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Creating Winning Business Solutions

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15 September 2015

The Board of Directors
Kim Teck Cheong Consolidated Berhad
Lot 73, Jalan Kilang
SEDCO Light Industrial Estate
Mile 5½, Jalan Tuaran
88450 Kota Kinabalu
Sabah

Dear Sirs and Madam

Independent Assessment of the Distribution of Consumer Packaged Goods in Malaysia

We have attached a report on the Independent Assessment of the Distribution of Consumer Packaged Goods in Malaysia prepared by us for inclusion in the prospectus of Kim Teck Cheong Consolidated Berhad, together with all its subsidiaries, in relation to its proposed listing on the ACE Market of Bursa Malaysia Securities Berhad.

We have prepared this report in an independent and objective manner and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Certain statements, including assessments and opinions in this report, are forward-looking in nature, and are subject to uncertainties and contingencies. While statements made in this report are based on, among others, secondary statistics and information, primary market research, and after careful analysis of data and information, the industry is subjected to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual future results. In light of these and other uncertainties, the inclusion of forward-looking statements in this report should not be regarded as a representation or warranty that our assessment will be justifiable. Given the risks and uncertainties of future events and conditions, we advise investors not to place undue over-reliance on those statements and, where relevant, seek further independent and expert advice.

Yours sincerely

Wong Wai Ling
Director

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®

INDEPENDENT ASSESSMENT OF THE DISTRIBUTION OF CONSUMER PACKAGED GOODS IN MALAYSIA

1 BACKGROUND AND INTRODUCTION

- Kim Teck Cheong Consolidated Berhad (herein together with all or any one or more of its subsidiaries will be referred to as KTC Group or the Group) is mainly involved in providing market access and coverage for brand owners of consumer packaged goods (CPG) in East Malaysia.

- Market access and coverage covers a number of activities undertaken on behalf of brand owners of CPG to ensure their products are accessible to as many potential buyers as possible. As such, a company that offers market access and coverage services commonly undertakes the following functions:
  - negotiate and obtain shelf space in retail outlets for its representative brands of products;
  - purchase products from brand owners for resale;
  - provide warehousing facilities, and in some cases, including chiller and freezer facilities;
  - undertake logistics including pick, pack and deliver to retail outlets, central receiving stations or other buyers on a daily or periodic basis;
  - administer and fulfil daily or periodic reorders from buyers;
  - manage returns of damaged and expired products.

  Other supporting services may also include marketing related activities as follows:
  - undertake in-store promotional activities with brand owners;
  - involve in advertising and promotional campaigns with brand owners;
  - increase purchases of stocks to support marketing campaign.

- The provision of market access and coverage is also referred to as distribution. As such, this report will use the term distribution to mean providing market access and coverage.

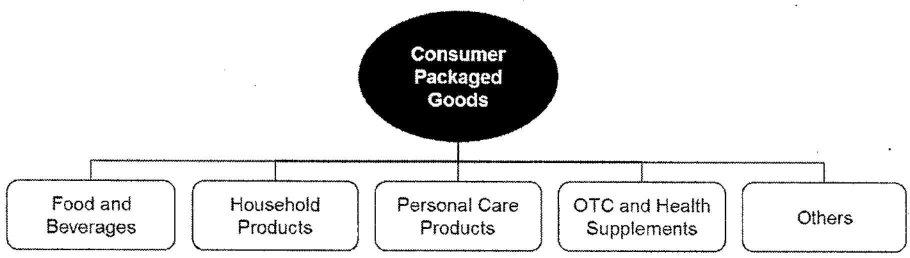
- This report is an industry assessment on the distribution of consumer packaged goods (CPG) in Malaysia. Statistics covered in the assessment refer to the whole of Malaysia unless otherwise mentioned. This report will exclude companies that undertake their own in-house distribution.

2 INDUSTRY OVERVIEW

2.1 Overview of the Consumer Packaged Goods Industry

- The broad definition of CPG refers to mass produced consumer goods that are non-durable, relatively low cost and are consumed or used frequently by consumers or households. It is also common for CPG to be referred to as fast moving consumer goods (FMCG), and packaged and branded consumer products. This effectively excludes fresh food and produce without packaging, as well as bulk goods and commodities sold in loose forms. CPG are commonly retailed in modern trade outlets like hypermarkets, supermarkets, minimarkets, convenience stores, departmental stores, specialty stores like community pharmacies, stationery stores, health food stores, and health and beauty stores as well as traditional retail outlets like sundry shops and Chinese medical halls. CPG are also sold through non-store based retailers like direct sales and through the internet.

- CPG can be segmented as follows:



Note: OTC = Over-the-Counter Drugs
KTC Group is involved in the distribution of all the above main categories of CPG

- **Food and beverages** are edible items. For CPG, they are commonly processed products and branded. Processed food and beverage products are those that have undergone transformation such that its final form is significantly different from its original raw materials or primary food products. In this respect, food that has only been cleaned, cut and/or chilled or frozen (such as chilled or frozen meat, and bagged salad or cut fruits) and beverages that have only been filtered or purified (such as fruit juice that has not been pasteurised, concentrated, flavoured or similarly processed) are usually not regarded as processed food and beverages products. Food and beverages CPG include the following:

  - **Dry food and beverages**, which include all packaged foods, alcoholic beverages, non-alcoholic beverages and tobacco that can be stored under ambient temperature and generally does not require refrigeration. Packaged foods include snacks, confectionaries, oils and fats, sauces, breads, cereals, powdered and condensed milk, hot drinks, carbonated and non-carbonated drinks, pasta and noodles, sauces and dressing, spices and condiments, and others.

  - **Chilled food** refers to perishable items that are stored in temperature controlled chiller rooms to preserve the quality of the food for consumption. Examples include dairy products, desserts, prepared meals and ready-to-cook food.

  - **Frozen food** refers to perishable items that are stored in freezers to prolong storage time and preserve the food quality for later preparation or consumption. Examples include among others, ice-cream, processed food, prepared meals and ready-to-cook food.

- **Household products** are non-durable products primarily used by the whole household comprising products used in the kitchen, laundry, bathroom, toilet, living room, bedroom, garden and other parts of the house. Examples include, among others, cleaning products, laundry detergents, dishwashing detergents, insecticides, air fresheners, and paper products.

- **Personal care products** cater to the care of the individual consumer and are used primarily for personal hygiene, external protection and care of the body, and for beautification purposes. Examples include, among others, skin care, oral care, body care, hair care, cosmetics and toiletries.

- **Over-the-counter (OTC) drugs and health supplements** are pharmaceutical products, and are defined as follows:

  - **OTC drugs** refer to medicinal products that are made available to the public without the need for professional supervision or prescription. These drugs are commonly used for self-medication to treat minor ailments and conditions. Examples include among others, analgesics, cough syrups and antihistamines.

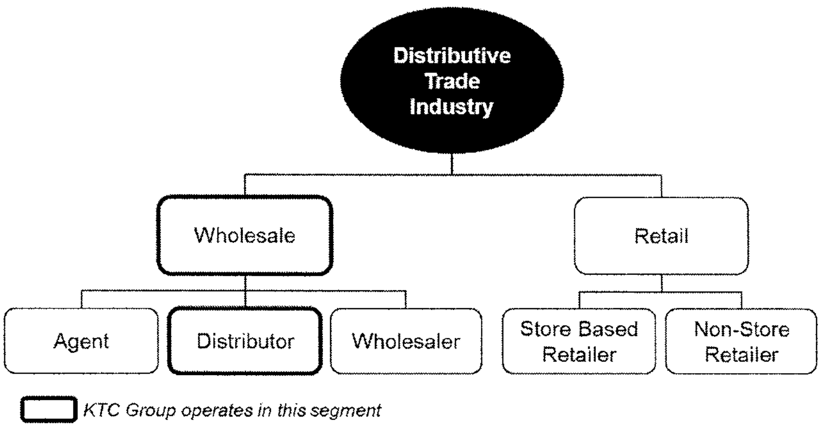
  - **Health supplements** are intended to supplement the diet with one or more dietary substances, or to maintain or improve the health of the human body. They include vitamins, minerals, fibres, amino acids, fatty acids and other extracts from plants or animals. Health supplements are sometimes referred to as dietary supplements, food supplements or nutritional supplements.

- **Others** comprised baby care products such as diapers, car care products and others.

- KTC Group is involved in providing market access and coverage for all the above major categories of CPG.

2.2 Structure of the Distributive Trade Industry

- The Distributive Trade Industry are categorised into two major segments:
  - Wholesale trade;
  - Retail trade.



- The Distributive Trade Industry, which includes sub-sectors of the wholesale and retail trade, covers a very wide range of products including CPG as well as non-CPG comprising mainly durable products. However, the focus of this report is on CPG only.

- **Wholesale trade** refers to the sale of goods in large quantities to retailers for further resale of individual product items to consumers and end-users. In some situations, wholesale trade also involve sales of goods in large quantities to industrial, commercial, institutional and professional users, as well as other wholesalers. Wholesale trade operators of CPG commonly take possession of goods and resell them in its original purchased form to retailers or other buyers.

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In general, there are three types of wholesale trade operators of CPG:

- **Distributors**, usually appointed by principals who are commonly brand owners, may or may not hold the exclusive rights to resell goods of specific brands in designated areas or retail format. Some distributors may also be involved in marketing activities in conjunction with principals whereby they are responsible or assists in advertising and promoting the products. In addition, distributors usually have to meet sales targets that are set by the principals.

  Other activities that are undertaken by distributors include warehousing for inventory management and control, logistics to manage the movement of goods, and after-sales support services.

  Distributors normally take ownership of the goods and are considered customers of their respective principals.

- **Wholesalers** usually do not hold exclusive rights to resell goods of specific brands. They merely buy products in large quantities and resell them to retailers, food service operators or institutional buyers. They commonly do not represent any principals. Generally, wholesalers do not actively promote or market any particular product or brand.

  Wholesalers normally take ownership of the goods and are considered customers of their suppliers. Wholesalers take supplies from distributors, agents, principals, manufacturers and other wholesalers.

- **Agents** do not take ownership of the goods but secure orders for principals. Agents usually do not hold stocks and commonly work on a commission basis.

• KTC Group operates within the wholesale trade subsector as a distributor.

• **Retail trade** generally refers to the resale of goods to end-consumers or end-users. Customers of retail trade of CPG mainly comprise the general public although some trade and commercial users also purchase CPG at retail level.

  Operators involved in the retail trade sector can be segmented into two categories:

  - **Store based retailers**, commonly refer to operators carrying out retail trade from a store in a fixed location with personnel manning the store. CPG store based retailers include among others, hypermarkets, supermarkets, minimarkets, departmental stores, convenience stores, sundry shops, stationery shops, newspaper and magazine outlets, community pharmacies, Chinese medical halls, health food stores, and health and beauty stores,

  - **Non-store retailers**, commonly refer to operators that carry out retail trade independent of a fixed enclosed structure, including instances where the customers do not have direct contact with the retailers. Examples of non-store retail trade include e-commerce, direct selling, telemarketing, distance selling and sales through vending machines.

• KTC Group's customers are largely store-based retailers.

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2.3 Supply Chain for Distribution of CPG

- Generally, the key participants in the supply chain for the distribution of CPG include the following:
  - **Principals:** They are mostly brand owners and are responsible for the exclusive supply of products under their brand names. Principals may either manufacture their own goods, appoint contract manufacturers to undertake manufacturing of their products or buy finished products which are packed under their brand names.
  - **Intermediaries:** They are operators that provide linkages between principals and end-consumers/users. Intermediaries in the CPG supply chain include distributors, wholesalers, agents and retailers.
- Ultimately, products distributed by the distributive trade sector which includes wholesale and retail trade, are consumed or used directly, or subjected to further processing or combined to produce different end-products for either consumption or usage. End-consumers/users include individuals, households as well as industrial, commercial, institutional and professional consumers/users. For food products, end-users also include food service operators for example restaurants, cafes, canteens, hotels and caterers.

3 MACROECONOMIC AND SOCIOECONOMIC INDICATORS

- Demand for CPG is generally influenced by a country's economic and social conditions, which are reflected by the performance of macroeconomic indicators such as Gross Domestic Product (GDP), GDP per capita and social indicators like population size and growth, inflation rate and consumption expenditure. This section discusses the socio-economic performance of Malaysia as well as contrasting its performance against other economies. As Malaysia undertakes significant trade and commerce with other countries including, among many others, the United States (US), European Union (EU) and Asia, their economic performance also have an impact on Malaysia's economic well-being.

3.1 Gross Domestic Product of Selected Country and Regions

- GDP is a measure of the gross value added in the output of goods and services in a country during a specified period of time, and as a result, it is an indicator of the overall size of a country's economy. GDP growth is commonly measured by comparing a particular year or quarter's GDP with that of the preceding year or quarter, and is commonly expressed as a percentage, which may be positive (indicating that the value of GDP grew over time) or negative (indicating that the value of GDP declined over time).
- Real GDP is a method of measuring GDP that takes into account the effect of changes in the prices of goods and services over time (i.e. for the effects of inflation or deflation). Real GDP generally provides a more meaningful measure of "real" changes in output as any changes from period to period are due to changes in the quantity of goods and services produced, and not due to changes in their prices.
- GDP can also be measured in "nominal" terms, where no adjustments are made to take into account the effects of inflation or deflation. Nominal GDP is also known as GDP measured at current prices.

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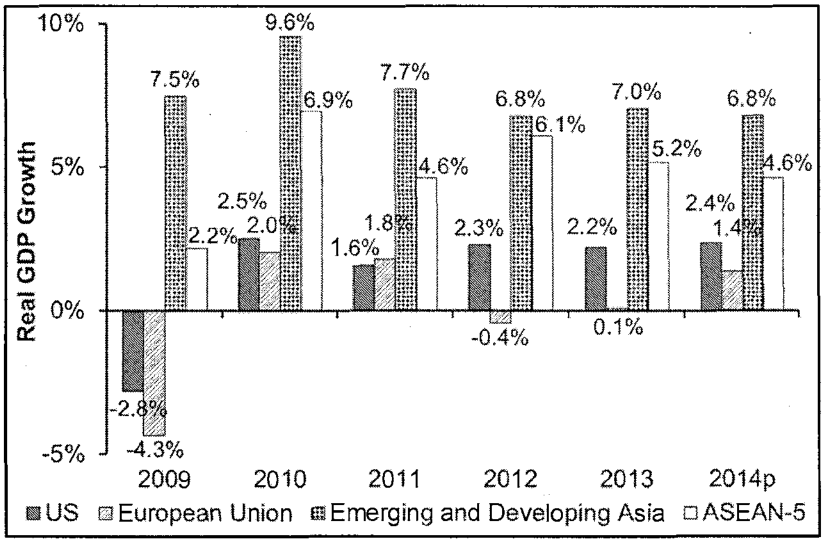
Real GDP Growth Rates



p = preliminary
ASEAN-5 = Comprises Indonesia, Malaysia, the Philippines, Thailand and Vietnam
Emerging and Developing Asia = Comprises 29 countries, namely Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Fiji, India, Indonesia, Kiribati, Laos, Malaysia, Maldives, Marshall Islands, Micronesia, Mongolia, Myanmar, Nepal, Palau, Papua New Guinea, the Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Democratic Republic of Timor-Leste, Tonga, Tuvalu, Vanuatu and Vietnam
EU = Comprises 28 countries, namely Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom
(Source: Vital Factor Consulting analysis)

- The Global Financial Crisis (GFC) is widely regarded to have begun in the middle of 2007 with the subprime mortgage crisis in the US, before spreading to a number of other countries through a combination of direct exposure to subprime mortgages, loss of confidence in other financial assets, and a slowdown in financing between financial institutions.

- The GFC had a negative effect on the economies of many countries, particularly the US and EU. The real GDP of the US contracted by 2.8% in 2009. The US began to recover from the GFC in 2010, with real GDP growth rate of 2.5% in that year. The US economy continued to grow between 2011 and 2014, with real GDP growth rates ranging from 1.6% to 2.4% during this period.

- The real GDP of the EU contracted by 4.3% in 2009. The Eurozone crisis, which was widely regarded to have started in early 2009, contributed towards the decline in the real GDP of the EU in 2009, and continued to dampen economic growth in that region. The real GDP of the EU grew by 2.0% in 2010 and 1.8% in 2011, before contracting by 0.4% in 2012. The real GDP of the EU expanded marginally by 0.1% in 2013, and grew further by 1.4% in 2014.

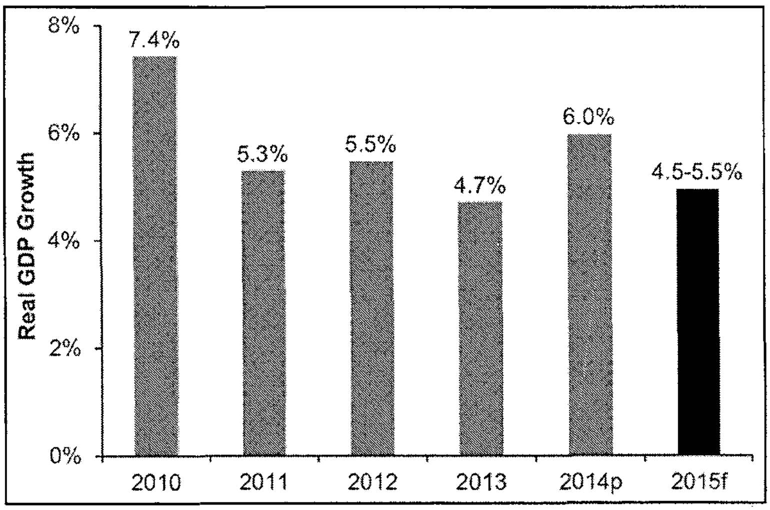
- The Emerging and Developing Asia countries were less negatively affected by the GFC, with real GDP growing by more than 7.0% in 2008 and 2009. The ASEAN-5 countries recorded relatively healthy real GDP growth rate of 4.9%, although growth moderated to 2.1% in 2009. Emerging and Developing Asia and ASEAN-5 recovered strongly from the GFC, with real GDP growth rates of 9.6% and 6.9% respectively in 2010. Between 2011 and 2013, Emerging and Developing Asia and ASEAN-5 continued to experience comparatively strong real GDP growth. Real GDP growth between 2011 and 2014 ranged from 6.8% and 7.7% for Emerging and Developing Asia, and 4.6% and 6.1% for ASEAN-5. In 2014, China made the largest contribution towards real GDP growth of Emerging and Developing Asia. This was due to its own relatively strong real GDP growth of 7.4% in 2014, and its position as the largest economy among the Emerging and Developing Asia countries.

- All of the ASEAN-5 countries recorded positive real GDP growth in 2014. Apart from Thailand, which recorded real GDP growth of 0.7%, the other ASEAN-5 countries recorded relatively healthy real GDP growth rates between 5.0% and 6.1%.

- Positive real GDP growth provides a more favourable platform for increased demand for goods and services, including CPG.

3.2 Malaysia's Gross Domestic Product

Malaysia's Real GDP Growth



p = preliminary; f = forecast
(Source: Bank Negara Malaysia)

- Malaysia's real GDP grew at an average annual growth rate (AAGR) of 5.4% between 2010 and 2014 with growth recorded every year during this period.

- The Malaysian economy grew by 4.7% in 2013, contributed by continuing growth in private sector investment and consumption, and external demand. Private consumption was supported mainly by favourable employment conditions and wage growth while private investment was supported by capital spending in the mining, services and manufacturing sectors.

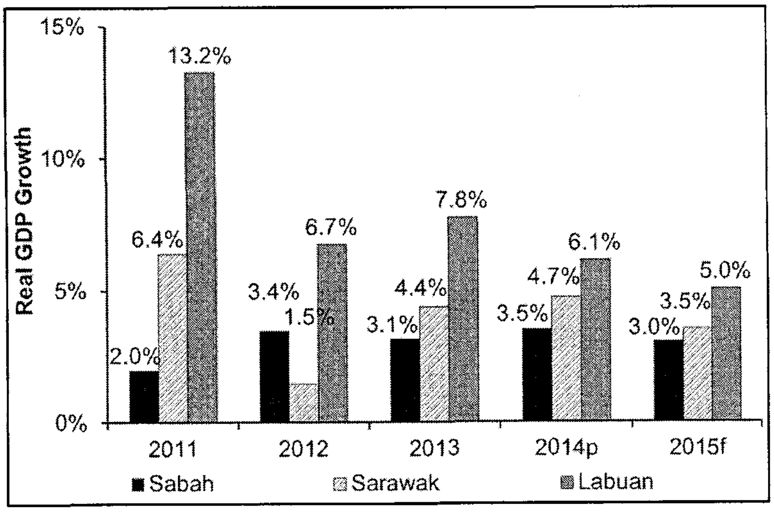
- During the first quarter of 2014, the Malaysian economy grew by 6.3% where growth was fuelled by stronger expansion in domestic demand as well as turnaround in net exports. Net exports recorded growth as exports of goods and services outpaced the growth of imports. In the second quarter of 2014, the Malaysian economy registered a stronger growth of 6.5% supported by higher exports and continued strength in private domestic demand. Real exports of goods and services grew at a faster pace while growth of real imports of goods and services moderated, resulting in a significant improvement in net exports. Furthermore, positive growth from construction, manufacturing, services, agricultural and mining sectors attributed to the growth in the second quarter of 2014. In the third quarter of 2014, the Malaysian economy expanded by 5.6% mainly supported by growth in domestic demand from private sector consumption and investment, and continued positive growth in net exports of goods and services. Despite the fall in crude oil prices, the Malaysian economy continued to grow by 5.7% during the fourth quarter of 2014 and this was mainly driven by domestic demand and private sector investments.

- During the first quarter of 2015, the Malaysian economy grew by 5.6% where growth was contributed by strong domestic demand primarily from the private sector. The strong domestic demand was partially offset by the negative contribution from net exports during the first quarter amidst a decline in commodity and resource-based manufactured exports. In the second quarter of 2015, Malaysian economy expanded at a moderate pace with growth of 4.9%, mainly underpinned by domestic demand from the private sector. However, the slower growth was attributed to a decline of 8.0% in public investment mainly due to the near completion of several public sector projects.

- The Malaysian economy was projected to register a steady growth of 4.5% to 5.5% for 2015.

(Source: Bank Negara Malaysia; Economic Planning Unit, Prime Minister's Department)

Real GDP Growth of Selected States in Malaysia



p = preliminary; f = forecast
(Source: Economic Planning Unit, Prime Minister's Department)

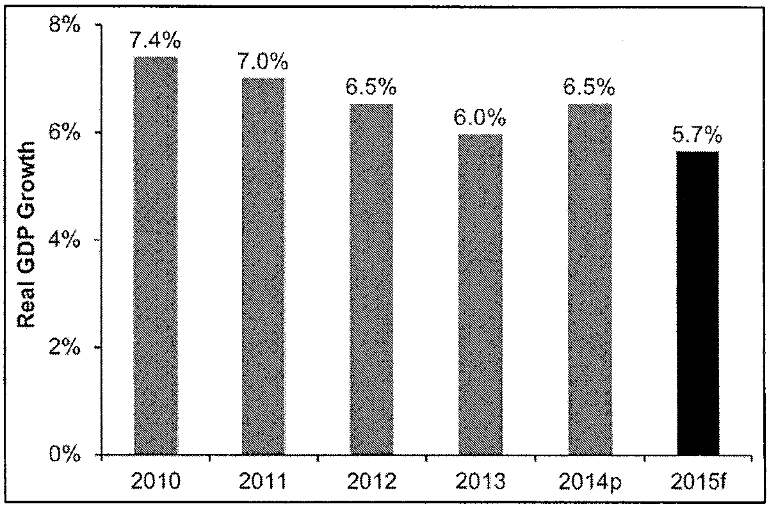
- Sabah, Sarawak and Labuan registered positive real GDP growth rates between 2011 and 2014, which was in line with the overall Malaysian economy. As for 2015, real GDP in Sabah, Sarawak and Labuan were forecasted to grow by 3%, 3.5% and 5.0% respectively.

3.3 Performance of the Services Sector in Malaysia

- The services sector is one of the key economic indicators of the Malaysian economy. In 2014, the services sector contributed 52.9% to Malaysia's overall GDP based on current prices *(Source: Bank Negara Malaysia)*.

- The Distributive Trade Industry falls within the services sector of the economy. In 2014, the Distributive Trade Industry contributed 24.9% and 13.1% to Malaysia's services sector and overall GDP based on current prices *(Source: Bank Negara Malaysia)*.

Real GDP Growth of the Services Sector



p = preliminary; f = forecast
(Source: Bank Negara Malaysia; Economic Planning Unit, Prime Minister's Department)

- The real GDP growth of the services sector in Malaysia grew at an AAGR of 6.5% between 2010 and 2014. In 2010, real GDP of the services sector recorded a growth of 7.4%. The growth was attributed to improvements in domestic and external demand. The expansion in domestic consumption activity contributed to the growth in related sub-sectors, particularly wholesale and retail trade, as well as communications sub-sector.

- Real GDP of the services sector for 2011 grew by 7.0%. Some of the services sub-sectors, namely the wholesale and retail trade, accommodation and restaurant performed steadily supported by an expansion in private consumption.

- The services sector recorded real GDP growth of 6.5% in 2012. Growth of the services sector during the year was supported by domestic demand and a gradual improvement in external environment, although growth in the wholesale and retail trade sub-sector moderated.

- In 2013, real GDP of the services sector registered a positive growth of 6.0%. The growth in the services sector was largely underpinned by consumer-related services sub-sectors such as wholesale and retail trade, communication, and transport and storage sub-sectors.

- During the first quarter of 2014, the services sector grew by 6.7%, supported by an improvement in the finance and insurance, wholesale and retail trade, and communication sub-sectors. The services sector continued growing with a growth of 6.4% in the second quarter of 2014. The growth was mainly driven by the robust growth of the communications, and wholesale and retail trade sub-sectors, which registered growth rates of 9.5% and 9.3% respectively during the second quarter of 2014. In the third and fourth quarter of 2014, the services sector grew further by 6.5% and 6.6%. The growth was mainly attributed to continued expansion in household spending and strong demand for data communication services.

- The services sector grew by 6.4% in the first quarter of 2015, driven by the higher growth in domestic demand. Prior to the implementation of Goods and Services Tax (GST) in the second quarter of 2015, the wholesale and retail trade sub-sector registered a strong growth of 9.8%, due to higher household spending.

- In the second quarter of 2015, the services sector registered a lower growth of 5.0%. The lower growth in the services sector was partially attributed to the moderation in the manufacturing sector. In addition, expansion in the wholesale and retail trade sub-sector was moderated following the implementation of GST.

- The services sector was forecasted to grow by 5.7% in 2015, supported by expansion across all subsectors including wholesale and retail trade sub-sector.

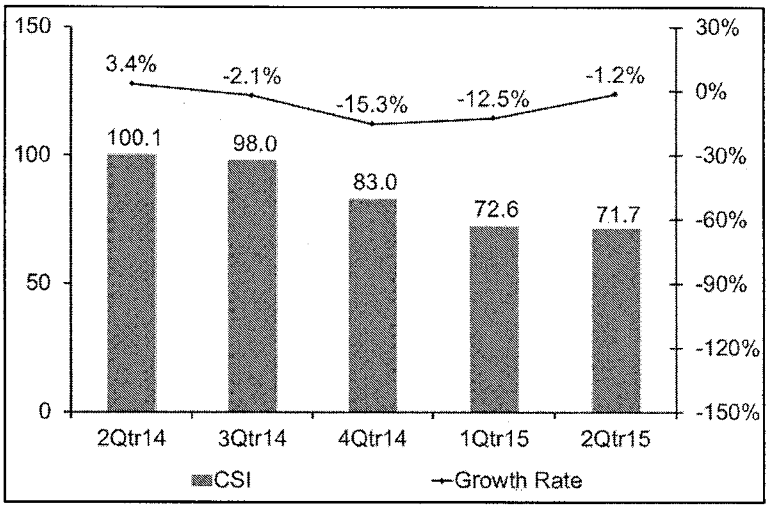
(Source: Bank Negara Malaysia; Ministry of Finance Malaysia)

3.4 Consumer Confidence in Malaysia

- The level of consumer confidence would also impact on consumer spending patterns. An increase in the level of consumer confidence is likely to lead to an increase in consumer spending, which will benefit operators in the CPG industry overall and also the distribution of CPG.

- Consumer confidence is commonly based on a monthly or quarterly survey of a broad spectrum of consumers to capture their perception of the current and the next six months state of the economy, personal financial situation, employment conditions, and likely purchasing patterns of major household items. It is commonly represented as an index to facilitate calculating changes from one period to another. Thus, an increase in the consumer confidence index would commonly mean consumers are generally optimistic about their current and future (next six months) financial situation. A high consumer confidence index is commonly interpreted as an expectation that consumers will increase their purchases of consumer goods and services. A high consumer confidence index will augur well for operators in the consumer industry including those in the distribution of CPG.

Consumer Sentiment Index



(Source: Malaysian Institute of Economic Research)

- The CSI fell below the 100-point confidence threshold in the third quarter of 2014 to 98.0 points. This was contributed by cautious sentiment on current and expected finances, flat employment outlook and worries over rising prices by middle-income households. In the fourth quarter of 2014, the CSI declined further due to the growth in concerns over financing and hiring, as well as forecasted uptrend in prices.

- The CSI continued to plunge to 72.6 points in the first quarter of 2015, the lowest in six years. This was attributed to growing concerns relating to the diminishing of income, inflation coupled with the weak outlook on consumer spending, possibly due to the implementation of GST. In the second quarter of 2015, the CSI declined further to 71.7 points due to the weak prospects in household income and employment, as well as inflationary concerns.

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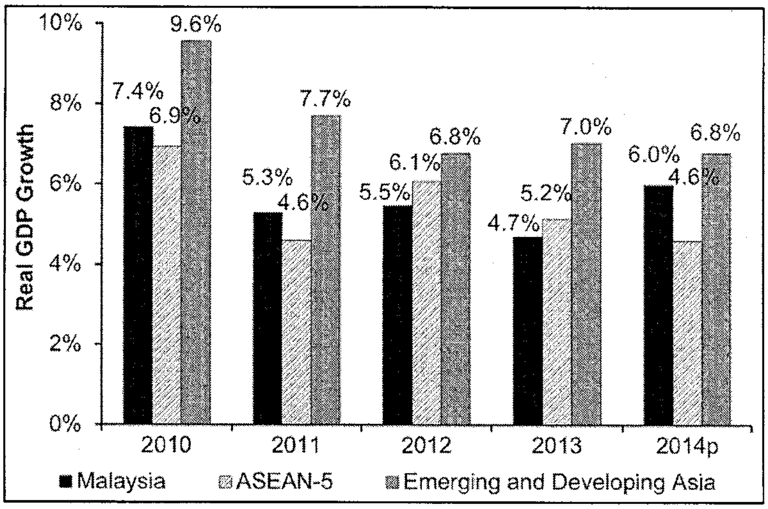
3.5 Malaysia Compared to Asian Regions

- The following comparison charts are macroeconomic indicators of Asian regions.

3.5.1 Real GDP Growth

Real GDP Growth



p = preliminary
(Source: Bank Negara Malaysia; Ministry of Finance Malaysia; Vital Factor Consulting analysis)

- In general, growth in GDP would provide a favourable platform for increasing demand for products and services, including CPG.

- Malaysia, ASEAN-5, and Emerging and Developing Asian countries have experienced robust growth in their average real GDP growth between 2010 and 2014. In 2014, Malaysia's real GDP was higher compared to ASEAN-5 countries at 4.6%, but lower compared to Emerging and Developing Asia at 6.8%.

3.5.2 Growth in GDP per Capita based on Purchasing Power Parity

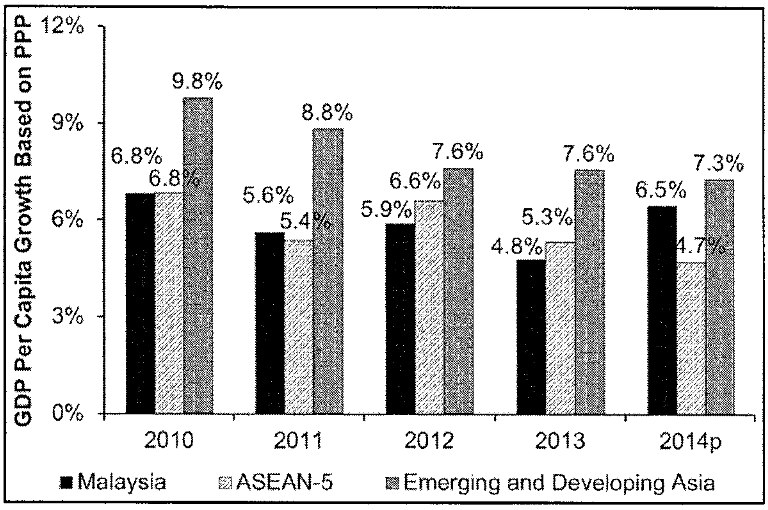
- GDP per capita is the total GDP at current prices divided by the population. The Purchasing Power Parity (PPP) uses a theoretical exchange rate that expresses the rate at which the currency of one country would have to be exchanged into another to buy the same basket of goods and services in both countries. The PPP method takes into consideration the domestic purchasing power of a country's currency relative to other currencies.

- A country's GDP per capita based on PPP provides a measure of the output of each member of the country's population that is adjusted for the domestic purchasing power of that country's currency. It provides a measure of the population's general economic wellbeing. GDP per capita is calculated by dividing a country's GDP by its population, and adjusting the value by the PPP exchange rate. Growth in GDP per capita based on PPP is commonly measured by comparing its value in a particular year with that of the preceding year, and is commonly expressed as a percentage.

- Positive GDP per capita based on PPP growth generally indicates that, on average, each person in the country generated more compared to the previous year. This suggests that the average person has more resources available for consumption of goods and services, including CPG. Sustained positive growth in GDP per capita based on PPP is generally regarded as an indicator of increasing affluence of a country's population.

- Negative growth in GDP per capita based on PPP generally indicates that output per person declined compared to the previous year, and suggests that the average person has fewer resources available for consumption of goods and services, including CPG.

GDP per Capita Growth Based on Purchasing Power Parity (PPP)



p = preliminary
(Source: Vital Factor Consulting analysis)

- From 2010 to 2014, Malaysia's GDP per capita based on PPP grew positively in line with ASEAN-5 and Asia. In 2014, Malaysia's GDP per capita growth of 6.5% was higher compared to 4.7% in ASEAN-5 countries. The growth indicates an increase in purchasing power of consumers which would positively impact on the CPG industry, including the distribution of CPG.

3.5.3 Inflation Rate

- Inflation is a measure of the increase or decrease in the general price level of goods and services in a country over time. The rate of inflation rate is usually assessed on a yearly basis, and expressed as a percentage change compared to the preceding year. A period of high inflation generally has a dampening effect on consumption, including consumption of CPG, as it indicates that a smaller quantity of goods can be purchased with a given amount of money. This is especially true if wages fail to keep pace with inflation.

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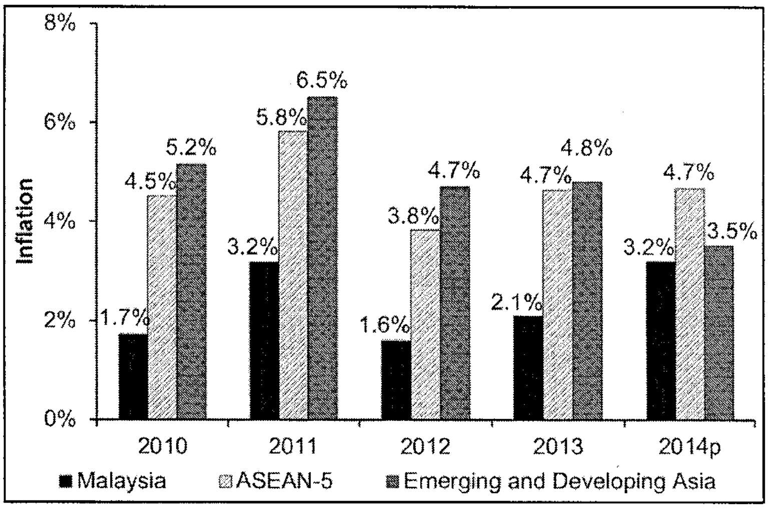
- A negative inflation rate indicates a decline in the general price level of goods and services, and is commonly known as "deflation". This is not always desirable, especially if consumers defer current consumption in the expectation that prices will fall further in the future. Companies operating in a deflationary environment may experience a fall in revenue.

Inflation Rates



p = preliminary
(Source: Ministry of Finance Malaysia; Vital Factor Consulting analysis)

- Between 2010 and 2014, Malaysia's inflation rate registered lower growth rates compared ASEAN-5, and Emerging and Developing Asian countries.

- Inflation in Malaysia is mainly affected by energy and commodity price fluctuations including fuel and food prices. Between 2010 and 2013, inflation was mainly affected by price increases in food items. Inflation rate averaged at 3.2% in 2014, mainly due to domestic cost factors, which included the recent price adjustments arising from subsidy rationalisation and the spill over effects of these adjustments onto the prices of other goods and services.

- In the first quarter of 2015, inflation in Malaysia averaged at 0.7%, which was primarily contributed by the downward revision of petrol prices in January and February, amidst the lower global oil prices. Malaysia implemented the managed float pricing mechanism for fuel since December 2014, where domestic petrol prices will be governed by global oil prices. During the second quarter of 2015, the implementation of GST in April 2015 caused the inflation rate to average at 2.2%.

- For the whole of 2015, the inflation rate is expected to average between 2% and 3%. Through the managed float pricing mechanism, the decline in global oil prices would lead to a decrease in domestic petrol prices. In addition, the implementation of GST and the depreciation in the local currency will also have an impact on the inflation rate.

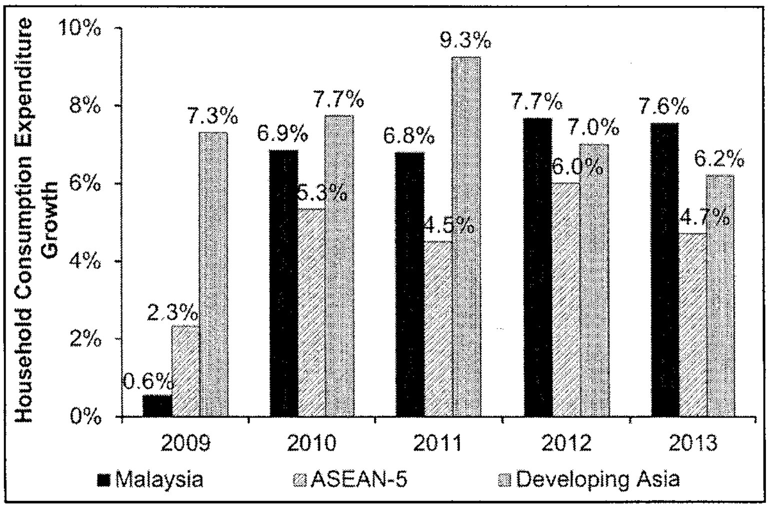
  (Source: Bank Negara Malaysia; Ministry of Finance)

3.5.4 Household Consumption Expenditure

- Household consumption expenditure measures the value of specified goods and services purchased by the households in a country. Examples of the goods involved include non-durable items such as food, beverages and clothing, durable goods such as cars and household appliances, and services such as education, healthcare, rental and utilities.

