

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.	<ul style="list-style-type: none"> 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
			<ul style="list-style-type: none"> 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
			<ul style="list-style-type: none"> 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 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
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 1 -	3,776 5 -	2,367 3 -
				(6.03% of our Group's revenue)	(4.79% of our Group's revenue)	(3.36% of our Group's revenue)	
				*	(0.002% of our Group's cost of sales)	(0.008% of our Group's cost of sales)	
				(0.10% of our Group's PAT)			
				-	-	-	(*)

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. Loo Chai Lai and Loo Jing Kai our Promoters, Directors and substantial shareholders are directors of MBS Tools. Loo Chai Lai is also the shareholder of MBS Tools.	<ul style="list-style-type: none"> Sale of bathroom and kitchen sanitary ware products by SSB to MBS Tools. Purchase of bathroom and kitchen sanitary ware products by SSB, BBSB, IBSB and NSSB from MBS Tools. Purchase of one unit motor vehicle and office equipment by SSB from MBS Tools. 	35 (0.05% of our Group's revenue)	* 39 (0.07% of our Group's cost of sales)	- (*)	28 3 37

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	
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.	• Sale of bathroom and kitchen sanitary ware products by SSB to KCBS.	205 (0.31% of our Group's revenue)	194 (0.21% of our Group's revenue)	205 (0.18% of our Group's revenue)	114
			• Purchase of paint and hardware products by SSB from KCBS.	-	-	-	1
			• Purchase of one unit motor vehicle by SSB from KCBS.	-	-	-	83
			• Rental of a property at Lot 5083, Batu 5, Jalan Meru, 41050 Klang, Selangor as a warehouse from KCBS to SSB. ⁽⁶⁾	187 (2.40% of our Group's PAT)	-	-	-
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.	• Sale of bathroom and kitchen sanitary ware products by SSB and BBSB to Pro Bath Sdn Bhd.	483 (0.73% of our Group's revenue)	283 (0.31% of our Group's revenue)	-	-
			• Purchase of bathroom and kitchen sanitary ware products by BBSB from Pro Bath Sdn Bhd	-	14 (0.02% of our Group's cost of sales)	-	-

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 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⁾ 	8 3	-	-	-
			(0.02% of our Group's cost of sales)				
			(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 Administrative fee paid by SSB to MBS Paints 	5 84	-	-	2
			(0.06% of our Group's PAT)				
			(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.

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