sales, we will receive purchase orders from our customers to confirm us as their supplier. Some project customers will issue us letter of award or letter of confirmation as supplier. The purchase orders and letter of award/ letter of confirmation include information on the brand, type and quantity of products to be delivered, as well as the estimated delivery period.

12. FINANCIAL INFORMATION (Cont'd)**(c) Online**

We market and sell our products directly to end-customers through third party e-commerce platforms namely Lazada and Shopee. We adhere to our product pricing guide when setting the retail prices of our products sold on our online stores to prevent sales cannibalisation with our dealers.

(ii) Cost of sales

Our cost of sales comprises mainly purchase of products from our suppliers, and freight, handling charges and sales tax costs relate to freight and forwarding charges, cargo container charges and sales tax for our import of goods and carriage inwards, as well as transport charges for the delivery of goods to our customers.

Our suppliers comprise third party manufacturers and intermediaries such as trading houses in China and Malaysia, suppliers in Malaysia and Singapore, as well as our products principals. We regard our third party manufacturers as our end suppliers as our products are ultimately sourced from them. During the Financial Years Under Review, we sourced all of our house brands from these third party manufacturers in China.

During the Financial Years Under Review, we have increasingly purchased our house brand products directly from our third party manufacturers without going through trading houses at 35.00%, 41.85% and 78.42% of our Group's total purchases respectively.

With on-going business growth, we have gained the relevant supply chain knowledge to manage imports directly and we have also achieved economies of scale and sufficient purchase volume to import goods directly to reduce our purchases from the local trading house. Further, most of our third party manufacturers in China have obtained their respective export licences, which eliminates the need to engage trading houses to handle export logistics. The reduction of purchases through intermediaries has allowed us to reduce our cost.

The major factors affecting our cost of sales, GP and GP margin include, inter alia, the following:-

- (a) our pricing strategy and ability to continually source and purchase quality bathroom and kitchen sanitary ware products in bulk at competitive prices;
- (b) our ability to maintain long-term relationships with our major suppliers and to continuously secure wider range of bathroom and kitchen sanitary ware products at favourable terms to fulfil the increase in demand from our customers from time to time;
- (c) purchase costs from third party manufacturers. Our purchase costs are influenced by the costs of raw materials (such as steel, aluminium and copper) which may fluctuate due to changes in the supply and demand in the global market driven by global economic conditions. Nevertheless, such fluctuation in costs can generally be passed on to the customers; and
- (d) our promotional and marketing strategies that leverages on product bundling. This involves combining high margin products like kitchen faucets and accessories, bathroom furniture, bathroom faucets, shower and bidets with lower profit margin products.

12. FINANCIAL INFORMATION (Cont'd)

(iii) Other income

Other income mainly comprises interest income, government grant (such as wage subsidy), gain on disposal of property, plant and equipment ("PPE") and investment property, realised/ unrealised gains on foreign exchange, bad debts recovered and dividend income.

(iv) Administrative expenses

Administrative expenses mainly consist of staff costs, rental expenses, directors' remuneration, depreciation charges, professional fees, upkeep of PPE, insurance, road tax and inspection fees, security charges and office related expenses.

(v) Selling and distribution expenses

Selling and distribution expenses comprises commissions paid to our sales personnel, dealers, contractors and interior designers, advertising and marketing expenses and travelling and transport expenses.

(vi) Finance costs

Finance costs comprise term loan interests, bankers' acceptance interest and lease liabilities interests.

12.3.2 Review of operations

(i) Revenue

Analysis of contribution to revenue by distribution channels

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 revenue	66,107	100.00	90,688	100.00	112,311	100.00

Analysis of contribution to revenue by product segments

Product segments	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Bathroom sanitary ware	56,702	85.77	75,385	83.13	93,973	83.67
• Wash basin, water closet, jacuzzi and bathtub	24,561	37.15	33,395	36.83	42,122	37.50
• Bathroom furniture	7,130	10.79	10,790	11.90	11,828	10.53
• Bathroom faucets, shower and bidets	19,271	29.15	23,997	26.46	30,663	27.30
• Bathroom accessories	5,740	8.68	7,203	7.94	9,360	8.34
Kitchen sanitary ware	8,636	13.07	14,365	15.84	17,530	15.61
• Kitchen sink	5,594	8.47	9,301	10.26	12,212	10.87
• Kitchen faucets and accessories	3,042	4.60	5,064	5.58	5,318	4.74
Others	769	1.16	938	1.03	808	0.72
Total revenue	66,107	100.00	90,688	100.00	112,311	100.00

12. FINANCIAL INFORMATION (Cont'd)**Commentary:-**Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our total revenue increased by RM24.58 million or 37.18% to RM90.69 million (FYE 2021: RM66.11 million).

The increase in our total revenue was mainly due to an increase in sales to our dealers by RM15.03 million or 36.92% to RM55.74 million (FYE 2021: RM40.71 million). This was mainly attributable to an upward revision to the selling price to dealers for certain bathroom and kitchen sanitary ware products during FYE 2022, as well the increasing demand for both bathroom and kitchen sanitary ware products by consumers for their home renovations following the gradual revival of the economy after the COVID-19 pandemic.

Our project-based sales also increased by RM9.17 million or 36.22% to RM34.49 million (FYE 2021: RM25.32 million). The increase in our project-based sales was mainly due to the sales of approximately RM7.22 million derived from 115 new projects as property developers and contractors resumed construction works following the revival of the economy after the COVID-19 pandemic.

Our online sales similarly recorded an increase of RM0.38 million to RM0.46 million in FYE 2022 (FYE 2021: RM0.08 million), mainly due to the increased demand for both bathroom and kitchen sanitary ware products by consumers for their home renovations following the gradual revival of the economy after the COVID-19 pandemic.

The overall increase in sales for the FYE 2022 was also attributable to our continuous marketing campaigns and promotions resulting in an increased market acceptance of our brand of bathroom and kitchen sanitary ware products.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, the total revenue increased by RM21.62 million or 23.84% to RM112.31 million (FYE 2022: RM90.69 million).

For the FYE 2023, our sales to dealers increased by RM14.86 million or 26.66% to RM70.60 million (FYE 2022: RM55.74 million). This was mainly due to the increase in sales to existing dealers as well as an increase in the number of dealers from 240 dealers in FYE 2022 to 315 dealers in FYE 2023.

Our project-based sales also increased by RM6.73 million or 19.51% to RM41.22 million (FYE 2022: RM34.49 million). This increase in our project-based sales was mainly due to the sales of approximately RM6.85 million derived from 167 new projects during the FYE 2023.

Our online sales similarly recorded an increase of RM0.04 million to RM0.50 million in FYE 2023 (FYE 2022: RM0.46 million), mainly due to the continued demand for both bathroom and kitchen sanitary ware products by consumers for their home renovations.

The overall increase in total revenue for the FYE 2023 was also attributable to the following factors:-

- (a) the full financial year impact of an upward revision to the selling price to dealers for certain bathroom and kitchen sanitary ware products in FYE 2022; and
- (b) continuous marketing campaigns and promotions resulting in a continued increase in the market acceptance of our brand of bathroom and kitchen sanitary ware products.

12. FINANCIAL INFORMATION (Cont'd)

(ii) Cost of sales, GP and GP margin

Analysis of cost of sales by cost components

Type of cost component	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Cost of purchase	39,967	88.19	47,124	81.01	48,767	82.80
Freight, handling charges and sales tax	5,351	11.81	11,050	18.99	10,127	17.20
Total cost of sales	45,318	100.00	58,174	100.00	58,894	100.00

Analysis of cost of sales by distribution channels

Distribution channels	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Dealers	26,059	57.50	32,334	55.58	31,938	54.23
Project-based sales	19,239	42.45	25,719	44.21	26,823	45.54
Online	20	0.05	121	0.21	133	0.23
Total cost of sales	45,318	100.00	58,174	100.00	58,894	100.00

Analysis of GP and GP margins by distribution channels

GP	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Dealers	14,653	70.48	23,404	71.98	38,660	72.37
Project-based sales	6,078	29.24	8,771	26.98	14,393	26.95
Online	58	0.28	339	1.04	364	0.68
Total GP	20,789	100.00	32,514	100.00	53,417	100.00

GP Margin	FYE 2021		FYE 2022		FYE 2023	
	%		%		%	
Dealers	35.99		41.99		54.76	
Project-based sales	24.01		25.43		34.92	
Online	74.36		73.70		73.24	
Overall GP margin	31.45		35.85		47.56	

Commentary:-

Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our total cost of sales increased by RM12.85 million or 28.35% to RM58.17 million (FYE 2021: RM45.32 million), which was in tandem with the increase in revenue. Correspondingly, our GP increased by RM11.72 million or 56.37% to RM32.51 million (FYE 2021: RM20.79 million) whilst the GP margin increased from 31.45% in FYE 2021 to 35.85% in FYE 2022

The cost of sales for our dealer distribution segment increased by RM6.27 million or 24.06% to RM32.33 million (FYE 2021: RM26.06 million), which was in tandem with the increase in revenue. Correspondingly, the GP increased by RM8.75 million or 59.73% to RM23.40 million (FYE 2021: RM14.65 million). Our GP margin for the dealer distribution segment increased from 35.99% in FYE 2021 to 41.99% in FYE 2022, contributing towards the overall increase in our GP margins for the FYE 2022.

12. FINANCIAL INFORMATION (Cont'd)

The increase in GP margin in the dealer segment was mainly attributable to the following:-

- (a) increase in the selling price to dealers during FYE 2022; and.
- (b) lower average purchase costs for the purchase of products from third party manufacturers in China as we were able to negotiate for better terms including lower pricing per unit on the basis of higher purchase volume terms.

The cost of sales for our project-based distribution segment increased by RM6.48 million or 33.68% to RM25.72 million (FYE 2021: RM19.24 million), which was also in tandem with the increase in revenue. Correspondingly, the GP increased by RM2.69 million or 44.24% to RM8.77 million (FYE 2021: RM6.08 million). Our GP margin for project-based distribution segment increased by 1.42% from 24.01% in FYE 2021 to 25.43% in FYE 2022.

The cost of sales for our online distribution segment increased by RM0.10 million to RM0.12 million (FYE 2021: RM0.02 million), which was also in tandem with the increase in revenue. Correspondingly, the GP increased by RM0.28 million to RM0.34 million (FYE 2021: RM0.06 million). Our GP margin for online distribution segment decreased slightly from 74.36% in FYE 2021 to 73.70% in FYE 2022.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our costs of sales increased marginally by RM0.72 million or 1.24% to RM58.89 million (FYE 2022: RM58.17 million) despite a 23.84% increase in revenue during the year. The moderate increase in costs was mainly due to our Group's strategy to purchase directly from third party manufacturers in China, resulting the lower cost of purchase for the FYE 2023.

Our GP for the FYE 2023 increased by RM20.91 million or 64.32% to RM53.42 million (FYE 2022: RM32.51 million) mainly due to higher sales from both the dealers and project-based sales segments. Correspondingly our overall GP margin increased from 35.85% in FYE 2022 to 47.56% in FYE 2023.

The cost of sales for our dealer distribution segment decreased marginally by RM0.39 million or 1.21% to RM31.94 million (FYE 2022: RM32.33 million) as a result of cost savings achieved through direct purchases as mentioned above. Correspondingly, the GP increased by RM15.26 million or 65.21% to RM38.66 million (FYE 2022: RM23.40 million). Our GP margin for the dealer distribution segment increased from 41.99% in FYE 2022 to 54.76% in FYE 2023, contributing towards the overall increase in GP margins. This increase in GP margin for the dealer segment was mainly attributable to the following factors:-

- (a) in the FYE 2023, our Group had increased its purchases directly with third party manufacturers in China resulting in cost savings for our Group coupled with lower average purchase costs for our kitchen faucets and accessories, and bathroom faucets, shower and bidets products; and
- (b) the full financial year impact of an upward revision to the selling price to dealers for certain bathroom and kitchen sanitary ware products in FYE 2022, which resulted in better GP margins for FYE 2023.

The cost of sales for our project-based distribution segment increased by RM1.10 million or 4.28% to RM26.82 million (FYE 2022: RM25.72 million). The increase in cost compared to the increase in sales was due to the cost savings resulting from the direct purchases from third party manufacturers. The GP for project-based sales increased by RM5.62 million or 64.08% to RM14.39 million (FYE 2022: RM8.77 million) while the GP margin increased from 25.43% in FYE 2022 to 34.92% in FYE 2023.

12. FINANCIAL INFORMATION (Cont'd)

The increase in GP margin was mainly attributable to the following factors:-

- (a) in the FYE 2023, our Group had increased its direct purchases from third party manufacturers in China resulting in cost savings for our Group; and
- (b) increase in the number of higher margin project-based sales during the FYE 2023.

The cost of sales for our online distribution segment increased by RM0.01 million to RM0.13 million (FYE 2022: RM0.12 million), which was in tandem with the increase in revenue. Correspondingly, the GP increased by RM0.02 million to RM0.36 million (FYE 2022: RM0.34 million). However, our GP margin for online distribution segment decreased slightly from 73.70% in FYE 2022 to 73.24% in FYE 2023, due to the continued promotional price campaign efforts to boost our online sales segment.

(iii) Other income

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Interest income	90	4.46	77	36.32	202	90.18
Realised foreign exchange gain	369	18.30	-	-	-	-
Unrealised foreign exchange gain	427	21.18	-	-	-	-
Gain on disposal of PPE	-	-	29	13.68	19	8.48
Gain on disposal of investment property	33	1.64	-	-	-	-
Dividend income	446	22.12	-	-	-	-
Discount received	150	7.44	1	0.47	-	-
Bad debts recovered	340	16.87	-	-	-	-
Wages subsidies ⁽¹⁾	139	6.90	98	46.23	-	-
Others ⁽²⁾	22	1.09	7	3.30	3	1.34
Total	2,016	100.00	212	100.00	224	100.00

Notes:-

- (1) Wage subsidies received from SOCSO under the Wage Subsidy Programme.
- (2) Mainly comprise of forfeited customer deposits and unknown receipts.

Commentary:-Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded a decrease in other income by RM1.81 million or 89.60% to RM0.21 million (FYE 2021: RM2.02 million). The decrease in other income was mainly due to the following:-

- (a) the absence of realised and unrealised foreign exchange gains in FYE 2022 (FYE 2021: RM0.8 million) as the USD appreciated in value against the RM during the FYE 2022;
- (b) the dissolution of an associate company in FYE 2022 resulting in no dividend income in FYE 2022 (FYE 2021: RM0.45 million); and
- (c) no bad debts recovered in FYE 2022, compared to RM0.34 million recovered in FYE 2021.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group recorded an increase in other income by RM0.01 million or 4.76% to RM0.22 million (FYE 2022: RM0.21 million). The increase in other income was mainly due to the increase in fixed deposit interest income of approximately RM0.12 million to RM0.18 million (FYE 2022: RM0.06 million).

12. FINANCIAL INFORMATION (Cont'd)**(iv) Administrative expenses**

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Professional fees	203	2.19	439	4.42	353	2.70
Depreciation of PPE and investment properties	384	4.15	504	5.08	615	4.71
Rental	1,047	11.31	1,055	10.64	1,339	10.26
Staff costs	5,539	59.83	6,403	64.55	7,942	60.86
Directors remuneration	1,064	11.49	718	7.24	1,641	12.58
Upkeep of PPE	206	2.22	184	1.85	244	1.87
Insurance, road tax and inspection fees	114	1.23	82	0.83	106	0.81
Security charges	183	1.98	111	1.12	130	1.00
Office expenses ⁽¹⁾	333	3.60	167	1.68	267	2.05
Others ⁽²⁾	185	2.00	257	2.59	412	3.16
Total	9,258	100.00	9,920	100.00	13,049	100.00

Notes:-

- (1) Mainly comprise printing and stationery, telephone charges, water and electricity charges, quit rent and assessment and other office related expenses.
- (2) Mainly comprise bank charges, entertainment expenses, gifts and donations, licensing fees, renewal and subscriptions, processing and maintenance fees etc.

Commentary:Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded an increase in administrative expenses by RM0.66 million or 7.13% to RM9.92 million (FYE 2021: RM9.26 million).

The increase in administrative expenses during the financial year under review was mainly due to the following factors:-

- (a) an increase in professional fees by RM0.24 to RM0.44 million (FYE 2021: RM0.20 million) mainly due to the increase in audit fees resulting from a change in auditors and additional one-off audit fees incurred for the conversion of FYE 2021 audited financial statements to Malaysian Financial Reporting Standards (MFRSs) compliant;
- (b) increase in depreciation of PPE and investment properties by RM0.12 million to RM0.50 million (FYE 2021: RM0.38 million) due to the addition of new PPE during the FYE 2022; and
- (c) increase in staff costs by RM0.86 million to RM6.40 million (FYE 2021: RM5.54 million) mainly due to salary and wages increments, and the increase in staff bonuses and incentives during the FYE 2022.

However, such increase in the administrative expenses was partly offset by a decrease in the following:-

- (a) decrease in directors' remuneration by RM0.34 million to RM0.72 million (FYE 2021: RM1.06 million) mainly due to a decrease in directors salary and the absence of directors fees during the FYE 2022;
- (b) decrease in security charges by RM0.07 million to RM0.11 million (FYE 2021: RM0.18 million) due to the cessation of security services employed for a rented warehouse premises which ended during the FYE 2021; and

12. FINANCIAL INFORMATION (Cont'd)

- (c) decrease in office expenses by RM0.16 million to RM0.17 million (FYE 2021: RM0.33 million) mainly due to the absence of administrative fees charged by a related party during the FYE 2022.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group recorded an increase in administrative expenses by RM3.13 million or 31.55% to RM13.05 million (FYE 2022: RM9.92 million).

The increase in administrative expenses during the financial year under review was mainly due to the following factors:-

- (a) increase in depreciation of PPE and investment properties by RM0.12 million to RM0.62 million (FYE 2022: RM0.50 million) due to the addition of new PPE during the FYE 2022;
- (b) increase in rental by RM0.28 million to RM1.34 million (FYE 2022: RM1.06 million) due to an increase in rental rates for our Bukit Raja warehouse for the FYE 2023;
- (c) increase in staff costs by RM1.54 million to RM7.94 million (FYE 2022: RM6.40 million) mainly due to the recruitment of new staff, salary and wages increments, and the increase in staff bonuses and incentives during the FYE 2023;
- (d) increase in directors' remuneration by RM0.92 million to RM1.64 million (FYE 2022: RM0.72 million) mainly due to an increase in directors fees during the FYE 2023; and
- (e) increase in other expenses by RM0.15 million to RM0.41 million (FYE 2022: RM0.26 million) mainly due to increases in entertainment expenses and gifts during the FYE 2023.

(v) Selling and distribution expenses

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Commission	534	15.15	791	16.31	1,562	23.03
Advertising and marketing	2,492	70.72	3,506	72.30	4,164	61.40
Travelling and transport	498	14.13	552	11.39	1,056	15.57
Total	3,524	100.00	4,849	100.00	6,782	100.00

Commentary:-Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded an increase in selling and distribution expenses of RM1.33 million or 37.78% to RM4.85 million (FYE 2021: RM3.52 million).

The increase in selling and distribution expenses during the financial year under review was mainly due to the following factors:-

- (a) increase in commissions paid to dealers and sales staff by RM0.26 million to RM0.79 million (FYE 2021: RM0.53 million) in tandem with the increase in overall revenue for the FYE 2022; and

12. FINANCIAL INFORMATION (Cont'd)

- (b) increase in advertising and marketing expenses by RM1.02 million to RM3.51 million (FYE 2021: RM2.49 million) due to an increase in advertising and promotional activities during the FYE 2022.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group recorded an increase in selling and distribution expenses of RM1.93 million or 39.79% to RM6.78 million (FYE 2022: RM4.85 million).

The increase in selling and distribution expenses during the financial year under review was mainly due to the following factors:-

- (a) increase in commission paid to dealers and sales staff by RM0.77 million to RM1.56 million (FYE 2022: RM0.79 million) in tandem with the continued increase in the overall revenue for the FYE 2023;
- (b) increase in advertising and marketing expenses by RM0.65 million to RM4.16 million (FYE 2022: RM3.51 million) with the continued increase in advertising and promotional activities during the FYE 2023; and
- (c) increase in travelling and transport expenses by RM0.51 million to RM1.06 million (FYE 2022: RM0.55 million) due to the expenses incurred to service our new dealers as well as the renting of additional forklifts following the disposal of our obsolete forklifts in FYE 2022.