- Change, measured as positive or negative growth rate, indicates the year-to-year changes in spending on these goods and services by all of the households in a country. Thus, a country with positive growth rate indicates that on average, households in the country are buying more goods and services as compared to the previous year. As such, generally businesses that sell products and services, which include CPG, to the population or consumers would experience overall higher sales compared to the previous year.

Household Consumption Expenditure



Note: Latest available data for ASEAN-5, and Emerging and Developing Asia were only up to 2013. As such, the chart above provides a comparison with Malaysia from 2009 to 2013.
(Source: Vital Factor Consulting analysis)

- Overall, Malaysia experienced a growth in household consumption expenditure between 2009 and 2013. The growth in household consumption expenditure would continue to drive demand for goods and services, including CPG.

- Malaysia's household consumption expenditure between 2010 and 2013 grew more than ASEAN-5 countries.

4 DEMAND CONDITIONS

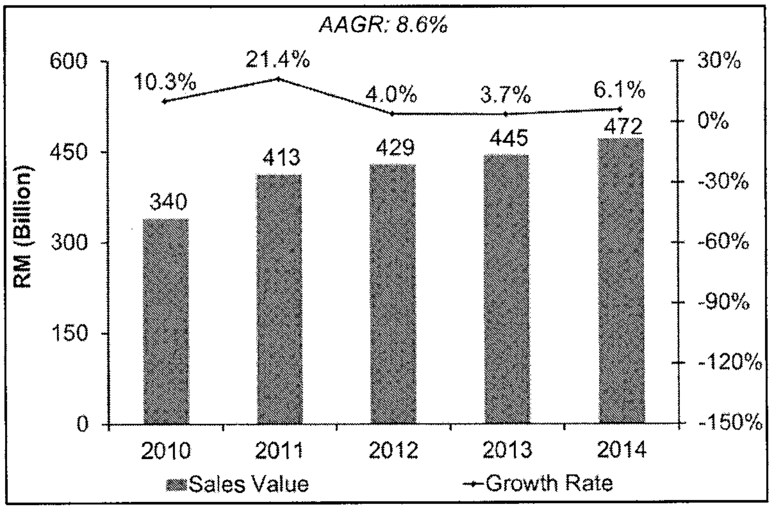
- KTC Group is primarily involved in the distribution of the following types of CPG:
  - Food and beverages including dry food and beverages, chilled foods and frozen foods;
  - Household products including air fresheners, detergents and kitchenware;
  - Personal care products such as skin care, oral care, hair care, body care, sanitary care and cosmetics;
  - OTC drugs and health supplements;
  - Others such as baby care products.

- As such, sales value of the wholesale trade for the related CPG is used as a proxy to assess the demand conditions. However, it must be noted that the overall wholesale trade comprises many products that are not distributed by KTC.

4.1 Wholesale Trade Sector

- Performance of the wholesale trade sector would provide some indication of demand.

Sales Value of the Wholesale Trade Sector



Notes: All units in RM billion except percentages; Sales values are for all types of products including CPG as well as non-CPG.
(Source: Department of Statistics)

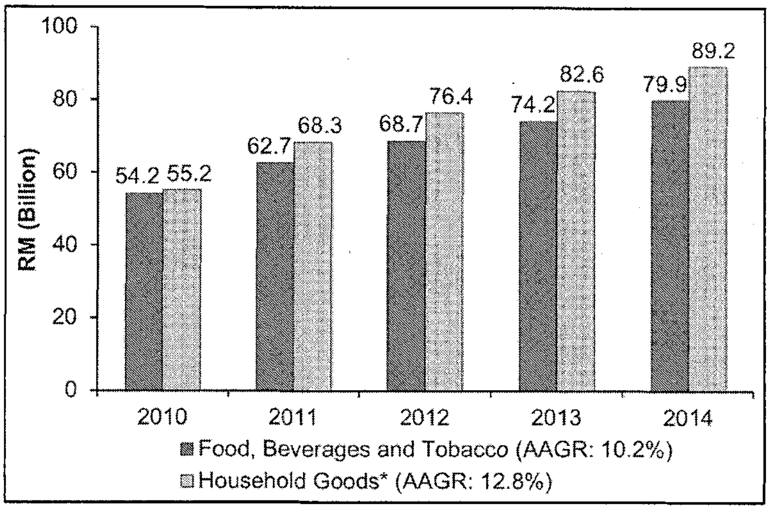
- The wholesale trade sector in Malaysia registered an AAGR of 8.6% between 2010 and 2014. During the first and second quarter of 2015, the wholesale trade in Malaysia grew by 4.8% and 4.0% respectively, compared to the corresponding quarters in 2014. Overall for the first half of 2015, the sales value of the wholesale trade sector grew by 4.4% to RM243.2 million, as compared to RM233.0 million in the corresponding period in 2014 *(Source: Department of Statistics)*. The growth in the wholesale trade sector indicates a growing demand for the distribution of goods, including CPG.

- Sales value of the wholesale trade sector had experienced positive growth since 2010. This augurs well for operators in the wholesale trade sectors including distributors of CPG.

4.2 Wholesale Trade Categories

- As the business activities of distributors are classified under wholesale trade, the following are some indications of the performance of selected products under this sector.

Sales Value of Categories of Wholesale Trade



*Notes: All units in RM billion except percentages; Sales values are for CPG as well as non-CPG; * Include, among others, textiles, clothes, footwear, pharmaceutical products, toiletries, household care products, sports goods, toys, kitchenware and stationery. (Source: Department of Statistics)*

- Between 2010 and 2014, the wholesale trade of food, beverages and tobacco products, and household goods recorded an AAGR of 10.2% and 12.8% respectively. In 2014, the wholesale trade of food, beverages and tobacco products, and household goods amounted to RM79.9 billion and RM89.2 billion respectively. In the first half of 2015, the wholesale trade of food, beverages and tobacco, and household goods increased by 6.4% and 8.9% respectively, compared to the corresponding period in 2014 *(Source: Department of Statistics)*. The continuing growth in the wholesale trade of food, beverages and tobacco products, and household goods indicates continuing demand for the distribution of the said products.

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5 SUPPLY AND SUPPLY DEPENDENCIES

- Generally, the supply of CPG for distribution comes from both local production and imports.
- As KTC Group is mainly a distributor of CPG, its supply is sourced directly from the local representative offices of the respective principals. The Group sources only a small amount of food and beverages and personal care products directly from imports.
- The following are some of the statistics available on local production and imports of CPG that are relevant to KTC Group's business operations to provide an indication on supply dependencies:

5.1 Local Production of Selected CPG

- The sales value of the manufacture of selected CPG provides an indication of the supply of the said products. The following CPG were selected based on similar products or categories of products distributed by KTC Group:

Sales Value of the Manufacture of Selected CPG

	2010	2011	2012	2013	2014	AAGR 2010-14 *(%)*
Condensed, Powdered and Evaporated Milk	3,183.0	3,183.8	4,180.7	5,009.6	6,107.7	17.7
Biscuits and Cookies	1,102.0	1,058.4	1,041.2	1,084.8	1,100.9	#
Bread, Cakes and Other Bakery Products	498.2	1,408.6	1,687.2	1,834.8	1,963.1	40.9
Chocolate Products and Sugar Confectionery	771.7	868.4	946.3	1,209.8	1,161.2	10.8
Sauces and Condiments	790.3	884.6	966.1	1,030.8	1,100.1	8.6
Snacks	535.9	673.0	809.0	1,078.4	895.9	13.7
Soft Drinks	1,578.3	1,567.8	1,705.5	1,828.7	1,745.3	2.5
Household and Personal Hygiene Paper	560.0	610.9	857.7	1,214.5	1,717.1	32.3
Soap, Detergents, Cleaning and Polishing Preparations, Perfumes and Other Toiletries	1,521.3	1,549.9	1,630.5	1,783.7	1,798.6	4.3

Notes: # insignificant growth; all units in RM million except percentages. (Source: Department of Statistics)

- The sales value of the manufacture of all the selected CPG above experienced growth between 2010 and 2014. The growth in sales value of the above selected CPG indicates a continuing demand for such products, which will in turn drive the demand for the distribution of these said products. All the above CPG categories are distributed by KTC Group.

- The highest growth among the selected manufactured products were bread, cakes and other bakery products, which experienced an AAGR of 40.9% between 2010 and 2014. This is pertinent as KTC Group had recently ventured into the manufacturing of bakery products, although it currently represents a small proportion of its overall revenue.

5.2 Imports of Selected CPG

Import Values of Selected CPG

	2010	2011	2012	2013	2014	AAGR 2010-2014 *(%)*
Butter and Other Fats and Oils Derived from Milk	183	238	199	206	276	10.8
Cheese and Curd	198	203	237	261	309	11.7
Fruit Juices	177	204	232	215	222	5.9
Sugar Confectionery	160	173	177	177	192	4.7
Chocolate and Other Food Preparations Containing Cocoa	300	376	399	439	511	14.3
Spices	783	794	648	661	921	4.1
Margarine and Shortening	27	29	32	34	51	17.4
Non-alcoholic Beverages	133	192	257	329	337	26.1
Medicinal and Pharmaceutical Products	3,652	4,144	4,654	5,008	5,602	11.3
Essential Oils, Resinoids, Perfume Materials, Toiletries, Polishing and Cleansing Preparations	3,610	3,973	4,098	4,226	4,428	5.2

Note: All units in RM million except percentages. (Source: Department of Statistics)

- Between 2010 and 2014, the import values of all selected CPG into Malaysia generally registered positive growth. Growth in imports of these CPG items signifies an increase in demand for the said products, which will in turn benefit distributors of CPG.

- All the above CPG categories are distributed by KTC Group.

6 DEMAND DEPENDENCIES

- The distribution of CPG in Malaysia is ultimately dependent on end-consumers and users, which are represented by several factors including population growth, per capita income, household expenditure, and performance of the retail and food service sectors. These factors are further discussed in Section 12 of this document.

7 COMPETITIVE ANALYSIS

7.1 Nature of Competition in the Industry

- In general, distributors of CPG in Malaysia face **normal** competitive conditions, which is similar to a free enterprise environment characterised by the following:
  - There are no undue Government regulations or licensing requirements that substantially prevent enterprises to enter or leave the industry;
  - The industry is not dominated by a single operator having more than 60% of market share, or one or more enterprises that possess such significant power in the market to adjust prices or outputs or trading terms, without effective constrain from competitors or potential competitors;
  - Operators may enter and leave the industry freely;
  - Processed or manufactured products commonly have practical substitutes or alternatives.

- One consideration is that most brand owners commonly engage distributors for specific brands or products in defined geographical areas for a period of time, which is renewable subject to conditions being met. As such, once a distributor has been engaged, no other operators may distribute the brands and products in the same geographical areas until such time the distribution agreement is terminated or not renewed.

- Despite such conditions, the industry still operates generally under normal competitive conditions because there are many practical substitute products or alternatives with a myriad of brands. In addition, it is common for brand owners to carve out a number of geographical areas for distribution by various operators depending on the strengths of their respective distribution network. Distribution agreements periodically come up for renewal and it is not uncommon for brand owners to consider other distributors, especially if it is perceived that other distributors would better represent its brands and products to maximise on its earnings. New products and brands regularly enter the market requiring distributors.

- In such an environment, the industry is subjected to normal supply and demand conditions moderated by the price mechanism. Operators in the industry, including KTC Group, compete on service differentiations, and other factors of competition. Some of these factors of competition or service differentiation include the following:

  - **Extensiveness of distribution network:** As the primary function of a distributor of CPG is to create and maintain market access and coverage for its brands and products, invariably one key consideration in selecting a distributor is the extensiveness of its distribution network. This would mean the number of retail outlets or other sales and distribution points that the distributor covers within its geographic area. Retail outlets would also include the types of retail format including hypermarkets, supermarkets, minimarkets, departmental stores, convenience stores, sundry shops, community pharmacies, health and beauty stores and many others. As such, a distributor with an extensive distribution network would be in an advantageous position to represent brand owners.

- **Reputation based on brands being represented:** The reputation of a distributor, especially the perception that it is able to do a good job is commonly tied to the reputation of the brands that the distributor represents. Thus, a distributor that represents popular or high profile brands would provide the perception that the service quality offered by the distributor is at least within the expectation of such brand owners. In this respect, a distributor that has popular or high profile brands within its product portfolio would be in an advantageous position to represent other brand owners.

- **Availability and adequacy of logistics facilities**: While virtually all distributors would have some form of logistics facilities to distribute dry goods, many would not have facilities for chilled or frozen goods. Thus, distributors without chilled or frozen storage and transportation facilities would not be able to provide the distribution of chilled or frozen products. Size of warehouses to facilitate adequate storage and number of distribution centres for prompt delivery are also considerations when selecting and retaining distributors. As such, a distributor that has the required and adequate logistics facilities would be in an advantageous position to represent brand owners.

- **Track record based on number of years in operation**: Many brand owners would prefer a distributor that has a track record of many years of operation in the distribution of CPG. This is because selling its products to retailers and other sales and distribution points would, among others, be dependent on the distributor and its relationships with its customers. As such, a distributor with many years track record is likely to have built-up substantial commercial relationships with retailers and other sales and distribution points, to provide ease of market access and coverage for new brand owners.

7.2 Operators in the Industry

- Distributors of CPG commonly consider the types of retail format and products they distribute, and the geographic areas covered. Larger distributors may distribute to all types of retail format covering all product types, while some distributors would specialise or would not handle certain product types.

  - **Retail format** are commonly segmented as follows:

    . **modern trade**, including hypermarkets, supermarkets, convenience stores and departmental stores

    . **traditional trade**, including sundry shops, Chinese medical halls and stalls;

    . **specialty stores**, including community pharmacies, stationery stores, health food stores, and health and beauty stores.

- **Product types** are commonly segmented as follows:
  - **chilled and frozen food**: Distributors of chilled and frozen food must invest in suitable cold-chain logistics including warehousing and trucks with chiller or freezer facilities. Not all distributors of food are willing to invest in such facilities due to cost considerations, which meant that they are excluded from distributing such products.
  - **beverages**: Distributors of beverages, including alcoholic and non-alcoholic beverages usually require an extensive distribution network covering food services outlets including, among others, coffee shops, cafes, food stalls, restaurants, pubs and canteens, in addition to retailing outlets. Some distributors do not have the network or the resources to cover the food services sector adequately as food services outlets are widely spread out covering urban and rural areas.
  - **pharmaceutical products**: Distributors covering OTC drugs and health supplements would require market access and coverage of community pharmacies and Chinese medical halls.
  - **other dry goods.**
- **Geographical areas**: Some distributors have limited geographical coverage including selected towns in a state, or one or more states, while others can service East Malaysia only, West Malaysia only or throughout Malaysia. Some may not cover rural areas or small towns.

• Some of the **distributors of CPG in Malaysia** include the following (listed in alphabetical order):
  - CK Alliance Sdn Bhd;
  - DKSH Holdings (Malaysia) Berhad;
  - GBA Corporation Sdn Bhd;
  - Golden HP Agency Sdn Bhd;
  - Harrisons Holdings (Malaysia) Bhd;
  - **KTC Group**;
  - Lein Hing Group(1);
  - Li & Fung Group(2);
  - Merison Group(3);
  - Socma Trading (M) Sdn Bhd;
  - Teik Senn (M) Sdn Bhd;
  - Yee Lee Marketing Sdn Bhd.

Notes:
This is not an exhaustive list. The above list of companies has been selected based on the distribution of third party CPG as their main business activity. It excludes those companies that undertake their own in-house distribution.
(1) Lein Hing Group above comprised L H Marketing Sdn Bhd, L H Sales & Marketing Sdn Bhd and Lein Hing Enterprise Sdn Bhd;
(2) Comprised LF Asia (Malaysia) Sdn Bhd, LF Asia Sebor (Sabah) Sdn Bhd and LF Asia Sebor (Sarawak) Sdn Bhd, which are part of Li & Fung Limited);
(3) Comprised Merison Marketing Sdn Bhd, Merison (M) Sdn Bhd and Fimmex Trading Sdn Bhd.
(Source: Vital Factor Consulting analysis)

- Some of the **distributors of CPG in East Malaysia** include the following (listed in alphabetical order):
  - Austar Marketing Sdn Bhd;
  - Choon Hua Trading Corporation Sdn Bhd;
  - DKSH Holdings (Malaysia) Berhad;
  - Harrisons Holdings (Malaysia) Bhd;
  - **KTC Group**;
  - Li & Fung Group(1);
  - Moh Heng Company Sdn Bhd;
  - Syarikat Lui Kim Chock Sdn Bhd;
  - TLS Marketing Sdn Bhd.

Notes:
This is not an exhaustive list. The above list of companies has been selected based on the distribution of third party CPG as their main business activity. It excludes those companies that undertake their own in-house distribution.
(1) Comprised LF Asia (Malaysia) Sdn Bhd, LF Asia Sebor (Sabah) Sdn Bhd and LF Asia Sebor (Sarawak) Sdn Bhd, which are part of Li & Fung Limited.
(Source: Vital Factor Consulting analysis)

8 MARKET SIZE, SHARE AND POSITIONING

8.1 Overview

- KTC Group's market access and coverage activities are mainly focused in Sabah where its revenue for financial year ended 30 June 2015 derived from Sabah amounted to 90.80% of total Group revenue. As such, the focus on market size, share and positioning is on Sabah.

- KTC Group is also making headways in Sarawak where revenue for financial year ended 30 June 2015 derived from Sarawak amounted to 4.51% of total Group revenue. As such, market size information on Sarawak is also provided to indicate the size of the growth opportunities for KTC Group.

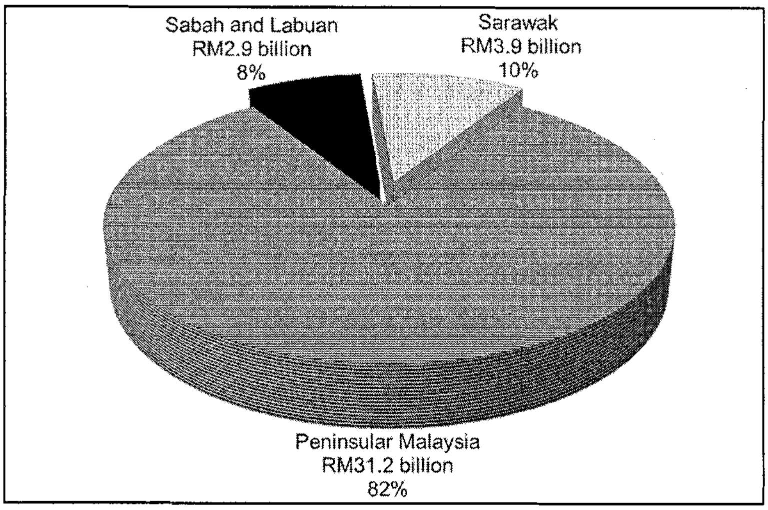
- Market size information for Peninsular Malaysia is also provided to serve as a comparison to the market sizes of Sabah and Sarawak.

- Market size information covers the full spectrum of CPG purchased by the individual and household consumers or end-users. While some of the categories of CPG may be distributed by KTC Group, a large proportion is not covered by KTC Group. This is because CPG covers a very wide range of products. Market size for CPG here covers the total spectrum of CPG and includes the following categories:
  - food;
  - beverages (alcoholic and non-alcoholic);
  - tobacco;
  - pharmaceutical products;
  - non-durable household products;
  - personal care products.

- In determining the market share and positioning of KTC Group, its financial results for the financial year ended 30 June 2015 were used as proxies for the full calendar year 2014 to facilitate comparison with market size information for calendar year 2014.

8.2 Market Size

- In 2014, the market size for the distribution of CPG in Malaysia was estimated at **RM38.0 billion** and this is segmented as follows:



(Source: Vital Factor Consulting analysis)

8.3 Market Share

- In 2014, KTC Group had a market share of approximately **10%** of the distribution of CPG in **Sabah and Labuan**.
- In 2014, KTC Group had a market share of less than **1%** of the distribution of CPG in **Sarawak**.
- In 2014, KTC Group had a market share of less than **1%** of the distribution of CPG in **Malaysia**.

(Source: Vital Factor Consulting analysis)

8.4 Market Position

- In **Sabah**, **1st tier** distributors with revenue exceeding RM200 million are as follows (listed in alphabetical order):
  - DKSH Holdings (Malaysia) Berhad;
  - Harrisons Holdings (Malaysia) Berhad;
  - **KTC Group**.
- In **Malaysia**, **1st tier** distributors with revenue exceeding RM1 billion are as follows (listed in alphabetical order):
  - DKSH Holdings (Malaysia) Berhad;
  - Harrisons Holdings (Malaysia) Berhad.

(Source: Vital Factor Consulting analysis)

8.5 Market Size in Brunei

- Part of KTC Group's future plans involves the distribution of CPG in Brunei. As such, the market size for Brunei is provided below as an indication of the growth opportunities for KTC Group.

- In 2014, the market size for the distribution of CPG in Brunei was estimated at **BND210 million** *(equivalent to RM542million*).*

  *Note: *Based on Bank Negara Malaysia, the average exchange rate used for 2014 was BND1.00 ≈ RM2.5827*
  (Source: Vital Factor Consulting analysis)

9 GOVERNMENT REGULATIONS AND LICENCES

- The following are some of the licences, registrations and regulations relating to the distribution of CPG.

9.1 Wholesaler's Licence for Registered Drugs

- Pharmaceutical products (inclusive of scheduled drugs, OTC drugs, health supplements and traditional medicines), are referred to as drugs under the Drug Control Authority (DCA) and these must be registered with the National Pharmaceutical Control Bureau (NPCB).

- Under the Control of Drugs and Cosmetics Regulations 1984, operators involved in the wholesale of registered drugs are required to obtain a wholesaler's licence issued by the Director of Pharmaceutical Services.

  (Source: National Pharmaceutical Control Bureau)

9.2 Licence to Sell or Store Pesticides

- Under the Pesticides Act 1974, any person who intends to sell or store for sale a pesticide must obtain a licence from the Pesticides Board.

  (Source: Pesticides Act 1974)

9.3 Registration of Cold Room Storage Facility in Sabah

- Operators are required to register their cold room storage facility with the Department of Veterinary Services and Animal Industry Sabah as one of the conditions to obtain import licences for meat and meat products. This registration requirement is applicable to Sabah only.

  (Source: Department of Veterinary Services and Animal Industry Sabah)

9.4 Veterinary Licence to Import Meat and Animal Products into Sabah and Sarawak

- According to the Animals Ordinance 1962 for the state of Sabah and Veterinary Public Health Ordinance 1999 for the state of Sarawak, importation of meat and animal products from other states in Malaysia and overseas countries into Sabah and Sarawak, requires a veterinary licence to import meat and animal products.

  (Source: Animals Ordinance 1962, Department of Veterinary Services and Animal Industry Sabah, Veterinary Public Health Ordinance 1999)

9.5 Trademarks

- In Malaysia, trademarks are governed by the Trade Marks Act 1976 and Trade Marks Regulations 1997. Trademark registration provides trademark owners with exclusive rights to use their marks. The Registrar of Trade Marks is the authority for the registration of trademarks in Malaysia. Registration of trademarks shall be valid for a period of ten years and may be renewed every ten years.

  (Source: Intellectual Property Corporation of Malaysia)

9.6 Government Regulations, Licences and Incentives in Brunei

- As KTC Group intends to widen its market coverage by venturing into Brunei, the following are some of the licences, registrations and regulation relating to the distribution of CPG in Brunei.

9.6.1 Product Registration and Wholesaler's Licence for Medicinal Products

- According to the Medicines Order 2007, all medicinal products must be registered with the Drug Registration Unit of the Ministry of Health before being manufactured, sold, supplied or imported into Brunei. In addition, operators in Brunei involved in the import or wholesale of registered medicinal products are required to obtain an import/wholesaler's licence issued by the Brunei Medicines Control Authority.

  (Source: Department of Pharmaceutical Services, Brunei)

9.6.2 Licence to Import or Sell Pesticides

- Under the Poisons Act, any person who intends to import, store and sell any substances included in the Poisons List must obtain a licence issued by the Department of Medical Services of the Ministry of Health. Pesticides are included in the Poisons List.

  (Source: Poisons Act, Brunei)

9.6.3 Import Licence for Halal Meat Products

- According to the Halal Meat Act, halal meat products shall only be imported by a person holding a Halal Import Licence issued by the Ministry of Religious Affairs.

  (Source: Halal Meat Act, Brunei)

9.6.4 Trademarks

- Trademarks are governed by the Trade Marks Act (Chapter 98) and Trade Marks Rules. Trademark registration provides trademark owners with exclusive rights to use their marks. Registration of trademarks shall be valid for a period of ten years and may be renewed every ten years.

  (Source: Intellectual Property Office, Brunei)

9.6.5 Warehousing and Service Incentives

- Incentives are offered to companies intending to incur fixed capital expenditure of at least BND2 million for the establishment or improvement of warehousing facilities for storage and distribution, or manufacture of goods to be sold and exported by the company. These companies are exempted from income tax up to 11 years from the commencement date of the fixed capital expenditure.

  (Source: The Brunei Economic Development Board, Prime Minister's Office)

10 THREATS OF SUBSTITUTES

- Principals of CPG may use their own in-house resources to distribute their products directly instead of using distributors, wholesalers or agents. However, it is more common for principals to appoint distributors. This is because there are many types of retailers covering rural and urban areas in peninsular and East Malaysia and it is not cost effective to have a comprehensive coverage especially for only one or a small number of products.

- Third party distributors of CPG have the advantage of economies of scale to defray operating costs across a wide range of products.

11 RELIANCE ON AND VULNERABILITY TO IMPORTS

- The distribution of CPG includes a significant proportion of imported products. Import values of selected CPG are presented in Subsection 5.2 of this document. As such, there is a reliance on imports for distributors of CPG.

- While there is a reliance on imported CPG, the range of CPG is so wide and easily available across many different countries to the extent that distributors of CPG are not overly vulnerable to imports.

- Nevertheless, imported products are vulnerable to foreign exchange fluctuations that result in higher imported prices. A relatively weak Malaysian Ringgit would normally cause the cost of imported products to increase and may consequently depress demand.

12 INDUSTRY PROSPECTS AND OUTLOOK

- KTC is a distributor of CPG. As such, the prospects of KTC Group are affected by the prospects and outlook of the CPG industry.

12.1 Immediate Term Prospects

- The CPG Industry is a broad-base industry where consumers and users are the general population comprising individuals and households. As such, factors that would impact on the economic well-being and the confidence level of the local population would have major bearings on the CPG Industry. As at end of August 2015, some of the main negative sentiments in consumers' minds include the following:

  - fall in crude oil prices which has impacted on the overall economy with a spill over effect on the economic well-being of individuals and households;

  - weakening of the Ringgit relative to many other currencies including the US Dollar has increased the cost of imported raw materials and products, servicing of offshore loans and purchases of overseas services.

- Since the end of June 2014, crude oil prices had started to decline. As at end of August 2015 the price of crude oil was approximately USD48 per barrel for Brent Crude Oil. As Malaysia is a net exporter of oil and gas, the continuing decline in crude oil prices would have an impact on the economy. A slowdown in the Malaysian economy would create apprehension of job security, increase in unemployment among recent school leavers and graduates, wage cuts or slowdown in wage increases, as well as impact on the sustainability and growth of businesses. All these negative factors are likely to affect the sentiments of the general population, and its propensity to spend on CPG.

- If the weakening of the Ringgit against many overseas currencies is sustained, then prices of imported goods and services would increase. This would mean imported CPG or CPG requiring imported ingredients, raw materials and semi-finished products would be more costly and may contribute to a slowdown in the purchases of such CPG. This would affect the entire value-chain of the CPG sector. This situation will be accentuated if wages do not increase correspondingly and inflation starts increasing.

12.2 Mid-term Prospects and Outlook

- The mid-term prospects and outlook of the CPG Industry including the distribution of CPG is favourable based of the following considerations:

  - Many CPG are regarded as essential products in a modern society like Malaysia. As such, demand for CPG would always exist, providing opportunities to the entire value chain of the CPG industry including its distribution.

  - The market size of CPG is relatively large compared to many other industries in Malaysia. In 2014, the CPG industry is estimated at RM38.0 billion *(Source: Vital Factor Consulting analysis)*. The large market size would help sustain operators in the industry as well as providing growth opportunities.

- For Malaysia, the drivers of growth for the industry would include an increase in population size, increasing urbanisation, and continuing growth of the economy.

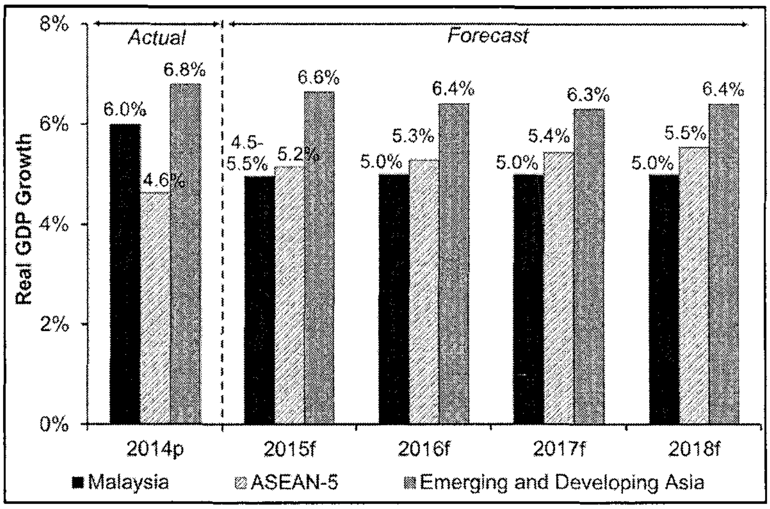
- Other contributing factors to the prospects and outlook of the CPG industry would include the following:
  - socio-economic factors would drive local consumption where a growing economy provides the impetus for spending which would have a positive flow-on effect on the CPG sector;
  - performance of user-industries to sustain demand where growth in the retail sector of CPG and food services sector would also contribute to the demand for CPG, including products distributed by KTC Group; and
  - Government initiatives will spur the growth of the demand for CPG, for example, the wholesale and retail sector covered by the NKEA initiatives are expected to contribute RM107.8 billion in terms of GNI and create 595,400 jobs by 2020. In addition, the NKEA initiatives which would include increasing the number of retail outlets such as hypermarkets, superstores and departmental stores, would drive the wholesale and retail sector including stimulating consumption expenditure. All these would benefit distributors of CPG including KTC Group.

12.2.1 Socio-Economic Factors

- A growing economy provides the impetus for spending, which would have a positive flow-on effect on the CPG industry. As such, Malaysia's socio-economic factors would have an impact on the prospects of the demand for CPG. In addition, as KTC Group operates in Sabah, Sarawak and Labuan, some data and information on these states and territory are also provided.

12.2.1.1 Real GDP Growth

Forecast Real GDP Growth

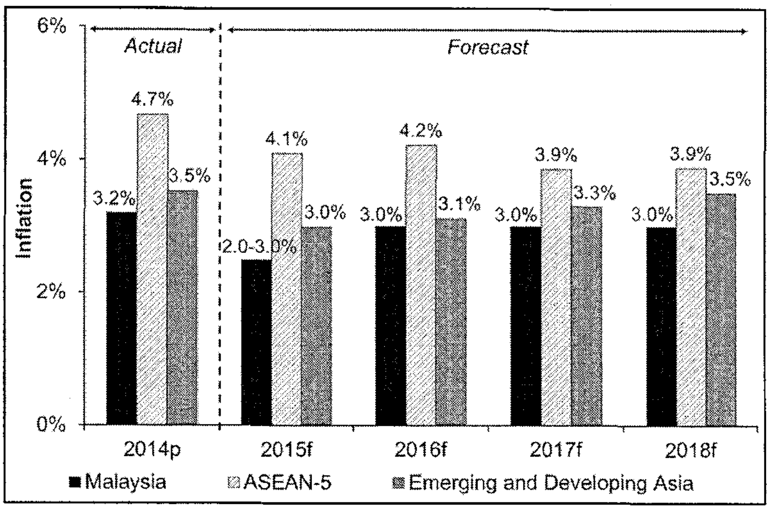


p = preliminary; f = forecast;
(Source: Bank Negara Malaysia; Vital Factor Consulting analysis)

- Growth in real GDP will stimulate consumer spending, including spending on CPG. Real GDP of Malaysia, ASEAN-5, and Emerging and Developing Asian countries are forecasted to experience positive growth rates in the next few years. The real GDP growth is expected to contribute favourably towards the prospects of the CPG industry.

12.2.1.2 Inflation Rates

Forecast Inflation Rates



p = preliminary; f = forecast;
(Source: Bank Negara Malaysia; Vital Factor Consulting analysis)

- A high inflation rate will weaken the purchasing power of consumers in a country, particularly when increment of income is growing at a lower rate as compared to the inflation rate. Between 2014 and 2018, Malaysia's inflation rate is expected to register lower growth rates as compared to ASEAN-5, and Emerging and Developing Asian countries. This augurs well for distributors of CPG in Malaysia.

12.2.1.3 Population and Urbanisation in Malaysia

- Population size is an important consideration for consumer-focused products and services, such as CPG that are targeted at the general population. Population growth helps to support growth in demand for CPG as the number of potential customers would increase over time.

- A country that is highly urbanised would pose to be a more attractive market for consumer-based goods compared to a country with a largely rural population. This is because residents of urban areas are generally more affluent compared to residents in the rural areas. As such, urban consumers are likely to comprise the higher income group with the propensity to spend on necessity as well as discretional items including CPG. In addition, urban areas are typically more densely populated with better transportation and other infrastructure compared to rural areas, making it easier to distribute consumer-based products to a larger number of customers. In this respect, increasing urbanisation would also drive the demand for CPG.

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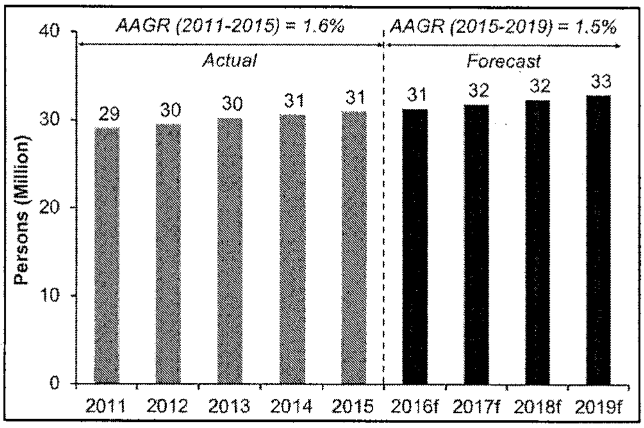
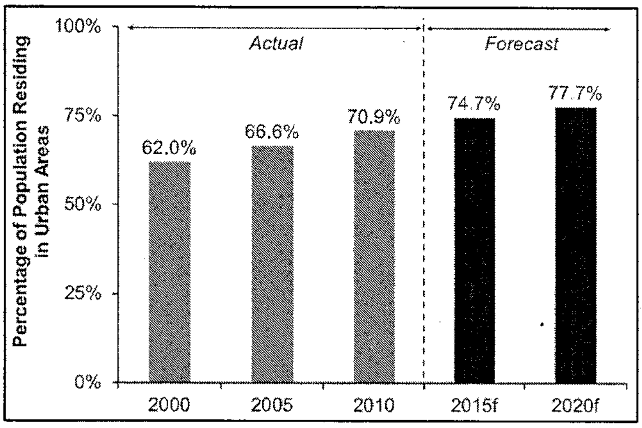
Mid-Year Population



Urbanisation

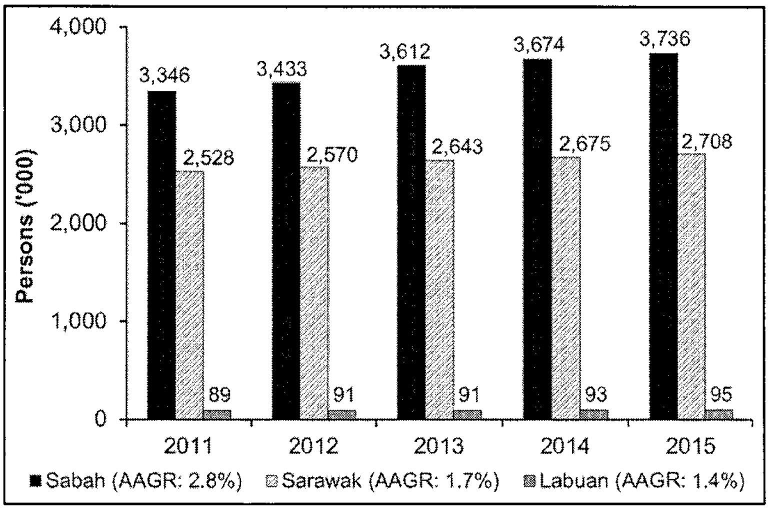


f = forecast (Source: Department of Statistics; Vital Factor Consulting analysis)

- The growth in Malaysia's mid-year population would provide a bigger base of consumers that will drive the demand for CPG products. The mid-year population of Malaysia grew at an AAGR of 1.6% between 2011 and 2015 with an estimated mid-year population of 31.0 million in 2015. The population in Malaysia is expected to grow at an AAGR of 1.5% between 2015 and 2019.

- The urbanisation rate in Malaysia increased by 8.9% between 2000 and 2010 and is expected to grow by 6.8% up to 2020. Increasing urbanisation will create a larger pool of consumers with higher disposable income, which will in turn increase the demand for goods including CPG.

Mid-Year Population in East Malaysia



(Source: Department of Statistics)

- Between 2011 and 2015, Sabah's mid-year population registered a higher AAGR of 2.8% as compared to the AAGR of Malaysia's mid-year population at 1.6%.

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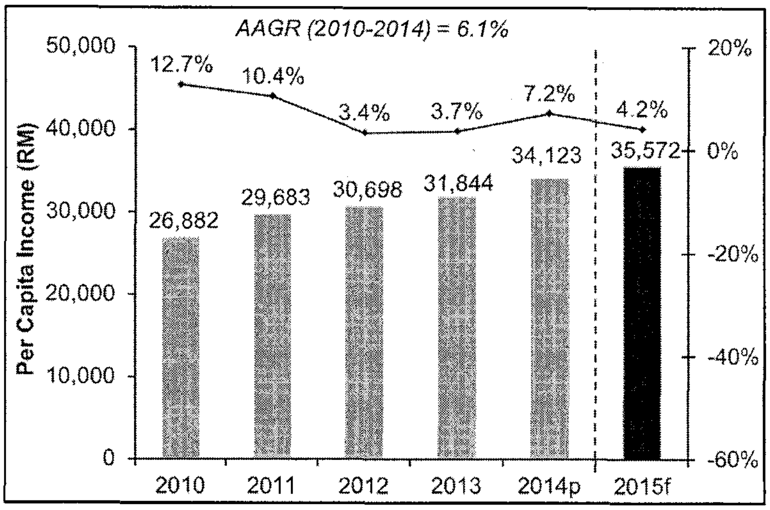
12.2.1.4 Per Capita Income and Household Income in Malaysia

- An increase in the average affluence of the Malaysian population, represented by per capita income and household income, will generally indicate greater affordability and higher spending on consumer goods including CPG.

