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**10. RELATED PARTY TRANSACTIONS**

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**10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS****10.1.1 Related party transactions**

Under the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “**related party**” of a listed issuer is:

- (i) a director, having the meaning given in Section 2(1) of the CMSA, and includes any person who is or was within the preceding 6 months of the date in which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
- (ii) a major shareholder, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:
  - (a) 10.0% or more of all the voting shares in the corporation; or
  - (b) 5.0% or more of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) a person connected with such director or major shareholder.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)**
**10.1.2 Material related party transactions entered into by our Group**

Save as disclosed below, there is no material related party transaction, existing or proposed, entered or to be entered into by our Group which involves the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them for the Period Under Review and up to the LPD:

Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	Up to the LPD (RM'000)
Our Company (as purchaser) and Tee Kim Chin (as vendor)	Tee Kim Chin is our substantial shareholder	Purchase of the Kempas 6 Factory by our Company from Tee Kim Chin	-	-	6,000 (3.5% of our Group's NA)	-
Cape Manufacturing (as purchaser) and Tee Kim Chin (as vendor)	Tee Kim Chin is our substantial shareholder and is a director of Cape Manufacturing	Purchase of the Temenggong 22 Factory by Cape Manufacturing from Tee Kim Chin	-	-	6,000 (3.5% of our Group's NA)	-
Our Company (as purchaser) and Tee Kim Chin and Alex Miranda Juntado (as vendors)	Tee Kim Chin is our substantial shareholder  Alex Miranda Juntado is our Director	<ul style="list-style-type: none"> <li>Acquisition of the entire equity interest in Cape Manufacturing by our Company from Tee Kim Chin and Alex Miranda Juntado</li> </ul>	-	5,575 <sup>(1)</sup> (6.9% of our Group's NA)	-	-
		<ul style="list-style-type: none"> <li>Acquisition of the entire equity interest in Cape Singapore by our Company from Tee Kim Chin and Alex Miranda Juntado</li> </ul>	-	1,583 <sup>(2)</sup> (1.9% of our Group's NA)	-	-
Our Company and Tee Kim Chin	Tee Kim Chin is our substantial shareholder	Rental of the Kempas 6 Factory by our Company from Tee Kim Chin	240 (0.6% over our Company's audited cost of sales)	240 (0.2% over our Group's audited cost of sales)	100 (Less than 0.1% over our Group's audited cost of sales)	-

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

Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	Up to the LPD (RM'000)
Cape Manufacturing and Tee Kim Chin	Tee Kim Chin is our Promoter, Director and substantial shareholder of Cape Manufacturing and is a director of Cape Manufacturing	Rent-free use of the Temenggong 22 Factory by Cape Manufacturing from Tee Kim Chin (" <b>Temenggong 22 Rent-Free</b> ")	Not applicable	-	-	-
Our Company and Cape Manufacturing	Tee Kim Chin is our Promoter, Director and substantial shareholder  Alex Miranda Juntado is our Director  Tee Kim Chin and Alex Miranda Juntado are also the Directors and was substantial shareholders of Cape Manufacturing <sup>(1)</sup>	Purchase of chassis alternating current (ac), enclosure top and bottom, subreflector, and wave guide tube by our Company from Cape Manufacturing	2,300 (5.8% over our Group's audited cost of sales)	-	-	-

**Notes:**

- (1) Cape Manufacturing was acquired by our Company in January 2020.
- (2) Cape Singapore was acquired by our Company in January 2020.

Our Directors confirm that the above material transactions were transacted on an arm's length basis and on normal commercial terms which were not more favourable to the related parties than those generally available to third parties and accordingly were not detrimental or unfavourable to our non-interested shareholders, save for the following:

Temenggong 22 Factory Rent-Free transaction

The rent-free use of the Temenggong 22 Factory by Cape Manufacturing from Tee Kim Chin is not considered by the Directors to be on an arm's length basis as it was provided on terms more favourable to Cape Manufacturing in comparison to normal commercial terms (i.e. the rental for Temenggong 22 Factory was rent-free).

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

Nevertheless, the rent-free transaction is not detrimental to the Group as Cape Manufacturing saved cost in relation to rental fees. It is pertinent to note that Temenggong 22 Factory was subsequently sold to Cape Manufacturing during the FYE 2021.

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 deliberation 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 (i) the transactions occurred within a 12-month period, (ii) are entered into with the same party or with parties related to one another, (iii) 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.

In addition, to safeguard the interest of our Group and our non-interested shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, among others, supervise and monitor any recurrent related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board will make the appropriate disclosure in our annual report with regards to any recurrent related party transaction entered into by us.