(vi) Other expenses

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Unrealised loss on foreign exchange	-	-	118	22.96	171	52.30
Realised loss on foreign exchange	-	-	227	44.16	97	29.66
Bad debts written off	-	-	169	32.88	7	2.14
Loss on disposal of PPE	-	-	-	-	52	15.90
Total	-	-	514	100.00	327	100.00

Commentary:-Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded other expenses of RM0.51 million. The incurrence of other expenses during the financial year under review comprised of the following:-

- (a) the unrealised and realised loss on foreign exchange amounting to an aggregate of RM0.35 million recorded for the FYE 2022 for the settlement of purchases made in USD and RMB due to the weaker RM against USD and RMB in the FYE 2022; and
- (b) bad debts written off of RM0.17 million due to the closure of business customer.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group recorded a decrease in other expenses of RM0.18 million or 35.29% to RM0.33 million (FYE 2022: RM0.51 million).

12. FINANCIAL INFORMATION (Cont'd)

The decrease in other expenses during the financial year under review was mainly due to the decrease in realised loss on foreign exchange by RM0.13 million to RM0.10 million (FYE 2022: RM0.23 million) due to the strengthening of the RM against USD and RMB.

(vii) Finance costs

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Term loans	22	21.36	22	16.29	109	27.60
Bankers' acceptance	78	75.73	103	76.30	269	68.10
Lease liabilities	3	2.91	10	7.41	17	4.30
Total	103	100.00	135	100.00	395	100.00

Commentary:-Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded an increase in finance costs of RM0.04 million or 40.00% to RM0.14 million (FYE 2021: RM0.10 million). The increase in the finance costs was mainly due to the increased drawdown and utilisation of bankers' acceptance for the purchase of inventories.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group recorded an increase in finance costs of RM0.26 million or 185.71% to RM0.40 million (FYE 2022: RM0.14 million). The increase in the finance costs was mainly due to the following factors:-

- (a) increase in term loan interest by RM0.09 million to RM0.11 million (FYE 2022: RM0.02 million) resulting from the drawdown of a new term loan facility for the purchase of our Penang Facility in FYE 2023; and
- (b) increase in bankers' acceptance charges by RM0.17 million to RM0.27 million (FYE 2022: RM0.10 million) due to the increased drawdown and utilisation of bankers' acceptance for the purchase of inventories during the FYE 2023.

(viii) Income tax expense

	FYE 2021	FYE 2022	FYE 2023
Group tax expense (RM'000)	2,146	4,226	8,191
Group effective tax rate (%)	21.63	24.91	24.73
Statutory tax rate (%)	24.00	24.00	24.00

Our effective tax rate for the FYE 2021 was 2.37% lesser than the statutory tax rate mainly due to the following:-

- (a) tax saving on the first tranche of chargeable income of RM0.99 million at tax rate of 17.00% for three of our subsidiaries, namely, BBSB, IBSB and NSSB, as their issued share capital is not more than RM2.50 million; and
- (b) non-taxable income in respect of the gain on disposal of investment property and dividend income received from an associate company.

12. FINANCIAL INFORMATION (Cont'd)**(ix) PBT/ PAT and PBT/ PAT margin**

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
PBT (RM'000)	9,923	16,968	33,121
PAT (RM'000)	7,777	12,742	24,930
PBT margin (%)	15.01	18.71	29.49
PAT margin (%)	11.76	14.05	22.20

Commentary:-Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded an increase in PBT by RM7.05 million or 71.07% to RM16.97 million (FYE 2021: RM9.92 million) and an increase in PAT by RM4.96 million or 63.75% to RM12.74 million (FYE 2021: RM7.78 million). The increase in both PBT and PAT was mainly due to higher GP recorded in the financial year.

Our Group's PBT margin improved from 15.01% in the FYE 2021 to 18.71% in the FYE 2022. The PAT margin also improved from 11.76% in the FYE 2021 to 14.05% in the FYE 2022. The increase in the margins were mainly due to higher GP margin recorded in FYE 2022.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, the Group recorded an increase in PBT by RM16.15 million or 95.17% to RM33.12 million (FYE 2022: RM16.97 million) and an increase in PAT by RM12.19 million or 95.68% to RM24.93 million (FYE 2022: RM12.74 million). The increase was mainly due to higher GP recorded for the FYE 2022.

The Group's PBT margin improved from 18.71% for the FYE 2022 to 29.49% for the FYE 2023. The Group's PAT margin also improved from 14.05% for the FYE 2022 to 22.20% for the FYE 2023. The increase in the PBT margin and PAT margin was mainly due to higher GP margin recorded for the FYE 2023.

12.3.3 Significant factors materially affecting our operations and financial results

Our business operations and financial conditions have been and will continue to be affected by factors including, but not limited to, the following:-

(i) Demand and supply conditions

Our business, performance and results of operations are dependent on the demand and supply conditions for bathroom and kitchen sanitary ware products in Malaysia. The demand for our bathroom and kitchen sanitary ware products and accessories is closely associated with the growth of end-user industries such as the construction industry as well as the housing industry, in particular the secondary market residential property market as these property developers and contractors are the major buyers of bathroom and kitchen sanitary ware products.

The supply of bathroom and kitchen sanitary ware products are sourced from a wide pool of both local and oversea third party manufacturers and/ or suppliers offering a diverse range of products in terms of quality, pricing and specifications. Our future performance, to a certain extent, depends on our ability to maintain long-term arrangements or relationships with our major suppliers and continually source quality bathroom and kitchen sanitary ware products at competitive prices and terms which meet the requirements of our customers.

12. FINANCIAL INFORMATION (Cont'd)

Please refer to Sections 8 and 9 of this Prospectus for further details on the demand and supply conditions in relation to the distribution of bathroom and kitchen sanitary ware products in Malaysia and the risk factors.

(ii) Product sales mix and distribution channels

We adopt a multi-channel distribution strategy comprising dealers, projects and our online platforms, to have a wide network of distribution reach and diverse customer base of B2B and B2C customers to sell our bathroom and kitchen sanitary ware products. We generally command higher GP margin for the sales via dealers as compared to the sales via projects. Any significant change in our product sales mix and composition of sales via different mode of distribution channel may impact our revenue and GP margin, and as a result will affect our overall financial performance.

(iii) Competition

Our Group is operating in the distribution of bathroom and kitchen sanitary ware products where the market is relatively fragmented and thus we are subject to competition from other operators that are involved in the sales and distribution of bathroom and kitchen sanitary ware products in terms of pricing, range and quality of products offered, outlet location, customer service and others. Nevertheless, our competitive advantages and key strengths have enabled us to compete effectively in the industry that we are operating in.

We will continue to take measures to maintain our competitiveness through our competitive strengths set out in Section 7.5 of this Prospectus. However, there is no assurance that our business, performance and results of operations will not be materially and adversely affected if we are unable to do so. Please refer to Sections 8 and 9.2.1 of this Prospectus for further details on the competitive analysis on the distribution of bathroom and kitchen sanitary ware products in Malaysia and the risk factors relating to the competition from other brands of bathroom and kitchen sanitary wares.

(iv) Fluctuations in costs of purchase

Costs of purchase for our bathroom and kitchen sanitary ware products is the main component of our cost of sales, representing more than 80% of our total cost of sales for the Financial Years Under Review.

Fluctuations in the pricing of bathroom and kitchen sanitary ware products in the industry are affected by supply conditions which may be caused by various factors including, among others, natural causes such as weather conditions, pests and natural disasters including floods, supply chain disruptions, availability of labour and trade barriers. Hence, any fluctuations in the cost of purchase of our products for distribution would affect our cost of sales as well as our financial performance.

Nevertheless, we constantly plan ahead for our procurement decision and pricing strategy to ensure consistent and uninterrupted supply of our products to meet and sustain the continuous demand from our customers. Please refer to Section 9 of this Prospectus for further details on the risk factor.

12. FINANCIAL INFORMATION (Cont'd)

(v) Impact of interest rates

We incurred minimal finance costs for the Financial Years Under Review given our low outstanding borrowings position over the same period. Therefore, there was no material impact arising from fluctuation of interest rates on our operations and financial results for the Financial Years Under Review. However, any major increase in interest rates would raise the cost of our future borrowings and our finance costs, if incurred, which may have an adverse impact on the financial performance of our Group.

(vi) Impact of foreign exchange

Our purchases are mostly denominated in RMB and USD whilst our sales are transacted primarily in RM. As such, we are exposed to foreign currency risk and any unfavourable foreign currency exchange rate fluctuation may materially affect our business operations and financial performance.

For information purposes, the breakdown of our purchases transacted in RM and other currencies for the Financial Years Under Review are summarised as follows:-

Purchases denominated in:	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
USD	22,136	45.03	27,537	55.44	23,721	43.84
RMB	88	0.18	-	-	24,653	45.55
RM	26,728	54.37	22,113	44.53	5,737	10.60
Others*	207	0.42	13	0.03	7	0.01
Total purchases	49,159	100.00	49,663	100.00	54,118	100.00

Note:-

* Others comprise Singapore Dollar and Euro Dollar.

For illustration purposes, for the FYE 2023, assuming the fluctuation of the RM against the USD, RMB, Singapore Dollar and Euro Dollar is 1.00%, this will result in an increase or decrease in our GP by RM0.466 million, depending on the direction of the foreign exchange movement between RM and said currencies. As our Group continues to expand, any fluctuation in foreign exchange rates may have a material impact on our financial performance.

The impact of foreign exchange fluctuations on our financial performance, which arose due to timing differences between our suppliers' invoices and actual payments to our suppliers, are as follows:-

	FYE 2021	FYE 2022	FYE 2023
Net gain/ (loss) on foreign exchange (RM'000)	796	(345)	(268)
As a percentage of PBT (%)	8.02	(2.03)	(0.81)

We closely monitor the movement of the USD against RM to manage our foreign exchange currency risks and if the need arises, we may enter into hedging arrangement to minimise the impact of such risk.

We have not incurred any material losses arising from foreign currency translation for the Financial Years Under Review.

12. FINANCIAL INFORMATION (Cont'd)

(vii) Impact of inflation

Our business, financial condition or results of operations for the Financial Years Under Review were not materially affected by the impact of inflation. Nonetheless, there can be no assurance that future inflation, such as future increases in purchased materials, subcontractor cost and labour cost, would not have any impact on our business operations and financial performance.

(viii) Impact of government/ economic/ fiscal/ monetary policies

Any unfavourable change in government, economic, fiscal or monetary policies may materially affect our business operations and financial performance. For the Financial Years Under Review, our results were not adversely affected by any unfavourable changes relating to these policies. Nonetheless, there is no assurance that our financial performance will not be adversely affected by the impact of changes in government, economic, fiscal or monetary policies in the future.

12.3.4 Liquidity and capital resources

Our operations are funded through cash generated from our operating activities, credit extended by our suppliers, credit facilities granted by financial institutions as well as our existing cash and bank balances.

As at 30 June 2023, our Group has cash and fixed deposits of RM13.02 million, available credit facilities of RM15.50 million, of which RM6.05 million has yet to be utilised and working capital of RM46.02 million, being the difference between current assets of RM70.27 million and current liabilities of RM24.25 million.

Based on the above and after taking into consideration of our funding requirements for our committed capital expenditure, existing level of cash and bank balances, expected cash flows to be generated from our operations, credit facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

Cash flow

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Net cash (used in) / from operating activities	(2,600)	254	10,619
Net cash from / (used in) investing activities	103	(4,303)	(999)
Net cash (used in) / from financing activities	(1,708)	4,790	(4,765)
Net (decrease) / increase in cash and cash equivalents	(4,205)	741	4,855
Cash and cash equivalents at the beginning of the financial years	11,670	7,465	8,207
Effect of exchange translation differences on cash and cash equivalents	*	1	(36)
Cash and cash equivalents at the end of the financial years	7,465	8,207	13,026

Note:-

* Denotes less than RM1,000

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

12. FINANCIAL INFORMATION (Cont'd)**Commentary:-****Net cash (used in)/ from operating activities****FYE 2021**

For the FYE 2021, our operating cash flows before working capital changes was RM9.56 million. After adjusting for the following key items, our net cash used in our operating activities was RM2.60 million:-

- (i) increase in inventories of RM9.37 million;
- (ii) increase in receivables of RM2.43 million was mainly due to the increase in trade receivables increased by RM2.80 million resulting from the slower collection of our receivables during the FYE 2021;
- (iii) increase in payables of RM2.13 million was mainly due to the increase in trade payables by RM2.48 million resulting from the higher purchases made in June 2021;
- (iv) net income tax payment of RM2.50 million; and
- (v) interest income received of RM0.01 million.

FYE 2022

For the FYE 2022, our operating cash flows before working capital changes was RM18.22 million. After adjusting for the following key items, our net cash from our operating activities was RM0.25 million:-

- (i) increase in inventories of RM2.70 million;
- (ii) increase in receivables of RM9.83 million of which trade receivables increased by RM10.40 million mainly due to higher sales recorded in during the fourth quarter of FYE 2022 while other receivables decreased by RM0.57 million mainly due to the payment received from a related party;
- (iii) decrease in payables of RM 0.95 million of which trade payables decreased by RM0.90 million mainly due to higher repayment to suppliers while other payables decreased by RM0.05 million mainly due to the lower accruals for staff salaries and related statutory contributions;
- (iv) income tax payment of RM4.50 million; and
- (v) interest income received of RM0.02 million.

12. FINANCIAL INFORMATION (Cont'd)**FYE 2023**

For the FYE 2023, our operating cash flows before working capital changes were RM33.90 million. After adjusting for the following key items, our net cash from our operating activities was RM10.62 million:-

- (i) increase in inventories of RM5.19 million;
- (ii) increase in receivables of RM0.11 million of which trade receivables decreased by RM0.61 million mainly due to higher collection from our dealers while other receivables increased by RM0.72 million mainly due to advances paid to suppliers for the orders of products;
- (iii) decrease in payables of RM10.77 million of which trade payables decreased by RM12.31 million mainly due to higher repayment to suppliers while other payables increased by RM1.54 million mainly due to the recognition of inventories in transit;
- (iv) net income tax payment of RM7.23 million; and
- (v) interest income received of RM0.02 million.

Net cash from/ (used in) investing activities**FYE 2021**

Our Group generated net cash from investing activities of RM0.10 million for the FYE 2021. This was mainly attributed to the following:

- (i) net cash payment on purchase of PPE of RM1.50 million which include amongst others, office equipment, furniture and equipment, computer and software, renovation and motor vehicles;
- (ii) net cash payment on purchase of investment property of RM0.43 million, comprising of a single storey semi-detached house in Marang, Terengganu and the partial scheduled payments for the purchase of two apartment units located in Kenwingston Platz, Setapak and The Birch, Jalan Ipoh;
- (iii) proceeds from the disposal of an investment property of RM1.50 million;
- (iv) interest received of RM0.08 million; and
- (v) dividends received from an associate company of RM0.45 million.

FYE 2022

Our Group recorded net cash used in investing activities of RM4.30 million for the FYE 2022. This was mainly attributed to the following:-

- (i) net cash payment on purchase of PPE of RM4.15 million which include amongst others, our Penang Facility, office equipment, furniture and equipment, computer and software, renovation, motor vehicles, signboards and capital work in progress for an ERP software;
- (ii) net cash payment on purchase of investment property of RM0.28 million, being the partial scheduled payments for the purchase of two apartment units located in Kenwingston Platz, Setapak and The Birch, Jalan Ipoh;
- (iii) proceeds from the disposal of PPE of RM0.07 million; and

12. FINANCIAL INFORMATION (Cont'd)

- (iv) interest received of RM0.06 million.

FYE 2023

Our Group recorded net cash used in investing activities of RM1.00 million for the FYE 2023. This was mainly attributed to the following:-

- (i) net cash payment on purchase of PPE of RM0.98 million which include amongst others, office equipment, furniture and equipment, computer and software, renovation, motor vehicles, signboards and capital work in progress for an ERP software;
- (ii) net cash payment on purchase of investment property of RM0.23 million, being the partial scheduled payments for the purchase of two apartment units located in Kenwingston Platz, Setapak and The Birch, Jalan Ipoh;
- (iii) proceeds from the disposal of PPE of RM0.02 million;
- (iv) proceeds from the disposal of an investment property of RM0.01 million; and
- (v) interest received of RM0.18 million.

Net cash from/ (used in) financing activities**FYE 2021**

Our Group recorded net cash used in financing activities of RM1.71 million mainly for the repayment of term loans, bankers' acceptance and lease liabilities of RM5.40 million, interest payment of RM0.10 million and dividend payment of RM4.23 million. The outflow was partly offset by the drawdown of bankers' acceptance of RM5.86 million, the advances from a director of RM0.66 million, repayment from associates of RM1.47 million and proceeds received from issue of share capital of RM0.03 million.

FYE 2022

Our Group recorded net cash from financing activities of RM4.79 million mainly for the repayment of term loans, bankers' acceptance and lease liabilities of RM6.41 million, the repayment to a director of RM0.36, interest payment of RM0.14 million and dividend payment of RM4.36 million. The outflow was partly offset by the drawdown of bankers' acceptance and term loan of RM13.25 million and repayment from associates of RM2.81 million.

FYE 2023

Our Group recorded net cash used in financing activities of RM4.77 million mainly for the repayment of term loans, bankers' acceptance and lease liabilities totalling to RM16.85 million, interest payment of RM0.39 million and dividend payment of RM7.22 million. The outflow was partly offset by the drawdown of bankers' acceptance and term loan totalling to RM19.53 million and advances from a director of RM0.16 million.

12. FINANCIAL INFORMATION (Cont'd)**12.3.5 Borrowings**

Type of borrowings	Tenure	Interest rates (per annum)	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Lease liabilities	3 to 5 years	2.40% to 4.11%	145	397	542
Bankers' acceptance	117 to 150 days	2.95% to 4.42%	9,445	-	9,445
Term loans	20 to 25 years	2.95% to 4.42%	86	2,633	2,719
Total borrowings			9,676	3,030	12,706

Gearing ratio as at 30 June 2023 (times)* 0.25

Note:-

* Computed based on total borrowings over our pro forma shareholders' equity (after the Acquisitions but before the Public Issue and use of proceeds) as at 30 June 2023 of RM50.30 million.

As at the LPD, all our bank borrowings are secured, interest bearing and denominated in RM. Our credit facilities are secured by a charge over certain PPE of a related party and joint and several guarantee by certain Directors. We have not defaulted on any payment of either principal sum and/ or interest in relation to our borrowings during the financial years under review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

The short-term banking facilities available to our Group include bankers' acceptance which are generally used for working capital purposes. The long-term banking facilities of our Group include lease liabilities and term loans, which are used for the purchase of PPE including land and buildings, investment properties and motor vehicles.

As at the LPD, we have not breached any terms and conditions or covenants associated with our credit arrangements or bank borrowings, which can materially affect our business operations, financial position or results of operations or the investment by holders of securities in our Group.

12.3.6 Type of financial instruments used

As at the LPD, save for bank borrowings as disclosed in Section 12.3.5 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, the financial instruments of our Group which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, and trade and other receivables, as well as financial liabilities such as borrowings, lease obligations and trade and other payables. These are shown in the combined statements of financial position of our Group.

As at the LPD, we do not use any financial instrument for hedging purposes.

12. FINANCIAL INFORMATION (Cont'd)

12.3.7 Treasury policies and objectives

We finance our operations through internally generated funds as well as external sources of funds, such as shareholders' funds, credit term from suppliers as well as short-term and long-term bank borrowings.

The primary objective of our financial management and treasury policies is to maintain sufficient working capital at all times and ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain its debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

Our Group has not entered into any interest rate swap to hedge against fluctuations in interest rates. Our Group manage its exposure to interest rate movements by maintaining a combination of both fixed-rate and floating-rate borrowings.

12.3.8 Material commitment

As at the LPD, save as disclosed below, our Board, after having made all reasonable enquiries, confirm that there are no other material commitment which upon becoming enforceable, may have a material impact on the financial position of our Group:-

	<u>Amount</u> <u>RM'000</u>
Approved and contracted for:	
Two units of forklifts	438
Enterprise resource planning system	159
Total	<u><u>597</u></u>

The above capital commitment will be financed through internally generated funds and/ or bank borrowings. Further details on the use of proceeds are set out in Section 4.4 of this Prospectus.

12.3.9 Material contingent liabilities

As at the LPD, our Board is not aware of any contingent liabilities, which upon becoming enforceable may have a material impact on the financial performance and position of our Group.

12. FINANCIAL INFORMATION (Cont'd)

12.4 KEY FINANCIAL RATIOS

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
Average trade receivables turnover period (days)	91	92	89
Average trade payables turnover period (days)	183	147	105
Average inventories turnover period (days)	109	122	145
Current ratio (times)	1.75	1.89	2.90
Gearing ratio (times)	0.11	0.30	0.25

Trade receivables

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	66,107	90,688	112,311
Average trade receivables ⁽¹⁾	16,433	22,780	27,433
Average trade receivables turnover period (days) ⁽²⁾	91	92	89

Notes:-

- (1) Average trade receivables was derived based on the average sum of the opening balances and closing balances of trade receivables of the respective financial years.
- (2) Computed based on average trade receivables of the respective financial years over the revenue of the respective financial years, multiplied by 365 days.

