
CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, our Group had entered into a number of transactions with various connected persons of our Company for (i) the supply of F&B and other products to certain connected persons; and (ii) the purchase of F&B and other products from certain connected persons, which will continue following the [REDACTED]. These connected persons are entities wholly owned or majority-owned by the Controlling Shareholders and/or their spouses or companies controlled by them; and hence are associates of the Controlling Shareholders under Rules 14A.07(4) and 14A.13(3) of the Listing Rules upon [REDACTED] (collectively, the “**Entities Interested by the Controlling Shareholders**”).

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon [REDACTED], it is expected that the transactions relating to the supply of F&B and other products to the Entities Interested by the Controlling Shareholders will continue and be regarded as non-exempt continuing connected transactions of our Company, which will be subject to the reporting, announcement, circular, annual review requirements and the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Master Supply Agreement

Background

Our Group had supplied certain products, including frozen food, cleaning and kitchen supplies, sauce and condiments and other products, to various Entities Interested by the Controlling Shareholders, namely, Megamart Sdn. Bhd., Just Relax Restaurant, Tropicana Food Garden, The Eight Th, JR Grill & Bistro, Pak Su Seafood Restaurant Sdn. Bhd., Owl Cafe and Mega Jaya Seafood Sdn. Bhd. (together, the “**Connected Purchasers**”)^(Note 1), which are engaged in businesses different from those of our Group such as retail of FMCGs and catering services, etc. during the Track Record Period and as at the Latest Practicable Date. There was no long-term agreement entered into between our Group and any of the Connected Purchasers. Instead, the Connected Purchasers placed orders with our Group at the agreed purchase price after arm’s length negotiation on an order-by-order basis.

Note 1:

The ownership of the Connected Purchasers are as follows:

- Megamart Sdn. Bhd. (“**Megamart**”) is a limited liability company incorporated in Malaysia on 29 May 2013 and owned as to 25% by SB Soon, 26% by TH Lim who is the spouse of LS Soon, and 49% by Mack Food Pte. Ltd. which is owned as to 50% by SB Soon and 50% by TH Lim. As each of SB Soon (our Controlling Shareholder) and TH Lim (spouse of our Controlling Shareholder) ultimately owns more than 30% of the equity interest of Megamart, Megamart is a connected person of our Company under Chapter 14A of the Listing Rules.
- Just Relax Restaurant is a partnership registered in Malaysia on 28 March 2006. CA Soon and KW Ng, who is the spouse of CA Soon, are partners of Just Relax Restaurant. As CA Soon (our Controlling Shareholder) and his spouse together own and have control over the management of Just Relax Restaurant, Just Relax Restaurant is a connected person of our Company under Chapter 14A of the Listing Rules.

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- Tropicana Food Garden is a partnership registered in Malaysia on 17 July 2008. SB Soon, SL Soon, CA Soon and TH Lim are partners of Tropicana Food Garden. As SB Soon (our Controlling Shareholder), SL Soon (our Controlling Shareholder), CA Soon (our Controlling Shareholder) and TH Lim (spouse of our Controlling Shareholder) own and have control over the management of Tropicana Food Garden, Tropicana Food Garden is a connected person of our Company under Chapter 14A of the Listing Rules.
- The Eight Th is a partnership registered in Malaysia on 21 June 2015. SL Soon and CA Soon are partners of The Eight Th. As SL Soon (our Controlling Shareholder) and CA Soon (our Controlling Shareholder) own and have control over the management of The Eight Th, The Eight Th is a connected person of our Company under Chapter 14A of the Listing Rules.
- JR Grill & Bistro is a partnership registered in Malaysia on 10 August 2020. CA Soon and KW Ng are partners of JR Grill & Bistro. As CA Soon (our Controlling Shareholder) and his spouse together own and have control over the management of JR Grill & Bistro, JR Grill & Bistro is a connected person of our Company under Chapter 14A of the Listing Rules.
- Pak Su Seafood Restaurant Sdn. Bhd. is a limited liability company incorporated in Malaysia on 18 February 2005 and owned as to 20% by CA Soon, 20% by SL Soon, 20% by SB Soon, 20% by LS Soon and 20% by TH Lim. As LS Soon (our Controlling Shareholder) and her spouse own more than 30% of the equity interest of Pak Su Seafood Restaurant Sdn. Bhd., Pak Su Seafood Restaurant Sdn. Bhd. is a connected person of our Company under Chapter 14A of the Listing Rules.
- Owl Cafe is a partnership registered in Malaysia on 25 September 2013. CA Soon and KW Ng are partners of Owl Cafe. As CA Soon (our Controlling Shareholder) and his spouse together own and have control over the management of Owl Cafe, Owl Cafe is a connected person of our Company under Chapter 14A of the Listing Rules.
- Mega Jaya Seafood Sdn. Bhd. is a limited liability company incorporated in Malaysia on 8 February 2018 and owned as to 50% by SL Soon and 50% by an Independent Third Party. As SL Soon (our Controlling Shareholder) owns more than 30% of the equity interest of Mega Jaya Seafood Sdn. Bhd., Mega Jaya Seafood Sdn. Bhd. is a connected person of our Company under Chapter 14A of the Listing Rules.

