

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition of PT MKH and Acquisition of PT SPS as set out in Sections 6.2.2 and 6.2.3, respectively 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 2020 to 2022 and up to LPD:

No.	Related party/ Transacting company in MKHOP Group	Interest person/ Nature of relationship	Nature of transaction	Transaction value							
				FYE 2020		FYE 2021		FYE 2022		⁽¹⁾ 1 October 2022 up to LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%
(a)	Metro Kajang (Oversea)/ MKHOP	MKH and Metro Kajang (Oversea)/ • MKHOP and Metro Kajang (Oversea) are both subsidiaries of MKH • Metro Kajang (Oversea) is a shareholder of MKHOP with 30.7% equity interest after our Listing	Interest expenses charged by Metro Kajang (Oversea) to MKHOP arising from the advances made by Metro Kajang (Oversea) to MKHOP ⁽¹⁷⁾	126	⁽²⁾ 1.0	130	⁽²⁾ 1.7	365	⁽²⁾ 6.3	115	N/A
(b)	Metro Kajang (Oversea)/ PT MKH	MKH/ PT MKH and Metro Kajang (Oversea) are both subsidiaries of MKH	Interest expenses charged by Metro Kajang (Oversea) to PT MKH arising from the loan made by Metro Kajang (Oversea) to PT MKH ⁽⁷⁾	5,278	⁽²⁾ 41.9	4,538	⁽²⁾ 57.7	4,232	⁽²⁾ 72.5	1,404	N/A
(c)	MKH Plantation/ PT SPS	MKH/ PT SPS and MKH Plantation are both subsidiaries of MKH	Loan made by MKH Plantation to PT SPS, which was used for the development of PT SPS's oil palm plantation located in East Kalimantan ⁽⁸⁾	5,350	⁽³⁾ 1.6	2,432	⁽³⁾ 0.9	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Related party/ Transacting company in MKHOP Group	Interest person/ Nature of relationship	Nature of transaction	Transaction value							
				FYE 2020		FYE 2021		FYE 2022		⁽¹⁾ 1 October 2022 up to LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%
(d)	Laju Jaya Sdn Bhd ("Laju Jaya")/ MKHOP	Laju Jaya/ MKHOP and Laju Jaya are both subsidiaries of MKH	Laju Jaya is the landlord and MKHOP is the tenant of MKHOP's headquarters located at G-02 & G-03, Ground Floor, Wisma MKH together with the parking lot ⁽¹⁴⁾	-	-	-	-	⁽¹⁵⁾ 125	⁽⁴⁾ 0.3	⁽¹⁵⁾ 126	N/A
(e)	MKH Resources/ MKHOP	MKH/ MKHOP and MKH Resources are both subsidiaries of MKH	Management fees charged by MKH Resources to MKHOP ⁽⁹⁾	24	⁽⁴⁾ 0.1	24	⁽⁴⁾ 0.1	-	-	-	-
(f)	MKH Building Materials/ MKHOP	MKH Building Materials/ MKHOP and MKH Building Materials are both subsidiaries of MKH	Sales of building materials by MKH Building Materials to MKHOP ⁽¹⁰⁾	1,372	⁽⁵⁾ 0.8	50	⁽⁵⁾ <0.1	-	-	-	-
(g)	MKH Resources/ PT MKH	MKH/ PT MKH and MKH Resources are both subsidiaries of MKH	Provision of management services by MKH Resources to PT MKH ⁽⁹⁾	8,449	⁽⁴⁾ 24.8	8,320	⁽⁴⁾ 22.4	-	-	-	-
(h)	MKH Resources/ PT SPS	MKH/ PT SPS and MKH Resources are both subsidiaries of MKH	Provision of management services by MKH Resources to PT SPS ⁽⁹⁾	280	⁽⁴⁾ 0.8	181	⁽⁴⁾ 0.5	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Related party/ Transacting company in MKHOP Group	Interest person/ Nature of relationship	Nature of transaction	Transaction value							
				FYE 2020		FYE 2021		FYE 2022		⁽¹⁾ 1 October 2022 up to LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%
(i)	PT Agro Raya Malindo ("PT ARM")/ PT MKH	Ong Khek Gee/ • Ong Khek Gee is the President Director of PT ARM and a Commissioner of PT SPS • PT MKH and PT SPS are subsidiaries of MKHOP	<ul style="list-style-type: none"> Advances made by PT MKH to PT ARM which was used for sourcing of new land bank for oil palm cultivation⁽¹¹⁾ Repayment from PT ARM to PT MKH in respect of the above advances⁽¹¹⁾ 	347	⁽⁶⁾ 0.1	-	-	-	-	-	-
(j)	MKH Resources/ MKHOP	MKH/ MKHOP and MKH Resources are subsidiaries of MKH	Management fees charged by MKH Resources to MKHOP ⁽¹⁶⁾	-	-	-	-	6,372	⁽⁴⁾ 16.2	819	N/A
(k)	Metro Kajang (Oversea)/ MKHOP	MKH and Metro Kajang (Oversea)/ • MKHOP and Metro Kajang (Oversea) are both subsidiaries of MKH • Metro Kajang (Oversea) is a shareholder of MKHOP with 30.7% equity interest after our Listing	Disposal of the entire equity interest in Restu Mesra by MKHOP ("Disposal of Restu Mesra") ⁽¹²⁾ (This is a one-off transaction pursuant to our internal reorganisation for our Listing)	-	-	-	-	-	-	50	N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Related party/ Transacting company in MKHOP Group	Interest person/ Nature of relationship	Nature of transaction	Transaction value							
				FYE 2020		FYE 2021		FYE 2022		⁽¹⁾ 1 October 2022 up to LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%
(1)	Metro Kajang (Oversea)/ MKHOP	MKH and Metro Kajang (Oversea)/ <ul style="list-style-type: none"> MKHOP and Metro Kajang (Oversea) are both subsidiaries of MKH Metro Kajang (Oversea) is a shareholder of MKHOP with 30.7% equity interest after our Listing 	Disposal of 99.92% equity interest in PT NMJ by MKHOP (" Disposal of PT NMJ "). The remaining 0.08% equity in PT NMJ is held by Restu Mesra ⁽¹³⁾ (This is a one-off transaction pursuant to our internal reorganisation for our Listing)	-	-	-	-	-	-	2,854	N/A