The credit period granted to our customers is from 30 days to 90 days from the date of invoice. Other credit terms to our customers are assessed and approved on a case-by-case basis by taking into consideration various factors such as the business relationship with our customers, the customers' payment history and creditworthiness as well as transaction volume while new customers are subject to our credit verification and assessment process.

Our average trade receivables turnover period increased slightly from 91 days in the FYE 2021 to 92 days in the FYE 2022 and subsequently improved to 89 days in the FYE 2023. This was mainly attributable to our continuous efforts to improve the collection from our customers.

The ageing analysis in respect of trade receivables is as follows:-

	<u>Exceed credit period by</u>					<u>Total</u>
	<u>Within credit period</u>					
	<u>1 – 30 days</u>	<u>31 – 60 days</u>	<u>61 – 90 days</u>	<u>> 90 days</u>		
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Trade receivables	19,706	3,136	1,470	1,333	1,636	27,281
Less: Impairment losses	(2)	(1)	(1)	(1)	(134)	(139)
Net trade receivables	19,704	3,135	1,469	1,332	1,502	27,142
% of total trade receivables	72.60	11.55	5.41	4.91	5.53	100.00
Subsequent collections up to the LPD	19,185	3,133	1,450	1,293	1,258	26,319
Outstanding net trade receivables	519	2	19	39	244	823

Up to the LPD, we have collected RM26.32 million or 96.98% of the total trade receivables outstanding as at 30 June 2023. We are in the process of collecting the remaining amount of RM0.82 million.

12. FINANCIAL INFORMATION (Cont'd)

As part of our credit control policy, we closely monitor our aging report and assess the collectability of trade receivables on an individual customer basis regularly. For any trade receivables which have exceeded the normal credit period granted, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability are uncertain based on our dealings with the customers.

Notwithstanding the above, our Board is of the opinion that the remaining amount of RM0.82 million is recoverable and no further impairment of trade receivables is required after taking into consideration these customers' credentials, payment track record as well as our relationship with them.

Trade payables

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Cost of sales	45,318	58,174	58,894
Average trade payables ⁽¹⁾	22,703	23,351	16,878
Average trade payables turnover period (days) ⁽²⁾	183	147	105

Notes:-

- (1) Average trade payables was derived based on the average sum of the opening balances and closing balances of trade payables of the respective financial years.
- (2) 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.

The normal credit period extended by our suppliers is 60 days. Our average trade payables turnover period exceeded the normal credit period during the Financial Years Under Review due to an extended credit period negotiated with and granted by one of our major suppliers.

Our average trade payables turnover period improved from 183 days in the FYE 2021 to 147 days in the FYE 2022 and subsequently improved to 105 days in the FYE 2023. This was mainly attributable to our concerted efforts to repay our suppliers earlier to facilitate our negotiations for lower product pricing. It is our practice to make prompt payments to our suppliers with the aim to strengthen our business relationship with suppliers in order to safeguard the continuity of suppliers at more favourable terms and pricing.

As at 30 June 2023, the trade payables of our Group amounted to RM10.79 million, the ageing of which are analysed as follows:-

	Within credit period RM'000	Exceed credit period by				Total RM'000
		1 – 30 days RM'000	31 – 60 days RM'000	61 – 90 days RM'000	> 90 days RM'000	
Trade payables	1,183	1,061	840	596	7,105	10,785
% of total trade payables	10.97	9.84	7.79	5.52	65.88	100.00
Subsequent payments up to the LPD	1,183	1,061	840	596	7,105	10,785
Outstanding trade payables	-	-	-	-	-	-

Up to the LPD, we have settled all of our outstanding trade payables. As at the LPD, there is no dispute in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment from us during the financial years under review.

12. FINANCIAL INFORMATION (Cont'd)**Inventories**

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Cost of sales	45,318	58,174	58,894
Average inventories ⁽¹⁾	13,522	19,438	23,438
Average inventories turnover period (days) ⁽²⁾	109	122	145

Notes:-

- (1) Average inventories was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years.
- (2) Computed based on average inventories of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days.

Our inventories comprise bathroom and kitchen sanitary ware products and are measured at the lower of cost and net realisable value. Due to the nature of our business, it is important for us to maintain a certain level of inventories to ensure availability of stocks and varieties of products to meet our customers' demand and delivery lead time requirements.

Our average inventories turnover period for the FYE 2021 was 109 days which increased to 122 days in the FYE 2022 and further increased to 145 days in the FYE 2023. These were mainly attributable to the increase in our purchases in line with the increase in our sales during the financial years under review. As part of our business growth strategy, we have rented and relocated our operations to our Bandar Bukit Raja Facility in 2020, acquired our Penang Facility during the FYE 2022 and further rented our Jalan Meru Facility during the FYE 2023, to expand our operations, where we have larger storage space to cater for the increase in inventories to meet the demands of our customers.

Our bathroom and kitchen sanitary ware products have long shelf life and the trend and model do not change frequently. In addition, we perform quarterly physical stock count on selected products as well as a full stock count annually to identify inconsistency in terms of quantity to the inventory system and slow-moving inventories. Damaged and/ or non-sellable inventories are written-off in accordance with our inventory management policy.

Current ratio

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Current assets	50,395	60,450	70,269
Current liabilities	28,788	31,939	24,249
Current ratio (times)	1.75	1.89	2.90

Current ratio measures the liquidity position of our Group to meet our short-term obligations. The liquidity position of our Group has been manageable as reflected in the current ratio for the financial years under review which has been fairly strong ranging between 1.75 times and 2.90 times.

Our current ratio increased from 1.75 times as at 30 June 2021 to 1.89 times as at 30 June 2022. This was mainly attributable to the increase in our current assets position in particular the higher trade receivables balances as a result of the increase in revenue for the FYE 2022.

Our current ratio increased from 1.89 times as at 30 June 2022 to 2.90 times as at 30 June 2023. This was mainly attributable to the increase in our current assets position in particular the higher inventories in line with the increase in our purchases to ensure availability of stocks and varieties of products to meet our customers' demand and delivery lead time requirements.

12. FINANCIAL INFORMATION (Cont'd)**Gearing ratio**

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Total loans and borrowings	2,587	9,651	12,706
Shareholders' equity	24,205	32,586	50,301
Gearing ratio (times)	0.11	0.30	0.25

Our gearing ratio increased from 0.11 times as at 30 June 2021 to 0.30 times as at 30 June 2022 mainly due to the increase in our total loans and borrowings. The increase in loans and borrowings were mainly utilised to finance the purchase of our Penang Facility and inventories.

Our gearing ratio decreased from 0.30 times as at 30 June 2022 to 0.25 times as at 30 June 2023 despite an increase in our total loans and borrowings mainly due to the increase in our shareholders' equity arising from the increase in profits for the FYE 2023.

12.5 TREND INFORMATION

As at the LPD, to the best of the knowledge and belief of our Board, the financial conditions and operations of our Group have not been and are not expected to be affected by any of the following:-

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and in Sections 7, 8 and 9 of this Prospectus;
- (ii) material commitment for capital expenditure save as disclosed in Section 12.3.8 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save for those that had been disclosed in this section and in Section 9 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/ or profits, save for those that had been discussed in this section and in Section 9 of this Prospectus.
- (v) known circumstances, trends, demands, commitments, events or uncertainties that are reasonably likely to make the historical financial statements not indicative of the future financial performance and position, save for those that had been disclosed in this section and in Section 9 of this Prospectus.

12.6 ORDER BOOK

Due to the nature of our business of marketing, distribution and sale of bathroom and kitchen sanitary wares, our Group does not maintain an order book.

12.7 SIGNIFICANT CHANGES

There are no significant changes that have occurred, which may have a material effect on our financial position and results subsequent to the FYE 2023 and up to the LPD.

12. FINANCIAL INFORMATION (Cont'd)

12.8 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

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

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
PAT	7,777	12,742	24,930
Dividends declared and paid	4,233	4,361	7,216
Dividend payout ratio (%)	54.43	34.23	28.95

In addition, our Group had declared and paid total dividends amounting to approximately RM2.00 million for the FYE 2024. Further, we intend to declare an additional interim dividend of approximately RM7.00 million for the FYE 2024. The dividend will be funded via internally generated funds and is expected to be declared and paid in the fourth quarter of FYE 2024, prior to our Listing. The dividend to be declared and paid are not expected to affect the execution and implementation of our future plans or strategies moving forward.

Notwithstanding the above, our Group 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. Our Directors will take into consideration, among others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividend:-

- (i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- (iv) our Company is solvent as the Act requires;
- (v) any material impact of tax laws and other regulatory requirements; and
- (vi) prior written consent from financial institutions, where required.

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value. There is no dividend restriction being imposed on our Group currently.

In addition, our ability to declare and pay interim dividends as well as to recommend final dividends are subject to the discretion of our Board. We will also need to obtain our shareholders' approval for any final dividend for the year.

No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

12. FINANCIAL INFORMATION (Cont'd)

12.9 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

SORENTO CAPITAL BERHAD
[Registration No.: 202301018305 (1512227-W)]
(Incorporated in Malaysia)

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023

TGS TW PLT
CHARTERED ACCOUNTANTS

12. FINANCIAL INFORMATION (Cont'd)



The Board of Directors
Sorento Capital Berhad
No. 5, Jalan Astana 2/KU2
Bandar Bukit Raja
41050 Klang
Selangor Darul Ehsan

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
Chartered Accountants
Unit E-16-2B, Level 16, ICON Tower (East)
No.1, Jalan 1/68F, Jalan Tun Razak
50400 Kuala Lumpur
Tel: +603 9771 4326
Fax: +603 9771 4327
Email: tgsaudit@tgs-tw.com
www.tgs-tw.com

Dear Sirs,

**SORENTO CAPITAL BERHAD (“SORENTO CAPITAL GROUP” OR “THE COMPANY”)
REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF
FINANCIAL POSITION AS AT 30 JUNE 2023**

We have completed our assurance engagement to report on the compilation of Pro Forma Combined Statements of Financial Position of Sorento Capital Berhad and of its subsidiaries (collectively known as “the combining entities” or “Sorento Capital Group”) as at 30 June 2023.

The Pro Forma Combined Statements of Financial Position have been compiled by the Directors based on the applicable criteria as specified in the Prospectus Guidelines issued by the Securities Commission Malaysia (“Prospectus Guidelines”) and described in the notes as set out in Basis of Preparation of Pro Forma Combined Statements of Financial Position (“Applicable Criteria”).

The Pro Forma Combined Statements of Financial Position have been compiled by the Directors for illustrative purposes only and for inclusion into the prospectus of the Group in connection with the listing of and quotation for the entire enlarged issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Proposed Listing”).

As part of this process, information about the combining entities’ combined financial position has been extracted by the Directors from the audited statements of financial position of the combining entities as at 30 June 2023, on which was reported by us to the members of the combining entities on 26 March 2024 without any modification.

Directors’ Responsibility for the Pro Forma Combined Statements of Financial Position

The Board of Directors is solely responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis of the Applicable Criteria.

12. FINANCIAL INFORMATION (Cont'd)**Our Independence and Quality Control**

We are independent 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 of 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 firm applies *International Standard on Quality Management (“ISQM”) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or 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.

Our Responsibility

Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the Pro Forma Combined Statements of Financial Position have been properly compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (“ISAE”) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by 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 Directors have compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis of the Applicable Criteria.

For the purpose 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 Combined 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 Combined Statements of Financial Position.

The purpose of the Pro Forma Combined Statements of Financial Position included in the Prospectus is solely to illustrate the impact of a significant event or transaction or unadjusted financial information on 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 event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Combined 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 of the Company in the compilation of the Pro Forma Combined 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 Combined Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

12. FINANCIAL INFORMATION (Cont'd)



Our Responsibility (Cont'd)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the combining entities, the event or transaction in respect of which the Pro Forma Combined Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria.

Other Matters

This report has been prepared solely for the purpose of inclusion in the Prospectus of Sorento Capital Berhad in connection with the Listing. It is not intended to be used for any other purposes. 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 letter contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'TGS'.

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
Chartered Accountants

A handwritten signature in black ink, appearing to be 'A.'.

OOI POH LIM
3087/10/2025 J
Chartered Accountant

Kuala Lumpur
26 March 2024

12. FINANCIAL INFORMATION (Cont'd)

**SORENTO CAPITAL BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023**

The Pro Forma Combined Statements of Financial Position of the Group as at 30 June 2023 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 30 June 2023, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position.

	Note	At the date of incorporation	Adjustments for Proposed Acquisition	Proforma I After Proposed Acquisition	Adjustments for Proposed Public Issue	Proforma II After Proposed Public Issue	Adjustments for Proposed Utilisation of Proceeds	Proforma III After Proposed Utilisation of Proceeds
		RM	RM	RM	RM	RM	RM	RM
ASSETS								
Non-current assets								
Property, plant and equipment	3.01	-	6,706,912	6,706,912	-	6,706,912	-	6,706,912
Investment properties	3.02	-	739,169	739,169	-	739,169	-	739,169
Investment in associates	3.03	-	350	350	-	350	-	350
Deferred tax assets	3.04	-	74,000	74,000	-	74,000	-	74,000
Total non-current assets		-	7,520,431	7,520,431	-	7,520,431	-	7,520,431
Current assets								
Inventories	3.05	-	26,132,822	26,132,822	-	26,132,822	-	26,132,822
Trade receivables	3.06	-	27,141,901	27,141,901	-	27,141,901	-	27,141,901
Other receivables	3.07	-	3,000,658	3,000,658	-	3,000,658	-	3,000,658
Amount due from associates	3.08	-	50,000	50,000	-	50,000	-	50,000
Tax recoverable	3.09	-	916,999	916,999	-	916,999	-	916,999
Fixed deposits with a licensed bank	3.10	-	5,032,635	5,032,635	-	5,032,635	-	5,032,635
Cash and bank balances	3.11	1,000	7,992,344	7,993,344	[.]	[.]	[.]	[.]
Total current assets		1,000	70,268,359	70,268,359	[.]	[.]	[.]	[.]
Total assets		1,000	77,788,790	77,788,790	[.]	[.]	[.]	[.]



12. FINANCIAL INFORMATION (Cont'd)

**SORENTO CAPITAL BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)**

The Pro Forma Combined Statements of Financial Position of the Group as at 30 June 2023 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 30 June 2023, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position. (Cont'd)

	Note	At the date of incorporation		Adjustments for Proposed Acquisition		Proforma I After Proposed Acquisition		Adjustments for Proposed Public Issue		Proforma II After Proposed Public Issue		Adjustments for Proposed Utilisation of Proceeds		Proforma III After Proposed Utilisation of Proceeds	
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
EQUITY AND LIABILITIES															
EQUITY															
Equity attributable to owners of Sorento Capital Berhad:-															
Share capital	3.12	1,000	42,299,940	42,300,940	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]
Merger deficit	3.13	-	(41,918,940)	(41,918,940)	-	-	(41,918,940)	-	-	(41,918,940)	-	-	-	(41,918,940)	-
Retained earnings	3.14	-	49,918,985	49,918,985	-	-	49,918,985	-	-	49,918,985	-	-	[.]	[.]	[.]
Total equity		<u>1,000</u>	<u>50,300,985</u>	<u>50,300,985</u>			<u>50,300,985</u>			<u>50,300,985</u>			<u>[.]</u>	<u>[.]</u>	<u>[.]</u>
LIABILITIES															
Non-current liabilities															
Loans and borrowings	3.15	-	2,633,017	2,633,017	-	-	2,633,017	-	-	2,633,017	-	-	-	2,633,017	-
Lease liabilities	3.16	-	396,654	396,654	-	-	396,654	-	-	396,654	-	-	-	396,654	-
Deferred tax liabilities	3.17	-	209,011	209,011	-	-	209,011	-	-	209,011	-	-	-	209,011	-
Total non-current liabilities		<u>-</u>	<u>3,238,682</u>	<u>3,238,682</u>			<u>3,238,682</u>			<u>3,238,682</u>			<u>3,238,682</u>	<u>3,238,682</u>	<u>3,238,682</u>



12. FINANCIAL INFORMATION (Cont'd)

**SORENTO CAPITAL BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)**

The Pro Forma Combined Statements of Financial Position of the Group as at 30 June 2023 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 30 June 2023, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position. (Cont'd)

	Note	At the date		Adjustments for		Proforma I		Adjustments for		Proforma II		Adjustments for		Proforma III	
		of incorporation	RM	Proposed Acquisition	RM	After Proposed Acquisition	RM	Proposed Public Issue	RM	After Proposed Public Issue	RM	Proposed Utilisation of Proceeds	RM	After Proposed Utilisation of Proceeds	RM
EQUITY AND LIABILITIES (CONT'D)															
LIABILITIES (CONT'D)															
Current liabilities															
Loans and borrowings	3.15	-		9,530,842		9,530,842		-		9,530,842		-		[.]	[.]
Lease liabilities	3.16	-		145,479		145,479		-		145,479		-		145,479	
Trade payables	3.18	-		10,784,810		10,784,810		-		10,784,810		-		10,784,810	
Other payables	3.19	-		2,921,444		2,921,444		-		2,921,444		-		2,921,444	
Amount due to Directors	3.20	-		866,548		866,548		-		866,548		-		866,548	
Total current liabilities		-													
						24,249,123				24,249,123				[.]	
Total liabilities		-				27,487,805				27,487,805				[.]	
Total equity and liabilities		1,000				77,788,790				[.]				[.]	
Issued ordinary share capital (Unit)	3.12	1,000		704,999,000		705,000,000		155,000,000		860,000,000		-		-	860,000,000
Net assets per share attributable to owners of Sorento Capital Berhad (RM)		1.00				0.07				[.]				[.]	



12. FINANCIAL INFORMATION (Cont'd)**SORENTO CAPITAL BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023****1. BASIS OF PREPARATION**

The Pro Forma Combined Statements of Financial Position of the Group has been prepared for illustrative purposes and on the assumptions that all the transactions mentioned as per Note 2 to the Pro Forma Combined Statements of Financial Position had taken place on 30 June 2023.

The Pro Forma Combined Statements of Financial Position have been prepared based on accounting policies and basis which are consistent with those disclosed in the audited combined financial statements of the combining entities for the financial year ended 30 June 2023 and in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Prospectus Guidelines, except for the adoption of the following new accounting policy:

Merger method of accounting

The Pro Forma Combined Statements of Financial Position are combined using the merger method as these companies are under the common control by the same party both before and after the acquisition of Sorento Sdn. Bhd. (“SSB”), Nautical Sanitaryware Sdn. Bhd. (“NSSB”), Beyond Bath Sdn. Bhd. (“BBSB”) and Ideal Bath Sdn. Bhd. (“IBSB”). When the merger method is used, the difference between the cost of investment recorded by the Group and the share capital of the subsidiary are accounted for as merger deficit in the Pro Forma Combined Statements of Financial Position.

SSB, NSSB, BBSB and IBSB are regarded as a continuing entity resulting from the reorganisation exercise because the management of SSB, NSSB, BBSB and IBSB, which participated in the reorganisation exercise was under common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the state of the earliest period presented in the financial statements.

2. LISTING SCHEME**(i) Pro Forma I: Acquisitions**

The Acquisitions entails acquiring the entire equity interest of SSB, NSSB, BBSB and IBSB, for total purchase consideration of RM42,299,940 to be satisfied via the issuance of 704,999,000 new shares at an issue price of RM0.06 per share based on the net assets of SSB, NSSB, BBSB and IBSB as at 30 June 2023 and adjusted for dividend declared by SSB amounting to RM8,000,000.

(ii) Pro Forma II: Public Issue

The Public Issue involves a public issue of 155,000,000 new ordinary shares in Sorento Capital Berhad at an IPO of RM[.] per share.

In conjunction with the IPO, the Company would list and quote its entire enlarged issued share capital comprising 860,000,000 ordinary shares in Sorento Capital Berhad on the ACE Market of Bursa Malaysia Securities Berhad.



12. FINANCIAL INFORMATION (Cont'd)

SORENTO CAPITAL BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

2. LISTING SCHEME (CONT'D)

(iii) Pro Forma III: Proposed Utilisation of Proceeds

Gross proceeds from the Public Issue of RM[.] are expected to be utilised as follows:

Details of use of proceeds	Estimated timeframe for the use of proceeds upon Proposed Listing	RM	% of total gross proceeds from the Proposed Public Issue
Branding promotion	36 months ⁽¹⁾	[.]	[.]
Dealers network expansion	36 months ⁽¹⁾	[.]	[.]
Loans and borrowings	12 months ⁽¹⁾	[.]	[.]
General working capital [^]	24 months ⁽¹⁾	[.]	[.]
Estimated listing expenses [*]	1 month ⁽¹⁾	[.]	[.]
Total estimated proceeds		[.]	[.]

