

## 9. RELATED PARTY TRANSACTIONS

### 9.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition of Ecomate and as disclosed below, we have not entered into any related party transactions with our Directors, substantial shareholders, key senior management personnel and/or persons connected with them for FYE 2018 to 2020, FPE 2021 and up to LPD. All the related party transactions listed below were transacted with our subsidiary, Ecomate.

Related party	Interested persons	Nature of transaction	Value of transactions (Expense)/Income									
			FYE 2018		FYE 2019		FYE 2020		FPE 2021		1 September 2020 up to LPD	
			RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Z Metal Sdn Bhd	Koh Cheng Huat and Jason Koh Jian Hui were appointed as directors of Z Metal Sdn Bhd on 26 April 2018 and resigned on 16 May 2019	Purchase of furniture parts by Ecomate	-	-	(598)	<sup>(1)</sup> 4.0	-	-	N/A	N/A	N/A	N/A
Sern Furniture Industries Bhd (a wholly owned subsidiary of Sern Kou Resources Berhad)	Kou Koh Kun Chuan, father to Jason Koh Jian Hui, was a substantial shareholder and senior executive director of Sern Kou Resources Berhad. He ceased to be a substantial shareholder on 7 January 2020 and resigned as executive director on 16 June 2020	Subcontractor fees paid by Ecomate	(10)	<sup>(2)</sup> 0.8	(82)	<sup>(2)</sup> 3.5	-	-	-	-	N/A	N/A

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

Related party	Interested persons	Nature of transaction	Value of transactions (Expense)/Income									
			FYE 2018		FYE 2019		FYE 2020		FPE 2021		1 September 2020 up to LPD	
			RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		Sales by Ecomate	-	-	-	-	76	<sup>(3)</sup> 0.2	-	-	N/A	N/A
		Rental and utilities paid by Ecomate	(362)	N/A	(543)	N/A	(852)	N/A	(329)	N/A	N/A	N/A
		Purchase of raw materials (solid wood) by Ecomate	(141)	<sup>(1)</sup> 2.1	(24)	<sup>(1)</sup> 0.2	<1	N/A	-	-	N/A	N/A
Perfect Design Furniture Trading	Tei Kwee Lan, our General Manager and Bo Lireen, spouse of Jason Koh Jian Hui are partners in Perfect Design Furniture Trading	Sales by Ecomate	-	-	65	<sup>(3)</sup> 0.3	652	<sup>(3)</sup> 1.5	6	<sup>(3)</sup> *	7.1	<sup>(3)</sup> *
Global Tech Plastic Industry Sdn Bhd <sup>(5)</sup>	Koh Cheng Huat's siblings, namely Koh Ah Seng and Koh Sioh Chian, are directors and shareholders of Global Tech Plastic Industry Sdn Bhd	Purchase of metal components and furniture parts by Ecomate	(23)	<sup>(1)</sup> 0.3	(45)	<sup>(1)</sup> 0.3	(155)	<sup>(1)</sup> 0.7	(134)	<sup>(1)</sup> 1.2	(165.7)	<sup>(1)</sup> 1.1

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

Related party	Interested persons	Nature of transaction	Value of transactions (Expense)/Income									
			FYE 2018		FYE 2019		FYE 2020		FPE 2021		1 September 2020 up to LPD	
			RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
TM Engineering Services Sdn Bhd <sup>(5)</sup>	Jason Koh Jian Hui is a shareholder and director of TM Engineering Services Sdn Bhd	Provision of fire protection system services to Ecomate	(2)	<sup>(2)</sup> 0.2	(4)	<sup>(2)</sup> 0.2	(17)	<sup>(2)</sup> 0.4	(1)	<sup>(2)</sup> 0.1	(14.3)	<sup>(2)</sup> 0.8
SS Plumbing Sdn Bhd	Jason Koh Jian Hui was appointed as a director of SS Plumbing Sdn Bhd on 16 August 2012 and resigned on 20 June 2019	Renovation works for Ecomate	-	-	(48)	<sup>(4)</sup> 3.6	-	-	N/A	N/A	N/A	N/A

**Notes:**

- (1) As a percentage of our purchases for the financial year/period.
- (2) As a percentage of our administrative expenses for the financial year/period.
- (3) As a percentage of our revenue for the financial year/period.
- (4) As a percentage of our addition of property, plant and equipment for the financial year/period.
- (5) Will continue recurring after our Listing.
- \* Negligible

Save for the Acquisition of Ecomate, as at LPD, there are no related party transactions entered into but not yet effected.