Malaysia's Per Capita Income (Current Prices)



p=preliminary; f=forecast
(Source: Bank Negara Malaysia)

- Per capita income is commonly used to measure the standard of living of the general population. Between 2010 and 2014, Malaysia's per capita income grew at an AAGR of 6.1%. Malaysia's per capita income was estimated at RM34,123 in 2014 with a forecast growth of 4.2% with a per capita income of RM35,572 by 2015. The continuing growth of Malaysia's per capita income signifies growth and the well-being of the population.

Mean Monthly Household Income

	2009	2012	2014	AAGR 2009-14 *(%)*
Malaysia	4,025	5,000	6,141	8.8
- Sabah	*3,102*	*4,013*	*4,879*	*9.5*
- Sarawak	*3,581*	*4,293*	*4,934*	*6.6*
- Labuan	*4,407*	*6,317*	*7,591*	*11.5*

Note: All units in RM except percentages.
(Source: Department of Statistics)

- The mean monthly household income of the total population in Malaysia grew at an AAGR of 8.8% between 2009 and 2014. In contrast, the mean monthly household income in Sabah and Labuan grew at an AAGR of 9.5% and 11.5% respectively during the same period, exceeding that of overall Malaysia. The strong growth in mean monthly household income in Sabah and Labuan augurs well for distributors of CPG in the said states.

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12.2.1.5 Final Consumption Expenditure and Monthly Household Expenditure

- Increase in the final consumption expenditure and monthly household expenditure in Malaysia may result in higher consumer spending in general, including spending on CPG.

Private Final Consumption Expenditure in Malaysia on Selected CPG

	2010	2011	2012	2013^e	2014^p	AAGR 2010-14 *(%)*
Overall Final Consumption Expenditure^.....	395.2	437.3	482.2	527.7	579.9	10.1
- *Food and Non-Alcoholic Beverages......*	*86.6*	*95.0*	*102.8*	*114.4*	*126.1*	*9.9*

e = estimate; p = preliminary
Notes: All units in RM billion except percentages; ^ Includes CPG and non-CPG; based on the latest published data.
(Source: Department of Statistics)

- Between 2010 and 2014, preliminary figures indicated that the overall private final consumption expenditure in Malaysia increased at an AAGR of 10.1%.

Average Monthly Expenditure per Household in Malaysia on Selected Products

	2004/05	2009/10	AAGR 2004/05 to 2009/10 *(%)*
Overall Monthly Expenditure Per Household^	1,953	2,190	2.3
- *Food and Non-Alcoholic Beverages ....*	*393*	*444*	*2.5*
- *Non-Durable Household Goods* ....*	*17*	*22*	*4.9*
- *Pharmaceutical Products............................*	*12*	*14*	*2.8*
- *Personal Care Appliances, Articles and Products ....*	*38*	*56*	*7.9*

Notes: All units in RM except percentages; based on the latest published data;
*^ Includes expenditure on CPG and non-CPG; * Include cleaning and maintenance products, articles for cleaning, paper products and other non-durable household articles.*
(Source: Department of Statistics)

- Overall, the average monthly household expenditure in Malaysia increased from RM1,953.02 in 2004/05 to RM2,190.37 in 2009/10. This reflects an AAGR of 2.3% during the period under review. The average monthly household expenditure in Malaysia on all selected CPG registered positive growth rates during the same period. The continuing growth in Malaysia's average monthly household expenditure would contribute favourably to the prospects of the CPG industry.

Average Monthly Expenditure per Household in Sabah (Including Labuan) and Sarawak on Selected Products

	2004/05	2009/10	AAGR 2004/05 to 2009/10 *(%)*
Sabah (Including Labuan)			
Overall Monthly Expenditure Per Household^	1,334	1,543	3.0
- *Food and Non-Alcoholic Beverages*	*366*	*400*	*1.8*
- *Non-Durable Household Goods*	*13*	*19*	*7.6*
- *Pharmaceutical Products*	*6*	*8*	*6.0*
- *Personal Care Appliances, Articles and Products*	*23*	*49*	*16.0*
Sarawak			
*Overall Monthly Expenditure Per Household^*	*1902*	*2,166*	*2.6*
- *Food and Non-Alcoholic Beverages*	*442*	*570*	*5.2*
- *Non-Durable Household Goods*	*19*	*31*	*10.3*
- *Pharmaceutical Products*	*11*	*14*	*4.8*
- *Personal Care Appliances, Articles and Products*	*34*	*62*	*12.6*

Notes: All units in RM except percentages; based on the latest published data;
^ Includes expenditure on CPG and non-CPG. (Source: Department of Statistics)

- Apart from the Sabah's average monthly household expenditure on food and non-alcoholic beverages, the average monthly household expenditure on all other selected products in Sabah and Sarawak also registered higher AAGR, as compared to the national average.

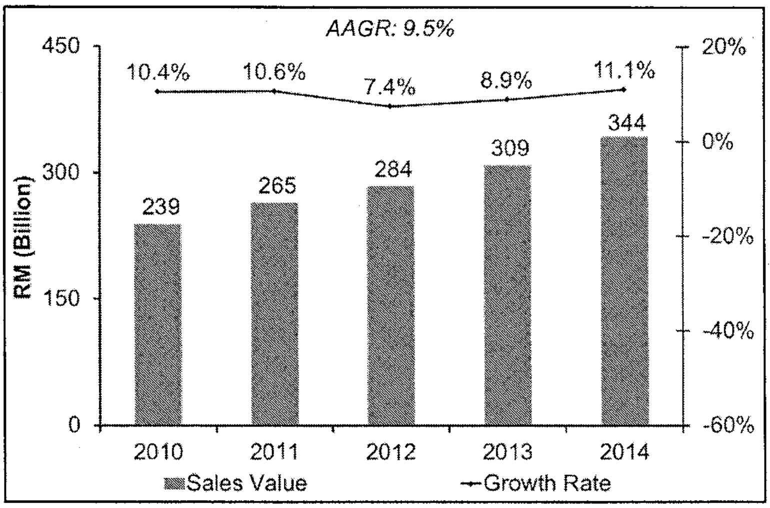
12.2.2 Performance of User-Industries

- Growth in the performance of the user-industries namely retail trade sector and food services sector would also have a direct and positive flow-on effect on demand for CPG.

12.2.2.1 Retail Trade Sector

- Retailers are the main customers of distributors. As such, prospects of distributors of CPG products are dependent on the performance of the retail sector.

Sales Value of the Retail Trade Sector



Notes: All units in RM billion except percentages; Sales values are for all types of products including CPG as well as non-CPG.
(Source: Department of Statistics)

- The sales value of retail trade sector grew at an AAGR of 9.5% between 2010 and 2014. During the first and second quarter of 2015, the retail trade sector grew by 11.4% and 7.2% respectively, compared to the corresponding quarters in 2014. The lower growth rate in the second quarter of 2015 was attributed to the implementation of GST in April 2015. Overall for the first half of 2015, the retail trade sector grew by 9.3% to RM182.5 million, compared to RM167.0 million during the first half of 2014 *(Source: Department of Statistics)*. Growth in the sales value of retail trade sector will have a positive impact on the performance of distribution of consumer goods including CPG.

12.2.2.2 Food Services Sector

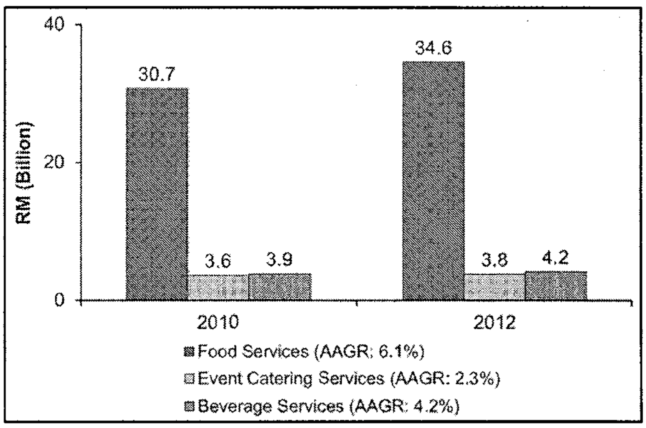
- Distributors also sell their products to the food services sector. As such, the performance of the food services sector would have some direct implication to distributors of CPG.

- The food services sector comprises enterprises involved in the provision of ready to consume food and beverages away from home. Food service enterprises include, among others, restaurants, hawker stalls, cafes, pubs, canteens and catering services.

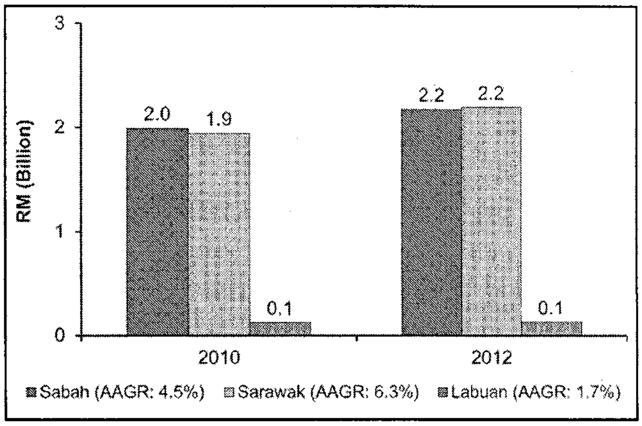
- The food services sector is a user industry of CPG as well as fresh produce. The key characteristic of the food services sector is that each food service enterprise would buy in large quantity compared to purchases from individual households.

- The following is an assessment of the performance of the food service sector in Malaysia:

Gross Output Value for Food Services by Activity Type



Gross Output Value for Food Services of Selected States



Note: Based on the latest published data.
(Source: Department of Statistics)

- Between 2010 and 2012, the overall food service sector (including food, beverage and event catering services) experienced growth, which was represented by an AAGR of 5.5% based on gross output value. The strong growth in the food service sector in Malaysia would also contribute to the demand for CPG.

12.2.3 Government Initiatives

- Various initiatives undertaken by the Government would benefit distributors of CPG, either directly or indirectly resulting from growth opportunities provided to consumer and user industries.

- Government initiatives such as the 11^{th} Malaysia Plan and Economic Transformation Programme (ETP) have been introduced on a nationwide scale, which also encompasses the state of Sabah. As such, the introduction of these initiatives in Sabah would provide growth opportunities to distributors in Sabah.

11^{h} Malaysia Plan

- The 11^{th} Malaysia Plan is a framework that lists various targets and plans by the Government for the sole purpose of economic development to be executed from 2016 to 2020. The wholesale and retail industry is expected to register an AAGR of 5.8% during the plan period, supported by strategies to modernise the subsector as well as enhance the efficiency and effectiveness of the supply chain.

  (Source: 11^{h} Malaysia Plan)

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10th Malaysia Plan

- The 10th Malaysia Plan is a framework that lists various targets and plans by the Government for the sole purpose of economic development to be executed from 2011 to 2015. The Government has identified new sources of economic growth, termed as National Key Economic Areas (NKEA), in line with its plans to shift the economy towards higher value-added activities. The wholesale and retail sectors have been identified as a NKEA sector where specifically relevant is in encouraging modern retail formats such as hypermarkets, supermarkets, convenience and specialty stores to stimulate investment and accelerate the progression towards modernisation. This is expected to benefit distributors of CPG. *(Source: 10th Malaysia Plan)*

Economic Transformation Programme

- The Economic Transformation Programme (ETP) is a progressive framework identifying various economic sectors and strategies in transforming Malaysia into a high-income and developed nation by 2020.

- Twelve drivers of economic growth, termed as National Key Economic Areas (NKEA), are expected to contribute to Malaysia's transformation target, of which one of the sectors is in the wholesale and retail industry.

- Various entry point projects (EPP) have been identified under the wholesale and retail banner. Some of the aims of these EPP are as follows:
  - Increasing the number of large format stores such as hypermarkets, superstores and departmental stores;
  - Modernising and enhancing the competitiveness of small traditional retail stores via the Small Retailer Transformation Programme (TUKAR);
  - Intensifying the transformation of Kuala Lumpur International Airport (KLIA) into a retail hub;
  - Developing big box boulevards, which refer to the concentration of integrated large-scale retailers and factory outlets within a single location;
  - Developing food bazaars.

- The wholesale and retail trade industry is expected to contribute RM165.0 billion of gross national income (GNI) by 2020 from RM57.2 billion in 2009.

  (Source: Economic Transformation Programme)

12.3 Prospects and Outlook of the CPG Industry in Brunei

- As part of KTC Group's future plan is to distribute and to establish a new distribution centre in Brunei, the prospect of the CPG industry in Brunei would have some impact on KTC Group's operation in Brunei.

- Generally, Brunei's economy is reliant on the oil and gas industry, which represents the largest contribution and approximately half of the GDP of Brunei. As such, the performance of the oil and gas industry globally and locally will have an impact on Brunei's overall economic performance. The average prices of Brent Crude Oil have fallen by approximately 58% from approximately USD112 per barrel for the month of June 2014 to approximately USD47 per barrel for the month of August 2015. Sustained depressed crude oil price will have a major negative impact on the economy of Brunei, and consequently affect the CPG industry in Brunei. Nevertheless in the longer term, it is envisaged that crude oil prices will increase and stabilise to a more sustainable level.

- The CPG industry in Brunei provides more attractive opportunities compared to Malaysia, and Sabah and Labuan from the following perspective:

	Brunei	Sabah and Labuan	Malaysia
A. Population (million)	0.41	3.77	30.60
B. CPG market size (RM billion)	0.54*	2.9	38.0
C. CPG expenditure per capita (B/A) (RM per person)	1,317	776	1,242
D. Monthly household income (RM per household)	14,644*#	4,967^	6,141^

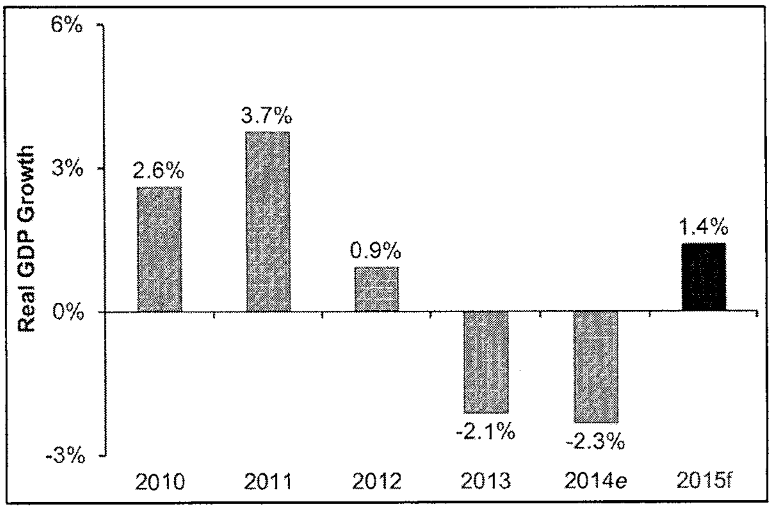
*Notes: *Based on Bank Negara Malaysia, the average exchange rate for 2014 was BND1.00 ≈ RM2.5827; #Based on 2010/2011 figures; ^Based on average monthly household income 2014 figures (based on the latest available comparable data)*
(Source: Department of Statistics; Department of Economic Planning and Development, Prime Minister's Office, Brunei; Vital Factor Consulting analysis)

- The higher CPG expenditure per capita and household income in Brunei provide comparatively better opportunities for operators in the CPG Industry in Brunei compared to Malaysia, as well as Sabah and Labuan.

- The prospects and outlook of the CPG Industry in Brunei will also depend on other factors as indicated below.

12.3.1 Real GDP Growth

Brunei's Real GDP Growth

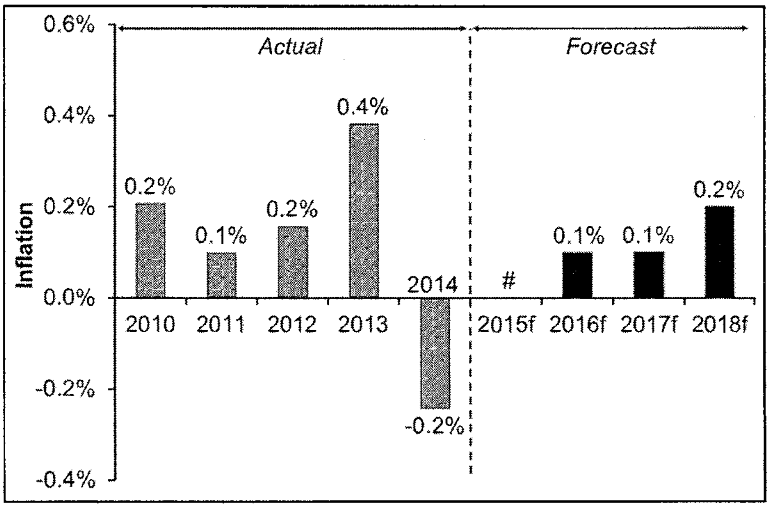


e = estimate; f = forecast; (Source: Department of Economic Planning and Development, Prime Minister's Office, Brunei; Vital Factor Consulting analysis)

- In 2010, Brunei's economy began to recover with a GDP growth of 2.6%. As the performance of the oil and gas industry in Brunei was rather stable, Brunei's economy registered growth of 3.7% and 0.9% in 2011 and 2012 respectively. However, a decline in the production of oil and gas in 2013 resulted in the contraction of Brunei's economy by 2.1%. In 2014, Brunei's economy contracted further by 2.3%, mainly attributed to the slowdown in the oil and gas sector due to the decline in crude oil prices.

12.3.2 Inflation Rates

Brunei's Inflation Rates



f = forecast; # insignificant growth
(Source: Department of Economic Planning and Development, Prime Minister's Office, Brunei; Vital Factor Consulting analysis)

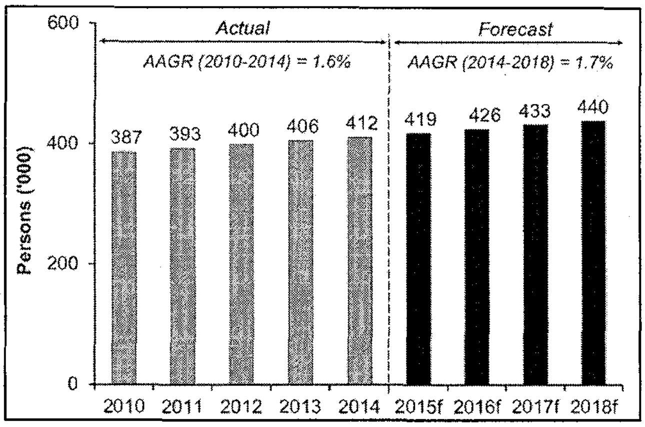
- A high inflation has a dampening effect on spending, including spending on CPG as it weakens the purchasing power of consumers in a country. Between 2010 and 2013, inflation rate in Brunei were less than 1%.

- In 2014, Brunei registered a negative inflation rate of 0.2%. The decline was mainly due to the decrease in prices of products and services under the clothing and footwear, as well as furnishings, household equipment and routine household maintenance sub-categories.

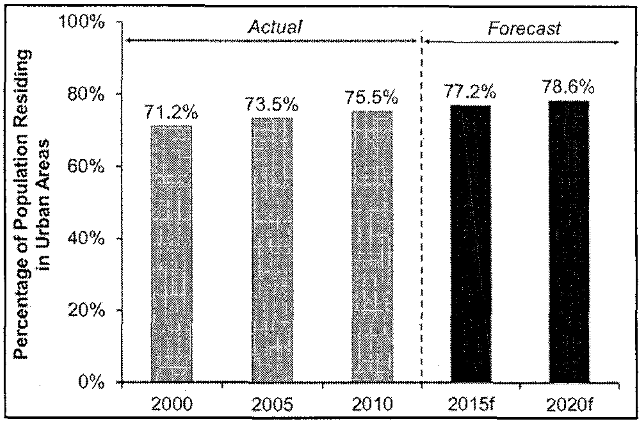
- Between 2015 and 2017, Brunei's inflation rates are expected to register growth rates at less than 1%. The generally low inflation rate will benefit distributors of CPG in Brunei as consumer goods prices will not raise due to inflationary pressures, thus contributing positively to the affordability of consumer goods.

12.3.3 Population and Urbanisation

Brunei's Population



Brunei's Urbanisation Rate



f = forecast
(Source: Department of Economic Planning and Development, Prime Minister's Office, Brunei; Vital Factor Consulting analysis)

- Brunei's population registered an AAGR of 1.6% between 2010 and 2014, with approximately 411,900 persons in 2014. As the population are the end-consumers of CPG, an increase in population would drive the demand for CPG products. Brunei's population is forecasted to grow further at an AAGR of 1.7% between 2014 and 2018.

- An increasing urbanisation rate would continue to drive the demand for goods and services including CPG as urban population would spend more on CPG. The urbanisation rate in Brunei increased by 4.3% between 2000 and 2010, and is expected to grow by 3.1% between 2010 and 2020. A higher urbanisation rate would contribute to increase in the market size for CPG, thus providing opportunities for distributors of CPG who are servicing the Brunei market.

12.3.4 Per Capita Income and Household Income

- The level of consumer affluence will affect the demand for CPG. As such, the average monthly income in Brunei is used to ascertain consumer affluence.

Average Monthly Income in Brunei

	2005	2010/11	AAGR 2005-10/11 (%)
Household Income	4,661	5,670	4.0
Per Capita Income	807	895	2.1

Note: All units in BND except percentages; based on the latest published data.
(Source: Department of Economic Planning and Development, Prime Minister's Office, Brunei)

- Between 2005 and 2010/11, the average monthly household income and per capita income in Brunei increased at an AAGR of 4.0% and 2.1% respectively. The growth in average monthly income in Brunei would contribute favourably to the prospects of the CPG industry as consumers have higher income to purchase CPG, especially combined with a low inflation rate regime.

12.3.5 Monthly Household Expenditure

- An increase in the monthly household expenditure in Brunei indicates higher consumer spending, including spending on CPG.

Average Monthly Expenditure per Household in Brunei

	2005	2010/11	AAGR 2005 to 2010/11 *(%)*
Overall Monthly Expenditure Per Household^	2,735	2,895	1.1
- *Food and Non-Alcoholic Beverages*	*383*	*387*	*0.2*
- *Non-Durable Household Goods*	*na*	*27*	-
- *Pharmaceutical Products*	*na*	*12*	-
- *Personal Care Appliances, Articles and Products*	*na*	*40*	-

na = not available;
Notes: All units in BND except percentages; based on the latest published data; ^Includes expenditure on CPG and non-CPG (Source: Department of Economic Planning and Development, Prime Minister's Office, Brunei)

- Overall, the average monthly expenditure per household increased from BND2,735 in 2005 to BND2,895 in 2010/11, which reflects an AAGR of 1.1%. Food and non-alcoholic beverages represented 13.4% of the overall monthly expenditure per household in 2010/11.

12.3.6 Performance of User-Industries

- The performance of the user-industries namely the retail trade sector and food services sector provides an indication on the demand for CPG.

Number of Enterprises within the User-Industries in Brunei

	2010
Wholesale and Retail Trade	1,881
Accommodation and Food Service Activities	531

Note: Based on the latest published data.
(Source: Department of Economic Planning and Development, Prime Minister's Office, Brunei)

- In 2010, being the latest available statistics, the wholesale and retail trade sector was the largest type of economic activity in Brunei, which represented 34.3% of the total active enterprises in Brunei *(Source: Department of Economic Planning and Development, Prime Minister's Office, Brunei).* The wholesale and retail trade, and accommodation and food services sectors were dominated by small size enterprises.

Revenue from the User-Industries in Brunei

	2010	2011e	Growth Rate (%)
Wholesale and Retail Trade	4,408	4,564	3.5
Accommodation and Food Service Activities	276	297	7.6

e = estimate
Note: All units in BND million except percentages; based on the latest published data.
(Source: Department of Economic Planning and Development, Prime Minister's Office, Brunei)

- In 2011, the revenue from wholesale and retail trade, as well as accommodation and food service activities registered positive growth rates. Growth in the revenue of these sectors would contribute to the increase demand for CPG.

13 THREATS AND RISKS ANALYSIS

13.1 Economic Slowdown

- Any prolonged and/or widespread economic slowdown would affect consumer confidence and spending. The increasing uncertainty over the global and local economies may cause consumers to adopt a cautious position in their spending, which may in turn lower consumer spending on CPG. This may have a negative impact on distributors of CPG in Malaysia.

Mitigating Factors

- Some of the CPG, especially food and household items are non-discretionary. As such, these items would continue to be purchased although consumers may switch to lower priced items during an economic slowdown.

- Distributors of CPG that have a wide product portfolio would also have a good spread of economical and premium priced goods to mitigate against any changes in consumer spending and preferences. Therefore, switching to lower priced items would not have a major impact on such distributors.

- In addition, initiatives introduced by the Malaysian Government in the 11th Malaysia Plan will continue to provide opportunities for operators in the distributive trade sector where one of the initiatives include encouraging the increase in modern retail formats such as hypermarkets, supermarkets, convenience and specialty stores to stimulate investment and accelerate the progression towards modernisation.

13.2 Depreciation in Value of the Ringgit

- The CPG industry in Malaysia imports a large proportion of its products from overseas. As such, a weak Ringgit relative to other overseas countries, especially exporting countries, has resulted in an increase in the prices of imported CPG. This may reduce the propensity for consumers to buy imported products, thus negatively affecting the entire value chain including distributors of CPG.

- Similarly, if local products source a certain proportion of their ingredients or raw materials from overseas, then such products may also factor in these price increases at the retail sector. Thus, a weak Ringgit may also have consequential effect of increasing the prices of local products.

- At the end of August 2015, the exchange rate of the Ringgit to USD was RM4.20 to USD1.00, compared to RM3.15 to USD1.00 at the corresponding period in 2014. *(Source: Bank Negara Malaysia)* This represented a decline of approximately 25% in the value of the Ringgit relative to the USD. There is a risk that a sustained weak Ringgit would reduce the demand for CPG, thus negatively affecting, among others, distributors of CPG.

Mitigating Factors

- There is a wide range of choices of CPG in the markets where consumers may select different products to fit their budgetary requirements. These choices include, among others, switching to lower priced brands, buying a smaller quantity and/or switching to locally made products. In addition, many of the CPG products are deemed as necessities in a modern society like Malaysia. As such, while purchases of CPG may be lowered, consumers will always require CPG for their everyday use and consumption.

13.3 Direct Sourcing from Principals

- Modern retail trade particularly chain hypermarkets, supermarkets and convenience stores have greater purchasing power where they are able to directly source CPG from principals, also known as brand owners in place of distributors.

- In some situations, these large retail chains have started their own in-house brands and obtained supplies directly from their contract manufacturers. The shift towards direct sourcing by larger retail chains may have a negative impact on distributors of CPG.

Mitigating Factors

- Despite the shift towards direct sourcing by larger retail chains, these represent a smaller proportion of the market and there are still a large proportion of other retailers spread across urban and rural areas in Malaysia that would require the services of distributors. While it may be possible to directly source some products from the brand owners or principals, it is not possible to source all the CPG items in the hypermarket or supermarket and deal directly with the respective brand owners locally as well as overseas.

- Therefore distributors would continue to play a role in the provision of market access and coverage of CPG. Brand owners that sell directly to larger retail chains would also need to ensure the availability of stocks and deliveries on a regular basis as well as provide administrative and promotional support services. In situations like these, brand owners may find it more effective and efficient to appoint distributors to undertake all these activities.

13.4 Increase in Buying Power of Hypermarkets and Other Chain Retailers

- Distributors of CPG may be subjected to various terms and conditions and costs associated with distributing CPG to major retail outlets that commands high volume sales. This is attributed to the increase in the buying power of hypermarkets and other chain retailers such as convenience stores and pharmacies.

- As such, this may impact on the overall margins of distributors of CPG where they are subjected to various terms and fees including, among others, longer payment terms, shelf space display fees, contribution to advertising and promotional fees.

Mitigating Factor

- The reduction in overall margin for any distributors of CPG is sometimes compensated with volume sales from these hypermarkets and chain retailers. However, all distributors that served these retail outlets are equally affected.

- In some situations, distributors that represent internationally renowned or highly visible brands of CPG would have stronger bargaining power against these retail outlets and therefore may pay lower shelf space display fee.

13.5 Low Capital Set-up Cost

- The barriers to entry into the distribution of CPG based on capital requirements are low to moderate. This is because capital cost will mainly include warehousing and logistics. However, warehouse facilities and logistics may be outsourced to a third party, and in this situation, the entry costs would be even lower. As such, the low capital set-up costs may encourage the entry of smaller distributors into the market.

Mitigating Factor

- Small distributors may face difficulties in competing against larger establishments that are equipped to distribute a wider range of products, represent major brands and having wider distribution networks. These smaller distributors, who would usually represent lesser known and limited number of brands, would find it difficult to obtain shelf space with hypermarkets and other chain retailers compared to the larger distributors.

- A larger distributor would be in better position to benefit from economies of scale by driving down operational cost and obtaining better commercial terms from suppliers and customers.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

8.1.1 Shareholdings of our Promoters and substantial shareholders

As at LPD, the shareholdings of our Promoters and substantial shareholders before and after the IPO are as follows:

		<------Before the IPO------>				<------After the IPO and upon Listing------>			
		Direct		Indirect		Direct		Indirect	
Name	Nationality/ Country of incorporation	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Promoters									
Datin Lim	Malaysian	-	-	368,277,000(3)	100.00	-	-	368,277,000(3)	72.17
Lindfay Lau	Malaysian	-	-	368,277,000(3)	100.00	-	-	368,277,000(3)	72.17
Benedick Lau	Malaysian	-	-	368,277,000(3)	100.00	-	-	368,277,000(3)	72.17
Lim Hui Kiong	Malaysian	-	-	-	-	-	-	-	-
Promoters and substantial shareholders									
KTC Holdings	Malaysia	368,277,000	100.00	-	-	368,277,000	72.17	-	-
KTC Capital	Malaysia	-	-	368,277,000(1)	100.00	-	-	368,277,000(1)	72.17
Datuk Lau	Malaysian	-	-	368,277,000(1)	100.00	-	-	368,277,000(1)	72.17
Dexter Lau	Malaysian	-	-	368,277,000(2)	100.00	-	-	368,277,000(2)	72.17

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Notes:

- * *Based on the enlarged issued and paid-up share capital of 368,277,000 Shares after the Acquisitions but before our IPO.*
- ^ *Based on the enlarged issued and paid-up share capital of 510,277,000 Shares after our IPO.*
- (1) *Deemed interested by virtue of its/his shareholdings in KTC Holdings pursuant to Section 6A of the Act.*
- (2) *Deemed interested by virtue of his father's shareholdings in KTC Holdings and his shareholdings in KTC Capital pursuant to Sections 6A and 122A of the Act.*
- (3) *Deemed interested by virtue of his/her family member's shareholdings in KTC Holdings and KTC Capital pursuant to Section 122A of the Act.*

Save as disclosed above, our Directors are not aware of any other person who, directly or indirectly, exercise control over our Company.

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8.1.2 RCPS holdings of our Promoters and substantial shareholders

As at LPD, the RCPS holdings of our Promoters and substantial shareholders before and after our IPO are as follows:

		Before the IPO				After the IPO and upon Listing			
		Direct		Indirect		Direct		Indirect	
Name	Nationality/ Country of incorporation	No. of RCPS	%*	No. of RCPS	%*	No. of RCPS	%^	No. of RCPS	%^
Promoters									
Datin Lim	Malaysian	-	-	24,001,858(3)	100.00	-	-	24,001,858(3)	100.00
Lindfay Lau	Malaysian	-	-	24,001,858(3)	100.00	-	-	24,001,858(3)	100.00
Benedick Lau	Malaysian	-	-	24,001,858(3)	100.00	-	-	24,001,858(3)	100.00
Lim Hui Kiong	Malaysian	-	-	-	-	-	-	-	-
Promoters and Substantial Shareholders									
KTC Holdings	Malaysia	24,001,858	100.00	-	-	24,001,858	100.00	-	-
KTC Capital	Malaysia	-	-	24,001,858(1)	100.00	-	-	24,001,858(1)	100.00
Datuk Lau	Malaysian	-	-	24,001,858(1)	100.00	-	-	24,001,858(1)	100.00
Dexter Lau	Malaysian	-	-	24,001,858(2)	100.00	-	-	24,001,858(2)	100.00

Notes:

* *Based on the enlarged issued and paid-up share capital of 24,001,858 RCPS after the Acquisitions but before our IPO.*

^ *Based on the enlarged issued and paid-up share capital of 24,001,858 RCPS after our IPO.*

(1) *Deemed interested by virtue of its/his shareholdings in KTC Holdings pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his father's shareholdings in KTC Holdings and his shareholdings in KTC Capital pursuant to Sections 6A and 122A of the Act.*

(3) *Deemed interested by virtue of his/her family member's shareholdings in KTC Holdings and KTC Capital pursuant to Section 122A of the Act.*

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

8.1.3 Profiles of our Promoters and substantial shareholders

Kim Teck Cheong Holdings Sdn Bhd
Promoter and substantial shareholder

KTC Holdings was incorporated in Malaysia as a private limited company under the Act on 22 October 2012 under the name of Kim Teck Cheong Holdings Sdn Bhd. On 27 February 2013, KTC Holdings was converted into a public limited company under the name of Kim Teck Cheong Holdings Berhad. Subsequently on 6 June 2014, KTC Holdings converted back into a private limited company and assumed its current name. As at LPD, its authorised share capital is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each, of which RM15,922,692 comprising 159,226,920 ordinary shares of RM0.10 each have been issued and fully paid-up. The principal activity of KTC Holdings is investment holding.

The directors and shareholders of KTC Holdings and their respective shareholdings in KTC Holdings as at LPD are as follows:

	<----Direct---->		<----Indirect---->	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Directors and substantial shareholders				
Datuk Lau	31,426,920	19.74	119,690,574[(1)]	75.17
Dexter Lau	-	-	151,117,494[(2)]	94.91
Lim Hui Kiong	8,109,426	5.09	-	-
Other substantial shareholder				
KTC Capital	119,690,574	75.17	-	-
Other director				
Datin Lim	-	-	31,426,920 [(3)]	19.74

Notes:

(1) Deemed interested by virtue of his shareholding in KTC Capital pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of his father's shareholdings in KTC Holdings and his shareholdings in KTC Capital pursuant to Sections 6A and 122A of the Act.

(3) Deemed interested by virtue of her spouse's shareholdings in KTC Holdings pursuant to Section 122A of the Act.

Save for KTC Consolidated which is a subsidiary of KTC Holdings, KTC Holdings does not have any subsidiary or associate company.

Kim Teck Cheong Capital Sdn Bhd
Promoter and substantial shareholder

KTC Capital was incorporated in Malaysia as a private limited company under the Act on 6 December 2012. As at LPD, its authorised share capital is RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which RM119,693 comprising 119,693 ordinary shares of RM1.00 each have been issued and fully paid-up. The principal activity of KTC Capital is investment holding.

The directors and shareholders of KTC Capital and their respective shareholdings in KTC Capital as at LPD are as follows:

	<----------------Direct---------------->		<--------------Indirect---------------->	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Directors and substantial shareholders				
Datuk Lau	75,231	62.86	44,462[(1)]	37.14
Dexter Lau	43,056	35.97	76,637[(1)]	64.03
Shareholders				
Datin Lim	1,036	0.87	118,657[(1)]	99.13
Lindfay Lau	185	0.15	119,508[(1)]	99.85
Benedick Lau	185	0.15	119,508[(1)]	99.85

Note:

(1) *Deemed interested by virtue of his/her family member's shareholdings in KTC Capital pursuant to Section 122A of the Act.*

Save for KTC Holdings which is a subsidiary of KTC Capital, KTC Capital does not have any subsidiary or associated company.

Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing, Malaysian, aged 70
Non-Independent Managing Director, Promoter, substantial shareholder

Datuk Lau is our Non-Independent Managing Director. He was appointed to our Board on 17 October 2014. As our Non-Independent Managing Director, he is responsible for developing the overall strategic direction of our Group and has been instrumental in the growth of our Group.

He completed his high school education in 1965. Prior to founding KTC Sdn Bhd, he joined Kim Teck Cheong Enterprise, a company operating a departmental store situated in Kota Kinabalu, a family owned business. During the first two years of his career, he was involved in the daily operations of the business. Subsequently in 1967, he was responsible for the day-to-day management of the business. In 1973, he took over the operation of the business from his late father, Datuk Lau Yeong Ching.

In 1975, he was involved in setting up KTC Sdn Bhd with his late father. He played the main role in growing the company by transforming the business into providing market access and coverage of third party brands of personal care products namely skin care products in Kota Kinabalu, Sabah. He is also credited with broadening the product range offered by the company by building up the network of suppliers and customers in Sabah.

In 1983, he co-founded KTC Tawau with his brother-in-law, Lim Hui Kiong. He was mainly responsible for the strategic planning and expansion of KTC Tawau. In 2003, he established AMDA Marketing. Datuk Lau has since accumulated 39 years of experience in the distribution industry.

Currently, he is an overseas committee member of the All-China Federation of Returned Overseas Chinese, Beijing, People's Republic of China. He is the National Vice President of the Malaysia-China Chamber of Commerce and President of Sabah chapter of the Malaysia-China Chamber of Commerce.

He is also the Honorary Life President of the United Sabah Chinese Communities Association, Kota Kinabalu Hokkien Association and Sabah Ann Koai Association, an Honorary Advisor for the Kota Kinabalu Journalists Association.

Currently, he is also a director and shareholder of several private limited companies as disclosed in Section 8.2.4 of this Prospectus.

Y. Bhg. Datin Lim Fook Len @ Lim Su Chin, Malaysian, aged 62
Non-Independent Non-Executive Director and Promoter

Datin Lim is our Non-Independent Non-Executive Director and was appointed to our Board on 2 December 2014. She obtained a Diploma in Executive Secretary & Management at West London College in 1976.

She joined Kumpolan Sabah Sdn Bhd as a Marketing Manager in 1977. Thereafter, she joined KTC Sdn Bhd in 1978 as a Senior Manager responsible for the administrative and supply chain operations. Since then, she has been with our Group. In 1983, she assisted in the setting-up of KTC Tawau and was subsequently promoted to the position of Director in KTC Tawau in 1989. Between 1989 and 1997, she assisted in the operations of KTC Sdn Bhd and KTC Tawau in the area of supply chain management. Since 1997 until 2012, she has been assisting in supervising and managing the operations of our Group on an informal and ad-hoc basis.

Currently, she is also a director and shareholder of several private limited companies as disclosed in Section 8.2.4 of this Prospectus.

Lim Hui Kiong, Malaysian, aged 56
Non-Independent Executive Director and Promoter

Lim Hui Kiong is our Non-Independent Executive Director. He was appointed to our Board on 2 December 2014. He is currently responsible for managing the day-to-day operations of KTC Tawau.

He completed his high school education in 1977 and he started his career as a Sales Representative at Kilat Jaya, a company involved in wholesale distribution. He then furthered his O-levels at Tresham College of Further and Higher Education, United Kingdom in 1979. Thereafter in 1981, he joined Diethelm (M) Sdn Bhd (now known as DKSH Malaysia Sdn Bhd) as a Sales Representative in 1982. In 1983, he left Diethelm (M) Sdn Bhd and co-founded KTC Tawau with Datuk Lau. He played a key role in growing the company by focusing on providing market access and coverage of CPG products in Tawau, Semporna, Lahad Datu and Kunak. He was instrumental in building up the network of suppliers and customers particularly in Tawau, Semporna, Lahad Datu and Kunak. In 2013, he was appointed as a director in KTC Sarawak. He has since accumulated over 30 years of experience in the wholesale distribution industry.