⁽¹⁾ From the date of listing of the shares.

[#] If the actual proceeds are higher than budgeted above, the excess will be used for working capital. Conversely, if the actual proceeds are lower than budgeted above, the proceeds allocated for working capital will be reduced accordingly.

[^] The Group intends to utilise RM[.] from the gross proceeds from the Proposed Public Issue to fund the working capital of the Group's daily operation by purchasing the inventories.

^{*} The listing expenses are estimated at RM[.] and will be set off against the share capital and profit or loss accordingly. The apportionment is disclosed in Notes 3.12 and 3.14.

3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

3.01 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>6,706,912</u>
As per Pro Forma I to III	<u><u>6,706,912</u></u>



12. FINANCIAL INFORMATION (Cont'd)**SORENTO CAPITAL BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)****3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****3.02 INVESTMENT PROPERTIES**

The movements in investment properties are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>739,169</u>
As per Pro Forma I to III	<u><u>739,169</u></u>

3.03 INVESTMENT IN ASSOCIATES

The movements in investment in associates are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>350</u>
As per Pro Forma I to III	<u><u>350</u></u>

3.04 DEFERRED TAX ASSETS

The movements in deferred tax assets are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>74,000</u>
As per Pro Forma I to III	<u><u>74,000</u></u>

3.05 INVENTORIES

The movements in inventories are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>26,132,822</u>
As per Pro Forma I to III	<u><u>26,132,822</u></u>



12. FINANCIAL INFORMATION (Cont'd)**SORENTO CAPITAL BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)****3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****3.06 TRADE RECEIVABLES**

The movements in trade receivables are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>27,141,901</u>
As per Pro Forma I to III	<u><u>27,141,901</u></u>

3.07 OTHER RECEIVABLES

The movements in other receivables are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>3,000,658</u>
As per Pro Forma I to III	<u><u>3,000,658</u></u>

3.08 AMOUNT DUE FROM ASSOCIATES

The movements in amount due from associates are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>50,000</u>
As per Pro Forma I to III	<u><u>50,000</u></u>

3.09 TAX RECOVERABLE

The movements in tax recoverable are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>916,999</u>
As per Pro Forma I to III	<u><u>916,999</u></u>



12. FINANCIAL INFORMATION (Cont'd)

SORENTO CAPITAL BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.10 FIXED DEPOSITS WITH A LICENSED BANK

The movements in fixed deposits with a licensed bank are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>5,032,635</u>
As per Pro Forma I to III	<u><u>5,032,635</u></u>

3.11 CASH AND BANK BALANCES

The movements in cash and bank balances are as follows:

	RM
At the date of incorporation	1,000
Pursuant to Proposed Acquisition	<u>7,992,344</u>
As per Pro Forma I	7,993,344
Pursuant to Proposed Public Issue	<u>[.]</u>
As per Pro Forma II	[.]
Pursuant to Proposed Utilisation of Proceeds	
- Loans and borrowings	[.]
- Estimated listing expenses	<u>[.]</u>
As per Pro Forma III	<u><u>[.]</u></u>



12. FINANCIAL INFORMATION (Cont'd)

SORENTO CAPITAL BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.12 SHARE CAPITAL

The movements in share capital are as follows:

	RM
At the date of incorporation	1,000
Pursuant to Proposed Acquisition	<u>42,299,940</u>
As per Pro Forma I	42,300,940
Pursuant to Proposed Public Issue	<u>[.]</u>
As per Pro Forma II	[.]
Pursuant to Proposed Utilisation of Proceeds	
Less: Estimated listing expenses*	<u>[.]</u>
As per Pro Forma III	<u>[.]</u>

* The estimated listing expenses of RM[.] directly attributable to the Proposed Public Issue will be offset against share capital and the remaining estimated listing expenses of RM[.] that is attributable to the Proposed Listing will be expensed off to profit and loss.

3.13 MERGER DEFICIT

The movements in merger deficit are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>(41,918,940)</u>
As per Pro Forma I to III	<u>(41,918,940)</u>



12. FINANCIAL INFORMATION (Cont'd)

SORENTO CAPITAL BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.14 RETAINED EARNINGS

The movements in retained earnings are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>49,918,985</u>
As per Pro Forma I to II	49,918,985
Pursuant to Proposed Utilisation of Proceeds	
- Estimated listing expenses*	<u>[.]</u>
As per Pro Forma III	<u>[.]</u>

* The estimated listing expenses of RM[.] directly attributable to the Proposed Public Issue will be offset against share capital and the remaining estimated listing expenses of RM[.] that is attributable to the Proposed Listing will be expensed off to profit and loss.

3.15 LOANS AND BORROWINGS

The movements in loans and borrowings are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	
- Non-current liabilities	2,633,017
- Current liabilities	<u>9,530,842</u>
As per Pro Forma I to II	12,163,859
Pursuant to Proposed Utilisation of Proceeds	
- Loans and borrowings	<u>[.]</u>
As per Pro Forma III	<u>[.]</u>



12. FINANCIAL INFORMATION (Cont'd)

SORENTO CAPITAL BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.16 LEASE LIABILITIES

The movements in lease liabilities are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	
- Non-current liabilities	396,654
- Current liabilities	<u>145,479</u>
As per Pro Forma I to III	<u><u>542,133</u></u>

3.17 DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>209,011</u>
As per Pro Forma I to III	<u><u>209,011</u></u>

3.18 TRADE PAYABLES

The movements in trade payables are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>10,784,810</u>
As per Pro Forma I to III	<u><u>10,784,810</u></u>



12. FINANCIAL INFORMATION (Cont'd)

SORENTO CAPITAL BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.19 OTHER PAYABLES

The movements in other payables are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>2,921,444</u>
As per Pro Forma I to III	<u><u>2,921,444</u></u>

3.20 AMOUNT DUE TO DIRECTORS

The movements in amount due to Directors are as follows:

	RM
At the date of incorporation	-
Pursuant to Proposed Acquisition	<u>866,548</u>
As per Pro Forma I to III	<u><u>866,548</u></u>



12. FINANCIAL INFORMATION (Cont'd)

SORENTO CAPITAL BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 26 March 2024.

On behalf of the Board of Directors



Loo Chai Lai
Director



Loo Jing Kai
Director

13. ACCOUNTANTS' REPORT

SORENTO CAPITAL BERHAD
[Registration No.: 202301018305 (1512227-W)]
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT ON
COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED
30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021

TGS TW PLT
CHARTERED ACCOUNTANTS

13. ACCOUNTANTS' REPORT (Cont'd)

The Board of Directors
Sorento Capital Berhad
No. 5, Jalan Astana 2/KU2
Bandar Bukit Raja
41050 Klang
Selangor Darul Ehsan

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
Chartered Accountants
Unit E-16-2B, Level 16, ICON Tower (East)
No.1, Jalan 1/68F, Jalan Tun Razak
50400 Kuala Lumpur
Tel: +603 9771 4326
Fax: +603 9771 4327
Email: tgsaudit@tgs-tw.com
www.tgs-tw.com

Dear Sirs,

Reporting Accountants' opinion on the combined financial statements contained in the Accountants' Report of Sorento Capital Berhad ("Sorento Capital" or the "Company")

Opinion

We have audited the accompanying combined financial statements ("Financial Information") of Sorento Capital and its combining entities (collectively known as "Sorento Capital Group") which comprise the combined statements of financial position as at 30 June 2023, 30 June 2022 and 30 June 2021, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of Sorento Capital Group for the financial years ended 30 June 2023, 30 June 2022 and 30 June 2021, and a summary of significant accounting policies and other explanatory notes to the combined financial statements as set out in this report.

This Financial Information has been prepared for inclusion in the prospectus of Sorento Capital in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad. This report is prepared 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 Financial Information give a true and fair view of the combined financial position of the combining entities as at 30 June 2023, 30 June 2022 and 30 June 2021, and of their financial performance and cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

13. ACCOUNTANTS' REPORT (Cont'd)

**Basis for opinion (Cont'd)***Independence and other ethical responsibilities*

We are independent of the combining entities 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.

Responsibilities of the Directors for the Financial Information

The Directors of the Company are responsible for the preparation of the Financial Information of the combining entities that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Financial Information of the combining entities that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Information of the combining entities, the Directors are responsible for assessing the combining entities’ ability 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 combining entities or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants’ responsibilities for the audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the Financial Information of the combining entities 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 Information.

13. ACCOUNTANTS' REPORT (Cont'd)

**Reporting Accountants' responsibilities for the audit of the Financial Information (Cont'd)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Information of the combining entities, 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.
- 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 the combining entities' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 combining entities' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountants' report to the related disclosures in the Financial Information of the combining entities 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 auditors' report. However, future events or conditions may cause the combining entities to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Information of the combining entities, including the disclosures, and whether the Financial Information of the combining entities represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Financial Information of the combining entities or business activities within the combining entities to express an opinion on the Financial Information of the combining entities. We are responsible for the direction, supervision and performance of the combining entities audit. We remain solely responsible for our audit opinion.

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.

13. ACCOUNTANTS' REPORT (Cont'd)



Restriction on distribution and use

This report is made solely to the Company to comply with Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of the Company to be issued in relation to the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for no other purposes. We do not assume responsibility to any other person for the content of this report.

Other matter

The significant events occurring after the end of the financial year ended 30 June 2023 are disclosed in Notes 1(d) and 33 to the combined financial statements.

A handwritten signature in black ink, appearing to be 'TGS'.

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
Chartered Accountants

A handwritten signature in black ink, appearing to be 'A.'.

OOI POH LIM
03087/10/2025 J
Chartered Accountant

KUALA LUMPUR
26 March 2024

13. ACCOUNTANTS' REPORT (Cont'd)**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021**

	Note	← Audited →		
		2023 RM	2022 RM	2021 RM
ASSETS				
Non-current assets				
Property, plant and equipment	4	6,706,912	5,956,058	2,111,111
Investment properties	5	739,169	873,956	595,498
Investment in associates	6	350	350	405
Deferred tax assets	7	74,000	173,000	102,000
		<u>7,520,431</u>	<u>7,003,364</u>	<u>2,809,014</u>
Current assets				
Inventories	8	26,132,822	20,742,053	18,133,485
Trade receivables	9	27,141,901	27,724,497	17,835,225
Other receivables	10	3,000,658	2,011,108	2,555,105
Amount due from associates	11	50,000	50,000	2,865,000
Tax recoverable		916,999	1,715,316	1,542,002
Fixed deposits with a licensed bank	12	5,032,635	4,514,936	4,503,958
Cash and bank balances	13	7,993,344	3,692,024	2,960,599
		<u>70,268,359</u>	<u>60,449,934</u>	<u>50,395,374</u>
Total assets		<u>77,788,790</u>	<u>67,453,298</u>	<u>53,204,388</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital	14 (a)	1,000	-	-
Invested equity	14 (b)	381,000	381,000	381,000
Retained earnings		49,918,985	32,205,124	23,824,123
Total equity		<u>50,300,985</u>	<u>32,586,124</u>	<u>24,205,123</u>
LIABILITIES				
Non-current liabilities				
Loans and borrowings	15	2,633,017	2,578,616	-
Lease liabilities	16	396,654	200,147	61,863
Deferred tax liabilities	7	209,011	148,891	148,891
		<u>3,238,682</u>	<u>2,927,654</u>	<u>210,754</u>

13. ACCOUNTANTS' REPORT (Cont'd)**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)**

		← Audited →		
		2023	2022	2021
	Note	RM	RM	RM
EQUITY AND LIABILITIES (CONT'D)				
LIABILITIES (CONT'D)				
Current liabilities				
Loans and borrowings	15	9,530,842	6,799,371	2,475,000
Lease liabilities	16	145,479	73,642	50,523
Trade payables	17	10,784,810	22,971,049	23,730,198
Other payables	18	2,921,444	1,386,732	1,430,229
Amount due to Directors	19	866,548	708,726	1,068,935
Tax payable		-	-	33,626
		<u>24,249,123</u>	<u>31,939,520</u>	<u>28,788,511</u>
Total liabilities		<u>27,487,805</u>	<u>34,867,174</u>	<u>28,999,265</u>
Total equity and liabilities		<u>77,788,790</u>	<u>67,453,298</u>	<u>53,204,388</u>

The accompanying notes form an integral part of the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED
30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021**

	Note	← Audited →		
		2023 RM	2022 RM	2021 RM
Revenue	20	112,310,949	90,687,870	66,106,978
Cost of sales		<u>(58,893,641)</u>	<u>(58,174,009)</u>	<u>(45,318,216)</u>
Gross profit		53,417,308	32,513,861	20,788,762
Other income		224,478	212,355	2,016,371
Administrative expenses		(13,048,782)	(9,919,628)	(9,258,385)
Selling and distribution expenses		(6,782,349)	(4,848,776)	(3,523,809)
Other expenses		(327,074)	(514,388)	-
Net gain/(loss) on impairment of financial assets		<u>33,193</u>	<u>(340,020)</u>	<u>3,454</u>
Profit from operation		33,516,774	17,103,404	10,026,393
Finance costs	21	<u>(395,497)</u>	<u>(135,429)</u>	<u>(102,555)</u>
Profit before tax	22	33,121,277	16,967,975	9,923,838
Taxation	23	<u>(8,191,216)</u>	<u>(4,226,474)</u>	<u>(2,146,447)</u>
Profit for the financial years, representing total comprehensive income for the financial years		<u><u>24,930,061</u></u>	<u><u>12,741,501</u></u>	<u><u>7,777,391</u></u>
Total comprehensive income attributable to:				
Owners of the Company		<u><u>24,930,061</u></u>	<u><u>12,741,501</u></u>	<u><u>7,777,391</u></u>
Earnings per share:				
Basic (sen)	24	<u><u>0.03</u></u>	<u><u>0.01</u></u>	<u><u>0.01</u></u>
Diluted (sen)	24	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>

* There are no dilutive earnings per share as the combining entities do not have any dilutive instruments for the financial years.

The accompanying notes form an integral part of the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023,
30 JUNE 2022 AND 30 JUNE 2021**

	Note	Share capital RM	Invested equity RM	Retained earnings RM	Total equity RM
At 1 July 2020		-	351,100	20,279,732	20,630,832
Profit for the financial year, representing total comprehensive income for the financial year		-	-	7,777,391	7,777,391
Transactions with owners:					
Issuance of ordinary shares	14(b)	-	29,900	-	29,900
Dividends to owners of the combining entities	25	-	-	(4,233,000)	(4,233,000)
At 30 June 2021		-	381,000	23,824,123	24,205,123
At 1 July 2021		-	381,000	23,824,123	24,205,123
Profit for the financial year, representing total comprehensive income for the financial year		-	-	12,741,501	12,741,501
Transaction with owners:					
Dividends to owners of the combining entities	25	-	-	(4,360,500)	(4,360,500)
At 30 June 2022		-	381,000	32,205,124	32,586,124
At 1 July 2022		-	381,000	32,205,124	32,586,124
Profit for the financial year, representing total comprehensive income for the financial year		-	-	24,930,061	24,930,061
Transactions with owners:					
Issuance of ordinary shares	14(a)	1,000	-	-	1,000
Dividends to owners of the combining entities	25	-	-	(7,216,200)	(7,216,200)
At 30 June 2023		1,000	381,000	49,918,985	50,300,985

The accompanying notes form an integral part of the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023,
30 JUNE 2022 AND 30 JUNE 2021**

	←	Audited		→
		2023	2022	
Note		RM	RM	RM
Cash flows from operating activities				
Profit before tax		33,121,277	16,967,975	9,923,838
Adjustments for:				
Dividend income		-	-	(445,500)
Depreciation of property, plant and equipment		599,507	499,541	379,993
Gain on disposal of property, plant and equipment		(19,060)	(28,641)	-
Property, plant and equipment written off		-	437	-
Depreciation of investment properties		15,085	4,052	4,052
Loss/(Gain) on disposal of investment properties		52,551	-	(33,390)
(Reversal of)/Impairment losses on slow moving inventories		(201,380)	81,915	138,931
Inventories written off		-	11,071	5,630
(Reversal of)/Allowance for expected credit losses on trade receivables		(33,193)	340,020	(3,454)
Interest expenses		395,497	135,429	102,555
Interest income		(202,215)	(77,675)	(89,926)
Unrealised loss/(gain) on foreign exchange		171,191	118,278	(427,256)
Bad debts written off		6,668	168,942	-
Loss on strike off of an associate		-	30	-
Operating profit before working capital changes		33,905,928	18,221,374	9,555,473
Changes in working capital:				
Inventories		(5,189,389)	(2,701,554)	(9,367,307)
Receivables		(106,936)	(9,830,184)	(2,428,652)
Payables		(10,772,392)	(946,443)	2,133,074
		(16,068,717)	(13,478,181)	(9,662,885)
Cash generated from/(used in) operations		17,837,211	4,743,193	(107,412)
Interest received		15,916	15,338	12,465
Tax paid		(7,900,879)	(4,504,414)	(2,759,738)
Tax refund		667,100	-	253,861
Net cash from/(used in) operating activities		10,619,348	254,117	(2,600,824)

13. ACCOUNTANTS' REPORT (Cont'd)**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023,
30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)**

	Note	← Audited →		
		2023 RM	2022 RM	2021 RM
Cash flows from investing activities				
Purchase of property, plant and equipment	A	(984,800)	(4,154,284)	(1,491,764)
Proceeds from disposal of property, plant and equipment		20,499	71,000	-
Purchase of investment properties		(232,849)	(282,510)	(428,302)
Proceed from disposal of investment properties	B	12,000	-	1,500,000
Interest received		186,299	62,337	77,461
Dividend received		-	-	445,500
Net cash (used in)/from investing activities		<u>(998,851)</u>	<u>(4,303,457)</u>	<u>102,895</u>
Cash flows from financing activities				
Dividends paid		(7,216,200)	(4,360,500)	(4,233,000)
Interest paid		(395,497)	(135,429)	(102,555)
Drawdowns of term loans		117,500	2,714,500	-
Repayments of term loans		(73,628)	(39,513)	(937,346)
Drawdowns of bankers' acceptance		19,416,000	10,534,000	5,867,000
Repayments of bankers' acceptance		(16,674,000)	(6,306,000)	(4,405,000)
Advances from/(Repayment to) Directors	C	157,822	(360,184)	656,736
Repayments of lease liabilities	D	(98,656)	(71,597)	(61,582)
Repayments from associates		-	2,815,000	1,477,735
Proceed from issue of share capital		1,000	-	29,900
Net cash (used in)/from financing activities		<u>(4,765,659)</u>	<u>4,790,277</u>	<u>(1,708,112)</u>
Net cash increase/(decrease) in cash and cash equivalents		4,854,838	740,937	(4,206,041)
Cash and cash equivalents at the beginning of the financial year		8,206,960	7,464,557	11,670,388
Effect of exchange translation differences on cash and cash equivalents		(35,819)	1,466	210
Cash and cash equivalents at the end of the financial year		<u>13,025,979</u>	<u>8,206,960</u>	<u>7,464,557</u>
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances		7,993,344	3,692,024	2,960,599
Fixed deposits with a licensed bank		5,032,635	4,514,936	4,503,958
		<u>13,025,979</u>	<u>8,206,960</u>	<u>7,464,557</u>

13. ACCOUNTANTS' REPORT (Cont'd)**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023,
30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)****NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS**

	←	Audited			→
		2023	2022	2021	
Note		RM	RM	RM	
A. Purchase of property, plant and equipment					
Total additions		1,351,800	4,387,284	1,581,764	
Less: Purchase through finance lease arrangements		(367,000)	(233,000)	(90,000)	
Total cash payment		<u>984,800</u>	<u>4,154,284</u>	<u>1,491,764</u>	
B. Proceed from disposal of investment properties					
Total proceed		300,000	-	1,500,000	
Less: Other receivables		(288,000)	-	-	
Total cash received		<u>12,000</u>	<u>-</u>	<u>1,500,000</u>	
C. Advances from/(Repayment to) Directors					
Advances from/(Repayment to) Directors		157,822	(360,209)	606,736	
Less: Proceeds on disposal of associates		-	25	50,000	
Net advances from/(repayment to) Directors		<u>157,822</u>	<u>(360,184)</u>	<u>656,736</u>	
D. Cash outflows for leases as a lessee					
<u>Included in net cash from/(used in) operating activities:</u>					
Payment relating to short-term leases	22	<u>1,758,242</u>	<u>1,187,620</u>	<u>1,047,265</u>	
<u>Included in net cash (used in)/from financing activities:</u>					
Payment of lease liabilities		98,656	71,597	61,582	
Payment on interest of lease liabilities		17,485	9,996	2,853	
		<u>116,141</u>	<u>81,593</u>	<u>64,435</u>	
		<u>1,874,383</u>	<u>1,269,213</u>	<u>1,111,700</u>	

The accompanying notes form an integral part of the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL INFORMATION**1. Corporate information****(a) Introduction**

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of Sorento Capital ("the Company") in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing") and should not be relied upon for any other purposes.

