

**NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SORENTO CAPITAL BERHAD (“SORENTO CAPITAL” OR “COMPANY”) DATED 7 OCTOBER 2024 (“ELECTRONIC PROSPECTUS”)**

*(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)*

**Website**

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at [www.bursamalaysia.com](http://www.bursamalaysia.com) (“**Website**”).

**Availability and Location of Paper/ Printed Prospectus**

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/ printed copy of the Prospectus directly from the Company, Alliance Islamic Bank Berhad (“**AI**S”) or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

**Jurisdictional Disclaimer**

The IPO and the distribution of the Electronic Prospectus are subject to the laws of Malaysia. Bursa Securities, AIS and Sorento Capital have not authorised anyone and take no responsibility for the distribution of the Electronic Prospectus outside Malaysia. No action has been taken to permit any offering of the IPO Shares based on the Electronic Prospectus in any jurisdiction other than Malaysia. The Electronic Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any of our IPO Shares in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation. Prospective applicants who may be in possession of the Electronic Prospectus are required to take note, to inform themselves and to observe such restrictions.

**Close of Application**

Applications for the IPO Shares will be accepted from **10:00 a.m. on 7 October 2024** and will close at **5:00 p.m. on 15 October 2024**. Any change to the timetable will be advertised by Sorento Capital in a widely circulated Bahasa Malaysia and English daily newspapers within Malaysia, and will make the relevant announcement through Bursa Securities.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

**Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted**

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the Website and the use of the contents of the Website and/ or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus as provided by the Company to Bursa Securities are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.



SORENTO CAPITAL BERHAD

PROSPECTUS

# PROSPECTUS

THIS PROSPECTUS IS DATED 7 OCTOBER 2024

## Sorento CAPITAL BERHAD

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 IN THE FOLLOWING MANNER:**
  - (A) 62,500,000 EXISTING SHARES MADE AVAILABLE TO SELECTED INVESTORS; AND**
  - (B) 11,500,000 EXISTING SHARES MADE AVAILABLE TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY;**

**AT AN IPO PRICE OF RM0.37 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 UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.**

## Sorento CAPITAL BERHAD

SORENTO CAPITAL BERHAD  
(REGISTRATION NO. 202301018305 (1512227-W))  
(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT 2016)

No. 5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan

General Enquiries +603 – 3082 9288 Email [sorento@sorento.com.my](mailto:sorento@sorento.com.my)

## **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.

Our Shares are classified as Shariah-compliant by the SAC (as defined in this Prospectus). This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

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](http://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 or Participating Securities Firms (as defined in this Prospectus). These risks cannot be borne by the Internet Participating Financial Institutions or Participating Securities Firms.

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 or Participating Securities Firms, you are advised that:-

- (i) the Internet Participating Financial Institutions or Participating Securities Firms 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 or Participating Securities Firms which may be viewed via your web browser or other relevant software;
- (ii) the Internet Participating Financial Institutions or Participating Securities Firms 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 or Participating Securities Firms 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 or Participating Securities Firms 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 or Participating Securities Firms, 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.

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**INDICATIVE TIMETABLE**

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

<b>Event(s)</b>	<b>Tentative Date(s)</b>
Opening of the application period for our IPO	7 October 2024
Closing of the application period for our IPO	15 October 2024
Balloting of applications	18 October 2024
Allotment of Issue Shares/ Transfer of Offer Shares to successful applicants	25 October 2024
Listing on the ACE Market of Bursa Securities	28 October 2024

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.

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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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.

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**FORWARD-LOOKING STATEMENTS**

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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**

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

### **GENERAL**

<b>ACE Market</b>	: ACE Market of Bursa Securities
<b>Acquisitions</b>	: The acquisitions of BBSB, IBSB, NSSB and SSB, collectively
<b>Act</b>	: Companies Act 2016, as may be amended from time to time
<b>ADA</b>	: Authorised Depository Agent, a person appointed by Bursa Depository under the Rules of Bursa Depository
<b>AGM</b>	: Annual General Meeting
<b>AIS or Principal Adviser or Sponsor or Underwriter or Placement Agent</b>	: Alliance Islamic Bank Berhad (Registration No. 200701018870 (776882-V))
<b>Application(s)</b>	: The application(s) for our Issue Shares by way of Application Form, Electronic Share Application and/ or Internet Share Application
<b>Application Form(s)</b>	: The printed application form(s) for the Application of our Issue Shares
<b>ATM</b>	: Automated Teller Machine
<b>Board</b>	: Board of Directors of Sorento Capital
<b>Bursa Depository</b>	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))

**DEFINITION (Cont'd)**

<b>CCC</b>	: Certificate of completion and compliance
<b>CDS</b>	: Central Depository System
<b>CDS Account(s)</b>	: 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
<b>CIDB</b>	: Construction Industry Development Board
<b>CIDB Act 1994</b>	: Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994, as may be amended from time to time
<b>CMSA</b>	: Capital Markets and Services Act 2007, as may be amended from time to time
<b>Constitution</b>	: The constitution of Sorento Capital
<b>Depositor</b>	: A holder of a CDS Account
<b>Director(s)</b>	: Director(s) of our Company and within the meaning given in Section 2 of the CMSA
<b>Electronic Prospectus</b>	: 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)
<b>Electronic Share Application</b>	: An application for our Issue Shares through Participating Financial Institutions' ATM
<b>Eligible Persons</b>	: 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
<b>EPF</b>	: Employees Provident Fund
<b>EPS</b>	: Earnings per Share
<b>Executive Director(s)</b>	: Non-independent executive director(s) of Sorento Capital, namely Loo Chai Lai, Loo Jing Kai and Lee Chee Keong
<b>FHSB</b>	: Fantastic Hectares Sdn Bhd (Registration No. 200701033931 (791960-X))
<b>Financial Years Under Review</b>	: FYE 2021, FYE 2022, FYE 2023 and FYE 2024, collectively
<b>FYE</b>	: Financial year ended/ ending 30 June, as the case may be
<b>GP</b>	: Gross profit
<b>GRS 2024</b>	: 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
<b>IKRAM</b>	: IKRAM QA Services Sdn Bhd (Registration No. 199901004665 (479565-A))

**DEFINITION (Cont'd)**

<b>IMR Report</b>	: The independent market research report titled “Independent Market Research Report on the bathroom and kitchen sanitary ware industry in Malaysia” and dated 9 September 2024, prepared by Smith Zander, as set out in Section 8 of this Prospectus
<b>Internet Participating Financial Institution(s) or Participating Securities Firm(s)</b>	: Participating financial institution(s) or Participating Securities Firm(s) for the Internet Share Application, as listed in Section 15 of this Prospectus
<b>Internet Share Application</b>	: Application for our IPO Shares through an online share application service provided by the Internet Participating Financial Institution(s) or Participating Securities Firm(s)
<b>IPO</b>	: 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
<b>IPO Price</b>	: The price of RM0.37 per IPO Share
<b>IPO Share(s)</b>	: The Issue Share(s) and Offer Share(s), collectively
<b>Issue Share(s)</b>	: 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
<b>Issuing House or Share Registrar</b>	: Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
<b>KCBS</b>	: Kedai Cat Boon Seng Sdn Bhd (Registration No. 199401004550 (290229-K))
<b>LCL Success</b>	: LCL Success Sdn Bhd (Registration No. 202401007057 (1552907-K))
<b>Listing</b>	: The admission of Sorento Capital to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM99,650,940 comprising 860,000,000 Shares on the ACE Market
<b>Listing Requirements</b>	: ACE Market Listing Requirements of Bursa Securities, as may be amended from time to time
<b>LPD</b>	: 9 September 2024, being the latest practicable date prior to the issuance of this Prospectus
<b>Malaysian Public</b>	: Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
<b>Market Day(s)</b>	: Any day(s) on which Bursa Securities is open for trading of securities
<b>MBS Home</b>	: MBS Home Decorations Sdn Bhd (Registration No. 200701040362 (798394-U))
<b>MBS Paints</b>	: MBS Paints Sdn Bhd (Registration No. 199301023907 (278645-W))
<b>MBS Tools</b>	: MBS Tools Sdn Bhd (Registration No. 200701040363 (798395-V))
<b>MFRS</b>	: Malaysian Financial Reporting Standards

**DEFINITION (Cont'd)**

<b>MITI</b>	: Ministry of Investment, Trade and Industry of Malaysia, as may be amended from time to time
<b>NA</b>	: Net assets
<b>NBV</b>	: Net book value
<b>Offer for Sale</b>	: Offer for sale of the Offer Shares at the IPO Price by the Offerors comprising:- <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul>
<b>Offer Share(s)</b>	: 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
<b>Offeror or Selling Shareholder</b>	: Loo Chai Lai
<b>Official List</b>	: A list specifying all securities which have been admitted for listing on the ACE Market and not removed
<b>Participating Financial Institution(s)</b>	: Participating financial institution(s) for the Electronic Share Application, as listed in Section 15 of this Prospectus
<b>Participating Securities Firm(s)</b>	: Participating securities firm(s) for the Internet Share Application, as listed in Section 15 of this Prospectus
<b>PAT</b>	: Profit after taxation
<b>PBT</b>	: Profit before taxation
<b>PE Multiple</b>	: Price earnings multiple
<b>Pink Form Allocation</b>	: The allocation of 16,000,000 Issue Shares to the Eligible Persons pursuant to the Public Issue
<b>PPE</b>	: Property, plant and equipment
<b>Prescribed Security(ies)</b>	: 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
<b>Promoter(s)</b>	: Loo Chai Lai and Loo Jing Kai, collectively
<b>Prospectus</b>	: This Prospectus dated 7 October 2024 in relation to the IPO
<b>Prospectus Guidelines</b>	: Prospectus Guidelines issued by the SC
<b>PSM</b>	: PSM Home Centre Sdn Bhd (Registration No. 200301035519 (637940-P))

**DEFINITION (Cont'd)**

<b>Public Issue</b>	: Public issue of 155,000,000 new Shares at the IPO Price comprising:-  (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.
<b>Record of Depositors</b>	: A record provide by Bursa Depository to the Company under Chapter 34 of the Rules
<b>Rules</b>	: Rules of Bursa Depository, as may be amended from time to time
<b>SAC</b>	: Shariah Advisory Council of the SC
<b>SC</b>	: Securities Commission Malaysia
<b>Share Transfer</b>	: 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
<b>SICDA</b>	: Securities Industry (Central Depositories) Act 1991, as may be amended from time to time
<b>Smith Zander or IMR</b>	: SMITH ZANDER INTERNATIONAL SDN BHD (Registration No. 201301028298 (1058128-V)), our independent market researcher
<b>SPAN</b>	: National Water Services Commission (Suruhanjaya Perkhidmatan Air Negara)
<b>Specified Shareholders</b>	: Shareholders whose shares are subject to moratorium, namely LCL Success, Loo Chai Lai, Loo Jing Kai, Loo Ai Cheng and Loo Jing Shun
<b>Time IT</b>	: Time IT In E (Penang) Sdn Bhd (Registration No. 200201019666 (587329-P))
<b>Underwriting Agreement</b>	: The underwriting agreement dated 3 September 2024 entered into between our Company and AIS pursuant to our IPO
<b>WSIA 2006</b>	: Water Services Industry Act 2006, as may be amended from time to time, as may be amended from time to time
<b>WSIR 2023</b>	: Water Services Industry (Registration of Supplier) Rules 2023, as may be amended from time to time

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**DEFINITION (Cont'd)**

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**CURRENCIES AND UNITS**

<b>RM and sen</b>	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
<b>RMB</b>	:	Renminbi, the lawful currency of the People's Republic of China
<b>USD</b>	:	United States Dollar, the lawful currency of United States of America
<b>sq. ft.</b>	:	Square feet
<b>%</b>	:	Per centum

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## GLOSSARY OF TECHNICAL TERMS

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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

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## 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
- 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 and  
Qualification : 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
- 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 Qualification : Chartered Accountant, Member of Malaysian 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 MBMR  
1, Jalan Syed Putra  
58000 Kuala Lumpur

Telephone No. : (03) 2732 7537  
Person-in-charge : 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 4 July 2024, approved our admission to the Official List and the listing of and quotation for our entire enlarged issued share capital comprising 860,000,000 Shares on the ACE Market. The approval from Bursa Securities is subject to the following conditions:-

No.	Details of conditions imposed	Status of compliance
1.	Submission of the following information with respect to the moratorium on the shareholdings of the Specified Shareholders to Bursa Depository:  (i) Name of shareholders;  (ii) Number of shares; and  (iii) Date of expiry of the moratorium for each block of shares.	To be complied.
2.	Confirmation that approvals from other relevant authorities have been obtained for implementation of the Listing;	Complied.
3.	Compliance on the Bumiputera equity requirements for public listed companies as approved/ exempted by the SC including any conditions imposed thereon;	To be complied.
4.	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements;	To be complied.
5.	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Sorento Capital on the first day of Listing;	To be complied.
6.	In relation to the public offering to be undertaken by Sorento Capital, to announce at least two Market Days prior to the Listing, the result of the offering including the following:  (i) Level of subscription of public balloting and placement;  (ii) Basis of allotment/ allocation;  (iii) A table showing the distribution for placement tranche as per the format prescribed by Bursa Securities; and  (iv) Disclosure of placees who become substantial shareholders of Sorento Capital arising from the Public Issue, if any.  AIS must ensure that the overall distribution of Sorento Capital's securities is properly carried out to mitigate any disorderly trading in the secondary market; and	To be complied.
7.	Sorento Capital/ AIS to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Sorento Capital to the Official List.	To be complied.

## 2. APPROVALS AND CONDITIONS (Cont'd)

### 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 10 July 2024, 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
1.	Sorento Capital is to allocate 12.50% of its enlarged number of issued shares to Bumiputera investors to be approved by the MITI in conjunction with the Listing; and	To be complied.
2.	Sorento Capital is to make available at least 50.00% of the Shares offered to the Malaysian Public investors via balloting to Bumiputera public investors.	To be complied.

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	%
<b>Bumiputera</b>				
- Bumiputera investors to be approved by the MITI	-	-	<sup>(1)</sup> 107,500,000	12.50
- Bumiputera public investors via balloting	-	-	<sup>(1)</sup> 21,500,000	2.50
<b>Total Bumiputera</b>	<b>-</b>	<b>-</b>	<b>129,000,000</b>	<b>15.00</b>
Non-Bumiputera	705,000,000	100.00	731,000,000	85.00
<b>Total Malaysian</b>	<b>705,000,000</b>	<b>100.00</b>	<b>860,000,000</b>	<b>100.00</b>
Foreigner	-	-	-	-
<b>Total</b>	<b>705,000,000</b>	<b>100.00</b>	<b>860,000,000</b>	<b>100.00</b>

**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.

### 2.1.3 SAC

The SAC had on 16 May 2024 classified our Shares as Shariah-compliant securities based on our audited combined financial statements for the FYE 2023.

In addition, the SAC had on 1 October 2024 classified our Shares as Shariah-compliant securities based on our latest audited combined financial statements for the FYE 2024.

### 2.1.4 MITI

The MITI had, vide its letter dated 20 June 2024, taken note of and has no objection to our Listing.

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**2. APPROVALS AND CONDITIONS (Cont'd)**

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**2.2 MORATORIUM ON OUR SHARES**

In accordance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of those Shares held by our Specified Shareholders as follows:-

- (a) the moratorium applies to the entire shareholdings of our Specified Shareholders for a period of six months from the date of our admission to the Official List ("**First Six-Month Moratorium**");
- (b) upon the expiry of the First 6-Month Moratorium, we must ensure that our Specified Shareholders' aggregate shareholdings amounting to at least 45.00% of our total number of issued Shares (adjusted for any bonus issue or subdivision of shares) remain under moratorium for another period of six months ("**Second Six-Month Moratorium**"); and
- (c) upon the expiry of the Second 6-Month Moratorium, our Specified Shareholders may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight-line basis) of their Shares held under moratorium ("**Subsequent Moratorium Period**").

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## 2. APPROVALS AND CONDITIONS (Cont'd)

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

Name	Year 1 after Listing		Year 2 after Listing		Year 3 after Listing	
	Moratorium shares under the First Six-Month Moratorium		Moratorium shares under the Second Six-Month Moratorium		Moratorium shares	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
LCL Success <sup>(2)</sup>	516,000,000	60.00	387,000,000	45.00	258,000,000	30.00
Loo Chai Lai	86,884,187	10.10	-	-	-	-
Loo Jing Kai	19,216,370	2.24	-	-	-	-
Loo Ai Cheng <sup>(3)</sup>	2,702,700	0.31	-	-	-	-
Loo Jing Shun <sup>(3)</sup>	50,000	0.01	-	-	-	-
<b>Total</b>	<b>624,853,257</b>	<b>72.66</b>	<b>387,000,000</b>	<b>45.00</b>	<b>258,000,000</b>	<b>30.00</b>
					<b>129,000,000</b>	<b>15.00</b>

### Notes:-

- (1) Based on our enlarged issued share capital of 860,000,000 Shares after our IPO.
- (2) 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. Please refer to Section 5.1.2(iii) of this Prospectus for further details on the shareholders of LCL Success.
- (3) Pursuant to the allocation under the Pink Form Allocation. Please refer to Section 4.1.2(ii) of this Prospectus for further details.

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.

### 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:-

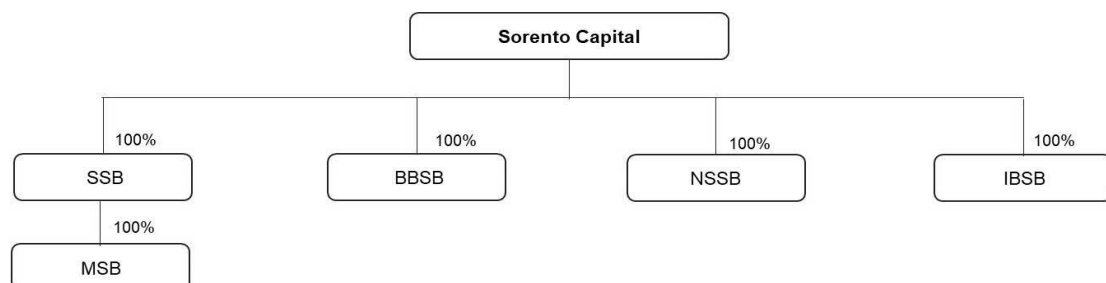
<b>Number of Shares to be issued under the Public Issue</b>	<b>155,000,000</b>
- Malaysian Public	43,000,000
- Eligible Persons	16,000,000
- Private placement to Bumiputera investors approved by the MITI	96,000,000
<b>Number of Shares to be offered under the Offer for Sale</b>	<b>74,000,000</b>
- Private placement to selected investors	62,500,000
- Private placement to Bumiputera investors approved by the MITI	11,500,000
Enlarged issued share capital upon Listing	RM99,650,940 comprising 860,000,000 Shares
IPO Price	RM0.37
Market capitalisation upon the Listing (based on the IPO Price and our enlarged issued share capital after our IPO)	RM318,200,000

Further details of our IPO are set out in Section 4.1 of this Prospectus.

In accordance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of those Shares held by our Specified Shareholders. Further details on moratorium on our Shares are set out in Section 2.2 of this Prospectus.

#### 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 80.07% which is 4,191 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		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dealers	40,712	61.58	55,738	61.46	70,598	62.86	97,812	64.54
Project-based sales	25,317	38.30	34,490	38.03	41,216	36.70	53,109	35.05
Online	78	0.12	460	0.51	497	0.44	624	0.41
<b>Total</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>	<b>151,545</b>	<b>100.00</b>

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 is 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 is 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.

In the FYE 2024, we had a network of 664 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:-
  - (i) enhance personalised marketing collaborations with selected dealers;
  - (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;
- (c) provide subsidy to existing and new dealers that will sell our house brands exclusively at their stores; and
- (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.

**(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.

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**3. PROSPECTUS SUMMARY (Cont'd)**

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**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.

### 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:-

<b>Name</b>	<b>Designation</b>
<b><u>Directors</u></b>	
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
Yeap Soo Ching	Independent Non-Executive Director
Teh Lay Sim	Independent Non-Executive Director
<b><u>Key senior management</u></b>	
Tan Gine Ngee	Chief Financial Officer
Loo Ai Cheng	Senior Manager - Warehouse & Customer Service
Ng Lai Heong	Regional Sales Manager
Lam Li Hua	Marketing Manager

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

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### 3. PROSPECTUS SUMMARY (Cont'd)

#### 3.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS OF OUR GROUP

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

Name	Nationality/ Country of incorporation	<sup>(1)</sup> Before our IPO and as at the LPD			<sup>(2)</sup> After our IPO				
		Direct		Indirect	Direct		Indirect		
		No. of Shares	%	No. of Shares	%	No. of Shares	%		
<b>Promoters and substantial shareholders</b>									
Loo Chai Lai	Malaysian	625,284,187	88.70	70,816,370	<sup>(3)</sup> 10.04	86,884,187	10.10	535,266,370	<sup>(4)</sup> 62.24
Loo Jing Kai	Malaysian	70,816,370	10.04	-	-	19,216,370	2.24	-	-
<b>Substantial shareholder</b>									
LCL Success <sup>(5)</sup>	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.
- (4) Deemed interested by virtue of his direct shareholding in LCL Success pursuant to Section 8(4) of the Act and his sons, Loo Jing Kai's and Loo Jing Shun's (assuming full subscription of the Issue Shares allocated to him under the Pink Form Allocation) interest in our Company pursuant to Section 59(1)(c) of the Act.
- (5) 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. Please refer to Section 5.1.2(iii) for further details on the shareholders of LCL Success.

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 5.1 and 2.2 of this Prospectus, respectively.

### 3. PROSPECTUS SUMMARY (Cont'd)

#### 3.8 USE OF PROCEEDS

We expect to use the gross proceeds from our Public Issue amounting to RM57.35 million in the following manner:-

Details	RM'000	%	Estimated timeframe for use of proceeds from the date of Listing
Branding and promotional marketing	6,000	10.46	Within 36 months
Expansion of dealer network and enhancement of distribution reach	6,000	10.46	Within 36 months
Repayment of bank borrowings	9,000	15.69	Within 12 months
Working capital for purchase of inventories	31,350	54.67	Within 24 months
Estimated listing expenses	5,000	8.72	Within one month
<b>Total</b>	<b>57,350</b>	<b>100.00</b>	

There is no minimum subscription level in terms of the proceeds to be raised from our IPO.

Further details of the use of proceeds from our Public Issue are set out in Section 4.4 of this Prospectus.

#### 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	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Revenue	66,107	90,688	112,311	151,545
Cost of sales	(45,318)	(58,174)	(58,894)	(87,069)
GP	20,789	32,514	53,417	64,476
PBT	9,923	16,968	33,121	32,565
PAT	7,777	12,742	24,930	24,429
Total assets	53,204	67,453	77,789	142,125
Total equity	24,205	32,586	50,301	65,732
Total liabilities	28,999	34,867	27,488	76,393
GP margin <sup>(1)</sup> (%)	31.45	35.85	47.56	42.55
PBT margin <sup>(2)</sup> (%)	15.01	18.71	29.49	21.49
PAT margin <sup>(3)</sup> (%)	11.76	14.05	22.20	16.12
Effective tax rate (%)	21.63	24.91	24.73	24.98
Average trade receivables turnover period <sup>(4)</sup> (days)	91	92	89	79
Average trade payables turnover period <sup>(5)</sup> (days)	183	147	105	29
Average inventories turnover period <sup>(6)</sup> (days)	109	122	145	116
Current ratio <sup>(7)</sup> (times)	1.75	1.89	2.90	2.64
Gearing ratio <sup>(8)</sup> (times)	0.11	0.30	0.25	0.29

### 3. PROSPECTUS SUMMARY (Cont'd)

#### 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 (excluding lease liabilities on right-of-use assets) divided by total equity

#### Cash flow

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FYE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash (used in)/ from operating activities	(2,600)	254	10,619	6,487
Net cash from/ (used in) investing activities	103	(4,303)	(999)	(3,608)
Net cash (used in)/ from financing activities	(1,708)	4,790	(4,765)	(3,715)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(4,205)</b>	<b>741</b>	<b>4,855</b>	<b>(836)</b>
<b>Cash and cash equivalents at the beginning of the financial years</b>	<b>11,670</b>	<b>7,465</b>	<b>8,207</b>	<b>13,026</b>
Effect of exchange translation differences on cash and cash equivalents	*	1	(36)	(6)
<b>Cash and cash equivalents at the end of the financial years</b>	<b>7,465</b>	<b>8,207</b>	<b>13,026</b>	<b>12,184</b>

For the FYE 2021, our net cash used in operating activities was RM2.60 million mainly due to the increase in payment to our trade suppliers in conjunction with the higher purchase of inventories to fulfil the anticipated higher market demand.

For the FYE 2024, we recorded a net decrease in cash and cash equivalent of RM0.84 million despite the positive operating cash flow. This was attributable to:-

- (i) net cash used in investing activities mainly for the acquisitions of PPE and intangible assets, being the intellectual property rights for our 'Mocha' brand; and
- (ii) net cash used in financing activities mainly for the repayment of borrowings and dividend payment, which was partially offset by new drawdown of bankers' acceptance and invoice financing.

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

### 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 1<sup>st</sup> 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.

### 3. PROSPECTUS SUMMARY (Cont'd)

#### (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 the Financial Years Under Review, we declared and paid the following dividends:-

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PAT attributable to the owners of our Company	7,777	12,742	24,930	24,429
Dividends declared	4,233	4,361	7,216	8,998
Dividend paid	4,233	4,361	7,216	5,999
Dividend payout ratio (%)	54.43	34.23	28.94	36.83

Our Group had declared total dividends amounting to approximately RM9.00 million for the FYE 2024, of which approximately RM6.00 million was paid in FYE 2024. The remaining RM3.00 million was paid in first quarter of FYE 2025. The dividends are funded via internally generated funds. The dividends to be paid after the FYE 2024 are not expected to affect the execution and implementation of our future plans or strategies moving forward.

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:-

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

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 19 August 2024.

###### (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:-

<b>Vendors</b>	<b>No. of ordinary shares acquired</b>	<b>%</b>	<b>No. of Shares issued</b>	<b>%</b>
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
<b>Total</b>	<b>30,000</b>	<b>100.00</b>	<b>93,889,500</b>	<b>100.00</b>

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 19 August 2024.

#### 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
<b>Total</b>	<b>100,000</b>	<b>100.00</b>	<b>19,467,100</b>	<b>100.00</b>

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 19 August 2024.

##### (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
<b>Total</b>	<b>1,000</b>	<b>100.00</b>	<b>6,325,400</b>	<b>100.00</b>

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 19 August 2024.

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.

#### 4.1.2 Public Issue

Our 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.

#### 4. DETAILS OF OUR IPO (Cont'd)

##### (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 no. of Issue Shares allocated
Our Directors <sup>(1)</sup>	4	1,000,000
Eligible employees of our Group <sup>(2)</sup>	Up to 160	12,000,000
Persons who have contributed to the success of our Group <sup>(3)</sup>	Up to 40	3,000,000
<b>Total</b>	<b>Up to 204</b>	<b>16,000,000</b>

##### 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	No. 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
Yeat Soo Ching	Independent Non-Executive Director	250,000
Teh Lay Sim	Independent Non-Executive Director	250,000
<b>Total</b>		<b>1,000,000</b>

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

Name	Designation	No. of Shares
Tan Gine Ngee	Chief Financial Officer	2,702,700
Loo Ai Cheng	Senior Manager - Warehouse & Customer Service	2,702,700
Ng Lai Heong	Regional Sales Manager	811,000
Lam Li Hua	Marketing Manager	135,000
<b>Total</b>		<b>6,351,400</b>

In addition, Loo Jing Shun, our Assistant Sales & Marketing Manager and a person connected to our substantial shareholders and Executive Directors, Loo Chai Lai and Loo Jing Kai, has been allocated 50,000 Issue Shares under the Pink Form Allocation.

#### 4. DETAILS OF OUR IPO (Cont'd)

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

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

Name and address	Nature of relationship with our Group	Shareholdings after the Acquisitions		Shares offered pursuant to the Offer for Sale			Shareholdings after the Offer for Sale <sup>(3)</sup>	
		No. of Shares	(1) %	No. of Shares	(1) %	(2) %	No. of Shares	(2) %
Loo Chai Lai 6, Solok Pasi, Off Jalan Batu Tiga, 41300 Klang, Selangor	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 our IPO.
- (3) Shareholdings before the Share Transfer.

#### 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.

#### 4. DETAILS OF OUR IPO (Cont'd)

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
<b>Total</b>	<b>622,100,557</b>	<b>72.33</b>	<b>516,000,000</b>	<b>60.00</b>	<b>106,100,557</b>	<b>12.33</b>

**Note:-**

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

#### 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 Malaysian 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 via balloting,

Thereafter, the remaining portion will be made available for:-

- (a) other 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 4.1.2 (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.

##### (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;

#### 4. DETAILS OF OUR IPO (Cont'd)

- (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.

Notwithstanding the above, in the event there is an under-subscription for our IPO Shares, the subscriptions received for our IPO Shares will first be applied towards subscribing in full the Issue Shares under the Public Issue. Thereafter, any additional subscription for our IPO Shares will be allocated from the Offer Shares offered by the Selling Shareholder under the Offer for Sale. Any remaining Offer Shares not subscribed for after the aforementioned allocation will be retained by the Selling Shareholder. For the avoidance of doubt, the Public Issue will take priority over the Offer for Sale in the event of an under-subscription of our IPO Shares.

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.

##### 4.1.7 Share Capital

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

	<b>No. of Shares</b>	<b>RM</b>
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	57,350,000
<b>Enlarged issued share capital upon Listing</b>	<b>860,000,000</b>	<b>99,650,940</b>

##### 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.

#### 4. DETAILS OF OUR IPO (Cont'd)

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 31.85% from RM66.11 million for the FYE 2021 to RM151.55 million for the FYE 2024. Our PAT has also increased at a CAGR of 46.44% from RM7.78 million to RM24.43 million over the same period. Our financial performance is set out in Sections 12 and 13 of this Prospectus;
- (ii) Our EPS of approximately RM0.028, computed based on our PAT of RM24.43 million for the FYE 2024 and our enlarged number of issued Shares of 860,000,000 Shares upon Listing translating to a PE Multiple of 13.21 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.

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	(A)	0.37
Pro forma combined NA per Share as at 30 June 2024 before our Public Issue	(B)	0.09
Pro forma combined NA per Share as at 30 June 2024 after our Public Issue	(C)	0.14
Increase in combined NA per Share attributable to our existing shareholders	(C-B)	0.05
Dilution in pro forma combined NA per Share to new investors	(A-C)	0.23
Dilution in pro forma combined NA per Share to new investors as a percentage of the IPO Price	(A-C)/ (A)	62.16%

#### 4. DETAILS OF OUR IPO (Cont'd)

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:-

Name	No. of Shares held before our IPO	Total consideration RM	Effective cost per Share RM
<b>Promoters, Directors and substantial shareholders</b>			
Loo Chai Lai	<sup>(1)</sup> 625,284,187	37,517,803	0.06
Loo Jing Kai	<sup>(2)</sup> 70,816,370	4,249,171	0.06
<b>Director</b>			
Lee Chee Keong	<sup>(3)</sup> 8,899,443	533,966	0.06

**Notes:-**

- (1) Being Shares issued pursuant to the Acquisitions and 800 subscriber shares issued upon incorporation of our Company.
- (2) Being Shares issued pursuant to the Acquisitions and 200 subscriber shares issued upon incorporation of our Company.
- (3) Being Shares issued pursuant to the Acquisitions.

As at 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.

#### 4.4 USE OF PROCEEDS

We expect to use the gross proceeds from our Public Issue amounting to RM57.35 million in the following manner:-

Details	RM'000	%	Estimated timeframe for use of proceeds from the date of Listing
Branding and promotional marketing	6,000	10.46	Within 36 months
Expansion of dealer network and enhancement of distribution reach	6,000	10.46	Within 36 months
Repayment of bank borrowings	9,000	15.69	Within 12 months
Working capital for purchase of inventories	31,350	54.67	Within 24 months
Estimated listing expenses	5,000	8.72	Within one month
<b>Total</b>	<b>57,350</b>	<b>100.00</b>	

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. Any interests derived from the short-term deposits and/ or any gains arising from the money market instruments with licensed financial institution will also be allocated for the working capital of our Group.

#### 4. DETAILS OF OUR IPO (Cont'd)

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 RM27.38 million will accrue entirely to the Selling Shareholder. The Selling Shareholder will bear his own expenses including placement fee as well as other miscellaneous fees (if any) in respect of the Offer for Sale which are estimated to be approximately RM0.56 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 RM6.00 million or 10.46% 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	3,500
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	1,500
3.	Participation in industry events and tradeshow which provide an avenue for the Group to connect with prospective suppliers and customers as well as keep abreast of the latest market trends	1,000
	<b>Total</b>	<b>6,000</b>

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.

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 RM6.00 million or 10.46% 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. In the FYE 2024, we had a network of 664 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 the selected dealers' retail stores;
- (ii) provide subsidy to existing and new dealers that will sell our house brands exclusively at their stores; and

#### 4. DETAILS OF OUR IPO (Cont'd)

- (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.

In identifying dealers who are eligible to receive the subsidies, we prioritise dealers with stores at locations where we intend to strengthen our position, capture more market share or establish our position in a new market. The type of subsidy to be provided can only be determined when the dealers are selected and will be based on their individual needs.

The terms and conditions of receiving the subsidy include achieving certain sales targets, and maintaining the signage and racking provided for branding and product display of our products only. This ensures that the subsidy provided is not only channelled to facilitate the setup of our dealers' stores but also serves as an incentive for our dealers to actively promote and sell our products.

Further details of the selection criteria for the subsidies and terms and conditions of the subsidies are set out in Section 7.6.1 of this Prospectus.

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 RM6.00 million from our IPO proceeds within 36 months from the date of our Listing to partially fund this enhancement plan.

The RM20.00 million subsidies to be provided to our existing and new dealers will be used for the following purposes:-

<b>Nature of subsidy</b>	<b>Subsidy per store (RM)</b>
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.

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#### 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 RM23.26 million.

We intend to use RM9.00 million or 15.69% of the gross proceeds from the Public Issue to partially repay our borrowings as follows:-

Financial institution	Types of facility/	Purpose	Interest rate %	Maturity date	Balance as at the LPD RM'000	Proposed repayment RM'000
Public Bank Berhad	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	2,335	2,327
United Overseas Bank (Malaysia) Bhd	Banker's acceptance	Purchase of inventory	4.19% - 4.36%	Revolving tenure of 150 days from the date of drawdown	13,756	6,673
<b>Total</b>					<b>16,091</b>	<b>9,000</b>

The fixed loan granted by Public Bank Berhad was fully disbursed on 8 November 2021. Based on the terms of financing, a settlement of the fixed loan within three years from the date of the first drawdown of the facility will give rise to an early settlement fee of RM0.05 million, being 2.00% of the approved loan amount of RM2.55 million. Depending on the actual timing of the repayment, the said period may have lapsed at the time of the repayment of the loan and in such an event, the Group will not incur any early settlement fee.

The repayment of the fixed loan is expected to result in interest savings of approximately RM0.10 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 12.9 of this Prospectus, the proposed repayment of bank borrowings will also contribute to a lower gearing level from 0.29 times as at 30 June 2024 to 0.09 times (based on the total borrowings of RM10.22 million and pro forma shareholders' fund of RM118.08 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 RM31.35 million or approximately 54.67% 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, FYE 2023 and FYE 2024 amounted to RM49.16 million, RM49.66 million, RM54.12 million and RM76.07 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 RM5.00 million comprising the following:-

	<u>RM'000</u>
Professional fees <sup>(1)</sup>	2,720
Fees to authorities	100
Brokerage, underwriting commission and placement fees	1,420
Miscellaneous expenses and contingencies <sup>(2)</sup>	760
<b>Total</b>	<b><u>5,000</u></b>

**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.

Where applicable and if required under Rule 8.24 of the Listing Requirements, we will seek shareholders' approval for any material variation to the intended utilisation of proceeds.