Currently, he is also a director and shareholder of several private limited companies as disclosed in Section 8.2.4 of this Prospectus.

Lau Wei Dick @ Dexter Dick Lau, Malaysian, aged 36
Non-Independent Executive Director, Promoter and substantial shareholder

Dexter Lau is our Non-Independent Executive Director and was appointed to our Board on 17 October 2014. In 2001, he obtained his Bachelor of Law from the University of Kent, Canterbury, United Kingdom. The following year, he completed the Bar Vocational Course at the Inns of Court School of Law, and was subsequently, called to the Bar of England and Wales as a member of Lincoln's Inn of the United Kingdom in 2002. In 2004, he was admitted as an Advocate and Solicitor of the High Court of Sabah and Sarawak. In 2005, he completed his Advance Economic and Political Studies at Peking University in Beijing, China. In the same year, with the view of acquiring greater leadership and managerial skills, as well as business knowledge, he completed the Building Organisational Capability for Strategic Implementation- Hong Kong Programme at Stephen M. Ross School of Business of University of Michigan, United States of America. In 2008, he obtained both Certification for Basic Practitioner and Certification for Master Practitioner of NeuroLinguistic Programming by National Federation of NeuroLinguistic Psychology, United States of America. In 2010, he also completed the Executive Development Programme at Kellogg School Management of University of Northwestern, United States of America.

He started his career as the General Manager of AMDA Marketing in 2003. He was also appointed as a director of AMDA Marketing and KTC Tawau in the same year. From 2006 to 2009, he served as the General Manager of AMDA Marketing, KTC Sdn Bhd and KTC Tawau. During his tenure as General Manager, he supervised the day-to-day operations and managed the marketing and sales of these three companies. In April 2009, he was promoted to Vice President of the Group and took on more responsibilities for the Group's day-to-day management and strategic planning. In 2012, he established Creamos Malaysia, putting our Group on the map of the bakery industry in Malaysia. Since 2013, he has been appointed as the Executive Director of the Group, a role he holds until current date.

During his tenure with the Group, he has been responsible for managing the day-to-day business operations and planning strategies for the future direction of our Group.

He was selected to become a member of the Young Presidents' Organisation since 2010.

Currently, he is also a director and shareholder of several private limited companies, as disclosed in Section 8.2.4 of this Prospectus.

Dr. Benedick Vicpaul Lau, Malaysian, aged 34
Promoter

Benedick Lau is a Promoter of our Company. He graduated with an Honours Degree of Bachelor of Medicine, Bachelor of Surgery and Bachelor of Obstetrics from the National University of Ireland, Ireland in 2006. He also obtained Graduate Certificate in Aviation Medicine from Edith Cowan University, Australia in 2010.

He joined the medical trainee programme at Beaumont Hospital in 2006 as a House Officer for two years. Subsequently in 2008, he was an Emergency Registrar in Geelong hospital in Melbourne, Australia, a position he held until 2010. Between 2010 and 2011, he decided to take a career break. Thereafter in 2011, he joined the Ministry of Health in Singapore as a Medical Officer, a position he still holds today. He was appointed as a director of KTC Tawau and KTC Distribution in 2011.

He was registered with Ireland Medical Council from 2006 to 2007 and The Medical Practitioners Board of Victoria from 2009 to 2010. He was also awarded the Australian Medical Council Certificate in 2010. He is currently registered with Singapore Medical Council.

Currently, he is also a director and shareholder of several private limited companies.

Dr. Lindfay Laura Lau, Malaysian, aged 33
Promoter

Lindfay Lau is a Promoter of our Company. She graduated with an Honours Degree of Bachelor of Medical Science, Bachelor of Medicine, Bachelor of Surgery and Bachelor of Obstetrics from the National University of Ireland, Ireland in 2006. She is currently pursuing a Masters Degree in Ophthalmology at University of Malaya.

In 2006, she started her career as a Houseman at Waterford Regional Hospital, Ireland,a position she held for a year. Subsequently in 2007, she took a gap year to move back to Sabah and took a career break. Thereafter in 2008, she joined Penampang Health Clinic as a Medical Officer until 2011. Prior to her further studies in Masters Degree in Opthalmology in 2012, she joined Queen Elizabeth Hospital in Sabah as a Medical Officer for a year. She has also been appointed as a director of KTC Distribution in 2007 and KTC Tawau in 2011. She was registered with the Irish Medical Council from 2006 to 2009 and she is currently registered with the Malaysian Medical Council.

Currently, she is also a director and shareholder of several private limited companies.

8.1.4 Changes in Promoters and/or substantial shareholders' shareholdings since the date of incorporation

Save as disclosed below, there has been no change in the shareholdings of our Promoters and/or substantial shareholders in our Company since incorporation up to the date of this Prospectus:

Name	Date of acquisition/ (disposal)	<----Direct----	---->	<----Indirect----	---->
		No. of Shares acquired/ (disposed)	Cumulative No. of Shares	No. of Shares acquired/ (disposed)	Cumulative No. of Shares
Substantial Shareholders					
Ng Hock Tiam	17.10.2014	10[(1)]	10	-	-
	(01.07.2015)	(10)	-	-	-
Lam Ah Ngan	17.10.2014	10[(1)]	10	-	-
	(01.07.2015)	(10)	-	-	-
Promoters and Substantial Shareholders					
KTC Holdings	01.07.2015	10	10	-	-
	01.07.2015	10	20	-	-
	01.07.2015	368,276,980	368,277,000	-	-
KTC Capital	01.07.2015	-	-	10[(2)]	10[(2)]
	01.07.2015	-	-	10[(2)]	20[(2)]
	01.07.2015	-	-	368,276,980 [(2)]	368,277,000[(2)]
Datuk Lau	01.07.2015	-	-	10[(2)]	10[(2)]
	01.07.2015	-	-	10[(2)]	20[(2)]
	01.07.2015	-	-	368,276,980[(2)]	368,277,000[(2)]

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

	Date of acquisition/	<-------------------Direct	--------------------->	<-----------------------Indirect	--------------->
Name	(disposal)	No. of Shares acquired/ (disposed)	Cumulative No. of Shares	No. of Shares acquired/ (disposed)	Cumulative No. of Shares
Dexter Lau	01.07.2015	-	-	10[3]	10[3]
	01.07.2015	-	-	10[3]	20[3]
	01.07.2015	-	-	368,276,980[3]	368,277,000[3]
Promoters					
Lim Hui Kiong	-	-	-	-	-
Datin Lim	01.07.2015	-	-	10[4]	10[4]
	01.07.2015	-	-	10[4]	20[4]
	01.07.2015	-	-	368,276,980[4]	368,277,000[4]
Benedick Lau	01.07.2015	-	-	10[4]	10[4]
	01.07.2015	-	-	10[4]	20[4]
	01.07.2015	-	-	368,276,980[4]	368,277,000[4]
Lindfay Lau	01.07.2015	-	-	10[4]	10[4]
	01.07.2015	-	-	10[4]	20[4]
	01.07.2015	-	-	368,276,980[4]	368,277,000[4]

Notes:

(1) 20 subscribers' shares held by 2 individual shareholders.

(2) Deemed interested by virtue of its/his shareholding in KTC Holdings pursuant to Section 6A of the Act.

(3) Deemed interested by virtue of his father's shareholdings in KTC Holdings and his shareholdings in KTC Capital pursuant to Sections 6A and 122A of the Act.

(4) Deemed interested by virtue of his/her family members' shareholdings in KTC Holdings and KTC Capital pursuant to Section 122A of the Act.

8.2 BOARD OF DIRECTORS

8.2.1 Profiles of Directors

The profile of Datuk Lau, Datin Lim, Dexter Lau and Lim Hui Kiong are set out in Section 8.1.3 of this Prospectus.

Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra, Malaysian, aged 68
Independent Non-Executive Chairman

Datuk Kamal is our Independent Non-Executive Chairman and was appointed to our Board on 2 December 2014. He graduated with Bachelor of Arts at the University of Otago, New Zealand in 1969. In 1971, he obtained both a Master of Arts from University of Auckland and Diploma in Teaching from the Auckland Teachers College in the same year. Subsequently, he completed an Advanced Course in Educational Development in 1987 from Stanford University, USA and an Advanced Course in Curriculum Development in 1991 from the Institute of Education, University of London, United Kingdom.

He was a teacher in Sekolah Menengah ("**SM**") Labuan in 1972 and SM Papar in 1973. He was then promoted to become the principal of SM Sipitang from 1974 to 1975. He was then transferred to be a principal at Likas Vocational School for a short term in 1976. Subsequently, he became the Principal Assistant Director at the Department of Education, Kota Kinabalu in 1976, a role he served for 12 years. Thereafter, he served as Principal at Gaya Teachers Training College, Kota Kinabalu from 1988 until 1999. He then served as a Deputy Director at the Teacher Education Division in the Ministry of Education, Kuala Lumpur in 1999. In 2000, he was appointed as Director of Education, Sabah until his retirement in 2003. Subsequent to his retirement, he held several directorships in private limited companies as disclosed in Section 8.2.4 of this Prospectus.

Additionally, he was a member of the advisory panel of the Department of National Unity and Integration of the Prime Minister Department, Malaysia from October 2004 until October 2006 and thereafter for the 2007/2008 period. In March 2012, he was a panellist for the National Dialogue on Malaysian Education System Review until September 2012. He has been a member of the Malaysian Examinations Council consecutively for three (3) terms since August 2004. He is currently serving his fourth term which started from August 2013 and expires on August 2016. During this tenure, he has been participating in the Disciplinary Appeal Board, a portfolio assigned to him under the Malaysian Examinations Council.

Tan Jwee Peng, Malaysian, aged 56
Senior Independent Non-Executive Director

Tan Jwee Peng is our Senior Independent Non-Executive Director and was appointed to our Board on 3 December 2014. He graduated with a Bachelor of Law degree with Honours from the University of Buckingham, England in 1982. He became a member of Lincoln's Inn of the United Kingdom and was called to the Bar of England and Wales in 1983. He was also admitted to practise in the Supreme Court of the Australian Capital Territory and the High Court of Australia in 1990.

In 1984, he was called to the High Court in Sabah and Sarawak as an Advocate and Solicitor. In the same year, he started his career as a legal assistant in Jayasuriya Kah & Co and subsequently became a partner in 1986. He is currently the Managing Partner of Jayasuriya Kah & Co. His main responsibility being the Managing Partner is to manage the firm with a personal focus on banking, corporate, commercial and land laws. He has over 30 years of experience as a practicing lawyer.

He is a member of the Sabah Law Association and served as its President for three (3) terms from 1999 to 2003.

From 2002 to 2003, he was the Chairman of the Board of Visiting Justices for Kota Kinabalu Prisons.

Currently, he is also a director of several private limited companies as disclosed in Section 8.2.4 of this Prospectus.

Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah, Malaysian, aged 42
Independent Non-Executive Director

Tengku Zatashah is our Independent Non-Executive Director and was appointed to our Board on 2 December 2014. She graduated with a Bachelor of Arts (Honours) in Spanish with French Studies at Middlesex University, United Kingdom in 1997. Subsequent to that, she attained the Certificate of Language and French Civilisation at Sorbonne University in 2001. She then obtained a Masters in International Relations & Diplomacy at the American Graduate School in Paris from its School of International Relations and Diplomacy in 2007 and graduated Magna Cum Laude. In 2013, she completed the Women Directors Programme organised by the NAM Institute for the Empowerment of Women Malaysia, an institution under the purview of the Ministry of Women, Family and Community Development, Malaysia. In 2014, she completed the Finance for Executives programme from Insead Business School in Singapore.

She started her career in BDDP Barcelona, an advertising agency in Barcelona, Spain in 1995. In 1996, she moved to the United Kingdom for a Front Desk Management role in Ascott Hotel, London, a role she held until end 1997. Between 1997 and 2001, she was taking a career break. Tengku Zatashah's return to Malaysia in 2001 saw her taking up a role of a journalist in the New Straits Times, a role she held until 2003. In 2003, she was appointed as Malaysian Red Crescent Society National Youth Ambassador and subsequently in 2009 she was appointed as a Selangor Youth Advisor until 2010. She returned to France in 2004 and joined L'Oreal SA at its headquarters in Paris, France, as its International Corporate Communications Manager, specialising in corporate communications, crisis management and international media relations, a role she held until 2009.

In 2009, she co-founded Originalo Sdn Bhd, a leisure travel gift box company with partners in leisure, hospitality and F&B in Malaysia, as its Managing Director until 2014. She was also a contributing writer for The Edge Malaysia between 2009 and 2010 and is currently a contributing writer for The Peak Malaysia's "Jetsetter" and "Design Diary" columns since 2012. She was elected as the Vice President of Alliance Francaise de Kuala Lumpur in 2010 and subsequently President in 2012 a role she still holds to date.

Currently, she is also the Chairman and CEO of Light Cibles Sdn Bhd, an international lighting design consultancy firm since 2012 with projects such as Kuala Lumpur Lighting Master Plan, Masjid Jamek, Masjid Negara and Al Bukhary Foundation. She also serves as Senior Advisor to Bell Pottinger Malaysia, one of the leading public relations and communications firms in United Kingdom and the Royal Patron to Make-A-Wish Malaysia, part of international Make-A-Wish Foundation.

She is also a director of several private limited companies as disclosed in Section 8.2.4 of this Prospectus.

Wee Hock Kee, Malaysian, Malaysian, aged 54
Independent Non-Executive Director

Wee Hock Kee is our Independent Non-Executive Director and was appointed to our Board on 2 December 2014. He graduated in 1985 with the Association of Chartered Certified Accountant ("**ACCA**") from Emile Woolf College London and was qualified by the Malaysian Institute of Accountant ("**MIA**") as a Chartered Accountant in 1989. He became a Chartered Fellow of Institute of Internal Auditors ("**IIA**") Malaysia in 2006. He is currently a Fellow Member of the ACCA. He has also obtained a Certified Risk Management Assurance (United States) in 2012.

He began his career as an Internal Auditor in 1985 in Fraser & Neave Holdings Berhad before leaving in 1987 to join ICI Holdings (M) Sdn Bhd where he held the position of Audit Manager. He left ICI Holdings (M) Sdn Bhd in 1992 and was attached with Guinness Anchor Berhad in the same year. In 1994, he joined Cycle and Carriage Singapore and spent 2 years working in the company as the Chief Internal Auditor for the group. He subsequently joined Karambunai Resorts Berhad and served as a Special Assistant to the Group Chief Executive Officer from year 1995 until 1998. Within a span of 20 years in internal audit, he rose to the position of Regional Audit Director in AstraZeneca Plc ("**AZ**") for Asia Pacific, Middle East and Africa in mid-1998 until 2005. As part of the AZ group internal audit global senior management team, he was responsible for developing and charting the AZ group's governance strategy. In 2005, he decided to dedicate his efforts to public practice and promote internal audit by assuming the driver-seat in CG Board Asia Pacific Sdn Bhd.

In 2014, he was engaged by IIA as the Lead Quality Assurance Reviewer for Felda Global Ventures Berhad. He was the President of IIA Malaysia from 2004 to 2006 and President of Asian Confederation of IIA from 2006 to 2007, and board member of IIA Global from 2005 to 2007. He was also a member of ACCA Malaysia's Advisory Committee from 2002 to 2006 and a Chairman of the Internal Audit Working Group of MIA in 2007. He was the Chairman of the 2011 IIA International Conference in Kuala Lumpur. He won the Malaysian Internal Auditor of the Year Award in 2001 and was a speaker and chaired numerous international, regional and national conferences organised by professional bodies throughout the span of his career in internal audit, with engagement with Bursa Securities for Risk Management & Internal Control: Workshop for Audit Committee Members since 2013, the Institute for the Empowerment of Women (NIEW) together with Malaysia Directors Academy (MINDA) for Women Directors' Onboarding Training Programme since 2013 and recent engagement with Securities Industry Development Corporation (SIDC) for Capital Market Directors Programme (CMDP). In 2013, he was appointed as an Advisor in NGL Tricor Governance Sdn Bhd. He is also a current Research Fellow in HELP University. Apart from consulting, he is the Founder/CEO of BacktoHealth (M) Sdn Bhd, a healthcare company involved in physiotherapy rehabilitation in Malaysia.

He was an independent director of Ideal Jacobs (Malaysia) Corporation Bhd, an ACE Market listed company from 2010 until 2013.

Currently, he is also a director of several private limited companies as disclosed in Section 8.2.4 of this Prospectus.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

8.2.2 Particulars and shareholdings of our Directors

Our Directors and their respective shareholdings before and after the IPO are as follows:

			<------Before IPO			------>	<------After IPO			------>
			Direct		Indirect		Direct		Indirect	
Name	Nationality	Designation	No. of Shares	%*	No. of Shares	%*	No. of Shares	%^	No. of Shares	%^
Datuk Kamal	Malaysian	Independent Non-Executive Chairman	-	-	-	-	-	-	-	-
Tan Jwee Peng	Malaysian	Senior Independent Non-Executive Director	-	-	-	-	-	-	-	-
Tengku Zatashah	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Datuk Lau	Malaysian	Non-Independent Managing Director	-	-	368,277,000(1)	100.00	-	-	368,277,000(1)	72.17
Datin Lim	Malaysian	Non-Independent Non-Executive Director	-	-	368,277,000(3)	100.00	-	-	368,277,000(3)	72.17
Dexter Lau	Malaysian	Non-Independent Executive Director	-	-	368,277,000(2)	100.00	-	-	368,277,000(2)	72.17
Lim Hui Kiong	Malaysian	Non-Independent Executive Director	-	-	-	-	-	-	-	-
Wee Hock Kee	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Notes:

* *Based on the enlarged issued and paid-up share capital of 368,277,000 Shares after the Acquisitions but before our IPO.*

^ *Based on the enlarged issued and paid-up share capital of 510,277,000 Shares after our IPO.*

(1) Deemed interested by virtue of his shareholdings in KTC Holdings and KTC Capital pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of his father's shareholdings in KTC Holdings and his shareholdings in KTC Capital pursuant to Sections 6A and 122A of the Act.

(3) Deemed interested by virtue of her family members' shareholdings in KTC Holdings and KTC Capital pursuant to Section 122A of the Act.

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8.2.3 RCPS holdings of our Directors

Our Directors and their respective RCPS holdings before and after the IPO are as follows:

			Before IPO				After IPO			
			Direct		Indirect		Direct		Indirect	
Name	Nationality	Designation	No. of RCPS	%*	No. of RCPS	%*	No. of RCPS	%^	No. of RCPS	%^
Datuk Kamal	Malaysian	Independent Non-Executive Chairman	-	-	-	-	-	-	-	-
Tan Jwee Peng	Malaysian	Senior Independent Non-Executive Director	-	-	-	-	-	-	-	-
Tengku Zatashah	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Datuk Lau	Malaysian	Non-Independent Managing Director	-	-	24,001,858(1)	100.00	-	-	24,001,858(1)	100.00
Datin Lim	Malaysian	Non-Independent Non-Executive Director	-	-	24,001,858(3)	100.00	-	-	24,001,858(3)	100.00
Dexter Lau	Malaysian	Non-Independent Executive Director	-	-	24,001,858(2)	100.00	-	-	24,001,858(2)	100.00
Lim Hui Kiong	Malaysian	Non-Independent Executive Director	-	-	-	-	-	-	-	-
Wee Hock Kee	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Notes:

* *Based on the enlarged issued and paid-up share capital of 24,001,858 RCPS after the Acquisitions but before our IPO.*

^ *Based on the enlarged issued and paid-up share capital of 24,001,858 RCPS after our IPO.*

(1) *Deemed interested by virtue of his shareholdings in KTC Holdings and KTC Capital pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his father's shareholdings in KTC Holdings and his shareholdings in KTC Capital pursuant to Sections 6A and 122A of the Act.*

(3) *Deemed interested by virtue of her family members' shareholdings in KTC Holdings and KTC Capital pursuant to Section 122A of the Act.*

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

8.2.4 Principal Activities Performed Outside Our Group

Save as disclosed below, none of our Directors has any directorship and/or principal business activities performed outside of our Group as at LPD and/or directorships in other business corporations for the past five (5) years prior to LPD:

Name	Company	Principal Activities	Designation/ interest	Date of Appointment/ (Resignation)	Percentage of direct shareholding as at LPD (%)
Datuk Kamal	Uni YS Sdn Bhd	Licensed private institution for higher education fully owned subsidiary of the Sabah Foundation providing academic courses at degree, diploma and certificate levels in Sabah	Director	09.08.2012	-
	Diverse Capital Sdn Bhd	Property investment	Director/ Shareholder	23.05.2013	69.39
	Erawave Sdn Bhd	Documentary filming, recording and production	Director	30.06.2011	-
	Sunshine Master Care Sdn Bhd	Operating kindergarten, nursery school and child care centre	Director/ Shareholder	27.04.2004	15.00
	KKYS Sdn Bhd	Licensed private institution for post secondary academic & technical education fully owned by the Sabah Foundation offering diploma and certificate level courses in Sabah	Director	02.03.2004	-
	Adventure Study Tours Sdn Bhd	Dormant(1)	Director	11.06.2008	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Name	Company	Principal Activities	Designation/ interest	Date of Appointment/ (Resignation)	Percentage of direct shareholding as at LPD (%)
	Arus Sawit Sdn Bhd	Development and management of an oil palm estate in Sabah	Director	28.08.2007	-
	Expowarisan Sdn Bhd	Construction	Director	14.11.2005/ (16.04.2012)	-
	Gunung Ramai Sdn Bhd	Construction and housing/property development in Sabah	Director	22.10.2003	-
	Convention City Development Sdn Bhd	Property development in Sabah	Director	04.09.2012	-
	KTC Holdings	Investment holdings	Director	31.05.2013/ (03.12.2014)	-
	Prolific Palm Sdn Bhd	Palm oil plantation	Director	03.06.2015	-
Tan Jwee Peng	Pinnacle Merchants Sdn Bhd	Dormant[(2)]	Director	24.08.1985	-
	Syarikat Yadu Sdn Bhd	Property investment	Director/ Shareholder	08.09.1992	20.24
Tengku Zatashah	Idris Zarina And Sons Realty Sdn Bhd	Residential and commercial plots, as landlord	Director/ Shareholder	03.12.2003	15.00
	Light Cibles Sdn Bhd	Interior and exterior lighting consultancy	Director/ Shareholder	25.11.2011	80.00

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Name	Company	Principal Activities	Designation/ interest	Date of Appointment/ (Resignation)	Percentage of direct shareholding as at LPD (%)
	Highlake Park Sdn Bhd	Investment holding	Director	01.07.2015	-
	Templer Powell Sdn Bhd	Investment holding	Director/ Shareholder	20.03.2015	20.00
Datuk Lau	CMSM Sdn Bhd	Property investment	Director/ Shareholder	28.06.1996	8.15
	LKS Assets	Property letting	Director/ Shareholder	20.01.2012	55.00
	KTC Capital	Investment holding company	Director/ Shareholder	06.12.2012	62.85
	Rafflesia Development Bhd	Property investment	Shareholder	-	2.50
	Evergreen Sector Sdn Bhd	Property investment	Director/ Shareholder	16.07.1997	25.00
	LKS Land	Letting of commercial properties	Director/ Shareholder	28.06.2012	56.00
	Sukulan Timber Sdn Bhd	Property investment	Director/ Shareholder	12.09.1981	99.99
	Impian Majukaya Sdn Bhd	Property investment	Director/ Shareholder	18.03.2013	16.67
	Kim Teck Huat Enterprise Sdn Bhd	Property investment	Director/ Shareholder	20.06.1997	51.00

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Name	Company	Principal Activities	Designation/ interest	Date of Appointment/ (Resignation)	Percentage of direct shareholding as at LPD (%)
	Nusa Majukaya Sdn Bhd	Property investment	Director/ Shareholder	22.02.2013	16.67
	Marvel Ruby Sdn Bhd	Property investment	Director/ Shareholder	09.12.1996	10.00
	Rich Element Sdn Bhd	Property investment	Director/ Shareholder	20.08.2007	60.00
	LKS Enterprise Sdn Bhd (formerly known as K T C (Sandakan) Sdn Bhd	Property investment[(1)]	Director/ Shareholder	11.11.1993	33.33
	LKS Property Concept Sdn Bhd (formerly known as K T C (Sabah) Sdn Bhd)	Property investment	Director/ Shareholder	01.04.1993	99.99
	KTC Holdings	Investment holdings	Director	31.05.2013	-
Datin Lim	Sukulan Timber Sdn Bhd	Property investment	Director/ Shareholder	02.04.2007	*
	KTC Capital	Investment holding company	Shareholder		0.87
	Rich Element Sdn Bhd	Property investment	Director/ Shareholder	04.04.2005	40.00

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Name	Company	Principal Activities	Designation/ interest	Date of Appointment/ (Resignation)	Percentage of direct shareholding as at LPD (%)
	LKS Enterprise Sdn Bhd (formerly known as K T C (Sandakan) Sdn Bhd	Property investment[1]	Director/ Shareholder	11.11.1993	33.33
	LKS Land	Letting of commercial properties	Director/ Shareholder	24.09.2012	7.00
	LKS Property Concept Sdn Bhd (formerly known as K T C (Sabah) Sdn Bhd)	Property investment	Director	17.09.2011	-
	KTC Holdings	Investment holdings	Director	31.05.2013	-
Dexter Lau	KTC Capital	Investment holding company	Director/ Shareholder	06.12.2012	35.97
	LKS Assets	Property letting	Director/ Shareholder	20.01.2012	26.67
	Sukulan Timber Sdn Bhd	Property holding	Director/ Shareholder	02.04.2007/ (17.09.2011)	*
	KTC Holdings	Investment holdings	Director	31.05.2013	-
Lim Hui Kiong	LKS Land	Letting of commercial properties	Director/ Shareholder	28.06.2012	35.00
	LKS Enterprise Sdn Bhd (formerly known as K T C (Sandakan) Sdn Bhd	Property investment[1]	Director/ Shareholder	11.11.1993	33.33

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Name	Company	Principal Activities	Designation/ interest	Date of Appointment/ (Resignation)	Percentage of direct shareholding as at LPD (%)
	Evergreen Sector Sdn Bhd	Property investment	Director/ Shareholder	16.07.1997	20.00
	KTC Holdings	Investment holdings	Director/ Shareholder	31.05.2013	6.35
Wee Hock Kee	Ergorehab Sdn Bhd	Providing neck and back physiotherapy and rehabilitation programme	Director/ Shareholder	17.11.2005	50.00
	CG Board Asia Pacific Sdn Bhd	Business consultancy	Director/ Shareholder	04.05.2005	50.00
	Support Plus Systems Sdn Bhd	Physiotherapy, rehabilitation and health care centres	Director/ Shareholder	07.12.2005	*
	Erma Asia Sdn Bhd	Training and consulting in area of risk management[(1)]	Director/ Shareholder	30.07.2012	50.00
	DBC South East Asia Sdn Bhd	Trading in rehab medical equipment.	Director	26.12.2007/ (25.02.2013)	-
	Ideal Jacobs (Malaysia) Corporation Bhd	Investment holding	Director	08.06.2010/ (23.01.2013)	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Name	Company	Principal Activities	Designation/ interest	Date of Appointment/ (Resignation)	Percentage of direct shareholding as at LPD (%)
	Backtohealth (Malaysia) Sdn Bhd	Establish, carry on and maintain medical centre, clinics, physiotherapy and health centre, to provide and apply medical surgical and pharmaceutical appliances and business as proprietor, operators managers and administrators of medical centre and health facilities	Director	30.07.2007	-
	KTC Holdings	Investment holdings	Director	31.05.2013/ (03.12.2014)	-

Notes:

(1) *In the process of striking off pursuant to Section 308 of the Act.*

(2) *The company will follow-up with CCM to de-register/ strike-off the company.*

* *Negligible, less than 0.01%*

None of the Executive Directors are involved in the day-to-day activities and operations of the abovementioned business and accordingly, their involvement in the abovementioned companies do not affect their contribution to our Group or negatively impact their ability to act as the Executive Directors of our Group.

Please refer to Section 10.1 of this Prospectus for further information on related party transactions with our Directors.

8.2.5 Directors' remuneration and benefits

The current remunerations and proposed remunerations for services rendered/to be rendered by our Directors in all capacities to our Group for the FYE 30 June 2015 and 2016 are as follows:

Director	Remuneration Band	
	FYE 30 June 2015 RM	**Proposed FYE 30 June 2016 RM**
Datuk Kamal	Up to 50,000	Up to 50,000
Tan Jwee Peng	Up to 50,000	Up to 50,000
Tengku Zatashah	Up to 50,000	Up to 50,000
Datuk Lau	750,000 to 800,000	750,000 to 800,000
Datin Lim	Up to 50,000	Up to 50,000
Dexter Lau	400,000 to 450,000	400,000 to 450,000
Lim Hui Kiong	200,000 to 250,000	200,000 to 250,000
Wee Hock Kee	Up to 50,000	Up to 50,000

The above remunerations, which comprise salaries, bonuses, fees, allowances and other benefits-in-kind must be considered and recommended by the Remuneration Committee and subsequently approved by our Board. Our Directors' fees are subject to shareholders' approval at general meeting.

8.2.6 Directors' term of office

Our Directors were appointed to the Board and have served in their respective capacities since the dates of appointment set out below. Our Board comprises one (1) Independent Non-Executive Chairman, one (1) Non-Independent Managing Director, two (2) Non-Independent Executive Directors, one (1) Senior Independent Non-Executive Director, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The details of our Board are as follows:

Name	Directorship	Date of appointment	Date of expiration of the current term of office*	No. of years in office as at LPD
Datuk Kamal	Independent Non-Executive Chairman	2 December 2014	At the first AGM	Less than 1 year
Tan Jwee Peng	Senior Independent Non-Executive Director	3 December 2014	At the first AGM	Less than 1 year
Tengku Zatashah	Independent Non-Executive Director	2 December 2014	At the first AGM	Less than 1 year
Datuk Lau	Non-Independent Managing Director	17 October 2014	At the first AGM	Less than 1 year
Datin Lim	Non-Independent Non-Executive Director	2 December 2014	At the first AGM	Less than 1 year
Dexter Lau	Non-Independent Executive Director	17 October 2014	At the first AGM	Less than 1 year
Lim Hui Kiong	Non-Independent Executive Director	2 December 2014	At the first AGM	Less than 1 year
Wee Hock Kee	Independent Non-Executive Director	2 December 2014	At the first AGM	Less than 1 year

Note:

* *In accordance with our Company's Articles of Association, an election of Directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors (including the Non-Independent Managing Director) or if their number is not a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office PROVIDED ALWAYS that all Directors shall retire from office at least once every three (3) years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election.*

8.3 AUDIT, REMUNERATION AND NOMINATION COMMITTEES

8.3.1 Audit Committee

Our Audit Committee was established on 3 December 2014. Members of our Audit Committee are as follows:

Name	Designation	Directorship
Wee Hock Kee	Chairman	Independent Non-Executive Director
Tan Jwee Peng	Member	Senior Independent Non-Executive Director
Tengku Zatashah	Member	Independent Non-Executive Director

The principal objective of the Audit Committee is to implement and support the oversight function of the Board in the area of governance, risk management and internal control. It provides a means for review of our Group's processes for producing financial data, its internal controls, corporate code of conduct, the independence of our Group's external auditors, and maintain an open line of communication and consultation between our Board, the internal auditors, the external auditors and our key management personnel. Our Audit Committee performs, amongst others, the following functions:

(i) review with our internal and/or external auditors the nature and scope of their audit plans, audit reports, major findings and evaluations of our internal controls system;

(ii) review our quarterly and annual financial statements before submission to our Board, focusing on, amongst others, change in implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standards and other regulatory or legal requirements;

(iii) review matter concerning the suitability for appointment or reappointment of external auditors and matters relating to their resignation;

(iv) review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;

(v) review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work and to report the same to the Board;

(vi) perform such other functions as may be requested by our Board;

(vii) review the adequacy of our Group's risk management framework and assess the resources and knowledge of the Management and employee involved in the risk management process;

(viii) review the effectiveness of internal control systems deployed by the management to address those risks;

(ix) review and recommend corrective measures undertaken to remedy failings and/or weaknesses;

(x) review and further monitor principal risks that may affect our Group directly or indirectly that if deemed necessary, recommend additional course of action to mitigate such risks;

(xi) communication and monitoring of risk assessment results to the Board; and

(xii) actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting our Group.

8.3.2 Remuneration Committee

Our Remuneration Committee was established on 3 December 2014. Members of our Remuneration Committee are as follows:

Name	Designation	Directorship
Tengku Zatashah	Chairman	Independent Non-Executive Director
Datuk Lau	Member	Non-Independent Managing Director
Wee Hock Kee	Member	Independent Non-Executive Director

Our Remuneration Committee's terms of reference include, amongst others the following:

(i) review and recommend the entire individual remuneration packages for each of the Executive Directors and key management personnel to ensure the levels of remuneration to be sufficiently attractive and able to retain the Executive Directors and key management personnel needed to run our Group successfully;

(ii) ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets, the performance-related elements of remuneration forming a significant proportion of the total remuneration package of Executive Directors and key management personnel; and

(iii) establish and recommend to the Board the remuneration structure and policy for Executive Directors and key management personnel; the terms of employment or contract of employment/service, any benefit, pension or incentive scheme entitlement; other bonuses, fees and expenses; any compensation payable on the termination of the service contract by our Group and to review for changes to the policy, as necessary.

8.3.3 Nomination Committee

Our Nomination Committee was established on 3 December 2014. Members of our Nomination Committee are as follows:

Name	Designation	Directorship
Tan Jwee Peng	Chairman	Senior Independent Non-Executive Director
Tengku Zatashah	Member	Independent Non-Executive Director
Wee Hock Kee	Member	Independent Non-Executive Director

Our Nomination Committee's terms of reference include the following:

(i) assess and recommend to our Board, candidates for directorships of our Company and Directors as members of the relevant Board committees;

(ii) evaluate the effectiveness of our Board and the relevant Board committees including its size and corporation and the contribution of each individual Director including Independent Non-Executive Directors;

(iii) review annually the required mix of skills and experience and other qualities of our Board, including the core competencies which Directors should bring to our Board; and

(iv) ensure an appropriate framework and succession planning for our Board.

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8.4 KEY MANAGEMENT PERSONNEL

8.4.1 Profiles

Christina Yap Chui Fui, Malaysian, aged 37
Associate Director, Treasury - Corporate

Christina Yap Chui Fui is our Associate Director, Treasury - Corporate. She is a qualified chartered accountant and has obtained her membership from the ACCA in 2003. She was admitted to the MIA as a member in 2004. In 2008, she became a fellow member of ACCA. She started her career in 2001 as an Audit Assistant in Lau Chua Kong & Co. In the same year, she joined KPMG as an Audit Senior. Subsequently, she joined Empor Holdings Sdn Bhd in 2004 as a Financial Controller and was then transferred to its related company, Empor Management Services Sdn Bhd in 2009 to act as its director. In 2011, she joined KTC Sdn Bhd as Group Manager, Finance/Investment(1) and is responsible for overseeing and monitoring our financial accounting and taxation matters, and corporate activities which includes, amongst others, the planning and coordinating of our financial reporting activities.

Adeline Tan Sze Kean, Malaysian, aged 36
Associate Director, Commercial Logistics - Corporate

Adeline Tan Sze Kean is our Associate Director, Commercial Logistics - Corporate. She graduated with a Bachelor of Arts in Accounting at University of Hertfordshire, United Kingdom in 2000. Subsequently, she obtained a Master of Commerce at Deakin University, Australia in 2003. She started her career as an audit assistant at SK Hiew & Associates in 2000 and in 2002, she furthered her studies in Australia. Upon completing her Master of Commerce in 2003, she joined United Overseas Bank Berhad as a Privilege Banking Manager, a role she held until 2005. She then joined Stellen (Malaysia) Sdn Bhd as its financial controller from 2005 until 2008. Between 2008 and 2010, she was the Business Development Manager of Ayam Ria, a cold chain business, a sole proprietor. In 2010, she joined CIMB Bank Berhad as Team Sales Manager of Mobile Sales Force Mortgage department. Subsequently, she joined KTC Group as Unit Manager of KTC Sdn Bhd in 2012. She was promoted as branch Operations Manager of Kota Kinabalu in 2013 and subsequently promoted to General Manager(2) in the same year. During her tenure as General Manager from 2013 to 2015, she was responsible for overseeing the business operations of KTC Sdn Bhd in Kota Kinabalu, Sandakan and Labuan branches. In 2015, she was made Associate Director, Commercial Logistics – Corporate, responsible for overseeing the commercial logistics operations of our Group.

Wong Lai Yee, Malaysian, aged 34
General Manager, Commercial Development – Business Operations

Wong Lai Yee is our General Manager, Commercial Development - Business Operations.

She started her career as a Front Desk Officer at The Regent Hotel, Kuala Lumpur (now known as Grand Millennium, Kuala Lumpur) after she graduated from her secondary education in 1999. Subsequently, she joined Succeo Food & Beverage Sdn Bhd, a food distributor of grocery products based in West Malaysia as a Sales Executive from 2001 to 2003. In 2003, she joined Frontier Food Industries Sdn Bhd, a manufacturer and supplier of waffle confectionery as a Sales Executive before being promoted to Key Account Manager a year later. As Key Account Manager from 2004 to 2006, she was tasked with servicing hypermarkets such as Giant and Tesco and other wholesalers as well as to oversee the management and the overall operations of all the branches and key outlets in Kuala Lumpur.
In 2006, she relocated to East Malaysia and joined Priceworth Wood Products Sdn Bhd as Marketing Executive for a period of two (2) years. Her main responsibilities were sales and marketing of sawn timbers.

In 2009, she joined AMDA Marketing as Assistant Manager responsible for monitoring the sales of AMDA Marketing. She was promoted in 2011 as Branch Operation Manager of KTC Sdn Bhd and was transferred from AMDA Marketing to KTC Sdn Bhd and managed the business and operation of KTC Sdn Bhd in Sandakan. In January 2015, she was promoted to General Manager of KTC Sdn Bhd. Currently, she is responsible for overseeing the business operations of KTC Sdn Bhd in Kota Kinabalu, Sandakan and Labuan branches.

Notes:

(1) The title of Group Manager, Finance/Investment - Corporate has been renamed as Associate Director, Treasury – Corporate in 2014.

(2) The title of General Manager has been renamed as General Manager, Commercial Development - Business Operations in 2014.