(b) Background

The Company was incorporated on 17 May 2023 as a private limited liability company under the name of Sorento Capital Berhad and domiciled in Malaysia. On 19 March 2024, the Company was converted to public limited liability company and assumed its present name.

The registered office of the Company is located at Third floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan.

(c) Principal activities

The Company's principal activity is investment holding.

The details of the subsidiaries as of the date of this report are as follows:

Name of company	Effective interest %	Date of incorporation	Principal activities
Sorento Sdn. Bhd. ("SSB")	100	17 June 2005	Wholesale of sanitary, kitchen and bathroom wares, bathroom utensils, equipment and accessories.
Nautical Sanitaryware Sdn. Bhd. ("NSSB")	100	27 June 2014	Trading of sanitary ware and bathroom accessories.

13. ACCOUNTANTS' REPORT (Cont'd)

1. **Corporate information (Cont'd)**

(c) **Principal activities (Cont'd)**

The details of the subsidiaries as of the date of this report are as follows: (Cont'd)

Name of company	Effective interest %	Date of incorporation	Principal activities
Beyond Bath Sdn. Bhd. ("BBSB")	100	5 March 2014	Trading of bathroom wares, bathroom utensils, bathroom equipment and related products.
Ideal Bath Sdn. Bhd. ("IBSB")	100	18 October 2018	Trading of sanitary wares, tiling and building materials.
Held through SSB: Mocha Sdn. Bhd. ("MSB")	-	14 July 2023	Wholesale and trading of sanitary and bathroom wares, bathroom utensils, equipment and accessories, hardwares and kitchen wares and household appliances.

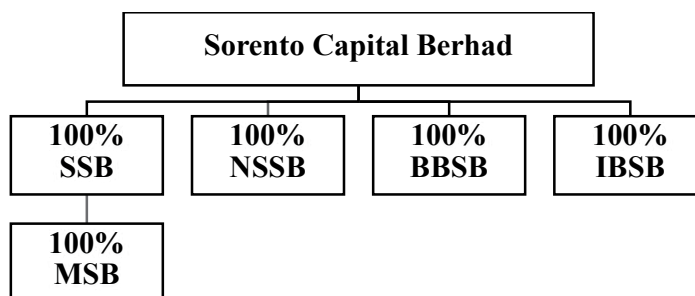
(d) **Acquisition**

The Sorento Capital Group has been formed pursuant to the completion of the acquisition of its subsidiaries by the Company prior to the Listing.

The Company entered into a conditional share sale and purchase agreement on 18 March 2024 to acquire the entire equity interest in SSB, NSSB, BBSB and IBSB for a total purchase consideration of RM42,299,940 to be satisfied by the issuance of 704,999,000 ordinary shares in the Company at an issue price of RM0.06 per share.

Once the acquisition is completed, it will be consolidated using merger method of accounting.

Following the completion of the acquisitions of SSB, NSSB, BBSB and IBSB, the group structure of the Company is as follows:



13. ACCOUNTANTS' REPORT (Cont'd)

1. Corporate information (Cont'd)

(e) Auditors

The combined financial statements of Sorento Capital Group for the financial years ended 30 June 2023, 30 June 2022 and 30 June 2021 reflect only the financial information of SSB, NSSB, BBSB and IBSB, as there is no financial information for Sorento Capital as it was incorporated on 17 May 2023 for the purpose of the Listing.

The relevant financial years of the audited financial statements used for the purpose of the combined financial statements ("Relevant Financial Years") and the auditors are as follows:

Company	Relevant Financial Years	Auditors
SSB	30 June 2023	TGS TW PLT
	30 June 2022	TGS TW PLT
	30 June 2021	TGS TW PLT
NSSB	30 June 2023	TGS TW PLT
	30 June 2022	TGS TW PLT
	30 June 2021	TGS TW PLT
BBSB	30 June 2023	TGS TW PLT
	30 June 2022	TGS TW PLT
	30 June 2021	TGS TW PLT
IBSB	30 June 2023	TGS TW PLT
	30 June 2022	TGS TW PLT
	30 June 2021	TGS TW PLT

The audited financial statements of SSB, NSSB, BBSB and IBSB for the Relevant Financial Years reported above were not subject to any qualification or modification.

2. Basis of preparation

(a) Statement of compliance

The combined financial statements of the combining entities have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The combined financial statements consist of the financial statements of combining entities as disclosed in Note 1(c) to this report, which were under common control throughout the reporting years by virtue of common controlling shareholders.

The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting years.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

The combined financial statements of the combining entities have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial years, the combining entities have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the current financial years:

Amendment to MFRS 16	COVID-19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020	Amendments to MFRS 1 Amendments to MFRS 9 Amendments to Illustrative Examples accompanying MFRS 16 Amendments to MFRS 141

The adoption of the amendments to MFRSs did not have any significant impact on the combined financial statements of the combining entities.

Standards issued but not yet effective

The combining entities have not applied the following new and amendments to MFRSs that have been issued by the MASB but are not yet effective for the combining entities:

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023

13. ACCOUNTANTS' REPORT (Cont'd)

2. Basis of preparation (Cont'd)
(a) Statement of compliance (Cont'd)
Standards issued but not yet effective (Cont'd)

The combining entities have not applied the following new and amendments to MFRSs that have been issued by the MASB but are not yet effective for the combining entities: (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112	International Tax Reform - Pillar Two Model Rules	1 January 2023
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121	Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

13. ACCOUNTANTS' REPORT (Cont'd)**2. Basis of preparation (Cont'd)****(a) Statement of compliance (Cont'd)****Standards issued but not yet effective (Cont'd)**

The combining entities intend to adopt the above new and amendments to MFRSs when they become effective.

The initial applications of the above-mentioned new and amendments to MFRSs are not expected to have any significant impacts on the combined financial statements of the combining entities.

(b) Functional and presentation currency

These combined financial statements are presented in Ringgit Malaysia ("RM"), which is the combining entities' functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the combining entities' combined financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

The following are the judgements made by management in the process of applying the combining entities' accounting policies that have the most significant effect on the amounts recognised in the combined financial statements:

Classification between investment properties and property, plant and equipment

The combining entities have developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the combining entities would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

13. ACCOUNTANTS' REPORT (Cont'd)**2. Basis of preparation (Cont'd)****(c) Significant accounting judgements, estimates and assumptions (Cont'd)****Judgements (Cont'd)****Determining the lease term of contracts with renewal and termination options - combining entities as lessee**

The combining entities determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if they are reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if they are reasonably certain not to be exercised.

The combining entities have several lease contracts that include extension and termination options. The combining entities apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the combining entities reassess the lease term if there is a significant event or change in circumstances that is within its control and affect its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment and investment properties

The combining entities regularly review the estimated useful lives of property, plant and equipment and investment properties based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase the recorded depreciation and decrease the value of property, plant and equipment and investment properties. The carrying amounts at the reporting date for property, plant and equipment and investment properties are disclosed in Notes 4 and 5 to the combined financial statements respectively.

13. ACCOUNTANTS' REPORT (Cont'd)**2. Basis of preparation (Cont'd)****(c) Significant accounting judgements, estimates and assumptions (Cont'd)****Key sources of estimation uncertainty (Cont'd)**Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Notes 7 and 23 to the combined financial statements respectively.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The combining entities estimate the net realisable value of inventories based on an assessment of expected selling prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the combining entities' products, the combining entities might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8 to the combined financial statements.

Determination of transaction prices

The combining entities are required to determine the transaction price in respect of each of their contracts with customers. In making such judgement the combining entities assess the impact of any variable consideration in the contract due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no significant financing as the period between the transfer of control of good or service to a customer and the payment date is always less than one year, and no non-cash consideration noted in the contracts with customers.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the combining entities use the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the combining entities would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The combining entities estimate the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Basis of preparation (Cont'd)**(c) Significant accounting judgements, estimates and assumptions (Cont'd)****Key sources of estimation uncertainty (Cont'd)**Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The combining entities recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Significant accounting policies

The combining entities apply the significant accounting policies set out below, consistently throughout all periods presented in the combined financial statements unless otherwise stated.

(a) ConsolidationCommon control business combination outside the scope of MFRS 3

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, and accordingly the accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

In applying merger accounting, combined financial statements items of the combining entities or businesses for the reporting years in which the common control combination occurs, and for any comparative years disclosed, are included in the financial statements of the entity as if the combination had occurred from the date when the combining entities first came under the control of the controlling party or parties prior to the common control combination.

A single uniform set of accounting policies is adopted by the entity. Therefore, the entity recognised the assets, liabilities and equity of the combining entities or business at the carrying amounts in the combined financial statements of the controlling party or parties to the common control combination.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Significant accounting policies (Cont'd)****(a) Consolidation (Cont'd)**Common control business combination outside the scope of MFRS 3 (Cont'd)

The carrying amounts are included as if such combined financial statements had been prepared by the controlling party, including adjustments required for conforming the entity's accounting policies and applying those policies to all years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the entity.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On combination, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in merger reserve.

(b) Investment in associates

An associate is an entity over which the combining entities have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

On acquisition of an investment in an associate, any excess of the cost of investment over the combining entities' share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the combining entities' share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and the investment is instead included as income in the determination of the combining entities' share of associate's profit or loss for the period in which the investment is acquired.

13. ACCOUNTANTS' REPORT (Cont'd)

3. Significant accounting policies (Cont'd)**(b) Investment in associates (Cont'd)**

An associate is accounted for either at cost or equity method as described in MFRS 128 from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the combining entities' share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the combining entities' share of losses in an associate equal or exceed their interests in the associate, the combining entities do not recognise further losses, unless they have incurred legal or constructive obligations or made payments on behalf of the associates.

Profits or losses resulting from upstream and downstream transactions between the combining entities and their associates are recognised in the combining entities' financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associates are prepared as of the same reporting date as the combining entities. Where necessary, adjustments are made to bring the accounting policies in line with those of the combining entities.

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associates. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associates, the combining entities measure and recognise any retained investment at their fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the combining entities' separate financial statements, investment in associates is either stated at cost less accumulated impairment losses or equity method. On disposal of such investment, the difference between net disposal proceed and its carrying amount is recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(m)(i) to the combined financial statements on impairment of non-financial assets.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Significant accounting policies (Cont'd)****(c) Foreign currency translations and balances**

Transactions in foreign currency are recorded in the functional currency of the combining entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i) to the combined financial statements on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Capital work-in-progress consists of software under development for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under development until the property, plant and equipment are ready for their intended use.

13. ACCOUNTANTS' REPORT (Cont'd)

3. Significant accounting policies (Cont'd)
(d) Property, plant and equipment (Cont'd)
(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the combining entities and their cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold building	2%
Computer and software	10% - 20%
Office equipment	10%
Furniture and fittings	10%
Renovation	10% - 20%
Motor vehicles	10% - 20%
Signboard	10%

The residual values, useful lives and depreciation method are reviewed at each reporting period end 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 property, plant and equipment.

(e) Leases
As lessee

The combining entities recognise a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i) to the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Significant accounting policies (Cont'd)****(e) Leases (Cont'd)**As lessee (Cont'd)

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Motor vehicles	10% - 20%
----------------	-----------

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the combining entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the combining entities are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the combining entities change their assessment of whether they will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(f) Investment properties

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Significant accounting policies (Cont'd)****(f) Investment properties (Cont'd)**

Freehold land and buildings under construction are not depreciated. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Freehold buildings	2%
Leasehold land and building	Over the lease term

The residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(m)(i) to the combined financial statements on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

(g) Financial assets

Financial assets are recognised in the combined statements of financial position when, and only when, the combining entities become a party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade receivable without financing component) is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

The combining entities determine the classification of their financial assets at initial recognition, and are not reclassified subsequent to their initial recognition unless the combining entities change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Significant accounting policies (Cont'd)****(g) Financial assets (Cont'd)****(i) Financial assets at amortised cost**

The combining entities measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

All financial assets, except for those measured at FVTPL and equity investments measured at fair value through other comprehensive income, are subject to impairment.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the combining entities commit to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(h) Financial liabilities

Financial liabilities are recognised when, and only when, the combining entities become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Significant accounting policies (Cont'd)****(h) Financial liabilities (Cont'd)**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(i) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

(j) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of trading goods comprises cost of purchase and others costs incurred in bringing it to their present location and condition are determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and fixed deposits with a licensed bank that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

13. ACCOUNTANTS' REPORT (Cont'd)

3. Significant accounting policies (Cont'd)**(m) Impairment of assets****(i) Non-financial assets**

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) 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.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) Financial assets

The combining entities recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the combining entities expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Significant accounting policies (Cont'd)****(m) Impairment of assets (Cont'd)****(ii) Financial assets (Cont'd)**

For receivables, the combining entities apply a simplified approach in calculating ECLs. Therefore, the combining entities do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The combining entities have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(n) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

Invested equity represents the paid-up capital of the combined entities held by the common control shareholders.

(o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the combining entities can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is recognised in the profit or loss net of any reimbursement.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Significant accounting policies (Cont'd)****(p) Employee benefits****(i) Short-term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the combining entities. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the combining entities have no further payment obligations.

(q) Revenue recognition**(i) Revenue from contracts with customers**

Revenue is recognised when the combining entities satisfied a performance obligation ("PO") by transferring a promised good or service to the customers, which is when the customers obtain control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The combining entities recognise revenue from the following major source:

Sales of goods - wholesale

The combining entities sell sanitary, kitchen and bathroom wares, bathroom utensils, equipment, accessories, tiling and building materials in the wholesale market. Revenue from sales of goods is recognised when control of the products has transferred, being the products are delivered to the customers.

Following delivery of the goods to the wholesaler's specific location, the wholesaler has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Significant accounting policies (Cont'd)****(q) Revenue recognition (Cont'd)****(ii) Interest income**

Interest income is recognised on accruals basis using the effective interest method.

(iii) Dividend income

Dividend income is recognised when the combining entities' right to receive payment is established.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the combining entities incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(s) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

13. ACCOUNTANTS' REPORT (Cont'd)

3. Significant accounting policies (Cont'd)**(s) Income taxes (Cont'd)**

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The combining entities' operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(u) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(v) Related parties

A related party is a person or entity that is related to the combining entities. A related party transaction is a transfer of resources, services or obligations between the combining entities and their related parties, regardless of whether a price is charged.

13. ACCOUNTANTS' REPORT (Cont'd)

3. Significant accounting policies (Cont'd)

(v) Related parties (Cont'd)

- (a) A person or a close member of that person's family is related to the combining entities if that person:
 - (i) has control or joint control over the combining entities;
 - (ii) has significant influence over the combining entities; or
 - (iii) is a member of the key management personnel of the combining entities.

- (b) An entity is related to the combining entities if any of the following conditions applies:
 - (i) The entity and the combining entities are members of the same group.
 - (ii) The entity is an associate or joint venture of the other entity.
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) The entity is a joint venture of a third entity and the other entity is an associate of the same third entity.
 - (v) The entity is a post-employment benefit plan for the benefits of employees of either the combining entities or an entity related to the combining entities.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the combining entities.
 - (viii) The entity, or any member of an entity of which it is a party, provides key management personnel services to the combining entities.

13. ACCOUNTANTS' REPORT (Cont'd)

4. Property, plant and equipment

	Freehold land RM	Freehold building RM	Computer and software RM	Office equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Signboard RM	Capital work-in-progress RM	Total RM
Cost										
At 1 July 2020	-	-	383,430	149,031	519,452	56,867	966,060	12,155	-	2,086,995
Additions	-	-	120,582	871,347	280,551	108,284	201,000	-	-	1,581,764
At 30 June 2021	-	-	504,012	1,020,378	800,003	165,151	1,167,060	12,155	-	3,668,759
Additions	1,171,508	2,400,000	25,679	34,730	134,705	152,433	274,441	10,620	183,168	4,387,284
Disposal	-	-	-	-	(207,562)	-	(39,050)	-	-	(246,612)
Written off	-	-	-	(460)	-	-	-	-	-	(460)
At 30 June 2022	1,171,508	2,400,000	529,691	1,054,648	727,146	317,584	1,402,451	22,775	183,168	7,808,971
Additions	-	-	61,066	80,387	99,074	390,199	486,502	5,612	228,960	1,351,800
Disposal	-	-	-	(1,799)	-	-	(41,000)	-	-	(42,799)
At 30 June 2023	1,171,508	2,400,000	590,757	1,133,236	826,220	707,783	1,847,953	28,387	412,128	9,117,972
Accumulated depreciation										
At 1 July 2020	-	-	172,911	89,764	249,261	34,855	628,433	2,431	-	1,177,655
Charge for the financial year	-	-	53,280	97,223	65,375	14,957	147,942	1,216	-	379,993
At 30 June 2021	-	-	226,191	186,987	314,636	49,812	776,375	3,647	-	1,557,648
Charge for the financial year	-	48,000	49,570	100,400	70,266	30,200	198,828	2,277	-	499,541
Disposal	-	-	-	-	(181,928)	-	(22,325)	-	-	(204,253)
Written off	-	-	-	(23)	-	-	-	-	-	(23)
At 30 June 2022	-	48,000	275,761	287,364	202,974	80,012	952,878	5,924	-	1,852,913
Charge for the financial year	-	48,000	56,446	108,143	79,932	46,615	257,532	2,839	-	599,507
Disposal	-	-	-	(360)	-	-	(41,000)	-	-	(41,360)
At 30 June 2023	-	96,000	332,207	395,147	282,906	126,627	1,169,410	8,763	-	2,411,060
Carrying amount										
At 30 June 2023	1,171,508	2,304,000	258,550	738,089	543,314	581,156	678,543	19,624	412,128	6,706,912
At 30 June 2022	1,171,508	2,352,000	253,930	767,284	524,172	237,572	449,573	16,851	183,168	5,956,058
At 30 June 2021	-	-	277,821	833,391	485,367	115,339	390,685	8,508	-	2,111,111

13. ACCOUNTANTS' REPORT (Cont'd)

4. Property, plant and equipment (Cont'd)

- (a) Including in net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2023	2022	2021
	RM	RM	RM
Motor vehicles			
Cost			
At beginning of the financial year	825,689	552,228	420,228
Additions	483,902	273,461	132,000
At end of the financial year	<u>1,309,591</u>	<u>825,689</u>	<u>552,228</u>
Accumulated depreciation			
At beginning of the financial year	482,010	316,873	206,427
Charge for the financial year	223,582	165,137	110,446
At end of the financial year	<u>705,592</u>	<u>482,010</u>	<u>316,873</u>
Carrying amount	<u><u>603,999</u></u>	<u><u>343,679</u></u>	<u><u>235,355</u></u>

- (b) The net carrying amount of motor vehicles amounted to RM603,999 (2022: RM343,679 and 2021: RM235,355) were acquired under finance lease arrangements.
- (c) Assets pledged as securities to financial institutions:

	2023	2022	2021
	RM	RM	RM
Freehold land	1,171,508	1,171,508	-
Freehold building	2,304,000	2,352,000	-
	<u>3,475,508</u>	<u>3,523,508</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)**5. Investment properties**

	Freehold land and building RM	Leasehold land and building RM	Freehold buildings RM	Freehold buildings in construction RM	Total RM
Cost					
At 1 July 2020	1,466,610	-	-	171,248	1,637,858
Additions	-	360,655	-	67,647	428,302
Disposal	(1,466,610)	-	-	-	(1,466,610)
At 30 June 2021	-	360,655	-	238,895	599,550
Additions	-	-	-	282,510	282,510
At 30 June 2022	-	360,655	-	521,405	882,060
Reclassification	-	-	521,405	(521,405)	-
Additions	-	-	232,849	-	232,849
Disposal	-	(360,655)	-	-	(360,655)
At 30 June 2023	-	-	754,254	-	754,254
Accumulated depreciation					
At 1 July 2020	-	-	-	-	-
Charge for the financial year	-	4,052	-	-	4,052
At 30 June 2021	-	4,052	-	-	4,052
Charge for the financial year	-	4,052	-	-	4,052
At 30 June 2022	-	8,104	-	-	8,104
Charge for the financial year	-	-	15,085	-	15,085
Disposal	-	(8,104)	-	-	(8,104)
At 30 June 2023	-	-	15,085	-	15,085
Carrying amount					
At 30 June 2023	-	-	739,169	-	739,169
At 30 June 2022	-	352,551	-	521,405	873,956
At 30 June 2021	-	356,603	-	238,895	595,498

The leasehold land of the combining entities was not separable from its leasehold building. Hence, depreciation was charged at the aggregate amount of leasehold land and building.