Salient terms of the Master Supply Agreement

On 14 July 2022, we entered into a master supply agreement (the “**Master Supply Agreement**”) with certain Controlling Shareholders, pursuant to which we agreed to supply F&B and other products to the Entities Interested by the Controlling Shareholders, which shall include the Connected Purchasers and certain businesses in the Private Group^(Note). The term of the Master Supply Agreement will commence upon the [REDACTED] and will expire on 31 December 2024, provided that either party may terminate the same by giving not less than one month’s prior written notice to the other party. Subject to compliance with the Listing Rules and applicable laws and regulations, the Master Supply Agreement will be renewed for a further term of three years.

Pursuant to the Master Supply Agreement, each of the Entities Interested by the Controlling Shareholders, including the Connected Purchasers and certain businesses in the Private Group^(Note), shall enter into separate purchase orders with our Group on an order-by-order basis, setting out the terms and conditions such as the type of products, the quantity and purchase price etc. under the purchase orders. These terms and conditions shall be consistent with the terms and conditions of the Master Supply Agreement and shall be no less favourable to our Group than the terms and conditions we offered to the Independent Third Parties for similar products.

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Note: these businesses include:

- (1) The Nine Th, a partnership registered in Malaysia on 24 July 2017. CA Soon and KW Ng, who is the spouse of CA Soon, are partners of The Nine Th. As CA Soon (our Controlling Shareholder) and his spouse together own and have control over the management of The Nine Th, The Nine Th is a connected person of our Company under Chapter 14A of the Listing Rules.
- (2) Theeleventh Bar & Bistro, a partnership registered in Malaysia on 20 September 2019. CA Soon and KW Ng, who is the spouse of CA Soon, are partners of Theeleventh Bar & Bistro. As CA Soon (our Controlling Shareholder) and his spouse together own and have control over the management of Theeleventh Bar & Bistro, Theeleventh Bar & Bistro is a connected person of our Company under Chapter 14A of the Listing Rules.
- (3) Theten Th Pub & Bistro, a partnership registered in Malaysia on 5 March 2019. CA Soon and KW Ng, who is the spouse of CA Soon, are partners of Theten Th Pub & Bistro. As CA Soon (our Controlling Shareholder) and his spouse together own and have control over the management of Theten Th Pub & Bistro, Theten Th Pub & Bistro is a connected person of our Company under Chapter 14A of the Listing Rules.
- (4) The 13 Th Kitchen & Bistro, a partnership registered in Malaysia on 23 July 2020. CA Soon and KW Ng, who is the spouse of CA Soon, are partners of The 13 Th Kitchen & Bistro. As CA Soon (our Controlling Shareholder) and his spouse together own and have control over the management of The 13 Th Kitchen & Bistro, The 13 Th Kitchen & Bistro is a connected person of our Company under Chapter 14A of the Listing Rules.
- (5) The Fifteenth Bar & Bistro, a partnership registered in Malaysia on 12 May 2022. CA Soon and KW Ng, who is the spouse of CA Soon, are partners of The Fifteenth Bar & Bistro. As CA Soon (our Controlling Shareholder) and his spouse together own and have control over the management of The Fifteenth Bar & Bistro, The Fifteenth Bar & Bistro is a connected person of our Company under Chapter 14A of the Listing Rules.

The above businesses are not Connected Purchaser in the sense that our Group had not supplied products to them during the Track Record Period, but they may purchase products from our Group in the future since they are engaged in the catering services business.

For more information about the above companies, please refer to the paragraphs headed “Relationship with our controlling shareholders – Delineation of the business of our group and the private group”.