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8.4.2 Shareholdings

The shareholdings of our key management personnel before and after our IPO are as follows:

			<-----Before the IPO----->				<-----After the IPO----->			
			Direct		Indirect		Direct		Indirect	
Name	Nationality	Designation	No. of Shares	%	No. of Shares	%	No. of Shares*	%^	No. of Shares	%^
Christina Yap Chui Fui	Malaysian	Associate Director, Treasury - Corporate	-	-	-	-	460,000	0.09	-	-
Adeline Tan Sze Kean	Malaysian	Associate Director, Commericial Logistics - Corporate	-	-	-	-	460,000	0.09	-	-
Wong Lai Yee	Malaysian	General Manager, Commercial Development – Business Operations	-	-	-	-	330,000	0.06	-	-

Notes:

^ *Based on the enlarged issued and paid-up share capital of 510,277,000 Shares after our IPO.*

* *Assuming full subscription of her pink form tranche allocation.*

8.4.3 Involvement of Key Management Personnel in Other Businesses or Corporations

Save as disclosed below, none of our key management personnel are involved in other businesses/corporations as at LPD:

Name	Company	Principal Activities	Designation	Date Appointed/ (Resigned)
Christina Yap Chui Fui	Empor Management Services Sdn. Bhd.	Investment holdings	Director/ Shareholder	26.02.2005/ (28.02.2013)
	Rapidea Solution Sdn. Bhd.	Management services	Director	11.02.2009/ (23.05.2011)
	CY Advisory Sdn Bhd (formerly known as ACTACS Advisory Services Sdn. Bhd.)	Provision of accounting, secretarial, taxation and financial advisory	Director	01.12.2008/ (16.08.2011)
	Whitedoor Plantations Sdn. Bhd.	Plantations	Director	04.09.2004/ (28.02.2013)
Adeline Tan Sze Kean	AMT Nano Tech Sdn. Bhd.	Import of cosmetic products	Director/ Shareholder	10.10.2005
	Stellen (Malaysia) Sdn. Bhd.	Supply and trading in cosmetic products	Director/ Shareholder	23.03.2005
	AMT Construction Sdn. Bhd.	Trading of wood products	Director/ Shareholder	28.07.2005

None of our above-named key management personnel is involved in the day-to-day activities and operations of the abovementioned businesses or corporations and accordingly, their involvement in the abovementioned businesses or corporations does not affect their contribution to our Group or negatively impact their ability to act as a member of our Group's key management personnel.

8.5 DECLARATION OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Based on the declaration by our Promoters, Directors and key management personnel, none of our Promoters, Directors and key management personnel is or has been involved in any of the following events (whether in or outside Malaysia):

(i) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key management personnel;

(ii) Disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) Any judgement entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) The subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationships (as defined under Section 122A of the Act) or associations amongst the Directors, Promoters, the substantial shareholders and the key management personnel:

(a) Datuk Lau is the spouse of Datin Lim, the father of Dexter Lau, Benedick Lau and Lindfay Lau and brother-in-law of Lim Hui Kiong;

(b) Datin Lim is the spouse of Datuk Lau, mother of Dexter Lau, Benedick Lau and Lindfay Lau and sister of Lim Hui Kiong;

(c) Dexter Lau is the son of Datuk Lau and Datin Lim, brother of Benedick Lau and Lindfay Lau and nephew of Lim Hui Kiong;

(d) Benedick Lau is the son of Datuk Lau and Datin Lim, brother of Dexter Lau and Lindfay Lau and nephew of Lim Hui Kiong;

(e) Lindfay Lau is the daughter of Datuk Lau and Datin Lim, sister of Dexter Lau and Benedick Lau and niece of Lim Hui Kiong; and

(f) Lim Hui Kiong is the brother of Datin Lim, brother-in-law of Datuk Lau and uncle of Dexter Lau, Benedick Lau and Lindfay Lau.

In addition, Lim Soh Khim @ Lim Su Chui, who is our warehouse logistics supervisor, is the sister of Datin Lim and Lim Hui Kiong and aunt of Dexter Lau, Benedick Lau and Lindfay Lau.

8.7 BENEFITS PAID OR INTENDED TO BE PAID

Save for the Directors' remunerations as disclosed in Section 8.2.5, there are no amount or benefit paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders within the two (2) years preceding the date of this Prospectus.

8.8 SERVICE AGREEMENTS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at LPD, there are no existing or proposed service agreements between the companies within our Group and our Directors and key management personnel, which are not terminable by notice without payment or compensation (other than statutory notice).

8.9 INFORMATION ON EMPLOYEES

8.9.1 Employment Structure

As at LPD, we have a total workforce of 474 permanent employees including our Directors.

The breakdown of our employees by category as at 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 as well as at LPD is as follows:

	Number of employees				
	<-------------------------As at 30 June			------------------------->	
Category of employee	**2012**	**2013**	**2014**	**2015**	**As at LPD**
Managerial and professional*	17	17	20	23	29
Sales and marketing	165	157	163	239#	226
Clerical and administrative	55	59	58	77	86
Warehousing and manufacturing^					
Local worker	39	34	59	113#	133
Foreign worker	-	-	-	-	-
TOTAL	**276**	**267**	**300**	452	474

Notes:

* *Our Group's Non-Independent Managing Director and Non-Independent Executive Directors are included in the managerial category.*

^ *Comprises unskilled workers.*

The substantial increase in the employees for sales and marketing as well as warehousing is to cater for the expansion of our business in view of our distributionship agreement secured with Coca-Cola and Kimberly-Clark Trading (M) Sdn Bhd, respectively.

None of our employees belong to any labour union. The relationship and cooperation between our management and our employees have always been good and this is expected to continue.

As at LPD, there is no industrial dispute action taken against our Group and our Directors is not aware of any industrial disputes action pending or threatened against our Group, or of any fact that is likely to give rise to any industrial dispute action against our Group.

8.9.2 Training and Development

We place strong emphasis on human resource development. Our employees are given regular on-the-job training in areas of management skills and technical knowledge to provide them with opportunities to acquire new skills and knowledge. We also provide opportunities for internal promotion as one of the key components of employees' development and retention.

The following table lists out some of the training and development programmes attended by our employees over the last four (4) years. The programmes encompass external and internal training as well as development programmes:

Year	Programme	Facilitator/ Organiser
2012	Trade Term Management Deployment Training	Danone Dumex
2012	Distributor Profit and Loss Training	Danone Dumex
2012	OSH Awareness Course In-House Kim Teck Cheong Sdn Bhd	National Institute of Occupational Safety and Health (NISOH)
2012	Working In Safety Environment (WISE) Training	Danone Dumex
2014	Deployment of Upgraded SAP System and Kimberry	KTC Group
2014	Basic Bakery Products Training	Puratos Malaysia Sdn Bhd
2014	MIA Special Member Briefing on GST by Customs Officer KK	Malaysian Institute of Accountants
2014	Goods and Services Tax (GST) Awareness Briefing	Baker Tilly MH Tax Advisory Services Sdn Bhd
2014	Microsoft Dynamics SL - GST Training	CWT Consulting Sdn Bhd
2014	Konvensyen Pematuhan Halal – Objektif Peranan Halal Committee Executive Halal and Introduction to Sistem Jaminan Halal	Jabatan Hal-Ehwal Agama Islam Negeri Sabah
2014	OSH Awareness Seminar for Fast Moving Consumer Goods Industry 2014	National Institute of Occupational Safety and Health (NISOH)
2014	Kimberly-Clark Distributors Management System Training	Kimberly-Clark Trading (Malaysia) Sdn Bhd
2014	Good Warehouse Practice Training and Finance Briefing	Coca-Cola
2015	AmBank FOREX & Online Banking Seminar	AmBank (M) Berhad

Year	Programme	Facilitator/ Organiser
2015	Bank Negara Malaysia & Association of Banks in Malaysia's National e-Payment Roadshow	Bank Negara Malaysia
2015	Business Process Review / Training	KTC Group
2015	Getting Distributors Management System ready for GST	GlaxoSmithKline Consumer Healthcare Sdn Bhd
2015	Kimberly-Clark GST Distributors Management System Training	Kimberly-Clark Trading (Malaysia) Sdn Bhd

8.9.3 Management Succession Plan

Our Board believes that the success of our Group depends on the ability to retain our key management personnel and upon our ability to attract and retain skilled personnel. Therefore, we have made efforts to train our staff and remunerate them accordingly.

Our Group has a management succession plan consisting of:

(i) Sound recruitment and selection;

(ii) Competitive remuneration and employee benefits;

(iii) Structured career planning and development; and

(iv) Continuous training and education.

In addition, we will continue to provide appropriate training to promising junior staff in order to enhance their management and technical skills for the purpose of their career advancement with our Group. As part of the management succession plan, our Group has identified middle management personnel across all levels to assist the heads of various business divisions in order to facilitate skill transfer so as to ensure the smooth running and continuity of the operations of our Group. If the need arises, we will recruit qualified personnel with knowledge and expertise of the business to further enhance our operations.

We believe that our employees are valuable assets to our Group and we provide the necessary training for their future development.

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9. APPROVALS AND CONDITIONS

9.1 APPROVALS AND CONDITIONS

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated 23 March 2015, approved the resultant equity structure of our Company pursuant to the Listing under the equity requirements for public companies.

The conditions imposed by the SC and the status of compliance with the conditions are as follows:

No	Details on conditions imposed	Status of Compliance
1.	KTC Consolidated to allocate the difference between the prescribed equity requirement of 12.5% of its issued and paid-up share capital and the actual equity interests of Bumiputera investors upon listing (pursuant to the public issue shares via balloting) to Bumiputera investors to be approved by the Ministry of International Trade and Industry within one (1) year after achieving the profit track record requirement for companies seeking for listing on the Main Market of Bursa Securities, or five (5) years after being listed on the ACE Market of Bursa Securities, whichever is the earlier ("**Triggering Date**").	To be complied.
2.	KTC Consolidated to submit to SC a proposal to comply with the Bumiputera equity condition within six (6) months from the Triggering Date.	To be complied.
3.	RHB Investment Bank/ KTC Consolidated to submit to SC its equity structure upon completion of the proposal.	To be complied.

Bursa Securities had, vide its letter dated 23 March 2015, approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities. Bursa Securities vide the same letter dated 23 March 2015, had also resolved to approve the listing and quotation of up to 184,629,677 Shares to be issued upon conversion of RCPS.

The conditions imposed by Bursa Securities and the status of compliance with the conditions are as follows:

No	Details on conditions imposed	Status of Compliance
1.	Submit the following information in respect of the moratorium on the shareholdings of promoters to the Bursa Depository: (i) name of shareholders; (ii) number of shares; and (iii) date of expiry of the moratorium for each block of shares.	Complied.
2.	Obtain approvals from other relevant authorities for implementation of the listing proposal.	Complied.
3.	Make the relevant announcements pursuant to paragraph 8.1 and 8.2 of Guidance Notes ("GN") 15 of Listing Requirements.	To be complied prior to Listing.

9. APPROVALS AND CONDITIONS *(Cont'd)*

No	Details on conditions imposed	Status of Compliance
4.	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued and paid up share capital of KTC Consolidated on the first day of listing.	To be complied.
5.	Any director of the Company who has not attended the Mandatory Accredition Programme must do so prior to listing of the Company.	Complied.
6.	In relation to the public offering to be undertaken by KTC Consolidated, please announce at least two (2) market days prior to the listing date, the result of the offering including the following: (i) level of subscription of public balloting and placement; (ii) basis of allotment/ allocation; (iii) a table showing the distribution for placement tranche; and (iv) disclosure of placees who become substantial shareholders of KTC Consolidated arising from the public offering, if any.	To be complied prior to Listing.
7.	KTC Consolidated or RHB Investment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List on the ACE Market is completed.	To be complied.
8.	Furnish to Bursa Securities on a quarterly basis a summary of the total number of new shares listed, arising from the conversion of RCPS, as at the end of each quarter together with a detail computation of listing fees payable.	To be complied.
9.	In the event the new ordinary shares to be issued pursuant to the conversion of RCPS will be listed and quoted as the existing securities of the same class, quotation of the new ordinary shares will commence on the next market day after the following: (i) submission of the share certificate together with a covering letter containing the summary of the corporate proposal to Bursa Depository before 10 a.m. on the market day prior to the listing date; (ii) receipt of confirmation from Bursa Depository that the additional new shares are ready for crediting into the respective account holders; and (iii) an announcement in accordance to paragraph 12 of GN17 is submitted via Bursa Link before 3 p.m. on the market day prior to the listing day.	Noted.
10.	In the event the new ordinary shares to be issued pursuant to the conversion of RCPS will be separately quoted from the existing securities i.e. "A" shares, the listing and quotation of the new ordinary shares will take place two (2) market days upon the receipt of an application for quotation by Bursa Securities as specified under Part C of Annexure GN17-B.	Not applicable.

Bursa Securities had, vide its letter dated 14 September 2015 approved our application for extension of time up to 31 December 2015 to complete the Listing.

9.2 MORATORIUM ON SALE OF SHARES

In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoter as follows:

(i) the moratorium applies to the entire shareholdings held by our Promoter for a period of six (6) months from the date of our admission to the ACE Market ("**First 6-Month Moratorium**");

(ii) upon the expiry of the First 6-Month Moratorium, we must ensure that our Promoter's aggregate shareholdings amounting to at least 45% of the nominal issued and paid-up ordinary share capital of our Company shall remain under moratorium for another period of six (6) months ("**Second 6-Month Moratorium**"); and

(iii) thereafter, our Promoter may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight-line basis) of the Shares held under moratorium.

The moratorium shall be imposed as follows:

	Moratorium Shares during the First 6-Month Moratorium		Moratorium Shares during the Second 6-Month Moratorium	
Promoter	**No. of Shares**	**%***	**No. of Shares**	**%****
KTC Holdings	368,277,000	72.17	301,630,224	45.00

Notes:

* *Based on our enlarged issued and paid-up share capital of 510,277,000 Shares after our IPO.*

** *Based on our enlarged issued and paid-up share capital of 670,289,386 Shares after our IPO and full conversion of RCPS.*

The restriction, which is fully acknowledged by our Promoter, is specifically endorsed on our share certificates representing its shareholdings which are under moratorium to ensure that our Share Registrar will not register any sale, transfer or assignment that are not in compliance with the aforesaid restriction imposed.

Our Promoter has provided written undertakings to Bursa Securities that it will comply with the moratorium conditions as set out in Rule 3.19(1) of the Listing Requirements.

The shareholders of KTC Holdings (which includes all direct and indirect shareholders (whether individual or other unlisted corporation(s)) up to the ultimate individual shareholders) have in accordance with Rule 3.19(2) of the Listing Requirements, each furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in KTC Holdings during the moratorium period.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS

Save as disclosed below, our Board confirms that there are no existing or presently proposed related party transactions entered into between our Group and our Directors, substantial shareholders and/or persons connected with them (as defined under the Listing Requirements), during the past four (4) FYE 30 June 2012 to 2015 and up to LPD:

				<---- FYE 30 June			---->	
Related Party	Interested Promoter/ Director/ Substantial Shareholder/ Key Management Personnel	Nature of Relationship	Nature of Transaction	2012 RM	2013 RM	2014 RM	2015 RM	As at LPD RM
Related party transaction between KTC Sdn Bhd and related party								
LKS Assets	• Datuk Lau • Dexter Lau • Benedick Lau • Lindfay Lau • Datin Lim	Datuk Lau, Dexter Lau and Benedick Lau are directors and shareholders of LKS Assets. Lindfay Lau is a director of LKS Assets. Datuk Lau and Dexter Lau are our Promoters, substantial shareholders and Directors. Datin Lim is our Promoter and Director. Benedick Lau and Lindfay Lau are our Promoters.	Transfer of one unit of motor vehicle to LKS Assets.^	231,171	-	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

Related Party	Interested Promoter/ Director/ Substantial Shareholder/ Key Management Personnel	Nature of Relationship	Nature of Transaction	<---- FYE 30 June ----> 2012 RM	2013 RM	2014 RM	2015 RM	As at LPD RM
		Datuk Lau and Dexter Lau are directors of KTC Sdn Bhd.						
Datuk Lau & Dexter Lau	• Datuk Lau • Dexter Lau • Datin Lim • Lindfay Lau • Benedick Lau	Datuk Lau and Dexter Lau are our Promoters, substantial shareholders and Directors. Datin Lim is our Promoter and Director. Benedick Lau and Lindfay Lau are our Promoters. Datuk Lau and Dexter Lau are directors of KTC Sdn Bhd.	Disposal of two (2) shares of RM1 each in LKS Assets to Datuk Lau and Dexter Lau at par value.^	2	-	-	-	-
Related party transaction between AMDA Marketing and related party								
CY Advisory Sdn Bhd (formerly known as ACTACS Advisory Services Sdn Bhd) ("**CY Advisory**")	• Christina Yap Chui Fui ("**Christina**")	Christina was director of CY Advisory. Christina is our key management personnel.	Provision of accounting services.*	-	85,500[@]	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

Related Party	Interested Promoter/ Director/ Substantial Shareholder/ Key Management Personnel	Nature of Relationship	Nature of Transaction	<---- FYE 30 June ---- 2012 RM	2013 RM	2014 RM	2015 RM ---->	As at LPD RM
LKS Assets	• Datuk Lau • Dexter Lau • Benedick Lau • Lindfay Lau • Datin Lim	Datuk Lau, Dexter Lau and Benedick Lau are directors and shareholders of LKS Assets. Lindfay Lau is director of LKS Assets. Datuk Lau and Dexter Lau are our Promoters, substantial shareholders and Directors. Datin Lim is our Promoter and Director. Benedick Lau and Lindfay Lau are our Promoters. Datuk Lau and Dexter Lau are directors of AMDA Marketing.	Transfer of 1 unit of motor vehicle to LKS Assets.^	197,179	-	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

Notes:

@ *She transferred her shares in CY Advisory to a third party on 18 October 2012.*

* *Recurrent related party transaction.*

^ *Non-recurrent related party transactions.*

Notwithstanding that all the related party transactions disclosed above were not transacted on an arm's length basis, our Directors confirm that all the transactions disclosed above would not give rise to any conflict of interest situation and were transacted based on terms which are not detrimental to our Group.

Upon Listing, our Directors, through our Audit Committee, will review the terms of any related party transactions and ensure that any related party transactions (recurrent inclusive, if any) are carried out on an arm's length basis and are not prejudiced to our Company nor on terms more favourable to the related parties than those normally agreed with other customers or suppliers and are also not to our detriment and to the detriment of our minority shareholders.

Save as disclosed below, our Directors are not aware of any other transactions that may give rise to conflict of interest situations between our Group and any of our Directors, substantial shareholders and/or persons connected with them.

We wish to inform that our Group is relying on properties owned by related parties (outside of KTC Group) to secure its existing borrowings from HSBC Bank Malaysia Berhad ("**HSBC**"), Malayan Banking Berhad ("**Maybank**") and Alliance Bank Malaysia Berhad ("**Alliance**"). The details of the third party securities are set out in the table of summary below:

Company	Financial Institution	Facilities	Description of Properties / Securities from Third Parties Outside the Group
KTC Sdn Bhd	HSBC	Banking facility comprising of: a. Overdraft of RM2,530,000 b. Bank guarantees totalling RM5,020,000	(i) TL 017502984 – No. 112, Jalan Gaya, Kota Kinabalu owned by LKS Assets ("**TL 017502984**"). (ii) TL 017524186 – Lot 17, Tanjung Lipat, 88000 Kota Kinabalu owned by LKS Assets ("**TL 017524186**"). Utilised as: a. 1st party charge: 1st, 2nd and 3rd legal charge over TL 017502984. b. 1st party charge: 1st and 2nd legal charge over TL 017524186.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

Company	Financial Institution	Facilities	Description of Properties / Securities from Third Parties Outside the Group
		c. Import line (documentary credits, banker's acceptance, loans against imports) of RM24,000,000	c. 1st party charge: joint and several title charge over TL 017502984 and TL 017524186.
KTC Sdn Bhd	Maybank	Banking facilities of RM5,000,000 comprising of: a. Letter of credit b. Trust receipt c. Bankers acceptance **the limit for letter of credit, trust receipt and banker's acceptance may be interchangeable at the discretion of the bank, provided always that the total amount of facilities utilised at any time shall not exceed RM5,000,000*	TL017524177 – Lot 15, Tanjung Lipat, 88000 Kota Kinabalu owned by LKS Assets ("**TL 017524177**"). Utilised as 1st legal charge over TL 017524177.
KTC Tawau	Alliance	Banking facility comprising of: a. Overdraft RM1,200,000	TB 1863, Lot 13, Jalan Tawau Lama held under Title No. CL 105327731, District of Tawau owned by LKS Land ("**TB 1863**"). Utilised as 1st and 2nd charge over TB 1863 as other financing securities.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

Company	Financial Institution	Facilities	Description of Properties / Securities from Third Parties Outside the Group
		b. Trade facilities (letter of credit / trust receipt / banker's acceptance) totaling RM1,200,000	A double storey semi-detached house known as Lot 109, Taman Che Mei, Kota Kinabalu held under Title No. CL 015345838 owned by Datuk Lau ("**CL 015345838**"). Utilised as 1st and 2nd charge over CL 015345838 as other financing securities.
KTC Tawau	HSBC	Banking facility comprising of: a. Overdraft totalling RM800,000	CL 015325050, House No. 1422, Dah Yeh Villa, Off Jalan Damai, Kota Kinabalu owned by Lim Hui Kiong and Lim Soh Chu @ Lim Su Chu ("**CL 015325050**"). Utilised as a third party registered charge totalling RM450,000 over CL 015325050.

Our Company has by way of letter of irrevocable undertakings dated 23 December 2014 undertake to the SC and Bursa Securities that our Company shall take all necessary steps to procure KTC Sdn Bhd and KTC Tawau:

(i) to obtain the respective consent from HSBC, Alliance and Maybank to substitute the third party securities with a security owned/from within our Group; and

(ii) upon receipt of the consent, to follow up with HSBC, Alliance and Maybank from time to time to ensure that the third party securities are uplifted and substituted by securities within our Group prior to the registration of the Prospectus.

As at LPD, the third parties securities have been uplifted and substituted by securities within our Group.

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10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITIONS

Our Directors confirm there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party to during the past four (4) FYE 30 June 2012 to 2015 and up to LPD.

10.3 INTERESTS IN SIMILAR BUSINESSES AND INTERESTS IN BUSINESSES OF OUR CUSTOMERS OR SUPPLIERS

As at LPD, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses or corporations carrying on a trade similar to that of our Group and/or any business or corporations which are our customers or suppliers.

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10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

10.4 LOANS MADE BY OUR GROUP TO OR FOR THE BENEFIT OF RELATED PARTIES

There are no outstanding loans, including guarantees of any kind, made by our Group to or for the benefit of related parties during the past four (4) FYE 30 June 2012 to 2015 and up to LPD.

			<------FYE 30 June			------>	
Company	**Amount due from**	**Nature of transation**	**2012 RM'000**	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**As at LPD RM'000**
AMDA Marketing	KTC Holdings	Non trade	-	-	626*	-	-
Creamos Malaysia	Al-Hambra Bin Juhar	Advances	-	77	-	-	-
KTC Sdn Bhd	LKS Assets	Non trade	346	9	-	-	-
	KTC Capital	Non-trade	-	-	2	-	-
	KTC Holdings	Non-trade	-	888	5,603*	-	-

Note:

* *AMDA Marketing and KTC Sdn Bhd have undertaken the declaration of dividend in which the payment of the said dividend have been set off against the amount due from KTC Holdings prior to the Acquisitions.*

All the abovementioned loans made by our Group to or for the benefit of related parties are short term in nature.

10.5 DECLARATION BY EXPERTS

(i) RHB Investment Bank confirms that there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for our Listing.

(ii) Azman Davidson & Co confirms that there is no existing or potential conflict of interests in its capacity as the Solicitors for our Listing.

(iii) Baker Tilly Monteiro Heng confirms that there is no existing or potential conflict of interests in its capacity as the Auditors and Reporting Accountants for our Listing.

(iv) Vital Factor Consulting Sdn Bhd confirms that there is no existing or potential conflict of interests in its capacity as independent business and market research consultants for our Listing.

(v) Henry Butcher Malaysia (Sabah) Sdn Bhd confirms that there is no existing or potential conflict of interests in its capacity as independent property valuer for our Listing.

(vi) Audex Governance Sdn Bhd confirms that there is no existing or potential conflict of interests in its capacity as independent internal control consultants.

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11. PROFORMA HISTORICAL FINANCIAL INFORMATION

Our proforma consolidated financial information as illustrated below has been compiled based on the accounting principles and bases consistent with those adopted by us which are set out in the notes and assumptions included in the Reporting Accountants' Report on the Compilation of the Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus. The financial statements used in the preparation of our proforma consolidated financial information were prepared in accordance with the Malaysia Financial Reporting Standards and International Financial Reporting Standards. Any adjustments that were dealt with when preparing our proforma consolidated financial information have been highlighted and disclosed in Section 11.4 of this Prospectus.

11.1 PROFORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out our proforma consolidated statements of profit or loss and other comprehensive income for the past four (4) FYE 30 June 2012 to FYE 30 June 2015, which have been prepared for illustrative purposes only assuming that our current Group structure has been in existence throughout the financial years under review.

You should read the summary of our proforma consolidated statements of profit or loss and other comprehensive income for the past four (4) FYE 30 June 2012 to FYE 30 June 2015 which has been presented below together with the Management's Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 12 of this Prospectus and the Reporting Accountants' Report on the Compilation of the Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus.

	Proforma			
	Audited			
	FYE 30 June			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue	200,332	222,731	229,530	299,866
Cost of sales	(174,638)	(195,374)	(200,681)	(258,796)
Gross profit	25,694	27,357	28,849	41,070
Other income				
- net fair value adjustment on assets held for distribution	-	7,090	-	-
- others	872	1,157	809	1,758
Selling and distribution expenses	(10,779)	(11,899)	(12,564)	(18,124)
Administrative expenses	(7,085)	(7,375)	(6,612)	(8,961)
Other operating expenses	(941)	(671)	(783)	(1,583)
Operating profit	7,761	15,659	9,699	14,160
Finance costs	(2,161)	(2,055)	(2,312)	(3,808)
PBT	5,600	13,604	7,387	10,352
Income tax expense	(1,632)	(1,866)	(1,836)	(3,274)
PAT/Net profit for the financial years	3,968	11,738	5,551	7,078
Other comprehensive income, net of taxation:				
Revaluation of property, plant and equipment	-	-	-	23,732
Total comprehensive income for the financial years	3,968	11,738	5,551	30,810
Net profit for the financial years attributable to				
- Owners of KTC Consolidated	3,895	11,580	5,485	7,050
- Non-controlling interests	73	158	66	28
	3,968	11,738	5,551	7,078

	Proforma / Audited / FYE 30 June			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Total comprehensive income for the financial years attributable to				
Owners of KTC Consolidated	3,895	11,580	5,485	30,782
Non-controlling interests	73	158	66	28
	3,968	11,738	5,551	30,810
Operating profit				
PBT	5,600	13,604	7,387	10,352
Excluding the net fair value adjustment on assets held for distribution	-	(7,090)	-	-
Operating PBT	5,600	6,514	7,387	10,352
Income tax expenses	(1,632)	(1,866)	(1,836)	(3,274)
Operating PAT	3,968	4,648	5,551	7,078
Non-controlling interests	(73)	(158)	(66)	(28)
Operating PAT attributable to the owners	3,895	4,490	5,485	7,050
EBITDA				
PAT	3,968	11,738	5,551	7,078
Income tax expense	1,632	1,866	1,836	3,274
Finance costs	2,161	2,055	2,312	3,808
Depreciation	1,493	1,187	1,297	2,129
Interest income	(228)	(276)	(214)	(134)
EBITDA	9,026	16,570	10,782	16,155
Effective tax rate (%)	29.14	13.72	24.85	31.63
GP margin (%)	12.83	12.28	12.57	13.70
PBT margin (%)	2.80	6.11	3.22	3.45
PAT margin (%)	1.98	5.27	2.42	2.36
Operating PAT(1) margin (%)	1.94	2.02	2.39	2.35
Number of ordinary shares of RM0.10 each assumed to be in issue ('000) *	368,277	368,277	368,277	368,277
Gross EPS (sen) **	1.52	3.69(2)	2.01	2.81
Net EPS (sen) ***	1.06	3.14(2)	1.49	1.91
Diluted EPS (sen) ^	0.74	2.19(2)	1.04	1.33
Adjusted net EPS (sen)				
- assumed no conversion of the RCPS^^	0.76	2.27(2)	1.07	1.38
- assumed full conversion of the RCPS^^^	0.58	1.73(2)	0.82	1.05

Notes:

* *Based on the number of Shares in issue after the Acquisitions but before our IPO.*

** *The gross EPS is computed based on the consolidated PBT divided by the number of Shares in issue after the Acquisitions but before our IPO.*

*** *The net EPS is computed based on the consolidated PAT attributable to the owners of KTC Consolidated divided by the number of Shares in issue after the Acquisitions but before our IPO.*

11. PROFORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

^ *The diluted EPS is computed based on the consolidated PAT attributable to the owners of KTC Consolidated divided by the number of Shares in issue after the Acquisitions but before our IPO and assume the full conversion of the RCPS.*

^^ *The adjusted net EPS is computed based on the consolidated PAT attributable to the owners of KTC Consolidated divided by the number of Shares in issue after the Acquisitions and our IPO and assume no conversion of the RCPS for illustrative purposes only.*

^^^ *The adjusted net EPS is computed based on the consolidated PAT attributable to the owners of KTC Consolidated divided by the number of Shares in issue after the Acquisitions and our IPO and assumed full conversion of the RCPS for illustrative purposes only.*

(1) *Exclusion of non-controlling interest.*

(2) *Computation includes the net fair value adjustment on assets held for distribution.*

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11. PROFORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

11.2 PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Our proforma consolidated statements of financial position as set out below have been prepared for illustrative purposes only, based on our audited statement of financial position as at 30 June 2015 assuming that our IPO and utilisation of proceeds had been effected as at that date.

We advise you to read the proforma consolidated statements of financial position presented below together with the notes and assumptions included in the Reporting Accountants' Report on the Compilation of the Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus.

		Proforma I	**Proforma II**	**Proforma III**	**Proforma IV**
	Audited Statement of Financial Position as at 30 June 2015 RM'000	**After the Acquisitions RM'000**	**After Proforma I and the IPO RM'000**	**After Proforma II and the Utilisation of Proceeds RM'000**	**After Proforma III and the Full Conversion of RCPS RM'000**
ASSETS					
Non-current Assets					
PPE	-	60,225	60,225	74,225	74,225
Goodwill on consolidation	-	4,557	4,557	4,557	4,557
	-	64,782	64,782	78,782	78,782
Current Assets					
Inventories	-	55,238	55,238	55,238	55,238
Trade and other receivables	7	60,298	60,298	60,298	60,298
Tax recoverable	-	490	490	490	490
Cash and bank balances	*	29,882	51,182	35,113	35,113
Total Current Assets	7	**145,908**	**167,208**	**151,139**	**151,139**
Total Assets	7	**210,690**	**231,990**	**229,921**	**229,921**
EQUITY AND LIABILITIES					
Equity Attributable to Owners of KTC Consolidated					
Share capital	*	36,828	51,028	51,028	67,029
Share premium	-	18,414	25,514	24,803	32,804
RCPS	-	24,002	24,002	24,002	-
Revaluation reserve	-	12,094	12,094	12.094	12,094
Reserve arising from reverse acquisition	-	(47,963)	(47,963)	(47,963)	(47,963)
Retained earnings	(664)	29,780	29,780	28,422	28,422
Shareholders' funds	**(664)**	**73,155**	**94,455**	**92,386**	**92,386**
Non-controlling interest	-	788	788	788	788
Total Equity	(664)	73,943	95,243	93,174	93,174

11. PROFORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

	Audited Statement of Financial Position as at 30 June 2015 RM'000	Proforma I After the Acquisitions RM'000	Proforma II After Proforma I and the IPO RM'000	Proforma III After Proforma II and the Utilisation of Proceeds RM'000	Proforma IV After Proforma III and the Full Conversion of RCPS RM'000
Non-current Liabilities					
Hire purchase payables	-	3,207	3,207	3,207	3,207
Borrowings	-	10,384	10,384	10,384	10,384
Deferred tax liabilities	-	1,750	1,750	1,750	1,750
Total Non-current Liabilities	**-**	**15,341**	**15,341**	**15,341**	**15,341**
Current Liabilities					
Trade and other payables	671	56,297	56,297	56,297	56,297
Hire purchase payables	-	766	766	766	766
Borrowings	-	63,653	63,653	63,653	63,653
Current tax liabilities	-	690	690	690	690
Total Current Liabilities	**671**	**121,406**	**121,406**	**121,406**	**121,406**
Total Liabilities	**671**	**136,747**	**136,747**	**136,747**	**136,747**
Total Equity and Liabilities	**7**	**210,690**	**231,990**	**229,921**	**229,921**
Number of ordinary shares assumed to be in issue of RM0.10 each ('000)	^	368,277	510,277	510,277	670,289
NA per ordinary share (RM)	(33,200)	0.20	0.19	0.18	0.14

Notes:

* *RM2.00*

^ *Twenty (20) Shares*

11.3 PROFORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

Our proforma consolidated statements of cash flows for the FYE 30 June 2015 as set out below has been prepared for illustrative purposes only on the assumption that our current Group structure had been in existence throughtout the FYE 30 June 2015, after incorporating such adjustments necessary for the elimination of all inter-company transactions and balances.

We advise you to read the proforma consolidated statements of cash flows presented below together with the notes and assumptions included in the Reporting Accountants' Report on the Compilation of the Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus.

	<-------------FYE 30 June 2015---------->	
	After the Acquisitions but before IPO and Utilisation of Proceeds RM'000	**After the Acquisitions, IPO and Utilisation of Proceeds RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
PBT	**10,352**	**10,352**
Adjustments for:		
Depreciation of PPE	1,889	1,889
Amortisation of leasehold land	240	240
Interest income	(134)	(134)
Interest expenses	3,808	3,808
Impairment on trade receivable	4	4
Gain on disposal of PPE	(963)	(963)
PPE written off	30	30
Inventories written off	1,520	1,520
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**16,746**	**16,746**
Changes in working capital:		
Inventories	(20,244)	(20,244)
Receivables	(18,010)	(18,010)
Payables	41,945	41,945
Cash generated from operating activities	20,437	20,437
Interests received	134	134
Interests paid	(464)	(464)
Tax paid, net of refund	(2,845)	(2,845)
NET OPERATING CASH FLOWS	**17,262**	**17,262**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of PPE	(9,748)	(23,748)
Proceeds from the disposal of PPE	3,187	3,187
NET INVESTING CASH FLOWS	**(6,561)**	**(20,561)**

11. PROFORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

	<--------------FYE 30 June 2015----------->	
	After the Acquisitions but before IPO and Utilisation of Proceeds RM'000	**After the Acquisitions, IPO and Utilisation of Proceeds RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the Public Issue	-	21,300
Defrayment of estimated listing expenses	-	(2,069)
Interests paid	(3,344)	(3,344)
Net change in amounts due from holding companies	(2,000)	(2,000)
Net change in amount due from ultimate holding company	2	2
Net change in amounts due to directors	(33)	(33)
Drawndown of term loans	4,335	4,335
Repayment of term loans	(1,802)	(1,802)
Drawdown of bankers' acceptance	300,629	300,629
Repayment of bankers' acceptance	(305,987)	(305,987)
Repayment of hire purchase payables	(481)	(481)
NET FINANCING CASH FLOWS	**(8,681)**	**10,550**
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,020	7,251
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	12,766	12,766
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	14,786	20,017
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	29,882	35,113
Less: Bank overdrafts	(15,096)	(15,096)
	14,786	20,017

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11.4 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

BAKER TILLY

Baker Tilly Monteiro Heng
Chartered Accountants (AF0117)
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5 October 2015

The Board of Directors
Kim Teck Cheong Consolidated Berhad
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

STRICTLY CONFIDENTIAL

Dear Sirs,

KIM TECK CHEONG CONSOLIDATED BERHAD
REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the proforma consolidated financial information of Kim Teck Cheong Consolidated Berhad ("KTC Consolidated" or "the Company") and its subsidiary companies (collectively hereinafter referred to as the "KTC Group") for which the directors of KTC Consolidated are solely responsible. The proforma consolidated financial information consists of the proforma consolidated statements of financial position as at 30 June 2015, the proforma consolidated statements of profit or loss and other comprehensive income for the four (4) financial years ended ("FYE") 30 June 2012 ("FYE 2012"), 30 June 2013 ("FYE 2013"), 30 June 2014 ("FYE 2014") and 30 June 2015 ("FYE 2015") and the proforma consolidated statement of cash flows for the FYE 2015 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of KTC Consolidated have compiled the proforma consolidated financial information are as described in Note 3 to the proforma consolidated financial information and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The proforma consolidated financial information of the KTC Group has been compiled by the directors of KTC Consolidated, for illustrative purposes only, for inclusion in the prospectus of KTC Consolidated dated on 28 October 2015 ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of KTC Consolidated on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing "), after making certain assumptions and such adjustments to show the effects on:-

(a) the proforma consolidated financial results of the KTC Group for the past four (4) FYE 2012, FYE 2013, FYE 2014 and FYE 2015 on the basis that the group structure as of the date of the Prospectus had been in existence since the beginning of the financial years under review but before the Public Issue as described in Note 2.1 to the proforma consolidated financial information;

(b) the proforma consolidated financial position of the KTC Group as at 30 June 2015 together with the accompanying notes, adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information but before the Public Issue as described in Note 2.1 to the proforma consolidated financial information;

(c) the proforma consolidated cash flows of the KTC Group for the FYE 2015 on the basis that the group structure as of the date of the Prospectus had been in existence throughout the FYE 2015 and based on the position before the Public Issue and after the Public Issue and the utilisation of proceeds as described in Notes 2.1 and 7.2.3 to the proforma consolidated financial information respectively; and

(d) the proforma consolidated financial position of the KTC Group as at 30 June 2015 adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information, the Public Issue, the utilisation of proceeds and the full conversion of RCPS as described in Notes 2.1, 5.2.4(f) and 7.2.3 to the proforma consolidated financial information respectively.

As part of this process, information about the KTC Group's proforma consolidated financial position, financial performance and cash flows have been extracted by the directors of KTC Consolidated from the following audited financial statements of its subsidiary companies, namely Kim Teck Cheong Sdn Bhd ("KTC Sdn Bhd"), Kim Teck Cheong (Tawau) Sdn Bhd, ("KTC Tawau"), AMDA Marketing (Sabah) Sdn Bhd ("AMDA Marketing"), Kim Teck Cheong Brands Sdn Bhd ("KTC Brands"), Kim Teck Cheong (Sarawak) Sdn Bhd ("KTC Sarawak"), Kim Teck Cheong Distribution Sdn Bhd ("KTC Distribution") and Creamos (Malaysia) Sdn Bhd ("Creamos Malaysia"):-

Company Name	FYE 2012	FYE 2013	FYE 2014	FYE 2015
KTC Consolidated	Not applicable✓	Not applicable✓	Not applicable✓	From 17 October 2014 (date of incorporation) to 30 June 2015
KTC Sdn Bhd&	30 June 2012^	30 June 2013^	30 June 2014	30 June 2015
KTC Tawau&	30 June 2012*	30 June 2013^	30 June 2014	30 June 2015
AMDA Marketing&	30 June 2012*	30 June 2013^	30 June 2014	30 June 2015
KTC Brands&	Not applicable✓	From 8 February 2013 (date of incorporation) to 30 June 2013) ^	30 June 2014	30 June 2015

Company Name	FYE 2012	FYE 2013	FYE 2014	FYE 2015
KTC Sarawak [!]	30 June 2012*	30 June 2013*	30 June 2014*	30 June 2015
KTC Distribution[&]	30 June 2012*	30 June 2013*	30 June 2014*	30 June 2015
Creamos Malaysia[&]	Not applicable[√]	From 9 April 2012 (date of incorporation) to 30 June 2013[#^]	30 June 2014	30 June 2015

√ *No audited financial statements were available for KTC Consolidated, KTC Brands and Creamos Malaysia as KTC Consolidated, KTC Brands and Creamos Malaysia were only incorporated on 17 October 2014, 8 February 2013 and 9 April 2012 respectively.*

& *These companies are direct wholly-owned subsidiary companies of KTC Consolidated.*

! *A direct 80%-owned subsidiary company of KTC Consolidated.*

* *KTC Consolidated has four (4) subsidiary companies formerly with different financial year ends with the other companies within the KTC Group, namely KTC Tawau, AMDA Marketing, KTC Sarawak and KTC Distribution which have financial year ends as at 28 February, 31 January, 31 August and 31 December respectively. KTC Tawau, AMDA Marketing, KTC Sarawak and KTC Distribution had subsequently changed their financial year end to 30 June during the respective years of 2012 and 2014 in order to have coterminous financial year ends with other companies within the KTC Group. Following the change in the financial year end to 30 June in the respective years, the audited financial statements for:-*

(a) KTC Tawau had been prepared for the 16 months FPE 30 June 2012;
(b) AMDA Marketing had been prepared for the 17 months FPE 30 June 2012;
(c) KTC Sarawak had been prepared for the 10 months FPE 30 June 2014; and
(d) KTC Distribution had been prepared for the 18 months FPE 30 June 2014.