13. ACCOUNTANTS' REPORT (Cont'd)

5. Investment properties (Cont'd)

Income and expenses recognised in profit or loss

The following is recognised in profit or loss in respect of investment properties:

	2023	2022	2021
	RM	RM	RM
Direct operating expenses	88	-	-

Fair value basis of investment properties

The fair values of the investment properties of the combining entities were estimated by the Directors based on recent transacted prices in the market of properties with similar condition and location. In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

Fair value measurements of the investment properties were categorised as follows:

	2023	2022	2021
	RM	RM	RM
Recurring fair value measurement:			
Leasehold land and building	-	381,171	381,171
Freehold buildings	785,004	-	-
	785,004	381,171	381,171

Level 3 fair value

Level 3 fair value of lands and buildings have been generally derived by using sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property site. The most significant input into this valuation approach is price per square foot of comparable properties.

6. Investment in associates

	2023	2022	2021
	RM	RM	RM
Unquoted shares, at cost			
At beginning of the financial year	350	405	50,405
Disposal	-	(25)	(50,000)
Strike off	-	(30)	-
At end of the financial year	350	350	405

13. ACCOUNTANTS' REPORT (Cont'd)

6. Investment in associates (Cont'd)

The details of the associates are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest			Principal activities
		2023 %	2022 %	2021 %	
GBI Building Materials Sdn. Bhd. ("GBI") *	Malaysia	35	35	35	Supply of building material for construction needs
SRT Bathware Sdn. Bhd. ("SRT") *	Malaysia	-	-	30	Trading of bathware
Boon Seng Resources Sdn. Bhd. ("Boon Seng") *	Malaysia	-	-	25	Investment holding and general trading

* Associates not audited by TGS TW PLT

(a) Summarised financial information of the associates is set out below:

(i) Summarised statement of financial position

	2023 RM	GBI 2022 RM	2021 RM
Non-current assets	6,831	7,473	8,111
Current assets	10,030	15,184	31,443
Current liabilities	(124,213)	(127,814)	(119,475)
Net liabilities	<u>(107,352)</u>	<u>(105,157)</u>	<u>(79,921)</u>

	2023 RM	SRT 2022 RM	2021 RM
Current assets	-	-	11,234
Current liabilities	-	-	(5,900)
Net assets	<u>-</u>	<u>-</u>	<u>5,334</u>

13. ACCOUNTANTS' REPORT (Cont'd)

6. Investment in associates (Cont'd)

(a) Summarised financial information of the associate is set out below: (Cont'd)

(i) Summarised statement of financial position (Cont'd)

	Boon Seng		
	2023	2022	2021
	RM	RM	RM
Non-current assets	-	-	100,000
Current assets	-	-	12,307,719
Current liabilities	-	-	(12,445,038)
Net liabilities	<u>-</u>	<u>-</u>	<u>(37,319)</u>

(ii) Summarised statement of profit or loss

	GBI		
	2023	2022	2021
	RM	RM	RM
Loss for the financial year	<u>(291)</u>	<u>(14,497)</u>	<u>(28,465)</u>

	SRT		
	2023	2022	2021
	RM	RM	RM
Loss for the financial year	<u>-</u>	<u>-</u>	<u>(5,764)</u>

Included in profit or loss for the financial year is:			
- Revenue	-	-	4,846
- Dividend paid	-	-	(1,485,000)

	Boon Seng		
	2023	2022	2021
	RM	RM	RM
Loss for the financial year	<u>-</u>	<u>-</u>	<u>(4,770)</u>

The combining entities do not have obligation to share the loss before tax during the financial year as they have exceeded the cost of investment of GBI, SRT and Boon Seng respectively.

13. ACCOUNTANTS' REPORT (Cont'd)

6. Investment in associates (Cont'd)

(b) Disposal/strike off of associates

On 11 January 2021, the combining entities disposed off 50% equity interest in Topyear Logistics Sdn. Bhd. for a cash consideration of RM50,000 at a no gain no loss position.

On 13 October 2021, the combining entities disposed off 25% equity interest in Boon Seng for a cash consideration of RM25 at a no gain no loss position.

On 30 November 2021, the combining entities struck off SRT, which had resulted a loss of RM30.

7. Deferred tax assets/(liabilities)

	2023	2022	2021
	RM	RM	RM
At beginning of the financial year	24,109	(46,891)	24,435
Recognised in profit or loss	(191,976)	(3,247)	(99,872)
Under provision in prior financial year	32,856	74,247	28,546
At end of the financial year	<u>(135,011)</u>	<u>24,109</u>	<u>(46,891)</u>

The net deferred tax assets and liabilities shown on the combined statements of financial position after appropriate offsetting are as follows:

	2023	2022	2021
	RM	RM	RM
Deferred tax assets	74,000	173,000	102,000
Deferred tax liabilities	(209,011)	(148,891)	(148,891)
	<u>(135,011)</u>	<u>24,109</u>	<u>(46,891)</u>

The components and movements of deferred tax assets/(liabilities) are as follows:

	2023	2022	2021
	RM	RM	RM
Property, plant and equipment	(214,011)	(163,891)	(158,891)
Provisions	38,000	188,000	112,000
Unutilised business losses	41,000	-	-
	<u>(135,011)</u>	<u>24,109</u>	<u>(46,891)</u>

13. ACCOUNTANTS' REPORT (Cont'd)**8. Inventories**

	2023	2022	2021
	RM	RM	RM
Trading goods	24,306,248	20,742,053	18,133,485
Goods-in-transit	1,826,574	-	-
	<u>26,132,822</u>	<u>20,742,053</u>	<u>18,133,485</u>
	2023	2022	2021
	RM	RM	RM
Recognised in profit or loss:			
Inventories recognised as cost of sales	48,928,439	46,983,776	39,804,138
Inventories written off	-	11,071	5,630
(Reversal of)/Impairment losses on slow moving inventories	<u>(201,380)</u>	<u>81,915</u>	<u>138,931</u>

The inventories written off is made when the related inventories were obsolete.

Impairment losses on slow moving inventories is presented in cost of sales.

The reversal of impairment losses on slow moving inventories was made during the financial year when the related inventories were sold.

9. Trade receivables

	2023	2022	2021
	RM	RM	RM
Trade receivables	27,281,383	28,457,679	18,228,387
Less: Allowance for expected credit losses ("ECLs")	<u>(139,482)</u>	<u>(733,182)</u>	<u>(393,162)</u>
	<u>27,141,901</u>	<u>27,724,497</u>	<u>17,835,225</u>

Trade receivables are non-interest bearing and are generally on cash on delivery to 90 days (2022: cash on delivery to 90 days and 2021: cash on delivery to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RM947,030 (2022: RM938,735 and 2021: RM496,036) due from related companies in which Directors have interests.

13. ACCOUNTANTS' REPORT (Cont'd)

9. Trade receivables (Cont'd)

Movements in the allowance for ECLs are as follows:

	2023	2022	2021
	RM	RM	RM
At beginning of the financial year	733,182	393,162	396,616
Charge for the financial year	-	340,020	-
Reversal of impairment losses	(33,193)	-	(3,454)
Written off	(560,507)	-	-
At end of the financial year	<u>139,482</u>	<u>733,182</u>	<u>393,162</u>

The following table provides information about the exposure to credit risk and allowance for ECLs for trade receivables:

	Gross		Net
	amount	ECLs	amount
	RM	RM	RM
2023			
Not past due	19,705,973	(1,493)	19,704,480
Past due:			
Less than 30 days	3,136,490	(1,067)	3,135,423
31 to 60 days	1,469,801	(688)	1,469,113
61 to 90 days	1,333,121	(1,492)	1,331,629
Past due more than 90 days	1,504,736	(3,480)	1,501,256
	<u>27,150,121</u>	<u>(8,220)</u>	<u>27,141,901</u>
Credit impaired:			
Individual impaired	131,262	(131,262)	-
	<u>27,281,383</u>	<u>(139,482)</u>	<u>27,141,901</u>
2022			
Not past due	16,922,058	(2,788)	16,919,270
Past due:			
Less than 30 days	5,813,973	(775)	5,813,198
31 to 60 days	2,083,011	(1,825)	2,081,186
61 to 90 days	701,937	(585)	701,352
Past due more than 90 days	2,218,960	(9,469)	2,209,491
	<u>27,739,939</u>	<u>(15,442)</u>	<u>27,724,497</u>
Credit impaired:			
Individual impaired	717,740	(717,740)	-
	<u>28,457,679</u>	<u>(733,182)</u>	<u>27,724,497</u>

13. ACCOUNTANTS' REPORT (Cont'd)

9. Trade receivables (Cont'd)

The following table provides information about the exposure to credit risk and allowance for ECLs for trade receivables: (Cont'd)

	Gross amount RM	ECLs RM	Net amount RM
2021			
Not past due	6,422,928	(2,795)	6,420,133
Past due:			
Less than 30 days	4,701,288	(1,721)	4,699,567
31 to 60 days	2,597,829	(92)	2,597,737
61 to 90 days	1,385,789	(417)	1,385,372
Past due more than 90 days	2,759,910	(27,494)	2,732,416
	<u>17,867,744</u>	<u>(32,519)</u>	<u>17,835,225</u>
Credit impaired:			
Individual impaired	360,643	(360,643)	-
	<u>18,228,387</u>	<u>(393,162)</u>	<u>17,835,225</u>

10. Other receivables

	2023 RM	2022 RM	2021 RM
Non-trade receivables	296,588	1,211,765	2,270,918
Deposits	344,397	92,719	113,550
Prepayments	128,374	134,956	170,637
Advances to suppliers	2,231,299	571,668	-
	<u>3,000,658</u>	<u>2,011,108</u>	<u>2,555,105</u>

Non-trade receivables are unsecured, non-interest bearing and repayable on demand.

Included in non-trade receivables is an amount of RM1,565 (2022: RM2,264 and 2021: RM524,838) due from related companies in which Directors have interests.

The foreign currency profile of other receivables are as follows:

	2023 RM	2022 RM	2021 RM
United States Dollar ("USD")	156,642	1,716,681	1,099,482
Renminbi ("RMB")	1,861,665	-	-
	<u>2,018,307</u>	<u>1,716,681</u>	<u>1,099,482</u>

13. ACCOUNTANTS' REPORT (Cont'd)

11. Amount due from associates

Amount due from associates represent non-trade in nature, unsecured, non-interest bearing and repayable on demand.

12. Fixed deposits with a licensed bank

The interest rate of fixed deposits with a licensed bank ranged from 2.25% to 3.65% (2022: 1.70% to 2.25% and 2021: 1.70% to 2.15%) per annum. The maturities of fixed deposits with a licensed bank were 90 days (2022: 30 to 90 days and 2021: 30 days).

13. Cash and bank balances

The foreign currency profile of cash and bank balances are as follows:

	2023 RM	2022 RM	2021 RM
USD	29,426	28,045	75,093
Singapore Dollar ("SGD")	-	-	10
	29,426	28,045	75,103

14. Share capital/Invested equity

(a) Share capital

	Number of ordinary shares		
	2023 Units	2022 Units	2021 Units
At beginning/end of the financial year	1,000	-	-
	Amount		
	2023 RM	2022 RM	2021 RM
At beginning/end of the financial year	1,000	-	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

13. ACCOUNTANTS' REPORT (Cont'd)

14. Share capital/Invested equity (Cont'd)
(b) Invested equity

	Number of ordinary shares		
	2023	2022	2021
	Units	Units	Units
Issued and fully paid			
At beginning of the financial year	381,000	381,000	351,100
Issuance of shares	-	-	29,900
At end of the financial year	<u>381,000</u>	<u>381,000</u>	<u>381,000</u>
		Amount	
	2023	2022	2021
	RM	RM	RM
Issued and fully paid			
At beginning of the financial year	381,000	381,000	351,100
Issuance of shares	-	-	29,900
At end of the financial year	<u>381,000</u>	<u>381,000</u>	<u>381,000</u>

Invested equity comprised the aggregate number of issued and paid-up ordinary shares of SSB, NSSB, BBSB and IBSB.

During the financial year ended 30 June 2021, BBSB issued 29,900 new ordinary shares of RM1 each for a total cash consideration of RM29,900 for working capital purposes.

13. ACCOUNTANTS' REPORT (Cont'd)**15. Loans and borrowings**

	2023	2022	2021
	RM	RM	RM
Total loans and borrowings			
Term loans	2,718,859	2,674,987	-
Bankers' acceptance	9,445,000	6,703,000	2,475,000
	<u>12,163,859</u>	<u>9,377,987</u>	<u>2,475,000</u>
Non-current			
Secured			
Term loans	<u>2,633,017</u>	<u>2,578,616</u>	<u>-</u>
Current			
Secured			
Term loans	85,842	96,371	-
Bankers' acceptance	9,445,000	6,703,000	2,475,000
	<u>9,530,842</u>	<u>6,799,371</u>	<u>2,475,000</u>
	<u>12,163,859</u>	<u>9,377,987</u>	<u>2,475,000</u>

The above credit facilities are secured by the followings:

- (i) Legal charge over the freehold land and building of the combining entities as disclosed in Note 4 to the combined financial statements;
- (ii) Legal charge over a unit of warehouse owned by a company in which the Directors have interests;
- (iii) Facility agreements; and
- (iv) Joint and several guarantees by the Directors of the combining entities.

The repayment terms of above credit facilities are as follows:

- (i) Term loans are repayable by 240 to 300 (2022: 120 to 300 and 2021: 120) monthly installments.
- (ii) Bankers' acceptance are repayable by 117 to 150 (2022: 21 to 296 and 2021: 14 to 120) days.

The average effective interest rates per annum are as follows:

	2023	2022	2021
	%	%	%
Term loans	3.67 - 4.52	3.17 - 3.27	4.52
Bankers' acceptance	<u>2.95 - 4.42</u>	<u>2.95 - 3.27</u>	<u>3.05 - 3.44</u>

13. ACCOUNTANTS' REPORT (Cont'd)**16. Lease liabilities**

	2023	2022	2021
	RM	RM	RM
Non-current	396,654	200,147	61,863
Current	145,479	73,642	50,523
	<u>542,133</u>	<u>273,789</u>	<u>112,386</u>

The maturity analysis of lease liabilities at the end of the reporting period:

	2023	2022	2021
	RM	RM	RM
Within 1 year	166,857	84,660	55,774
Between 1 - 5 years	426,467	213,623	66,005
	<u>593,324</u>	<u>298,283</u>	<u>121,779</u>
Less: Future finance charges	(51,191)	(24,494)	(9,393)
Present value of lease liabilities	<u>542,133</u>	<u>273,789</u>	<u>112,386</u>

The combining entities lease motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liabilities bear interest rates of 2.40% to 4.11% (2022: 3.35% to 4.11% and 2021: 3.08% to 3.35%) per annum. Interest rates are fiscal of the inspection of the lease liabilities agreements.

17. Trade payables

The normal trade credit terms granted to the combining entities ranged from cash term to 60 days (2022: cash term to 90 days and 2021: cash term to 90 days) depending on the terms of the contracts.

Included in trade payables is an amount of RMNil (2022: RMNil and 2021: RM34,365) due from related companies in which Directors have interests.

The foreign currency profile of trade payables are as follows:

	2023	2022	2021
	RM	RM	RM
USD	7,701,378	9,917,817	18,827,371
RMB	2,603,794	-	-
	<u>10,305,172</u>	<u>9,917,817</u>	<u>18,827,371</u>

13. ACCOUNTANTS' REPORT (Cont'd)

18. Other payables

	2023	2022	2021
	RM	RM	RM
Non-trade payables	627,805	950,884	1,168,800
Accruals	2,293,639	435,848	261,429
	<u>2,921,444</u>	<u>1,386,732</u>	<u>1,430,229</u>

Included in non-trade payables is an amount of RM17,408 (2022: RM882 and 2021: RM58,257) due from related companies in which Directors have interests.

The foreign currency profile of other payables are as follows:

	2023	2022	2021
	RM	RM	RM
RMB	<u>83,018</u>	<u>-</u>	<u>-</u>

19. Amount due to Directors

Amount due to Directors represent non-trade in nature, unsecured, non-interest bearing and repayable on demand.

20. Revenue

	2023	2022	2021
	RM	RM	RM
Revenue from contracts with customers:			
Sales of goods	<u>112,310,949</u>	<u>90,687,870</u>	<u>66,106,978</u>
Timing of revenue recognition:			
At a point in time	<u>112,310,949</u>	<u>90,687,870</u>	<u>66,106,978</u>

13. ACCOUNTANTS' REPORT (Cont'd)

21. Finance costs

	2023	2022	2021
	RM	RM	RM
Interest expenses on:			
- Term loans	109,147	22,566	21,428
- Bankers' acceptance	268,865	102,867	78,274
- Lease liabilities	17,485	9,996	2,853
	<u>395,497</u>	<u>135,429</u>	<u>102,555</u>

22. Profit before tax

Profit before tax is determined after charging/(crediting) amongst other, the following items:

	2023	2022	2021
	RM	RM	RM
Auditors' remuneration			
- Current financial year	109,000	206,600	61,600
- Over/(Under) provision in prior financial year	1,140	(2,200)	(1,500)
Depreciation of property, plant and equipment	599,507	499,541	379,993
Gain on disposal of property, plant and equipment	(19,060)	(28,641)	-
Property, plant and equipment written off	-	437	-
Depreciation of investment properties	15,085	4,052	4,052
Loss/(Gain) on disposal of investment properties	52,551	-	(33,390)
(Reversal of)/Impairment losses on slow moving inventories	(201,380)	81,915	138,931
Inventories written off	-	11,071	5,630
(Reversal of)/Allowance of expected credit losses on trade receivables	(33,193)	340,020	(3,454)
Interest income			
- Fixed deposits with a licensed bank	(186,299)	(62,337)	(77,461)
- Cash and cash equivalents	(15,916)	(15,338)	(12,465)
Foreign exchange loss/(gain)			
- Unrealised	171,191	118,278	(427,256)
- Realised	96,664	226,701	(369,339)

13. ACCOUNTANTS' REPORT (Cont'd)

22. Profit before tax (Cont'd)

Profit before tax is determined after charging/(crediting) amongst other, the following items: (Cont'd)

	2023	2022	2021
	RM	RM	RM
Bad debts written off/(recovered)	6,668	168,942	(340,429)
Loss on strike off of an associate	-	30	-
Short-term leases (a)	1,758,242	1,187,620	1,047,265
Wages subsidies (b)	-	(98,400)	(138,600)
Dividend income	-	-	(445,500)
	<u> </u>	<u> </u>	<u> </u>

(a) The combining entities lease various properties and motor vehicles with contract terms of not more than one year. These leases are short-term. The combining entities have elected not to recognise right-of-use assets and lease liabilities for these leases.

(b) The combining entities were entitled to a wages subsidy programme introduced by the government of Malaysia in response to the COVID-19 pandemic during the financial year.

23. Taxation

	2023	2022	2021
	RM	RM	RM
Tax expenses recognised in profit or loss			
Current tax			
Current financial year provision	7,973,870	4,296,239	2,075,822
Under/(Over) provision in prior financial year	58,226	1,235	(701)
	<u>8,032,096</u>	<u>4,297,474</u>	<u>2,075,121</u>
Deferred tax			
Origination and reversal of temporary differences	191,976	3,247	99,872
Under provision in prior financial year	(32,856)	(74,247)	(28,546)
	<u>159,120</u>	<u>(71,000)</u>	<u>71,326</u>
	<u>8,191,216</u>	<u>4,226,474</u>	<u>2,146,447</u>

13. ACCOUNTANTS' REPORT (Cont'd)**23. Taxation (Cont'd)**

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the effective income tax of the combining entities are as follows:

	2023	2022	2021
	RM	RM	RM
Profit before tax	<u>33,121,277</u>	<u>16,967,975</u>	<u>9,923,838</u>
At Malaysian statutory tax rate of 24% (2022: 24% and 2021: 24%)	7,949,106	4,072,314	2,381,721
Change in tax rate for first tranche of chargeable income	(73,145)	(48,150)	(99,319)
Expenses not deductible for tax purposes	467,711	216,841	168,738
Income not subject to tax	(53,026)	(51,439)	(274,774)
Under/(Over) provision of tax expenses in prior financial year	58,226	1,235	(701)
Under provision of deferred tax in prior financial year	(32,856)	(74,247)	(28,546)
Movements of deferred tax assets not recognised	(124,800)	109,920	(672)
	<u>8,191,216</u>	<u>4,226,474</u>	<u>2,146,447</u>

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2023	2022	2021
	RM	RM	RM
Property, plant and equipment	-	(2,200)	(2,800)
Provisions	-	172,700	64,800
Unutilised business losses	-	348,700	-
Unabsorbed capital allowances	-	800	-
	<u>-</u>	<u>520,000</u>	<u>62,000</u>

In accordance with the provision of Finance Act 2018, the unutilised business losses could be carried forward for a maximum of seven consecutive years of assessment. Any balance of the unutilised business losses at the end of the seventh year shall be disregarded.

