

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2018 to 2020 and up to LPD:

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value (Expense)/Income				1 January 2021 up to LPD
					FYE 2018	FYE 2019	FYE 2020	%	
					RM'000	RM'000	RM'000	RM'000	%
STS	Coraza Systems	<ul style="list-style-type: none"> Coraza Holdings Paul Heng Weng Seng Liew Sow Ying Lim Teik Hoe 	STS is a wholly-owned subsidiary of Coraza Holdings	<ul style="list-style-type: none"> Finishing services by STS 	(751)	(1,201)	(2,113)	(766)	(1)3.0
				<ul style="list-style-type: none"> Rental income received from STS⁽²⁾ 	45	101	82	34	(2)41.7
			Paul Heng Weng Seng and Liew Sow Ying are Directors and substantial shareholders of Coraza Holdings. They are also our Promoters and substantial shareholders						(2)100.0
			Paul Heng Weng Seng and Lim Teik Hoe are our Directors						(2)100.0
			Lim Teik Hoe is a person connected to Liew Sow Ying						(2)100.0

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value (Expense)/Income							
					FYE 2018		FYE 2019		FYE 2020		1 January 2021 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%
Coraza Holdings	Coraza Systems	<ul style="list-style-type: none"> Paul Heng Weng Seng Liew Sow Ying Lim Teik Hoe 	Paul Heng Weng Seng and Liew Sow Ying are Directors and substantial shareholders of Coraza Holdings. ⁽³⁾ They are also our Promoters, substantial shareholders	Disposal of property to Coraza Holdings ⁽³⁾	-	-	-	-	2,800	N/A	-	-
Unigen Corporation	Coraza Systems	<ul style="list-style-type: none"> Paul Heng Weng Seng 	Paul Heng Weng Seng and Lim Teik Hoe are our Directors	Sales of fabricated parts to Unigen Corporation	-	-	89	(4)<0.1	722	(4)0.9	146	(4)<0.1
Unigen Vietnam Hanoi Co., Ltd	Coraza Systems	<ul style="list-style-type: none"> Paul Heng Weng Seng 	Lim Teik Hoe is a person connected to Liew Sow Ying	Sales of fabricated parts to Unigen Corporation	-	-	668	(4)1.1	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value (Expense)/Income							
					FYE 2018		FYE 2019		FYE 2020		1 January 2021 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%
Kalungan Prestij Sdn Bhd	Coraza Systems	<ul style="list-style-type: none"> Lim Teik Hoe Liew Sow Ying 	Lim Teik Hoe and Liew Sow Ying are Directors and substantial shareholders of Kalungan Prestij Sdn Bhd. They are also our Promoters, substantial shareholders and Lim Teik Hoe is our Director	Rental of factory by Coraza Systems	-	-	(2)	(1)<0.1	(24)	(1)<0.1	10	(1)<0.1
Fastrack Corporate Sdn Bhd ("Fastrack")	Coraza Systems	Chee Wai Hong ⁽⁵⁾	Chee Wai Hong was a Director of Coraza Systems. He is also a substantial shareholder of Fastrack	Secretarial fee paid to Fastrack	(13)	(6)0.2	(6)	(6)0.1	(5)	<0.1	N/A	N/A
Allen Chee Ram ("ACR")	Coraza Systems	Chee Wai Hong ⁽⁵⁾	Chee Wai Hong was a Director of Coraza Systems. He is also Managing Partner of ACR	Legal fee paid to ACR	(11)	(6)0.2	(16)	(6)0.3	(3)	<0.1	N/A	N/A

Notes:

N/A Not applicable

⁽¹⁾ Calculated based on our Group's cost of sales for each of the respective financial years.

⁽²⁾ Calculated based on our Group's rental income for each of the respective financial years.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (3) Being a piece of industrial land held under GM1536, Lot 4093, Mukim 07, Jalan Bukit Panchor, Daerah Seberang Perai Selatan, Negeri Pulau Pinang bearing assessment address at No. 14, Lorong Industri 5, Kawasan Industri Bukit Panchor, 14300 Nibong Tebal, Seberang Perai Selatan, Pulau Pinang together with 1½-storey detached factory erected thereon. The disposal consideration was arrived at based on the market value as appraised by an independent real estate valuer.
- (4) Calculated based on our Group's revenue for each of the respective financial years.
- (5) Chee Wai Hong has resigned as Director of Coraza Systems on 1 January 2021.
- (6) Calculated based on our Group's administrative expenses for each of the respective financial years.

Our Directors are of the view that all our related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties.

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10. RELATED PARTY TRANSACTIONS (Cont'd)

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or
- (ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

- (i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for the Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from deliberating and voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings. The relevant Directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

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

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS

10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2018 to 2020 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

(b) Guarantees

Our Promoters, substantial shareholders and/or Directors, namely Paul Heng Weng Seng, Liew Sow Ying and Lim Teik Hoe, as well as Coraza Holdings have jointly and severally provided personal guarantees for the banking facilities extended by Public Bank Berhad, Maybank Islamic Berhad and Malaysian Industrial Development Finance Berhad ("Financiers").

In conjunction with our Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, the aforesaid persons will continue to guarantee the banking facilities extended to our Group.

As at the date of this Prospectus, we have received conditional approvals from the Financiers to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financial institutions.

10.2.3 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Placement Agent and Underwriter for our Listing:

- (a) Agreement dated 15 October 2020 between Coraza Systems and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor and Placement Agent for our Listing; and
- (b) Underwriting Agreement dated [•] entered into between our Company and M&A Securities for the underwriting of 42,833,100 Issue Shares.