In compliance with Circular 41/2010 issued by the Malaysian Institute of Accountants in respect of the Preparation of the Historical Proforma Financial Information, Messrs. Baker Tilly Monteiro Heng had been appointed by KTC Consolidated to perform a re-audit on the following financial statements of KTC Tawau, AMDA Marketing, KTC Sarawak and KTC Distribution which have been prepared in compliance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards in order to have the same financial year end and with the same duration with other companies within the KTC Group:

Company Name	FYE
KTC Tawau	*30 June 2012*
AMDA Marketing	*30 June 2012*
KTC Sarawak	*30 June 2012, 30 June 2013 and 30 June 2014*
KTC Distribution	*30 June 2012, 30 June 2013 and 30 June 2014*

^ *These audited financial statements have been audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng.*

\# *The audited financial statements of Creamos Malaysia for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 have been audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng, which have been prepared by directors in compliance with the Private Entity Reporting Standards in Malaysia. In connection with the Listing Exercise, Messrs. Baker Tilly Monteiro Heng has been appointed to conduct a review on the audited financial statements for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 in compliance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards in Malaysia. There were no material impact on the financial statements of Creamos Malaysia for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 arising from the adoption of Malaysian Financial Reporting Standards and the International Financial Reporting Standards in Malaysia by Creamos Malaysia.*

The audited financial statements of the subsidiary companies for the financial years/periods under review were reported by the auditors to their respective members without any modifications. However, the audited financial statements of Creamos Malaysia for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 contained the following qualified opinion paragraph:-

"Basis of Qualified Opinion

We are unable to obtain related supporting documents in order to satisfy ourselves as to the existence, completeness and accuracy of the administrative expenses and the cost of plant and machinery of the Company as reported in the Income Statement and Balance Sheet amounted to RM27,839 and RM21,134 respectively."

During the audit of the financial statements for the financial year ended 30 June 2014, all the above-mentioned related supporting documents had been obtained and the matter that gave rise to the above-mentioned qualification had been satisfactorily resolved.

Directors' Responsibility for the Proforma Consolidated Financial Information

The directors of KTC Consolidated are responsible for compiling the proforma consolidated financial information based on the Applicable Criteria.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the proforma consolidated financial information has been compiled, in all material respects, by the directors of KTC Consolidated based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of KTC Consolidated have compiled, in all material respects, the proforma consolidated financial information based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the proforma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the proforma consolidated financial information.

The purpose of the proforma consolidated financial information included in a Prospectus is solely to illustrate the impact of the Listing as described in Note 2 to the proforma consolidated financial information on the unadjusted financial information of the KTC Group as if the Listing had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the Listing would have been as presented.

A reasonable assurance engagement to report on whether the proforma consolidated financial information has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of KTC Consolidated in the compilation of the proforma consolidated financial information of the KTC Group provide a reasonable basis for presenting the significant effects directly attributable to the Listing as described in Note 2 to the proforma consolidated financial information, and to obtain sufficient appropriate evidence about whether:-

(a) The proforma consolidated financial information of the KTC Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the proforma consolidated financial information, based on the audited financial statements of KTC Consolidated and the audited financial statements of its subsidiary companies for the four (4) FYE 2012, FYE 2013, FYE 2014 and FYE 2015 (which have been prepared by the directors of the Company in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards), and in a manner consistent with both the format of the financial statements and the accounting policies adopted by KTC Sdn Bhd in the preparation of its audited financial statements for the FYE 2015, which had been adopted by KTC Consolidated as its group's accounting policies and the adoption of the new accounting policies as described in Note 3.6 to the proforma consolidated financial information; and

(b) Each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purpose of preparing the proforma consolidated financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountants' understanding of the nature of the Company, the Listing in respect of which the proforma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the proforma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our opinion

In our opinion:-

(a) The proforma consolidated financial information of the KTC Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the proforma consolidated financial information, based on the audited financial statements of KTC Consolidated and its subsidiary companies for the four (4) FYE 2012, FYE 2013, FYE 2014 and FYE 2015 (which have been prepared by the directors of the KTC Consolidated in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards), and in a manner consistent with both the format of the financial statements and the accounting policies adopted by KTC Sdn Bhd in the preparation of its audited financial statements for the FYE 2015, which had been adopted by KTC Consolidated as its group's accounting policies and the adoption of the new accounting policies as described in Note 3.6 to the proforma consolidated financial information; and

(b) Each material adjustment made to the information used in the preparation of the proforma consolidated financial information of the KTC Group is appropriate for the purpose of preparing the proforma consolidated financial information.

Other matters

This report has been prepared for inclusion in the Prospectus of KTC Consolidated in connection with the Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Fu Joe
No. 2966/11/16 (J)
Chartered Accountant

KIM TECK CHEONG CONSOLIDATED BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. **INTRODUCTION**

1.1 The proforma consolidated financial information of Kim Teck Cheong Consolidated Berhad ("KTC Consolidated" or "the Company") and its subsidiary companies (hereinafter collectively referred to as the "KTC Group") has been compiled by the directors of KTC Consolidated, for illustrative purposes only, for inclusion in the prospectus of KTC Consolidated dated on 28 October 2015 ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of KTC Consolidated on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Listing).

1.2 The proforma consolidated financial information comprises the following:-

Section 4	:	Proforma consolidated statements of profit or loss and other comprehensive income for the past four (4) financial years ended ("FYE") 30 June 2012 ("FYE 2012"), 30 June 2013 ("FYE 2013"), 30 June 2014 ("FYE 2014") and 30 June 2015 ("FYE 2015") of the KTC Group on the basis that the group structure as of the date of the Prospectus had been in existence since the beginning of the financial years under review but before the Public Issue as described in Note 2.1 to the proforma consolidated financial information;
Section 5	:	Proforma consolidated statement of financial position of the KTC Group as at 30 June 2015 together with the accompanying notes, adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information but before the Public Issue and after Public Issue and utilisation of proceeds as described in Note 2.1 to the proforma consolidated financial information;
Section 6	:	Proforma consolidated statements of cash flows of the KTC Group for the FYE 2015 on the basis that the group structure as of the date of the Prospectus had been in existence throughout the FYE 2015 and based on the position before the Public Issue and after the Public Issue and the utilisation of proceeds as described in Notes 2.1 and 7.2.3 to the proforma consolidated financial information respectively; and
Section 7	:	Proforma consolidated statements of financial position of the KTC Group as at 30 June 2015 adjusted for the Acquisitions as described in Note 3.8, the Public Issue, the utilisation of proceeds and the full conversion of RCPS as described in Notes 2.1, 5.2.4(f) and 7.2.3 to the proforma consolidated financial information respectively.

2. LISTING

KTC Consolidated is undertaking a listing of and quotation for its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities. The Listing Exercise comprises the following:-

2.1 Public Issue

The Public Issue of 142,000,000 new ordinary shares of RM0.10 each in KTC Consolidated ("Share(s)"), at the issue price of RM0.15 for each IPO share, representing approximately 27.83% of the enlarged issued and paid-up share capital of KTC Consolidated, to be allotted in the following manner:

(i) 34,000,000 Shares, representing approximately 6.66% of the enlarged issued and paid-up share capital of KTC Consolidated, will be made available for application by Public investors, of which at least 50% shall be set aside for Bumiputera Public investors, including individuals, companies, societies, co-operatives and institutions.

(ii) 16,255,000 Shares, representing approximately 3.19% of the enlarged issued and paid-up share capital of KTC Consolidated, will be made available for application by eligible employees of KTC Group and persons who have contributed to the success of the KTC Group.

(iii) 91,745,000 Shares, representing 17.98% of the enlarged issued and paid-up share capital of KTC Consolidated, will be reserved for placement to selected investors.

(Collectively hereinafter referred to as "Public Issue").

2.2 Listing

Upon completion of the Public Issue, KTC Consolidated will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of RM51,027,700 comprising 510,277,000 Shares on the ACE Market of Bursa Securities.

3. BASIS OF PREPARATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

3.1 The proforma consolidated financial information has been prepared to illustrate that:-

a) the consolidated financial results of the KTC Group for the past four (4) FYE 2013, FYE 2013, FYE 2014, and FYE 2015 on the basis that the group structure as of the date of the Prospectus had been in existence since the beginning of the financial years under review but before the Public Issue as described in Note 2.1 to the proforma consolidated financial information;

b) the proforma consolidated financial position of the KTC Group as at 30 June 2015 together with the accompanying notes, adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information but before the Public Issue as described in Note 2.1 to the proforma consolidated financial information;

c) the consolidated cash flows of the KTC Group for the FYE 2015 on the basis that the group structure as of the date of the Prospectus had been in existence throughout the FYE 2015 and based on the position before the Public Issue and after the Public Issue and the utilisation of proceeds as described in Notes 2.1 and 7.2.3 to the proforma consolidated financial information respectively; and

d) the proforma consolidated financial position of the KTC Group as at 30 June 2015, adjusted for the Acquisitions as described in Note 3.8, the Public Issue, the utilisation of proceeds and full conversion of RCPS as described in Notes 2.1, 5.2.4(f) and 7.2.3 to the proforma consolidated financial information respectively.

3.2 Other than as stated below, the proforma consolidated financial information has been prepared based on the following audited financial statements of the KTC Group:-

Company Name	FYE 2012	FYE 2013	FYE 2014	FYE 2015
KTC Consolidated	Not applicable✓	Not applicable✓	Not applicable✓	From 17 October 2014 (date of incorporation) to 30 June 2015
Kim Teck Cheong Sdn Bhd ("KTC Sdn Bhd")&	30 June 2012^	30 June 2013^	30 June 2014	30 June 2015
Kim Teck Cheong (Tawau) Sdn Bhd ("KTC Tawau")&	30 June 2012*	30 June 2013^	30 June 2014	30 June 2015
AMDA Marketing (Sabah) Sdn Bhd ("AMDA Marketing")&	30 June 2012*	30 June 2013^	30 June 2014	30 June 2015

3. BASIS OF PREPARATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Continued)

3.2 (Continued)

Company Name	FYE 2012	FYE 2013	FYE 2014	FYE 2015
Kim Teck Cheong Brands Sdn Bhd ("KTC Brands")[&]	Not applicable[✓]	From 8 February 2013 (date of incorporation) to 30 June 2013[^]	30 June 2014	30 June 2015
Kim Teck Cheong (Sarawak) Sdn Bhd ("KTC Sarawak")[!]	30 June 2012*	30 June 2013*	30 June 2014*	30 June 2015
Kim Teck Cheong Distribution Sdn Bhd ("KTC Distribution")[&]	30 June 2012*	30 June 2013*	30 June 2014*	30 June 2015
Creamos (Malaysia) Sdn Bhd ("Creamos Malaysia")[&]	Not applicable[✓]	From 9 April (date of incorporation) to 30 June 2013[#^]	30 June 2014	30 June 2015

[✓] *No audited financial statements were available for KTC Consolidated, KTC Brands and Creamos Malaysia as KTC Consolidated, KTC Brands and Creamos Malaysia were only incorporated on 17 October 2014, 8 February 2013 and 9 April 2012 respectively.*

[&] *These companies are direct wholly-owned subsidiary companies of KTC Consolidated.*

[!] *A direct 80%-owned subsidiary company of KTC Consolidated.*

3. BASIS OF PREPARATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Continued)

3.2 (Continued)

* *KTC Consolidated has four (4) subsidiary companies formerly with different financial year ends with the other companies within the KTC Group, namely KTC Tawau, AMDA Marketing, KTC Sarawak and KTC Distribution which have financial year ends as at 28 February, 31 January, 31 August and 31 December respectively. KTC Tawau, AMDA Marketing, KTC Sarawak and KTC Distribution had subsequently changed their financial year end to 30 June during the respective years of 2012 and 2014 in order to have coterminous financial year ends with other companies within the KTC Group. Following the change in the financial year end to 30 June in the respective years, the audited financial statements for:-*

(a) KTC Tawau had been prepared for the 16 months FPE 30 June 2012;
(b) AMDA Marketing had been prepared for the 17 months FPE 30 June 2012;
(c) KTC Sarawak had been prepared for the 10 months FPE 30 June 2014; and
(d) KTC Distribution had been prepared for the 18 months FPE 30 June 2014.

In compliance with Circular 41/2010 issued by the Malaysian Institute of Accountants in respect of the Preparation of the Historical Proforma Financial Information, Messrs. Baker Tilly Monteiro Heng had been appointed by KTC Consolidated to perform a re-audit on the following financial statements of KTC Tawau, AMDA Marketing, KTC Sarawak and KTC Distribution which have been prepared in compliance with the Malaysian Financial Reporting Standards ("MFRS") and the International Financial Reporting Standards ("IFRS") in order to have the same financial year end and with the same duration with other companies within the KTC Group:

Company Name	FYE
KTC Tawau	*30 June 2012*
AMDA Marketing	*30 June 2012*
KTC Sarawak	*30 June 2012, 30 June 2013 and 30 June 2014*
KTC Distribution	*30 June 2012, 30 June 2013 and 30 June 2014*

^ *These audited financial statements have been audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng.*

\# *The audited financial statements of Creamos Malaysia for the financial period from 9 April 2012 (the date of incorporation) to 30 June 2013 have been audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng, which have been prepared by directors in compliance with the Private Entity Reporting Standards in Malaysia. In connection with the Listing Exercise, Messrs. Baker Tilly Monteiro Heng has been appointed to conduct a review on the audited financial statements for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 in compliance with the MFRS and IFRS in Malaysia.*

There were no material impact on the financial statements of Creamos Malaysia for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 arising from the adoption of MFRS and the IFRS in Malaysia by Creamos Malaysia.

3. **BASIS OF PREPARATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Continued)**

3.3 The audited financial statements of the subsidiary companies for the financial years/periods under review were reported by the auditors to their respective members without any modifications. However, the audited financial statements of Creamos Malaysia for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 contained the following qualified opinion paragraph:-

"Basis of Qualified Opinion

We are unable to obtain related supporting documents in order to satisfy ourselves as to the existence, completeness and accuracy of the administrative expenses and the cost of plant and machinery of the Company as reported in the Income Statement and Balance Sheet amounted to RM27,839 and RM21,134 respectively."

During the audit of the financial statements for the financial year ended 30 June 2014, all the above-mentioned related supporting documents had been obtained and the matter that gave rise to the above-mentioned qualification had been satisfactorily resolved.

3.4 The proforma consolidated financial information of the KTC Group has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the KTC Group and does not purport to predict the future financial position and results of the KTC Group.

3.5 The proforma consolidated financial information of the KTC Group have been properly prepared on the basis set out in the accompanying notes to the proforma consolidated financial information based on the audited financial statements of its subsidiary companies for the past four (4) FYE 2012, FYE 2013, FYE 2014 and FYE 2015 which have been prepared in accordance with the MFRS and the IFRS.

3.6 The proforma consolidated financial information of the KTC Group have been prepared in a manner consistent with both the format of the audited financial statements and accounting policies adopted by KTC Sdn Bhd in the preparation of its audited financial statements for the FYE 2015 and the adoption of the following new accounting policies, which had been adopted by KTC Consolidated as the group's accounting policies.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated unless costs cannot be recovered.

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3. **BASIS OF PREPARATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Continued)**

3.6 (Continued)

Acquisition of subsidiary company is accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss. Changes in the group's ownership interest in a subsidiary company which does not result in a loss of control are treated as transactions between equity holders and are reported in equity.

The KTC Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the KTC Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiary company is consolidated from the date of acquisition, being the date on which the KTC Group obtains control, and continues to be consolidated until the date that such control ceases.

Upon the loss of control of a subsidiary company, the KTC Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interests and the other components of equity related to the subsidiary company. Any surplus or deficit arising from the loss of control is recognised in profit or loss. If the KTC Group retains any interest in the previous subsidiary company, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Preference shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity. Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Transaction costs are apportioned between the liability and equity components of the preference shares based on the allocation of proceeds to the liability and the equity components when the instruments are initially recognised.

3.7 The financial information of the KTC Group is measured using the currency of the primary economic environment in which the KTC Group operates. The functional and presentation currency of the KTC Group is Ringgit Malaysia ("RM").

3. **BASIS OF PREPARATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Continued)**

3.8 In connection with the Listing, the proforma consolidated financial information has been presented after adjusting for the following material transactions subsequent to 30 June 2015 before the Public Issue as described in Note 2.1 to the proforma consolidated financial information:-

Acquisition of subsidiary companies ("Acquisitions")

On 3 December 2014, KTC Consolidated had entered into a conditional share sale agreement with KTC Holdings to acquire the following:-

Company	% acquired	No of ordinary shares of RM1.00 each to be acquired	Purchase consideration RM	Total to be satisfied via Share issued @ RM0.10 per share	RCPS issued @ RM1.00 per RCPS
AMDA Marketing	100	1,000,000	4,041,409	24,467,680	1,594,641
Creamos Malaysia	100	500,000	59,438	359,850	23,453
KTC Brands	100	2	139,829	846,560	55,173
KTC Distribution	100	1,000,000	5,797,687	35,100,610	2,287,626
KTC Sarawak	80	40,000	3,038,700	18,397,030	1,198,997
KTC Sdn Bhd	100	600,000	36,768,480	222,605,350	14,507,945
KTC Tawau	100	500,000	10,984,013	66,499,900	4,334,023
		Total	**60,829,556**	**368,276,980**	**24,001,858**

The Acquisitions were completed on 1 July 2015.

The directors of KTC Consolidated have made a significant judgement that the acquisition of KTC Sdn Bhd has been accounted for as a reverse acquisition using the purchase method of accounting under *MFRS 3 Business Combination* as in substance KTC Sdn Bhd, is the accounting acquirer. Under the reverse acquisition accounting, although legally KTC Consolidated is regarded as the legal parent and KTC Sdn Bhd is regarded as the legal subsidiary company, KTC Sdn Bhd should be identified as the acquirer in accordance with MFRS 3 as it has the power to govern the financial and operating policies of KTC Consolidated so as to obtain benefits from its activities. Accordingly, the consolidated financial statements of KTC Consolidated and KTC Sdn Bhd prepared following a reverse acquisition represent a continuation of the financial statements of KTC Sdn Bhd (the legal subsidiary company and the acquirer for accounting purposes). Under the reverse acquisition accounting:-

(i) the assets and liabilities of the accounting acquirer, KTC Sdn Bhd, are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
(ii) the retained earnings and other equity balances of KTC Sdn Bhd immediately before the business combination are those of KTC Group; and
(iii) the equity structure, however, reflects the equity structure of KTC Consolidated, including the equity instruments issued to effect the business combination.

4. PROFORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE KTC GROUP

4.1 The proforma consolidated statements of profit or loss and other comprehensive income of the KTC Group for the four (4) FYE 2012, FYE 2013, FYE 2014 and FYE 2015 as set out below, for which the directors of KTC Consolidated are solely responsible, have been prepared for illustrative purposes only and on the assumption that the KTC Group has been in existence throughout the financial years under review and are to be read in conjunction with the notes thereto.

	FYE 30 June			
	2012	**2013**	**2014**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	200,332	222,731	229,530	299,866
Cost of sales	(174,638)	(195,374)	(200,681)	(258,796)
Gross profit	25,694	27,357	28,849	41,070
Other income				
- net fair value adjustment on assets held for distribution	-	7,090	-	-
- others	872	1,157	809	1,758
Selling and distribution expenses	(10,779)	(11,899)	(12,564)	(18,124)
Administrative expenses	(7,085)	(7,375)	(6,612)	(8,961)
Other operating expenses	(941)	(671)	(783)	(1,583)
Operating profit	7,761	15,659	9,699	14,160
Finance costs	(2,161)	(2,055)	(2,312)	(3,808)
Profit before taxation	5,600	13,604	7,387	10,352
Income tax expense	(1,632)	(1,866)	(1,836)	(3,274)
Net profit for the financial years	3,968	11,738	5,551	7,078
Other comprehensive income, net of taxation:-				
Revaluation of property, plant and equipment	-	-	-	23,732
Total comprehensive income for the financial years	3,968	11,738	5,551	30,810
Net profit for the financial years attributable to:				
Owners	3,895	11,580	5,485	7,050
Non-controlling interests	73	158	66	28
	3,968	11,738	5,551	7,078
Total comprehensive income for the financial years attributable to:				
Owners	3,895	11,580	5,485	30,782
Non-controlling interests	73	158	66	28
	3,968	11,738	5,551	30,810

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4. **PROFORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE KTC GROUP (Continued)**

4.1 (Continued)

	FYE 30 June			
	2012 RM'000	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**
Operating profit				
Profit before taxation	5,600	13,604	7,387	10,352
Excluding the net fair value adjustment on assets held for distribution	-	(7,090)	-	-
Operating profit before taxation	5,600	6,514	7,387	10,352
Income tax expense	(1,632)	(1,866)	(1,836)	(3,274)
Operating profit after taxation	3,968	4,648	5,551	7,078
Non-controlling interests	(73)	(158)	(66)	(28)
Operating profit after taxation attributable to the owners	3,895	4,490	5,485	7,050
Earnings before interests, tax, depreciation and amortisation				
Profit after taxation	3,968	11,738	5,551	7,078
Income tax expense	1,632	1,866	1,836	3,274
Finance costs	2,161	2,055	2,312	3,808
Depreciation	1,493	1,187	1,297	2,129
Interest income	(228)	(276)	(214)	(134)
Earnings before interests, tax, depreciation and amortisation	9,026	16,570	10,782	16,155
Effective tax rate (%)	29.14	13.72	24.85	31.63
Gross profit margin (%)	12.83	12.28	12.57	13.70
Profit before tax margin (%)	2.80	6.11	3.22	3.45
Profit after tax margin (%)	1.98	5.27	2.42	2.36
Operating profit after tax margin	1.94	2.02	2.39	2.35
Number of ordinary shares of RM0.10 each in issue ('000) (Note 4.2.4)	368,277	368,277	368,277	368,277
Gross earnings per share ("EPS")(sen) (Note 4.2.5)	1.52	3.69 *	2.01	2.81
Net EPS (sen) (Note 4.2.6)	1.06	3.14 *	1.49	1.91
Diluted net EPS (sen) (Note 4.2.7)	0.74	2.19 *	1.04	1.33
Adjusted net EPS (sen)				
- assumed no conversion of the RCPS (Note 4.2.8)	0.76	2.27 *	1.07	1.38
- assumed full conversion of the RCPS (Note 4.2.9)	0.58	1.73 *	0.82	1.05

* *Computation includes the net fair value adjustment on assets held for distribution.*

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4. PROFORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE KTC GROUP (Continued)

4.2 Notes to the proforma consolidated statements of profit or loss and other comprehensive income are as follows:-

4.2.1 **Basis of Preparation**

The proforma consolidated statements of profit or loss and other comprehensive income of the KTC Group are prepared for illustrative purposes only and have been presented on the assumption that the KTC Group has been in existence since 1 July 2011 and throughout the financial years under review. There are no fair value adjustments relating to the net assets acquired based on the assumption that the KTC Group has been in existence since 1 July 2011. These proforma consolidated statements of profit or loss and other comprehensive income are based on the audited financial statements of the KTC Group as mentioned in Note 3.2 to the proforma consolidated financial information.

4.2.2 The proforma consolidated statements of profit or loss and other comprehensive income for the financial years under review have been prepared based on the format of the financial statements and the accounting policies consistent with those adopted in the preparation of the audited financial statements of KTC Sdn Bhd for the FYE 2015, which had been adopted by KTC Consolidated as the group's accounting policies and the adoption of new accounting policies as mentioned in Note 3.6 to the proforma consolidated financial information.

4.2.3 There were no exceptional items in all the financial years under review.

4.2.4 The issued and paid-up share capital of KTC Consolidated of 368,277,000 Shares is after adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information but before the Public Issue.

4.2.5 The gross EPS is computed as profit before taxation over the number of Shares in issue after adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information but before the Public Issue.

4.2.6 The net EPS is computed as net profit for the financial years attributable to the owners of KTC Consolidated over the number of Shares in issue after adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information but before the Public Issue.

4.2.7 The diluted net EPS is computed as net profit for the financial years attributable to the owners of KTC Consolidated over the number of Shares in issue after adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information but before the Public Issue and assumed the full conversion of RCPS.

4.2.8 The adjusted net EPS is computed as net profit for the financial years attributable to the owners of KTC Consolidated over the number of Shares in issue after adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information and the Public Issue and assumed no conversion of the RCPS for illustration purposes only.

4.2.9 The adjusted net EPS is computed as net profit for the financial years attributable to the owners of KTC Consolidated over the number of Shares in issue after adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information and the Public Issue and assumed the full conversion of the RCPS for illustration purposes only.

4.2.10 All significant inter-company transactions are eliminated on consolidation and the consolidated results reflect external transactions only.

4.2.11 There were no share of results by associated company or joint ventures during the financial years under review.

5. PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP

5.1 The proforma consolidated statement of financial position of the KTC Group as set out below, for which the directors are solely responsible, have been prepared for illustrative purposes only, to show the effects on the proforma consolidated statements of financial position of KTC Consolidated as at 30 June 2015, adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information but before the Public Issue as described in Note 2.1 to the proforma consolidated financial information, and should be read in conjunction with the notes accompanying thereto.

	Note	As at 30 June 2015 RM'000
Non-current assets		
Property, plant and equipment	5.2.4(a)	60,225
Goodwill on consolidation		4,557
Total non-current assets		64,782
Current assets		
Inventories	5.2.4(b)	55,238
Trade and other receivables	5.2.4(c)	60,298
Tax recoverable		490
Cash and bank balances	5.2.4(d)	29,882
Total current assets		145,908
TOTAL ASSETS		210,690
EQUITY AND LIABILITIES		
Equity attributable to owners of KTC Consolidated		
Share capital	5.2.4(e)	36,828
Share premium		18,414
RCPS	5.2.4(f)	24,002
Revaluation reserve	5.2.4(g)	12,094
Reserve arising from reverse acquisition	5.2.4(h)	(47,963)
Retained eamings		29,780
Shareholders' funds		73,155
Non-controlling interests		788
Total equity		73,943
Non-current liabilities		
Hire purchase payables	5.2.4(i)	3,207
Borrowings	5.2.4(j)	10,384
Deferred tax liabilities	5.2.4(k)	1,750
Total non-current liabilities		15,341

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5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.1 (Continued)

	Note	As at 30 June 2015 RM'000
Current liabilities		
Trade and other payables	5.2.4(l)	56,297
Hire purchase payables	5.2.4(i)	766
Borrowings	5.2.4(j)	63,653
Current tax liabilities		690
Total current liabilities		121,406
Total liabilities		136,747
TOTAL EQUITY AND LIABILITIES		210,690
Number of ordinary shares of RM0.10 each		368,277
Proforma net assets ("NA") per ordinary share attributable to the owners of KTC Consolidated (RM)	5.2.4(o)	0.20

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2 **Notes to the Proforma Consolidated Statement of Financial Position of the KTC Group**

5.2.1 Basis of Preparation

The proforma consolidated statement of financial position of the KTC Group as at 30 June 2015 for which the directors are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of KTC Consolidated as at 30 June 2015, adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information but before the Public Issue as described in Note 2.1 to the proforma consolidated financial information.

The proforma consolidated statement of financial position of the KTC Group as at 30 June 2015 has been prepared based on the audited financial statements of the KTC Group as mentioned in Note 3.2 to the proforma consolidated financial information, unless otherwise stated.

5.2.2 The proforma consolidated statement of financial position of the KTC Group has been prepared based on the accounting policies consistent with those adopted by KTC Sdn Bhd in the preparation of the audited financial statements as at 30 June 2015, which had been adopted by KTC Consolidated as the group's accounting policies and the adoption of new accounting policies as mentioned in Note 3.6 to the proforma consolidated financial information.

5.2.3 All inter-company balances are eliminated on consolidation.

5.2.4 The proforma consolidated statement of financial position of the KTC Group as at 30 June 2015 should be read in conjunction with the notes below:-

(a) Property, Plant and Equipment

As at 30 June 2015	Cost/ Valuation RM'000	Accumulated Depreciation RM'000	Net Carrying Amount RM'000
Leasehold land	30,589	260	30,329
Leasehold and industrial building	21,250	153	21,097
Office equipment, furniture and fittings and warehouse equipment	3,935	2,509	1,426
Computer	1,508	1,284	224
Renovation	1,813	477	1,336
Plant machinery and equipment	2,693	462	2,231
Motor vehicles	6,166	2,584	3,582
	67,954	7,729	60,225

The KTC Group's leasehold lands have various lease periods ranging from 60 years to 99 years, expiring on 31 December 2070 to 31 December 2101.

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(a) Property, Plant and Equipment (Continued)

The KTC Group's plant machinery and equipment and motor vehicles with total net carrying amounts of RM5,584,251 were acquired under hire purchase instalment plans.

The KTC Group's leasehold land and buildings with total net carrying amounts of RM37,041,378 have been pledged to licensed banks to secure credit facilities granted to the KTC Group as disclosed in Note 5.2.4(j) to the proforma consolidated financial information.

Fair value information

During the FYE 30 June 2015, the fair value of the leasehold land and buildings of the KTC Sdn Bhd amounting to RM30,819,000 carried at fair value is categorised at Level 3. In the previous financial year, the leasehold land and buildings were carried at cost less accumulated amortisation/depreciation.

There are no Levels 1 and 2 leasehold land and buildings or transfer between Levels 1, 2 and 3 during the financial year.

Reconciliation of fair value:

	2015
	RM
As at 1 July 2013 and 30 June 2014	-
Arising from the reverse acquisitions:	
- Level 3 revaluation recognised due to change in accounting policy to revaluation model	16,024
As at 30 June 2015	16,024

Level 3 fair value

Level 3 fair value of leasehold land and buildings have been derived using the average of sales comparison approach and depreciated replacement cost approach.

Sales comparison approach
Sales prices of comparable leasehold land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter ("sqm") of comparative properties.

5. PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)

5.2.4 (Continued)

(a) Property, Plant and Equipment (Continued)

Level 3 fair value (Continued)

Depreciated replacement cost approach
The value of the land is derived using the sales comparison approach. The buildings and structures are assessed by the estimated cost of reinstating similar new building and an allowable depreciation is made and deducted based on the observed condition of the building. The most significant input into this valuation approach is price per sqm of reinstatement cost.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Leasehold land and buildings	Sales comparison approach	Leasehold land Price per sqm in a range of RM1,899 to RM1,992 (2014: RM Nil)	The higher the price per sqm, the higher the fair value.
		Buildings Price per sqm in a range of RM1,154 to RM1,362 (2014: RM Nil)	
Leasehold land and buildings	Depreciated replacement cost approach	Leasehold land Price per sqm in a range of RM1,899 to RM1,992 (2014: RM Nil)	The higher the price/ cost per sqm, the higher the fair value.
		Buildings Reinstatement cost per sqm in a range of RM1,650 to RM1,800 (2014: RM Nil)	The lower the depreciation rate, the higher the fair value.
		Allowance for age and depreciation in a range of 15% to 30% (2014: Nil%)	

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5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(a) Property, Plant and Equipment (Continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Valuation processes applied by the KTC Group

The KTC Group's finance department includes a team that performs valuation analysis of leasehold lands and buildings required for financial reporting purposes, including Level 3 fair values. This team reports directly to the associate director.

The fair value of leasehold land and buildings are determined by an accredited independent valuer who has valuation experience for similar properties. The team assesses at the end of each reporting period whether there is an indication that the carrying amounts of the leasehold land and buildings may be impaired. The KTC Group will revalue its leasehold land and buildings only every five years or when there is indication that the fair value of the leasehold land and buildings differ materially from their carrying amounts.

Had the revalued assets been carried at historical cost less accumulated amortisation/depreciation, the net carrying amount would have been as follows:-

	Cost RM	Accumulated amortisation/ depreciation RM	Net carrying amount RM
2015			
Leasehold land	6,313,805	(1,289,994)	5,023,811
Buildings	2,244,177	(454,907)	1,789,270
Net carrying amount	8,557,982	(1,744,901)	6,813,081

Highest and best use

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(b) Inventories

	As at 30 June 2015 RM'000
Trading inventories, at cost	55,238

During the financial year, the amount of inventories recognised as expenses in cost of sales of the KTC Group was RM282,681,807.

(c) Trade and Other Receivables

	As at 30 June 2015 RM'000
Trade receivables	43,536
Other receivables	
Other receivables	14,802
Deposits	817
Prepayments	1,143
	16,762
Total trade and other receivables	60,298
Add:	
Cash and bank balances (Note 5.2.4(d))	29,882
Less: Prepayments	(1,143)
Total loans and receivables	89,037

The KTC Group's normal trade credit terms ranges from 30 days to 60 days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values at the initial recognition.

Included in other receivables are the following:

(a) Claims/incentives receivable from suppliers totaling RM11.13 million;

(b) Special sales tax refundable of RM1.23 million arising from the implementation of Goods and Services Tax Act, 2014; and

(c) Goods and services tax refundable of RM1.56 million.

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5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(c) Trade and Other Receivables (Continued)

Trade Receivables

Ageing analysis of trade receivables are as follows:-

	As at 30 June 2015 RM'000
Neither past due nor impaired	32,248
1 to 30 days past due not impaired	7,057
31 to 60 days past due not impaired	2,314
61 to 90 days past due not impaired	496
More than 90 days past due not impaired	1,421
	11,288
	43,536

Receivables that are neither past due nor impaired

The directors of the KTC Group are of the opinion that no impairment loss is necessary in respect of these neither past due nor impaired trade receivables.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing approximately 25.93% of the KTC Group's trade receivables are unsecured in nature.

The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of the KTC Group are of the opinion that no impairment loss is necessary in respect of these past due trade receivables.

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(d) Cash and Bank balances

	As at 30 June 2015 RM'000
Cash and bank balances	29,882

(e) Share Capital

	As at 30 June 2015 Number of Ordinary Shares Unit'000	Amount RM'000
Authorised:-		
Ordinary shares of RM0.10 each		
As at 30 June 2015	4,000	400
Created subsequent to 30 June 2015	746,000	74,600
	750,000	75,000
RCPS of RM1.00 each		
As at 30 June 2015	-	-
Created subsequent to 30 June 2015	24,002	24,002
	24,002	24,002
Issued and fully paid-up:-		
Ordinary shares of RM0.10 each		
As at 30 June 2015	^	#
Issued pursuant to the Acquisitions	368,277	36,828
	368,277	36,828
RCPS of RM1.00 each		
As at 30 June 2015	-	-
Issued pursuant to the Acquisitions	24,002	24,002
	24,002	24,002

^ *20 Shares*

RM2

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5. PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)

5.2.4 (Continued)

(f) RCPS

The RCPS issued by KTC Consolidated is in relation to the partial settlement of the Acquisitions.

The salient principal terms of the RCPS are as follows:-

(i) The RCPS has a par value of RM1.00 each and bears zero dividend rate.

(ii) The RCPS has maturity period of five (5) years from the date of issuance.

(iii) The registered holder will have the right to convert the RCPS at the conversion price of RM0.15 into new ,Shares at any time from the issue date until the maturity date. Notwithstanding the above, the registered holder shall not be allowed to exercise its conversion rights during the conversion period if the public shareholding spread shall fall below twenty-five percent (25%) of the total Shares or such other percentage as may be imposed by the Listing Requirements from time to time as a result of such conversion.

(iv) Each RCPS shall be, at the sole option of KTC Consolidated, be redeemed by payment by KTC Consolidated in cash to the holder thereof, on any date during the tenure of the RCPS and before the maturity date, an amount equivalent to the issue price of each RCPS held. Any RCPS not converted or redeemed shall, on Maturity Date, be automatically lapse.

(v) The RCPS holders shall carry no right to vote at any general meeting of KTC Consolidated except with regard to:

- Any proposal to wind-up KTC Consolidated;
- During the winding-up of KTC Consolidated;
- On any proposal that affects the rights of the RCPS holders;
- On a proposal to reduce KTC Consolidated share capital; or
- On a proposal for the disposal of the whole KTC Consolidated property, business and undertaking.

In any such case, the RCPS holder shall be entitled to vote together with the holders of ordinary shares and entitled to one (1) vote for each RCPS held.

Where there is any proposal submitted to the general meeting which directly affects the rights attached to the RCPS, RCPS holders shall have the right to attend such general meeting and shall be entitled to vote either in person or by proxy only for such purpose.

5. PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)

5.2.4 (Continued)

(g) Revaluation Reserve

The revaluation reserve represents the surplus from the revaluation of the leasehold land and buildings of the KTC Group.

(h) Reserve Arising from Reverse Acquisition

Reserve arising from reverse acquisition is as a result of the acquisition of KTC Sdn Bhd, which is derived as below:-

	RM'000
Fair value of the purchase consideration:	
- 222,605,350 KTC Shares at fair value of RM0.15 per Share	33,391
- 14,507,945 RCPS at fair value of RM1.00 per RCPS	14,508
	47,899
Less: Share capital of KTC Sdn Bhd	(600)
Add: Pre-acquisition loss of KTC Consolidated	664
Reserve arising from reverse acquisition	47,963

(i) Hire Purchase Payables

	As at 30 June 2015 RM'000
Future minimum hire purchase payables	
- not later than one year	999
- later than one year but not later than five years	3,115
- more than five years	524
	4,638
Less: Future finance charges	(665)
Present value of hire purchase payables	3,973
Analysis of present value of hire purchase payables	
Not later than one year (included under current liabilities)	766
Later than one year but not later than five years (included under non-current liabilties)	2,703
More than five years (included under non-current liabilities)	504
	3,973

The hire purchase payables bear interest rates ranging from 3.00% to 4.00% per annum.