#### 4.5 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

##### 4.5.1 Brokerage fee

We will bear the brokerage fee at the rate of 1.00% 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 2.25% 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 2.00% of the total value of the IPO Shares successfully placed out by the Placement Agent at the IPO Price.

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

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**4. DETAILS OF OUR IPO (Cont'd)**

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**4.6 DETAILS OF THE UNDERWRITING AGREEMENT**

On 3 September 2024, 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 of the Underwriting Agreement are as follows:-

- (i) The obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon, among others-
  - (a) all necessary approvals have been obtained, remain valid and have not been revoked or amended;
  - (b) There having been, as at any time after the date of the Underwriting Agreement up to and including the last date for receipt of application and payment for the subscription to the Issue Shares or such other later date as our Company and the Underwriter may agree upon ("**Closing Date**"), no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of our Group (which in the reasonable opinion of the Underwriter is or will be material in the context of the Listing and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to an extent which is or will be material in any of the representations, warranties and undertakings contained in the Underwriting Agreement if they are repeated on and as of the Closing Date;
  - (c) The issue, offering and subscription of our IPO Shares in accordance with the provisions of the Underwriting Agreement and the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
  - (d) The Underwriter having been satisfied that arrangements have been made by our Company to ensure payment of the expenses referred to in the Underwriting Agreement;
  - (e) The delivery to the Underwriter prior to the date of registration of the Prospectus of a copy certified as a true copy by an authorised officer of our Company of all the resolutions of the Directors and the shareholders in general meeting approving this Agreement, the Prospectus, the issue and offer of our IPO Shares, our Listing and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus;
  - (f) The delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the Board as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of our Group nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations and/or warranties contained in the Underwriting Agreement as though they have been given and/or made on such date; and
  - (g) The Underwriter being satisfied that our Company will, following completion of our IPO be admitted to the Official List and its issued share capital listed and quoted on the ACE Market without undue delay.

#### 4. DETAILS OF OUR IPO (Cont'd)

- (ii) The Underwriter may by notice in writing to our Company given at any time on or before the allotment and issuance of our Issue Shares, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:
- (a) There is any breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice, after notice of such breach shall be given to our Company or by the Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriter, which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group, the success of our IPO and Listing, or the distribution of our Issue Shares; or
  - (b) There is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to us, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group and the success of our IPO and Listing, or the distribution of our Issue Shares; or
  - (c) There shall have occurred, happened or come into effect in the opinion of the Underwriter any material and/or adverse change to the business or financial condition, or operation of our Group; or
  - (d) There shall have occurred, happened or come into effect any of the following circumstances:
    - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
    - (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of our Company and/ or the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); which, (in the reasonable opinion of the Underwriter), would have or can reasonably be expected to have, a material adverse effect on and/ or materially prejudice the business or the operations of our Group and the success of our IPO and Listing, or the distribution of our Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
    - (iii) the FTSE Bursa Malaysia KLCI Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:
      - (1) on or after the date of the Underwriting Agreement; and
      - (2) prior to the allotment of the Issue Shares

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**4. DETAILS OF OUR IPO (Cont'd)**

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- lower than 90% of the level of the Index at the last close of normal trading on Bursa Securities on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 Market Days; or
- (iv) in the event of national disorder, outbreak of war or the declaration of a state of national emergency; or
  - (e) There is failure on the part of our Company to perform any of our obligations contained in the Underwriting Agreement; or
  - (f) Any matter which arose immediately before the date of the Prospectus would have constituted a material and adverse omission in the context of the Public Issue; or
  - (g) Any event, act or omission which gives or is likely to give rise to any liability which will have a material and adverse effect on our Company pursuant to the indemnities contained under the Underwriting Agreement; or
  - (h) Our Listing does not take place within three months from the date of the Underwriting Agreement or such other extended date as may be agreed by the Underwriter; or
  - (i) The imposition of any moratorium, suspension or material restriction on trading in securities generally on ACE Market due to exceptional financial circumstances or otherwise which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group, the success of IPO and Listing, or the distribution or sale of our Issue Shares.
- (iii) Upon such notice(s) being given under Paragraph (ii) above, the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, except that our Company shall remain liable in respect of its obligations and liabilities for the payment of the costs and expenses already incurred prior to or in connection with such termination (including the refund of full amount of such subscription monies paid to our Company for such portion of the Underwritten Shares), for the payment of any taxes, duties or levies, underwriting commission as stated in the Underwriting Agreement, or such outstanding fees pursuant to the Underwriting Agreement, and for any antecedent breach, and its undertaking to indemnify the Underwriter pursuant to the provisions of the Underwriting Agreement.

## 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 <sup>(1)</sup>				After our IPO <sup>(2)</sup>			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Promoters and substantial shareholders</b>									
Loo Chai Lai	Malaysian	625,284,187	88.70	70,816,370	<sup>(3)</sup> 10.04	86,884,187	10.10	535,266,370	<sup>(4)</sup> 62.24
Loo Jing Kai	Malaysian	70,816,370	10.04	-	-	19,216,370	2.24	-	-
<b>Substantial shareholder</b>									
LCL Success <sup>(5)</sup>	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.
- (4) Deemed interested by virtue of his direct shareholding in LCL Success pursuant to Section 8(4) of the Act and his sons, Loo Jing Kai's and Loo Jing Shun's (assuming full subscription of the Issue Shares allocated to him under the Pink Form Allocation) interest in our Company pursuant to Section 59(1)(c) of the Act.
- (5) 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. Please refer to Section 5.1.2(iii) for further details on the shareholders of LCL Success.

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 OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

### 5.1.2 Profiles 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 took a two-year break to explore different career opportunities before 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.

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


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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	<sup>(1)</sup> 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.

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## 5. INFORMATION ON OUR 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 shareholders

Save for the issuance of our Shares as set out in Section 6.1.2 of this Prospectus, the dividends paid or to be paid to our Promoters and substantial shareholders as set out in Section 12.8 of this Prospectus, and the benefits paid or proposed to be paid to our Promoters and substantial shareholders who are also our Executive Directors as set out in Section 5.2.5 of this Prospectus for services rendered to our Group in all capabilities, 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.

The details of the dividends paid to our Promoters and substantial shareholders for the FYE 2023 and FYE 2024 are set out below:-

<b>Promoters/ substantial shareholders</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FYE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loo Chai Lai	3,336	6,176	8,015
Loo Jing Kai	436	732	900
<b>Total</b>	<b>3,772</b>	<b>6,908</b>	<b>8,915</b>

## 5.2 BOARD OF DIRECTORS

### 5.2.1 Particulars of our Directors

Our Board comprises the following members:-

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Date of appointment</b>	<b>Designation</b>	
Haji Ahmad Zakie Bin Haji Ahmad Shariff	67	Malaysian	25 March 2024	Independent Chairman	Non-Executive
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	
Yeap 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 OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

### 5.2.2 Profiles 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 from University of Illinois, Urbana-Champaign, United States of America in 1983.

He began his career as a lecturer in accounting with the Faculty of Business Management of University Kebangsaan Malaysia in 1983. He left the role in 1990 and joined Rashid Hussain Securities, a stockbroking firm, as Equity Analyst in the same year. He left Rashid Hussain Securities in 1991. He then joined UMBC Securities Sdn Bhd, a stockbroking firm, as Senior Analyst in 1991 and left in the same year. In 1992, he joined JB Securities Sdn Bhd, a stockbroking firm, as a Research Manager. He left the role in 1993 to join Capitalcorp Securities Sdn Bhd, a stockbroking firm, as Vice President of Research. He left Capitalcorp Securities Sdn Bhd in 1994 and joined Smith Zain Securities Sdn Bhd, a stockbroking firm, as an International Sales Dealer. He left the role in 1995 to join Shapadu Corporation Sdn Bhd, a company involved in the management and investment holding, as an Assistant General Manager. He left the role in 1996 and in the same year, he joined PTB Asset Management Sdn Bhd (*which was then a subsidiary of Permodalan Terengganu Berhad*) as the Chief Executive Officer where he was responsible for the day-to-day operations of the company and left in 2000. In 2000, he joined SJ Securities Sdn Bhd, a company involved in the business of dealing in securities and acting as securities and share brokers, as the Executive Director (Operations) where he was responsible for its day-to-day operations and left in 2005.

In 2005, he joined UEM Group Berhad, a company involved in project design, management and contracting in the fields of civil, electrical and mechanical engineering, the undertaking of turnkey projects, corporate and advisory support services and training services and investment holding, as the Director of Corporate Affairs where he was responsible for its human capital development including overseeing the operation of Kolej Yayasan UEM, which is part of UEM Group Berhad. He left UEM Group Berhad in 2010 to join Malayan Banking Berhad, a company involved in commercial banking and related financial services, as the Head of Organizational Learning Division where he was responsible for the training and talent enhancement needs of the group and left the company in 2011. He joined FA Securities Sdn Bhd, a stockbroking firm, as Chief Executive Officer from 2011 to 2012 where he was responsible for overseeing the overall operations of the company.

In 2012, he joined the Federation of Investment Managers Malaysia an organization that regulates the marketing and distribution of unit trust schemes and private retirement schemes, as the Chief Executive Officer where he was responsible for its day-to-day operations and left the company in 2013. In the same year, he was appointed by the Menteri Pengajian Tinggi Malaysia as a member of the Board of Directors of Universiti Malaysia Pahang and subsequently retired in 2019. In 2014, he joined Perbadanan Menteri Besar Kelantan, a government linked corporation in charge of the state's strategic and assets, as a Chief Executive Officer where he was responsible for the business turnaround for some of the subsidiaries owned by Perbadanan Menteri Besar Kelantan until 2016. In 2015, he was also appointed by the Menteri Pengajian Tinggi Malaysia as a member of the Board of Directors of Universiti Kebangsaan Malaysia until 2017.

Presently, he is also 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.

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

### (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.

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

He left the company in 2008 to join Acumen Engineering (Shanghai) Co. Ltd, a company involved in wholesale and distribution of chemicals and allied products as a Sales Manager where he was responsible for overseeing the overall business operations of the company in China. In 2009, he left Acumen Engineering (Shanghai) Co. Ltd and joined Superpak Shanghai Co. Ltd, a company involved in packaging solution 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), a company involved in the dealing of electronic products as a Sales Manager. In 2013, he resigned as the Sales Manager but remained as the director and shareholder of the same company until it was dissolved in 2017. In 2013, he joined Bath Deco Marketing Sdn Bhd, a company involved in wholesale and retail of bathroom furnishings as a Sales Manager where he was responsible for the sales and marketing activities of the company and left the company in December 2013.

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.

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

After graduating from Monash University in 2004, she took a two-year break before she began her career in 2006 with BDO McCabe Lo Ltd in Hong Kong, a company involved in business and corporate advisory services, as an Associate. She left BDO McCabe Lo Ltd and joined BDO Binder in Malaysia, an audit firm, as an Assistant Manager in 2008 where she focused on external audit. In 2009, she joined BDO Consulting Sdn Bhd, a company involved in management consultants, as an Assistant Manager where she was in charge of internal audit for listed companies and left the company in 2010.

In 2010, she joined Prestar Precision Tube Sdn Bhd, a company involved in the manufacturing and supply of precision steel pipes and tubes, 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 a law firm, 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 Mah Weng Kwai & Associates, a law firm, as a Legal Assistant and was promoted to Senior Associate in 2018 before being made a Partner in 2019. In 2023, she left Mah Weng Kwai & Associates to set up her 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 Independent Non-Executive Director of HE Group Berhad since 2023 and WTEC Group Berhad since 2024.

### (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, company involved in construction and completion of superstructural works for Mandarin-Oriental Hotel 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. She left the company in 2000, to join Sunway Construction Berhad, a company involved in building and civil engineering works with capabilities in turnkey, design and build construction 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. Sunway Construction Berhad was delisted from the Official List of Bursa Securities in 2004 and assumed its present name of Sunway Construction Sdn Bhd and a wholly-owned subsidiary of Sunway Construction Group Berhad. In 2007, she was promoted to Manager. She left Sunway Construction Berhad in year 2008 to join SA Architects Sdn Bhd, a company involved in architectural and consultancy services as an Associate where she was responsible for managing and overseeing the design and execution of projects.

In 2012, she left SA Architects Sdn Bhd and founded Arkitek L. Teh. She has been with the firm since 2012 and currently holds the position of Principal. She is in charge of managing the employees, the direction of the architecture practice of the firm which includes among others, overseeing all technical and design matters for the projects undertaken by the firm as well as its day-to-day operations.

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

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**(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, a law firm, as a legal associate in 2000 and was subsequently made a partner in 2007, a position she still holds. 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 Cnergenz Berhad.

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## 5. INFORMATION ON OUR 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	Before our IPO and as at LPD <sup>(1)</sup>			After our IPO <sup>(2)(3)</sup>		
	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	86,884,187	10.10	535,266,370
Loo Jing Kai	70,816,370	10.04	-	19,216,370	2.24	<sup>(5)</sup> 62.24
Lee Chee Keong	8,899,443	1.26	-	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 allocations under the Pink Form Allocation.
- (4) Deemed interested by virtue of his son, Loo Jing Kai's interest in our Company.
- (5) Deemed interested by virtue of his direct shareholding in LCL Success pursuant to Section 8(4) of the Act and his sons, Loo Jing Kai's and Loo Jing Shun's (assuming full subscription of the Issue Shares allocated to him under the Pink Form Allocation) interest in our Company pursuant to Section 59(1)(c) of the Act.

**5. INFORMATION ON OUR 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 the LPD (“**Present Involvement**”) and in the past five years preceding the LPD (“**Past Involvement**”):-

**(i) Haji Ahmad Zakie Bin Haji Ahmad Shariff**

Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest %	Indirect interest %
<u>Present involvement</u> Kiaratics Sdn Bhd	General consultants; general trading; investment holdings <sup>(1)</sup>	Shareholder	-	-	25.00	-
Showme Eduwav Berhad	Pre-primary education (private)/ kindergarten; others education; primary education (private)	Shareholder	-	-	0.05	-
Satwa Berhad	Other business support service activities; stores specialised in retail sale of pharmaceuticals, medical and orthopaedic goods; general medical services	Shareholder	-	-	0.13	-
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	-
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	-	-	-

**5. INFORMATION ON OUR 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 %
LFE Corporation Berhad	Investment holding <sup>(2)</sup>	Independent Non-Executive Director	30 August 2023	-	-	-
<b>Past Involvement</b> Gana Asli Sdn Bhd	Activities of holding companies <sup>(3)</sup>	Director and Shareholder	1 September 2008	20 May 2024	30.00	-
Biotek Dinamik Sdn Bhd	Wholesale of fertilizers and agrochemical products	Director	3 April 2019	1 July 2024	-	-
Future Asset Management (Malaysia) Sdn Bhd	Other financial service activities, except insurance/takaful and pension funding <sup>(4)</sup>	Director	1 November 2017	-	-	-
UMP Advanced Education Sdn Bhd	Education, training, general trading	Director	2 October 2013	7 October 2019	-	-
Invest Kelantan Berhad	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 <sup>(5)</sup>	Director	22 March 2016	-	-	-
Kuber Venture Berhad	Investment holdings <sup>(6)</sup>	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	-	-

**5. INFORMATION ON OUR 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 %
Bluechart Power Sdn Bhd	Investment holdings <sup>(7)</sup>	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.
- (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) Gana Asli Sdn Bhd has not commenced any business operation as at 30 November 2022.
- (4) Future Asset Management (Malaysia) Sdn. Bhd has been dissolved and has been struck off on 16 September 2022.
- (5) Invest Kelantan Berhad has been dissolved and has been struck off on 3 April 2023.
- (6) Kuber Venture Berhad is an investment holding company in shares.
- (7) Bluechart Power Sdn Bhd is currently dormant and does not have any active investments in any company.

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

(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 <sup>(1)</sup>	Director and Shareholder	27 July 2011	-	100.00	-
		Time IT	Property investment, investment holding, general trading <sup>(2)</sup>	Director and Shareholder	8 April 2013	-	98.00	-
		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	-
		MBS Home	Trading of home decorative items and sanitary wares <sup>(3)</sup>	Director and Shareholder	3 July 2023 (Previously appointed on 5 December 2007 and resigned on 18 December 2020)	-	1.00	<sup>(4)</sup> 99.00
		Colourcon Painting Specialist Sdn Bhd	Specialist painting works	Director and Shareholder	28 September 1995	-	40.00	-

**5. INFORMATION ON OUR 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 %
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 <sup>(6)</sup>	Director and Shareholder	21 February 2024	-	90.00	<sup>(6)</sup> 10.00
Logisticspac Global Sdn Bhd	Investment holding company <sup>(7)</sup>	Director	20 March 2023	-	-	<sup>(6)</sup> 50.00
<b>Past Involvement</b>						
Atlas Dynamics Sdn Bhd	Labour supply and related renewal services	Director	7 March 1997	19 March 2022	-	-
SRT Bathware Sdn Bhd	Retail of bathroom wares, bathroom utensils, bathroom equipment and related products <sup>(8)</sup>	Director and Shareholder	30 December 2010	-	70.00	-
Boon Seng Resources Sdn Bhd	Investment holding, general trading <sup>(10)</sup>	Director and Shareholder	21 February 2011	-	100.00	-
Topyear Logistics Sdn Bhd	Investment holding company <sup>(11)</sup>	Director	7 March 2014	18 December 2020	-	-
Pro Bath Sdn Bhd	Wholesale of household appliances; wholesale of sanitary installation and equipment; wholesale of other construction materials, hardware, plumbing and heating equipment and supplies <sup>(12)</sup>	Director and Shareholder	29 January 2019	-	68.00	-
Sorento East Sdn Bhd	Retail sale of household appliances <sup>(13)</sup>	Director and Shareholder	25 April 2019	-	100.00	-
GBI Building Materials Sdn Bhd	Wholesale of construction materials	Director	29 July 2019	14 December 2023	-	-

**5. INFORMATION ON OUR 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 %
The Acrylic Factory Sdn Bhd (Formerly known as 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	-	-
PSM	Trading of paints, painting accessories, sanitary, kitchen accessories and hardware <sup>(14)</sup>	Director and Shareholder	24 December 2003	15 March 2024	60.00	20.00

**Notes:-**

- (1) As at the LPD, FHBS 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 specialisation.
- (3) MBS Home has ceased operation since October 2023. The shareholders of MBS Home are MBS Paints and Loo Chai Lai and have provided their undertaking letters dated 1 October 2023 that they will undertake all necessary actions to wind up and/ or strike off MBS Home.
- (4) Deemed interest by virtue of his shareholding in MBS Paints pursuant to Section 8(4) of the Act.
- (5) LCL Success is our substantial shareholder. Please refer to Section 5.1.2(iii) for further details on LCL Success.
- (6) Deemed interest by virtue of his son, Loo Jing Kai's shareholding in the company.
- (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 FHBS pursuant to Section 8(4) of the Act.
- (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) Topyear Logistics Sdn Bhd is an investment holding company involved in real estate activities with own or leased property.
- (12) Pro Bath Sdn Bhd has been dissolved and has been struck off 13 December 2023.
- (13) Sorento East Sdn Bhd has been dissolved and has been struck off on 15 June 2020.
- (14) PSM has been disposed of to a third party on 14 February 2024. The disposal was completed on 14 May 2024.

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

(iii)	Loo Jing Kai	Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Interest	
							Direct interest %	Indirect interest %
		<b><u>Present involvement</u></b>						
		KCBS	Trading of paints and hardware	Director	25 January 2021	-	-	-
		Time IT	Property investment, investment holding, general trading <sup>(1)</sup>	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 <sup>(2)</sup>	Director	3 July 2023	-	-	-
		FHSB	Investment holding <sup>(3)</sup>	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 <sup>(4)</sup>	Director and Shareholder	21 February 2024	-	10.00	-
		<b><u>Past Involvement</u></b>						
		Sorento East Sdn Bhd	Retail sale of household appliances <sup>(5)</sup>	Director	25 April 2019	-	-	-
		YLF F&B Enterprise	Food and beverages	Sole Proprietor	29 August 2019	28 August 2021	-	-

**5. INFORMATION ON OUR 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	Wholesale of household appliances; wholesale of sanitary installation and equipment; wholesale of other construction materials, hardware, plumbing and heating equipment and supplies <sup>(6)</sup>	Shareholder	29 January 2019	-	15.00	-
Boon Seng Resources Sdn Bhd	Investment holding, general trading <sup>(7)</sup>	Director	18 December 2020	-	-	-
SRT Bathware Sdn Bhd	Retail of bathroom wares, bathroom utensils, bathroom equipment and related products <sup>(8)</sup>	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	-	-
PSM	Trading of paints, painting accessories, sanitary, kitchen accessories and hardware <sup>(9)</sup>	Director and Shareholder	18 December 2020	15 March 2024	10.00	-

**Notes:-**

- (1) 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 specialisation.
- (2) MBS Home has ceased operation since October 2023. The shareholders of MBS Home are MBS Paints and Loo Chai Lai and have provided their undertaking letters dated 1 October 2023 that they will undertake all necessary actions to wind up and/ or strike off MBS Home.
- (3) As at the LPD, FH5B is an investment holding company involved in real estate activities with own or leased property.
- (4) LCL Success is our substantial shareholder. Please refer to Section 5.1.2(iii) of this Prospectus for further details on LCL Success.
- (5) Sorento East Sdn has been dissolved and has been struck off on 15 June 2020.
- (6) Pro Bath Sdn Bhd has been dissolved and has been struck off 13 December 2023.
- (7) Boon Seng Resources Sdn Bhd has been wound up and has been struck off on 3 October 2023.
- (8) SRT Bathware Sdn Bhd has been dissolved and has been struck off on 13 April 2022.
- (9) PSM has been disposed of to a third party on 14 February 2024. The disposal was completed on 14 May 2024.

**5. INFORMATION ON OUR 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.

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

Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest %	Indirect interest %
<b><u>Present involvement</u></b> 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	-	-	-

**5. INFORMATION ON OUR 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 %
HE Group Berhad	Provision of power distribution systems, other building systems and works, hook-up and retrofitting of electrical equipment and trading	Independent Non-Executive Director	26 May 2023	-	-	-
Christine Toh & Co	Law firm	Managing Partner	2 May 2023	-	-	-
WTEC Group Berhad	Manufacturing and trading of foam and non-foam products	Independent Non-Executive Director	19 August 2024	-	-	-
<b><u>Past involvement</u></b> Tall Group Berhad	Activities of holding companies (shares)	Director	1 December 2018	25 October 2019	-	-
<b>(vi) Yeat Soo Ching</b>						
Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest %	Indirect interest %
<b><u>Present involvement</u></b> Cnergenz Berhad	Activities of holding companies (1)	Independent Non-Executive Director	23 September 2021	-	0.06	-
Cheang & Ariff	Law firm	Partner	1 January 2007	-	-	-
<b>Note:-</b>						
(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 OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)**

(vii) Teh Lay Sim

Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest %	Indirect interest %
<b>Present involvement</b> Arkitek L. Teh <sup>(1)</sup>	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.

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**5. INFORMATION ON OUR 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 2024 and FYE 2025 are as follows:-

	Salary RM'000	Directors' fees RM'000	Bonuses <sup>(2)</sup> RM'000	Commission RM'000	Statutory Contributions RM'000	Benefits in-kind RM'000	Total RM'000
<b>FYE 2024 (Paid)</b>							
Haji Ahmad Zakie Bin Haji Ahmad Shariff	-	(1) -	-	-	-	(1) -	(1) -
Loo Chai Lai	1,488	360	-	-	181	9	2,038
Loo Jing Kai	408	-	-	9	51	-	468
Lee Chee Keong	345	-	-	-	43	17	405
Christine Toh Hung Mei	-	(1) -	-	-	-	(1) -	(1) -
Yeat Soo Ching	-	(1) -	-	-	-	(1) -	(1) -
Teh Lay Sim	-	(1) -	-	-	-	(1) -	(1) -
<b>FYE 2025 (Proposed)</b>							
Haji Ahmad Zakie Bin Haji Ahmad Shariff	-	72	-	-	-	4	76
Loo Chai Lai	1,800	-	-	-	217	28	2,045
Loo Jing Kai	420	-	-	-	52	-	472
Lee Chee Keong	348	-	-	-	43	17	408
Christine Toh Hung Mei	-	36	-	-	-	4	40
Yeat Soo Ching	-	36	-	-	-	4	40
Teh Lay Sim	-	36	-	-	-	4	40

**Notes:-**

- (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.
- (2) There were no bonuses paid in the FYE 2024. The bonuses for the FYE 2025, if any, will be determined at a later date based on our Group's and the individual's performance.

## 5. INFORMATION ON OUR 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 second AGM to be held in 2025	Less than one year
Loo Chai Lai	Managing Director	17 May 2023	At our second AGM to be held in 2025	Less than one year
Loo Jing Kai	Executive Director	17 May 2023	At our third AGM to be held in 2026	Less than one year
Lee Chee Keong	Executive Director	25 March 2024	At our fourth AGM to be held in 2027	Less than one year
Christine Toh Hung Mei	Independent Non-Executive Director	25 March 2024	At our third AGM to be held in 2026	Less than one year
Yeat Soo Ching	Independent Non-Executive Director	25 March 2024	At our fourth AGM to be held in 2027	Less than one year
Teh Lay Sim	Independent Non-Executive Director	25 March 2024	At our fourth AGM to be held in 2027	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.

#### 5.3.2 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
Yeat 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;

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

- (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;
- (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.

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

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

### 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:-

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
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 OUR 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:-

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Yeat 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 OUR 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.

### 5.4 KEY SENIOR MANAGEMENT

#### 5.4.1 Particulars of key senior management

<u>Name</u>	<u>Age</u>	<u>Designation</u>
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 Profiles 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, an audit firm 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 and left the company in 2001. In 2001, he joined TimeCom Holdings Sdn Bhd, a company involved in construction, system integration and supply of computer hardware and software as an Accounts Executive and was responsible for overseeing group accounts preparation which includes monitoring the group consolidation of account.

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

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.

**(ii) Loo Ai Cheng**

*Specified Shareholder and 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, a company involved in manufacturing of plastics bags 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, a company involved in trading and installation of electrical switchboard apparatus, electronic equipment, engineering equipment and the assembling of circuit breakers as a Purchasing Administration Clerk where she was responsible for warehouse inventory records and maintaining purchasing records and left the company in 1997.

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.

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

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**(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, a company involved in buying, selling, fabricating spare parts and equipment in industries 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 the company in 1995. In 1996, she joined Homewish Sanitarywares Sdn Bhd, a company involved in sales and distribution of sanitary ware & bathroom accessories as a Sales Manager, assuming the same responsibilities as her role in Hup Hing Sdn Bhd until she left the company in 2007. In 2008, she joined Agrow Corporation Sdn Bhd, a company involved in buying, selling, fabricating spare parts and equipment in industries as a Sales Manager, assuming the same responsibilities as the previous companies and left the company in 2019.

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.

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**5. INFORMATION ON OUR 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, a company involved in fashion designing, manufacturing and trading of apparels and accessories 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), a company involved in designing, marketing and distribution of kitchen systems in the same year as a Brand Manager where she was responsible for brand strategy conceptualisation including planning and execution for kitchen cabinet and living solutions. She left to join MGBI Malaysia Sdn Bhd, a company involved in engineering services relating to design and verification of railway signaling systems 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, a company involved in internet marketing, public relations, events, advertising, trading, training and consultancy, media production, creative designing 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 left EQ Solutions Sdn Bhd and joined H Trends Bathroom Centre Sdn Bhd (currently known as Dilooma Sdn Bhd), a company involved in dealers, wholesale of bathroom accessories, sanitaryware, kitchenware and other related products 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 the company in 2021. She was on sabbatical leave until 2023 before continuing her career in SSB.

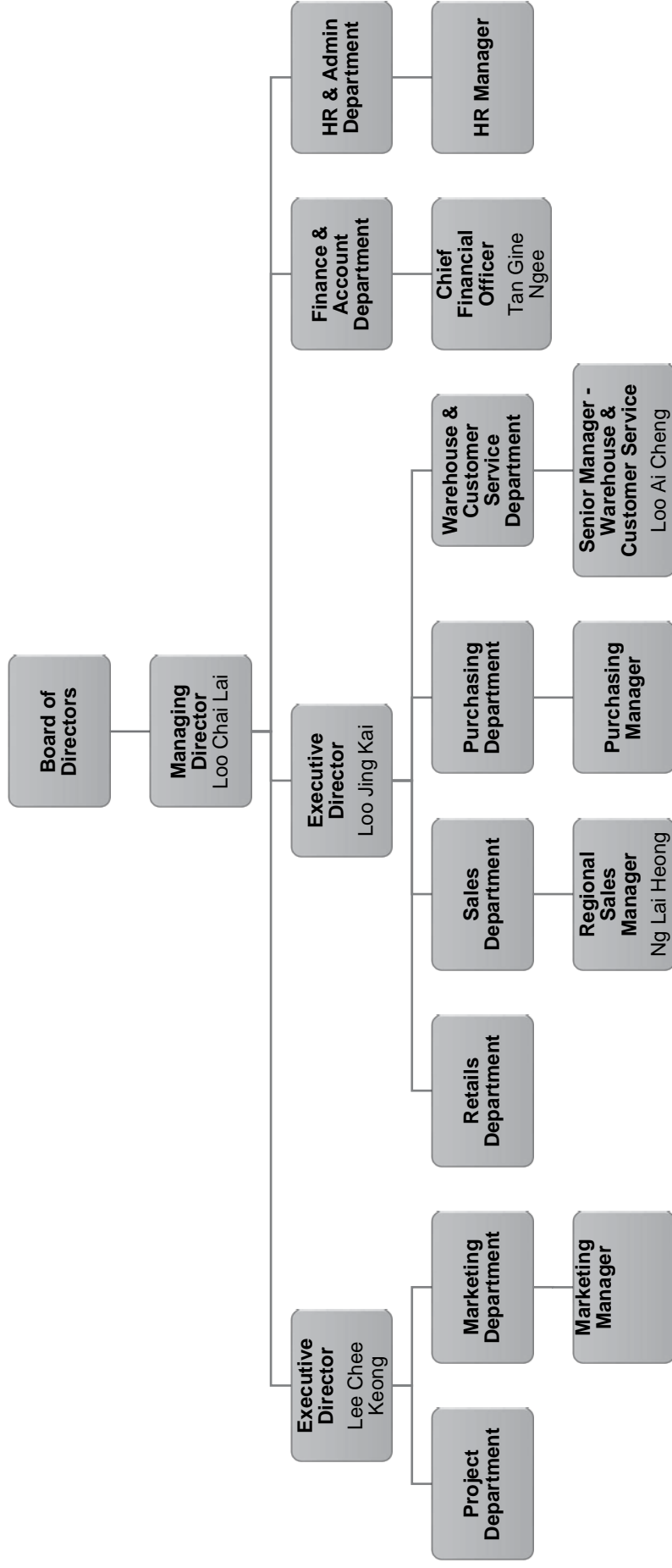
In January 2023, she joined SSB as the Marketing Manager where she is responsible for marketing management which includes strategising, planning and execution for both offline and online platforms for our Group.

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**5. INFORMATION ON OUR 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 OUR 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 <sup>(1)(2)</sup>	
		Direct	Indirect	Direct	Indirect
		No. of Shares	%	No. of Shares	%
Tan Gine Ngee	Malaysian	-	-	2,702,700	0.31
Loo Ai Cheng	Malaysian	-	-	2,702,700	0.31
Ng Lai Heong	Malaysian	-	-	811,000	0.09
Lam Li Hua	Malaysian	-	-	135,000	0.02

**Notes:-**

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

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**5. INFORMATION ON OUR 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.

Name of company	Principal activities	Position held	Date appointed as Director	Date resigned as Director	Direct interest %	Indirect interest %
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.

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

**Past Involvement**

Evobiz Trading	Sales and service of home renovation, electrical and furniture items	Sole Proprietor	4 December 2019	3 December 2020	Nil	Nil
Branyiz 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 OUR 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 2024 and FYE 2025 are as follows:-

Key senior management	Remuneration band <sup>(1)</sup>	
	FYE 2024 (Paid) RM'000	FYE 2025 (Proposed) <sup>(2)</sup> RM'000
Tan Gine Ngee	500 - 550	400-450
Loo Ai Cheng	350 – 400	300-350
Ng Lai Heong	300 – 350	200-250
Lam Li Hua	200 – 250	200-250

**Notes:**

- (1) The remuneration for the key senior management includes salaries, bonuses, allowances and other emoluments (such as employer's contribution to EPF, Social Security Organisation ("**SOCSO**"), also known as PERKESO (Pertubuhan Keselamatan Sosial) and Employment Insurance Scheme).
- (2) The bonuses for the FYE 2025, if any, will be determined at a later date based on the Group's and individual's performance.

## 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.

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

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**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:-

<b>Name</b>	<b>Position in our Company</b>	<b>Relationship</b>
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.

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## 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:-

<b>Date of allotment</b>	<b>No. of Shares</b>	<b>Nature of transaction</b>	<b>Consideration RM</b>	<b>Cumulative issued share capital RM</b>	<b>Cumulative no. of Shares</b>
17 May 2023	1,000	Subscribers' shares	1,000	1,000	1,000
19 August 2024	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 RM99,650,940 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.