Our Directors are of the view that the above 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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**9. RELATED PARTY TRANSACTIONS (Cont'd)**

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Moving forward, if there are potential related party transactions, the related parties must first inform our Audit and Risk Management Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into.

Our Audit and Risk Management Committee is responsible for the review of all related party transactions to ensure that there is no conflict of interest. Our Audit and Risk Management Committee shall deliberate and determine if the related party transactions are undertaken on arm's length basis and on normal commercial terms, and 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 whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or
- (ii) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by 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 general meetings of our Company. 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 our 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 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 insofar 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 transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, 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 transaction, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings.

**9. 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 and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

**9.1.1 OTHER TRANSACTIONS****(a) Transactions which 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 during the financial years/period under review and up to LPD.

**(b) Loans and guarantees**

Jason Koh Jian Hui and Koh Cheng Huat have advanced the following monies to Ecomate since its business commencement to finance amongst others, the purchase of machinery and equipment as well as the working capital, all of which were fully repaid on 1 January 2021.

<u>As at</u>	<u>FYE 2018</u>	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FPE 2020</u>	<u>FPE 2021</u>
Koh Cheng Huat	(1,224)	(856)	(1,014)	(1,113)	(1,005)
Jason Koh	<u>(1,219)</u>	<u>(827)</u>	<u>(1,010)</u>	<u>(1,110)</u>	<u>(999)</u>
	<b><u>(2,443)</u></b>	<b><u>(1,683)</u></b>	<b><u>(2,024)</u></b>	<b><u>(2,224)</u></b>	<b><u>(2,004)</u></b>

There were no outstanding loans made to/by us to or for the benefit of any related party as at LPD.

Our Promoters, Jason Koh Jian Hui and Koh Cheng Huat have provided personal guarantees equal to the amounts of the following credit facilities extended to our Group as at LPD:

**Banking facilities:**

- (i) Ambank Islamic Berhad; (total facility amount of RM7.8 million)
- (ii) HSBC Bank (Malaysia) Berhad (total facility amount of RM2.0 million)
- (iii) HSBC Amanah Malaysia Berhad (total facility amount of RM3.6 million)
- (iv) OCBC Bank (Malaysia) Berhad (total facility amount of RM5.0 million)

**Hire Purchase facilities:**

- (v) BMW Credit (Malaysia) Sdn Bhd (total facility amount of RM1.0 million)
- (vi) PAC Lease Berhad (total facility amount of RM1.5 million)
- (vii) Affin Bank Berhad (total facility amount of RM0.5 million)
- (viii) Public Bank Berhad (total facility amount of RM1.0 million)

In conjunction with the Listing, we have written to the respective financial and non-financial institutions to obtain release and/or discharge of the personal guarantees by substituting the same with corporate guarantees from our Company and/or other securities from our Group acceptable to the respective financial and non-financial institutions. Until such release and/or discharge are obtained from the respective financial and non-financial institutions, our Promoters will continue to guarantee the credit facilities extended to our Group.

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

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To date, we have received 6 conditional consents from 4 financial institutions and 2 non-financial institutions in respect of our request and are awaiting response from 2 other financial and non-financial institutions amounting RM1.2 million in total. The key conditions required to be fulfilled for the financial institutions' consent are as follows:

- (i) The successful listing of Ecomate Holdings on the ACE Market; and
- (ii) The receipt of corporate guarantee to be provided by Ecomate Holdings along with all necessary supporting documents required for the replacement of the personal guarantees provided by our Promoters.

In this view, as the remaining outstanding facilities amount to 5.2% of the total facilities set out above which will be repaid over the next 7 years, Ecomate has demonstrated that it has adequate resources and is not reliant on its Promoters to secure financing.

Our Board takes the view that we are not reliant on these personal guarantees, and in the event consent for the release and/or discharge of the personal guarantees is not forthcoming in respect of any credit facilities prior to the date of this Prospectus, such credit facilities will be fully settled or refinanced prior to our Listing. Moving forward, we will not undertake any credit facilities which require personal guarantees of our Directors and/or our shareholders.

**(c) Financial assistance provided for the benefit of a related party**

There were no financial assistance provided by us for the benefit of any related party for the financial years/period under review and up to LPD.

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