Notes:

- (1) The percentage of the related party transaction is not calculated as the financial statements up to LPD is not prepared.
- (2) Calculated based on our Group's finance costs for each of the respective years.
- (3) Calculated based on our Group's total liabilities for each of the respective years.
- (4) Calculated based on our Group's administrative expenses for each of the respective years.
- (5) Calculated based on our Group's cost of sales for each of the respective years.
- (6) Calculated based on our Group's total assets for each of the respective years.
- (7) The loan in the amount of USD40.0 million (then equivalent to RM119.5 million) was originally advanced by SJL Utama Pte Ltd (then holding company of PT MKH) in 2008. In 2009, the loan was novated to our Company and subsequently to Metro Kajang (Oversea) in 2010. The loan was used as working capital for the development of PT MKH's oil palm plantation together with the palm oil mill located in Puancepak dan Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (8) The loan received by PT SPS from MKH Plantation (who is the existing holding company of PT SPS) was used for the development of PT SPS' oil palm plantation. No interest was charged by MKH Plantation as PT SPS was not generating profit at initial stage given the longer gestation period of the oil palm plantation business, which generally will start generating profit when the trees have reached the optimum age of 6 to 7 years onwards. As part of the Capitalisation, our Company has capitalised RM[●] million, being part of the amount owing by our Company to MKH Plantation into new MKHOP Shares (after PT SPS Debt Novation). The remaining RM[●] million will be settled through the proceeds to be raised from our Public Issue as disclosed in Section 4.9.1(g). Please refer to Section 6.2.4 for further details on the Capitalisation.
- (9) This transaction will be recurrent based on automatic renewal so long as neither party wishes to terminate the agreement. The agreement has been terminated on 30 June 2021.
- (10) The sales of building material by MKH Building Materials to our Company were undertaken in view of our building materials trading business being newly set up, and we were unable to procure building materials at favourable credit terms. MKH Building Materials, being more established, procured the building materials and sold them to our Company at cost to facilitate such procurement for us.
- (11) The advances made by PT MKH to PT ARM was used to source new land bank for oil palm cultivation. No interest was charged in consideration of an option granted by the shareholders of PT ARM to PT MKH to acquire their shares in PT ARM.
- (12) Our Company had on 9 January 2023 entered into a share sale agreement with Metro Kajang (Oversea) for a disposal consideration of RM0.05 million, being our Company's original cost of investment, in respect of the Disposal of Restu Mesra. The Disposal of Restu Mesra was completed on 16 January 2023 and Restu Mesra has ceased to be a subsidiary of our Company.
- (13) Our Company had on 9 January 2023 entered into a share sale agreement with Metro Kajang (Oversea) for a disposal consideration of RM2.85 million, which was arrived based on "willing-buyer willing-seller" basis after taking into consideration of the revalued NA of PT NMJ of RM2.85 million as at 30 November 2022, in respect of the Disposal of PT NMJ. The Disposal of PT NMJ was completed on 19 January 2023 and PT NMJ has ceased to be a subsidiary of our Company.
- (14) The salient terms of the tenancy agreement dated 1 September 2022 between Laju Jaya and MKHOP is set out below:
- (a) The tenancy is for a term of 12 months, commencing from 1 October 2022 and expiring on 30 September 2023.
- (b) The tenant shall not assign the tenancy or sublet or part with the possession or the occupation or the use of the demised premises or any part thereof unless prior written consent is obtained from the landlord. The breach of the prohibition by the tenant shall entitle the landlord (without prejudice to the landlord's other legal rights) to forcibly re-enter the demised premises and physically evict the tenant and/or other persons and/or their goods using force as is necessary without any liability as to damages or otherwise and all losses, costs and expenses in connection therewith shall be borne and paid for by the tenant.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (c) The tenant or the landlord may during the term of the tenancy determine it by giving the other party three (3) calendar months' written notice. In the event the tenant fails to give the requisite notice, the landlord has the right to forfeit the rental deposit.
- (d) Upon the written request of the tenant to the landlord made not less than three (3) months prior to the expiry of the first term, the Landlord shall grant to the tenant a further term of twelve (12) months ("**Second Term**") at a rental to be based on the prevailing market rate but otherwise containing the like covenants and provision as in the tenancy agreement.
- (e) Upon the written request of the tenant to the landlord made not less than three (3) months prior to the expiry of the Second Term, the landlord shall grant to the tenant a further term of twelve (12) months at a rental to be based on the prevailing market rate but otherwise containing the like covenants and provision as in the tenancy agreement.