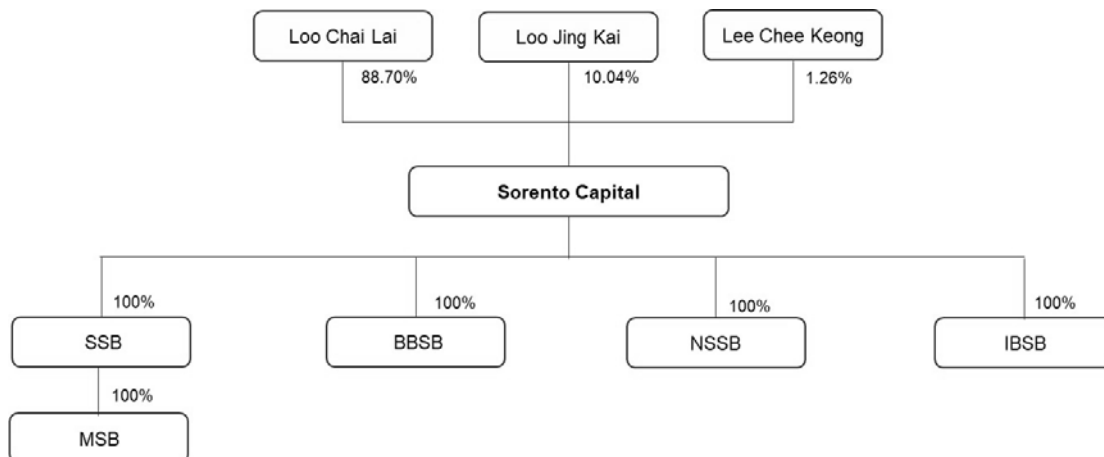
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## 6. INFORMATION ON OUR GROUP (Cont'd)

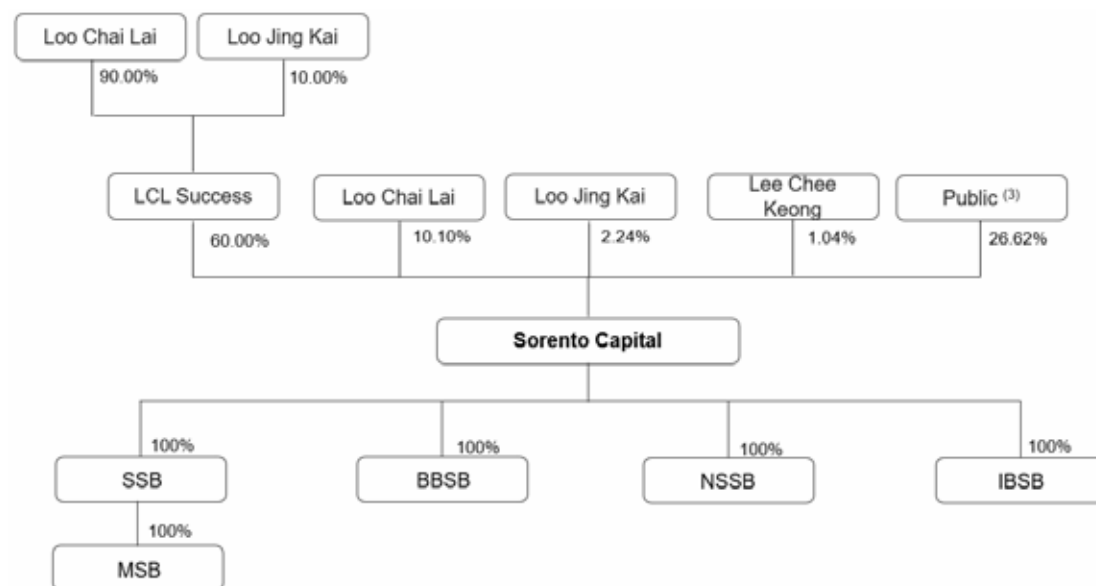
### 6.1.3 OUR GROUP STRUCTURE

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

#### (i) After the Acquisitions but prior to our IPO <sup>(1)</sup>



#### (ii) After our IPO <sup>(2)</sup>



#### 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 all the eligible Directors, and Loo Ai Cheng and Loo Jing Shun who are both the Specified Shareholders will subscribe for their respective Pink Form allocations, the public shareholding will be 26.19%.

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
<b>Subsidiary of SSB</b>				
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 RM</u>
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 RM</u>
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 RM</u>
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.

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


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**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 CAPITAL EXPENDITURES AND DIVESTITURES

#### 6.3.1 Capital Expenditures

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

Capital expenditures	Audited FYE				Unaudited
	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	1 July 2024 up to the LPD RM'000
Freehold land and building	68	3,854	233	-	-
Renovation	108	152	390	258	627
Intangible assets	-	-	-	2,000	-
Leasehold land and building	361	-	-	-	-
Leased premises	-	-	-	40,284	53
Computer and software	121	26	61	98	21
Capital work in progress	-	183	229	64	-
Furniture and fittings	280	135	99	390	7
Motor vehicle	201	274	487	2,520	-
Office equipment	871	35	80	161	8
Showroom	-	-	-	54	-
Signboard	-	11	6	4	-
<b>Total</b>	<b>2,010</b>	<b>4,670</b>	<b>1,585</b>	<b>45,833</b>	<b>716</b>

Our capital expenditures were primarily funded via a combination of bank borrowings and/ or internally generated funds.

During the FYE 2021, our capital expenditure incurred was mainly in relation to the purchase of:-

- (i) office equipment amounting to RM0.87 million mainly comprise the purchase of air conditioners and electrical products;
- (ii) leasehold land and building amounting to RM0.36 million comprise the acquisition a single storey semi-detached house located in Marang, Terengganu; and
- (iii) furniture and fittings amounting to RM0.28 million mainly comprise the purchases of pallet and storage racking systems.

During the FYE 2022, our capital expenditure incurred was mainly in relation to the following:-

- (i) freehold land and building amounting to RM3.85 million, mainly for the acquisition of a property located at No. 13, Lorong Beringin 2, Taman Industri Beringin, 14100 Simpang Ampat, Pulau Pinang ("**Penang Facility**") which is currently being used as a warehouse and office;
- (ii) purchase of one unit motor vehicle amounting to RM0.27 million; and
- (iii) capital work in progress amounting to RM0.18 relating to software development.

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

During the FYE 2023, our capital expenditure incurred was mainly in relation to the following:-

- (i) motor vehicle amounting to RM0.49 million, mainly comprise the purchases of two units of motor vehicles;
- (ii) renovation costs amounting to RM0.39 million, mainly for our rented head office and warehouse located at No. 5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor ("**Bukit Raja Facility**") which is currently being used as our head office and warehouse; and
- (iii) freehold land and building amounting to RM0.23 million comprise the progressive payment for two apartment units located in Kenwingston Platz, Setapak and The Birch, Jalan Ipoh.

During the FYE 2024, our capital expenditure incurred was mainly in relation to the following:-

- (i) lease premises, namely Bukit Raja Facility and Jalan Meru Facility, which are classified as right-of-use assets, amounting to RM40.28 million. Please refer to Section 6.4.2 of this Prospectus for further details of these properties;
- (ii) purchase of motor vehicles amounting to RM2.52 million comprised, among others, eight units of forklift, one unit of van and six units of lorries; and
- (iii) acquisition of the intellectual property rights for 'Mocha' brand amounting to RM2.00 million through our indirect subsidiary, MSB. Further details of the acquisition are set out in Section 7.1 and Section 10.1 of this Prospectus.

From 1 July 2024 up to the LPD, our capital expenditure incurred was mainly in relation to the following:-

- (i) renovation costs amounting to RM0.63 million for the improvement of fire protection systems on Bukit Raja Facility;
- (ii) leasing of a store in Johor Bahru, which is classified as right-of-use asset, amounting to RM0.05 million. Please refer to Section 6.4.2 of this Prospectus for further details of the property; and
- (iii) purchase of computer and software amounting to RM0.02 million.

### 6.3.2 Divestitures

Save as disclosed below, there are no 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	2024	1 July 2024 up to the LPD
Divestitures	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land and building	1,467	-	-	-	-
Leasehold land and building	-	-	361	-	-
Furniture and fittings	-	208	-	2	-
Motor vehicle	-	39	41	128	30
Office equipment	-	*	2	2	-
<b>Total</b>	<b>1,467</b>	<b>247</b>	<b>404</b>	<b>132</b>	<b>30</b>

Note:-

\* Less than RM1,000.

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

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During the FYE 2021, our divestitures of freehold land and building comprising the disposal of a 2-storey link semi-detached house located in Shah Alam, Selangor Darul Ehsan.

During the FYE 2022, our divestitures are mainly on furniture and fittings comprising the disposal of old racking systems of our Group.

During the FYE 2023, our divestitures are mainly on leasehold land and building comprising the disposal of a single storey semi-detached house located in Marang, Terengganu.

During the FYE 2024, our divestitures are mainly on motor vehicles comprising the disposal of two units of forklift and one unit of company car.

From 1 July 2024 up to the LPD, our divestitures comprised the disposal of one unit lorry.

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**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 2024 RM'000
1.	SSB	<p><b>Property address:</b> No. 13, Lorong Beringin 2, Taman Industri Beringin, 14100 Simpang Ampat, Pulau Pinang</p> <p><b>Title details:</b> Geran 177187, Lot 20986, Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang</p>	<p><b>Description:</b> Semi Detached Factory on the ground floor with a Corporate Office on the first and second floors</p> <p><b>Existing use:</b> Warehouse and office</p>	10,505 sq. ft./ 6,826 sq. ft.	<p><b>Category of land use</b> NIL</p> <p><b>Tenure of property</b> Freehold</p> <p><b>Express Condition</b> The land comprised in the title:-  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	3,428

6. INFORMATION ON OUR GROUP (Cont'd)

Registered / Beneficial No. 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 2024 RM'000
2	BBSB <u>Property address:</u> C-36-01, Kerwingston Platz, No. 81, Jalan Gombak, 53000 Kuala Lumpur, Wilayah Persekutuan	<u>Description:</u> Service Apartment  <u>Existing use:</u> Vacant, for sale <sup>(1)</sup>	659 sq. ft./ 650 sq. ft.	<u>Category of land use</u> Nil  <u>Tenure of property</u> Freehold  <u>Express Condition</u> Nil	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	356
	<u>Title details:</u> Geran Mukim 2623/ M1C/ 37/ 774 (No. Bangunan M1C, No. Tingkat 37, No. Petak 774), No. Petak Aksesori A87, Lot 201827, Mukim Setapak, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur						

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

Registered / Beneficial No. 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 2024 RM'000
3	<b>Property address:</b> BBSB B-09-03, Residensi Sentul Barat, 35, Jalan Kasipillay, Off Jalan Ipoh, 51200, WP Kuala Lumpur	<b>Description:</b> Apartment Suite  <b>Existing use:</b> Vacant, for sale <sup>(2)</sup>	667 sq. ft./ 668 sq. ft.	<b>Category of land use</b> Building  <b>Tenure of property</b> Freehold  <b>Express Condition</b> Suite Apartment	Nil	29 November 2022	368

**Title details:**

**Strata Title:**

Geran  
 80528/M1B/10/3  
 34, (No  
 Bangunan, M1B,  
 No. Tingkat 10,  
 No. Petak 334),  
 No. Petak  
 No. Petak  
 Akseori A679,  
 Lot 80012  
 Seksyen 83,  
 Bandar Kuala  
 Lumpur, Daerah  
 Kuala Lumpur,  
 Negeri Wilayah  
 Persekutuan  
 Kuala Lumpur

**Notes:-**

- (1) The property is currently for sale and will be disposed of depending on the property price and market condition.
- (2) BBSB intends to enter into a sale and purchase agreement with a third party for the disposal of this property by end September 2024. We expect to complete the disposal by December 2024.

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

**6.4.2 Properties rented or leased**

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	<b>Property Address:</b> Lot 5074, Off 5 1/2 Miles, Jalan Meru, 41050 Klang, Selangor Darul Ehsan <b>Title details:</b> Master title Geran Mukim 2459, Lot 5074, Tempat 4 <sup>th</sup> Mile Sungei Binjai Road, Mukim Kapar, Daerah Klang, Negeri Selangor ("Jalan Meru Facility")	<b>Existing use:</b> Warehouse and office	130,684 sq. ft./ 65,804 sq. ft.	15 September 2004	1 June 2023 to 31 May 2024  1 June 2024 to 31 May 2027	1,080
2. FHSB	SSB, BBSB, NSSB and IBSB	<b>Property Address:</b> No. 5 (Block B) Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan <b>Title details:</b> HSD 139752, PT 69179, Mukim Kapar, Daerah Klang, Negeri Selangor	<b>Existing Use:</b> Warehouse and office	170,887 sq. ft./ 68,540 sq. ft.	17 February 2022	29 February 2024 to 28 February 2027	2,520
3. G & B Waterproofing Specialist Sdn Bhd	SSB	<b>Property Address:</b> No. 34, Jalan Kempas Utama 2/4, Taman Kempas Utama, 81200 Johor Bahru, Johor <b>Title details:</b> GRN 456209, Lot 143184, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor	<b>Existing Use:</b> Store	1,916 sq. ft./ 1,540 sq. ft.	12 February 2015	1 September 2024 to 31 August 2025	28

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

**Fire certificates**

Time IT and FHSB ("Landlords") are companies controlled by Loo Chai Lai, the Promoter, Specified Shareholder, Substantial Shareholder and Managing Director of our Group. Both the Jalan Meru Facility and Bukit Raja Facility had 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. The Landlords have subsequently procured the fire certificates for Jalan Meru Facility and Bukit Raja Facility on 29 March 2024 which is valid from 25 March 2024 to 24 March 2025. 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 pursuant to the Fire Services Act 1988 and as agreed in the tenancy agreements of the Jalan Meru Facility and the Bukit Raja Facility. As such, there is no material impact to our business operations and financial condition as this non-compliance has been rectified and effectively addressed further to the remedial actions taken by our Group by assisting the Landlords in applying for the necessary fire certificates from the Fire Rescue Department of Malaysia and putting in place preventive measures to avoid re-occurrence of this non-compliance matter. Following the issuance of the fire certificates for Bukit Raja Facility and Jalan Meru Facility, no further action is required, other than renewing the respective certificates on or before its expiry.

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. As at the LPD, the properties owned and rented by our Group are not in breach of any property or land use conditions, non-compliance with any regulatory and statutory requirements, land rules or building regulations/by-laws, and environmental issues which will have a material adverse impact on our Group's operations and/ or usage of properties as set out in Sections 6.4.1 and 6.4.2 of this Prospectus, respectively.

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**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**

<b>No.</b>	<b>Licensee</b>	<b>Description of approval/ licence/ permit</b>	<b>Issuer/ Authority</b>	<b>Issuance date/ validity period</b>	<b>Major conditions</b>	<b>Status of compliance</b>
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	4 April 2024 / 1 January 2024 to 31 December 2024	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	24 April 2024 / 1 January 2024 to 31 December 2024	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)

### 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 <sup>(1)</sup>	Validity Period <sup>(8)</sup>	Major conditions
1.	SSB and MSB	Certificate of Standard Compliance for importing sanitary ware product <sup>(2)</sup>	CIDB	23	12 months	Nil
2.	SSB	Product Certificate of Conformity <sup>(3)</sup>	Watermarks Certification Malaysia	8	<sup>(5)</sup>	Nil
3.	SSB and MSB	Certificate of Conformity <sup>(3)</sup>	IKRAM	26	<sup>(6)</sup>	Nil
4.	SSB and MSB	Supplier Listing Certificates <sup>(4)</sup>	SPAN	23	<sup>(7)</sup>	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) Upon receipt of the Product Certificate of Conformity and/ or Certificate of Conformity, our Group has to obtain the Certificate of Standard Compliance for certain approved construction products and materials by the CIDB for our sanitary wares products pursuant to the CIDB Act 1994. This certificate is only required if our Group continues to import the said products.

(3) The CIDB Act 1994 and the GRS 2024 requires certain products by the Group to be registered with CIDB and/ or SPAN respectively. As a pre-requisite for the registration of the said products with CIDB and SPAN, the said products have to be inspected by a certification body, ie. Watermarks Certification and IKRAM who will issue the Products Certificate of Conformity (Watermarks Certification Malaysia) and Certificate of Conformity (IKRAM).

The Product Certificate of Conformity and/ or Certificate of Conformity has to be obtained first before we can apply to:

(a) SPAN to be registered as a supplier in order for our Group to continue to supply and/ or trade in the certified products listed in the GRS 2024; and/ or

(b) CIDB in order for our Group to import the certified products listed in the CIDB Act 1994.

The products required to be certified under the CIDB Act 1994 and the GRS 2024 are not identical hence we may apply for the registration with either CIDB or SPAN or to both regulatory bodies.

(4) Upon receipt of the Product Certificate of Conformity and/ or Certificate of Conformity, our Group has to apply to be registered as a supplier with SPAN for some of the products as set out in the GRS 2024. This certificate is only required if our Group continues to supply and/ or trade the products.

(5) The validity period for the Product Certificate of Conformity issued by Watermarks Certification Malaysia ranges from a period of approximately 12 months to 36 months (as the case may be) as it is based on the application and approval date of the respective Product Certificate of Conformity.

(6) The validity period for the Certificates of Conformity issued by IKRAM ranges from a period of approximately 12 months to 13 months (as the case may be) as it is based on the application and approval date of the respective Product Certificate of Conformity.

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


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- (7) The validity period for the Supplier Listing Certificates issued by SPAN ranges from a period of approximately six months to 14 months (as the case may be) as it is based on the application and approval date of the respective Supplier Listing Certificates.
- (8) Our Group is only required to renew any of the certificates listed if our Group continues to supply and/ or trade and/ or import the said products required under the CIDB Act 1994 and/ or GRS 2024 (as the case may be).

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 Watermarks Certification Malaysia 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 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.

**Supplier Listing Certificate for products sold and/ or traded by our Group**

Our Group did not obtain the Product Certificates of Conformity and Supplier Listing Certificates for certain products required pursuant to the GRS 2024 (read together with the WSIR 2023). We had taken remedial actions by applying for the necessary certificates from the relevant certification body and regulatory body. We have also obtained the Product Certificates of Conformity issued by Watermarks Certification Malaysia on 13 March 2024 and Supplier Listing Certificate issued by SPAN on 27 March 2024.




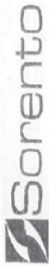
There was no material impact on our Group arising from this non-compliance as the non-compliance has been rectified and adequately addressed. No further action is required by our Group other than renewing the certificates on or before the expiry of the respective certificates. In addition, our Group has put in place preventive measures to avoid re-occurrence of this non-compliance matter.

As at the LPD, our Group has obtained all the required approvals, licenses and permits for our Group to carry out its business operations.

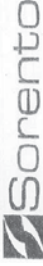

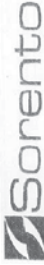
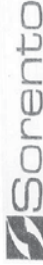

**6. INFORMATION ON OUR GROUP (Cont'd)**

**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:-

Registered owner / Beneficial owner	Trademark	Trademark no.	Class/Description	Status / Validity period
No.	owner	no.	Description	period
1.	SSB	05019048	 <p>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.</p>	Registered 14 November 2005 to 14 November 2025
2.	SSB	05019049	 <p>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.</p>	Registered 14 November 2005 to 14 November 2025
3.	SSB	07011509	 <p>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.</p>	Registered 18 June 2007 to until 18 June 2027
4.	SSB	07011510	 <p>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.</p>	Registered 18 June 2007 to until 18 June 2027

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

No.	Registered owner / Beneficial owner	Trademark	Trademark no.	Class/Description	Status / Validity period
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.	Registered 12 January 2022 to 12 January 2032

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

No.	Registered owner / Beneficial owner	Trademark	Trademark no.	Class/Description	Status / Validity period
10.	MSB		TM2022000972	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.	Registered 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.	Registered 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.	Registered 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.	Registered 4 October 2010 to 4 October 2030

As at the LPD, our Group complies with all the relevant laws and requirements in relation to the brand names, trademarks, patents and/ or other intellectual rights.

## 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, save for the past non-compliance incidents as set out in Section 6.4.2 with regards to fire certificates and Section 6.5.2 with regards to Supplier Listing Certificates, our Group is in compliance with the 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.

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

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**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 Watermarks Certification Malaysia 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 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 GRS 2024, 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.

There are no other regulatory requirements and/ or major environmental issues which may materially affect our Group's business or operations and usage of properties owned by our Group.

## 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"> <li>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.</li> <li>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.</li> </ul>
2009	<ul style="list-style-type: none"> <li>We launched our second and third house brands of bathroom and kitchen sanitary wares under the brand 'Cabana' and 'Mocha' respectively.</li> <li>We expanded our product offerings to distribute kitchen sinks under the brand 'Sorento'.</li> </ul>
2010	<ul style="list-style-type: none"> <li>We expanded our product offerings to include wash basins under the brand 'Sorento'.</li> <li>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.</li> </ul>

**7. BUSINESS OVERVIEW (Cont'd)**

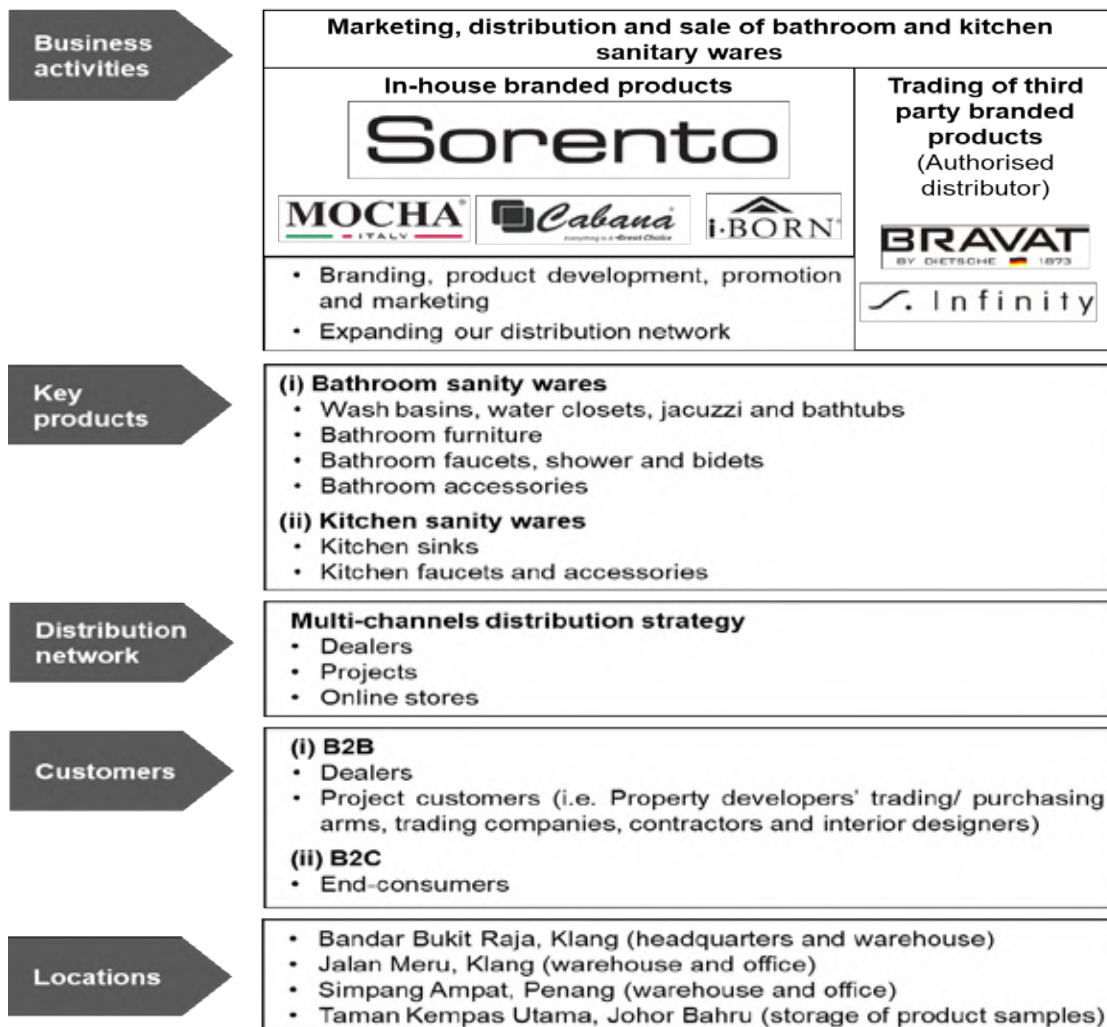
<b>Year</b>	<b>Key events and milestones</b>
2014	<ul style="list-style-type: none"> <li>We were appointed by Bravat (China) GmbH, a German bathroom sanitary ware provider as the authorised distributor for 'Bravat' branded sanitary wares in Malaysia. With this, we expanded our product offerings to include our first third-party branded luxury sanitary wares under the brand 'Bravat'.</li> <li>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.</li> </ul>
2015	<ul style="list-style-type: none"> <li>We further expanded our product offerings to distribute and sell water closets under the brand 'Sorento' and 'Mocha'.</li> </ul>
2016	<ul style="list-style-type: none"> <li>We began to distribute and sell water closets under the brand 'Cabana'.</li> <li>Our dealer network achieved a new milestone of more than 100 dealers, whereby we distributed our products to 140 dealers by FYE 2016.</li> </ul>
2017	<ul style="list-style-type: none"> <li>Our project sales achieved a new milestone of more than 100 project customers, whereby we supplied to 119 project customers by FYE 2017.</li> </ul>
2019	<ul style="list-style-type: none"> <li>We added a third-party brand of luxury sanitary wares under the brand 'Infinity' from Spain, into our product offerings by sourcing the products directly without any distributorship arrangement. Subsequently, in 2024, we were appointed as the exclusive authorised distributor of 'Infinity' products in Malaysia.</li> </ul>
2020	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
2021	<ul style="list-style-type: none"> <li>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.</li> </ul>
2023	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>We expanded our product offerings to distribute and sell bathroom and kitchen sanitaryware under the brand 'i-Born' following the purchase and transfer of 'i-Born' trademark to MSB in September 2023.</li> </ul>

## 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 80.07% which is 4,191 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.

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**7. BUSINESS OVERVIEW (Cont'd)**

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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. The latest authorised distributorship with Bravat (China) GmbH was renewed in January 2021 for five years with an option to renew for another five years. 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. The tenure of the appointment is six years with an option to renew for another six years. 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.

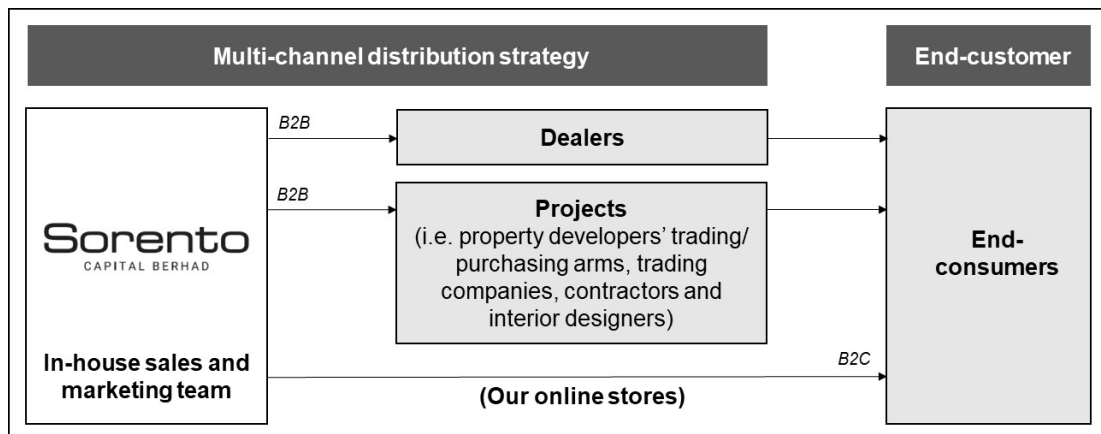
During the Financial Years Under Review, we have also distributed the "elleci" brand bathroom sanitary ware for which we have no distributorship agreement. However, as at the LPD, we have stopped purchasing new stock of 'elleci' branded bathroom sanitary wares and we intend to cease the distribution 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. BUSINESS OVERVIEW (Cont'd)

### 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.



**Note:-**

- denotes our direct customers.

During the Financial Years Under Review, our customer base comprising dealers and project sales increased by approximately 125.14% from 370 active customers in FYE 2021 to 833 active customers in FYE 2024.

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.

## 7. BUSINESS OVERVIEW (Cont'd)

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, 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 2024 are as shown in the table below:-

Geographical region	Number of active dealers <sup>(1)</sup>
Peninsular Malaysia	
• Central <sup>(2)</sup>	319
• Northern <sup>(3)</sup>	154
• Southern <sup>(4)</sup>	126
• East Coast <sup>(5)</sup>	54
East Malaysia	11
<b>Total</b>	<b>664</b>

### Notes:-

- (1) Recorded based on the number of active dealers who had made at least one sale transaction with our Group in the FYE 2024.
- (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 have supplied to 113 projects customers, comprising property developers' trading/ purchasing arm, trading companies, contractors and interior designers.

**7. BUSINESS OVERVIEW (Cont'd)**

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.

During the Financial Years Under Review, we supplied to several notable property development projects that contributed above RM2.00 million in revenue to our Group. The projects are as follows:-

Name of development	Product supplied	Total sales <sup>(1)</sup>	Status <sup>(2)</sup>
		RM million	
Sentul Point Apartment Suites	Water closets, wash basins, bathroom accessories, shower and bidets	4.51	Completed
The Valley Residences @ SkySierra Setiawangsa	Water closets, wash basins, bathroom faucets	4.32	Completed
Muze @ Penang International Commercial City	Bathroom faucets, bathroom accessories, shower and bidets	3.34	Completed
Vertu Resort Condominium @ Aspen Vision City	Water closets, wash basins, bathroom faucets	3.24	Completed
Residensi Aurora @ Cyberjaya	Water closets, wash basins, bathroom accessories, shower and bidets, floor grating	2.81	Completed
M Arisa	Shower and bidets, bathroom faucets, wash basins	2.28	Completed
Avara Seputeh	Water closets, wash basins, bathroom accessories, shower and bidets, floor grating	2.05	Completed
Bamboo Residence	Water closets, wash basins, bathroom accessories, shower and bidets	3.68	Expected to be completed by the third quarter of 2027
Edgewood Residence @ SkySanctuary	Water closets, kitchen sinks, bathroom faucets, shower and bidets	2.88	Expected to be completed by the fourth quarter of 2024

**7. BUSINESS OVERVIEW (Cont'd)**

Name of development	Product supplied	Total sales <sup>(1)</sup>	Status <sup>(2)</sup>
		RM million	
Curvo Residence	Water closets, kitchen sinks, bathroom accessories, shower and bidets	2.68	Expected to be completed by the fourth quarter of 2025
M Luna	Water closets, wash basins, bathroom accessories, shower and bidets	2.59	Expected to be completed by the third quarter of 2024
Vivo Executive Apartment @ Aspen Vision City	Water closets, wash basins and bathroom accessories	2.40	Expected to be completed by the third quarter of 2024
Horizon Suites	Water closets, wash basins, bathroom accessories, shower and bidets	2.39	Expected to be completed by the fourth quarter of 2024
Avela @ IJM Rimbayu	Water closets, wash basins, bathroom accessories, shower and bidets	2.06	Expected to be completed by the fourth quarter of 2024

**Notes:-**

- (1) Refers to total sales recorded as at the LPD and includes additional purchases placed by customers after completion.
- (2) Refers to the completion of delivery of the order based on the letter of award/ letter of confirmation or purchase order received from customers at the start of a project.

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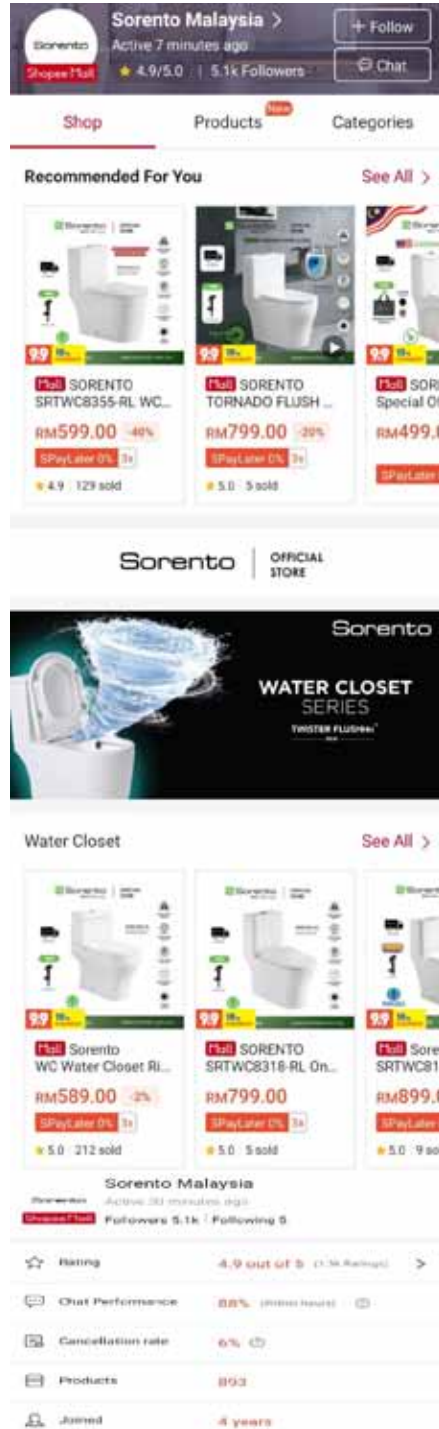
7. BUSINESS OVERVIEW (Cont'd)

(iii) Our online stores

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

Our store on Shopee

(a) Sorento Malaysia



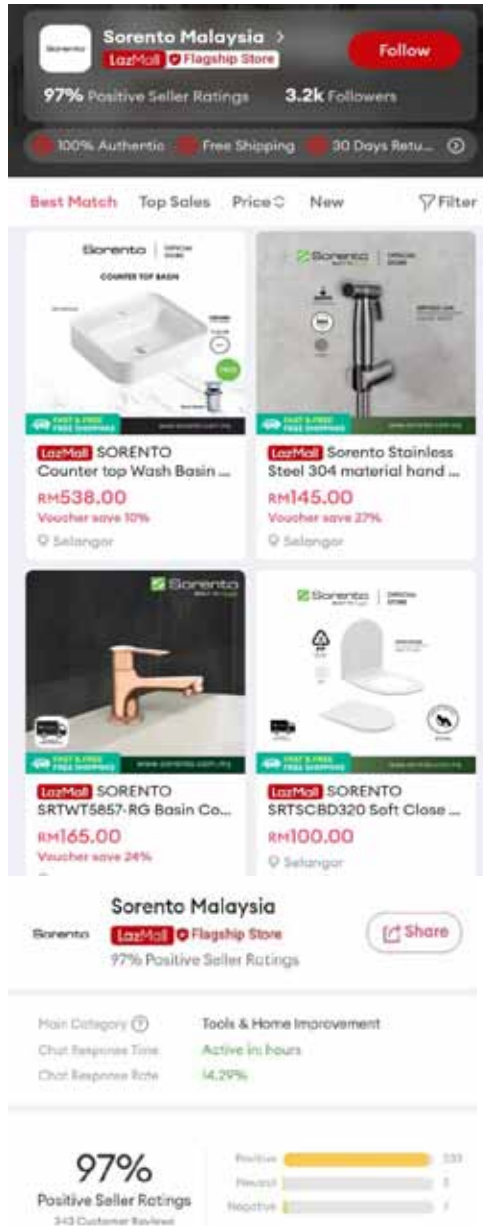
(b) Mocha Official Store



7. BUSINESS OVERVIEW (Cont'd)

Our store on Lazada

(a) Sorento Malaysia



Our store on Tiktok

(a) S4U Living Malaysia



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 80.07% which is 4,191 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
<b>House brands – (premium &amp; affordable range)</b>		
<b>Sorento</b>	<ul style="list-style-type: none"> <li>• Wash basins</li> <li>• Water closets</li> <li>• Jacuzzi and bathtubs</li> <li>• Bathroom furniture and mirrors</li> <li>• Bathroom faucets</li> <li>• Shower and bidets</li> <li>• Bathroom accessories</li> <li>• Water pumps</li> </ul>	<ul style="list-style-type: none"> <li>• Kitchen sinks</li> <li>• Kitchen accessories</li> <li>• Kitchen faucets</li> </ul>
<b>Mocha</b>	<ul style="list-style-type: none"> <li>• Wash basins</li> <li>• Water closets</li> <li>• Jacuzzi and bathtubs</li> <li>• Bathroom furniture and mirrors</li> <li>• Bathroom faucets</li> <li>• Shower and bidets</li> <li>• Bathroom accessories</li> <li>• Water pump</li> </ul>	<ul style="list-style-type: none"> <li>• Kitchen sinks</li> <li>• Kitchen accessories</li> <li>• Kitchen faucets</li> </ul>
<b>Cabana</b>	<ul style="list-style-type: none"> <li>• Wash basins</li> <li>• Water closets</li> <li>• Jacuzzi and bathtubs</li> <li>• Bathroom furniture and mirrors</li> <li>• Bathroom faucets</li> <li>• Shower and bidets</li> <li>• Bathroom accessories</li> </ul>	<ul style="list-style-type: none"> <li>• Kitchen sinks</li> <li>• Kitchen accessories</li> <li>• Kitchen faucets</li> </ul>

**7. BUSINESS OVERVIEW (Cont'd)**

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

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7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)

**MOCHA**<sup>®</sup>  
— — — ITALY — — —

**A Modern Touch**



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 and B2B customers against manufacturing defects. Product warranty will be passed on to end-consumers once the products are sold to them as they are the ultimate users. For our house brands, we only have warranty policy for 'Sorento' branded products limited to specific parts and not the entire product. The warranty coverage ranges from one year to a lifetime warranty, from the date of purchase, depending on the specific part. For the avoidance of doubt, lifetime warranty is provided against crack line or leaking of the ceramic body of the water closet (including urinal bowl and squatting pan) and ceramic basin, which is not caused by external false and/ or wilful act. Our dealers may facilitate warranty claims from their customers by submitting the claim request to us on behalf of their customers. 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'.