13. ACCOUNTANTS' REPORT (Cont'd)**23. Taxation (Cont'd)****Unrecognised deferred tax assets (Cont'd)**

The Finance Act 2021 stated that the time frame to carry forward unutilised business losses for year of assessment 2019 and subsequent years of assessment be extended from seven to ten consecutive years of assessment. The other temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

24. Earnings per shareBasic earnings per share

The basic earnings per share are calculated based on the profit for the financial year attributable to owners of the combining entities and the weighted average number of ordinary shares in issue during the financial year as follows:

	2023	2022	2021
	RM	RM	RM
Profit attributable to owners of the combining entities	<u>24,930,061</u>	<u>12,741,501</u>	<u>7,777,391</u>
Number of enlarged ordinary shares (units)	<u>860,000,000</u>	<u>860,000,000</u>	<u>860,000,000</u>
Basic earnings per ordinary share (sen)	<u>0.03</u>	<u>0.01</u>	<u>0.01</u>

Diluted earnings per share

There are no diluted earnings per share as the combining entities do not have any dilutive potential ordinary shares outstanding as at the end of the reporting date.

13. ACCOUNTANTS' REPORT (Cont'd)**25. Dividends**

	← Audited →		
	2023	2022	2021
	RM	RM	RM
Dividends recognised as distribution to owners of the combining entities:			
<u>SSB</u>			
An interim single-tier dividend of RM8.00 per ordinary share declared on 17 January 2023 and paid on 18 January 2023	2,000,000	-	-
An interim single-tier dividend of RM6.40 per ordinary share declared on 27 January 2023 and paid on 30 January 2023	1,600,000	-	-
An interim single-tier dividend of RM6.00 per ordinary share declared on 22 March 2023 and paid on 23 March 2023	1,500,000	-	-
An interim single-tier dividend of RM4.00 per ordinary share declared on 7 June 2023 and paid on 16 June 2023	1,000,000	-	-
An interim single-tier dividend of RM9.60 per ordinary share declared on 1 September 2021 and paid on 1 September 2021	-	2,400,000	-
An interim single-tier dividend of RM10.53 per ordinary share declared on 23 March 2021 and paid on 25 March 2021	-	-	2,632,500
<u>BBSB</u>			
An interim single-tier dividend of RM5.56 per ordinary share declared on 3 August 2022 and paid on 5 August 2022	166,800	-	-
An interim single-tier dividend of RM13.33 per ordinary share declared on 10 January 2023 and paid on 11 January 2023	399,900	-	-
An interim single-tier dividend of RM11.65 per ordinary share declared on 25 April 2023 and paid on 26 April 2023	349,500	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

25. Dividends (Cont'd)

	←	Audited	→
	2023	2022	2021
	RM	RM	RM
Dividends recognised as distribution to owners of the combining entities: (Cont'd)			
<u>BBSB (Cont'd)</u>			
An interim single-tier dividend of RM33.30 per ordinary share declared on 15 November 2021 and paid on 16 November 2021	-	999,000	-
An interim single-tier dividend of RM22.05 per ordinary share declared on 9 December 2021 and paid on 10 December 2021	-	661,500	-
An interim single-tier dividend of RM10.00 per ordinary share declared on 20 January 2022 and paid on 24 January 2022	-	300,000	-
An interim single-tier dividend of RM53.35 per ordinary share declared on 21 January 2021 and paid on 22 January 2021	-	-	1,600,500
<u>IBSB</u>			
An interim single-tier dividend of RM200.00 per ordinary share declared on 14 February 2023 and paid on 15 February 2023	200,000	-	-
	<u>7,216,200</u>	<u>4,360,500</u>	<u>4,233,000</u>

The combining entities had on 27 July 2023 declared an interim single-tier dividend of RM4.00 per share amounting to RM1,000,000 and payable on 28 July 2023. This dividend is not reflected in the combined financial statements for the current financial year and will be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2024.

The combining entities had on 22 September 2023 declared an interim single-tier dividend of RM1.998 per share amounting to RM499,500 and payable on 25 September 2023. This dividend is not reflected in the combined financial statements for the current financial year and will be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2024.

13. ACCOUNTANTS' REPORT (Cont'd)

25. Dividends (Cont'd)

The combining entities had on 12 January 2024 declared an interim single-tier dividend of RM1.998 per share amounting to RM499,500 and payable on 19 January 2024. This dividend is not reflected in the combined financial statements for the current financial year and will be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2024.

26. Staff costs

	2023	2022	2021
	RM	RM	RM
Salaries, fees and other emoluments	8,348,235	6,119,646	5,790,703
Defined contribution plans	917,056	743,814	588,648
Social security contributions	101,871	76,437	69,456
Other benefits	192,290	153,754	118,009
	<u>9,559,452</u>	<u>7,093,651</u>	<u>6,566,816</u>

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the combining entities during the financial year as below:

	2023	2022	2021
	RM	RM	RM
Fees	860,000	-	120,000
Salaries and other emoluments	692,345	637,299	839,427
Defined contribution plans	83,747	77,156	100,964
Social security contributions	4,626	3,758	3,545
	<u>1,640,718</u>	<u>718,213</u>	<u>1,063,936</u>

27. Reconciliation of liabilities arising from financing activities

The table below shows the details changes in the liabilities of the combining entities arising from financing activities, including both cash and non-cash changes:

	At			At
	1.7.2022	Drawdowns	Repayments	30.6.2023
	RM	RM	RM	RM
Term loans	2,674,987	117,500	(73,628)	2,718,859
Bankers' acceptance	6,703,000	19,416,000	(16,674,000)	9,445,000
Lease liabilities	273,789	367,000	(98,656)	542,133
	<u>9,651,776</u>	<u>19,900,500</u>	<u>(16,846,284)</u>	<u>12,705,992</u>

13. ACCOUNTANTS' REPORT (Cont'd)

27. Reconciliation of liabilities arising from financing activities (Cont'd)

The table below shows the details changes in the liabilities of the combining entities arising from financing activities, including both cash and non-cash changes: (Cont'd)

	At 1.7.2021 RM	Drawdowns RM	Repayments RM	At 30.6.2022 RM
Term loans	-	2,714,500	(39,513)	2,674,987
Bankers' acceptance	2,475,000	10,534,000	(6,306,000)	6,703,000
Lease liabilities	112,386	233,000	(71,597)	273,789
	<u>2,587,386</u>	<u>13,481,500</u>	<u>(6,417,110)</u>	<u>9,651,776</u>

	At 1.7.2020 RM	Drawdowns RM	Repayments RM	At 30.6.2021 RM
Term loans	937,346	-	(937,346)	-
Bankers' acceptance	1,013,000	5,867,000	(4,405,000)	2,475,000
Lease liabilities	83,968	90,000	(61,582)	112,386
	<u>2,034,314</u>	<u>5,957,000</u>	<u>(5,403,928)</u>	<u>2,587,386</u>

28. Capital commitment and corporate guarantee

	2023 RM	2022 RM	2021 RM
Capital expenditure			
Authorised and contracted for:			
- Freehold land and building	-	-	3,430,000
- Investment properties	-	232,849	515,360
- Renovation	171,521	-	-
	<u>171,521</u>	<u>232,849</u>	<u>3,945,360</u>
Corporate guarantee			
Guarantee given to financial institutions for credit facilities granted to companies in which the Directors have interests			
	<u>37,955,000</u>	<u>34,955,000</u>	<u>41,155,000</u>

13. ACCOUNTANTS' REPORT (Cont'd)

29. Related party disclosures

(a) Identifying related parties

For the purposes of these combined financial statements, parties are considered to be related to the combining entities if the combining entities have the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the combining entities and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the combining entities either directly or indirectly. The key management personnel comprise the Directors and management personnel of the combining entities, having authority and responsibility for planning, directing and controlling the activities of the combining entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the combined financial statements, the significant related party transactions of the combining entities are as follows:

	2023	2022	2021
	RM	RM	RM
Transactions with companies in which the Directors have interests			
- Sales to	(3,980,727)	(4,823,489)	(4,728,826)
- Purchase from	4,347	54,559	245,360
- Rental paid to	1,335,000	900,000	965,965
- Purchase of property, plant and equipment	-	-	12,874
- Administration fee paid	-	-	84,000
	-	-	-
Transaction with a Director			
- Disposal of associates	-	25	50,000
	-	-	-
Transaction with a person connected to a company in which the Directors have interests			
- Disposal of an investment property	-	-	1,500,000
	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)**29. Related party disclosures (Cont'd)**

(c) Compensation of key management personnel

Remuneration of key management personnel is as follows:

	2023	2022	2021
	RM	RM	RM
Salaries, wages and other emoluments	216,000	192,000	192,000
Defined contribution plans	25,200	23,040	22,320
Social security contributions	1,120	924	924
	<u>242,320</u>	<u>215,964</u>	<u>215,244</u>

30. Segment information

(a) Business segments

For management purposes, the combining entities are predominantly involved in trading of sanitary, kitchen and bathroom wares, bathroom utensils, equipment and accessories.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the combined financial statements.

Information about operating segments has not been reported separately as the combining entities' revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment.

(b) Geographic information

No disclosure on geographical segment information as the combining entities predominantly operates in Malaysia.

(c) Major customers

The combining entities have large and diversified customers base which consists of individuals and corporations. There was no single customer that contributed 10% or more of the combining entities' revenue for the financial years ended 30 June 2023, 30 June 2022 and 30 June 2021.

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments****(a) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	2023	2022	2021
	RM	RM	RM
Financial assets			
At amortised cost			
Trade receivables	27,141,901	27,724,497	17,835,225
Other receivables	640,985	1,304,484	2,384,468
Amount due from associates	50,000	50,000	2,865,000
Fixed deposits with a licensed bank	5,032,635	4,514,936	4,503,958
Cash and bank balances	7,992,344	3,692,024	2,960,599
	<u>40,857,865</u>	<u>37,285,941</u>	<u>30,549,250</u>
Financial liabilities			
At amortised cost			
Loans and borrowings	12,163,859	9,377,987	2,475,000
Trade payables	10,784,810	22,971,049	23,730,198
Other payables	2,921,444	1,386,732	1,430,229
Amount due to Directors	866,548	708,726	1,068,935
	<u>26,736,661</u>	<u>34,444,494</u>	<u>28,704,362</u>

(b) Financial risk management objectives and policies

The combining entities' financial risk management policy is to ensure that adequate financial resources are available for the development of the combining entities' operations whilst managing their credit, liquidity and market risks. The combining entities operate within clearly defined guidelines that are approved by the Board and the combining entities' policy is not to engage in speculative transactions.

The following sections provide details regarding the combining entities' exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (Cont'd)**(b) Financial risk management objectives and policies (Cont'd)****(i) Credit risk**

Credit risk is the risk of a financial loss to the combining entities if a customer or counterparty to a financial instrument fails to meet their contractual obligations. The combining entities' exposure to credit risk arises principally from trade receivables, other receivables, amount due from associates, fixed deposits with a licensed bank and cash and bank balances. There are no significant changes as compared to previous financial year.

The combining entities have adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The combining entities provide financial guarantees to banks for banking facilities granted to the companies in which the Directors have interests. The combining entities monitor on an ongoing basis the results of the related parties and repayments made by the related parties.

At each reporting date, the combining entities assess whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when combining entities determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the combined statements of financial position as at the reporting date represent the combining entities' maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities to the companies in which the Directors have interests.

There are no significant changes as compared to previous financial year.

Credit risk concentration

The combining entities have no significant concentration of credit risk as their exposure spread over a large number of customers. The combining entities have no significant concentration of credit risks.

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk

Liquidity risk refers to the risk that the combining entities will encounter difficulty in meeting their financial obligations as they fall due. The combining entities' exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The combining entities' funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The combining entities finance their liquidity through internally generated cash flows and minimise liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the combining entities can be required to pay.

	On demand or within 1 year RM	1 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
2023					
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Term loans	204,864	819,456	2,605,815	3,630,135	2,718,859
Bankers' acceptance	9,445,000	-	-	9,445,000	9,445,000
Lease liabilities	166,857	426,467	-	593,324	542,133
Trade payables	10,784,810	-	-	10,784,810	10,784,810
Other payables	2,921,444	-	-	2,921,444	2,921,444
Amount due to					
Directors	866,548	-	-	866,548	866,548
	<u>24,389,523</u>	<u>1,245,923</u>	<u>2,605,815</u>	<u>28,241,261</u>	<u>27,278,794</u>
Corporate guarantee *	37,955,000	-	-	37,955,000	-
2022					
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Term loans	178,600	763,680	2,889,705	3,831,985	2,674,987
Bankers' acceptance	6,703,000	-	-	6,703,000	6,703,000
Lease liabilities	84,660	213,623	-	298,283	273,789
Trade payables	22,971,049	-	-	22,971,049	22,971,049
Other payables	1,386,732	-	-	1,386,732	1,386,732
Amount due to					
Directors	708,726	-	-	708,726	708,726
	<u>32,032,767</u>	<u>977,303</u>	<u>2,889,705</u>	<u>35,899,775</u>	<u>34,718,283</u>
Corporate guarantee *	34,955,000	-	-	34,955,000	-

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments (Cont'd)****(b) Financial risk management objectives and policies (Cont'd)****(ii) Liquidity risk (Cont'd)**

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the combining entities can be required to pay. (Cont'd)

	On demand or within		After 5 years	Total contractual cash flows	Total carrying amount
	1 year	1 to 5 years			
	RM	RM	RM	RM	RM
2021					
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Bankers' acceptance	2,475,000	-	-	2,475,000	2,475,000
Lease liabilities	55,774	66,005	-	121,779	112,386
Trade payables	23,730,198	-	-	23,730,198	23,730,198
Other payables	1,430,229	-	-	1,430,229	1,430,229
Amount due to					
Directors	1,068,935	-	-	1,068,935	1,068,935
	<u>28,760,136</u>	<u>66,005</u>	<u>-</u>	<u>28,826,141</u>	<u>28,816,748</u>
Corporate guarantee *	41,155,000	-	-	41,155,000	-

* Based on the maximum amount that can be called for under the corporate guarantee contract.

The combining entities provide financial guarantee to banks in respect of credit facilities granted to the companies in which the Directors have interests and monitors on an ongoing basis the performance of the related parties. At end of the financial year, there was no indication that the related parties would default on repayment.

Financial guarantee has not been recognised since the fair value on initial recognition was deemed not material and the probability of the related parties defaulting on their credit facilities is remote.

(iii) Market risk**(a) Foreign currency risk**

The combining entities are exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of the combining entities. The currencies giving rise to this risk are primarily USD, RMB and SGD.

13. ACCOUNTANTS' REPORT (Cont'd)
31. Financial instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

The carrying amounts of the combining entities' foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	USD RM	Denominated in RMB RM	SGD RM	Total RM
2023				
Other receivables	156,642	1,861,665	-	2,018,307
Cash and bank balances	29,426	-	-	29,426
Trade payables	(7,701,378)	(2,603,794)	-	(10,305,172)
Other payables	-	(83,018)	-	(83,018)
	<u>(7,515,310)</u>	<u>(825,147)</u>	<u>-</u>	<u>(8,340,457)</u>
2022				
Other receivables	1,716,681	-	-	1,716,681
Cash and bank balances	28,045	-	-	28,045
Trade payables	(9,917,817)	-	-	(9,917,817)
	<u>(8,173,091)</u>	<u>-</u>	<u>-</u>	<u>(8,173,091)</u>
2021				
Other receivables	1,099,482	-	-	1,099,482
Cash and bank balances	75,093	-	10	75,103
Trade payables	(18,827,371)	-	-	(18,827,371)
	<u>(17,652,796)</u>	<u>-</u>	<u>10</u>	<u>(17,652,786)</u>

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the combining entities' profit before tax to a reasonably possible change in the USD, RMB and SGD exchange rates against RM, with all other variables held constant.

	Change in currency rate	Effect on profit before tax		
		2023 RM	2022 RM	2021 RM
USD	Strengthened 1% (2022: 1% and 2021: 1%)	(75,153)	(81,731)	(176,528)
	Weakened 1% (2022: 1% and 2021: 1%)	75,153	81,731	176,528

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis (Cont'd)

The following table demonstrates the sensitivity of the combining entities' profit before tax to a reasonably possible change in the USD, RMB and SGD exchange rates against RM, with all other variables held constant. (Cont'd)

	Change in currency rate	Effect on profit before tax		
		2023 RM	2022 RM	2021 RM
RMB	Strengthened 1% (2022: 1% and 2021: 1%)	(8,251)	-	-
	Weakened 1% (2022: 1% and 2021: 1%)	8,251	-	-
SGD	Strengthened 1% (2022: 1% and 2021: 1%)	-	-	*
	Weakened 1% (2022: 1% and 2021: 1%)	-	-	*

* *Amount below RMI*

(b) Interest rate risk

The combining entities' fixed rate deposits placed with a licensed bank and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The combining entities' variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The combining entities manage their interest rate risk of their deposits with a licensed financial institution by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The combining entities manage their interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The combining entities constantly monitor their interest rate risk by reviewing their debts portfolio to ensure favourable rates are obtained. The combining entities do not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

The interest rate profile of the combining entities' significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2023	2022	2021
	RM	RM	RM
Fixed rate instruments			
<u>Financial asset</u>			
Fixed deposits with a licensed bank	5,032,635	4,514,936	4,503,958
<u>Financial liabilities</u>			
Bankers' acceptance	(9,445,000)	(6,703,000)	(2,475,000)
Lease liabilities	(542,133)	(273,789)	(112,386)
	<u>(9,987,133)</u>	<u>(6,976,789)</u>	<u>(2,587,386)</u>
Net financial (liabilities)/assets	<u>(4,954,498)</u>	<u>(2,461,853)</u>	<u>1,916,572</u>
Floating rate instrument			
<u>Financial liability</u>			
Term loans	<u>(2,718,859)</u>	<u>(2,674,987)</u>	<u>-</u>

Interest rate risk sensitivity analysisFair value sensitivity analysis for fixed rate instruments

The combining entities do not account for any fixed rate financial asset and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

Cash flow sensitivity analysis for floating rate instrument

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the combining entities' profit before tax by RM27,189 (2022: RM26,750 and 2021: RMNil) arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The combining entities entered into forward exchange contracts to manage their exposures to sales and purchase transactions that are denominated in RMB. The fair value of the foreign currency forward contracts has not been recognised in the combined financial statements as it is immaterial as at the end of the reporting date. The notional value of foreign currency forward contracts as at the end of the reporting year is as follows:

	2023	2022	2021
	RM	RM	RM
Foreign currency hedging contracts			
Notional value of contracts *	687,737	-	-

* *Equivalent to RMB1,062,963 (2022: Nil and 2021: Nil)*

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (Cont'd)

(c) Fair value of financial instruments (Cont'd)

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using 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).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

32. Capital management

The combining entities' objectives when managing capital are to safeguard the combining entities' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the combining entities may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the combining entities' approach to capital management during the financial year.

The combining entities are not subject to any externally imposed capital requirements.

33. Subsequent event

On 13 July 2023, the combining entities invested 100% in the share capital of MSB at an issue price of RM1 per share for total cash consideration of RM1,000.

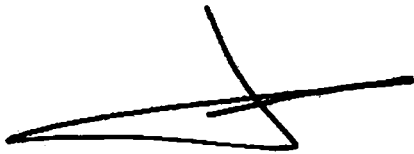
13. ACCOUNTANTS' REPORT (Cont'd)

SORENTO CAPITAL BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being two of the Directors of the combining entities, do hereby state that, in the opinion of the Directors, the combined financial statements set out on pages 5 to 68 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial position of the combining entities as at 30 June 2023, 30 June 2022 and 30 June 2021 and of their combined financial performance and cash flows for the financial years ended 30 June 2023, 30 June 2022 and 30 June 2021.

Signed by the Board of Directors in accordance with a resolution of the Directors dated 26 March 2024.