Historical transaction amounts

The historical transaction amounts for the supply of F&B and other products to the Entities Interested by the Controlling Shareholders for FY2019, FY2020, FY2021 and 4M2022 are set out below:

	Historical transaction amounts			
	(approximately)			
	FY2019	FY2020	FY2021	4M2022
	<i>RM’000</i>	<i>RM’000</i>	<i>RM’000</i>	<i>RM’000</i>
Supply of F&B and other products	7,213	7,450	6,821	2,888

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Proposed annual caps and their bases

	Annual cap (approximately)		
	For the year ending 31 December		
	2022	2023	2024
	RM'000	RM'000	RM'000
Supply of F&B and other products under the Master Supply Agreement	7,000	7,200	7,500

The annual caps were calculated based on (i) the historical total transaction amounts of approximately RM6.8 million for FY2021; (ii) the anticipated annual growth rate of approximately 3.0% (as a more prudent estimate considering the decrease in transaction amount in FY2021) for FY2022, FY2023 and FY2024 primarily based on the growth rate from 2019 to 2020; (iii) the assumption that the prevailing market price of the products generally supplied to the Entities Interested by the Controlling Shareholders will remain at a similar level; and (iv) the expected growth in demand for our products following the implementation of our expansion plans and as a result of the anticipated market growth.

To the best knowledge, belief, information and estimation of our Directors having made reasonable due diligence inquiries and in light of the current market conditions, the increase in the annual cap in FY2022 compared to the historical transaction amount in FY2021 is primarily due to the expected opening of five new retail stores of Megamart in FY2022. The increase in the annual cap in FY2023 and further in FY2024 is primarily due to the expansion plan of Megamart which involves the opening of approximately six and eight new retail stores by FY2023 and FY2024, respectively.

Pricing policy

The pricing policy for the products sold to the Entities Interested by the Controlling Shareholders shall be the same as our Group's pricing policy for the products sold to Independent Third Parties. The purchase price shall be considered based on the principles that (i) it is determined after arm's length negotiation between the parties; (ii) the prevailing market price of the products or similar products; (iii) the purchase price shall be no less favourable to our Group than the then prevailing market rate; and (iv) the purchase price shall be no less favourable to our Group than the amount our Group offered to Independent Third Parties for similar products.

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Reasons for the transaction

The Master Supply Agreement is consistent with the business and commercial objectives of our Group. We have been supplying F&B and other products to the Entities Interested by the Controlling Shareholders prior to the Track Record Period and thus, we have established a long-term business relationship with them. Our Directors believe that the Master Supply Agreement will enhance the development of our business and bring a positive financial impact on our Group.

Listing Rules implications

As the Entities Interested by the Controlling Shareholders are entities (including both limited liabilities companies and partnership) wholly owned or majority-owned by the Controlling Shareholders and their associates, the transactions under the Master Supply Agreement constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) with reference to the annual caps of the transactions under the Master Supply Agreement exceed 5% on an annual basis and the annual consideration will exceed HK\$10 million, the transactions under the Master Supply Agreement constitute continuing connected transactions and are therefore subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Application for a waiver for the Master Supply Agreement

As the supply of F&B and other products to the Entities Interested by the Controlling Shareholders will continue after the [REDACTED] on a recurring basis, our Directors consider that strict compliance with the announcement, circular and independent Shareholders' approval requirements would be unduly burdensome and would incur unnecessary administrative costs to our Company. Our Company has therefore applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the Master Supply Agreement from strict compliance with the announcement, circular and independent Shareholders' approval requirements under the Listing Rules on the conditions set out below:

- (i) the continuing connected transactions under the Master Supply Agreement will be carried out in compliance with the Listing Rules and that our Company shall comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules;

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- (ii) the annual caps for the continuing connected transactions under the Master Supply Agreement from the [REDACTED] for each of the three years ending 31 December 2024 will not exceed RM7.0 million, RM7.2 million and RM7.5 million, respectively as stated above. Our Company shall comply with the applicable requirements under the Listing Rules if any of the respective proposed annual caps set out above is exceeded;
- (iii) upon expiry of the waiver granted for the period ending 31 December 2024, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules; and
- (iv) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this document relating to the continuing connected transactions, our Company will take immediate steps to ensure compliance with such requirements within reasonable time.

Confirmation from our Directors

Our Directors, including the Independent non-executive Directors, confirm that the Master Supply Agreement was entered into in the ordinary and usual course of business of our Group, on normal commercial terms and is fair and reasonable to our Group on the basis that the terms of the Master Supply Agreement are no less favourable to our Group than the terms offered by Independent Third Parties, and therefore is in the interest of our Company and the Shareholders as a whole. Our Directors, including the Independent non-executive Directors, are of the view that the annual caps under the Master Supply Agreement are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that the Master Supply Agreement was entered into in the ordinary and usual course of business of our Group and on normal commercial terms that are no less favourable to our Group than the terms offered by Independent Third Parties and that the terms of the Master Supply Agreement and the annual caps set out above are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master Purchase Agreement

During the Track Record Period, we purchased certain F&B and other products and procured sales and marketing services from various connected persons, namely, Just Relax Restaurant, The Nine Th, Owl Cafe, Mega Jaya Seafood Sdn. Bhd. (together, the “**Connected**

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Suppliers)^(Note 2), with the aggregate historical transaction amounts paid by our Group during FY2019, FY2020, FY2021 and 4M2022 of approximately RM0.4 million, RM0.3 million, nil and nil, respectively. As the Connected Suppliers are Entities Interested by the Controlling Shareholders, they are connected persons of our Group under Chapter 14A of the Listing Rules. For the purpose of the [REDACTED], we entered into a master purchase agreement (the “**Master Purchase Agreement**”) with certain Controlling Shareholders on 14 July 2022. The transactions under the Master Purchase Agreement are expected to continue after the [REDACTED] and will constitute continuing connected transactions of our Company.