For our third-party branded products namely 'Bravat' and 'Infinity', a one-to-one replacement policy for all defective or damages products is provided by the brand principals, unless the issue can be resolved by replacement of certain spare part(s). The warranty coverage provided by 'Infinity' ranges from two to ten years from the date of purchase, depending on the parts of the products. For 'Bravat' branded products, there is no specific warranty duration outlined for 'Bravat' branded products. As authorised distributors of 'Bravat' and 'Infinity', our dealers may facilitate warranty claims from their customers by submitting the claim request to us on behalf of their customers, and we will then submit the claims to our respective brand principals.

The eligibility for warranty claims 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, customers 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
Store in Johor Bahru	Storage of product samples	Taman Kempas Utama, Johor Bahru, Johor

## 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.

## 7. BUSINESS OVERVIEW (Cont'd)

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.

In the FYE 2024, we have engaged 11 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.

### 7.4 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%, 62.86% and 64.54% to our Group revenue, respectively.

The breakdown of our Group's revenue by distribution channels for the Financial Years Under Review is as follows:-

Revenue by distribution channels	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dealers	40,712	61.58	55,738	61.46	70,598	62.86	97,812	64.54
Project-based sales	25,317	38.30	34,490	38.03	41,216	36.70	53,109	35.05
Online	78	0.12	460	0.51	497	0.44	624	0.41
<b>Total</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>	<b>151,545</b>	<b>100.00</b>

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

Revenue by brands	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
House brands	61,452	92.96	86,981	95.92	108,728	96.81	145,448	95.98
• Sorento	43,645	66.02	60,677	66.91	75,742	67.44	85,493	56.41
• Cabana	16,558	25.05	24,675	27.21	31,055	27.65	36,141	23.85
• Mocha <sup>(1)</sup>	1,249	1.89	1,629	1.80	1,931	1.72	22,167	14.63
• i-Born <sup>(2)</sup>	-	-	-	-	-	-	1,647	1.09
Third party brands	3,803	5.75	3,160	3.48	2,442	2.17	2,340	1.54
Others <sup>(3)</sup>	852	1.29	547	0.60	1,141	1.02	3,757	2.48
<b>Total</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>	<b>151,545</b>	<b>100.00</b>

#### Notes:-

- (1) As at the LPD, 'Mocha' is our house brand. On 22 November 2021, the ownership of 'Mocha' trademark was assigned to MBS Tools while SSB retained the right to import products bearing the 'Mocha' trademark until 31 December 2023 and supply the 'Mocha' branded products to its customers within Malaysia. Following the assignment of 'Mocha' trademark to MSB on 1 September 2023 pursuant to the sale and purchase agreement with MBS Tools, 'Mocha' became the house brand of our Group. Subsequent to the acquisition, we had increased our promotional activities for the 'Mocha' brand resulting in a revenue growth of RM20.24 million in the FYE 2024. Further details on the movement of 'Mocha' trademark ownership and the history of our Group is set out in Section 7.1 of this Prospectus.

## 7. BUSINESS OVERVIEW (Cont'd)

(2) There was no revenue contribution from 'i-Born' branded products prior to FYE 2024 as the brand was only purchased and transferred to MSB in September 2023.

(3) Products that do not carry a brand.

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

Revenue by product segments	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bathroom sanitary ware	56,702	85.77	75,385	83.13	93,973	83.67	125,871	83.06
• Wash basins, water closets, jacuzzi and bathtubs	24,561	37.15	33,395	36.83	42,122	37.50	59,324	39.15
• Bathroom furniture	7,130	10.79	10,790	11.90	11,828	10.53	15,030	9.92
• Bathroom faucets, shower and bidets	19,271	29.15	23,997	26.46	30,663	27.30	39,538	26.09
• Bathroom accessories	5,740	8.68	7,203	7.94	9,360	8.34	11,979	7.90
Kitchen sanitary ware	8,636	13.07	14,365	15.84	17,530	15.61	24,347	16.06
• Kitchen sinks	5,594	8.47	9,301	10.26	12,212	10.87	18,161	11.98
• Kitchen faucets and accessories	3,042	4.60	5,064	5.58	5,318	4.74	6,186	4.08
Others <sup>(1)</sup>	769	1.16	938	1.03	808	0.72	1,327	0.88
<b>Total</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>	<b>151,545</b>	<b>100.00</b>

**Note:-**

(1) Comprises water pump and tiles.

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

Revenue by geographical region	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Central <sup>(1)</sup>	43,401	65.65	58,392	64.39	71,205	63.40	98,853	65.23
Northern <sup>(2)</sup>	11,949	18.07	18,481	20.38	20,712	18.44	22,613	14.92
Southern <sup>(3)</sup>	7,124	10.78	9,043	9.97	13,245	11.79	18,700	12.34
East Coast <sup>(4)</sup>	1,993	3.02	2,979	3.28	4,185	3.73	7,202	4.75
East Malaysia <sup>(5)</sup>	1,640	2.48	1,793	1.98	2,964	2.64	4,177	2.76
<b>Total</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>	<b>151,545</b>	<b>100.00</b>

**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 various business and economic cycles. Despite the COVID-19 pandemic, our Group's revenue grew from RM66.11 million in FYE 2021 to RM151.55 million in FYE 2024, representing a CAGR of 31.85%. 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 80.07% which is 4,191 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.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**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. In the FYE 2024, we sold our products to a total of approximately 664 dealers, and 169 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.

In the FYE 2024, we had a network of 664 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.

Generally, when selecting dealers for our subsidies, we prioritise dealers with stores at locations where we intend to strengthen our position, capture more market share or establish our position in a new market.

For our existing dealers, we identify high performance dealers and assess any areas of improvement which we can facilitate to further enhance their sales performance to determine the type and amount of subsidy to provide to these dealers. We may also be approached by our existing dealers to participate in their store improvement or upgrade activities whereby we will assess and determine the type and amount of subsidy to provide based on the above criteria.

For new dealers, we select dealers with good financial record and sales experience, and with stores at locations that can allow us to strengthen our position, capture more market share or establish our position in a new market. The type of subsidy to be provided can only be determined when the new dealers are selected and determined based on their individual needs.

The terms and conditions associated with receiving the subsidy include:-

- (i) the signages and racking provided by us are to be exclusively used to display our products only;
- (ii) dealers are responsible for maintaining the condition of the signages and racking, as well as maintaining a consistent visual identity, from signages to displays to preserve the branding and visual appeal of our products displayed;
- (iii) we own all the signages and racking provided by us and have the right to retrieve or replace the items at our absolute discretion; and
- (iv) dealers are to achieve certain sales targets which will vary depending on the size, location, number of stores owned by the dealers, among other factors. The amount of subsidy paid to a selected dealer is based on the proportion of the sales target achieved during the incentive period.

## **7. BUSINESS OVERVIEW (Cont'd)**

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 RM20.00 million, which will be funded via a combination of the proceeds from our IPO and internally generated funds. We plan to utilise RM6.00 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.

During the Financial Years Under Review, our Group spent RM0.47 million, RM1.19 million, RM1.36 million and RM1.36 million, respectively on subsidy to dealers for their product displays, storefront signage and renovation cost.

### **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.

We plan to utilise RM31.35 million from our IPO proceeds within 24 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.

## 7. BUSINESS OVERVIEW (Cont'd)

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

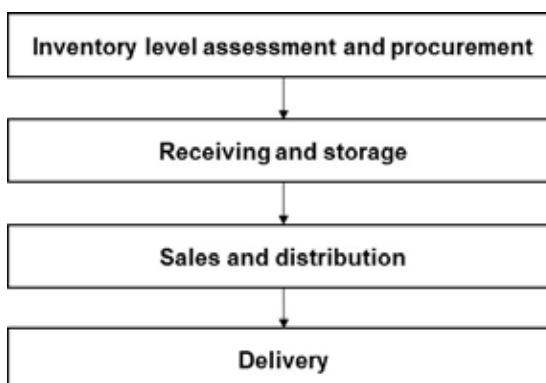
- (a) intensify our marketing and promotional events to increase face-to-face interactions with our customers for higher brand engagement in exhibitions and trade fairs;
- (b) improve customers overall buying experience from our online and offline channels as customers prefer to gather product information 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, Facebook, YouTube, 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.

During the Financial Years Under Review, our Group has incurred overall cost of RM0.27 million, RM0.52 million, RM0.57 million and RM0.64 million, respectively on similar activities as mentioned above, namely exhibitions and trade fairs, and online channels (i.e. website, social media and e-commerce); while the total costs incurred for branding, promotional and marketing activities were approximately RM0.62 million, RM0.68 million, RM0.85 million and RM0.91 million, respectively.

We plan to utilise RM6.00 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.

### 7.7 OUR BUSINESS AND OPERATIONAL PROCESS

Our operational process flow is set out as follows:-



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**7. BUSINESS OVERVIEW (Cont'd)**

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(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 receipt 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 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.

## 7. BUSINESS OVERVIEW (Cont'd)

### (ii) B2C

Upon receiving purchase order from our end-customers through our online stores on Lazada, Shopee and Tiktok, 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 11 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. As at the LPD, we have 42 team members in sales as well as 18 team members in marketing. 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 launched in September 2020. As at the LPD, we have approximately 2,045 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. Upon invitation, interior designers can register to be a member of the Sorento Master Club on <https://sorentomasterclub.com.my/> without any membership fees. Sorento Master Club members will receive member discounts and have the first-hand access to news updates on our designer range, and related promotions and events.

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.

## 7. BUSINESS OVERVIEW (Cont'd)

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.

In the Financial Years Under Review, sales to Sorento Master Club members contributed RM0.46 million (0.51%) in FYE 2022, RM1.69 million (1.51%) in FYE 2023 and RM2.38 million (1.57%) in FYE 2024, respectively to our Group's revenue.

### (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 during the Financial Years Under Review and up to the LPD are as follows:-

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

## 7. BUSINESS OVERVIEW (Cont'd)

2024	Home Living Exhibition <sup>(1)</sup>	Eco & Green Exhibition Sdn Bhd	Johor Bharu, Malaysia
2024	Modern Living Home Expo <sup>(1)</sup>	Modern Living Event Sdn Bhd	Johor Bharu, Malaysia

**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**



**7. BUSINESS OVERVIEW (Cont'd)**

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:-

<b>Product (number of models)</b>	<b>Brands</b>	<b>Issue date</b>	<b>Expiry date</b>
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

**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.

**A sample of WEPLS label**



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.

**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.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**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.

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.

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**7. BUSINESS OVERVIEW (Cont'd)**

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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%, 78.42% and 78.69% 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 of this Prospectus 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.

(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.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 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		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bathroom sanitary ware	<b>41,817</b>	<b>85.07</b>	<b>40,372</b>	<b>81.29</b>	<b>45,790</b>	<b>84.61</b>	<b>63,420</b>	<b>83.38</b>
• Wash basins, water closets, jacuzzi and bathtubs	15,578	31.69	19,017	38.29	21,722	40.14	33,565	44.13
• Bathroom furniture	4,721	9.60	5,276	10.62	5,894	10.89	6,588	8.66
• Bathroom faucets, shower and bidets	15,980	32.51	11,981	24.13	13,404	24.77	17,394	22.87
• Bathroom accessories	5,538	11.27	4,098	8.25	4,770	8.81	5,873	7.72
Kitchen sanitary ware	<b>6,417</b>	<b>13.05</b>	<b>8,295</b>	<b>16.70</b>	<b>7,588</b>	<b>14.02</b>	<b>11,962</b>	<b>15.72</b>
• Kitchen sinks	4,073	8.29	4,840	9.75	5,331	9.85	8,939	11.75
• Kitchen faucets and accessories	2,344	4.77	3,455	6.96	2,257	4.17	3,023	3.97
Others <sup>(1)</sup>	925	1.88	996	2.01	740	1.37	684	0.90
<b>Total purchases</b>	<b>49,159</b>	<b>100.00</b>	<b>49,663</b>	<b>100.00</b>	<b>54,118</b>	<b>100.00</b>	<b>76,066</b>	<b>100.00</b>

**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 of this Prospectus 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 2024 of our warehouse facilities, are as set out below:-

	Bukit Raja Facility	Jalan Meru Facility	Penang Facility
Annual capacity (Number of pallets) <sup>(1)</sup>	3,797	3,557	319
Actual annual utilisation (Number of pallets) <sup>(2)</sup>	3,388	2,399	212
<b>Utilisation rate (%) <sup>(3)</sup></b>	<b>89.23</b>	<b>67.44</b>	<b>66.46</b>

**Notes:-**

- (1) The annual capacity is tabulated based on the average 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 2024.
- (2) The actual annual utilisation is tabulated based on the average monthly pallet counts recorded at the end of the month during the FYE 2024.
- (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 1<sup>st</sup> 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 Under Review.

### 7.17 EMPLOYEES

As at 30 June 2024, we employed a total of 163 employees, all of which are full time Malaysian employees.

As at the LPD, we employed a total of 170 employees, all of which are Malaysian full time employees. The breakdown of our employees by department or business function is set out as follows:-

Department/ Business function	Number of employees	
	As at 30 June 2024	As at the LPD
Directors	3	3
Finance and account	12	13
Human resources and admin	10	10
Purchasing	6	6
Dealer sales	15	17
Project sales	19	20
Retail support personnel	5	5
Marketing	17	18
Customer service	21	23
Warehouse	55	55
<b>Total</b>	<b>163</b>	<b>170</b>

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 Group's top five customers' revenue contributions are 21.55%, 17.31%, 15.28% and 12.37%, respectively. Our Group's top five customers in the Financial Years Under Review comprise dealers and project customers.

As none of our Group's 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 Group's top five major customers.

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

**FYE 2021**

<b>Customer name</b>	<b>Customer type</b>	<b>Products sold</b>	<b>Type of project supplied</b>	<b>Length of relationship (years) <sup>(1)</sup></b>	<b>Sales (RM '000)</b>	<b>% of our Group's revenue</b>
PSM <sup>(2)</sup>	Dealer	Bathroom and kitchen sanitary wares	Not applicable	11	3,985	6.03
Eco World Trading Sdn Bhd <sup>(3)</sup>	Project	Bathroom and kitchen sanitary wares	Semi-detached houses and bungalow houses	5	2,908	4.40
Customer A <sup>(4)</sup>	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
				<b>Sub-total</b>	<b>14,247</b>	<b>21.55</b>
				<b>Total revenue</b>	<b>66,107</b>	<b>100.00</b>

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2022**

<b>Customer name</b>	<b>Customer type</b>	<b>Products sold</b>	<b>Type of project supplied</b>	<b>Length of relationship (years) <sup>(1)</sup></b>	<b>Sales (RM '000)</b>	<b>% of our Group's revenue</b>
PSM <sup>(2)</sup>	Dealer	Bathroom and kitchen sanitary wares	Not applicable	12	4,346	4.79
Eco World Trading Sdn Bhd <sup>(3)</sup>	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 <sup>(5)</sup>	Project	Bathroom and kitchen sanitary wares	Residential houses	1	2,019	2.22
				<b>Sub-total</b>	<b>15,698</b>	<b>17.31</b>
				<b>Total revenue</b>	<b>90,688</b>	<b>100.00</b>

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2023**

Customer name	Customer type	Products sold	Type of project supplied	Length of relationship (years) <sup>(1)</sup>	Sales (RM '000)	% of our Group's revenue
PSM <sup>(2)</sup>	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 <sup>(6)</sup>	Project	Bathroom and kitchen sanitary wares	Service apartment condominium and apartment	9	3,441	3.06
Eco World Trading Sdn Bhd <sup>(3)</sup>	Project	Bathroom and kitchen sanitary wares	Serviced residence, serviced apartment, terrace houses	7	3,274	2.92
Customer B <sup>(5)</sup>	Project	Bathroom and kitchen sanitary wares	Residential houses	2	3,053	2.72
				<b>Sub-total</b>	<b>17,158</b>	<b>15.28</b>
				<b>Total revenue</b>	<b>112,311</b>	<b>100.00</b>

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2024**

Customer name	Customer type	Products sold	Type of project supplied	Length of relationship (years) <sup>(1)</sup>	Sales (RM '000)	% of our Group's revenue
OTM Group Sdn Bhd	Project	Bathroom and kitchen sanitary wares	Serviced apartment, condominium, residential houses	7	4,405	2.91
Chin Chun Hardware Sdn Bhd	Dealer	Bathroom and kitchen sanitary wares	Not applicable	9	3,989	2.63
Eco World Trading Sdn Bhd <sup>(3)</sup>	Project	Bathroom and kitchen sanitary wares	Service residences, serviced apartment, residential houses	8	3,593	2.37
Home Product Center (Malaysia) Sdn Bhd	Dealer	Bathroom and kitchen sanitary wares	Not applicable	9	3,431	2.26
DNC Marketing Sdn Bhd	Project	Bathroom and kitchen sanitary wares	Service apartment, residential houses	5	3,326	2.20
				<b>Sub-total</b>	<b>18,744</b>	<b>12.37</b>
				<b>Total revenue</b>	<b>151,545</b>	<b>100.00</b>

**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 Group's top five suppliers' purchase of products contributions are 91.99%, 90.62%, 74.10% and 74.39%, respectively. Our Group's top five suppliers by total purchases for the Financial Years Under Review are as follows:-

**FYE 2021**

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

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2022**

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

7. BUSINESS OVERVIEW (Cont'd)

**FYE 2023**

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

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2024**

<b>Supplier name</b>	<b>Countries</b>	<b>Type of supplier</b>	<b>Products sourced</b>	<b>Length of relationship (years) <sup>(1)</sup></b>	<b>Purchases (RM '000)</b>	<b>% of our Group's purchases</b>
Chaozhou Jinbaichuan Sanitary Ware Technology Co., Ltd	China	Third-party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom furniture</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	8	16,430	21.60
Xiamen Taiyang Technology Co., Ltd	China	Third-party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Faucets</li> <li>• Shower and bidets</li> </ul>	6	14,485	19.04
Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory	China	Third-party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Bathroom furniture</li> <li>• Faucets</li> <li>• Shower</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	8	10,505	13.81
Guangdong Yanggang Intelligent Technology Co., Ltd	China	Third-party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Kitchen sinks</li> </ul>	11	7,843	10.31
Dongguan Yuyi Trading Co., Ltd.	China	Trading house	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Bathroom furniture</li> <li>• Faucets</li> <li>• Jacuzzi</li> <li>• Showers</li> </ul>	1	7,319	9.63
					<b>Subtotal</b>	<b>74.39</b>
					<b>Total purchases</b>	<b>100.00</b>

**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. MPM Resources Sdn Bhd was dissolved on 16 September 2022.

**7. BUSINESS OVERVIEW (Cont'd)**

For the FYE 2021, FYE 2022 and FYE 2023, our purchases from Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory represented 21.24%, 26.72% and 30.48% of our Group's total purchases in the respective FYEs. We have been purchasing from Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory since 2016, and it was 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 FYE 2024, we had increased our purchase of water closets and wash basins from Chaozhou Jinbaichuan Sanitary Ware Technology Co., Ltd, whereby it became our largest major supplier.

In the event Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory or Chaozhou Jinbaichuan Sanitary Ware Technology Co., Ltd 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. We are in the midst of submitting 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 the FYE 2023 and FYE 2024 as it contributed 19.74% and 19.04% of our Group's total purchases, respectively. 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 is required for importation of bathroom faucets, shower and related accessories, while CIDB registration is 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 of this Prospectus for further information on our third-party manufacturers, suppliers and purchases respectively.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**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 minimise 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.

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## 7. BUSINESS OVERVIEW (Cont'd)

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### (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 44% female and 56% 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 2024, we invested approximately RM24,686 in personal and professional development training programmes for our employees.

## 7. BUSINESS OVERVIEW (Cont'd)

### (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 RM59,700 to non-governmental organisations in 2023 and 2024. These organisations include Sekolah Jenis Kebangsaan (Cina) Pui Ying, Sekolah Menengah Kebangsaan Bandar Putra, Khor Teng Tong & Hunza Charity Berhad, Mah Sing Foundation, Eco World Foundation and Bandar Raya Developments Berhad- Rotary Children's Residence and Majlis Kebajikan dan Sukan Anggota Kerajaan Negeri Perlis.

### (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.

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance ("MCCG") which contains best practices and guidance for listed companies to improve upon or to enhance our corporate governance as it forms an integral part of our business operations and culture. Our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of our shareholders and to govern our Group effectively.

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 Independent Non-Executive Chairman is not a member of any of our board committees.

In addition, we have established the following policies and procedures to ensure the sufficiency and integrity of our Group's risk management and internal control system prior to listing:-

- (a) Anti-Bribery and 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.

Based on the above, we have adopted the applicable practices as recommended under the MCCG.

## 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: 9 September 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

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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 9 September 2024.

For further information, please contact:

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**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.

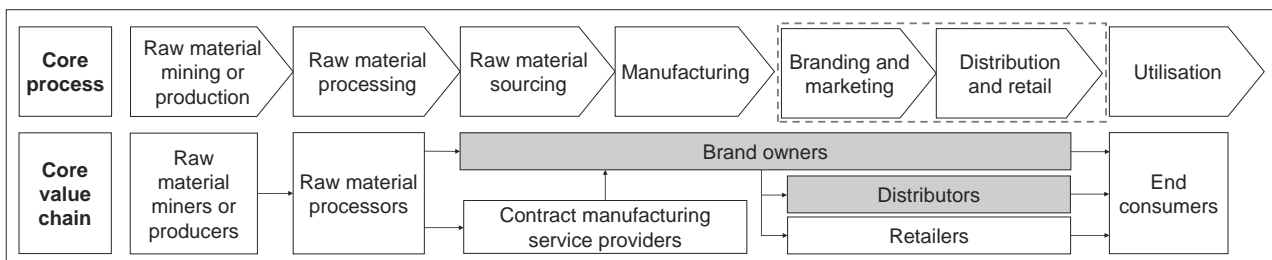


Kitchen sanitary wares comprise kitchen sinks and kitchen faucets, and may also include a selected range of kitchen accessories such as dish racks and waste traps. Kitchen sinks are typically made of materials such as stainless steel, ceramic, porcelain, acrylic, fire clay, stone, enamelled cast iron 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.
- [Shaded 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

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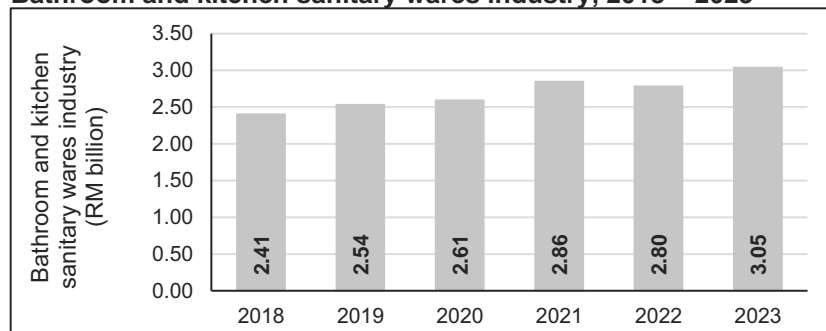
obtain, produce and process the raw materials required for the manufacturing of bathroom and kitchen sanitary wares.

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 3.82% 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

SMITH ZANDER has measured the bathroom and kitchen sanitary ware industry based on analysis of findings obtained through various research sources comprised internal database, data published by the Department of Statistics Malaysia and third party research houses, and financial information of industry players published by the Companies Commission of Malaysia.

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

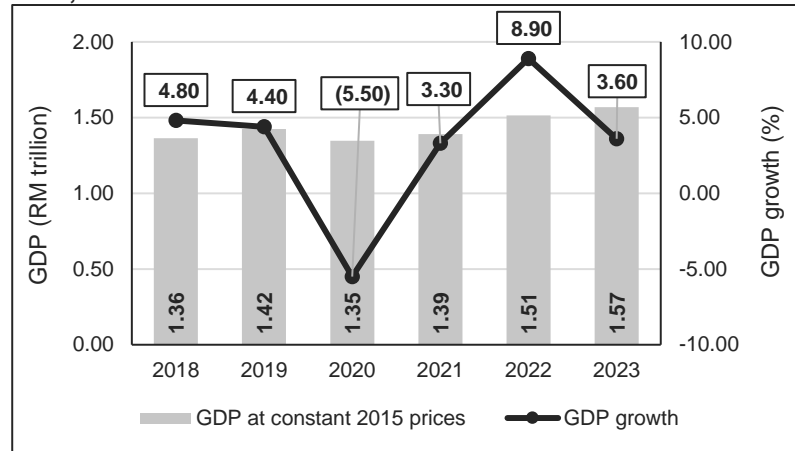
- ▶ **Economic growth, rising population, urbanisation and rising affluence of the population drive the property market**

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.

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, 8.90% in 2022, and 3.60% 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.

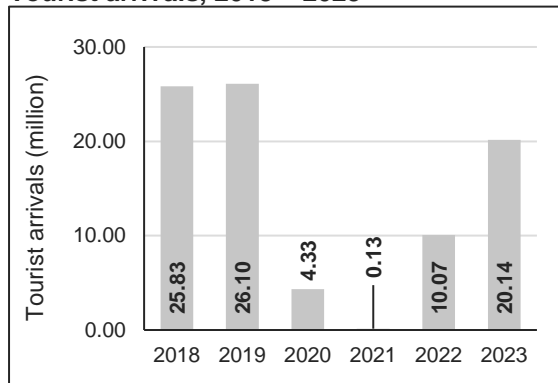
GDP, 2018 – 2023



Source: Department of Statistics Malaysia (“DOSM”)

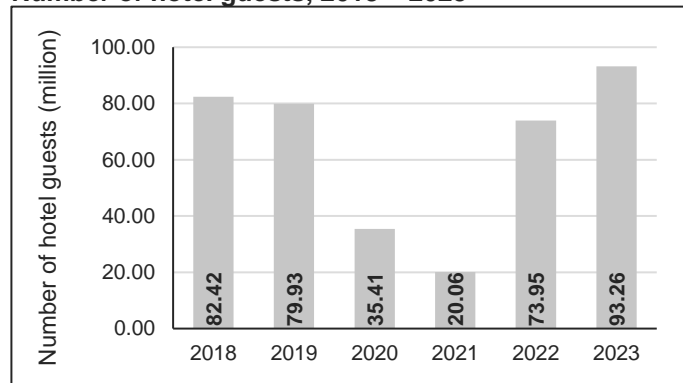
Post-pandemic, the number of annual tourist arrivals in Malaysia recovered significantly in 2022 at 10.07 million, at a CAGR of 52.50% from 4.33 million in 2020. The number of hotel guests in Malaysia also improved significantly at 93.26 million in 2023, exceeding pre-COVID-19 levels. As tourism activities 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 – 2023



Source: Tourism Malaysia

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8. IMR REPORT (Cont'd)



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 2023, the total population of Malaysia increased from 32.45 million to 33.40 million at a CAGR of 0.97%. Over the same period, urban population as a percentage of the total population increased from 77.16% to 78.72%.

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.

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.

In 2021 and 2022, the GNI per capita grew by 2.41% and 7.92% YOY respectively as the nation’s economic conditions gradually recovered post-pandemic. In 2023, the GNI per capita grew by 1.79% YOY to RM46,198.11.

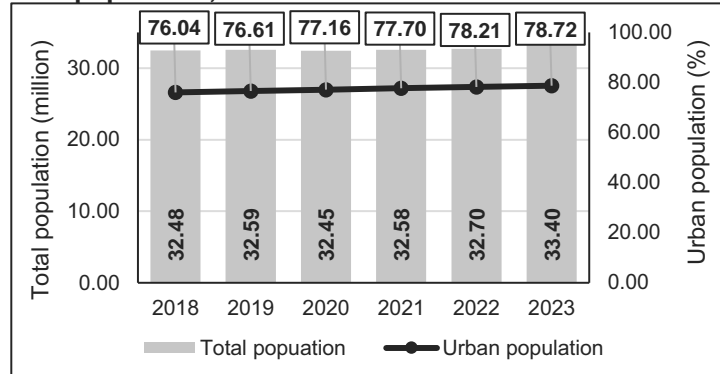
The increasing GNI per capita indicates a more affluent population with improved standards of living and greater propensity to spend. This may, in turn, contribute to a growing interest of property owners in carrying out home improvement and maintenance works to improve the aesthetic appeal as well as 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 drives 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**

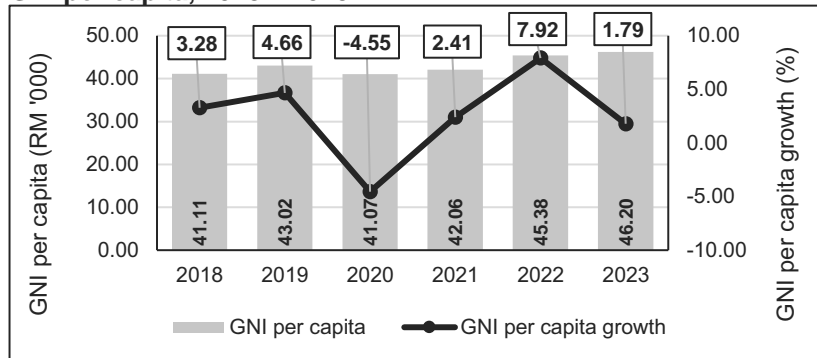
Increasing demand for property in Malaysia as a result of economic growth, rising population and urbanisation will drive property development activities. As bathroom and kitchen sanitary wares are essential to the construction of property, an increase in demand for property in Malaysia will contribute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

**Total population and urban population as a percentage of total population, 2018 – 2023**



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

**GNI per capita, 2018 – 2023**

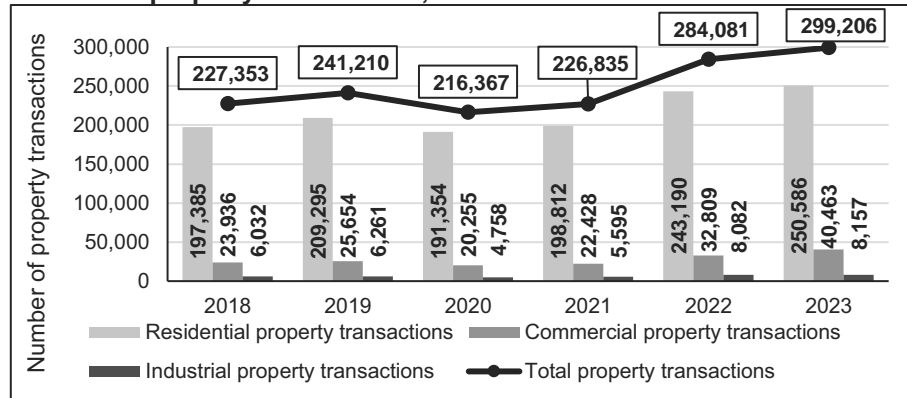


Source: DOSM

8. IMR REPORT (Cont'd)

Post-pandemic, property transaction volume in Malaysia increased from 216,367 transactions in 2020 to 284,081 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



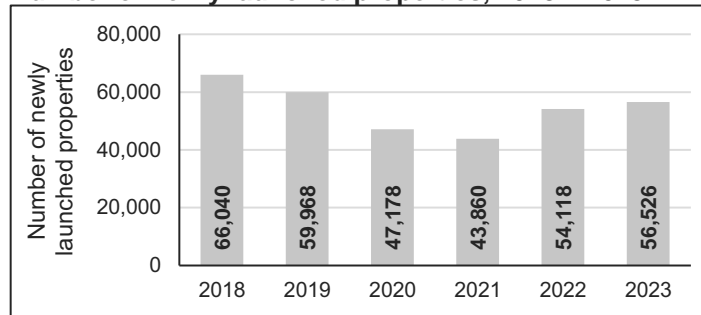
Note:

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

Source: National Property Information Centre (“NAPIC”)

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.

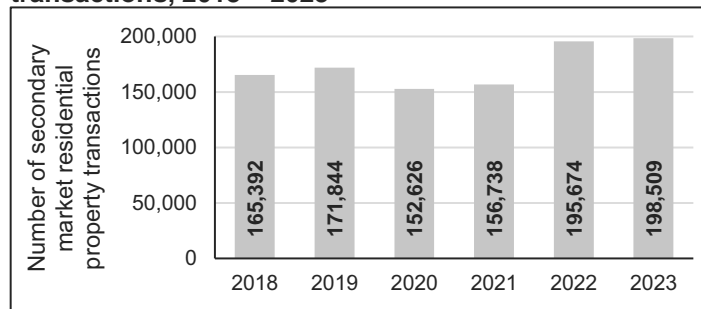
Number of newly launched properties, 2018 – 2023



Source: NAPIC

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.

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

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

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.

► **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.

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

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.

► **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 increases 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

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

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 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 <sup>(i)</sup> (RM million)	Gross profit margin (%)	Profit/(loss) after tax margin (%)
Sorento Capital Group	Sorento, Cabana, Mocha and i-Born	Bravat and Infinity	30 June 2024	151.55	42.55	16.12
Roca Malaysia Sdn Bhd	Johnson Suisse, Roca	None	31 December 2023	106.44	Not available	(3.85)
Inno Ceramitec Sdn Bhd	Inno, Sericite	None	31 October 2022	39.68	11.52	1.96
Leonfast Sdn Bhd	Big Bath, Le Celebrity, Tora	Anthill, Co Moov, Faurex, Gemy, Hansgrohe, Savaginni	31 December 2023	29.97	34.41	5.30
TC Bath Mart Sdn Bhd	Saniware	None	31 December 2023	23.71	20.71	0.51

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

Company name	House brand(s)	Third party brand(s)	Latest available financial year	Revenue <sup>(i)</sup> (RM million)	Gross profit margin (%)	Profit/(loss) after tax margin (%)
LTL Corporation Sdn Bhd	Konig	American Standard, Duravit, Grohe, Inax, Superino	31 December 2022	23.54	18.44	2.45
Rigel Technology (Malaysia) Sdn Bhd	Rigel	None	31 December 2023	23.39	48.25	22.01
Shower Scene (M) Sdn Bhd	Abagno	Atget, Estillo, Teka, SSWW	31 December 2023	17.16	40.06	13.46
Doe Industries Sdn Bhd <sup>(ii)</sup>	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

## 5 PROSPECTS AND OUTLOOK

The growth of the bathroom and kitchen sanitary ware industry, measured by revenue, increased from RM2.41 billion in 2018 to RM2.80 billion in 2022, at a CAGR of 3.82%. In 2023, the size of the bathroom and kitchen ware industry increased by 8.93% YOY to RM3.05 billion.

The future outlook of the bathroom and kitchen sanitary ware industry is expected to be driven by the growth of the property market, which is driven by economic growth, rising population, urbanisation and rising affluence of the population. Bank Negara Malaysia projects that the Malaysian economy will grow by between 4.00% and 5.00% in 2024. To support continuous economic growth, rising population and urbanisation, more buildings and public amenities are required to accommodate the increase in business operations and urban development, which, in turn, drives the demand for bathroom and kitchen sanitary wares.