LOO CHAI LAI



LOO JING KAI

KUALA LUMPUR

14. ADDITIONAL INFORMATION

14.1 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Company's Constitution which complies with the Listing Requirements, the Act and the Rules.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Constitution unless they are otherwise defined or the context otherwise requires:-

(i) Remuneration, voting and borrowing powers of Directors

(a) Directors' remuneration

Clause 100 – Directors' Remuneration

Subject to the Act and the Listing Requirements, the fees of the Directors and any benefits payable to the Directors shall from time to time be determined by way of an ordinary resolution of the Company in a general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine and in default of agreement equally, except that if a Director has held office for part only of the period in respect of which such fees are payable, such a Director shall be entitled only to that proportion of the fees as is related to the period during which he has held office PROVIDED ALWAYS that:-

- (i) salaries, benefits and other emoluments payable to executive Director(s) pursuant to an employment contract or a contract of service need not be determined by the Company in a general meeting but such salaries may not include a commission on or percentage of turnover;
- (ii) fees payable to non-executive Directors shall be a fixed sum and not by way of a commission on or percentage of profits or turnover; and
- (iii) any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 101 – Reimbursement of expenses

- (a) The Directors shall be entitled to be reimbursed for all travelling or expenses as may be incurred in attending meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors. In addition to the foregoing, a Director shall be entitled to such reasonable fixed allowance as may be determined by the Directors in respect of any attendance at any meeting and/ or the performance of any duty or other things required of him as a Director.
- (b) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an executive Director, such fee may be either in addition to or in substitution for any director's fees payable to him from time to time.

14. ADDITIONAL INFORMATION (Cont'd)

Clause 127 – Remuneration of chief executive, executive Director, managing Director

The remuneration of the chief executive, executive Director, managing Director or any person holding an equivalent position, shall, from time to time be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive a pension, gratuity or other benefits upon their retirement.

(b) Voting and Borrowing Powers of our Directors

Clause 77 – Chairman’s casting vote

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

Clause 105 – Directors’ borrowing powers

(a) Subject to the Act and the Listing Requirements, the Directors may exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any related party (as defined in Section 7 of the Act):-

- (i) borrow money;
- (ii) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (iii) issue debentures and other securities whether outright or as security;
- (iv) lend and advance money or give credit to any person or company;
- (v) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company; and/ or
- (vi) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company; and otherwise to assist any person or of any related party (as defined in Section 7 of the Act).

(b) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

14. ADDITIONAL INFORMATION (Cont'd)

Clause 108 – Appointment of attorneys

The Directors may from time to time by power of attorney under the Seal, appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney/attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

Clause 109 – Signing of cheques etc.

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be in such manner as the Directors may from time to time by resolution determine.

Clause 115 – Meeting of Directors

- (i) The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Any Director may at any time and the Secretary shall on the requisition of any of the Directors, summon a meeting of the Directors.
- (ii) The meeting of the Directors may be held fully virtual or hybrid at more than one venue using any technology or method. A member of the Board or any invitees may participate in the meeting by means of a telephone conference, or any other audio, or audio visual, or communication means which allows all persons participating in the meeting to hear and speak with each other and such Director or person shall be regarded for all purposes as personally attended such a meeting and such Director shall be counted in a quorum and be entitled to vote on the resolutions tabled at the meeting.

Clause 119 – Votes by majority and chairman of the meeting to have a casting vote

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes of the Directors present and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote, except where at the meeting only two Directors form a quorum, the chairman of the meeting at which only such a quorum is present, or only two Directors are competent to vote on the question at issue shall not have a casting vote.

Clause 121 – Disclosure of interest

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director of the Company. A general notice in writing, which complies with Section 221(4) of the Act or its equivalent, given to the Board by any Director shall be deemed to be a sufficient declaration of interest in relation to the subject matter of the notice.

14. ADDITIONAL INFORMATION (Cont'd)

Clause 122 – Restriction on voting

Subject to the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Clause 123 – Power to vote

A Director may vote in respect of:-

- (i) any arrangement for giving the Director himself or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (ii) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security;
- (iii) any contract by the Director himself to subscribe for or underwrite shares or debentures of the Company; or
- (iv) any contract or arrangement with any other company in which he is interested only as an officer of the Company or as a holder of shares or other securities in that company.

Clause 125 – Alternate directors

- (i) A Director may appoint any other person approved by a majority of the Board to act as his alternate provided that any fee paid by the Company to the alternate shall be deducted from that Director's remuneration. The Alternate Director shall not be required to hold any shares in the Company but shall be entitled to receive notices of all meetings and to attend, speak and vote, and be counted for the quorum, and generally to exercise all powers, rights, duties and authorities of the Director appointing him, at any such meeting at which the Director appointing him is not present. For the avoidance of doubt, an Alternate Director may not vote nor attend any meeting at which the Director appointing him is present. Any appointment so made may be revoked at any time by the appointor or by a majority of the Directors, and any appointment or revocation under this Constitution shall be effected by notice in writing to be delivered to the Secretary of the Company. An Alternate Director shall ipso facto cease to be an Alternate Director if his appointor for any reason ceases to be a Director.
- (ii) No Director may act as an Alternate Director, and a person may not act as an Alternate Director for more than one (1) Director.
- (iii) If any Director retires by rotation and is re-elected by the meeting or is, pursuant to this Constitution, deemed to be re-elected at the meeting at which such retirement took effect, any appointment made by him of an Alternate Director which was in force immediately prior to the appointor's retirement shall continue to operate after such re-election as if the appointor had not so retired.

14. ADDITIONAL INFORMATION (Cont'd)

- (iv) Every person acting as an Alternate Director shall be an officer of the Company and shall alone be responsible to the Company for his own acts and defaults and he shall not be deemed to be the agent of or for the Director appointing him.

Clause 129 – Power of Directors to appoint committees

The Directors may establish any committees (including, without limitation, a management committee), local boards or agencies comprising two (2) or more persons for managing any other affairs of the Company either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as they may think fit for the conduct of the business thereof, and may appoint any person or persons to be the member or members of any such committee or local board or agency and may fix their remuneration and may delegate to any such committee or local board or agency any of the powers, authorities and discretion vested in the Directors, with power to sub-delegate, and may authorise the member or members of any such committee or local board or agency or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby. The regulations herein contained for the proceedings of Directors shall so far as not altered by any regulations made by the Directors apply also to the meetings and proceedings of any committee.

(ii) Changes to Share Capital

Clause 5 – Class of shares

The share capital of the Company is its issued share capital. The shares in the original or any increased capital may be divided into several classes, and there may be attached thereto respectively any preferential, deferred and/or other special rights, privileges, conditions and/or restrictions as to dividends, capital, voting and/or otherwise.

Clause 6 - Allotment of shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, the Act, any Applicable Laws, and to the provisions of any resolution of the Company, the Board may issue, allot or grant rights to subscribe for or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine but the Board in making any issue of shares shall comply with the following conditions:-

- (i) in the case of shares, other than ordinary shares, no special rights shall be attached until the same has been expressed in this Constitution and in the resolution creating the same;
- (ii) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meetings;
- (iii) every issue of shares or options to employees and/or Directors of the Company and/or its subsidiaries under an employee share option scheme shall be approved by the Members in general meeting;
- (iv) no Director shall participate in a scheme that involves a new issuance of shares or options unless the Members in a general meeting have approved the specific allotment to be made to such Director; and

14. ADDITIONAL INFORMATION (Cont'd)

- (v) except in the case of an issue of Securities on a pro-rata basis to all Members, or, pursuant to a back-to-back placement or a Dividend Reinvestment Scheme undertaken in compliance with the Listing Requirements, there shall be no issuance and allotment of Securities to a Director, major shareholder, chief executive or person connected with any Director, major shareholder or chief executive (hereinafter referred to as the "interested Director", "interested major shareholder", "interested chief executive" or "interested person connected with a Director, major shareholder or chief executive" respectively) unless the Members in a general meeting have approved of the specific allotment to be made to such aforesaid interested Director, interested major shareholder, interested chief executive or interested person connected with a Director, major shareholder or chief executive, as the case may be. In this Constitution, "major shareholder", "chief executive", "person connected with any Director, major shareholder or chief executive" and "Dividend Reinvestment Scheme" shall have the meaning ascribed thereto in the Listing Requirements.

Clause 9 - Variation of class rights

Subject to Section 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with:

- (i) the consent in writing of the holders of not less than seventy-five per centum (75.00%) of the total voting rights of the Members in that class; or
- (ii) the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two persons holding or representing by proxy at least one-third of the number of the issued shares of the class (excluding any shares of that class held as treasury shares) and that any holder of shares of the class present in person or by proxy may demand a poll and shall be entitled on a poll to one vote for every such share held by him. For adjourned meetings, the quorum is one person present holding shares of such class. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.

Clause 55 – Power to increase capital

The Company in a general meeting may from time to time, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital, voting or otherwise as the general meeting resolving upon such increase may direct.

14. ADDITIONAL INFORMATION (Cont'd)

Clause 56 – Issue of new shares to Members

Subject to any direction to the contrary that may be given by the Company in general meeting and the Listing Requirements, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

Clause 58 – Power to alter capital

Subject to the provisions of this Constitution and the Act, the Company may by ordinary resolution:-

- (i) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (ii) convert all or any of its paid-up shares into stock and reconvert that stock into fully-paid shares;
- (iii) subdivide its shares or any of its shares, such that whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
- (iv) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Clause 59 - Power to reduce capital

The Company may by special resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Act and the Applicable Laws.

Clause 60 – Purchase by the Company of its own shares

The Company may, subject to its obtaining such approval from the relevant authorities (if required) and to its compliance with the Act, the Listing Requirements and the Applicable Laws, purchase its own shares. Any shares so purchased by the Company shall be dealt with in accordance with the Act, the Listing Requirements and all Applicable Laws. The provisions of Clauses 58 and 59 herein above shall not affect the power of the Company to cancel any shares or reduce its share capital pursuant to any exercise of the Company's powers under this Clause. The cancellation of shares purchased shall not be deemed to be a reduction of share capital within the meaning of the Act.

14. ADDITIONAL INFORMATION (Cont'd)

(iii) Transfer of securities

Clause 29 – Transfer in writing

Subject to this Constitution, the Central Depositories Act and the Rules, any Member may transfer all or any of his Securities (except those Deposited Securities which are for the time being designated as securities in suspense) by an instrument in writing in the form prescribed and approved by the Exchange upon which the Company is listed on the Exchange. The instrument shall have been executed by or on behalf of the transferor and the transferee, and the transferor shall remain the holder of the Securities transferred until the transfer is registered and the name of the transferee is entered in the Record of Depositors.

Clause 30 – Transfers of Securities

The transfer of any Deposited Securities shall be made by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such Deposited Securities.

Clause 31 – No restriction on the transfer of fully paid Securities

Subject to this Constitution, the Central Depositories Act and the Rules, there shall be no restriction on the transfer of fully paid Securities except where required by law.

Clause 32 (a) – Refusal to register

The Central Depository may, in its absolute discretion, refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and/ or the Rules.

(iv) Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 7 - Rights of preference shareholders

Subject to the Act and the Listing Requirements, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not unless with the consent of the existing preference shareholders at a class of meeting issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have:-

- (i) the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company; and
- (ii) the right to vote at any meeting convened for the purpose of reducing the capital of the Company or on a proposal to wind up or during the winding up of the Company, or sanctioning a sale of the whole of the Company's undertaking, property or business, or where any resolution to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares or part of the dividend is in arrears for more than six months.

14. ADDITIONAL INFORMATION (Cont'd)

Clause 10 – Ranking of class rights

The rights conferred upon the holders of any shares or class of shares issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of such shares, as regards participation in the profits or assets of the Company in some or in all respect be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Clause 41 – Persons entitled may receive dividends etc

Where the registered holder of any share dies or becomes bankrupt, his personal representative or the assignee of his estate, as the case may be, shall, upon the production of such evidence as may from time to time be properly required by the Directors in that behalf, be entitled to receive and may give a discharge for all dividends and other moneys payable in respect of the shares as the registered holder would have been entitled to if he had not died or become bankrupt, but he shall not be entitled to receive notice of or to attend or vote at any meeting, or, save as aforesaid, to exercise any of the rights and privileges of a Member, unless and until he shall have become a Member in respect of the shares.

Clause 53 - Rights of stock holders

The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages with regards to dividends, participation in assets on a winding up, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, so that none of such rights, privileges or advantages (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of the stock which would not, if existing in shares, have conferred such rights, privileges or advantages.

Clause 148 - Payment of dividends

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this Constitution as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

14.2 SHARE CAPITAL

- (i) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (ii) There is no founder, management or deferred shares in our Company. As at the date of this Prospectus, we only have one class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (iv) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.
- (v) There is no scheme involving our employees in the capital of our Group, except for the Pink Form Allocation.

14. ADDITIONAL INFORMATION (Cont'd)

- (vi) Save as disclosed in Sections 4.1, 6.1.2, 6.1.3, 6.2.2 (iii) of this Prospectus, no shares, outstanding warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, for the Financial Years Under Review and up to the LPD.
- (vii) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

14.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

Save for the clauses below which have been reproduced from our Company's Constitution, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares:-

Clause 65 (c) – Record of Depositors

Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), and notwithstanding any provision in the Act, a Depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

Clause 78 – Voting Rights

Subject to this Constitution and to any rights or restrictions for the time being attached to any class of shares by or in accordance with this Constitution, (a) in the case of a show of hands or (b) in the case of a poll, each Member, or holder of preference shares who has a right to vote, present in person or by proxy or by an attorney or by duly authorised representative shall have one vote, and on a poll, every Member present in person or by proxy or attorney or representative shall have one vote for each share he holds.

14.4 PUBLIC TAKE-OVERS

None of the following has occurred during the last financial year and up to the LPD:-

- (i) public take-over offers by third parties in respect of our Group's shares; and
- (ii) public take-over offers by us in respect of other company's shares.

14.5 EXCHANGE CONTROLS

Our Group has not established any other place of business outside Malaysia and is not subject to governmental laws, decrees, regulations and/ or other requirements which may affect repatriation of capital and remittance of profit by or to our Group.

14. ADDITIONAL INFORMATION (*Cont'd*)

14.6 MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, save as disclosed below, we are not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors confirm that there are no proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

On 24 August 2021, SSB had filed a writ of summons and statement of claim against Natchem Sdn Bhd ("**First Defendant**") and Rosli Bin Ibrahim ("**Second Defendant**") (collectively, the "**Defendants**"), which is Shah Alam High Court Suit No. BA-22NCvC-332-08/2021 for the loss caused to its properties due to a fire allegedly caused by the hot work activities carried out by the Second Defendant while undertaking renovation work for the First Defendant at the First Defendant's premises. ("**Case**")

On 11 November 2019, the fire that originated from SSB's adjacent premises which subsequently spreads to SSB's premises resulted in a substantial loss and damages amounting to RM2,901,319.49. As such, SSB had made a claim on its Fire Commercial 1 Insurance Policy ("**Fire Insurance Policy**") maintained with MSIG Insurance (Malaysia) Bhd ("**MSIG**") and MSIG had paid a sum of RM1,205,000.00 to SSB. On top of the amount paid to SSB, MSIG had also incurred other costs/ expenses in relation to SSB's claim, such as the adjusters' fees and forensic investigators' fees amounting to RM39,111.88 and RM4,295.52, respectively. After taking into account the amount paid by MSIG, SSB still suffered an underinsured losses in the sum of RM1,696,319.49.

SSB initiated the Case which is a subrogation claim against the tortfeasors who should be held liable for causing the said fire, i.e. the Defendants to recover the loss suffered and expenses incurred by MSIG in paying out SSB's claim under the said Fire Insurance Policy (i.e. a sum of RM1,248,407.30) and also to recover the underinsured losses suffered by SSB due to the said fire (i.e. a sum of RM1,696,319.49).

The First Defendant had initiated third party proceedings against a few parties, namely the company occupying the premises adjacent to SSB's premises as well as the landlords of the premises adjacent to SSB's premises. The Case is consolidated with four related suits involving the same fire incidents.

As at the LPD, the legal actions are still on going where the pleadings have closed and the Court has given pre-trial directions. The Court has also fixed tentative trial dates on 2 September 2024 to 5 September 2024, 23 September 2024 to 26 September 2024, and 21 October 2024 to 24 October 2024. The pre-trial case management had been fixed on 4 March 2024 and 10 May 2024 for the parties to update the status of preparation of the pre-trial documents and also for the court to give further directions.

14. ADDITIONAL INFORMATION (*Cont'd*)

14.7 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any material contract (not being contracts entered into in the ordinary course of business) for the Period Under Review up to the date of this Prospectus:-

- (i) conditional share sale agreement dated 18 March 2024 entered into between Sorento Capital and Loo Chai Lai and Loo Jing Kai for the acquisition of SSB. Please refer to Section 4.1.1 (i) of this Prospectus for further details;
- (ii) conditional share sale agreement dated 18 March 2024 entered into between Sorento Capital and Loo Chai Lai, Loo Jing Kai and Lee Chee Keong for the acquisition of BBSB. Please refer to Section 4.1.1 (ii) of this Prospectus for further details;
- (iii) conditional share sale agreement dated 18 March 2024 entered into between Sorento Capital and Loo Chai Lai and Loo Jing Kai for the acquisition of NSSB. Please refer to Section 4.1.1 (iii) of this Prospectus for further details;
- (iv) conditional share sale agreement dated 18 March 2024 entered into between Sorento Capital and Loo Chai Lai, Loo Jing Kai and Lee Chee Keong for the acquisition of IBSB. Please refer to Section 4.1.1 (iv) of this Prospectus for further details;
- (v) sale and purchase agreement dated 1 September 2023 between MBS Tools and MSB for the transfer of fixed assets, stocks, intellectual property rights and debtors of MBS Tools for a purchase consideration of RM5.50 million; and
- (vi) [the Underwriting Agreement].

14.8 CONSENTS

- (i) The written consents of the Principal Adviser, Sponsor, Underwriter and Placement Agent, Solicitors to our Company, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position of our Group as at 30 June 2023 in the form and context in which they are contained in this Prospectus and has been given before the issue of this Prospectus and has not subsequently been withdrawn.
- (iii) The written consent of the IMR for the inclusion in this Prospectus of its name and IMR Report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

14.9 RESPONSIBILITY STATEMENTS

- (i) This Prospectus has been seen and approved by our Directors, Promoters and Offeror. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.
- (ii) AIS as the Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to our IPO.

14. ADDITIONAL INFORMATION (Cont'd)

14.10 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of six months from the date of this Prospectus:-

- (i) our Constitution;
- (ii) the IMR Report referred to in Section 8 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position as at 30 June 2023 referred to in Section 12.9 of this Prospectus;
- (iv) the Accountants' Report as included in Section 13 of this Prospectus;
- (v) the material contracts referred to in Section 14.7 of this Prospectus;
- (vi) the letters of consent referred to in Section 14.8 of this Prospectus; and
- (vii) the audited financial statements of SSB, BBSB, NSSB, IBSB for the FYE 2021, FYE 2022 and FYE 2023, respectively.

[The rest of this page is intentionally left blank]

15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus. Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., [●]

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., [●]

Applications for the IPO Shares will open and close at the time and dates stated above.

In the event of any change to the dates stated above, we will advertise the notice of the changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application for our IPO Shares by the Malaysian Public and Eligible Persons

Application must accord with this Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application method
Applications by the Malaysian Public:-	
(a) Individuals	WHITE Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	WHITE Application Form only
Applications by the Eligible Persons	PINK Application Form only

15.2.2 Application by selected investors via private placement

Types of Application	Application method
Applications by:-	
(a) Selected investors and Bumiputera investors approved by the MITI	The Placement Agent will contact the selected investors and Bumiputera investors approved by the MITI directly. They should follow the Placement Agent’s instructions.

Selected investors may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party** CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:-

- (i) You must be one of the following:-
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:-
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

15.3.3 Application by Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Persons must follow the notes and instructions in the said document and where relevant, in this Prospectus.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, our Issuing House, AIS, participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM[●] for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. [●]**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

Tricor Investor & Issuing House Services Sdn Bhd

(Registration No. 197101000970 (11324-H))

Unite 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No, 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on [●] or by such other time and date specified in any change to the date and time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

15.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only **Malaysian individuals** may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

15.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only **Malaysian individuals** may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Sdn. Bhd. (formerly known as CGS-CIMB Securities Sdn. Bhd.), Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

Our Issuing House on the authority of our Board reserves the right to:-

- (i) reject Applications which:-
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 of this Prospectus.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

15.8 OVER/ UNDER-SUBSCRIPTION

In the event of over-subscription, our Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by our Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website <https://tiih.online> within one Market Day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest or any share of revenue or benefits arising therefrom) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

In the event of an under-subscription of our IPO Shares, subject to the underwriting arrangements and reallocation as set out in Section 4.1.2 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriters based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL/ PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/ partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

15.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/ registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/ registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).

15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

- (iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or by issuance of banker's draft sent by ordinary/ registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by our Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions or Internet Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within two Market Days after the final balloting date. The Participating Financial Institutions or Internet Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within two Market Days after the receipt of confirmation from our Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:-

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our IPO Shares issued/ offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:-

<u>Mode of Application</u>	<u>Parties to direct the enquiries</u>
Application Form	Enquiry Services Telephone at telephone no. +60 3 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, one Market Day after the balloting date.

You may also check the status of your Application at the above website, five Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

[The rest of this page is intentionally left blank]