**10.1.3 Transactions that are unusual in nature or condition**

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which our Company and any of our Subsidiaries were a party in respect of the Period Under Review and up to the LPD.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)****10.1.3 Outstanding loans and/or financial assistance (including guarantees of any kind) made to or for the benefit of related parties**

Save as disclosed below, our Board has confirmed that there are no outstanding loan and/or financial assistance (including guarantee of any kind) made to our Group or by our Group to or for the benefit of any related parties for the Period Under Review and up to the LPD:

**(i) Outstanding loans**

Loans made to or for the benefit of related parties	Interested related party and nature of relationship	Nature of transaction	Transaction Value			
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	Up to the LPD (RM'000)
Advances made to our Company by Cape Manufacturing	Tee Kim Chin is our Promoter, Director and substantial shareholder	Advances for our working capital purposes	664	-	-	-
	Tee Kim Chin is a director and was a substantial shareholder of Cape Manufacturing <sup>(1)</sup>					
Advances made to Cape Singapore by our Company	Tee Kim Chin is our Promoter, Director and substantial shareholder.	Advances for Cape Singapore's working capital purposes	70	-	-	-
	Tee Kim Chin is a director and was a substantial shareholder of Cape Singapore <sup>(2)</sup>					
Advances made to Tee Kim Chin by our Company	Tee Kim Chin is our Promoter, Director and substantial shareholder	Advances to director	-	-	4,740	-
Advances made by Tee Kim Chin to our Company	Tee Kim Chin is our Promoter, Director and substantial shareholder	Advances from director	1,860	14,230	-	-

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

Loans made to or for the benefit of related parties	Interested related party and nature of relationship	Nature of transaction	Transaction Value			
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	Up to the LPD (RM'000)
Advances made by Cape Manufacturing to Tee Kim Chin	Tee Kim Chin is our Promoter, Director and substantial shareholder	Advances to director	-	4,962	299	-
Advances made by Cape Singapore to Tee Kim Chin	Tee Kim Chin is our Promoter, Director and substantial shareholder	Advances to director	-	3,367	3,076	-

**Notes:**

- (1) Cape Manufacturing was acquired by our Company in January 2020.
- (2) Cape Singapore was acquired by our Company in January 2020. These advances do not carry any interest and the amount have been fully repaid as at 31 December 2021.

All the advances made to and from Tee Kim Chin to the Cape Group has been settled as at 31 December 2021.

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

### (ii) Financial assistance (including guarantees of any kind)

#### (a) Our Company

Tee Kim Chin, our Promoter, Director and substantial shareholder and Alex Miranda Juntado, our Director have provided personal guarantees for banking facilities extended to our Company by Affin Bank Berhad, AmBank (M) Berhad Hong Leong Bank Berhad, HSBC Amanah Malaysia Berhad, HSBC Bank Malaysia Berhad, Malaysian Industrial Development Finance Berhad, (“collectively, **“Financiers of our Company”**”).

In conjunction with our Listing, we have applied to the Financiers of our Company to obtain a release and/or discharge of the guarantees. Until such release and/or discharge are obtained from the respective Financiers of our Company, Tee Kim Chin and Alex Miranda Juntado will continue to guarantee the banking facilities extended to our Company. As at the LPD, we have received conditional approvals from the Financiers of our Company to discharge the above guarantees. These consents are conditional upon the successful listing.

#### (b) Cape Manufacturing

Tee Kim Chin, our Promoter, Director and substantial shareholder and Alex Miranda Juntado, our Director have provided personal guarantees for banking facilities extended to Cape Manufacturing by Affin Bank Berhad, HSBC Amanah Malaysia Berhad, HSBC Bank Malaysia Berhad and Public Bank Berhad (collectively, **“Financiers of Cape Manufacturing”**”).

In conjunction with the Listing, we have applied to the Financiers of Cape Manufacturing to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company. Until such release and/or discharge are obtained from the respective Financiers of Cape Manufacturing, Tee Kim Chin and Alex Miranda Juntado will continue to guarantee the banking facilities extended to Cape Manufacturing. As at 29 June 2022, Tee Kim Chin and Alex Miranda Juntado have received conditional approvals from the Financiers of Cape Manufacturing to discharge the above guarantees by substituting the same with a corporate guarantee from our Company.

## 10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

### 10.2.1 Audit Committee review

Our Audit Committee reviews the financial risk and matters relating to related party transactions and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity. It also sets the procedures and processes to ensure that transactions to be entered into are carried out are at arm’s length, and on transaction prices and terms not more favourable to the related parties than those generally available to the public, fair and not detrimental to the minority shareholders of the Company. Amongst 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 Audit Committee are reported to our Board for its further action.

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

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**10.2.2 Our Group's policy on related party transactions**

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties. Some of the officers and the directors of our Group are also officers, directors and in some cases, shareholders of the related parties of our Group, as disclosed in this Prospectus and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to the public dealing at arm's length with our Group and are not to the detriment of our minority shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and the MCCG upon our Listing. The procedures which may form part of the framework includes, among others, the following:

- (i) our Board shall ensure that at least half of our Board members are independent directors and will undertake an annual assessment of the independence of our Independent Directors;
- (ii) the directors of our Group will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group. Upon such disclosure, the interested director (with any interest, direct or indirect), must abstain from board deliberation and voting at the relevant board meeting. Additionally, the said interested director must abstain from voting and shall procure persons connected to the said interested director to abstain from voting on the relevant resolution in respect of the related party transaction at a general meeting (if applicable). The interested director must inform the board approving the transaction (which may be our Board or the board of directors of our subsidiary, as the case maybe), the details of the nature and extent of his/her interest, including all matters concerning the said related party transaction that he is aware or should reasonably be aware of, which is not in the best interest of our Company or our subsidiary; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our Management will review the said transactions on whether the terms and conditions of the related party transactions to be entered into are at arm's length, and on transaction prices and terms not more favourable to the related parties than those generally available to the public, fair and not detrimental to the minority shareholders of our Company and will then propose the transactions to our Audit Committee for their review who would in turn, make a recommendation to our Board for deliberation and approval.

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