Rising affluence of the population contributes to more property purchases and, alongside continuous advancement of technology, leads to increasingly sophisticated consumer lifestyle and aesthetic preferences that attract property owners to undertake home improvement, maintenance and renovation activities which drive demand for bathroom and kitchen sanitary wares. The number of newly launched properties in Malaysia continued to recover towards pre-COVID-19 levels, with 56,526 units in 2023, indicating growing demand for building materials, including bathroom and kitchen sanitary wares in the near future to supply to these new property projects.

Further, the bathroom and kitchen sanitary ware industry is also expected to be driven by Government initiatives under Budget 2024 to refurbish, maintain and construct public lavatories, public amenities, educational and sports facilities, and affordable housing projects.

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**9. RISK FACTORS**

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**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.

During the Financial Years Under Review and up to the LPD, we have not encountered any negative publicity and/ or negative perception towards our reputation or brands by our employees and dealers that have materially impacted our Group.

**9.1.2 We are dependent on our third-party manufacturers as we are not involved in any manufacturing activities and any significant increase in production cost may negatively impact our profit margin**

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.

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**9. RISK FACTORS (Cont'd)**

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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.

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 unfavourable 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 Watermarks Certification Malaysia 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.

During the Financial Years Under Review and up to the LPD, we have not encountered any rejections on our application or failure to renew our product certifications.

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**9. RISK FACTORS (Cont'd)**

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As disclosed in Section 6.5.2 of this Prospectus, our Group did not have the Supplier Listing Certificates by SPAN for certain products as required under the GRS 2024 and WSIR 2023. Pursuant to Rule 4(1) of WSIR 2023, our Group may on conviction be liable to a fine not exceeding RM100,000 or to imprisonment not exceeding one year or both for such non-compliance. However, as at the LPD, we have not been imposed with any penalty by SPAN for not obtaining the Supplier Listing Certificates. Nonetheless, there is no assurance that SPAN may not take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and/ or revoke any breach or non-compliance with the conditions for the past non-compliance in relation to the Supplier Listing Certificates. As at the LPD, our Group has valid Supplier Listing Certificates issued by SPAN with further details of the certificates set out in Section 6.5.2 of this Prospectus.

**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. During the Financial Years Under Review, we made a total 33 claims amounting to approximately RM223,442 via credit notes issuance to our third-party manufacturers against defects in the products delivered to us 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. 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. RISK FACTORS (Cont'd)

### 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, 45.63%, 55.47%, 89.40% and 90.12% 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:-

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RMB	88	0.18	-	-	24,653	45.55	67,270	88.43
USD	22,136	45.03	27,537	55.44	23,721	43.84	1,278	1.68
Others*	207	0.42	13	0.03	7	0.01	4	0.01
RM	26,728	54.37	22,113	44.53	5,737	10.60	7,514	9.88
<b>Total purchases</b>	<b>49,159</b>	<b>100.00</b>	<b>49,663</b>	<b>100.00</b>	<b>54,118</b>	<b>100.00</b>	<b>76,066</b>	<b>100.00</b>

**Note:-**

\* Others comprise Singapore Dollar and the Euro Dollar.

For illustration purposes, based on our total purchases denominated in foreign currencies of RM68.55 million in FYE 2024, a fluctuation of 1.00%, of the RM against these currencies will result in an increase or decrease in our GP by RM0.69 million depending on the direction of the foreign exchange movement between the RM and the said currencies. As our Group continues to expand, any fluctuation in foreign exchange rates may have a material impact on our financial performance.

For the Financial Years Under Review, 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, is as follows:-

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Net gain/ (loss) on foreign exchange (RM'000)	369	(227)	(97)	(99)
As a percentage of PBT (%)	3.72	(1.34)	(0.29)	(0.30)

For further details on the impact of foreign exchange are set out in Section 12.3.3(vi) of this Prospectus.

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.

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**9. RISK FACTORS (Cont'd)**

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**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.

## 9. RISK FACTORS (Cont'd)

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.

### 9.1.8 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.

For the Financial Years Under Review, the impact of the changes in operating costs to our profitability is as follows:-

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Revenue (RM'000)	66,107	90,688	112,311	151,545
<i>Year-on-year growth (%)</i>	-	37.18%	23.84%	34.93%
Operating cost (RM'000)	56,081	73,585	78,795	117,711
<i>Year-on-year growth (%)</i>	-	31.21%	7.08%	49.39%
Profit from operation (RM'000)	10,026	17,103	33,516	33,834
<i>Year-on-year growth (%)</i>	-	70.59%	95.97%	0.95%

Further details on the analysis of our profitability are set out in Section 12.3.2(ii) of this Prospectus.

### 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.

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**9. RISK FACTORS (Cont'd)**

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**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, 145 days and 116 days, respectively, further details of which are set out in Section 12.4 of this Prospectus.

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 our results of operations and financial condition. During the FYE 2021 and FYE 2022, we had written off inventories amounting to RM5,630 and RM11,071 respectively, which relates to damaged inventories. There were no inventories written off during the FYE 2023 and FYE 2024.

**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 has taken up the following insurance policies which include:-

- (i) Fire insurance policy, with a sum insured of RM25.77 million;
- (ii) Burglary insurance policy, with a sum insured of RM450,000;
- (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 RM500,000;
- (v) Product liability insurance policy for claims made against the Group, with a limit of liability of RM1.00 million; and
- (vi) Public liability insurance policy, with a sum insured of RM500,000.

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. During the Financial Years Under Review and up to the LPD, we submitted an insurance claim for the damaged goods in transit due to a lorry accident which amounted to RM33,077. Nevertheless, during the same period, we have not experienced any incidences of material losses, damages or liabilities incurred by us due to insufficient insurance coverage.

## 9. RISK FACTORS (Cont'd)

### 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.

## 9.2 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.

## 9. RISK FACTORS (Cont'd)

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 a 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.

## 9.3 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;

## 9. RISK FACTORS (Cont'd)

- (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.

### 9.3.3 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:-

- (i) 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
- (ii) 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:-

- (i) 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

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**9. RISK FACTORS (Cont'd)**

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(ii) 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.

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## 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 2024 up to the LPD RM'000
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 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.	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. <sup>(1)</sup>	-	-	-	5,500	-	
2.	SSB and Time IT	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders are also the directors of Time IT. Loo Chai Lai is also the shareholder of Time IT.	<ul style="list-style-type: none"> <li>Rental of and deposit paid for the Jalan Meru Facility as a warehouse and office from Time IT by SSB.<sup>(2)</sup> <sup>(13)</sup></li> </ul>	-	-	90	1,305	270	

Loo Chai Lai and Loo Jing Kai are the directors and shareholders of SSB.

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value					1 July 2024 up to the LPD RM'000
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000		
3.	SSB, BBSB, NSSB, IBSB and FHSB	SSB, BBSB, NSSB and IBSB are the wholly-owned subsidiaries of Sorento Capital Group.  Loo Chai Lai, our Promoter, Director and substantial shareholder is also the director and sole shareholder of FHSB.  Loo Jing Kai, our Promoter and Director is also a director of FHSB.	<ul style="list-style-type: none"> <li>Rental of and deposit paid for the Bukit Raja Facility as a warehouse and office by SSB.<sup>(3) (13)</sup></li> <li>Rental of and deposit paid for the Bukit Raja Facility as a warehouse and office by BBSB.<sup>(3) (13)</sup></li> <li>Rental of and deposit paid for the Bukit Raja Facility as a warehouse and office by NSSB.<sup>(3) (13)</sup></li> <li>Rental of and deposit paid for the Bukit Raja Facility as a warehouse and office by IBSB.<sup>(3) (13)</sup></li> </ul>	560 (7.20% of our Group's PAT)	600 (4.71% of our Group's PAT)	945 (3.79% of our Group's PAT)	1,605 (6.57% of our Group's PAT)	390	
				120 (1.54% of our Group's PAT)	180 (1.41% of our Group's PAT)	180 (0.72% of our Group's PAT)	406 (1.66% of our Group's PAT)	132	
				80 (1.03% of our Group's PAT)	120 (0.94% of our Group's PAT)	120 (0.48% of our Groups' PAT)	197 (0.81% of our Group's PAT)	54	
				-	-	-	117 (0.48% of our Group's PAT)	54	
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.	Purchase of a motor vehicle by SSB from MBS Home.	-	-	-	170 (0.70% of our Group's PAT)	-	
5.	SSB and Lee Chee Keong	Loo Chai Lai and Loo Jing Kai are the directors and shareholders of SSB.  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. <sup>(4)</sup>	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					1 July 2024 up to the LPD
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000	RM'000	
6.	SSB, BBSB, IBSSB, NSSB; and PSM <sup>(5)</sup>	SSB, BBSB, IBSSB 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"> <li>Sale of bathroom and kitchen sanitary ware products by SSB and BBSB to PSM.</li> <li>Purchase of bathroom and kitchen sanitary ware products by BBSB, IBSSB and NSSB from PSM.</li> <li>Purchase of PPE by SSB from PSM.</li> <li>Purchase of paint and hardware products by SSB from PSM.</li> </ul>	3,985 (6.03% of our Group's revenue)	4,346 (4.79% of our Group's revenue)	3,776 (3.36% of our Group's revenue)	2,489 (1.64% of our Group's revenue)	-	-
				*	1	5	3		
				(0.002% of our Group's cost of sales)	(0.008% of our Group's cost of sales)	(0.008% of our Group's cost of sales)	(0.003% of our Group's cost of sales)		
				8 (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	FYE 2022	FYE 2023	FYE 2024	1 July 2024
				RM'000	RM'000	RM'000	RM'000	up to the LPD RM'000
7.	SSB, BBSB, IBSSB, NSSB; and MBS Tools	SSB, BBSB, IBSSB and NSSB are the wholly-owned subsidiaries of Sorento Capital Group.	• Sale of bathroom and kitchen sanitary ware products by SSB to MBS Tools.	35 (0.05% of our Group's revenue)	*	-	28 (0.02% of our Group's revenue)	-
		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.						
			• Purchase of bathroom and kitchen sanitary ware products by SSB, BBSB, IBSSB 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 (0.003% of our Group's cost of sales)	-
			• Purchase of one unit motor vehicle and office equipment by SSB from MBS Tools.	-	-	-	37 (0.15% of our Group's PAT)	1
8.	SSB and KCBS	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders are also the directors of KCBS.	• Sale of bathroom and kitchen sanitary ware products by SSB to KCBS. <sup>(13)</sup>	205 (0.31% of our Group's revenue)	194 (0.21% of our Group's revenue)	205 (0.18% of our Group's revenue)	161 (0.11% of our Group's revenue)	35
		Loo Chai Lai is a shareholder of KCBS.						

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value				
				FYE 2021	FYE 2022	FYE 2023	FYE 2024	1 July 2024
				RM'000	RM'000	RM'000	RM'000	up to the LPD RM'000
			<ul style="list-style-type: none"> <li>Purchase of paint and hardware products by SSB from KCBS.</li> </ul>	-	-	-	2	-
			<ul style="list-style-type: none"> <li>Purchase of one unit motor vehicle by SSB from KCBS.</li> </ul>	-	-	-	83	-
			<ul style="list-style-type: none"> <li>Rental of a property at Lot 5083, Batu 5, Jalan Meru, 41050 Klang, Selangor as a warehouse from KCBS to SSB.<sup>(6)</sup></li> </ul>	187	-	-	-	-
9.	SSB, BBSB; and Pro Bath Sdn Bhd <sup>(7)</sup>	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"> <li>Sale of bathroom and kitchen sanitary ware products by SSB and BBSB to Pro Bath Sdn Bhd</li> </ul>	483	283	-	-	-
				(0.73% of our Group's revenue)	(0.31% of our Group's revenue)	-	-	-
			<ul style="list-style-type: none"> <li>Purchase of bathroom and kitchen sanitary ware products by BBSB from Pro Bath Sdn Bhd</li> </ul>	-	14	-	-	-
				-	(0.02% of our Group's cost of sales)	-	-	-
								(0.002% of our Group's cost of sales)
								(0.34% 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					1 July 2024 up to the LPD RM'000
				FYE 2021	FYE 2022	FYE 2023	FYE 2024		
				RM'000	RM'000	RM'000	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"> <li>Purchase of bathroom and kitchen sanitary ware products by SSB and BBSB from MBS Home</li> </ul>	8	-	-	-	-	-
			<ul style="list-style-type: none"> <li>Rental of an office space in of No. 9, Jalan Bayu Mutiara 2, Taman Bayu Mutiara, 14000, Bukit Mertajam, Penang by SSB and BBSB <sup>(6)</sup></li> </ul>	3	-	-	-	-	-
			<ul style="list-style-type: none"> <li>Sale of bathroom and kitchen sanitary ware products by SSB to MBS Home</li> </ul>	-	-	-	-	*	*
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"> <li>Purchase of PPE by SSB from MBS Paints</li> <li>Administrative fee paid by SSB to MBS Paints</li> </ul>	5	-	-	-	2	(0.06% of our Group's PAT)  (0.008% 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 <sup>(9)</sup>	-	*	-	-	-	-

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Interested Person(s) and Nature of relationship	Nature of transaction	Transaction value					1 July 2024 up to the LPD
				FYE 2021	FYE 2022	FYE 2023	FYE 2024	RM'000	
				RM'000	RM'000	RM'000	RM'000	RM'000	
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 <sup>(10)</sup>	50 (0.21% of our Group's NA)	-	-	-	-	-
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 <sup>(11)</sup>	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.	Assignment of the trademark and logo of "Mocha" from SSB to MBS Tools <sup>(12)</sup>	-	*	-	-	-	-
16.	MSB and 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.	Purchase of four units of motor vehicles by MSB from MBS Tools.	-	-	-	137	(0.56% of our Group's PAT)	-
17.	MSB and MBS Paints	Loo Jing Kai our Promoter and Director is also the director of MBS Tools.  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	(0.50% 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					1 July 2024 up to the LPD RM'000
				FYE 2021	FYE 2022	FYE 2023	FYE 2024		
				RM'000	RM'000	RM'000	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	Purchase of one unit of motor vehicle by MSB from MBS Home	-	-	-	85	-	
		Loo Jing Kai our Promoter and Director is also the director of MBS Home					(0.35% of our Group's PAT)		
19.	MSB and KCBS	Loo Chai Lai our Promoter, Director and substantial shareholder, is also the director and shareholder of KCBS	• Sale of bathroom and kitchen sanitary wares by MSB to KCBS <sup>(13)</sup>	-	-	-	34	16	
		Loo Jing Kai our Promoter and Director is also the director of KCBS					(0.02% of our Group's revenue)		
			• Purchase of paints and hardware by MSB from KCBS	-	-	-	*	-	
20.	MSB and PSM	Loo Chai Lai our Promoter, Director and substantial shareholder, is also the director and shareholder of PSM	Sale of bathroom and kitchen sanitary wares by MSB to PSM	-	-	-	16	-	
		Loo Jing Kai our Promoter and Director is also the director and shareholder of PSM					(0.01% of our Group's revenue)		
21.	SSB and LCL Paints & Hardware Sdn Bhd	Loo Chai Lai our Promoter, Director and substantial shareholder, is also the director and shareholder of LCL Paints & Hardware Sdn Bhd	Purchase of paints and hardware by SSB from LCL Paints & Hardware Sdn Bhd	-	-	-	*	-	

**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	FYE 2024 RM'000	1 July 2024 up to the LPD RM'000
22.	BBSB and KCBS	Loo Chai Lai and Loo Jing Kai, our Promoters, Directors and substantial shareholders, are also the directors of KCBS	Purchase of paints and hardware by BBSB from KCBS	-	-	-	*	-
		Loo Chai Lai is a shareholder of KCBS						

**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.

(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 three-year tenancy agreement commencing 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 other tenancy arrangements 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. This transaction will subsist after our Listing.

The salient terms of the tenancy agreement are set out below:-

Tenancy period : Three years with an option to renew for a further term of three years at the renewal rental rate of 10% increase from the monthly rental rate of and terms of the immediate previous terms. If such renewal rental rate is not reflective of the prevailing market rate at the time of renewal, the average of renewal the total sum of the market rate as determined by two independent valuers appointed by both the landlord and the tenant shall be taken as the rate of renewal rental.

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

- Termination or : The renewal of the tenancy may be subjected to the Company's shareholders' approval pursuant to the Listing Requirements. In the event withdrawal rights : that the shareholders' approval is not obtained, SSB shall be entitled to terminate the tenancy and will be granted a six-month period from the date of termination to relocate and vacate from the premise, provided that the rental be paid by the tenant (at the same rate of the last term of tenancy).
- In the event that SSB opts to terminate the tenancy before the expiry of the term of the tenancy, SSB shall give TIME IT a nine-month notice prior to the proposed termination date or such other period mutually agreed by the parties.
- TIME IT shall only be entitled to terminate the tenancy starting from the second year of the renewal term of the tenancy by giving SSB a 12-month notice prior to the proposed termination date or such other period mutually agreed by the parties.
- Special condition : In the event that Time IT wishes to dispose of the premise, it shall first offer to dispose it to SSB. SSB shall have 14 working days or such other period agreed by the parties, from the date of receipt of notice, to decide whether to purchase the premise at the terms and conditions to be mutually agreed by the parties.
- Penalty/ forfeiture clauses : If:-  
(i) SSB is in breach of any terms of the tenancy; or  
(ii) a winding up petition is presented against SSB or goes into liquidation; or  
(iii) SSB permits any execution or distress or attachment to be levied on any of its goods, or on the premise or chattels, fixtures and fittings at the premise,
- and SSB fails to remedy any of the events of default after being requested, then TIME IT has the right to terminate this tenancy whereupon SSB shall forthwith pay to TIME IT a sum equal to the remainder of the monthly rental for the unexpired terms as agreed liquidated damages, and Time IT is entitled to take any other action including but not limited to legal proceedings that it deems fit to recover all monies due and owing to it and/ or to recover possession of the premise.
- (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 Financial Years Under Review were not on an arm's length basis as they were lower than the market value. There was no tenancy agreement entered into between IBSB and FHSB during the Financial Years Under Review.

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

However, SSB, BBSB, NSSB and IBSB had, respectively, on 21 February 2024 entered into new three-year tenancy agreements with FHSB commencing 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 other tenancy arrangements 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. These transactions will subsist after our Listing.

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:-

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
PAT (RM'000)	7,777	12,742	24,930	24,429
Less: differential rental (RM'000) *	(1,338)	(1,231)	(969)	(547)
Adjusted PAT (RM'000)	6,439	11,511	23,961	23,882

**Note:-**

\* Net of tax at 24%

The salient terms of each of these aforementioned tenancy agreements are set out below:-

**Tenancy period and terms of renewal** : Three years with an option to renew for four further terms of three years at the renewal rental of 10% increase from the monthly rental of the immediate previous terms. If such renewal rental rate is not reflective of the prevailing market rate of rental at the time of renewal, the average of the total sum of the market rate as determined by two independent valuers respectively appointed by both the landlord and the tenant shall be taken as the rate of renewal rental.

**Termination withdrawal rights** or : The renewal of the tenancy may be subjected to the Company's shareholders' approval pursuant to the Listing Requirements. In the event that the shareholders' approval is not obtained, The tenant shall be entitled to terminate the tenancy and will be granted a six-month period from the date of termination to relocate and vacate from the premise, provided that the rental be paid by the tenant (at the same rate of the last term of tenancy).

In the event that the tenant opts to terminate the tenancy before the expiry of the term of the tenancy, they shall give FHSB a nine-month notice prior to the proposed termination date or such other period mutually agreed by the parties.

FHSB shall only be entitled to terminate the tenancy starting from the second year of the first renewal term of the tenancy by giving the tenant a 12-month notice prior to the proposed termination date or such other period mutually agreed by the parties.

**Special condition** : In the event that FHSB wishes to dispose of the premise, it shall first offer to dispose it to the tenant. The tenant shall have 14 working days or such other period agreed by the parties, from the date of receipt of notice, to decide whether to purchase the premise at the terms and conditions to be mutually agreed by the parties.

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

- Penalty/ forfeiture clauses : If:-
- (i) The tenant is in breach of any terms of the tenancy; or
  - (ii) a winding up petition is presented against the tenant or goes into liquidation; or
  - (iii) The tenant permits any execution or distress or attachment to be levied on any of its goods, or on the premise or chattels, fixtures and fittings at the premise,
- and the tenant fails to remedy any of the events of default after being requested, then FHSB has the right to terminate this tenancy whereupon the tenant shall forthwith pay to FHSB a sum equal to the remainder of the monthly rental for the unexpired terms as agreed liquidated damages, and FHSB is entitled to take any other action including but not limited to legal proceedings that it deems fit to recover all monies due and owing to it and/ or to recover possession of the premise.
- (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. The disposal was completed on 14 May 2024.
  - (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**").
  - (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 an 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.

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

(13) Being recurrent transactions that may recur after our IPO.

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"> <li>• RM11.50 million</li> <li>• RM3.80 million</li> <li>• RM3.00 million</li> </ul>	<ul style="list-style-type: none"> <li>• Public Bank Berhad</li> <li>• United Overseas Bank (Malaysia) Bhd</li> </ul>
2.	SSB	FHSB	<ul style="list-style-type: none"> <li>• RM17.80 million</li> </ul>	<ul style="list-style-type: none"> <li>• Public Bank Berhad</li> </ul>

United Overseas Bank (Malaysia) Bhd and Public Bank Berhad had on 2 July 2024 provided their confirmation that both banks have discharged and released SSB from the above Corporate Guarantees.

### 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 Public Bank Berhad, United Overseas Bank (Malaysia) Bhd, 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 RM23.26 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) Bhd, Affin Bank Berhad, Public Bank Berhad and BMW Credit (Malaysia) Sdn Bhd 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.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)**

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**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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## 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	of	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.

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.

#### (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.

**11. CONFLICT OF INTEREST (Cont'd)**

- (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 acquisition was completed on 26 March 2024. MBS Tools targets to submit an application to the Companies Commission Malaysia in the fourth quarter of 2025 to strike off the company.

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.

**11.2 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.

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**11. CONFLICT OF INTEREST (Cont'd)**

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**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.

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## 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, FYE 2023 and FYE 2024 have been extracted from the audited combined financial statements contained in the Accountants' Report set out in Section 13 of this Prospectus. Our historical financial information throughout FYE 2021, FYE 2022, FYE 2023 and FYE 2024 have been prepared in accordance with MFRS and International Financial Reporting Standards.

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	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000	RM'000
Revenue	66,107	90,688	112,311	151,545
Cost of sales	(45,318)	(58,174)	(58,894)	(87,069)
<b>GP</b>	<b>20,789</b>	<b>32,514</b>	<b>53,417</b>	<b>64,476</b>
Other income	2,016	212	224	334
Administrative expenses	(9,258)	(9,920)	(13,049)	(22,380)
Selling and distribution expenses	(3,524)	(4,849)	(6,782)	(8,449)
Other expenses	-	(514)	(327)	(150)
Net gain /(loss) on impairment of financial assets	3	(340)	33	3
<b>Profit from operation</b>	<b>10,026</b>	<b>17,103</b>	<b>33,516</b>	<b>33,834</b>
Finance costs	(103)	(135)	(395)	(1,269)
<b>PBT</b>	<b>9,923</b>	<b>16,968</b>	<b>33,121</b>	<b>32,565</b>
Taxation	(2,146)	(4,226)	(8,191)	(8,136)
<b>PAT/ Total comprehensive income for the financial year</b>	<b>7,777</b>	<b>12,742</b>	<b>24,930</b>	<b>24,429</b>
GP margin <sup>(1)</sup> (%)	31.45	35.85	47.56	42.55
PBT margin <sup>(2)</sup> (%)	15.01	18.71	29.49	21.49
PAT margin <sup>(3)</sup> (%)	11.76	14.05	22.20	16.12
Number of Shares in issue				
- After the Acquisitions ('000)	705,000	705,000	705,000	705,000
- After the IPO ('000)	860,000	860,000	860,000	860,000
Basic EPS <sup>(4)</sup> (sen)	1.10	1.81	3.54	3.47
Diluted EPS <sup>(5)</sup> (sen)	0.90	1.48	2.90	2.84

#### 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	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2,111	5,956	6,707	48,754
Investment properties	596	874	739	724
Intangible asset	-	-	-	1,762
Investment in associates	*	*	*	-
Deferred tax assets	102	173	74	47
<b>Total non-current assets</b>	<b>2,809</b>	<b>7,003</b>	<b>7,520</b>	<b>51,287</b>
<b>Current assets</b>				
Inventories	18,133	20,742	26,133	29,277
Trade receivables	17,835	27,725	27,142	38,153
Other receivables	2,555	2,011	3,001	8,627
Amount due from associates	2,865	50	50	-
Tax recoverable	1,542	1,715	917	2,597
Fixed deposits with a licensed bank	4,504	4,515	5,033	3,624
Cash and bank balances	2,961	3,692	7,993	8,560
<b>Total current assets</b>	<b>50,395</b>	<b>60,450</b>	<b>70,269</b>	<b>90,838</b>
<b>Total assets</b>	<b>53,204</b>	<b>67,453</b>	<b>77,789</b>	<b>142,125</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	-	-	1	1
Invested equity	381	381	381	381
Retained earnings	23,824	32,205	49,919	65,350
<b>Total equity</b>	<b>24,205</b>	<b>32,586</b>	<b>50,301</b>	<b>65,732</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	-	2,579	2,633	2,544
Lease liabilities	62	200	397	39,201
Deferred tax liabilities	149	149	209	200
<b>Total non-current liabilities</b>	<b>211</b>	<b>2,928</b>	<b>3,239</b>	<b>41,945</b>
<b>Current liabilities</b>				
Loans and borrowings	2,475	6,799	9,531	14,769
Lease liabilities	50	73	145	2,516
Trade payables	23,730	22,971	10,785	3,007
Other payables	1,430	1,387	2,921	12,803
Amount due to directors	1,069	709	867	-
Tax payable	34	-	-	1,353
<b>Total current liabilities</b>	<b>28,788</b>	<b>31,939</b>	<b>24,249</b>	<b>34,448</b>
<b>Total liabilities</b>	<b>28,999</b>	<b>34,867</b>	<b>27,488</b>	<b>76,393</b>
<b>Total equity and liabilities</b>	<b>53,204</b>	<b>67,453</b>	<b>77,789</b>	<b>142,125</b>
<b>NA</b>	<b>24,205</b>	<b>32,586</b>	<b>50,301</b>	<b>65,732</b>

**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 15 August 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 15 August 2024 RM'000	After the Public Issue and use of proceeds RM'000
<b>INDEBTEDNESS</b>		
<b>Current</b>		
Secured and guaranteed:		
- Bankers' acceptance	14,375	7,702
- Term loans	94	94
- Lease liabilities (Hire purchase)	419	419
- Invoice financing	3,497	3,497
	<u>18,385</u>	<u>11,712</u>
Unsecured:		
- Lease liabilities (Right-of-use asset)	2,110	2,110
Total current indebtedness	<u>20,495</u>	<u>13,822</u>
<b>Non-current</b>		
Secured and guaranteed:		
- Term loans	2,519	192
- Lease liabilities (Hire purchase)	1,435	1,435
	<u>3,954</u>	<u>1,627</u>
Unsecured:		
- Lease liabilities (Right-of-use asset)	37,446	37,446
Total non-current indebtedness	<u>41,400</u>	<u>39,073</u>
<b>Total indebtedness</b>	<b>61,895</b>	<b>52,895</b>
<b>CAPITALISATION</b>		
Shareholders' equity	73,337	125,687
<b>Total capitalisation and indebtedness</b>	<b>135,232</b>	<b>178,582</b>
Gearing ratio (times) <sup>(1)</sup>	0.30	0.11

**Note:-**

- (1) Computed based on total interest-bearing indebtedness (excluding lease liabilities on right-of-use asset) divided by our shareholders' equity.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**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. There are no accounting policies which are peculiar to our Group in regard to the nature of the business or the industry which our Group is involved in.

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.

**12. FINANCIAL INFORMATION (Cont'd)****(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.

**(c) Online**

We market and sell our products directly to end-customers through third-party e-commerce platforms namely Lazada, Shopee and Tiktok. 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, handling charges, freight and forwarding charges, cargo container charges, 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%, 78.42% and 78.69% 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 trading houses. 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;

## 12. FINANCIAL INFORMATION (Cont'd)

- (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 market supply and demand 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.

### (iii) Other income

Other income mainly comprises interest income, government grant (such as wage subsidy), gain on disposal of 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		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dealers	40,712	61.58	55,738	61.46	70,598	62.86	97,812	64.54
Project-based sales	25,317	38.30	34,490	38.03	41,216	36.70	53,109	35.05
Online	78	0.12	460	0.51	497	0.44	624	0.41
<b>Total revenue</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>	<b>151,545</b>	<b>100.00</b>

**12. FINANCIAL INFORMATION (Cont'd)****Analysis of contribution to revenue by product segments**

Product segments	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bathroom sanitary ware	56,702	85.77	75,385	83.13	93,973	83.67	125,871	83.06
• Wash basin, water closet, jacuzzi and bathtub	24,561	37.15	33,395	36.83	42,122	37.50	59,324	39.15
• Bathroom furniture	7,130	10.79	10,790	11.90	11,828	10.53	15,030	9.92
• Bathroom faucets, shower and bidets	19,271	29.15	23,997	26.46	30,663	27.30	39,538	26.09
• Bathroom accessories	5,740	8.68	7,203	7.94	9,360	8.34	11,979	7.90
Kitchen sanitary ware	8,636	13.07	14,365	15.84	17,530	15.61	24,347	16.06
• Kitchen sink	5,594	8.47	9,301	10.26	12,212	10.87	18,161	11.98
• Kitchen faucets and accessories	3,042	4.60	5,064	5.58	5,318	4.74	6,186	4.08
Others <sup>(1)</sup>	769	1.16	938	1.03	808	0.72	1,327	0.88
<b>Total revenue</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>	<b>151,545</b>	<b>100.00</b>

**Note:-**

(1) Comprises water pump and tiles.

**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). New bathroom and kitchen sanitary ware products which were introduced and sold in FYE 2022 contributed approximately RM8.39 million or 9.25% of our total revenue of RM90.69 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 and an overall increase of approximately 10.77% in the volume of products sold 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.

**12. FINANCIAL INFORMATION (Cont'd)**

The overall increase in sales for the FYE 2022 was also attributable to our continuous promotional marketing campaigns which include advertising on billboards and social media (to boost brand awareness among current and new/ potential customers), sales promotions (to stimulate demand through various incentives such as discounts and free gifts). Such continuous promotional marketing campaigns had resulted in an increased market acceptance of our brand and sales of our 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). New bathroom and kitchen sanitary ware products introduced and sold in FYE 2023 contributed towards approximately RM14.13 million or 12.58% (FYE 2022: RM8.39 million or 9.25%) of our total revenue of 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. In addition, we also recorded an overall increase of approximately 19.50% in the volume of products sold to our dealers during the 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 promotional marketing campaigns which includes advertising on billboards and social media (to boost brand awareness amongst current and new/potential customers), sales promotions (to stimulate demand through various incentives such as discounts and free gifts) resulting in a continued increase in the market acceptance of our brand and sales of our bathroom and kitchen sanitary ware products.

Comparison between FYE 2023 and FYE 2024

For the FYE 2024, the total revenue increased by RM39.24 million or 34.94% to RM151.55 million (FYE 2023: RM112.31 million). New bathroom and kitchen sanitary ware products introduced and sold in FYE 2024 contributed towards approximately RM27.43 million or 18.10% (FYE 2023: RM14.13 million or 12.58%) of our total revenue of RM151.55 million (FYE 2023: RM112.31 million).

For the FYE 2024, our sales to dealers increased by RM27.21 million or 38.54% to RM97.81 million (FYE 2023: RM70.60 million). This was mainly due to the increase in sales to existing dealers as well as an increase in the number of dealers from 315 dealers in FYE 2023 to 664 dealers in FYE 2024. In addition, we also recorded an overall increase of approximately 50.24% in the volume of products sold to our dealers during the FYE 2024.

**12. FINANCIAL INFORMATION (Cont'd)**

Our project-based sales also increased by RM11.89 million or 28.85% to RM53.11 million (FYE 2023: RM41.22 million). This increase in our project-based sales was mainly due to the sales of approximately RM23.18 million derived from 351 new projects during the FYE 2024.

Our online sales similarly recorded an increase of RM0.12 million to RM0.62 million in FYE 2024 (FYE 2023: RM0.50 million), mainly due to our online promotional campaigns and the increased demand for both bathroom and kitchen sanitary ware products by consumers for their home renovations.

The overall increase in total revenue for the FYE 2024 was also attributable to the continuous promotional marketing campaigns which include advertising on billboards and social media (to boost brand awareness amongst current and new/ potential customers), sales promotions (to stimulate demand through various incentives such as discounts and free gifts) resulting in a continued increase in the market acceptance of our brand and sales of our bathroom and kitchen sanitary ware products.

**(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		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Cost of purchase	39,967	88.19	47,124	81.01	48,767	82.80	72,943	83.78
Freight, handling charges and sales tax	5,351	11.81	11,050	18.99	10,127	17.20	14,126	16.22
<b>Total cost of sales</b>	<b>45,318</b>	<b>100.00</b>	<b>58,174</b>	<b>100.00</b>	<b>58,894</b>	<b>100.00</b>	<b>87,069</b>	<b>100.00</b>

**Analysis of cost of sales by distribution channels**

Distribution channels	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dealers	26,059	57.50	32,334	55.58	31,938	54.23	50,995	58.57
Project-based sales	19,239	42.45	25,719	44.21	26,823	45.54	35,865	41.19
Online	20	0.05	121	0.21	133	0.23	209	0.24
<b>Total cost of sales</b>	<b>45,318</b>	<b>100.00</b>	<b>58,174</b>	<b>100.00</b>	<b>58,894</b>	<b>100.00</b>	<b>87,069</b>	<b>100.00</b>

**Analysis of GP and GP margins by distribution channels**

GP	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dealers	14,653	70.48	23,404	71.98	38,660	72.37	46,817	72.61
Project-based sales	6,078	29.24	8,771	26.98	14,393	26.95	17,244	26.75
Online	58	0.28	339	1.04	364	0.68	415	0.64
<b>Total GP</b>	<b>20,789</b>	<b>100.00</b>	<b>32,514</b>	<b>100.00</b>	<b>53,417</b>	<b>100.00</b>	<b>64,476</b>	<b>100.00</b>

GP Margin	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	%		%		%		%	
Dealers	35.99		41.99		54.76		47.86	
Project-based sales	24.01		25.43		34.92		32.47	
Online	74.36		73.70		73.24		66.51	
<b>Overall GP margin</b>	<b>31.45</b>		<b>35.85</b>		<b>47.56</b>		<b>42.55</b>	

**12. FINANCIAL INFORMATION (Cont'd)****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. New bathroom and kitchen sanitary ware products introduced and sold in FYE 2022 contributed towards approximately RM3.43 million or 10.54% of our total GP of RM32.51 million. The sales of these new products in FYE 2022 had generated a product GP margin of approximately 40.84%, also contributing towards the overall GP margin of 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.

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 (wherein such direct purchases had enabled a cost savings of approximately RM4.08 million or 8.37% on the cost of purchase for the FYE 2023), resulting in the overall lower cost of purchase for the FYE 2023.