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5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(j) Borrowings

	As at 30 June 2015 RM'000
Short term borrowings - secured	
Bankers' acceptances	26,943
Bank overdrafts	1,969
Term loans	841
Short term borrowings - Unsecured	
Bank overdrafts	13,127
Bankers' acceptances	20,773
	63,653
Long term borrowings - secured	
Term loans	10,384
	74,037
Comprising portion repayable	
Within next twelve months	63,653
After the next twelve months:	
- not later than two years	868
- later than two years but not later than five years	2,684
- more than five years	6,832
	74,037

The borrowings are secured by the following:-

(a) Jointly and severally guarantee by certain directors of KTC Consolidated;
(b) Assignment of the banking facilities agreement;
(c) Corporate guarantee by certain subsidiary companies of KTC Consolidated and/or KTC holdings;
(d) Letter of undertaking from a director of KTC Consolidated to meet the loan repayment;
(e) Assignment of rental proceeds;
(f) First and third party legal charges over certain property, plant and equipment as disclosed in Note 5.2.4(a) to the proforma consolidated financial information;
(g) Fixed and floating charge over all the present and future assets of a subsidiary of KTC Consolidated; and
(h) First, second and/or third party charges over a landed property of a person connected to certain directors of KTC Consolidated and a landed property of a company in which certain directors of KTC Consolidated have interests.

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(j) Borrowings (Continued)

The respective term loans are repayable in the following manner:-

(a) 240 equal monthly instalments commencing October 2011;
(b) 209 fortnightly instalments commencing August 2009;
(c) 36 equal monthly instalments commencing May 2015; and
(d) 240 equal monthly instalments commencing August 2015.

The borrowings bear interests at rates which are on a floating rate basis are as follows:

	FYE 30 June 2015 % per annum
Term loans	4.45 to 7.35
Bank overdrafts	7.35 to 8.35
Bankers' acceptances	3.27 to 4.82

Subsequent to 30 June 2015,

(a) the first, second and third party charges over landed properties held under the name of certain directors of KTC Consolidated, companies in which certain directors of KTC Consolidated have interests and/or also person connected to directors have been uplifted by substitution of corporate guarantees provided by KTC Consolidated;

(b) The corporate guarantees by KTC Holdings in favour of certain licensed banks for credit facilities granted to certain subsidiary companies of KTC Consolidated have been uplifted by substitution of corporate guarantees by KTC Consolidated; and

(c) In relation to the corporate guarantee by KTC Holdings in favour of a licensed bank for credit facilities granted to certain subsidiary companies of KTC Consolidated, the said bank has agreed to discharge the corporate guarantee by KTC Holdings, subject to the execution of corporate guarantees by KTC Consolidated and two of the directors of KTC Consolidated, namely Datuk Lau Koh Sing @ Lau Kok Sing and Lau Wei Dick @ Dexter Dick Lau, shall remain as the controlling shareholders of KTC Consolidated at all times.

(k) Deferred Tax Liabilities

Deferred tax liabilities comprise the following:-

	As at 30 June 2015 RM'000
Tax effects on temporary differences arising from:-	
- Temporary differences between tax written down values and the corresponding net carrying amount	658
- Revaluation of property, plant and equipment	1,092
	1,750

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(l) Trade and Other Payables

	As at 30 June 2015 RM'000
Trade payables	41,774
Other payables	
Other payables	11,397
Deposits	1,752
Accruals	1,374
	14,523
Total trade and other payables	56,297
Add:	
Hire purchase payables (Note 5.2.4(i))	3,973
Borrowings (Note 5.2.4(j))	74,037
Total other financial liabilities carried at amortised costs	134,307

The normal trade credit terms granted to the KTC Group ranging from 7 days to 90 days.

(m) Financial Instruments

(i) **Financial Risk Management and Objectives**

The KTC Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The directors of KTC Consolidated review and agree policies and procedures for the management of these risks.

The following sections provide details regarding the KTC Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(m) Financial Instruments (Continued)

(i) **Financial Risk Management and Objectives (Continued)**

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The KTC Group's exposure to credit risk arises primarily from the trade and other receivables.

The KTC Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Receivable balances are monitored on an ongoing basis with the result that the KTC Group's exposure to bad debts is not significant.

Exposure to credit risk

As at 30 June 2015, the KTC Group's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the proforma consolidated statement of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 5.2.4(c) to the proforma consolidated financial information.

Receivables that are neither past due nor impaired

Information regarding credit enhancements for trade receivables is disclosed in Note 5.2.4(c) to the proforma consolidated financial information.

Receivables that are past due but not impaired

Information regarding credit enhancements for trade receivables is disclosed in Note 5.2.4(c) to the proforma consolidated financial information.

Credit risk concentration profile

As at 30 June 2015, there was no significant concentration of credit risk in the KTC Group.

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(m) Financial Instruments (Continued)

(i) **Financial Risk Management and Objectives (Continued)**

(b) Liquidity Risks

Liquidity risk is the risk that the KTC Group will encounter difficulty in meeting financial obligations due to shortage of funds. The KTC Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

As at 30 June 2015, approximately 82.58% of the KTC Group's loans and borrowings, as disclosed in Notes 5.2.4(i) and 5.2.4(j) to the proforma consolidated financial information, will mature in less than one year based on the carrying amounts reflected in the proforma consolidated statement of financial position.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the KTC Group's liabilities as at 30 June 2015 based on contractual undiscounted repayment obligations:-

	As at 30 June 2015			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Trade and other payables	56,297	-	-	56,297
Hire purchase payables	999	3,115	524	4,638
Borrowings	63,653	3,552	6,832	74,037
Total undiscounted financial liabilities	120,949	6,667	7,356	134,972

(c) Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows of the KTC Group's financial instruments will fluctuate because of changes in market interest rates.

The KTC Group's exposure to interest rate risk arises primarily from their loans and borrowings and fixed deposits placed with the financial institutions. Most of the KTC Group's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by Bank Negara Malaysia. Meanwhile, interest rates charged on hire purchases are fixed at the inception of the hire purchase arrangements. For interest income from cash deposits, the KTC Group managed the interest rate risks by placing cash deposits with reputable financial institutions with varying maturities and interest rate terms.

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(m) Financial Instruments (Continued)

(i) Financial Risk Management and Objectives (Continued)

(c) Interest Rate Risk (Continued)

Interest rate risk sensitivity

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the KTC Group's profit after taxation:-

	Carrying amount RM'000	Movement in basis point	Effect on profit after taxation RM'000
Borrowings	74,037	50	(278)

The profit after taxation will be higher/lower when the interest rates decreased/increased.

(ii) Fair Value Measurement

(a) Recognised Financial Instruments

The carrying amounts of financial assets and financial liabilities of the KTC Group approximate their fair value in the proforma consolidated statement of financial position of the KTC Group due to relatively short term nature of these financial instruments except as set out below.

	← 2015	→
	Carrying amount RM	Fair value RM
Hire purchase payables	3,973	4,198
Term Loan	800	780

There have been no transfers between Levels 1, 2 and 3 during the financial year.

The Company does not have any financial assets or financial liabilities measured at Level 1 and 3 hierarchy.

There were no unrecognised financial instruments as at 30 June 2015 that are required to be disclosed

5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(n) Capital Management

The primary objective of the KTC Group's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

The KTC Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the KTC Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

The KTC Group monitors the level of dividends to be paid to shareholders. The KTC Group's objective is to pay out regular dividends to the shareholders based on the level of the KTC Group's profitability and cash flows.

The KTC Group monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise total borrowings and trade and other payables, less cash and bank balances whilst total capital is the shareholders' funds of the KTC Group.

The gearing ratio is as follows:-

	As at 30 June 2015 RM'000
Net debts	
Hire purchase payables	3,973
Borrowings	74,037
Trade and other payables	56,297
Less: Cash and bank balances	(29,882)
Net debts	104,425
Capital	
Equity attributable to owners of KTC Consolidated	73,155
Capital and net debts	177,580
Gearing ratio	58.80%

There were no changes in KTC Consolidated's approach to capital management during the financial year under review.

The KTC Group is not subject to externally imposed capital requirements.

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5. **PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

5.2.4 (Continued)

(o) Proforma Net Assets

	As at 30 June 2015 RM'000
Proforma NA ^	73,155
Number of ordinary shares in issue ('000) *	368,277
Proforma NA per ordinary share (RM) ^	0.20

^ *Attributable to the owners of KTC Consolidated.*

* *Number of Shares in issue after the Acquisitions but before the Public Issue.*

6. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE KTC GROUP

6.1 The proforma consolidated statement of cash flows of the KTC Group as set out below, for which the directors are solely responsible, have been prepared for illustrative purposes only and on the assumption that the KTC Group had been in existence throughout the financial year under review, adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information, and should be read in conjunction with the notes accompanying thereto.

	FYE 30 June 2015	
	After the Acquisitions but before the Public Issue and Utilisation of Proceeds RM'000	**After the Acquisitions, the Public Issue and Utilisation of Proceeds RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,352	10,352
Adjustments for:		
Depreciation of property, plant and equipment	1,889	1,889
Amortisation of leasehold land	240	240
Interest income	(134)	(134)
Interest expenses	3,808	3,808
Impairment on trade receivable	4	4
Gain on disposal of property, plant and equipment	(963)	(963)
Property, plant and equipment written off	30	30
Inventories written off	1,520	1,520
Operating profit before working capital changes	16,746	16,746
Changes In Working Capital		
Inventories	(20,244)	(20,244)
Receivables	(18,010)	(18,010)
Payables	41,945	41,945
Cash generated from operating activities	20,437	20,437
Interests received	134	134
Interests paid	(464)	(464)
Tax paid, net of refund	(2,845)	(2,845)
Net Operating Cash Flows	17,262	17,262

6. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE KTC GROUP (Continued)

6.1 (Continued)

	FYE 30 June 2015 After the Acquisitions but before the Public Issue and Utilisation of Proceeds RM'000	After the Acquisitions, the Public Issue and Utilisation of Proceeds RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,748)	(23,748)
Proceeds from disposal of property, plant and equipment	3,187	3,187
Net Investing Cash Flows	(6,561)	(20,561)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the Public Issue	-	21,300
Defrayment of estimated listing expenses	-	(2,069)
Interests paid	(3,344)	(3,344)
Net change in amounts due from holding company	(2,000)	(2,000)
Net change in amount due from ultimate holding company	2	2
Net change in amounts due to a director	(33)	(33)
Drawdown of term loans	4,335	4,335
Repayment of term loans	(1,802)	(1,802)
Drawdown of bankers' acceptances	300,629	300,629
Repayment of bankers' acceptances	(305,987)	(305,987)
Repayment of hire purchase payables	(481)	(481)
Net Financing Cash Flows	(8,681)	10,550
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,020	7,251
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	12,766	12,766
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	14,786	20,017

ANALYSIS OF CASH AND CASH EQUIVALENTS

Cash and bank balances	29,882	35,113
Less: Bank overdrafts	(15,096)	(15,096)
	14,786	20,017

6. **PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE KTC GROUP (Continued)**

6.2 **Notes to the Proforma Consolidated Statement of Cash Flows of the KTC Group**

6.2.1 Basis of Preparation

The proforma consolidated statement of cash flows of the KTC Group, for which the directors of KTC Consolidated are solely responsible, are prepared for illustrative purposes only, and on the assumption that the KTC Group has been in existence throughout the financial year under review, adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information.

The proforma consolidated statement of cash flows of the KTC Group for the FYE 2015 has been prepared based on the audited financial statements of the KTC Group as mentioned in Note 3.2 to the proforma consolidated financial information, unless otherwise stated.

6.2.2 All inter-company cash flows movements are eliminated on consolidation.

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7. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE KTC GROUP

7.1 The proforma consolidated statements of financial position of the KTC Group as set out below, for which the directors of KTC Consolidated are solely responsible, have been prepared for illustrative purposes only, to show the effects on the proforma statement of financial position of KTC Consolidated as at 30 June 2015, had the Acquisitions as described in Note 3.8 to the proforma consolidated financial information, the Public Issue as described in Note 2.1 to the proforma consolidated financial information, the utilisation of proceeds as described in Note 7.2.3 to the proforma consolidated financial information and the full conversion of RCPS as described in Note 5.2.4(f) to the proforma consolidated financial information been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Statement of Financial Position as at 30 June 2015 RM'000	Adjusted Consolidated Statement of Financial Position as at 30 June 2015 RM'000	Proforma I After the Public Issue RM'000	Proforma II After Proforma I and the Utilisation of Proceeds RM'000	Proforma III After Proforma II and the Full Conversion of RCPS RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	-	60,225	60,225	74,225	74,225
Goodwill on consolidation	-	4,557	4,557	4,557	4,557
Total non-current assets	-	64,782	64,782	78,782	78,782
Current assets					
Inventories	-	55,238	55,238	55,238	55,238
Trade and other receivables	7	60,298	60,298	60,298	60,298
Tax recoverable	-	490	490	490	490
Cash and bank balances	^	29,882	51,182	35,113	35,113
Total current assets	7	145,908	167,208	151,139	151,139
TOTAL ASSETS	7	210,690	231,990	229,921	229,921
EQUITY AND LIABILITIES					
Equity attributable to owners of KTC Consolidated					
Share capital	^	36,828	51,028	51,028	67,029
Share premium	-	18,414	25,514	24,803	32,804
RCPS	-	24,002	24,002	24,002	-
Revaluation reserve	-	12,094	12,094	12,094	12,094
Reserve arising from reverse acquisition	-	(47,963)	(47,963)	(47,963)	(47,963)
Retained earnings	(664)	29,780	29,780	28,422	28,422
Shareholders' funds	(664)	73,155	94,455	92,386	92,386
Non-controlling interests	-	788	788	788	788
Total equity	(664)	73,943	95,243	93,174	93,174

^ *RM2*

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7. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

7.1 (Continued)

	Audited Statement of Financial Position as at 30 June 2015 RM'000	Adjusted Consolidated Statement of Financial Position as at 30 June 2015 RM'000	Proforma I After the Public Issue RM'000	Proforma II After Proforma I and the Utilisation of Proceeds RM'000	Proforma III After Proforma II and the Full Conversion of RCPS RM'000
Non-current liabilities					
Hire purchase payables	-	3,207	3,207	3,207	3,207
Borrowings	-	10,384	10,384	10,384	10,384
Deferred tax liabilities	-	1,750	1,750	1,750	1,750
Total non-current liabilities	-	15,341	15,341	15,341	15,341
Current liabilities					
Trade and other payables	671	56,297	56,297	56,297	56,297
Hire purchase payables	-	766	766	766	766
Borrowings	-	63,653	63,653	63,653	63,653
Current tax liabilities	-	690	690	690	690
Total current liabilities	671	121,406	121,406	121,406	121,406
Total liabilities	671	136,747	136,747	136,747	136,747
TOTAL EQUITY AND LIABILITIES	7	210,690	231,990	229,921	229,921
Number of ordinary shares assumed to be in issued - RM0.10 each ('000)	@	368,277	510,277	510,277	670,289
NA (RM'000) *	(664)	73,155	94,455	92,386	92,386
NA per ordinary share (RM) *	(33,200)	0.20	0.19	0.18	0.14

@ *20 shares*

^ *RM2*

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7. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

7.2 Notes to the proforma consolidated statements of financial position are as follows:-

7.2.1 **Basis of Preparation**

The proforma consolidated statements of financial position of the KTC Group, for which the directors of KTC Consolidated are solely responsible, have been prepared for illustrative purposes only, to show the effects on the proforma statement of financial position of KTC Consolidated as at 30 June 2015, had the Acquisitions as described in Note 3.8, the Public Issue as described in Note 2.1, the utilisation of proceeds as described in Note 7.2.3 and the full conversion of RCPS as described in Note 5.2.4 (f) to the proforma consolidated financial information been effected on that date, and should be read in conjunction with the notes accompanying thereto.

7.2.2 The proforma consolidated statements of financial position of the KTC Group have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by KTC Sdn Bhd in the preparation of its audited financial statements for the FYE 2015, which had been adopted by KTC Consolidated as the group's accounting policies and the adoption of new accounting policies as mentioned in Note 3.6 to the proforma consolidated financial information.

7.2.3 The proceeds from the Public Issue would be utilised in the following manner:-

	RM'000	**%**
Acquisition of warehousing facilities in Sibu, Miri and Kuching, Sarawak	9,000	42.26
Construction of new warehousing facility in Kota Kinabalu, Sabah	2,000	9.39
Purchase of equipment for the following:		
- new warehousing facility in Kota Kinabalu, Sabah	1,000	4.69
- three (3) production lines for bakery products in Sabah	1,000	4.69
- a production line for bakery products in Sarawak	1,000	4.69
Working capital	4,700	22.07
Estimated listing expenses	2,600	12.21
	21,300	100.00

7.2.4 **Adjusted Consolidated Statement of Financial Position of the KTC Group as at 30 June 2015**

The proforma statement of financial position of KTC Consolidated as at 30 June 2015 had been adjusted for the Acquisitions as described in Note 3.8 to the proforma consolidated financial information.

For the purpose of the preparation of the Proforma Consolidated Financial Information of KTC Consolidated as at 30 June 2015 and for illustrative purposes only,

(a) the directors of KTC Consolidated have assumed that the fair value of Shares issued pursuant to the Acquisitions to be the issue price for the Public Issue of RM0.15 per Share whereas the issue price for the RCPS of RM1 will be the fair value of the RCPS.

7. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

7.2 (Continued)

7.2.4 (Continued)

(b) the directors of KTC Consolidated have not taken into consideration any fair value adjustments in respect of the assets and liabilities of the subsidiary companies to be acquired as the directors of KTC Consolidated have assumed that the fair values of the identifiable assets and liabilities of the these subsidiary companies are approximately their audited net carrying amounts as at 30 June 2015.

The reserve arising from the reverse acquisition of KTC Sdn Bhd is derived as below:-

	RM'000
Fair value of the purchase consideration:	
- 222,605,350 KTC Shares at fair value of RM0.15 per Share	33,391
- 14,507,945 RCPS at fair value of RM1.00 per RCPS	14,508
	47,899
Less: Share capital of KTC Sdn Bhd	(600)
Add: Pre-acquisition loss of KTC Consolidated	664
Reserve arising from reverse acquisition	47,963

The goodwill on consolidation and gain on bargain purchase arising from the acquisitions of AMDA Marketing, KTC Tawau, KTC Sarawak, KTC Brands, KTC Distribution and Creamos Malaysia are as below:-

	Acquisition of AMDA Marketing RM'000	Acquisition of KTC Tawau RM'000	Acquisition of KTC Sarawak RM'000	Acquisition of KTC Brands RM'000	Acquisition of KTC Distribution RM'000	Acquisition of Creamos Malaysia RM'000
Purchase consideration	5,265	14,309	3,959	182	7,553	77
- Net fair value of the identifiable assets, liabilities and contingent liabilities on the audited net assets as at 30 June 2015	4,087	11,738	3,151	204	8,728	1,804
Gain on bargain purchase	-	-	-	22	1,175	1,727
Goodwill on consolidation	1,178	2,571	808	-	-	-

7. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

7.2 (Continued)

7.2.4 (Continued)

The Acquisitions as described in Note 3.8 to the proforma consolidated financial information had the following impact on the audited statement of financial position of KTC Consolidated as at 30 June 2015:-

	Increase/(Decrease)	
	Effects on Total Assets RM'000	**Effects on Total Liabilities and Equity RM'000**
Property, plant and equipment	60,225	-
Goodwill on consolidation	4,557	-
Inventories	55,238	-
Trade and other receivables	60,291	-
Tax recoverable	490	-
Cash and bank balances	29,882	-
Share capital	-	36,828
Share premium	-	18,414
RCPS	-	24,002
Revaluation reserve	-	12,094
Reserve arising from reverse acquisition	-	(47,963)
Retained earnings	-	30,444
Non-controlling interests	-	788
Hire purchase payables		
- non-current liabilities	-	3,207
- current liabilities	-	766
Borrowings		
- non-current liabilities	-	10,384
- current liabilities	-	63,653
Deferred tax liabilities	-	1,750
Trade and other payables	-	55,626
Current tax liabilities	-	690
	210,683	210,683

7. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

7.2 (Continued)

7.2.5 The proforma consolidated statements of financial position should be read in conjunction with the notes below:-

(a) **Proforma I**

Proforma I incorporates the cumulative effects of the adjusted consolidated statement of financial position of the KTC Group as at 30 June 2015 and the Public Issue as described in Note 2.1 to the proforma consolidated financial information, at the issue price of RM0.15 per Share.

The Public Issue has the following impact on the audited consolidated statement of financial position of the KTC Group as at 30 June 2015:-

	Increase/(Decrease)	
	Effects on Total Assets RM'000	**Effects on Total Equity RM'000**
Cash and bank balances	21,300	-
Share capital	-	14,200
Share premium	-	7,100
	21,300	21,300

(b) **Proforma II**

Proforma II incorporates the cumulative effects of Proforma I and the utilisation of proceeds from the Public Issue of RM21.30 million.

The proceeds expected from the Public Issue of RM21.30 million will be utilised in the manner as described in Note 7.2.3 to the proforma consolidated financial information.

The proceeds arising from the Public Issue earmarked for acquisitions of warehousing, construction of warehousing facility and purchase of equipment for bakery products totalling RM14.0 million is assumed will meet the criteria of capitalisation as property, plant and equipment and therefore will be debited to the Property, Plant and Equipment Account.

The estimated expenses for the issuance of Shares of RM0.711 million will be written off against the Share Premium Account pursuant to Section 60(3) of the Companies Act, 1965. The remaining estimated expenses for the Listing of RM1.358 million will be debited to the Retained Earnings Account after net off RM0.531 million incurred during the financial year ended 30 June 2015.

The proceeds arising from the Public Issue earmarked for the KTC Group's working capital purposes of RM4.70 million will be included in the Cash and Bank Balances Account.

7. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

7.2 (Continued)

7.2.5 (Continued)

(b) **Proforma II (Continued)**

The utilisation of proceeds from the Public Issue has the following impact on the proforma consolidated statements of financial position of the KTC Group as at 30 June 2015:-

	Increase/(Decrease) Effects on Total Assets RM'000	Increase/(Decrease) Effects on Total Equity RM'000
Property, plant and equipment	14,000	-
Cash and bank balances	(16,069)	-
Share premium	-	(711)
Retained earnings	-	(1,358)
	(2,069)	(2,069)

(c) **Proforma III**

The full conversion of RCPS has the following impact on the proforma consolidated statements of financial position of the KTC Group as at 30 June 2015:-

	Increase/ (Decrease) Effects on Total Equity RM'000
Share capital	16,001
Share premium	8,001
RCPS	(24,002)
	-

7. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

7.2 (Continued)

7.2.6 Movements in share capital and reserves are as follows:-

	Share Capital RM'000	Share Premium RM'000	RCPS RM'000	Revaluation Reserve RM'000	Reserve Arising from Reverse Acquisition RM'000	(Accumulated losses)/ Retained Earnings RM'000
Audited statement of financial position of KTC Consolidated as at 30 June 2015	^	-	-	-	-	(664)
Arising from the Acquisitions	36,828	18,414	24,002	12,094	(47,963)	30,444
Adjusted consolidated statement of financial position of KTC Consolidated as at 30 June 2015	36,828	18,414	24,002	12,094	(47,963)	29,780
Arising from the Public Issue	14,200	7,100	-	-	-	-
Per Proforma I	51,028	25,514	24,002	12,094	(47,963)	29,780
- defrayment of estimated listing expenses	-	(711)	-	-	-	(1,358)
Per Proforma II	51,028	24,803	24,002	12,094	(47,963)	28,422
Arising from full conversion of RCPS	16,001	8,001	(24,002)	-	-	-
Per Proforma III	67,029	32,804	-	12,094	(47,963)	28,422

^ *RM2*

KIM TECK CHEONG CONSOLIDATED BERHAD

7. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE KTC GROUP (Continued)**

7.2 (Continued)

7.2.7 Movements in cash and bank balances are as follows:-

	RM'000
Audited statement of financial position of KTC Consolidated as at 30 June 2015	^
Arising from the Acquisitions	29,882
Adjusted consolidated statement of financial position of KTC Consolidated as at 30 June 2015	29,882
Arising from the Public Issue	21,300
Per Proforma I	51,182
Arising from the utilisation of proceeds:-	
- defrayment of estimated listing expenses	(2,069)
- acquisitions of of warehousing facilities in Sibu, Miri and Kuching, Sarawak	(9,000)
- construction of warehousing facility in Kota Kinabalu, Sabah	(2,000)
- purchase of equipment	(3,000)
Per Proforma II *	35,113
Arising from the full conversion of RCPS	-
Per Proforma III *	35,113

^ *RM2*

* *Included in the cash and bank balances is an amount of RM4.7 million arising from the Public Issue earmarked for working capital purposes.*

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

KIM TECK CHEONG CONSOLIDATED BERHAD

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Kim Teck Cheong Consolidated Berhad in accordance with a resolution dated 5 OCT 2015

....	....
Name: Datuk Lau Koh Sing @ Lau Kok Sing	**Name:** Lau Wei Dick @ Dexter Dick Lau
Director	**Director**

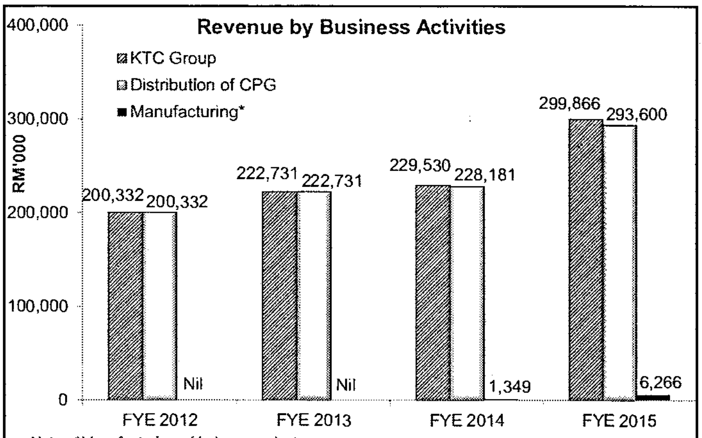
Investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the Proforma Consolidated Financial Information and the related notes thereon for the past four (4) FYE 30 June 2012 to 2015 as set out in Section 11 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

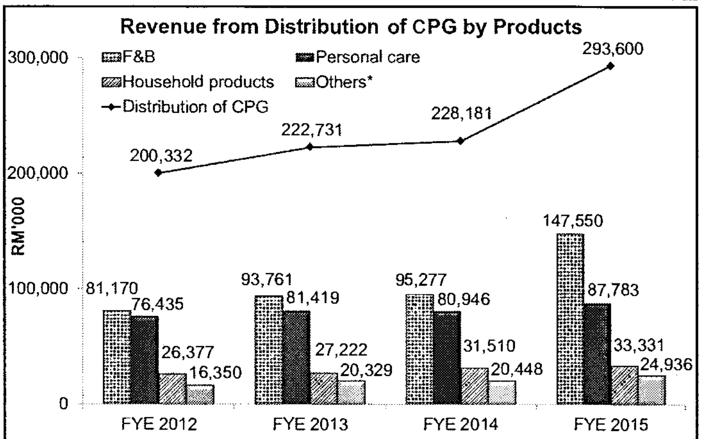
12.1 OVERVIEW

We are principally a provider of market access and coverage of CPG where we are involved in the distribution and warehousing of a range of CPG, namely F&B products, personal care products, household products, OTC drugs and health supplements, and baby care products covering East Malaysia. Our core business is supported by a total of 18 distribution centres in East Malaysia comprising 13 in Sabah, three (3) in Sarawak and two (2) in Labuan. Our other business activity is in the manufacturing of bakery products which commenced in February 2014.

Revenue



Note: *Manufacturing of bakery products



Note: *Include baby care, OTC drugs and health supplements

Our total revenue grew from RM200.33 million for FYE 30 June 2012 to RM299.87 million for FYE 30 June 2015, which represented an AAGR of 14.39%.

Our main revenue stream is derived from the distribution of CPG incorporating warehousing and various marketing activities including, among others, point-of-sale promotions, trade visits and product demonstrations at retail outlets. Within our portfolio, we cover F&B products, personal care products, household products, baby care products as well as OTC drugs and health supplements. Distribution of CPG as a business activity contributed RM293.60 million or 97.91% of our total revenue for FYE 30 June 2015. Revenue from the distribution of CPG grew from RM200.33 million for FYE 30 June 2012 to RM293.60 million for FYE 30 June 2015, which represented an AAGR of 13.59%.

A small proportion of our business is in the manufacturing of bakery products which commenced in February 2014. For FYE 30 June 2015, revenue from the manufacture of bakery products accounted for RM6.27 million or 2.09% of our total revenue.

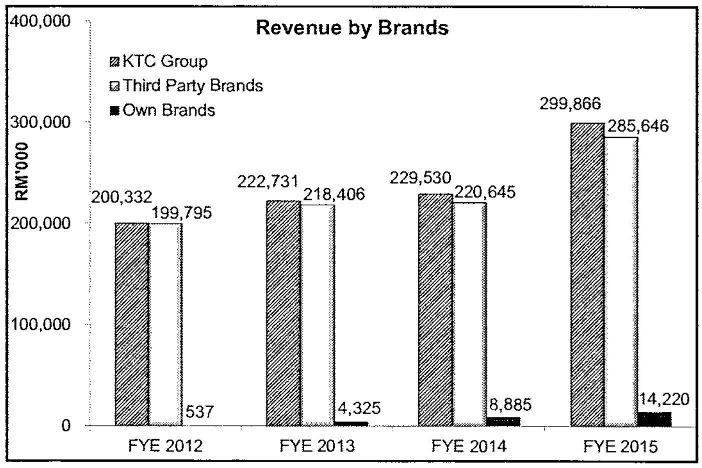
Within the distribution of CPG, F&B products was our largest segment which represented RM147.55 million or 49.21% of our total revenue for FYE 30 June 2015. Revenue from the distribution of F&B increased from RM81.17 million for FYE 30 June 2012 to RM147.55 million for FYE 30 June 2015, which represented an AAGR of 22.04%. We distribute approximately 893 SKU for a total of 72 brands of F&B products in East Malaysia as at LPD.

The types of F&B products that we distributed, among many others, include:
- dry food such as milk powder, powdered drinks, canned food, confectionaries and snacks, and others;
- chilled and frozen foods such as burger patties, chicken drummets, nuggets, sausages, potato based products, bread spread products such as butter, cheese and whipped cream;
- beverages such as carbonated drinks and non-carbonated drinks.

This is followed by the distribution of personal care products, which accounted for RM87.78 million or 29.27% of our total revenue for FYE 30 June 2015. Revenue from personal care products grew from RM76.44 million for FYE 30 June 2012 to RM87.78 million for FYE 30 June 2015, which represented an AAGR of 4.72%. As at LPD, we distribute approximately 5,367 SKU of personal care products covering a total of 79 brands for body and skin care products, oral care products, hair care products, cosmetics, shaving creams, razors and sanitary products.

The distribution of household products accounted for RM33.33 million or 11.12% of our total revenue for FYE 30 June 2015. Revenue from household products grew from RM26.38 million for FYE 30 June 2012 to RM33.33 million for FYE 30 June 2015, which represented an AAGR of 8.11%. We distribute approximately 1,063 SKU of household products covering a total of 18 brands as at LPD, which include air fresheners, cleaning products, laundry detergents, and others such as kitchenware, electrical appliances, household pesticides and lighting products.

Distribution of other CPG accounted for the remainder RM24.94 million or 8.31% of our total revenue for FYE 30 June 2015, which included baby care products, OTC drugs and health supplements. Revenue from distribution of other CPG grew from RM16.35 million for FYE 30 June 2012 to RM24.94 million for FYE 30 June 2015, which represented an AAGR of 15.11%.



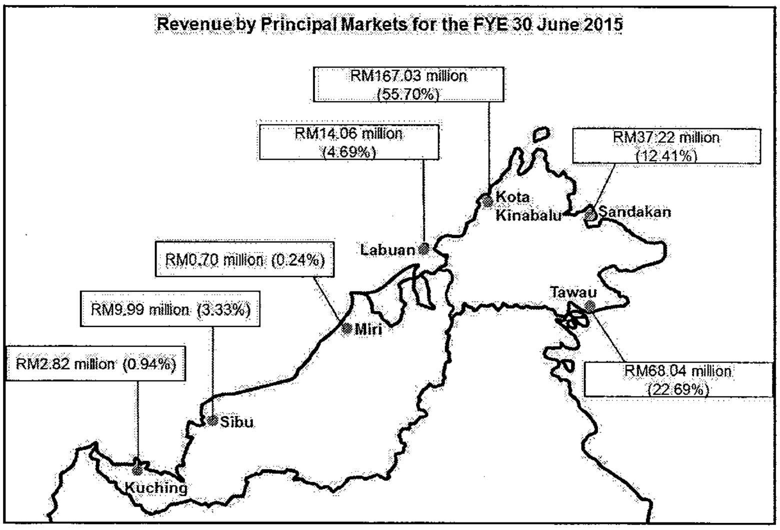
As a distributor of CPG, our core competency is in the distribution of a proliferation of brands across various product categories for markets in Sabah, Sarawak and Labuan. Revenue from the distribution of third party brands of CPG contributed RM285.65 million or 95.26% of our total revenue for FYE 30 June 2015. Revenue derived from third party brands grew from RM199.80 million for FYE 30 June 2012 to RM285.65 million for FYE 30 June 2015, which represented an AAGR of 12.65%. As at LPD, we distribute a total of 194 third party brands of CPG in East Malaysia.

By leveraging from our core competency in the distribution of CPG, we extended our portfolio of products to the distribution of our own brands. For FYE 30 June 2015, distribution of our own brands of CPG accounted for RM14.22 million or 4.74% of our total revenue. Revenue derived from own brands grew from RM0.54 million for FYE 30 June 2012 to RM14.22 million for FYE 30 June 2015, which represented an AAGR of 198.06%. As at LPD, our own brands of CPG are "Orie" for frozen and dry food, as well as beverage products, and "Creamos" for beverage products, which are manufactured by external parties while our "Creamos" brand of bakery products are manufactured by our subsidiary, Creamos Malaysia.

As a provider of market access and coverage of CPG, our sales and distribution points for the financial years under review grew at an AAGR of 30.60% from 2,678 sales and distribution points for FYE 30 June 2012 to 5,965 sales and distribution points for FYE 30 June 2015. Sales and distribution points are an indication of our ability to increase the market access and coverage of CPG in terms of the final delivered destinations of CPG from our sales and distribution centres. As at LPD, our market reach extends to 6,419 sales and distribution points.

For FYE 30 June 2015, Sabah contributed a large proportion of our revenue at RM272.29 million or 90.80% of our total revenue while Labuan accounted for 4.69% and the remaining 4.51% was from Sarawak.

Please refer to Section 12.2.1 of this Prospectus for a year-on-year analysis of our Group's revenue for the past four (4) financial years from FYE 30 June 2012 to 2015.



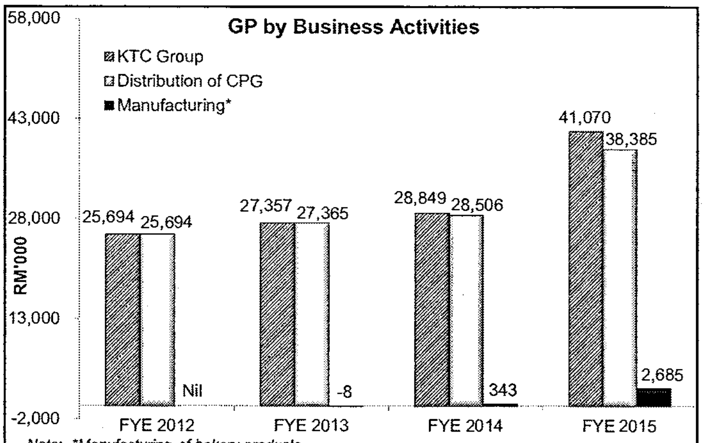
Cost of sales

In tandem with our business growth, our total cost of sales grew from RM174.64 million for FYE 30 June 2012 to RM258.80 million for FYE 30 June 2015, which represented an AAGR of 14.01%. For FYE 30 June 2015, our cost of sales for the distribution of CPG represented 98.62% of total cost of sales while the remainder 1.38% of our cost of sales was for manufacturing operations.

As a provider of market access and coverage of CPG, cost of sales for our distribution operations mainly consists of finished products comprising F&B products covering dry foods such as milk powder and other dry food, chilled and frozen food, and beverages, personal care products, household products, baby care products, and OTC drugs and health supplements, as well as direct labour cost, logistics and transportation costs. The cost of sales for our distribution operations offset the incentives, commissions as well as discounts received from our brand owners. Cost of sales for our distribution operations constituted 87.17%, 87.71%, 87.51% and 86.93% of our revenue from distribution operations for FYE 30 June 2012, 2013, 2014 and 2015 respectively.

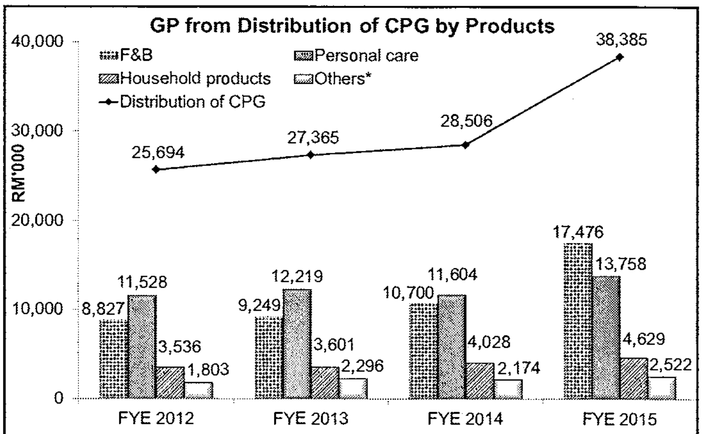
Cost of sales for our manufacturing operations consists of raw materials, packaging materials, and direct labour cost, which constituted 74.57% and 57.15% of our revenue from manufacturing operations for FYE 30 June 2014 and 2015 respectively.

Gross profit



*Note: *Manufacturing of bakery products*

Our total gross profit (GP) grew from RM25.69 million for FYE 30 June 2012 to RM41.07 million for FYE 30 June 2015, which represented an AAGR of 16.92%. GP from the distribution of CPG increased from RM25.69 million for FYE 30 June 2012 to RM38.39 million for FYE 30 June 2015. This represented an AAGR of 14.32% between FYE 30 June 2012 and FYE 30 June 2015.



*Note: *Include baby care, OTC drugs and health supplements*

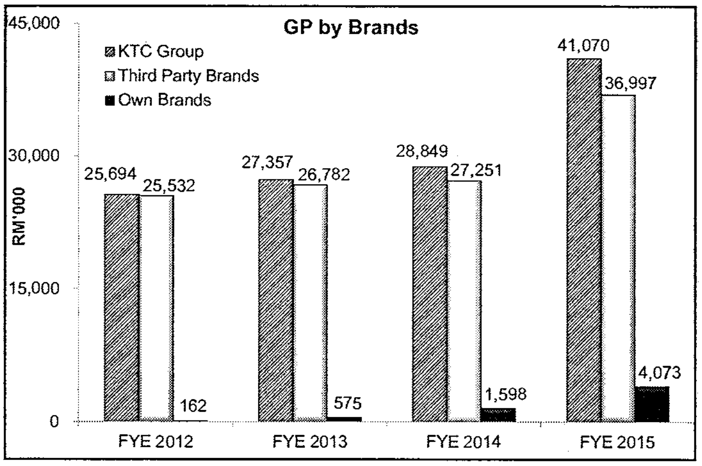
GP derived from our manufacturing operations, which commenced in February 2014, increased from RM0.34 million for FYE 30 June 2014 to RM2.69 million for FYE 30 June 2015.