The transaction value set out in the table above includes the rental for the parking lot located outside the business premise by way of monthly subscription as set out in Note 15 below.

(15) Including the following rental amount:

- (a) business premise of RM123,731 (with rent free period of 3 months due to renovation) and parking lot of RM1,749 for FYE 2022 (i.e. February 2022 to September 2022); and
- (b) business premise of RM123,731 and parking lot of RM2,067 from October 2022 to February 2023.

(16) The management services agreements provide that MKH Resources shall (i) provide internal audit, human resources and administration, IT and other general advice in relation to corporate communication to MKHOP; and (ii) provide general management / administration services and other general advice in relation to the business of MKHOP, including but not limited to finance, treasury legal and accounting. This transaction was terminated on 31 March 2023. The management fees charged by MKH Resources to our Group is based on similar rates charged to its other subsidiaries of MKH.

(17) The interest expenses charged were based on prevailing market rate arising from the advances made by Metro Kajang (Oversea) to MKHOP.

Other than items (c), (f) and (i) in the table above, all the above related party transactions were carried out on arm's length basis, as the prices, rates or charges of these transactions are determined based on competitive commercial terms not more favourable to the related parties than those generally available to third parties which were not detrimental to our non-interested shareholders. The loans as set out in items (c) and (i) are not on arm's length as they do not carry interest, while the sales of building materials as set out in item (f) were transacted at cost. Moving forward, we do not expect such transactions to recur.

10. RELATED PARTY TRANSACTIONS (Cont'd)

There were no transactions between our Group with the Directors and substantial shareholders of MKH and/or persons connected with them for FYE 2020 to 2022 other than payment of remuneration and benefits-in-kind to the common Directors of MKH and our Group in relation to their services rendered to our Group.

The Board of Directors of MKH confirms that MKH Group, including our Group had adhered to the Listing Requirements in relation to related party transactions, including making the necessary announcements to Bursa Securities or obtaining its shareholders' approval, where necessary. Further, the interested persons had abstained from deliberation of the Board of Directors of the respective companies and voting on the resolutions pertaining to the respective transactions (where applicable).

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.

10. RELATED PARTY TRANSACTIONS (Cont'd)

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.

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. If a member of our Audit and Risk Management 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.

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

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 2020 to 2022 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

Save as disclosed below, there are no outstanding loans and/or balances made by our Group to/for the benefit of any related parties or granted by any related parties to/for the benefit of our Group, whose balances remain outstanding as at 30 September 2022 and LPD:

(i) Amount owing by our Group to related parties

Transacting company in our Group	Related party/ Nature of relationship	Purpose of the loan and/or financial assistance	Outstanding balance	
			As at 30 September 2022	As at LPD
			RM'000	RM'000
MKHOP	Metro Kajang (Oversea)/ Metro Kajang (Oversea) is a shareholder of our Company with 43.3% equity interest after our Listing	Advances made by Metro Kajang (Oversea) to our Company, which was used for our working capital ⁽³⁾	⁽⁴⁾ 8,514	8,514
PT MKH	Metro Kajang (Oversea)/ Metro Kajang (Oversea) is a shareholder of our Company with 43.3% equity interest after our Listing	Loan made by Metro Kajang (Oversea) to PT MKH, which was used for the development of PT MKH's oil palm plantation together with the palm oil mill located in East Kalimantan ⁽¹⁾⁽³⁾	⁽⁵⁾ 54,966	⁽⁶⁾ 56,251

10. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting company in our Group	Related party/ Nature of relationship	Purpose of the loan and/or financial assistance	Outstanding balance	
			As at 30 September 2022 RM'000	As at LPD RM'000
PT SPS	MKH Plantation/ MKH Plantation is a shareholder of our Company with 3.7% equity interest after our Listing	Loan made by MKH Plantation to PT SPS, which was used for the development of PT SPS' oil palm plantation located in East Kalimantan ⁽²⁾⁽³⁾	55,487	55,487

Notes:

- (1) The loan in the amount of RM119.4 million was originally advanced by SJL Utama Pte Ltd (then holding company of PT MKH) in 2008. In 2009, the loan was novated to our Company and subsequently to Metro Kajang (Oversea) in 2010.
- (2) The loan in the amount of RM55.5 million was advanced progressively by MKH Plantation since 2016.
- (3) Pursuant to the Capitalisation, RM[●] million owing by our Company to Metro Kajang (Oversea) and MKH Plantation, have been capitalised into new MKHOP Shares and RM[●] million will be settled through the proceeds to be raised from our Public Issue.
- (4) Comprising RM8.4 million and RM0.1 million, being the advances made by Metro Kajang (Oversea) to our Company and the interest payable respectively.
- (5) Net amount owing by our Company to Metro Kajang (Oversea) includes the following:

	RM'000
Amount owing to Metro Kajang (Oversea)	
Loan made by Metro Kajang (Oversea) to PT MKH	59,357
Interest payable	715
Foreign exchange translation differences	35
	60,107
Amount owing by Metro Kajang (Oversea)	
Deduction of value added tax paid on behalf of Metro Kajang (Oversea)	(5,141)
	54,966

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (6) As at LPD, the outstanding balance of RM56.3 million includes the principal amount of RM55.0 million and interest payable of RM1.3 million, of which the interest payable will be repaid by our Group using internally generated fund upon completion of the PT MKH Debt Novation.

The advances and loans provided above (save for loan by MKH Plantation which are non-interest bearing) are on arm's length basis and the provision of such advances and loans will not recur after our Listing.

Save as disclosed above, for FYE 2020 to 2022 and up to LPD, there are no other advances and/or loans made from the benefit of our Promoters, substantial shareholders and Directors.

(ii) Amount owing by related parties to our Group

There were no outstanding amount owing by related parties to our Group for FYE 2020 to 2022 and up to LPD.

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

MKH has provided corporate guarantees for the following facilities extended by financial institution to our Group:

Financial institution		Type of facility			Facility limit	Amount outstanding as at LPD
					USD'000	USD'000
OCBC Bank Berhad	Al-Amin	Foreign	Currency	Term	50,000	(1)-
		Financing-i (FC Term-i)				
		Foreign	Currency	Revolving	7,500	-
		Credit Facility-i (FCRC-i)				
		Foreign	Currency	Term	5,000	(1)-
		Financing Facility-i 2		(FC Term-i 2)		
		Foreign	Currency	Term	10,000	500
		Financing Facility-i 3		(FC Term-i 3)		

Note:

(1) The amount outstanding has been fully settled and no further drawdown is allowed.

OCBC Al-Amin Bank Berhad has no objection to release or discharge the above corporate guarantees, subject to amongst others the success of our Listing and substitution of the above corporate guarantees with corporate guarantees from our Company. Until such release or discharge are obtained, MKH will continue to provide the corporate guarantees to our Group. As at 9 June 2023, a request has been submitted for the discharge of the corporate guarantees, and the approval from OCBC Al-Amin Bank Berhad is expected to be obtained by July 2023.

10.2.3 Financial assistance provided for the benefit of a related party

As at LPD, there is no financial assistance provided by us for the benefit of any related party.

10.2.4 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, Placement Agent and Underwriter for our Listing:

- (a) Agreement dated 26 April 2022 between MKHOP and M&A Securities for the appointment of M&A Securities as Adviser and Placement Agent for our Listing; and
- (b) Underwriting Agreement dated [•] entered into between our Company and M&A Securities for the underwriting of 51,209,800 Issue Shares.