**12. FINANCIAL INFORMATION (Cont'd)**

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. New bathroom and kitchen sanitary ware products introduced and sold in FYE 2023 contributed towards approximately RM6.80 million or 12.73% (FYE 2022: RM3.43 million or 10.54%) of our total GP of RM53.42 million (FYE 2022: RM32.51 million). The sales of these new products in FYE 2023 had generated a product GP margin of approximately 48.10% (FYE 2022: 40.84%), also contributing towards the overall GP margin of 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 of approximately RM4.08 million or 8.37% (on the cost of purchase for the FYE 2023) 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.

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 as mentioned above; and
- (b) the higher average selling prices secured for the sale of our products to our project-based sales customers 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.

**12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2023 and FYE 2024

For the FYE 2024, our costs of sales increased by RM28.18 million or 47.85% to RM87.07 million (FYE 2023: RM58.89 million). The higher rate of increase in our total cost of sales relative to the increase in our revenue was primarily due to an increase in the cost of raw materials such as copper, the depreciation of the RM against RMB and USD, and rising freight charges since January 2024 due to the geopolitical tensions in the Middle East and shortage of shipping container vessels.

Our GP for the FYE 2024 increased by RM11.06 million or 20.70% to RM64.48 million (FYE 2023: RM53.42 million) mainly due to higher sales from both the dealers and project-based sales segments. Notwithstanding our overall increase in GP, our GP margin for FYE 2024 was lower at 42.55% (FYE 2023: 47.56%) due to the increase in the cost of purchase and freight charges, which have also resulted in lower GP margin for all our distribution channels. New bathroom and kitchen sanitary ware products introduced and sold in FYE 2024 contributed towards approximately RM13.64 million or 21.15% (FYE 2023: RM6.80 million or 12.73%) of our total GP of RM64.48 million (FYE 2023: RM53.42 million). The sales of these new products in FYE 2024 had generated a product GP margin of approximately 49.71% (FYE 2023: 48.10%), also contributing towards the overall GP margin of 42.55% in FYE 2024.

The cost of sales for our dealer distribution segment increased by RM19.06 million or 59.67% to RM51.00 million (FYE 2023: RM31.94 million). Correspondingly, the GP increased by RM8.16 million or 21.11% to RM46.82 million (FYE 2023: RM38.66 million). However, the GP margin for our dealer distribution segment decreased from 54.76% in FYE 2023 to 47.86% in FYE 2024, contributing towards the overall decrease in GP margins. The decrease in GP margin for the dealer segment was mainly attributable to the increase in the cost of purchase and freight charges.

The cost of sales for our project-based distribution segment increased by RM9.05 million or 33.74% to RM35.87 million (FYE 2023: RM26.82 million), which was in line with the increase in revenue. The GP for project-based sales increased by RM2.85 million or 19.81% to RM17.24 million (FYE 2023: RM14.39 million). However, the GP margin for our project-based distribution segment decreased from 34.92% in FYE 2023 to 32.47% in FYE 2024, mainly due to the increase in the cost of purchase and freight charges.

The cost of sales for our online distribution segment increased by RM0.08 million to RM0.21 million (FYE 2023: RM0.13 million). Correspondingly, our GP increased by RM0.06 million to RM0.42 million (FYE 2023: RM0.36 million). However, the GP margin for our online distribution segment decreased from 73.24% in FYE 2023 to 66.51% in FYE 2024, mainly due to the promotional price campaign efforts to boost our online sales segment coupled with the increase in the cost of purchase and freight charges.

**12. FINANCIAL INFORMATION (Cont'd)**

**(iii) Other income**

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	90	4.46	77	36.32	202	90.18	201	60.18
Realised foreign exchange gain	369	18.30	-	-	-	-	-	-
Unrealised foreign exchange gain	427	21.18	-	-	-	-	123	36.83
Gain on disposal of PPE	-	-	29	13.68	19	8.48	9	2.69
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 <sup>(1)</sup>	139	6.90	98	46.23	-	-	-	-
Others <sup>(2)</sup>	22	1.09	7	3.30	3	1.34	1	0.30
<b>Total</b>	<b>2,016</b>	<b>100.00</b>	<b>212</b>	<b>100.00</b>	<b>224</b>	<b>100.00</b>	<b>334</b>	<b>100.00</b>

**Notes:-**

- (1) Wage subsidies received from SOCSO under the Wage Subsidy Programme.
- (2) Mainly comprise of forfeited customer deposits, insurance claims 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, SRT Bathware Sdn Bhd 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. The said bad debts recovered in FYE 2021 relates to the outstanding debts from a customer which were written off during the FYE 2019.

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).

Comparison between FYE 2023 and FYE 2024

For the FYE 2024, our Group recorded an increase in other income by RM0.11 million or 50.00% to RM0.33 million (FYE 2023: RM0.22 million). The increase in other income was mainly due to the unrealised foreign exchange gains recognised as at 30 June 2024.

**12. FINANCIAL INFORMATION (Cont'd)**

**(iv) Administrative expenses**

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Professional fees	203	2.19	439	4.42	353	2.70	667	2.98
Depreciation of PPE and investment properties	384	4.15	504	5.08	615	4.71	1,912	8.54
Rental	1,047	11.31	1,055	10.64	1,339	10.26	1,950	8.71
Staff costs	5,539	59.83	6,403	64.55	7,942	60.86	12,488	55.80
Directors' remuneration	1,064	11.49	718	7.24	1,641	12.58	2,806	12.54
Upkeep of PPE	206	2.22	184	1.85	244	1.87	571	2.55
Insurance, road tax and inspection fees	114	1.23	82	0.83	106	0.81	160	0.72
Security charges	183	1.98	111	1.12	130	1.00	304	1.36
Office expenses <sup>(1)</sup>	333	3.60	167	1.68	267	2.05	608	2.72
Others <sup>(2)</sup>	185	2.00	257	2.59	412	3.16	914	4.08
<b>Total</b>	<b>9,258</b>	<b>100.00</b>	<b>9,920</b>	<b>100.00</b>	<b>13,049</b>	<b>100.00</b>	<b>22,380</b>	<b>100.00</b>

**Notes:-**

- (1) Mainly comprises printing and stationery, telephone charges, water and electricity charges, quit rent and assessment and other office related expenses.
- (2) Mainly comprises 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 the recruitment of 14 new staff during the FYE 2022, salary and wages increments (which comprises approximately 2.03% of the staff costs for FYE 2022), and the increase in staff bonuses and incentives during the FYE 2022.

**12. FINANCIAL INFORMATION (Cont'd)**

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 voluntary decrease in the monthly salary of our Director and Promoter, Mr Loo Chai Lai, of approximately 30.00%. Such voluntary decrease was undertaken to ease the working capital requirements of the Group in view of the general uncertainties arising from the COVID-19 pandemic during the FYE 2022, as well as the cessation of directors fees, payments to a Director of BBSB 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
- (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 35 new staff during the FYE 2023, salary and wages increments (which comprises approximately 2.64% of the staff costs for FYE 2022), 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.

**12. FINANCIAL INFORMATION (Cont'd)**

Comparison between FYE 2023 and FYE 2024

For the FYE 2024, our Group recorded an increase in administrative expenses by RM9.33 million or 71.49% to RM22.38 million (FYE 2023: RM13.05 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 RM1.29 million to RM1.91 million (FYE 2023: RM0.62 million) mainly due to the addition of new PPE and intangible asset as well as the recognition of right-of-use asset during the FYE 2024;
- (b) increase in rental by RM0.61 million to RM1.95 million (FYE 2023: RM1.34 million) due to the commencement of rental for our Jalan Meru Facility as well as an increase in rental rate for our Bukit Raja Facility in the FYE 2024;
- (c) increase in staff costs by RM4.55 million to RM12.49 million (FYE 2023: RM7.94 million) mainly due to the addition of 72 new staff during the FYE 2024, salary and wages increments (which comprises approximately 2.46% of the staff costs for FYE 2024), and the increase in staff bonuses and incentives during the FYE 2024;
- (d) increase in Directors' remuneration by RM1.17 million to RM2.81 million (FYE 2023: RM1.64 million);
- (e) increase in upkeep of PPE by RM0.33 million to RM0.57 million (FYE 2023: RM0.24 million) due to the additional PPE following the acquisition of MSB's operations during the FYE 2024;
- (f) increase in security charges by RM0.17 million to RM0.30 million (FYE 2023: RM0.13 million) due to the commencement of rental for our Jalan Meru Facility during FYE 2024;
- (g) increase in office expenses by RM0.34 million to RM0.61 million (FYE 2023: RM0.27 million) mainly due to the increased printing of our promotional brochures and catalogues as well as an increase in the utility expenses resulting from our Jalan Meru Facility; and
- (h) increase in other expenses by RM0.50 million to RM0.91 million (FYE 2023: RM0.41 million) mainly due to increases in bank charges, gifts and donation expenses, entertainment expenses and stamp duty expenses during the FYE 2024.

**(v) Selling and distribution expenses**

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Commission	534	15.15	791	16.31	1,562	23.03	1,371	16.23
Advertising and marketing	2,492	70.72	3,506	72.30	4,164	61.40	5,295	62.67
Travelling and transport	498	14.13	552	11.39	1,056	15.57	1,783	21.10
<b>Total</b>	<b>3,524</b>	<b>100.00</b>	<b>4,849</b>	<b>100.00</b>	<b>6,782</b>	<b>100.00</b>	<b>8,449</b>	<b>100.00</b>

**12. FINANCIAL INFORMATION (Cont'd)****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
- (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, which includes refurbishment cost for our existing dealers stores, sponsorship of roadshow/ exhibition cost for selected dealers as well as incentives/ rebates granted to our dealers 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, which includes incentives/ rebates granted to our dealers and advertising/ marketing campaigns via social media 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 rental of additional forklifts following the disposal of our obsolete forklifts in FYE 2022.

Comparison between FYE 2023 and FYE 2024

For the FYE 2024, our Group recorded an increase in selling and distribution expenses of RM1.67 million or 24.63% to RM8.45 million (FYE 2023: RM6.78 million).

The increase in selling and distribution expenses during the financial year under review was mainly due to the following factors:-

- (a) increase in advertising and marketing expenses by RM1.14 million to RM5.30 million (FYE 2023: RM4.16 million) with the continued increase in advertising and promotional activities, which includes incentives/ rebates granted to our dealers and advertising/ marketing campaigns via social media during the FYE 2024; and

**12. FINANCIAL INFORMATION (Cont'd)**

- (b) increase in travelling and transport expenses by RM0.72 million to RM1.78 million (FYE 2023: RM1.06 million) due to the expenses incurred to service our new dealers as well as the rental of additional forklifts.

**(vi) Other expenses**

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	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	99	66.00
Bad debts written off	-	-	169	32.88	7	2.14	50	33.33
Loss on disposal of PPE	-	-	-	-	52	15.90	-	-
PPE written off	-	-	*	*	-	-	1	0.67
Loss on disposal of an associate	-	-	-	-	-	-	*	*
<b>Total</b>	<b>-</b>	<b>-</b>	<b>514</b>	<b>100.00</b>	<b>327</b>	<b>100.00</b>	<b>150</b>	<b>100.00</b>

**Note:-**

\* Denotes less than RM1,000.

**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 amounting to RM0.17 million due to the closure of a customer's business,

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).

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.

Comparison between FYE 2023 and FYE 2024

For the FYE 2024, our Group recorded a decrease in other expenses of RM0.18 million or 54.55% to RM0.15 million (FYE 2023: RM0.33 million).

The decrease in other expenses during the financial year under review was mainly due to the absence of the unrealised loss on foreign exchange during the FYE 2024.

**12. FINANCIAL INFORMATION (Cont'd)****(vii) Finance costs**

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Term loans	22	21.36	22	16.29	109	27.60	119	9.38
Bankers' acceptance	78	75.73	103	76.30	269	68.10	631	49.72
Lease liabilities (Hire purchase)	3	2.91	10	7.41	17	4.30	57	4.49
Lease liabilities (Right-of-use asset)	-	-	-	-	-	-	458	36.09
Invoice financing	-	-	-	-	-	-	4	0.32
<b>Total</b>	<b>103</b>	<b>100.00</b>	<b>135</b>	<b>100.00</b>	<b>395</b>	<b>100.00</b>	<b>1,269</b>	<b>100.00</b>

**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 full year's interest on term loan facility for the purchase of our Penang Facility as well as the full drawdown of a new term loan facility for the purchase of our service apartment 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.

Comparison between FYE 2023 and FYE 2024

For the FYE 2024, our Group recorded an increase in finance costs of RM0.87 million or 217.50% to RM1.27 million (FYE 2023: RM0.40 million). The increase in the finance costs was mainly due to the following factors:-

- (a) increase in bankers' acceptance charges by RM0.36 million to RM0.63 million (FYE 2023: RM0.27 million) due to the increased drawdown and utilisation of bankers' acceptance for the purchase of inventories during the FYE 2024; and
- (b) the recognition of interest implicit of RM0.46 million on right-of-use asset during the FYE 2024. (FYE 2023: Nil)

**12. FINANCIAL INFORMATION (Cont'd)****(viii) Income tax expense**

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Group tax expense (RM'000)	2,146	4,226	8,191	8,136
Group effective tax rate (%)	21.63	24.91	24.73	24.98
Statutory tax rate (%)	24.00	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.

Our effective tax rate for the FYE 2022 to FYE 2024 approximates the statutory tax rate of 24.00%.

**(ix) PBT/ PAT and PBT/ PAT margin**

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
PBT (RM'000)	9,923	16,968	33,121	32,565
PAT (RM'000)	7,777	12,742	24,930	24,429
PBT margin (%)	15.01	18.71	29.49	21.49
PAT margin (%)	11.76	14.05	22.20	16.12

**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. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2023 and FYE 2024

For the FYE 2024, our Group recorded a marginal decrease in PBT by RM0.55 million or 1.66% to RM32.57 million (FYE 2023: RM33.12 million) and a marginal decrease in PAT by RM0.50 million or 2.01% to RM24.43 million (FYE 2023: RM24.93 million). The decrease was mainly due to the higher administrative expenses, selling and distribution expenses and finance costs recorded for the FYE 2024.

As a result of the foregoing, our Group's PBT margin declined from 29.49% for the FYE 2023 to 21.49% for the FYE 2024, while PAT margin also declined from 22.20% for the FYE 2023 to 16.12% for the FYE 2024.

**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.

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.

## 12. FINANCIAL INFORMATION (Cont'd)

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.

### (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		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RMB	88	0.18	-	-	24,653	45.55	67,270	88.43
USD	22,136	45.03	27,537	55.44	23,721	43.84	1,278	1.68
Others*	207	0.42	13	0.03	7	0.01	4	0.01
RM	26,728	54.37	22,113	44.53	5,737	10.60	7,514	9.88
<b>Total purchases</b>	<b>49,159</b>	<b>100.00</b>	<b>49,663</b>	<b>100.00</b>	<b>54,118</b>	<b>100.00</b>	<b>76,066</b>	<b>100.00</b>

**Note:-**

\* Others comprise Singapore Dollar and the Euro Dollar.

**12. FINANCIAL INFORMATION (Cont'd)**

For illustration purposes, based on our total purchases denominated in foreign currencies of RM68.55 million in FYE 2024, a fluctuation of 1.00% of the RM against these foreign currencies will result in an increase or decrease in our GP by RM0.69 million depending on the direction of the foreign exchange movement between the RM and the 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:-

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>	<u>FYE 2024</u>
Net gain/ (loss) on foreign exchange (RM'000)	369	(227)	(97)	(99)
As a percentage of PBT (%)	3.72	(1.34)	(0.29)	(0.30)

We closely monitor the movement of the USD and RMB 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.

**(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 2024, our Group has cash and fixed deposits of RM12.18 million, available credit facilities of RM45.50 million, of which RM30.82 million has yet to be utilised and working capital of RM56.39 million, being the difference between current assets of RM90.84 million and current liabilities of RM34.45 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.

## 12. FINANCIAL INFORMATION (Cont'd)

### Cash flow

	<u>FYE 2024</u>	<u>FYE 2022</u>	<u>FYE 2023</u>	<u>FYE 2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net cash (used in)/ from operating activities	(2,600)	254	10,619	6,487
Net cash from/ (used in) investing activities	103	(4,303)	(999)	(3,608)
Net cash (used in)/ from financing activities	(1,708)	4,790	(4,765)	(3,715)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(4,205)</b>	<b>741</b>	<b>4,855</b>	<b>(836)</b>
<b>Cash and cash equivalents at the beginning of the financial years</b>	<b>11,670</b>	<b>7,465</b>	<b>8,207</b>	<b>13,026</b>
Effect of exchange translation differences on cash and cash equivalents	*	1	(36)	(6)
<b>Cash and cash equivalents at the end of the financial years</b>	<b>7,465</b>	<b>8,207</b>	<b>13,026</b>	<b>12,184</b>

#### 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.

#### 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. The increase in inventories were mainly due to our Group's decision to raise our inventory level in anticipation of higher future sales;
- (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. The slower collection of our Group's receivables was mainly due to the implementation of various MCO between January 2021 to June 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.

**12. FINANCIAL INFORMATION (Cont'd)****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.

**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 as we increased our efforts to improve our collection, 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 accrued purchases in relation to inventories in transit;
- (iv) net income tax payment of RM7.23 million; and
- (v) interest income received of RM0.02 million.

**12. FINANCIAL INFORMATION (Cont'd)****FYE 2024**

For the FYE 2024, our operating cash flows before working capital changes were RM35.46 million. After adjusting for the following key items, our net cash from our operating activities was RM6.49 million:-

- (i) increase in inventories of RM3.14 million;
- (ii) increase in receivables of RM16.65 million of which trade receivables increased by RM11.01 million mainly due to higher sales recorded in during the fourth quarter of FYE 2024, while other receivables increased by RM5.64 million mainly due to advances paid to suppliers for the orders of products;
- (iii) decrease in payables of RM0.76 million of which trade payables decreased by RM7.64 million mainly due to higher repayment to suppliers, while other payables increased by RM6.88 million mainly due to the recognition of accrued purchases in relation to inventories in transit;
- (iv) net income tax payment of RM8.45 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 office equipment, furniture and fittings, 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 our Penang Facility, office equipment, furniture and fittings, computer and software, renovation, motor vehicles, signboards and capital work in progress for an enterprise resource planning 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 office equipment, furniture and fittings, computer and software, renovation, motor vehicles, signboards and capital work in progress for an enterprise resource planning 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 being a single storey semi-detached house in Marang, Terengganu of RM0.01 million; and
- (v) interest received of RM0.18 million.

**FYE 2024**

Our Group recorded net cash used in investing activities of RM3.61 million for the FYE 2024. This was mainly attributed to the following:-

- (i) net cash payment on purchase of PPE of RM1.92 million which include, office equipment, furniture and fittings, computer and software, renovation, motor vehicles, signboards, showroom display and capital work in progress for an enterprise resource planning software;
- (ii) net cash payment for the acquisition of intangible asset of RM2.00 million;
- (iii) proceeds from the disposal of PPE of RM0.13 million; and
- (iv) 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.

**12. FINANCIAL INFORMATION (Cont'd)****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.

**FYE 2024**

Our Group recorded net cash used in financing activities of RM3.71 million mainly for the repayment of term loans, bankers' acceptance and lease liabilities totalling to RM32.22 million, interest payment of RM1.26 million, repayment to a director of RM0.87 million and dividend payment of RM6.00 million. The outflow was partly offset by the drawdown of bankers' acceptance and invoice financing totalling to RM36.63 million.

**12.3.5 Borrowings**

<b>As at 30 June 2024</b>					
<b>Type of borrowings</b>	<b>Tenure</b>	<b>Interest rates (per annum)</b>	<b>Payable within 12 months RM'000</b>	<b>Payable after 12 months RM'000</b>	<b>Total RM'000</b>
Lease liabilities <sup>(1)</sup>	3 to 5 years	2.40% to 4.11%	415	1,490	1,905
Bankers' acceptance	117 to 150 days	4.11% to 4.42%	14,436	-	14,436
Term loans	20 to 25 years	4.42% to 4.52%	94	2,544	2,638
Invoice financing	150 days	4.20	239	-	239
<b>Total borrowings</b>			<b>15,184</b>	<b>4,034</b>	<b>19,218</b>

Gearing ratio as at 30 June 2024 (times) <sup>(2)</sup>

0.29

**Notes:-**

- (1) Refers to finance lease liabilities under hire purchase contracts owing to financial institutions.
- (2) 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 2024 of RM65.73 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. FINANCIAL INFORMATION (Cont'd)

### 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.

### 12.3.7 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:-

	<b>RM'000</b>
<b>Approved and contracted for:</b>	
12 units of forklifts	1,732
Enterprise resource planning system related software development	130
1 unit lorry	105
<b>Total</b>	<b>1,967</b>

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 confirms that there are no 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>	<u>FYE 2024</u>
Average trade receivables turnover period (days)	91	92	89	79
Average trade payables turnover period (days)	183	147	105	29
Average inventories turnover period (days)	109	122	145	116
Current ratio (times)	1.75	1.89	2.90	2.64
Gearing ratio (times)	0.11	0.30	0.25	0.29

**Trade receivables**

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>	<u>FYE 2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	66,107	90,688	112,311	151,545
Average trade receivables <sup>(1)</sup>	16,433	22,780	27,433	32,648
<b>Average trade receivables turnover period (days) <sup>(2)</sup></b>	<b>91</b>	<b>92</b>	<b>89</b>	<b>79</b>

**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, improved to 89 days in the FYE 2023 and further improved to 79 days in the FYE 2024. This was mainly attributable to our continuous efforts to improve the collection from our customers.

The ageing analysis in respect of trade receivables as at 30 June 2024 is as follows:-

	<u>Within credit period</u>	<u>Exceed credit period by</u>				<u>Total</u>
		<u>1 – 30 days</u>	<u>31 – 60 days</u>	<u>61 – 90 days</u>	<u>&gt; 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	23,683	7,355	2,866	1,832	2,554	38,290
Less: Impairment losses	(4)	(2)	(1)	(1)	(129)	(137)
<b>Net trade receivables</b>	<b>23,679</b>	<b>7,353</b>	<b>2,865</b>	<b>1,831</b>	<b>2,425</b>	<b>38,153</b>
% of total net trade receivables	62.06	19.27	7.51	4.80	6.36	100.00
Subsequent collections up to the LPD	19,137	6,466	2,010	1,182	1,261	30,056
<b>Outstanding net trade receivables</b>	<b>4,542</b>	<b>887</b>	<b>855</b>	<b>649</b>	<b>1,164</b>	<b>8,097</b>

Up to the LPD, we have collected RM30.05 million or 78.77% of the total trade receivables outstanding as at 30 June 2024. We are in the process of collecting the remaining amount of RM8.10 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 is uncertain based on our dealings with the customers.

Notwithstanding the above, our Board is of the opinion that the remaining amount of RM8.10 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**

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FYE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cost of sales	45,318	58,174	58,894	87,069
Average trade payables <sup>(1)</sup>	22,703	23,351	16,878	6,896
<b>Average trade payables turnover period (days) <sup>(2)</sup></b>	<b>183</b>	<b>147</b>	<b>105</b>	<b>29</b>

**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 in the FYE 2021, FYE 2022 and FYE 2023 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, improved to 105 days in the FYE 2023 and subsequently improved to 29 days in the FYE 2024. 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.

For both the FYE 2021 and FYE 2022, we recorded an average trade payables turnover period of 183 days and 147 days respectively, mainly due to higher purchases made in the last quarter of both financial years particularly in the months of May and June. Our total purchases for the two months amounted to RM14.52 million in FYE 2021 and RM12.46 million in FYE 2022. The increase in purchase in the last quarter resulted in higher trade payables for both financial years, and thus the higher average trade payables turnover period during FYE 2021 and FYE 2022. In addition, for the FYE 2021, FYE 2022 and FYE 2023, we had managed to negotiate and was granted an extended credit period by one of our major suppliers. For the FYE 2024, we recorded an average trade payables turnover period of 29 days. The significant improvement in our average trade payables turnover period was mainly due to earlier payments made to our suppliers to facilitate our negotiations for lower product pricing.

## 12. FINANCIAL INFORMATION (Cont'd)

As at 30 June 2024, the trade payables of our Group amounted to RM3.01 million, the ageing of which are analysed as follows:-

	Within credit period	Exceed credit period by			Total	
		1 – 30 days	31 – 60 days	61 – 90 days		
		RM'000	RM'000	RM'000		
Trade payables	1,889	259	-	2	857	3,007
% of total trade payables	62.82	8.61	-	0.07	28.50	100.00
Subsequent payments up to the LPD	1,879	110	-	2	857	2,848
<b>Outstanding trade payables</b>	<b>10</b>	<b>149</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159</b>

Up to the LPD, we have paid RM2.85 million or 95.00% of the total trade payables outstanding as at 30 June 2024. 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.

### Inventories

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000	RM'000
Cost of sales	45,318	58,174	58,894	87,069
Average inventories <sup>(1)</sup>	13,522	19,438	23,438	27,705
<b>Average inventories turnover period (days) <sup>(2)</sup></b>	<b>109</b>	<b>122</b>	<b>145</b>	<b>116</b>

#### 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. We generally maintain a minimum inventory of four months in order to ensure that our inventory is sufficient to support the distribution and sale of our products.

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.

**12. FINANCIAL INFORMATION (Cont'd)**

For the FYE 2021, our average inventories turnover period of 109 days was below our general minimum inventory turnover level of 120 days due to delays in obtaining our purchases from our suppliers in China as a result of global shortage of shipping container. For the FYE 2023, our average inventories turnover period increased to 145 days as we raised our inventory level in anticipation of higher sales in the first half of the FYE 2024. Our average inventories turnover period of 116 days for the FYE 2024 was below our general minimum inventory turnover level of 120 days due to the increase in sales to our dealers during the FYE 2024.

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. During the FYE 2021 and FYE 2022, we had written off inventories amounting to RM5,630 and RM11,071 respectively, which relates to damaged inventories. There were no inventories written off during the FYE 2023 and FYE 2024.

**Current ratio**

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>	<u>FYE 2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current assets	50,395	60,450	70,269	90,838
Current liabilities	28,788	31,939	24,249	34,448
<b>Current ratio (times) <sup>(1)</sup></b>	<b>1.75</b>	<b>1.89</b>	<b>2.90</b>	<b>2.64</b>

**Note:-**

(1) Based on current assets over current liabilities.

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.

Our current ratio decreased from 2.90 times as at 30 June 2023 to 2.64 times as at 30 June 2024. This was mainly attributable to the increase in our current liabilities position particularly the loans and borrowings balances as a result of the drawdown of bankers' acceptance and invoice financing during the FYE 2024, and the higher amount of other payables arising from the outstanding dividends and the recognition of inventories in transit as at 30 June 2024.

**12. FINANCIAL INFORMATION (Cont'd)****Gearing ratio**

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>	<u>FYE 2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Total loans and borrowings <sup>(1)</sup>	2,587	9,651	12,706	19,218
Shareholders' equity	24,205	32,586	50,301	65,732
<b>Gearing ratio (times) <sup>(2)</sup></b>	<b>0.11</b>	<b>0.30</b>	<b>0.25</b>	<b>0.29</b>

**Notes:-**

- (1) Refers to total interest-bearing bank borrowings (excluding lease liabilities on right-of-use asset).  
(2) Based on total loans and borrowings over shareholders' equity.

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.

Our gearing ratio increased from 0.25 times as at 30 June 2023 to 0.29 as at 30 June 2024 mainly due to an increase in our total loans and borrowings, arising from the drawdowns of bankers' acceptance and invoice financing during the FYE 2024.

**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. FINANCIAL INFORMATION (Cont'd)****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 2024 and up to the LPD.

**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 Financial Years Under Review, we declared and paid the following dividends:-

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>	<u>FYE 2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
PAT	7,777	12,742	24,930	24,429
Dividends declared	4,233	4,361	7,216	8,998
Dividends paid	4,233	4,361	7,216	5,999
Dividend payout ratio (%)	54.43	34.23	28.95	36.83

Our Group had declared total dividends amounting to approximately RM9.00 million for the FYE 2024, of which approximately RM6.00 million was paid in FYE 2024. The remaining RM3.00 million was paid in first quarter of FYE 2025. The dividends are funded via internally generated funds. The dividend to be paid after the FYE 2024 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.

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**12. FINANCIAL INFORMATION (Cont'd)**

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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.

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**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 2024**

**TGS TW PLT**  
**CHARTERED ACCOUNTANTS**

**12. FINANCIAL INFORMATION (Cont'd)**



Date: 23 September 2024

The Board of Directors  
**Sorento Capital Berhad**  
No. 5, Jalan Astana 2/KU2  
Bandar Bukit Raja  
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TGS TW PLT  
202106000004 (LLP0026851-LCA) & AF002345  
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Dear Sirs,

**SORENTO CAPITAL BERHAD (“SORENTO CAPITAL” OR “THE COMPANY”)  
REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF  
FINANCIAL POSITION AS AT 30 JUNE 2024**

We have completed our assurance engagement to report on the compilation of Pro Forma Combined Statements of Financial Position of Sorento Capital and its subsidiaries (collectively known as “the combining entities” or “Sorento Capital Group” or “the Group”) as at 30 June 2024.

The applicable criteria on the basis of which the Board of Directors of the Company have compiled the Pro Forma Combined Statements of Financial Position are set out in Note 1 of the Pro Forma Combined Statements of Financial Position, and in accordance with the requirements of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines-Equity issued by the Securities Commission of Malaysia (“Prospectus Guidelines”) and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants (“Guidance Note”) (“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 Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“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 2024, on which was reported by us to the members of the combining entities on 16 August 2024 without any modification.

**Directors’ Responsibility for the Pro Forma Combined Statements of Financial Position**

The Board of Directors of the Company 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.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**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 'OOI'.

OOI POH LIM  
3087/10/2025 J  
Chartered Accountant

Kuala Lumpur  
23 September 2024

**12. FINANCIAL INFORMATION (Cont'd)**

**SORENTO CAPITAL BERHAD  
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024**

The Pro Forma Combined Statements of Financial Position of the Group as at 30 June 2024 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 2024, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position.

ASSETS	Note	As at 30 June 2024	Adjustments for		Proforma I		Proforma II		Proforma III	
			Acquisitions	RM	After Acquisitions	RM	After Public Issue	RM	Adjustments for Utilisation of Proceeds	RM
<b>Non-current assets</b>										
Property, plant and equipment	3.01	565	48,753,121		48,753,686	-	48,753,686	-	48,753,686	48,753,686
Investment properties	3.02	-	724,084		724,084	-	724,084	-	724,084	724,084
Intangible asset	3.03	-	1,761,905		1,761,905	-	1,761,905	-	1,761,905	1,761,905
Deferred tax assets	3.04	-	47,183		47,183	-	47,183	-	47,183	47,183
<b>Total non-current assets</b>		<b>565</b>			<b>51,286,858</b>		<b>51,286,858</b>		<b>51,286,858</b>	<b>51,286,858</b>
<b>Current assets</b>										
Inventories	3.05	-	29,276,498		29,276,498	-	29,276,498	-	29,276,498	29,276,498
Trade receivables	3.06	-	38,153,285		38,153,285	-	38,153,285	-	38,153,285	38,153,285
Other receivables	3.07	267,496	8,358,967		8,626,463	-	8,626,463	(1,939,093)	6,687,370	6,687,370
Tax recoverable	3.08	-	2,597,400		2,597,400	-	2,597,400	-	2,597,400	2,597,400
Fixed deposits with licensed banks	3.09	-	3,623,903		3,623,903	-	3,623,903	-	3,623,903	3,623,903
Cash and bank balances	3.10	267,707	8,292,650		8,560,357	57,350,000	65,910,357	(12,060,907)	53,849,450	53,849,450
<b>Total current assets</b>		<b>535,203</b>			<b>90,837,906</b>		<b>148,187,906</b>		<b>134,187,906</b>	<b>134,187,906</b>
<b>Total assets</b>		<b>535,768</b>			<b>142,124,764</b>		<b>199,474,764</b>		<b>185,474,764</b>	<b>185,474,764</b>



**12. FINANCIAL INFORMATION (Cont'd)**

**SORENTO CAPITAL BERHAD  
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)**

The Pro Forma Combined Statements of Financial Position of the Group as at 30 June 2024 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 2024, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position. (Cont'd)

Note	As at	Proforma I		Proforma II		Proforma III	
	30 June 2024	Adjustments for Acquisitions	After Acquisitions	Adjustments for Public Issue	After Public Issue	Adjustments for Utilisation of Proceeds	After Utilisation of Proceeds
	RM	RM	RM	RM	RM	RM	RM
<b>EQUITY AND LIABILITIES</b>							
<b>EQUITY</b>							
<b>Equity attributable to owners of Sorento Capital Berhad:-</b>							
Share capital	1,000	42,299,940	42,300,940	57,350,000	99,650,940	(1,845,675)	97,805,265
Merger deficit	-	(41,918,940)	(41,918,940)	-	(41,918,940)	-	(41,918,940)
Retained earnings	4,134	65,345,375	65,349,509	-	65,349,509	(3,154,325)	62,195,184
<b>Total equity</b>	<b>5,134</b>		<b>65,731,509</b>		<b>123,081,509</b>		<b>118,081,509</b>
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
Loans and borrowings	-	2,544,034	2,544,034	-	2,544,034	(2,327,000)	217,034
Lease liabilities	-	39,201,485	39,201,485	-	39,201,485	-	39,201,485
Deferred tax liabilities	-	199,874	199,874	-	199,874	-	199,874
<b>Total non-current liabilities</b>	<b>-</b>		<b>41,945,393</b>		<b>41,945,393</b>		<b>39,618,393</b>



**12. FINANCIAL INFORMATION (Cont'd)**

**SORENTO CAPITAL BERHAD  
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)**

The Pro Forma Combined Statements of Financial Position of the Group as at 30 June 2024 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 2024, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position. (Cont'd)

Note	As at 30 June 2024	Proforma I		Proforma II		Proforma III	
		Adjustments for Acquisitions	After Acquisitions	Adjustments for Public Issue	After Public Issue	Adjustments for Utilisation of Proceeds	After Utilisation of Proceeds
	RM	RM	RM	RM	RM	RM	RM
<b>EQUITY AND LIABILITIES (CONT'D)</b>							
<b>LIABILITIES (CONT'D)</b>							
<b>Current liabilities</b>							
3.14	-	14,768,809	14,768,809	-	14,768,809	8,095,809	
3.15	-	2,515,665	2,515,665	-	2,515,665	2,515,665	
3.17	-	3,006,690	3,006,690	-	3,006,690	3,006,690	
3.18	528,630	12,274,886	12,803,516	-	12,803,516	12,803,516	
3.19	2,004	1,351,178	1,353,182	-	1,353,182	1,353,182	
	530,634		34,447,862		34,447,862	27,774,862	
	530,634		76,393,255		76,393,255	67,393,255	
	535,768		142,124,764		199,474,764	185,474,764	
3.11	1,000	704,999,000	705,000,000	1,550,000,000	860,000,000	860,000,000	
Issued ordinary share capital (Unit)							
Net assets per share attributable to owners of Sorento Capital Berhad (RM)	5.13		0.09		0.14		0.14
Lease liabilities and Borrowings*	-		19,218,469		19,218,469		10,218,469
Gearing ratio (times)	-		0.29		0.16		0.09

\* Computed based on total loans and borrowings and lease liabilities (excluding lease liabilities on right-of-use assets of RM39,811,524) divided by our shareholders' equity.



**12. FINANCIAL INFORMATION (Cont'd)****SORENTO CAPITAL BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024****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 2024.