Reasons for the transaction

We have been purchasing certain F&B and other products, mainly frozen food and beverages, from the Connected Suppliers during the Track Record Period. We anticipate that in order to diversify our product offering from time to time, we may need to continue to purchase certain F&B and other products from the Connected Suppliers or other Entities Interested by the Controlling Shareholders.

Listing Rules implications

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) with reference to the expected transaction amount of the continuing connected transactions under the Master Purchase Agreement are less than 5% on an annual basis and the expected annual consideration is less than HK\$3 million, the transactions under the Master Purchase Agreement constitute exempt continuing connected transactions of our Company under Rule 14A.76(1) of the Listing Rules, and are fully exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. If the annual transaction amount exceeds the relevant threshold, our Company will comply with the Listing Rules where applicable.

Note 2:

The Connected Suppliers include the following:

- Megamart Sdn. Bhd. (“**Megamart**”) is a limited liability company incorporated in Malaysia on 29 May 2013 and owned as to 25% by SB Soon, 26% by TH Lim who is the spouse of LS Soon, and 49% by Mack Food Pte. Ltd. which is owned as to 50% by SB Soon and 50% by TH Lim.
- Just Relax Restaurant is a partnership registered in Malaysia on 28 March 2006. CA Soon and KW Ng, who is the spouse of CA Soon, are partners of Just Relax Restaurant.
- Mega Jaya Seafood Sdn. Bhd. is a limited liability company incorporated in Malaysia on 8 February 2018 and owned as to 50% by SL Soon and 50% by an Independent Third Party.
- Owl Cafe is a partnership registered in Malaysia on 25 September 2013. CA Soon and KW Ng, who is the spouse of CA Soon, are partners of Owl Cafe.
- The Nine Th is a partnership registered in Malaysia on 24 July 2017 and CA Soon and KW Ng are partners of The Nine Th.

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Confirmation from our Directors

Our Directors (including our independent non-executive Directors) are of the view that the Master Purchase Agreement was entered into on arm’s length basis, on normal commercial terms and in the ordinary and usual course of business of our Group and that the terms are fair and reasonable and in the interests of our Shareholders as a whole.

FULLY EXEMPT ONE-OFF CONNECTED TRANSACTION

Lease of a landed property from CA Soon

Under a tenancy agreement (the “**Warehouse Tenancy Agreement**”) dated 17 August 2020, CA Soon as landlord agreed to lease the premises at Lot PT 122352 (HSD 44589) Lot Baru 153226, Perindustrian Semambu, Jalan Industri Semambu 10/5, Mukim Kuala Kuantan, Daerah Kuantan Pahang, Malaysia where our Kuantan WH II is located for a term of three years from 1 October 2020 to 30 September 2023 at the monthly rental of RM15,000.

Our Directors confirmed that the monthly rental was determined after arm’s length negotiations between the parties with reference to the then prevailing market conditions and rental rate of similar warehouses in the vicinity.

Accounting treatment of the Warehouse Tenancy Agreement

IFRS 16 “Leases”, which replaced IAS17 and effective from the accounting periods beginning on or after 1 January 2019, has been consistently applied to our Group in the preparation of our combined financial information throughout the Track Record Period. In accordance with IFRS 16 “Leases”, our Group recognised the lease liabilities and the associated right-of-use assets on its combined statements of financial position in connection with the transactions contemplated under the Warehouse Tenancy Agreement as at 31 December 2020 and 31 December 2021, and as such, the transactions contemplated thereunder would be regarded as an acquisition of assets by us for the purposes of the Listing Rules.

Listing Rules implications

As CA Soon is an executive Director and a Controlling Shareholder, he is a connected person of our Company pursuant to the Listing Rules.

The transaction contemplated under the Warehouse Tenancy Agreement is a one-off transaction entered into by our Group prior to [REDACTED]. Such transaction will not, following the [REDACTED], constitute a continuing connected transaction of our Group under Chapter 14A of the Listing Rules, and will not be subject to further requirements under the Listing Rules. Our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms of the Warehouse Tenancy Agreement or in the event we enter into any other connected transactions in relation thereto after the [REDACTED].