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 2024 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") and its subsidiary, Mocha Sdn. Bhd. ("MSB"), 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 and its subsidiary, NSSB, BBSB and IBSB are regarded as a continuing entity resulting from the reorganisation exercise because the management of SSB and its subsidiary, 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 entail 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 RM0.37 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 2024 (CONT'D)****2. LISTING SCHEME (CONT'D)****(iii) Pro Forma III: Utilisation of Proceeds**

The gross proceeds from the Public Issue of RM57,350,000 are expected to be utilised as follows:

<b>Details of use of proceeds</b>	<b>Estimated timeframe for the use of proceeds Upon Listing</b>	<b>RM</b>	<b>% of total gross proceeds from the Public Issue</b>
Branding promotion	Within 36 months <sup>(1)</sup>	6,000,000	10.46%
Dealers network expansion	Within 36 months <sup>(1)</sup>	6,000,000	10.46%
Repayment of bank borrowings	Within 12 months <sup>(1)</sup>	9,000,000	15.69%
General working capital <sup>^</sup>	Within 24 months <sup>(1)</sup>	31,350,000	54.67%
Listing expenses <sup>*#</sup>	Within 1 month <sup>(1)</sup>	5,000,000	8.72%
<b>Total estimated proceeds</b>		<b>57,350,000</b>	<b>100.00%</b>

<sup>(1)</sup> From the date of listing of the shares.

<sup>^</sup> The Group intends to utilise RM31,350,000 from the gross proceeds from the Public Issue to fund the working capital of the Group's daily operation by purchasing the inventories.

<sup>\*</sup> The listing expenses are estimated at RM5,000,000 and will be set off against the share capital and profit or loss accordingly. The apportionment is disclosed in Notes 3.11 and 3.13.

<sup>#</sup> As at 30 June 2024, the Group has paid RM1,939,093 of listing expenses and is recognised in the prepayment. The said prepayment will be subsequently debited against share capital and/or expensed off to the combined statements of profit or loss and other comprehensive income upon completion of the IPO.

**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:

	<b>RM</b>
As at 30 June 2024	565
Pursuant to Acquisitions	<u>48,753,121</u>
As per Pro Forma I to III	<u><u>48,753,686</u></u>



**12. FINANCIAL INFORMATION (Cont'd)**

**SORENTO CAPITAL BERHAD**

**NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (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:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>724,084</u>
As per Pro Forma I to III	<u><u>724,084</u></u>

**3.03 INTANGIBLE ASSET**

The movements in intangible asset are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>1,761,905</u>
As per Pro Forma I to III	<u><u>1,761,905</u></u>

**3.04 DEFERRED TAX ASSETS**

The movements in deferred tax assets are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>47,183</u>
As per Pro Forma I to III	<u><u>47,183</u></u>

**3.05 INVENTORIES**

The movements in inventories are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>29,276,498</u>
As per Pro Forma I to III	<u><u>29,276,498</u></u>



**12. FINANCIAL INFORMATION (Cont'd)****SORENTO CAPITAL BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (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:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>38,153,285</u>
As per Pro Forma I to III	<u><u>38,153,285</u></u>

**3.07 OTHER RECEIVABLES**

The movements in other receivables are as follows:

	<b>RM</b>
As at 30 June 2024	267,496
Pursuant to Acquisitions	<u>8,358,967</u>
As per Pro Forma I to II	8,626,463
Pursuant to Utilisation of Proceeds - Listing expenses	<u>(1,939,093)</u>
As per Pro Forma III	<u><u>6,687,370</u></u>

**3.08 TAX RECOVERABLE**

The movements in tax recoverable are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>2,597,400</u>
As per Pro Forma I to III	<u><u>2,597,400</u></u>



**12. FINANCIAL INFORMATION (Cont'd)****SORENTO CAPITAL BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)****3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****3.09 FIXED DEPOSITS WITH LICENSED BANKS**

The movements in fixed deposits with licensed banks are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>3,623,903</u>
As per Pro Forma I to III	<u><u>3,623,903</u></u>

**3.10 CASH AND BANK BALANCES**

The movements in cash and bank balances are as follows:

	<b>RM</b>
As at 30 June 2024	267,707
Pursuant to Acquisitions	<u>8,292,650</u>
As per Pro Forma I Pursuant to Public Issue	<u>8,560,357</u> <u>57,350,000</u>
As per Pro Forma II Pursuant to Utilisation of Proceeds	65,910,357
- Loans and borrowings	(9,000,000)
- Listing expenses	<u>(3,060,907)</u>
As per Pro Forma III	<u><u>53,849,450</u></u>



**12. FINANCIAL INFORMATION (Cont'd)**

**SORENTO CAPITAL BERHAD**

**NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)**

**3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

**3.11 SHARE CAPITAL**

The movements in share capital are as follows:

	<b>RM</b>
As at 30 June 2024	1,000
Pursuant to Acquisitions	<u>42,299,940</u>
As per Pro Forma I	42,300,940
Pursuant to Public Issue	<u>57,350,000</u>
As per Pro Forma II	99,650,940
Pursuant to Utilisation of Proceeds	
Less: Listing expenses*	<u>(1,845,675)</u>
As per Pro Forma III	<u><u>97,805,265</u></u>

\* The listing expenses of RM1,845,675 directly attributable to the Public Issue will be offset against share capital and the remaining listing expenses of RM3,154,325 that is attributable to the Listing will be expensed off to profit and loss.

**3.12 MERGER DEFICIT**

The movements in merger deficit are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>(41,918,940)</u>
As per Pro Forma I to III	<u><u>(41,918,940)</u></u>



**12. FINANCIAL INFORMATION (Cont'd)****SORENTO CAPITAL BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)****3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****3.13 RETAINED EARNINGS**

The movements in retained earnings are as follows:

	<b>RM</b>
As at 30 June 2024	4,134
Pursuant to Acquisitions	<u>65,345,375</u>
As per Pro Forma I to II	65,349,509
Pursuant to Utilisation of Proceeds	
- Listing expenses*	<u>(3,154,325)</u>
As per Pro Forma III	<u><u>62,195,184</u></u>

\* The listing expenses of RM1,845,675 directly attributable to the Public Issue will be offset against share capital and the remaining listing expenses of RM3,154,325 that is attributable to the Listing will be expensed off to profit and loss.

**3.14 LOANS AND BORROWINGS**

The movements in loans and borrowings are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	
- Non-current liabilities	2,544,034
- Current liabilities	<u>14,768,809</u>
As per Pro Forma I to II	17,312,843
Pursuant to Utilisation of Proceeds	
- Loans and borrowings	<u>(9,000,000)</u>
As per Pro Forma III	<u><u>8,312,843</u></u>



**12. FINANCIAL INFORMATION (Cont'd)**

**SORENTO CAPITAL BERHAD**

**NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)**

**3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

**3.15 LEASE LIABILITIES**

The movements in lease liabilities are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	
- Non-current liabilities	39,201,485
- Current liabilities	<u>2,515,665</u>
As per Pro Forma I to III	<u><u>41,717,150</u></u>

**3.16 DEFERRED TAX LIABILITIES**

The movements in deferred tax liabilities are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>199,874</u>
As per Pro Forma I to III	<u><u>199,874</u></u>

**3.17 TRADE PAYABLES**

The movements in trade payables are as follows:

	<b>RM</b>
As at 30 June 2024	-
Pursuant to Acquisitions	<u>3,006,690</u>
As per Pro Forma I to III	<u><u>3,006,690</u></u>



**12. FINANCIAL INFORMATION (Cont'd)**

**SORENTO CAPITAL BERHAD**

**NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)**

**3. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

**3.18 OTHER PAYABLES**

The movements in other payables are as follows:

	<b>RM</b>
As at 30 June 2024	528,630
Pursuant to Acquisitions	<u>12,274,886</u>
As per Pro Forma I to III	<u><u>12,803,516</u></u>

**3.19 TAX PAYABLE**

The movements in tax payable are as follows:

	<b>RM</b>
As at 30 June 2024	2,004
Pursuant to Acquisitions	<u>1,351,178</u>
As per Pro Forma I to III	<u><u>1,353,182</u></u>



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**12. FINANCIAL INFORMATION (Cont'd)**

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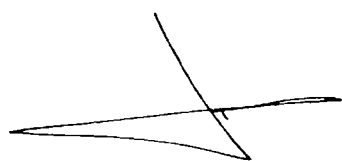
**SORENTO CAPITAL BERHAD**

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024**

**APPROVAL BY THE BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors in accordance with a resolution dated 23 September 2024.

On behalf of the Board of Directors



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Loo Chai Lai  
Director



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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 2024, 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021**

**TGS TW PLT**  
**CHARTERED ACCOUNTANTS**

**13. ACCOUNTANTS' REPORT (Cont'd)**



Date: 23 September 2024

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 2024, 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 2024, 30 June 2023, 30 June 2022 and 30 June 2021, and material accounting policy information 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 of Malaysia and for no other purpose.

In our opinion, the accompanying Financial Information gives a true and fair view of the combined financial position of the combining entities as at 30 June 2024, 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 and Paragraph 10.04 of Chapter 10, Part II Division 1, Equity of the Prospectus Guidelines as issued by the Securities Commission of Malaysia.

**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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**Restriction on distribution and use**

This report is made solely to the Company to comply with Prospectus Guidelines - Equity issued by the Securities Commission of 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 event occurring after the end of the financial year ended 30 June 2024 is disclosed in Note 1(d) 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 'OOI'.

OOI POH LIM  
03087/10/2025 J  
Chartered Accountant

KUALA LUMPUR  
23 September 2024

**13. ACCOUNTANTS' REPORT (Cont'd)**

**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2024, 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021**

	Note	← Audited →			
		2024 RM	2023 RM	2022 RM	2021 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	48,753,686	6,706,912	5,956,058	2,111,111
Investment properties	5	724,084	739,169	873,956	595,498
Intangible asset	6	1,761,905	-	-	-
Investment in associates	7	-	350	350	405
Deferred tax assets	8	47,183	74,000	173,000	102,000
		<u>51,286,858</u>	<u>7,520,431</u>	<u>7,003,364</u>	<u>2,809,014</u>
<b>Current assets</b>					
Inventories	9	29,276,498	26,132,822	20,742,053	18,133,485
Trade receivables	10	38,153,285	27,141,901	27,724,497	17,835,225
Other receivables	11	8,626,463	3,000,658	2,011,108	2,555,105
Amount due from associates	12	-	50,000	50,000	2,865,000
Tax recoverable		2,597,400	916,999	1,715,316	1,542,002
Fixed deposits with licensed banks	13	3,623,903	5,032,635	4,514,936	4,503,958
Cash and bank balances	14	8,560,357	7,993,344	3,692,024	2,960,599
		<u>90,837,906</u>	<u>70,268,359</u>	<u>60,449,934</u>	<u>50,395,374</u>
<b>Total assets</b>		<u>142,124,764</u>	<u>77,788,790</u>	<u>67,453,298</u>	<u>53,204,388</u>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	15(a)	1,000	1,000	-	-
Invested equity	15(b)	381,000	381,000	381,000	381,000
Retained earnings		65,349,509	49,918,985	32,205,124	23,824,123
<b>Total equity</b>		<u>65,731,509</u>	<u>50,300,985</u>	<u>32,586,124</u>	<u>24,205,123</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	16	2,544,034	2,633,017	2,578,616	-
Lease liabilities	17	39,201,485	396,654	200,147	61,863
Deferred tax liabilities	8	199,874	209,011	148,891	148,891
		<u>41,945,393</u>	<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 2024, 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)**

	Note	← Audited →			
		2024 RM	2023 RM	2022 RM	2021 RM
<b>EQUITY AND LIABILITIES (CONT'D)</b>					
<b>LIABILITIES (CONT'D)</b>					
<b>Current liabilities</b>					
Loans and borrowings	16	14,768,809	9,530,842	6,799,371	2,475,000
Lease liabilities	17	2,515,665	145,479	73,642	50,523
Trade payables	18	3,006,690	10,784,810	22,971,049	23,730,198
Other payables	19	12,803,516	2,921,444	1,386,732	1,430,229
Amount due to Directors	20	-	866,548	708,726	1,068,935
Tax payable		1,353,182	-	-	33,626
		<u>34,447,862</u>	<u>24,249,123</u>	<u>31,939,520</u>	<u>28,788,511</u>
<b>Total liabilities</b>		<u>76,393,255</u>	<u>27,487,805</u>	<u>34,867,174</u>	<u>28,999,265</u>
<b>Total equity and liabilities</b>		<u>142,124,764</u>	<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 2024, 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021**

	Note	← Audited →			
		2024 RM	2023 RM	2022 RM	2021 RM
Revenue	21	151,545,024	112,310,949	90,687,870	66,106,978
Cost of sales		<u>(87,068,752)</u>	<u>(58,893,641)</u>	<u>(58,174,009)</u>	<u>(45,318,216)</u>
Gross profit		64,476,272	53,417,308	32,513,861	20,788,762
Other income		333,762	224,478	212,355	2,016,371
Administrative expenses		(22,379,359)	(13,048,782)	(9,919,628)	(9,258,385)
Selling and distribution expenses		(8,448,831)	(6,782,349)	(4,848,776)	(3,523,809)
Other expenses		(150,500)	(327,074)	(514,388)	-
Net gain/(loss) on impairment of financial assets		2,633	33,193	(340,020)	3,454
<b>Profit from operation</b>		<b>33,833,977</b>	<b>33,516,774</b>	<b>17,103,404</b>	<b>10,026,393</b>
Finance costs	22	<u>(1,268,999)</u>	<u>(395,497)</u>	<u>(135,429)</u>	<u>(102,555)</u>
<b>Profit before tax</b>	23	<b>32,564,978</b>	<b>33,121,277</b>	<b>16,967,975</b>	<b>9,923,838</b>
Taxation	24	<u>(8,136,454)</u>	<u>(8,191,216)</u>	<u>(4,226,474)</u>	<u>(2,146,447)</u>
<b>Profit for the financial years, representing total comprehensive income for the financial years</b>		<b><u>24,428,524</u></b>	<b><u>24,930,061</u></b>	<b><u>12,741,501</u></b>	<b><u>7,777,391</u></b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		<u>24,428,524</u>	<u>24,930,061</u>	<u>12,741,501</u>	<u>7,777,391</u>
<b>Earnings per share:</b>					
Basic	25	<u>0.03</u>	<u>0.03</u>	<u>0.01</u>	<u>0.01</u>
Diluted	25	<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 2024, 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021**

	Note	Share capital RM	Invested equity RM	Retained earnings RM	Total equity RM
<b>At 1 July 2020</b>		-	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
<b>Transactions with owners:</b>					
Issuance of ordinary shares	15(b)	-	29,900	-	29,900
Dividends to owners of the combining entities	26	-	-	(4,233,000)	(4,233,000)
<b>At 30 June 2021</b>		-	381,000	23,824,123	24,205,123
<b>At 1 July 2021</b>		-	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
<b>Transaction with owners:</b>					
Dividends to owners of the combining entities	26	-	-	(4,360,500)	(4,360,500)
<b>At 30 June 2022</b>		-	381,000	32,205,124	32,586,124
<b>At 1 July 2022</b>		-	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
<b>Transactions with owners:</b>					
Issuance of ordinary shares	15(a)	1,000	-	-	1,000
Dividends to owners of the combining entities	26	-	-	(7,216,200)	(7,216,200)
<b>At 30 June 2023</b>		1,000	381,000	49,918,985	50,300,985

**13. ACCOUNTANTS' REPORT (Cont'd)**

**SORENTO CAPITAL BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEARS ENDED  
30 JUNE 2024, 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)**

	Note	Share capital RM	Invested equity RM	Retained earnings RM	Total equity RM
<b>At 1 July 2023</b>		1,000	381,000	49,918,985	50,300,985
Profit for the financial year, representing total comprehensive income for the financial year		-	-	24,428,524	24,428,524
<b>Transaction with owners:</b>					
Dividends to owners of the combining entities	26	-	-	(8,998,000)	(8,998,000)
<b>At 30 June 2024</b>		<u>1,000</u>	<u>381,000</u>	<u>65,349,509</u>	<u>65,731,509</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 CASH FLOWS  
FOR THE FINANCIAL YEARS ENDED  
30 JUNE 2024, 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021**

Note	Audited			
	2024 RM	2023 RM	2022 RM	2021 RM
<b>Cash flows from operating activities</b>				
Profit before tax	32,564,978	33,121,277	16,967,975	9,923,838
Adjustments for:				
Dividend income	-	-	-	(445,500)
Depreciation of property, plant and equipment	1,659,080	599,507	499,541	379,993
Gain on disposal of property, plant and equipment	(9,034)	(19,060)	(28,641)	-
Property, plant and equipment written off	1,319	-	437	-
Depreciation of investment properties	15,085	15,085	4,052	4,052
Loss/(Gain) on disposal of investment properties	-	52,551	-	(33,390)
Amortisation of intangible asset	238,095	-	-	-
(Reversal of)/Provision for slow moving inventories	(6,899)	(201,380)	81,915	138,931
Inventories written off	-	-	11,071	5,630
(Reversal of)/Allowance for expected credit losses ("ECLs") on trade receivables	(2,633)	(33,193)	340,020	(3,454)
Interest expenses	1,268,999	395,497	135,429	102,555
Interest income	(201,121)	(202,215)	(77,675)	(89,926)
Unrealised (gain)/loss on foreign exchange	(122,368)	171,191	118,278	(427,256)
Bad debts written off	50,000	6,668	168,942	-
Loss on strike off of an associate	-	-	30	-
Loss on disposal of an associate	349	-	-	-
Operating profit before working capital changes	35,455,850	33,905,928	18,221,374	9,555,473
Changes in working capital:				
Inventories	(3,136,777)	(5,189,389)	(2,701,554)	(9,367,307)
Receivables	(16,645,654)	(106,936)	(9,830,184)	(2,428,652)
Payables	(759,993)	(10,772,392)	(946,443)	2,133,074
	(20,542,424)	(16,068,717)	(13,478,181)	(9,662,885)
Cash generated from/(used in) operations	14,913,426	17,837,211	4,743,193	(107,412)
Interest received	19,876	15,916	15,338	12,465
Tax paid	(8,460,465)	(7,900,879)	(4,504,414)	(2,759,738)
Tax refund	14,472	667,100	-	253,861
Net cash from/(used in) operating activities	6,487,309	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 2024, 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)**

	Note	← Audited →			
		2024 RM	2023 RM	2022 RM	2021 RM
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	A	(1,924,751)	(984,800)	(4,154,284)	(1,491,764)
Proceeds from disposal of property, plant and equipment		135,000	20,499	71,000	-
Acquisition of investment properties		-	(232,849)	(282,510)	(428,302)
Proceeds from disposal of investment properties	B	-	12,000	-	1,500,000
Acquisition of intangible asset		(2,000,000)	-	-	-
Proceed from disposal of an associate		1	-	-	-
Interest received		181,245	186,299	62,337	77,461
Dividend received		-	-	-	445,500
Net cash (used in)/from investing activities		<u>(3,608,505)</u>	<u>(998,851)</u>	<u>(4,303,457)</u>	<u>102,895</u>
<b>Cash flows from financing activities</b>					
Dividends paid		(5,999,000)	(7,216,200)	(4,360,500)	(4,233,000)
Interest paid		(1,264,874)	(395,497)	(135,429)	(102,555)
Drawdowns of term loans		-	117,500	2,714,500	-
Repayments of term loans		(81,032)	(73,628)	(39,513)	(937,346)
Drawdowns of bankers' acceptance		36,393,000	19,416,000	10,534,000	5,867,000
Repayments of bankers' acceptance		(31,402,000)	(16,674,000)	(6,306,000)	(4,405,000)
Drawdown of invoice financing		239,016	-	-	-
(Repayments to)/Advances from Directors	C	(866,548)	157,822	(360,184)	656,736
Repayments of lease liabilities	D	(733,371)	(98,656)	(71,597)	(61,582)
Repayments from associates		-	-	2,815,000	1,477,735
Proceeds from issue of share capital		-	1,000	-	29,900
Net cash (used in)/from financing activities		<u>(3,714,809)</u>	<u>(4,765,659)</u>	<u>4,790,277</u>	<u>(1,708,112)</u>
<b>Net cash (decrease)/increase in cash and cash equivalents</b>		<u>(836,005)</u>	<u>4,854,838</u>	<u>740,937</u>	<u>(4,206,041)</u>
<b>Cash and cash equivalents at beginning of the financial year</b>		<u>13,025,979</u>	<u>8,206,960</u>	<u>7,464,557</u>	<u>11,670,388</u>
Effect of exchange translation differences on cash and cash equivalents		(5,714)	(35,819)	1,466	210
<b>Cash and cash equivalents at end of the financial year</b>		<u><u>12,184,260</u></u>	<u><u>13,025,979</u></u>	<u><u>8,206,960</u></u>	<u><u>7,464,557</u></u>
<b>Cash and cash equivalents at end of the financial year comprises:</b>					
Cash and bank balances		8,560,357	7,993,344	3,692,024	2,960,599
Fixed deposits with licensed banks		3,623,903	5,032,635	4,514,936	4,503,958
		<u><u>12,184,260</u></u>	<u><u>13,025,979</u></u>	<u><u>8,206,960</u></u>	<u><u>7,464,557</u></u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**SORENTO CAPITAL BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEARS ENDED**  
**30 JUNE 2024, 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)**

**NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS**

		←	Audited	→
Note	2024	2023	2022	2021
	RM	RM	RM	RM
<b>A. Acquisition of property, plant and equipment</b>				
Total acquisitions	43,833,139	1,351,800	4,387,284	1,581,764
Less: Acquired through finance lease arrangements	(41,908,388)	(367,000)	(233,000)	(90,000)
Total cash payment	1,924,751	984,800	4,154,284	1,491,764
<b>B. Proceeds from disposal of investment properties</b>				
Total proceeds	-	300,000	-	1,500,000
Less: Other receivables	-	(288,000)	-	-
Total cash received	-	12,000	-	1,500,000
<b>C. (Repayments to)/Advances from Directors</b>				
(Repayments to)/Advances from Directors	(866,548)	157,822	(360,209)	606,736
Less: Proceeds from disposal of associates	-	-	25	50,000
Net (repayments to)/advances from Directors	(866,548)	157,822	(360,184)	656,736
<b>D. Cash outflows for leases as a lessee</b>				
<u>Included in net cash from/(used in) operating activities:</u>				
Payment relating to short-term leases	23	2,446,957	1,758,242	1,187,620
		1,047,265		
<u>Included in net cash (used in)/from financing activities:</u>				
Payment of lease liabilities	733,371	98,656	71,597	61,582
Payment on interest of lease liabilities	515,339	17,485	9,996	2,853
	1,248,710	116,141	81,593	64,435
	3,695,667	1,874,383	1,269,213	1,111,700

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 of 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:

<b>Name of company</b>	<b>Effective interest %</b>	<b>Date of incorporation</b>	<b>Principal activities</b>
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)

<b>Name of company</b>	<b>Effective interest %</b>	<b>Date of incorporation</b>	<b>Principal activities</b>
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.
<b>Held through SSB:</b>			
Mocha Sdn. Bhd. ("MSB")	100	14 July 2023	Wholesale and trading of sanitary and bathroom wares, bathroom utensils, equipment and accessories, hardwares and kitchen wares and household appliances.

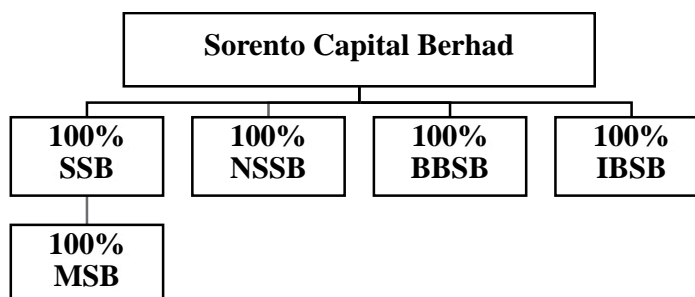
**(d) Acquisition**

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.

The acquisition was completed on 19 August 2024 and 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:



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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**1. Corporate information (Cont'd)**
**(e) Auditors**

The combined financial statements of Sorento Capital Group for the financial period/years ended 30 June 2024, 30 June 2023, 30 June 2022 and 30 June 2021 reflect the financial information of Sorento Capital, SSB, NSSB, BBSB, IBSB and MSB.

The relevant financial years of the audited financial statements used for the purpose of the combined financial statements ("Relevant Financial Period/Years") and the auditors are as follows:

<b>Company</b>	<b>Relevant Financial Period/Years</b>	<b>Auditors</b>
Sorento Capital	FPE 30 June 2024	TGS TW PLT
SSB	FYE 30 June 2024	TGS TW PLT
	FYE 30 June 2023	TGS TW PLT
	FYE 30 June 2022	TGS TW PLT
	FYE 30 June 2021	TGS TW PLT
NSSB	FYE 30 June 2024	TGS TW PLT
	FYE 30 June 2023	TGS TW PLT
	FYE 30 June 2022	TGS TW PLT
	FYE 30 June 2021	TGS TW PLT
BBSB	FYE 30 June 2024	TGS TW PLT
	FYE 30 June 2023	TGS TW PLT
	FYE 30 June 2022	TGS TW PLT
	FYE 30 June 2021	TGS TW PLT
IBSB	FYE 30 June 2024	TGS TW PLT
	FYE 30 June 2023	TGS TW PLT
	FYE 30 June 2022	TGS TW PLT
	FYE 30 June 2021	TGS TW PLT
MSB	FPE 30 June 2024	TGS TW PLT

*FPE - Financial period ended*

*FYE - Financial year ended*

The audited financial statements of Sorento Capital, SSB, NSSB, BBSB, IBSB and MSB for the Relevant Financial Period/Years reported above were not subject to any qualification or modification.

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**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.

The combined financial statements of the combining entities have been prepared under the historical cost convention, unless otherwise indicated in the combined financial statements.

**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:

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 112	International Tax Reform - Pillar Two Model Rules

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**2. Basis of preparation (Cont'd)**
**(a) Statement of compliance (Cont'd)**
**Adoption of new and amended standards (Cont'd)**

The adoption of the amendments to MFRSs did not have any significant impact on the combined financial statements of the combining entities, except for the followings:

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the combined financial statements.

Although the amendments did not result in any changes to the combining entities' accounting policies, it impacted the accounting policy information disclosed in the combined financial statements. The material accounting policy information is disclosed in the Note 3 to the combined financial statements.

**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
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

**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 9 and MFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
MFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19	Subsidiaries without Public Accountabilities: Disclosures	1 January 2027
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

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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**2. Basis of preparation (Cont'd)****(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.

**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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**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 (Cont'd)

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.

Amortisation of intangible assets

Intangible assets with finite useful life are amortised by allocating its depreciation amount on a systematic basis over its contractual period. Contractual period is the period over which the intangible assets are expected to generate economic benefits. Amortised amount is the carrying amount of the intangible assets less its residual value. The carrying amount at the reporting date for intangible asset is disclosed in Note 6 to the combined financial statements.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**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 values of recognised and unrecognised deferred tax assets are disclosed in Notes 8 and 24 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 9 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 estimation required in determining the transaction price, as revenue from sales of goods is based on invoice values. Discounts are not considered as they are not only given in rare circumstances.

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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**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. Material accounting policies**

The combining entities apply the material accounting policies set out below, consistently throughout all periods presented in the combined financial statements unless otherwise stated.

**(a) Consolidation**Common 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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**3. Material 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, including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**3. Material accounting policies (Cont'd)**
**(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

**(i) Recognition and measurement**

Property, plant and equipment, except for land and building, are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefit associated with the item will flow to the combining entities and the cost of the item can be measured reliably.

**(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 over its estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

The estimated useful lives for the current and comparative periods are 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%
Showroom display	10%
Premises	Over the lease term

**13. ACCOUNTANTS' REPORT (Cont'd)**

**3. Material accounting policies (Cont'd)**

**(c) Property, plant and equipment (Cont'd)**

**(iii) Depreciation (Cont'd)**

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.

**(d) Leases**

**(i) Lease and non-lease components**

At inception or on reassessment of a contract that contains a lease component, the combining entities allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the combining entities are lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

**(ii) Recognition exemption**

The combining entities have elected not to recognise right-of-use ("ROU") assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The combining entities recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(iii) Depreciation**

The ROU assets 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%
Premises	Over the lease term

**(e) Investment properties**

Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**3. Material accounting policies (Cont'd)**
**(e) Investment properties (Cont'd)**

Investment properties are depreciated on straight-line method to write down the cost of each asset to their residual values over their estimated useful lives. Freehold land and building and freehold buildings in construction are not depreciated. The principal annual depreciation rates are:

Leasehold land and building	Over the lease term
Freehold buildings	2%

Investment properties are derecognised when they are disposed of. Any gain or loss on disposal of an investment property is recognised in the profit or loss.

**(f) Intangible asset**
**(i) Intangible assets acquired separately**

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Capitalised costs are amortised on a straight-line basis over their estimated useful lives. Amortisation expenses are recognised in profit or loss and included within the administrative expenses.

**(ii) Subsequent measurement**

Intangible assets with finite useful lives are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the intangible asset begins when it is complete and the asset is available for use.

Intangible assets are amortised based on the estimated useful lives as follows:

Trademark	7 years
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The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value and determined using weighted average basis.

**(h) Financial instruments**

At the reporting date, the combining entities carry only financial assets at amortised cost on its combined statements of financial position. The combining entities' financial assets at amortised cost include trade receivables, other receivables, amount due from associates, fixed deposits with licensed banks and cash and bank balances.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**3. Material accounting policies (Cont'd)****(h) Financial instruments (Cont'd)**

At the reporting date, the combining entities carry only financial liabilities at amortised cost on its combined statements of financial position. The combining entities' financial liabilities at amortised cost include loans and borrowings, trade payables, other payables and amount due to Directors.

**(i) Revenue recognition****(i) Revenue from contracts with customers**

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 to local customers. Revenue from sales of goods is recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of goods.

Revenue is recognised based on the price specified in the contract, net of any discounts.

Sales are made with a credit term of cash on delivery to 120 days, which is consistent with market practice, therefore no element of financing is deemed present. A receivable is recognised when the customer accepts delivery of the goods.

**(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.

**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	Showroom display RM	Capital work-in-progress RM	Premises RM	Total RM
<b>Cost</b>												
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
Additions	-	-	98,257	161,383	389,805	257,607	2,520,167	3,950	54,263	64,200	40,283,507	43,833,139
Disposal	-	-	-	-	-	-	(128,000)	-	-	-	-	(128,000)
Written off	-	-	-	(2,150)	(2,455)	-	-	-	-	-	-	(4,605)
At 30 June 2024	1,171,508	2,400,000	689,014	1,292,469	1,213,570	965,390	4,240,120	32,337	54,263	476,328	40,283,507	52,818,506
<b>Accumulated depreciation</b>												
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
Charge for the financial year	-	48,000	59,127	112,032	109,967	70,413	408,202	2,934	3,618	-	844,787	1,659,080
Disposal	-	-	-	-	-	-	(2,034)	-	-	-	-	(2,034)
Written off	-	-	-	(1,076)	(2,210)	-	-	-	-	-	-	(3,286)
At 30 June 2024	-	144,000	391,334	506,103	390,663	197,040	1,575,578	11,697	3,618	-	844,787	4,064,820

**13. ACCOUNTANTS' REPORT (Cont'd)**

**4. Property, plant and equipment (Cont'd)**

	Freehold land RM	Freehold building RM	Computer and software RM	Office equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Signboard RM	Showroom display RM	Capital work-in-progress RM	Premises RM	Total RM
<b>Carrying amount</b>												
At 30 June 2024	1,171,508	2,256,000	297,680	786,366	822,907	768,350	2,664,542	20,640	50,645	476,328	39,438,720	48,753,686
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 ROU assets as follows:

	<b>Motor vehicles RM</b>	<b>Premises RM</b>	<b>Total RM</b>
<b>Cost</b>			
At 1 July 2020	420,228	-	420,228
Additions	132,000	-	132,000
At 30 June 2021	552,228	-	552,228
Additions	273,461	-	273,461
At 30 June 2022	825,689	-	825,689
Additions	483,902	-	483,902
At 30 June 2023	1,309,591	-	1,309,591
Additions	1,771,840	40,283,507	42,055,347
Fully settlement of lease arrangements	(132,000)	-	(132,000)
At 30 June 2024	2,949,431	40,283,507	43,232,938
<b>Accumulated depreciation</b>			
At 1 July 2020	206,427	-	206,427
Charge for the financial year	110,446	-	110,446
At 30 June 2021	316,873	-	316,873
Charge for the financial year	165,137	-	165,137
At 30 June 2022	482,010	-	482,010
Charge for the financial year	223,582	-	223,582
At 30 June 2023	705,592	-	705,592
Charge for the financial year	286,815	844,787	1,131,602
Fully settlement of lease arrangements	(103,400)	-	(103,400)
At 30 June 2024	889,007	844,787	1,733,794
<b>Carrying amount</b>			
At 30 June 2024	2,060,424	39,438,720	41,499,144
At 30 June 2023	603,999	-	603,999
At 30 June 2022	343,679	-	343,679
At 30 June 2021	235,355	-	235,355

- (b) The net carrying amount of motor vehicles amounted to RM2,060,424 (2023: RM603,999, 2022: RM343,679 and 2021: RM235,355) were acquired under finance lease arrangements.

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**4. Property, plant and equipment (Cont'd)**

(c) Assets pledged as securities to financial institutions:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Freehold land	1,171,508	1,171,508	1,171,508	-
Freehold building	2,256,000	2,304,000	2,352,000	-
	<u>3,427,508</u>	<u>3,475,508</u>	<u>3,523,508</u>	<u>-</u>

**5. Investment properties**

	<b>Freehold land and building RM</b>	<b>Leasehold land and building RM</b>	<b>Freehold buildings RM</b>	<b>Freehold buildings in construction RM</b>	<b>Total RM</b>
<b>Cost</b>					
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/ 30 June 2024	-	-	754,254	-	754,254

**13. ACCOUNTANTS' REPORT (Cont'd)**

**5. Investment properties (Cont'd)**

	<b>Freehold land and building RM</b>	<b>Leasehold land and building RM</b>	<b>Freehold buildings RM</b>	<b>Freehold buildings in construction RM</b>	<b>Total RM</b>
<b>Accumulated depreciation</b>					
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
Charge for the financial year	-	-	15,085	-	15,085
At 30 June 2024	-	-	30,170	-	30,170
<b>Carrying amount</b>					
At 30 June 2024	-	-	724,084	-	724,084
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.

**Income and expenses recognised in profit or loss**

The following is recognised in profit or loss in respect of investment properties:

	<b>2024 RM</b>	<b>2023 RM</b>	<b>2022 RM</b>	<b>2021 RM</b>
Direct operating expenses	6,944	88	-	-

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**5. Investment properties (Cont'd)**
**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:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Recurring fair value measurement:				
Leasehold land and building	-	-	381,171	381,171
Freehold buildings	755,064	785,004	-	-
	<u>755,064</u>	<u>785,004</u>	<u>381,171</u>	<u>381,171</u>

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. Intangible asset**

	<b>Trademark</b>
	<b>RM</b>
<b>Cost</b>	
At 1 July 2020/30 June 2021/30 June 2022/30 June 2023	-
Addition	<u>2,000,000</u>
At 30 June 2024	<u>2,000,000</u>
<b>Accumulated amortisation</b>	
At 1 July 2020/30 June 2021/30 June 2022/30 June 2023	-
Charge for the financial year	<u>238,095</u>
At 30 June 2024	<u>238,095</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**6. Intangible asset (Cont'd)**

	<b>Trademark RM</b>
<b>Carrying amount</b>	
At 30 June 2024	1,761,905
At 30 June 2023/30 June 2022/30 June 2021	-

The carrying amount of trademark is reviewed annually and adjusted for impairment when they are considered necessary. The amortisation of trademark amounting to RM238,095 is included in administrative expenses.

The trademark allows the combining entities to own and possess brand name called "Mocha" which including the branding, trademarks, trade name, logo and intellectual property rights.

The cost of trademark acquired represents its fair value as at the date of acquisition. The useful life of the trademark is estimated to be 7 years. Trademark is stated at cost less accumulated amortisation and less any accumulated impairment loss.

**7. Investment in associates**

	<b>2024 RM</b>	<b>2023 RM</b>	<b>2022 RM</b>	<b>2021 RM</b>
<b>Unquoted shares, at cost</b>				
At beginning of the financial year	350	350	405	50,405
Disposal	(350)	-	(25)	(50,000)
Strike off	-	-	(30)	-
At end of the financial year	-	350	350	405

The details of the associates are as follows:

<b>Name of company</b>	<b>Place of business/ Country of incorporation</b>	<b>Effective interest</b>				<b>Principal activities</b>
		<b>2024 %</b>	<b>2023 %</b>	<b>2022 %</b>	<b>2021 %</b>	
GBI Building Materials Sdn. Bhd. ("GBI") *	Malaysia	-	35	35	35	Supply of building material for construction needs

**13. ACCOUNTANTS' REPORT (Cont'd)**

**7. Investment in associates (Cont'd)**

The details of the associates are as follows: (Cont'd)

Name of company	Place of business/ Country of incorporation	Effective interest				Principal activities
		2024 %	2023 %	2022 %	2021 %	
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

	GBI			
	2024 RM	2023 RM	2022 RM	2021 RM
Non-current assets	-	6,831	7,473	8,111
Current assets	10,000	10,030	15,184	31,443
Current liabilities	(131,081)	(124,213)	(127,814)	(119,475)
Net liabilities	<u>(121,081)</u>	<u>(107,352)</u>	<u>(105,157)</u>	<u>(79,921)</u>

	SRT			
	2024 RM	2023 RM	2022 RM	2021 RM
Current assets	-	-	-	11,234
Current liabilities	-	-	-	(5,900)
Net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,334</u>

	Boon Seng			
	2024 RM	2023 RM	2022 RM	2021 RM
Non-current assets	-	-	-	100,000
Current assets	-	-	-	12,307,719
Current liabilities	-	-	-	(12,445,038)
Net liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,319)</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**7. Investment in associates (Cont'd)**

(a) Summarised financial information of the associate is set out below: (Cont'd)

(ii) Summarised statement of profit or loss and other comprehensive income

	<b>GBI</b>			
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loss for the financial year	<u>(13,878)</u>	<u>(291)</u>	<u>(14,497)</u>	<u>(28,465)</u>
	<b>SRT</b>			
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loss for the financial year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,764)</u>
Included in profit or loss for the financial year is:				
- Revenue	-	-	-	4,846
- Dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,485,000)</u>
	<b>Boon Seng</b>			
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loss for the financial year	<u>-</u>	<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.

(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.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**7. Investment in associates (Cont'd)**

(b) Disposal/strike off of associates (Cont'd)

On 28 November 2023, the combining entities disposed off 35% equity interest in GBI for a cash consideration of RM1 which resulting at a loss of RM349.

**8. Deferred tax assets/(liabilities)**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of the financial year	(135,011)	24,109	(46,891)	24,435
Recognised in profit or loss	(42,680)	(191,976)	(3,247)	(99,872)
Under provision in prior financial year	25,000	32,856	74,247	28,546
At end of the financial year	<u>(152,691)</u>	<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:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax assets	47,183	74,000	173,000	102,000
Deferred tax liabilities	(199,874)	(209,011)	(148,891)	(148,891)
	<u>(152,691)</u>	<u>(135,011)</u>	<u>24,109</u>	<u>(46,891)</u>

The components and movements of deferred tax assets/(liabilities) are as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Property, plant and equipment	(188,691)	(214,011)	(163,891)	(158,891)
Provisions	36,000	38,000	188,000	112,000
Unutilised business losses	-	41,000	-	-
	<u>(152,691)</u>	<u>(135,011)</u>	<u>24,109</u>	<u>(46,891)</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****9. Inventories**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trading goods	23,861,363	24,306,248	20,742,053	18,133,485
Goods-in-transit	5,415,135	1,826,574	-	-
	<u>29,276,498</u>	<u>26,132,822</u>	<u>20,742,053</u>	<u>18,133,485</u>
<b>Recognised in profit or loss:</b>				
Inventories recognised as cost of sales	72,929,569	48,928,439	46,983,776	39,804,138
Inventories written off (Reversal of)/Provision for slow moving inventories	-	-	11,071	5,630
	<u>(6,899)</u>	<u>(201,380)</u>	<u>81,915</u>	<u>138,931</u>

The inventories written off is made when the related inventories were obsolete.

Provision for slow moving inventories is presented in cost of sales.

The reversal of slow moving inventories was made during the financial years when the related inventories were sold.

**10. Trade receivables**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trade receivables	38,290,134	27,281,383	28,457,679	18,228,387
Less: Allowance for ECLs	(136,849)	(139,482)	(733,182)	(393,162)
	<u>38,153,285</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 120 days (2023: 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 RM32,662 (2023: RM947,030, 2022: RM938,735 and 2021: RM496,036) due from related companies in which Directors have interests.

**13. ACCOUNTANTS' REPORT (Cont'd)**
**10. Trade receivables (Cont'd)**

Movements in the allowance for ECLs are as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of the financial year	139,482	733,182	393,162	396,616
Charge for the financial year	-	-	340,020	-
Reversal of impairment losses	(2,633)	(33,193)	-	(3,454)
Written off	-	(560,507)	-	-
At end of the financial year	<u>136,849</u>	<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:

	<b>Gross amount</b>		<b>Net amount</b>
	<b>RM</b>	<b>ECLs</b>	<b>RM</b>
		<b>RM</b>	
<b>2024</b>			
Not past due	23,682,666	(4,147)	23,678,519
Past due:			
Less than 30 days	7,355,576	(2,467)	7,353,109
31 to 60 days	2,865,652	(233)	2,865,419
61 to 90 days	1,832,089	(736)	1,831,353
Past due more than 90 days	2,426,884	(1,999)	2,424,885
	<u>38,162,867</u>	<u>(9,582)</u>	<u>38,153,285</u>
<b>Credit impaired:</b>			
Individual impaired	127,267	(127,267)	-
	<u>38,290,134</u>	<u>(136,849)</u>	<u>38,153,285</u>
<b>2023</b>			
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>
<b>Credit impaired:</b>			
Individual impaired	131,262	(131,262)	-
	<u>27,281,383</u>	<u>(139,482)</u>	<u>27,141,901</u>

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**10. Trade receivables (Cont'd)**

The following table provides information about the exposure to credit risk and allowance for ECLs for trade receivables: (Cont'd)

	<b>Gross amount RM</b>	<b>ECLs RM</b>	<b>Net amount RM</b>
<b>2022</b>			
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>
<b>Credit impaired:</b>			
Individual impaired	717,740	(717,740)	-
	<u>28,457,679</u>	<u>(733,182)</u>	<u>27,724,497</u>
<b>2021</b>			
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>
<b>Credit impaired:</b>			
Individual impaired	360,643	(360,643)	-
	<u>18,228,387</u>	<u>(393,162)</u>	<u>17,835,225</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**11. Other receivables**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Non-trade receivables	50,810	296,588	1,211,765	2,270,918
Deposits	1,068,977	344,397	92,719	113,550
Prepayments	419,105	128,374	134,956	170,637
Prepayments for initial public offering expenses	1,939,093	-	-	-
Advances to suppliers	5,148,478	2,231,299	571,668	-
	<u>8,626,463</u>	<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 RMNil (2023: RM1,565, 2022: RM2,264 and 2021: RM524,838) due from related companies in which Directors have interests.

Included in deposits is an amount of RM750,000 (2023: RMNil, 2022: RMNil and 2021: RMNil) paid to related companies in which Directors have interests as rental deposits.

Included in deposits is an amount of RM62,800 (2023: RMNil, 2022: RMNil and 2021: RMNil) paid for purchase of motor vehicle.

The foreign currency profile of other receivables are as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
United States Dollar ("USD")	-	156,642	1,716,681	1,099,482
Renminbi ("RMB")	4,754,212	1,861,665	-	-
	<u>4,754,212</u>	<u>2,018,307</u>	<u>1,716,681</u>	<u>1,099,482</u>

**12. Amount due from associates**

Amount due from associates represent non-trade in nature, unsecured, non-interest bearing and repayable on demand.

**13. Fixed deposits with licensed banks**

The interest rate of fixed deposits with licensed banks ranged from 2.25% to 3.62% (2023: 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 licensed banks ranged from 60 to 90 days (2023: 90 days, 2022: 30 to 90 days and 2021: 30 days).

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**14. Cash and bank balances**

The foreign currency profile of cash and bank balances are as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
USD	30,097	29,426	28,045	75,093
RMB	703,472	-	-	-
Singapore Dollar ("SGD")	-	-	-	10
	<u>733,569</u>	<u>29,426</u>	<u>28,045</u>	<u>75,103</u>

**15. Share capital/Invested equity**
**(a) Share capital**

	<b>Number of ordinary shares</b>			
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>
At beginning/end of the financial year	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
	<b>Amount</b>			
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning/end of the financial year	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>

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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**15. Share capital/Invested equity (Cont'd)**
**(b) Invested equity**

	Number of ordinary shares			
	2024 Units	2023 Units	2022 Units	2021 Units
<b>Issued and fully paid</b>				
At beginning of the financial year	381,000	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>	<u>381,000</u>

	Amount			
	2024 RM	2023 RM	2022 RM	2021 RM
<b>Issued and fully paid</b>				
At beginning of the financial year	381,000	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>	<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)**

**16. Loans and borrowings**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Total loans and borrowings</b>				
Term loans	2,637,827	2,718,859	2,674,987	-
Bankers' acceptance	14,436,000	9,445,000	6,703,000	2,475,000
Invoice financing	239,016	-	-	-
	<u>17,312,843</u>	<u>12,163,859</u>	<u>9,377,987</u>	<u>2,475,000</u>
<b>Non-current</b>				
<b>Secured</b>				
Term loans	<u>2,544,034</u>	<u>2,633,017</u>	<u>2,578,616</u>	<u>-</u>
<b>Current</b>				
<b>Secured</b>				
Term loans	93,793	85,842	96,371	-
Bankers' acceptance	14,436,000	9,445,000	6,703,000	2,475,000
Invoice financing	239,016	-	-	-
	<u>14,768,809</u>	<u>9,530,842</u>	<u>6,799,371</u>	<u>2,475,000</u>
	<u>17,312,843</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 (2023: 240 to 300, 2022: 120 to 300 and 2021: 120) monthly instalments.
- (ii) Bankers' acceptance are repayable by 119 to 150 (2023: 117 to 150, 2022: 21 to 296 and 2021: 14 to 120) days.
- (iii) Invoice financing is repayable by 150 (2023: Nil, 2022: Nil and 2021: Nil) days.

**13. ACCOUNTANTS' REPORT (Cont'd)****16. Loans and borrowings (Cont'd)**

The average effective interest rates per annum are as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	%	%	%	%
Term loans	4.42 - 4.52	3.67 - 4.52	3.17 - 3.27	4.52
Bankers' acceptance	4.11 - 4.42	2.95 - 4.42	2.95 - 3.27	3.05 - 3.44
Invoice financing	4.20	-	-	-

**17. Lease liabilities**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	RM	RM	RM	RM
Non-current	39,201,485	396,654	200,147	61,863
Current	2,515,665	145,479	73,642	50,523
	<u>41,717,150</u>	<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:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	RM	RM	RM	RM
Within 1 year	4,104,420	166,857	84,660	55,774
Between 1 - 5 years	16,835,679	426,467	213,623	66,005
More than 5 years	33,215,555	-	-	-
	54,155,654	593,324	298,283	121,779
Less: Future finance charges	(12,438,504)	(51,191)	(24,494)	(9,393)
Present value of lease liabilities	<u>41,717,150</u>	<u>542,133</u>	<u>273,789</u>	<u>112,386</u>

The combining entities lease motor vehicles and premises. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liabilities of motor vehicles bear interest rates of 2.40% to 4.11% (2023: 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.

**13. ACCOUNTANTS' REPORT (Cont'd)****18. Trade payables**

The normal trade credit terms granted to the combining entities ranged from cash term to 120 days (2023: 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 (2023: RMNil, 2022: RMNil and 2021: RM34,365) due to related companies in which Directors have interests.

The foreign currency profile of trade payables are as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
USD	-	7,701,378	9,917,817	18,827,371
RMB	1,462,286	2,603,794	-	-
	<u>1,462,286</u>	<u>10,305,172</u>	<u>9,917,817</u>	<u>18,827,371</u>

**19. Other payables**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Non-trade payables	2,287,642	627,805	950,884	1,168,800
Accruals	6,854,065	2,293,639	435,848	261,429
Deposits received	658,684	-	-	-
Dividend payable	2,999,000	-	-	-
Interest payable	4,125	-	-	-
	<u>12,803,516</u>	<u>2,921,444</u>	<u>1,386,732</u>	<u>1,430,229</u>

Included in non-trade payables is an amount of RMNil (2023: RM17,408, 2022: RM882 and 2021: RM58,257) due to related companies in which Directors have interests.

Included in deposits received is an amount of RM658,684 (2023: RMNil, 2022: RMNil and 2021: RMNil) relating to advance received for supply of goods.

The foreign currency profile of other payables are as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
RMB	<u>1,273,764</u>	<u>83,018</u>	<u>-</u>	<u>-</u>

**20. Amount due to Directors**

Amount due to Directors represent non-trade in nature, unsecured, non-interest bearing and repayable on demand.

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**21. Revenue**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Revenue from contracts with customers:</b>				
Sales of goods	<u>151,545,024</u>	<u>112,310,949</u>	<u>90,687,870</u>	<u>66,106,978</u>
<b>Timing of revenue recognition:</b>				
At a point in time	<u>151,545,024</u>	<u>112,310,949</u>	<u>90,687,870</u>	<u>66,106,978</u>

**22. Finance costs**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Interest expenses on:</b>				
- Term loans	118,428	109,147	22,566	21,428
- Bankers' acceptance	631,107	268,865	102,867	78,274
- Invoice financing	4,125	-	-	-
- Lease liabilities	515,339	17,485	9,996	2,853
	<u>1,268,999</u>	<u>395,497</u>	<u>135,429</u>	<u>102,555</u>

**23. Profit before tax**

Profit before tax is determined after charging/(crediting) amongst other, the following items:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Auditors' remuneration</b>				
- Current financial year	145,000	109,000	206,600	61,600
- Over/(Under) provision in prior financial year	-	1,140	(2,200)	(1,500)

**13. ACCOUNTANTS' REPORT (Cont'd)**

**23. Profit before tax (Cont'd)**

Profit before tax is determined after charging/(crediting) amongst other, the following items:  
(Cont'd)

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Depreciation of property, plant and equipment	1,659,080	599,507	499,541	379,993
Gain on disposal of property, plant and equipment	(9,034)	(19,060)	(28,641)	-
Property, plant and equipment written off	1,319	-	437	-
Depreciation of investment properties	15,085	15,085	4,052	4,052
Loss/(Gain) on disposal of investment properties	-	52,551	-	(33,390)
Amortisation of intangible asset	238,095	-	-	-
(Reversal of)/Provision for slow moving inventories	(6,899)	(201,380)	81,915	138,931
Inventories written off	-	-	11,071	5,630
(Reversal of)/Allowance for ECLs on trade receivables	(2,633)	(33,193)	340,020	(3,454)
Interest income				
- Fixed deposits with licensed banks	(181,245)	(186,299)	(62,337)	(77,461)
- Cash and cash equivalents	(19,876)	(15,916)	(15,338)	(12,465)
Foreign exchange				
- Unrealised (gain)/loss	(122,368)	171,191	118,278	(427,256)
- Realised loss/(gain)	98,832	96,664	226,701	(369,339)
Bad debts written off/(recovered)	50,000	6,668	168,942	(340,429)
Loss on strike off of an associate	-	-	30	-
Loss on disposal of an associate	349	-	-	-
Short-term leases (a)	2,446,957	1,758,242	1,187,620	1,047,265
Wages subsidies (b)	-	-	(98,400)	(138,600)
Dividend income	-	-	-	(445,500)

- (a) The combining entities lease various premises 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 ROU 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.

**13. ACCOUNTANTS' REPORT (Cont'd)**
**24. Taxation**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Tax expenses recognised in profit or loss</b>				
<b>Current tax</b>				
Current financial year provision	8,016,113	7,973,870	4,296,239	2,075,822
Under/(Over) provision in prior financial year	102,661	58,226	1,235	(701)
	<u>8,118,774</u>	<u>8,032,096</u>	<u>4,297,474</u>	<u>2,075,121</u>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	42,680	191,976	3,247	99,872
Under provision in prior financial year	(25,000)	(32,856)	(74,247)	(28,546)
	<u>17,680</u>	<u>159,120</u>	<u>(71,000)</u>	<u>71,326</u>
	<u>8,136,454</u>	<u>8,191,216</u>	<u>4,226,474</u>	<u>2,146,447</u>

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 is as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax	<u>32,564,978</u>	<u>33,121,277</u>	<u>16,967,975</u>	<u>9,923,838</u>
At Malaysian statutory tax rate of 24% (2023: 24%, 2022: 24% and 2021: 24%)	7,815,595	7,949,106	4,072,314	2,381,721
Change in tax rate for first and second tranche of chargeable income	(104,307)	(73,145)	(48,150)	(99,319)
Expenses not deductible for tax purposes	430,229	467,711	216,841	168,738
Income not subject to tax	(82,724)	(53,026)	(51,439)	(274,774)
Under/(Over) provision of tax expenses in prior financial year	102,661	58,226	1,235	(701)
Under provision of deferred tax in prior financial year	(25,000)	(32,856)	(74,247)	(28,546)
Movements of deferred tax assets not recognised	-	(124,800)	109,920	(672)
	<u>8,136,454</u>	<u>8,191,216</u>	<u>4,226,474</u>	<u>2,146,447</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**24. Taxation (Cont'd)**

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

	2024 RM	2023 RM	2022 RM	2021 RM
Property, plant and equipment	-	-	(2,200)	(2,800)
Provisions	-	-	172,700	64,800
Unutilised business losses	-	-	348,700	-
Unabsorbed capital allowances	-	-	800	-
	-	-	520,000	62,000

The expiry of the unutilised business losses is as follows:

	2024 RM	2023 RM	2022 RM	2021 RM
Year of assessment 2032	-	-	348,700	-

However, the above amount is subject to approval by the tax authority.

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.

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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**25. Earnings per share**
Basic 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 enlarged number of ordinary shares in issue during the financial year as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit attributable to owners of the combining entities	<u>24,428,524</u>	<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>	<u>860,000,000</u>
Basic earnings per ordinary share	<u>0.03</u>	<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.

**26. Dividends**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Dividends recognised as distribution to owners of the combining entities:				
<u>SSB</u>				
An interim single-tier dividend of RM4.00 per ordinary share declared on 27 July 2023 and paid on 28 July 2023	1,000,000	-	-	-
An interim single-tier dividend of RM1.998 per ordinary share declared on 22 September 2023 and paid on 25 September 2023	499,500	-	-	-

**13. ACCOUNTANTS' REPORT (Cont'd)****26. Dividends (Cont'd)**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Dividends recognised as distribution to owners of the combining entities: (Cont'd)				
<u>SSB (Cont'd)</u>				
An interim single-tier dividend of RM1.998 per ordinary share declared on 12 January 2024 and paid on 19 January 2024	499,500	-	-	-
An interim single-tier dividend of RM8.00 per ordinary share declared on 4 April 2024 and paid on 16 April 2024	2,000,000	-	-	-
An interim single-tier dividend of RM8.00 per ordinary share declared on 12 June 2024 and paid on 19 June 2024	2,000,000	-	-	-
An interim single-tier dividend of RM8.00 per ordinary share declared on 27 June 2024 and paid on 26 July 2024 and 21 August 2024	2,000,000	-	-	-
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	-	-

**13. ACCOUNTANTS' REPORT (Cont'd)**

**26. Dividends (Cont'd)**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Dividends recognised as distribution to owners of the combining entities: (Cont'd)				
<u>SSB (Cont'd)</u>				
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 RM33.30 per ordinary share declared on 27 June 2024 and paid on 5 July 2024	999,000	-	-	-
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	-	-
An interim single-tier dividend of RM33.30 per ordinary share declared on 15 November 2021 and paid on 16 November 2021	-	-	999,000	-

**13. ACCOUNTANTS' REPORT (Cont'd)**

**26. Dividends (Cont'd)**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Dividends recognised as distribution to owners of the combining entities: (Cont'd)				
<b><u>BBSB (Cont'd)</u></b>				
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
<b><u>IBSB</u></b>				
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>8,998,000</u>	<u>7,216,200</u>	<u>4,360,500</u>	<u>4,233,000</u>

The Board of Directors do not recommend any final dividend in respect of the current financial year.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**27. Staff costs**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Salaries, fees and other emoluments	13,155,970	8,348,235	6,119,646	5,790,703
Defined contribution plans	1,605,623	917,056	743,814	588,648
Social security contributions	138,416	101,871	76,437	69,456
Other benefits	473,001	192,290	153,754	118,009
	<u>15,373,010</u>	<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 Directors of the combining entities during the financial years as below:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fees	360,000	860,000	-	120,000
Salaries and other emoluments	2,179,909	692,345	637,299	839,427
Defined contribution plans	261,643	83,747	77,156	100,964
Social security contributions	4,440	4,626	3,758	3,545
	<u>2,805,992</u>	<u>1,640,718</u>	<u>718,213</u>	<u>1,063,936</u>

**28. 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:

	<b>At</b>			<b>At</b>
	<b>1.7.2023</b>	<b>Drawdowns</b>	<b>Repayments</b>	<b>30.6.2024</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Term loans	2,718,859	-	(81,032)	2,637,827
Bankers' acceptance	9,445,000	36,393,000	(31,402,000)	14,436,000
Invoice financing	-	239,016	-	239,016
Lease liabilities	542,133	41,908,388	(733,371)	41,717,150
	<u>12,705,992</u>	<u>78,540,404</u>	<u>(32,216,403)</u>	<u>59,029,993</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**28. 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)

	<b>At 1.7.2022 RM</b>	<b>Drawdowns RM</b>	<b>Repayments RM</b>	<b>At 30.6.2023 RM</b>
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>

	<b>At 1.7.2021 RM</b>	<b>Drawdowns RM</b>	<b>Repayments RM</b>	<b>At 30.6.2022 RM</b>
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>

	<b>At 1.7.2020 RM</b>	<b>Drawdowns RM</b>	<b>Repayments RM</b>	<b>At 30.6.2021 RM</b>
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>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**29. Capital commitment and corporate guarantee**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Capital expenditure</b>				
Authorised and contracted for:				
- Freehold land and building	-	-	-	3,430,000
- Investment properties	-	-	232,849	515,360
- Renovation	-	171,521	-	-
- Motor vehicles	1,812,080	-	-	-
- Software development	129,600	-	-	-
	<u>1,941,680</u>	<u>171,521</u>	<u>232,849</u>	<u>3,945,360</u>
<b>Corporate guarantee</b>				
Guarantee given to financial institutions for credit facilities granted to companies in which the Directors have interests				
	<u>-</u>	<u>37,955,000</u>	<u>34,955,000</u>	<u>41,155,000</u>

**30. 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.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**30. Related party disclosures (Cont'd)**

(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:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Transactions with companies in which the Directors have interests</b>				
- Sales to	(2,729,020)	(3,980,727)	(4,823,489)	(4,728,826)
- Purchases from	2,172,223	4,347	54,559	245,360
- Short-term leases	1,950,000	1,335,000	900,000	965,965
- Rental paid to (MFRS 16)	930,000	-	-	-
- Acquisition of property, plant and equipment from	690,551	-	-	12,874
- Rental deposits paid to	750,000	-	-	-
- Acquisition of intangible asset from	2,000,000	-	-	-
- Acquisition of receivables	1,279,690	-	-	-
- Administration fee paid	-	-	-	84,000
- Purchase of paint and hardware products from	2,210	-	-	-
	<u>2,210</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transactions with a Director</b>				
- Disposal of associates	-	-	(25)	(50,000)
- Acquisition of motor vehicle from	97,000	-	-	-
	<u>97,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transaction with a person connected to a company in which the Directors have interests</b>				
- Disposal of an investment property	-	-	-	(1,500,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,500,000)</u>

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**30. Related party disclosures (Cont'd)**

## (c) Compensation of key management personnel

Remuneration of key management personnel is as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Salaries, wages and other emoluments	871,500	216,000	192,000	192,000
Defined contribution plans	113,899	25,200	23,040	22,320
Social security contributions	2,897	1,120	924	924
Other benefits	78,000	-	-	-
	<u>1,066,296</u>	<u>242,320</u>	<u>215,964</u>	<u>215,244</u>

**31. 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 2024, 30 June 2023, 30 June 2022 and 30 June 2021.

**13. ACCOUNTANTS' REPORT (Cont'd)****32. 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 following table analyses the financial assets and financial 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:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>At amortised costs</b>				
<b>Financial assets</b>				
Trade receivables	38,153,285	27,141,901	27,724,497	17,835,225
Other receivables	1,119,787	640,985	1,304,484	2,384,468
Amount due from associates	-	50,000	50,000	2,865,000
Fixed deposits with licensed banks	3,623,903	5,032,635	4,514,936	4,503,958
Cash and bank balances	8,560,357	7,993,344	3,692,024	2,960,599
	<u>51,457,332</u>	<u>40,858,865</u>	<u>37,285,941</u>	<u>30,549,250</u>
<b>At amortised costs</b>				
<b>Financial liabilities</b>				
Loans and borrowings	17,312,843	12,163,859	9,377,987	2,475,000
Trade payables	3,006,690	10,784,810	22,971,049	23,730,198
Other payables	12,144,832	2,921,444	1,386,732	1,430,229
Amount due to Directors	-	866,548	708,726	1,068,935
	<u>32,464,365</u>	<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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**32. 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 licensed banks 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 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, 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)**
**32. 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 non-derivative 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
<b>2024</b>					
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Term loans	208,620	834,480	2,425,146	3,468,246	2,637,827
Bankers' acceptance	14,436,000	-	-	14,436,000	14,436,000
Invoice financing	239,016	-	-	239,016	239,016
Lease liabilities	4,104,420	16,835,679	33,215,555	54,155,654	41,717,150
Trade payables	3,006,690	-	-	3,006,690	3,006,690
Other payables	12,144,832	-	-	12,144,832	12,144,832
	<u>34,139,578</u>	<u>17,670,159</u>	<u>35,640,701</u>	<u>87,450,438</u>	<u>74,181,515</u>
<b>2023</b>					
<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	-

**13. ACCOUNTANTS' REPORT (Cont'd)****32. 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 non-derivative 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)

	<b>On demand or within 1 year RM</b>	<b>1 to 5 years RM</b>	<b>After 5 years RM</b>	<b>Total contractual cash flows RM</b>	<b>Total carrying amount RM</b>
<b>2022</b>					
<u>Non-derivative 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	-
<b>2021</b>					
<u>Non-derivative 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.

**13. ACCOUNTANTS' REPORT (Cont'd)****32. Financial instruments (Cont'd)****(b) Financial risk management objectives and policies (Cont'd)****(ii) Liquidity risk (Cont'd)**

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 functional currency of the combining entities. The currencies giving rise to this risk are primarily USD, RMB and SGD.

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
<b>2024</b>				
Other receivables	-	4,754,212	-	4,754,212
Cash and bank balances	30,097	703,472	-	733,569
Trade payables	-	(1,462,286)	-	(1,462,286)
Other payables	-	(1,273,764)	-	(1,273,764)
	<u>30,097</u>	<u>2,721,634</u>	<u>-</u>	<u>2,751,731</u>
<b>2023</b>				
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>
<b>2022</b>				
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>
<b>2021</b>				
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>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**32. 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

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			
		2024 RM	2023 RM	2022 RM	2021 RM
USD	Strengthened 1% (2023: 1%, 2022: 1% and 2021: 1%)	301	(75,153)	(81,731)	(176,528)
	Weakened 1% (2023: 1%, 2022: 1% and 2021: 1%)	(301)	75,153	81,731	176,528
RMB	Strengthened 1% (2023: 1%, 2022: 1% and 2021: 1%)	27,216	(8,251)	-	-
	Weakened 1% (2023: 1%, 2022: 1% and 2021: 1%)	(27,216)	8,251	-	-
SGD	Strengthened 1% (2023: 1%, 2022: 1% and 2021: 1%)	-	-	-	*
	Weakened 1% (2023: 1%, 2022: 1% and 2021: 1%)	-	-	-	*

\* Amount below RMI

(b) Interest rate risk

The combining entities' fixed rate deposits placed with licensed banks 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 licensed financial institutions 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.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**32. 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 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.

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:

	2024 RM	2023 RM	2022 RM	2021 RM
<b>Fixed rate instruments</b>				
<u>Financial asset</u>				
Fixed deposits with licensed banks	3,623,903	5,032,635	4,514,936	4,503,958
<u>Financial liabilities</u>				
Bankers' acceptance	(14,436,000)	(9,445,000)	(6,703,000)	(2,475,000)
Invoice financing	(239,016)	-	-	-
Lease liabilities	(1,905,626)	(542,133)	(273,789)	(112,386)
	<u>(16,580,642)</u>	<u>(9,987,133)</u>	<u>(6,976,789)</u>	<u>(2,587,386)</u>
Net financial (liabilities)/asset	<u>(12,956,739)</u>	<u>(4,954,498)</u>	<u>(2,461,853)</u>	<u>1,916,572</u>
<b>Floating rate instrument</b>				
<u>Financial liability</u>				
Term loans	<u>(2,637,827)</u>	<u>(2,718,859)</u>	<u>(2,674,987)</u>	<u>-</u>

**Interest rate risk sensitivity analysis**

Fair 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)**

**32. 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 RM26,378 (2023: 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:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Foreign currency hedging contracts</b>				
Notional value of contracts *	-	687,737	-	-

\* *Equivalent to Nil (2023: 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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**32. 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.

**33. 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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**


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**33. Capital management (Cont'd)**

The combining entities monitor capital using a gearing ratio. The combining entities' policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting periods are as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loans and borrowings	17,312,843	12,163,859	9,377,987	2,475,000
Lease liabilities	1,905,626	542,133	273,789	112,386
Less: Fixed deposits with licensed banks	(3,623,903)	(5,032,635)	(4,514,936)	(4,503,958)
Less: Cash and bank balances	<u>(8,560,357)</u>	<u>(7,993,344)</u>	<u>(3,692,024)</u>	<u>(2,960,599)</u>
Net debts/(cash)	<u><u>7,034,209</u></u>	<u><u>(319,987)</u></u>	<u><u>1,444,816</u></u>	<u><u>(4,877,171)</u></u>
 Total equity	 <u><u>65,731,509</u></u>	 <u><u>50,300,985</u></u>	 <u><u>32,586,124</u></u>	 <u><u>24,205,123</u></u>
 Gearing ratio (times)	 <u><u>0.11</u></u>	 <u><u>N/A</u></u>	 <u><u>0.04</u></u>	 <u><u>N/A</u></u>

N/A - the gearing ratio may not provide a meaningful indicator of the risk of borrowings.

There were no changes in the combining entities' approach to capital management during the financial year.

The combining entities are not subject to any external imposed capital requirements.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**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 69 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 2024, 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 2024, 30 June 2023, 30 June 2022 and 30 June 2021.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 23 September 2024.



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LOO CHAI LAI



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LOO JING KAI

KUALA LUMPUR

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**14. ADDITIONAL INFORMATION**

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**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.

**14. ADDITIONAL INFORMATION (Cont'd)**

- (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.

**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

**14. ADDITIONAL INFORMATION (Cont'd)**

- (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.

**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.

**14. ADDITIONAL INFORMATION (Cont'd)****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.

**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.

**14. ADDITIONAL INFORMATION (Cont'd)****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.
- (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.

**14. ADDITIONAL INFORMATION (Cont'd)****(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
- (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.

**14. ADDITIONAL INFORMATION (Cont'd)****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.

**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. Notwithstanding the above, the Directors shall not be required to offer any new ordinary shares or convertible securities for the time being unissued and not allotted and any new shares or other convertible securities from time to time to be created where the said shares or securities are to be issued as consideration or part consideration for the acquisition of shares or assets by the Company, to the holders of the existing shares.

**14. ADDITIONAL INFORMATION (Cont'd)**

For the avoidance of doubt, where the approval of Members is obtained in a general meeting for any issuance of shares or convertible securities including approvals obtained for implementation of a scheme that involves a new issuance of shares or other convertible securities to employees of the Company and its subsidiaries, and approval obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable.

In any case and in respect of any issuance of shares or convertible securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of pre-emptive rights to new shares, shall not apply and the Company is not required to offer new shares or convertible securities in proportion to the shareholdings of the existing Members.

**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)**

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**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. ADDITIONAL INFORMATION (Cont'd)****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) 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.
- (iv) There is no scheme involving our employees in the capital of our Group, except for the Pink Form Allocation.
- (v) 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.
- (vi) 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.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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**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.

**14.6 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 ongoing where the pleadings have closed and the Court has given pre-trial directions. The Court had initially 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. However, these dates have been rescheduled by the Court. An upcoming case management has been set on 3 December 2024 to establish new trial dates and several pre-trial case management sessions have already been attended by the relevant 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 Financial Years 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 2024 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.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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**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.

**14.10 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 2024 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 our Subsidiaries for the Financial Years Under Review.

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## 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., 7 October 2024.

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 15 October 2024.

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.

<b>Types of Application and category of investors</b>	<b>Application method</b>
Applications by the Malaysian Public:-	
(a) Individuals	<b>WHITE</b> Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	<b>WHITE</b> Application Form only
Applications by the Eligible Persons	<b>PINK</b> Application Form only

#### 15.2.2 Application by selected investors via private placement

<b>Types of Application and category of investors</b>	<b>Application method</b>
Applications by:-	
(a) Selected investors	The Placement Agent will contact the selected investors and Bumiputera investors approved by the MITI directly. They should follow the Placement Agent's instructions.
(b) Bumiputera investors approved by the MITI	The MITI will contact the Bumiputera investors directly. They should follow the MITI's instructions.

**15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

Eligible persons, Selected investors and Bumiputera investors approved by the MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

**15.3 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.

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**15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**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 RM0.37 for each IPO Share.

Payment must be made out in favour of “**TIIH SHARE ISSUE ACCOUNT NO. 779**” 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))  
Unit 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 15 October 2024 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 or Participating Securities Firms, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, CGS International Securities Malaysia Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malacca Securities Sdn Bhd and Moomoo Securities Malaysia Sdn Bhd. A processing fee will be charged by the respective Internet Participating Financial Institutions or Participating Securities Firms (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 or Participating Securities Firms.

### 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 at <https://tiih.online> within one Market Day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25.00% 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 clawback and reallocation as set out in Section 4.1.5 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter 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 National Registration Identity Card 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 or Participating Securities Firms 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 Participating Securities Firms (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 fifth 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 Institutions or Internet Participating Financial Institutions or Participating Securities Firms (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 or Participating Securities Firms 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 or Participating Securities Firms 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.

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**15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**15.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:-

<b><u>Mode of Application</u></b>	<b><u>Parties to direct the enquiries</u></b>
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 or Participating Securities Firm 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.

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