Within the distribution of CPG, F&B products represented our largest GP contributor at RM17.48 million or 42.55% of our total GP for FYE 30 June 2015. GP from F&B products increased from RM8.83 million for FYE 30 June 2012 to RM17.48 million for FYE 30 June 2015, which represented an AAGR of 25.57%.

This is followed by the distribution of personal care products which accounted for RM13.76 million or 33.50% of our total GP for FYE 30 June 2015. GP from personal care products grew from RM11.53 million for FYE 30 June 2012 to RM13.76 million for FYE 30 June 2015, which represented an AAGR of 6.07%.

GP from the distribution of household products was RM4.63 million or 11.27% of our total GP for FYE 30 June 2015. GP from household products grew from RM3.54 million for FYE 30 June 2012 to RM4.63 million for FYE 30 June 2015, which represented an AAGR of 9.39%. As for the distribution of other CPG, this segment accounted for the remainder RM2.52 million or 6.14% of our total GP for FYE 30 June 2015, which consisted of baby care products as well as OTC drugs and health supplements. GP from other CPG grew from RM1.80 million for FYE 30 June 2012 to RM2.52 million for FYE 30 June 2015, which represented an AAGR of 11.84%.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*



GP from the distribution of third party brands of CPG contributed RM37.00 million or 90.08% of our total GP for FYE 30 June 2015. GP derived from third party brands increased from RM25.53 million for FYE 30 June 2012 to RM37.00 million for FYE 30 June 2015, which represented an AAGR of 13.16%.

For FYE 30 June 2015, GP for the distribution of our own brands of CPG accounted for RM4.07 million or 9.92% of our total GP. GP derived from our own brands increased from RM0.16 million for FYE 30 June 2012 to RM4.07 million for FYE 30 June 2015, which represented an AAGR of 192.95%.

Please refer to Section 12.2.2 of this Prospectus for a year-on-year analysis of our Group's GP for the past four (4) financial years from FYE 30 June 2012 to 2015.

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12.2 RESULTS OF OPERATIONS

The following is a segmental analysis of our results for four (4) FYE 30 June 2012 to 2015 based on the assumption that our current Group structure has been in existence throughout the financial years under review.

12.2.1 Segmental analysis of revenue

(i) Revenue by Companies

The table below sets forth the breakdown of our Group's revenue by companies:

Revenue	<------ FYE 30 June 2012 RM'000	 % 	 2013 RM'000	 % 	 2014 RM'000	 % 	------> 2015 RM'000	 %
AMDA Marketing	50,102	*23.20*	52,299	*21.80*	54,806	*21.59*	*50,772*	*15.32*
Creamos Malaysia[(1)]	-	-	-	-	1,349	*0.53*	*6,266*	*1.89*
KTC Brands	-	-	-	-	7,628	*3.01*	*7,841*	*2.37*
KTC Distribution[(2)]	336	*0.16*	336	*0.14*	338	*0.13*	*82,309*	*24.83*
KTC Sarawak	10,368	*4.80*	11,028	*4.60*	10,663	*4.20*	*13,510*	*4.07*
KTC Sdn Bhd	128,104	*59.32*	147,275	*61.40*	148,983	*58.70*	*140,768*	*42.46*
KTC Tawau	27,026	*12.52*	28,920	*12.06*	30,063	*11.84*	*30,046*	*9.06*
	215,936	***100.00***	**239,858**	***100.00***	**253,830**	***100.00***	**331,512**	***100.00***
Consolidation adjustments	(15,604)		(17,127)		(24,300)		(31,646)	
Total	**200,332**		**222,731**		**229,530**		**299,866**	

Notes:

(1) Commenced manufacturing operations in February 2014.

(2) Prior to August 2014, the principal activity of KTC Distribution was in leasing of properties to our Subsidiary Companies and subsequently in August 2014, the company changed its principal activities to distribution operations. Revenue recorded for KTC Distribution for FYE 30 June 2012 to 2014 was intercompany transactions.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(ii) Revenue by Business Activities and Products

The table below sets forth the breakdown of our Group's revenue by business activities and products:

Revenue	FYE 30 June 2012 RM'000	%	2013 RM'000	%	2014 RM'000	%	2015 RM'000	%
Distribution of CPG	**200,332**	***100.00***	**222,731**	***100.00***	**228,181**	***99.41***	**293,600**	***97.91***
F&B products	81,170	*40.52*	93,761	*42.10*	95,277	*41.50*	147,550	*49.21*
Personal care products	76,435	*38.15*	81,419	*36.55*	80,946	*35.27*	87,783	*29.27*
Household products	26,377	*13.17*	27,222	*12.22*	31,510	*13.73*	33,331	*11.12*
Others[1]	16,350	*8.16*	20,329	*9.13*	20,448	*8.91*	24,936	*8.31*
Other Business Activity								
Manufacturing of bakery products	-	-	-	-	1,349	*0.59*	6,266	*2.09*
Total	**200,332**	***100.00***	**222,731**	***100.00***	**229,530**	***100.00***	**299,866**	***100.00***

Note:

(1) Others include baby care products, OTC drugs and health supplements.

(iii) Revenue by Brands

The table below sets forth the breakdown of our Group's revenue by brands:

Revenue	FYE 30 June 2012 RM'000	%	2013 RM'000	%	2014 RM'000	%	2015 RM'000	%
Third party brands[1]	199,795	*99.73*	218,406	*98.06*	220,645	*96.13*	285,646	*95.26*
Own brands[2]	537	*0.27*	4,325	*1.94*	8,885	*3.87*	14,220	*4.74*
Total	**200,332**	***100.00***	**222,731**	***100.00***	**229,530**	***100.00***	**299,866**	***100.00***

Notes:

(1) Third party brands refer to brands that we distributed for brand owners, which are inclusive of the respective appointed distributors of brand owners.

(2) Own brands include 'Orie', 'Bamble', and 'Creamos' brands.

(iv) Revenue by Geographical Markets

The breakdown of our revenue by geographical markets is as follows:

Revenue	FYE 30 June 2012 RM'000	%	2013 RM'000	%	2014 RM'000	%	2015 RM'000	%
East Malaysia								
Sabah	180,754	*90.23*	201,628	*90.53*	208,898	*91.01*	272,294	*90.80*
Sarawak	10,368	*5.18*	11,028	*4.95*	10,663	*4.65*	13,510	*4.51*
Labuan	9,103	*4.54*	10,075	*4.52*	9,969	*4.34*	14,062	*4.69*
Overseas								
Brunei	107	*0.05*	-	-	-	-	-	-
Total	**200,332**	***100.00***	**222,731**	***100.00***	**229,530**	***100.00***	**299,866**	***100.00***

(a) Commentary on Revenue

FYE 30 June 2012 compared to FYE 30 June 2011

Distribution of CPG

Our total revenue increased by 12.24% from RM178.49 million for FYE 30 June 2011 to RM200.33 million for FYE 30 June 2012. Our revenue was derived entirely from the distribution of CPG between FYE 30 June 2011 and FYE 30 June 2012. The increase in revenue between FYE 30 June 2011 and FYE 30 June 2012 was mainly attributed to improvements in sales from the following product categories:

- Revenue from F&B products increased by 15.69%, from RM70.16 million for FYE 30 June 2011 to RM81.17 million for FYE 30 June 2012, which was mainly contributed by the following:
  - milk powder increased by 14.38% or RM6.06 million;
  - beverage products increased by 78.70% or RM4.19 million;
  - other F&B products increased by 3.34% or RM0.76 million.

- Revenue from personal care products increased by 10.52%, from RM69.16 million for FYE 30 June 2011 to RM76.44 million for FYE 30 June 2012 which was mainly attributed to the increase in sales of body, skin care and hair care products.

- Revenue from household products increased by 16.49%, from RM22.64 million for FYE 30 June 2011 to RM26.38 million for FYE 30 June 2012, which was mainly derived from the increase in sales of laundry detergents and air fresheners.

The increase in revenue was partly offset by the 1.05% decrease in revenue from the distribution of other CPG, from RM16.52 million for FYE 30 June 2011 to RM16.35 million for FYE 30 June 2012. This was due to the decrease in sales of OTC drugs and health supplements.

Manufacturing of Bakery Products

There was no revenue from the manufacturing of bakery products as it only commenced in February 2014.

Other Commentary

Revenue from third party brands of CPG accounted for RM199.80 million or 99.73% of our total revenue for FYE 30 June 2012. Revenue of third party brands of CPG increased by 11.94% from RM178.49 million in FYE 30 June 2011 to RM199.80 million in FYE 30 June 2012. This was mainly contributed by milk powder, beverage products, personal care and household products. In line with the launch of our own brands of CPG in FYE 30 June 2012, revenue derived from this said range of products accounted for RM0.54 million or 0.27% of our total revenue for FYE 30 June 2012. This consisted of our own brands of wet tissues and frozen food.

In terms of geographical markets, Sabah was the largest market having accounted for 90.23% of our total revenue in FYE 30 June 2012. Revenue from Sabah increased by 11.66% from RM161.88 million for FYE 30 June 2011 to RM180.75 million for FYE 30 June 2012. This was mainly contributed by the increase in sales from Kota Kinabalu, Tawau and Sandakan. For FYE 30 June 2012, revenue from Sarawak and Labuan accounted for 5.18% and 4.54% of our total revenue respectively, while the remainder 0.05% consisted of export sales to Brunei.

Our subsidiary, KTC Sdn Bhd was our largest revenue contributor, which accounted for 59.32% of our total revenue before consolidation adjustments for FYE 30 June 2012. This was followed by AMDA Marketing and KTC Tawau at 23.20% and 12.52% of our total revenue respectively. Revenue from KTC Sarawak and KTC Distribution accounted for the remaining 4.80% and 0.16% of our total revenue respectively before consolidation adjustments for FYE 30 June 2012.

FYE 30 June 2013 compared to FYE 30 June 2012

Distribution of CPG

For FYE 30 June 2013, our total revenue increased by 11.18% from RM200.33 million for FYE 30 June 2012 to RM222.73 million for FYE 30 June 2013. The increase was mainly contributed by the following distribution operations:

- Revenue from F&B products increased by 15.51% from RM81.17 million for FYE 30 June 2012 to RM93.76 million for FYE 30 June 2013. This was mainly due to the increase in the sales of milk powder, frozen food, and other packaged F&B products. For FYE 30 June 2013, the increase of RM12.59 million was attributed to the following products:
  - milk powder increased by 13.76% or RM6.63 million;
  - frozen food increased by 59.31% or RM3.66 million;
  - other F&B products increased by 8.59% or RM2.31 million which was mainly contributed by coconut products, sauces and condiments, and beverages.

- Revenue from personal care products increased by 6.52% from RM76.44 million for FYE 30 June 2012 to RM81.42 million for FYE 30 June 2013. In FYE 30 June 2013, we secured the distribution for an additional third party brand and its range of hair care products. The increase in sales of personal care products was mainly contributed by the sales from this additional brand of hair care products, followed by an increase in sales of body, skin care and oral care products.

- Revenue from household products increased by 3.20%, from RM26.38 million for FYE 30 June 2012 to RM27.22 million for FYE 30 June 2013, which was mainly attributed to the increase in sales from laundry detergents as well as sales from distribution of additional products, namely stationeries.

- Revenue from other CPG increased by 24.34%, from RM16.35 million for FYE 30 June 2012 to RM20.33 million for FYE 30 June 2013, which was mainly contributed by OTC drugs and health supplements as well as baby care products.

Manufacturing of Bakery Products

There was no revenue derived from the manufacturing of bakery products as it only commenced in February 2014.

Other Commentary

For FYE 30 June 2013, revenue from third party brands of CPG accounted for RM218.41 million or 98.06% of our total revenue, which increased by 9.32%, from RM199.80 million for FYE 30 June 2012 to RM218.41 million for FYE 30 June 2013. The increase in the sales of third party brands was derived from sales of milk powder, hair care products, laundry detergents, OTC drugs and health supplements, as well as baby care products. In addition, revenue from our own brands of CPG increased significantly from RM0.54 million for FYE 30 June 2012 to RM4.33 million for FYE 30 June 2013 and this was mainly attributed to the increase in sales of frozen food and the launch of dry food.

Our sales and distribution points increased from 2,678 points for FYE 30 June 2012 to 2,976 sales and distribution points for FYE 30 June 2013. In terms of geographical markets, Sabah continued to be our largest market which accounted for 90.53% of our total revenue for FYE 30 June 2013. Revenue from Sabah increased by 11.55% from RM180.75 million for FYE 30 June 2012 to RM201.63 million for FYE 30 June 2013. This was mainly contributed by the increase in sales derived from Kota Kinabalu, Tawau and Sandakan. For FYE 30 June 2013, revenue from Sarawak and Labuan accounted for 4.95% and 4.52% of our total revenue respectively. In addition, our customer base increased by 10.50%, from 2,733 customers for FYE 30 June 2012 to 3,020 customers for FYE 30 June 2013 which mainly consisted of retailers, wholesalers and food service operators.

For FYE 30 June 2013, our subsidiary KTC Sdn Bhd continued to be our largest revenue contributor, which accounted for 61.40% of our total revenue before consolidation adjustments. This was followed by AMDA Marketing and KTC Tawau at 21.80% and 12.06% respectively. Revenue from KTC Sarawak and KTC Distribution accounted for the remainder 4.60% and 0.14% of our total revenue before consolidation adjustments for FYE 30 June 2013.

FYE 30 June 2014 compared to FYE 30 June 2013

For the FYE 30 June 2014, our total revenue increased by 3.05%, from RM222.73 million for FYE 30 June 2013 to RM229.53 million for FYE 30 June 2014. Of this, distribution of CPG accounted for RM228.18 million or 99.41% of our total revenue while manufacturing of bakery products represented RM1.35 million or 0.59% of our total revenue for FYE 30 June 2014.

Distribution of CPG

The increase in our total revenue for FYE 30 June 2014 was mainly due to the increase in sales from the distribution of CPG by 2.45%, from RM222.73 million for FYE 30 June 2013 to RM228.18 million for FYE 30 June 2014. In detail, the products which contributed to the increase in revenue are as follows:

- Revenue from household products increased by 15.75% from RM27.22 million for FYE 30 June 2013 to RM31.51 million for FYE 30 June 2014. This was mainly from sales of laundry detergents and other cleaning products.

- Revenue from F&B products increased by 1.62% from RM93.76 million for FYE 30 June 2013 to RM95.28 million for FYE 30 June 2014, mainly contributed by an increase in sales of chilled food, confectionery, snack food, and coconut products, as well as sales from our own brands of frozen food. The main contributor to the growth in revenue from F&B products were frozen and chilled food which increased by 28.39% from RM14.63 million for FYE 30 June 2013 to RM18.79 million for FYE 30 June 2014. However, the increase in the sales of frozen and chilled food was partially offset by the decrease in sales of milk powder which decreased by 8.83% from RM54.79 million for FYE 30 June 2013 to RM49.95 million for FYE 30 June 2014. This was due to a product recall made in August 2013 by our supplier, a brand owner of milk powder, as a precautionary measure against a potential contamination scare. As at LPD, we continued to distribute various brands of milk powder for the said supplier in Sabah and Labuan.

- Meanwhile, the revenue from other CPG also increased slightly by 0.59%, from RM20.33 million for FYE 30 June 2013 to RM20.45 million for FYE 30 June 2014. This was mainly attributed to the increase in sales from baby care products.

The increase in revenue was partially offset by the decrease in sales of personal care products. Revenue from personal care products decreased slightly by 0.58% from RM81.42 million for FYE 30 June 2013 to RM80.95 million for FYE 30 June 2014, which was mainly attributed to the decline in sales of body, skin care as well as hair care products.

Manufacturing of Bakery Products

For FYE 30 June 2014, revenue from the manufacturing of bakery products represented RM1.35 million or 0.59% of our total revenue. This is in line with the commencement of our manufacturing operations in February 2014.

Other Commentary

For FYE 30 June 2014, revenue from third party brands of CPG, which accounted for RM220.65 million or 96.13% of our total revenue, increased slightly by 1.03%, from RM218.41 million for FYE 30 June 2013 to RM220.65 million for FYE 30 June 2014. This was mainly attributed to the increase in sales from household products, F&B products as well as oral care and baby care products. However, the increase in revenue from third party brands of CPG was partially offset by the decline in revenue from third party brands of milk powder and frozen food for the financial year under review. Revenue from our own brands of CPG increased by 105.43%, from RM4.33 million for FYE 30 June 2013 to RM8.89 million for FYE 30 June 2014, which was mainly attributed to the increase in sales of frozen food. In addition, a small proportion of the sales was also contributed by the commencement of our bakery manufacturing business operations with "Creamos" brand of cream rolls.

In tandem with the expansion in the market access and coverage of CPG, our sales and distribution points increased from 2,976 points for FYE 30 June 2013 to 3,160 sales and distribution points for FYE 30 June 2014. Sabah continued to be our largest market, which represented 91.01% of our total revenue for FYE 30 June 2014. For FYE 30 June 2014, revenue derived from Sabah increased by 3.61%, from RM201.63 million for FYE 30 June 2013 to RM208.90 million. The remainder was from Sarawak and Labuan, which accounted for 4.65% and 4.34% of our total revenue respectively. In addition, our customer base increased by 5.46%, from 3,020 customers for FYE 30 June 2013 to 3,185 customers for FYE 30 June 2014.

FYE 30 June 2015 compared to FYE 30 June 2014

For the FYE 30 June 2015, our total revenue increased by 30.64%, from RM229.53 million for FYE 30 June 2014 to RM299.87 million for FYE 30 June 2015. Of this, distribution of CPG accounted for RM293.60 million or 97.91% of our total revenue while manufacturing of bakery products represented RM6.27 million or 2.09% of our total revenue for FYE 30 June 2015.

Distribution of CPG

Our revenue from the distribution of CPG increased by 28.67%, from RM228.18 million for FYE 30 June 2014 to RM293.60 million for FYE 30 June 2015. The increase was mainly attributed to the following product categories:

- Revenue from F&B products increased by 54.86%, from RM95.28 million for FYE 30 June 2014 to RM147.55 million for FYE 30 June 2015. This was mainly contributed by the commencement of distribution for new third party brands of beverage products in September 2014. Revenue from beverage products increased by 819.27% from RM6.03 million for FYE 30 June 2014 to RM55.45 million for FYE 30 June 2015. Of this, revenue contributed by the distribution of new third party brands of beverage products was RM52.96 million or 17.66% of our total revenue for FYE 30 June 2015. In addition, the launch of our own "Orie" brand of non-carbonated drinks partially contributed to the increase in revenue. Other F&B products that contributed to the increase in revenue include milk powder and coconut products.

- Revenue from personal care products increased by 8.45%, from RM80.95 million for FYE 30 June 2014 to RM87.78 million for FYE 30 June 2015. The increase in revenue was mainly attributed to the commencement of distribution for new third party brands of sanitary products in December 2014, which accounted for RM4.19 million or 1.40% of our total revenue for FYE 30 June 2015.

- Revenue from household products increased by 5.78%, from RM31.51 million for FYE 30 June 2014 to RM33.33 million for FYE 30 June 2015. The increase was mainly attributed to the sales of new third party brands of household products mainly tissue paper products, where the distribution of the said products commenced during FYE 30 June 2015. Revenue contributed by the distribution of new third party brands of household products was RM1.53 million or 0.51% of our total revenue for FYE 30 June 2015.

- Revenue from other CPG increased by 21.94%, from RM20.45 million for FYE 30 June 2014 to RM24.94 million for FYE 30 June 2015. The increase in revenue was mainly derived from the commencement of a new third party brand for baby care products, namely diapers. The distribution of this new baby care products commenced in December 2014, contributed RM6.46 million or 2.16% of our total revenue for FYE 30 June 2015.

Manufacturing of Bakery Products

Revenue from the manufacturing of bakery products increased by 364.49%, from RM1.35 million for FYE 30 June 2014 to RM6.27 million for FYE 30 June 2015. The increase in revenue was mainly contributed by the launch of two new flavoured cream rolls coupled with the penetration into two new markets, namely Tawau in Sabah and Labuan during the financial year under review.

Other Commentary

For FYE 30 June 2015, revenue from third party brands of CPG accounted for RM285.65 million or 95.26% of our total revenue, which increased by 29.46% from RM220.65 million for FYE 30 June 2014 to RM285.65 million for FYE 30 June 2015. The increase in revenue was mainly attributed to the commencement of distribution for new third party brands of beverage products, personal care products, household products, and baby care products.

Furthermore revenue from our own brands CPG increased by 60.05% from RM8.89 million for FYE 30 June 2014 to RM14.22 million for FYE 30 June 2015. This was mainly contributed by an increase in the sales of our "Creamos" brand of cream rolls coupled with the sales several new F&B products under our "Orie" brand, including wheat flour, mineral water, dark soy sauce, synthetic vinegar and frozen mixed vegetables during FYE 30 June 2015.

In line with the expansion in market access and coverage of CPG, our sales and distribution points increased from 3,160 points for FYE 30 June 2014 to 5,965 points for FYE 30 June 2015. As for geographical market segmentation, Sabah remained as our largest market, having accounted for 90.80% of our total revenue. More importantly, revenue from Sabah increased by 30.35%, from RM208.90 million for FYE 30 June 2014 to RM272.29 million for FYE 30 June 2015. As for the remaining markets, Labuan and Sarawak represented 4.69% and 4.51% respectively for FYE 30 June 2015. Our customer base increased by 86.47% from 3,185 customers for FYE 30 June 2014 to 5,939 customers for FYE 30 June 2015.

For FYE 30 June 2015, KTC Sdn Bhd remained as the largest revenue contributor, which accounted for 42.46% of our total revenue before consolidation adjustments. This was followed by KTC Distribution at 24.83% as the subsidiary changed its principal activities from leasing of properties to distribution operations in August 2014. AMDA Marketing accounted for 15.32% of total revenue, while the remainder was contributed by KTC Tawau, KTC Sarawak, KTC Brands and Creamos Malaysia at 9.06%, 4.07%, 2.37% and 1.89% respectively before consolidation adjustments for FYE 30 June 2015.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

12.2.2 Segmental analysis of gross profit (GP)

(i) Gross profit (GP) and GP Margin by Companies

The table below sets forth the breakdown of our Group's GP by companies:

GP	< ---- FYE 30 June							---- >
	2012		2013		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
AMDA Marketing	6,677	*25.65*	6,818	*24.62*	7,029	*24.15*	6,867	*16.75*
Creamos Malaysia[(1)]	-	-	(8)	*(0.03)*	259	*0.89*	2,600	*6.35*
KTC Brands	-	-	-	-	229	*0.79*	157	*0.38*
KTC Distribution[(2)]	336	*1.29*	336	*1.21*	338	*1.16*	10,370	*25.30*
KTC Sarawak	1,418	*5.45*	1,889	*6.82*	1,440	*4.95*	2,204	*5.38*
KTC Sdn Bhd	14,438	*55.47*	15,051	*54.35*	16,273	*55.91*	15,355	*37.46*
KTC Tawau	3,161	*12.14*	3,607	*13.03*	3,535	*12.15*	3,433	*8.38*
	26,030	*100.00*	27,693	*100.00*	29,103	*100.00*	40,986	*100.00*
Consolidated adjustments	(336)		(336)		(254)		84	
Total	**25,694**	***100.00***	**27,357**	***100.00***	**28,849**	***100.00***	**41,070**	***100.00***

Notes:

(1) Commenced manufacturing operation in February 2014.

(2) Prior to August 2014, the principal activity of KTC Distribution was in leasing of properties to our Subsidiary Companies and subsequently in August 2014, the company changed its principal activities to distribution operations. Revenue recorded for KTC Distribution for FYE 30 June 2012 to 2014 was intercompany transactions.

GP Margin	< ---- FYE 30 June			---- >
	2012	2013	2014	2015
AMDA Marketing	13.33%	13.04%	12.83%	13.53%
Creamos Malaysia[(1)]	-	-	19.20%	41.51%
KTC Brands	-	-	3.00%	2.00%
KTC Distribution[(2)]	100.00%	100.00%	100.00%	12.60%
KTC Sarawak	13.68%	17.13%	13.50%	16.31%
KTC Sdn Bhd	11.27%	10.22%	10.92%	10.91%
KTC Tawau	11.70%	12.47%	11.76%	11.43%
Group GP Margin	**12.83%**	**12.28%**	**12.57%**	**13.70%**

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Notes:

(1) Commenced manufacturing operations in February 2014.
(2) Prior to August 2014, the principal activity of KTC Distribution was in leasing of properties to our Subsidiary Companies and subsequently in August 2014, the company changed its principal activities to distribution operations. Revenue recorded for KTC Distribution for FYE 30 June 2012 to 2014 was intercompany transactions.

(ii) GP and GP Margin by Business Activities and Products

The table below sets forth the breakdown of our Group's GP by business activities and products:

GP	< ----	----	----	FYE 30 June	----	----	----	---- >
	2012		2013		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution of CPG	**25,694**	***100.00***	**27,365**	***100.03***	**28,506**	***98.81***	**38,385**	***93.46***
F&B	8,827	*34.35*	9,249	*33.81*	10,700	*37.09*	17,476	*42.55*
Personal care products	11,528	*44.87*	12,219	*44.67*	11,604	*40.22*	13,758	*33.50*
Household products	3,536	*13.76*	3,601	*13.16*	4,028	*13.96*	4,629	*11.27*
Others[(1)]	1,803	*7.02*	2,296	*8.39*	2,174	*7.54*	2,522	*6.14*
Other Business Activity								
Manufacturing of bakery products	-	-	(8)	*(0.03)*	343	*1.19*	2,685	*6.54*
Total	**25,694**	***100.00***	**27,357**	***100.00***	**28,849**	***100.00***	**41,070**	***100.00***

Note:

(1) Others include baby care products, OTC drugs and health supplements.

GP Margin	< ----	FYE 30 June	----	---- >
	2012	2013	2014	2015
Distribution of CPG	**12.83%**	**12.29%**	**12.49%**	**13.07%**
F&B	10.87%	9.86%	11.23%	11.84%
Personal care products	15.08%	15.01%	14.34%	15.67%
Household products	13.41%	13.23%	12.78%	13.89%
Others[(1)]	11.03%	11.29%	10.63%	10.11%
Other Business Activity				
Manufacturing of bakery products	-	#	25.43%	42.85%
Group GP Margin	**12.83%**	**12.28%**	**12.57%**	**13.70%**

Notes:

 # No revenue was recorded for FYE 30 June 2013 as manufacturing operations only commenced in February 2014. A small proportion of cost was recorded under cost of sales for FYE 30 June 2013.
(1) Others include baby care products, OTC drugs and health supplements.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(iii) GP and GP Margin by Brands

The table below sets forth the breakdown of our Group's GP by brands:

GP	< FYE 30 June							>
	2012 RM'000	%	2013 RM'000	%	2014 RM'000	%	2015 RM'000	%
Third party brands[(1)]	25,532	*99.37*	26,782	*97.90*	27,251	*94.46*	36,997	*90.08*
Own brands[(2)]	162	*0.63*	575	*2.10*	1,598	*5.54*	4,073	*9.92*
Total	**25,694**	***100.00***	**27,357**	***100.00***	**28,849**	***100.00***	**41,070**	***100.00***

Notes:

(1) Third party brands refer to brands that we distributed for brand owners, which are inclusive of the respective appointed distributors of brand owners.
(2) Include 'Orie', 'Bamble', and 'Creamos' brands.

GP Margin	< FYE 30 June 2012	2013	2014	2015 >
Third party brands[(1)]	12.78%	12.26%	12.35%	12.95%
Own brands[(2)]	30.17%	13.29%	17.99%	28.64%
Group GP Margin	**12.83%**	**12.28%**	**12.57%**	**13.70%**

Notes:

(1) Third party brands refer to brands that we distributed for brand owners, which are inclusive of the respective appointed distributors of brand owners.
(2) Include 'Orie', 'Bamble', and 'Creamos' brands.

(iv) GP and GP Margin by Geographical Markets

The breakdown of our GP by geographical markets is as follows:

GP	< FYE 30 June							>
	2012 RM'000	%	2013 RM'000	%	2014 RM'000	%	2015 RM'000	%
East Malaysia								
Sabah	23,175	*90.20*	24,345	*88.99*	26,319	*91.23*	36,986	*90.05*
Sarawak	1,418	*5.52*	1,889	*6.90*	1,440	*4.99*	2,216	*5.40*
Labuan	1,070	*4.16*	1,123	*4.11*	1,090	*3.78*	1,868	*4.55*
Overseas								
Brunei	31	*0.12*	-	-	-	-	-	-
Total	**25,694**	***100.00***	**27,357**	***100.00***	**28,849**	***100.00***	**41,070**	***100.00***

GP Margin	< ---------- FYE 30 June ---------- > 2012	2013	2014	2015
East Malaysia				
Sabah	12.82%	12.07%	12.60%	13.58%
Sarawak	13.68%	17.13%	13.50%	16.40%
Labuan	11.75%	11.15%	10.93%	13.28%
Overseas				
Brunei	28.97%	-	-	-
Group GP Margin	**12.83%**	**12.28%**	**12.57%**	**13.70%**

(b) Commentary on Gross Profit

FYE 30 June 2012 compared to FYE 30 June 2011

Distribution of CPG

Our total GP increased by 10.99% from RM23.15 million for FYE 30 June 2011 to RM25.69 million for FYE 30 June 2012. Our Group's total GP margin decreased marginally from 12.97% for FYE 30 June 2011 to 12.83% for FYE 30 June 2012, which was mainly due to the increases in our revenue at a proportion less than the cost of sales that resulted in a slight drop in GP margin. For FYE 30 June 2012, total revenue increased by 12.24% whilst our total cost of sales increased by 12.43%. In addition, the slightly lower margin was contributed by a minimal GP margin recorded for certain types of segments such as F&B products, baby care products as well as OTC drugs and health supplements. As for the increase in total GP, this was attributed to our distribution operations, contributed by the following:

- GP from F&B products increased by 11.88% from RM7.89 million for FYE 30 June 2011 to RM8.83 million for FYE 30 June 2012, mainly due to the increase in GP from milk powder and beverage products. Despite the increase in GP, our GP margin from the distribution of F&B products decreased marginally from 11.25% for FYE 30 June 2011 to 10.87% for FYE 30 June 2012. The minor decrease in GP margin was mainly attributed to increase in sales from lower margin products including concentrated fruit drinks, butter and sliced cheese;

- GP from personal care products increased by 11.55% from RM10.33 million for FYE 30 June 2011 to RM11.53 million for FYE 30 June 2012. The GP margin of this product segment improved marginally from 14.94% for FYE 30 June 2011 to 15.08% for FYE 30 June 2012. The increase in GP was mainly contributed by the growth of GP from body, skin care, hair care and oral care products.

- GP from household products increased by 17.63% from RM3.01 million for FYE 30 June 2011 to RM3.54 million for FYE 30 June 2012. GP margin of this product segment also improved marginally from 13.28% for FYE 30 June 2011 to 13.41% for FYE 30 June 2012. The improvements in GP were mainly contributed by laundry detergents and air fresheners.

The increase in overall GP was partly offset by the decrease in GP from the distribution of other CPG which decreased by 6.04% from RM1.92 million for FYE 30 June 2011 to RM1.80 million for FYE 30 June 2012. The GP margin from this segment decreased slightly from 11.61% for FYE 30 June 2011 to 11.03% for FYE 30 June 2012, mainly due to the decrease in GP from OTC drugs and health supplements.

Manufacturing of Bakery Products

There was no GP recorded from the manufacturing of bakery products for FYE 30 June 2012 as it only commenced in February 2014.

Other Commentary

The GP from third party brands of CPG accounted for RM25.53 million or 99.37% of our total GP for FYE 30 June 2012. The GP from third party brands of CPG increased by 10.29% from RM23.15 million for FYE 30 June 2011 to RM25.53 million for FYE 30 June 2012. In line with the commencement of our own brands of CPG in FYE 30 June 2012, the GP derived from the distribution of our own brands of CPG accounted for RM0.16 million or 0.63% of our total GP for FYE 30 June 2012. Our own brands of CPG achieved a GP margin of 30.17% for FYE 30 June 2012. This was mainly contributed by our wet tissues and a small proportion of frozen food.

In terms of geographical markets, GP from Sabah represented 90.20% of our total GP for FYE 30 June 2012, which increased from RM20.99 million for FYE 30 June 2011 to RM23.18 million for FYE 30 June 2012. The GP from Sarawak and Labuan accounted for 5.52% and 4.16% of our total GP respectively for FYE 30 June 2012 while the remainder 0.12% of GP was derived from export sales to Brunei.

Our subsidiary KTC Sdn Bhd was our largest GP contributor, which accounted for 55.47% of our total GP before consolidation adjustments for FYE 30 June 2012. This was followed by AMDA Marketing and KTC Tawau at 25.65% and 12.14% respectively for FYE 30 June 2012. The GP from KTC Sarawak and KTC Distribution accounted for the remaining 5.45% and 1.29% of our total GP respectively before consolidation adjustments for FYE 30 June 2012.

FYE 30 June 2013 compared to FYE 30 June 2012

Distribution of CPG

Our total GP increased by 6.47%, from RM25.69 million for FYE 30 June 2012 to RM27.36 million for FYE 30 June 2013. Our Group's total GP margin decreased from 12.83% for FYE 30 June 2012 to 12.28% for FYE 30 June 2013. Despite an increase in GP, our GP margin recorded a slightly lower margin compared to the previous financial year. This was mainly due to increases in our revenue at a proportion less than the cost of sales that resulted in a drop in GP margin. Our total revenue increased by 11.18% whilst our total cost of sales increased slightly higher by 11.87% for FYE 30 June 2013. Furthermore, some of the third party brands of CPG recorded a lower GP margin compared to the previous financial year, such as certain types of F&B products and household products, as well as lower GP margin recorded for our own brands of CPG.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The increase in total GP was mainly contributed by the following:

- The GP from F&B products increased by 4.78%, from RM8.83 million for FYE 30 June 2012 to RM9.25 million for FYE 30 June 2013, which was mainly contributed by the increase in GP from our own brand of frozen food. This was in line with the increase in the sales of our own brand of frozen food from RM0.15 million for FYE 30 June 2012 to RM4.19 million for FYE 30 June 2013.

  Despite an increase in GP from the distribution of F&B products, GP margin from this segment decreased from 10.87% for FYE 30 June 2012 to 9.86% for FYE 30 June 2013. This was mainly due to a revision of commercial terms from our brand owner to reduce product margin and lower discount rates for prompt payment arrangements, which has partially affected the GP margin. Furthermore, we recorded a higher GP margin for the previous financial year FYE 30 June 2012 due to increase in product pricing of certain brands of milk powder and butter whilst we were selling the old priced stocks with the new prices during the FYE 30 June 2012.
- The GP from personal care products increased by 5.99%, from RM11.53 million for FYE 30 June 2012 to RM12.22 million for FYE 30 June 2013, which was mainly contributed by hair care and oral care products. Despite the increase in GP, the GP margin from this segment fell marginally from 15.08% for FYE 30 June 2012 to 15.01% for FYE 30 June 2013. The minor decrease in GP margin was mainly contributed by a new range of lower margin hair care products.

- The GP from household products increased by 1.84%, from RM3.54 million for FYE 30 June 2012 to RM3.60 million for FYE 30 June 2013, which was mainly contributed by the increase in GP from laundry detergents and an additional GP recorded for stationery products, a new addition to our portfolio of products. GP margin from household products segment decreased from 13.41% for FYE 30 June 2012 to 13.23% for FYE 30 June 2013. The minor decrease in GP margin of the household products was mainly due to slightly lower proportion of incentive provided by the brand owner.

- GP from other CPG increased by 27.34%, from RM1.80 million for FYE 30 June 2012 to RM2.30 million for FYE 30 June 2013. GP margin from this segment also improved from 11.03% for FYE 30 June 2012 to 11.29% for FYE 30 June 2013. The increase was mainly contributed by baby care products, OTC drugs and health supplements.

Manufacturing of Bakery Products

There was no GP recorded from the manufacturing of bakery products for FYE 30 June 2013 as it only commenced in February 2014.

Other Commentary

The GP from third party brands of CPG, which accounted for RM26.78 million or 97.90% of our total GP for FYE 30 June 2013, increased by 4.90% from RM25.53 million for FYE 30 June 2012 to RM26.78 million for FYE 30 June 2013. Meanwhile, the GP derived from our own brand of CPG, which accounted for RM0.58 million or 2.10% of our total GP for FYE 30 June 2013, increased from RM0.16 million for FYE 30 June 2012 to RM0.58 million for FYE 30 June 2013. This was mainly contributed by frozen food. Despite the increase in GP from our own brands of CPG, our GP margin from this category declined from 30.17% for FYE 30 June 2012 to 13.29% for FYE 30 June 2013. This was mainly due to higher sales from our lower margin frozen food compared to wet tissues. However, despite our frozen food having lower margin, our gross profit from frozen food was RM0.55 million compared to RM0.02 million for wet tissue. Revenue from our own brand of frozen food increased from RM0.15 million for FYE 30 June 2012 to RM4.19 million for FYE 30 June 2013.

In terms of geographical markets, GP from Sabah which represented 88.99% of our total GP for FYE 30 June 2013, increased from RM23.18 million for FYE 30 June 2012 to RM24.35 million for FYE 30 June 2013. The GP from Sarawak and Labuan accounted for 6.90% and 4.11% of our total GP for FYE 30 June 2013.

Our subsidiary, KTC Sdn Bhd was our largest GP contributor, which accounted for 54.35% of our total GP before consolidation adjustments for FYE 30 June 2013. This was followed by AMDA Marketing and KTC Tawau at 24.62% and 13.03% respectively for FYE 30 June 2013. The GP from KTC Sarawak and KTC Distribution accounted for the remaining 6.82% and 1.21% of our total GP respectively, before consolidation adjustments for FYE 30 June 2013. Creamos Malaysia recorded a gross loss of approximately RM8,000 for FYE 30 June 2013, and there was no revenue recorded during the financial year under review as the manufacturing operations only commenced operations in February 2014.

FYE 30 June 2014 compared to FYE 30 June 2013

Our total GP increased by 5.45% from RM27.36 million for FYE 30 June 2013 to RM28.85 million for FYE 30 June 2014. Our Group's total GP margin improved from 12.28% for FYE 30 June 2013 to 12.57% for FYE 30 June 2014. The increase was mainly contributed by the distribution of CPG for third party as well as our own brands, and manufacturing operations.

Distribution of CPG

The increase in the GP of the distribution of CPG was contributed by the following product segments:

- The GP from F&B products increased by 15.69% from RM9.25 million for FYE 30 June 2013 to RM10.70 million for FYE 30 June 2014. GP margin from this segment also improved from 9.86% for FYE 30 June 2013 to 11.23% for FYE 30 June 2014. The increase in GP and GP margin was mainly contributed by third party brands of chilled food and coconut products, and our brand of frozen food.

- GP from household products increased by 11.86%, from RM3.60 million for FYE 30 June 2013 to RM4.03 million for FYE 30 June 2014, which was mainly contributed by laundry detergents and other cleaning products. Despite the increase in GP, GP margin from this segment decreased from 13.23% for FYE 30 June 2013 to 12.78% for FYE 30 June 2014. The minor decrease in GP margin was mainly due to the larger volume of sales of lower margin household products to the modern trade such as supermarkets.

The increase in GP was partially offset by the decrease in GP from the following product segments:

- GP from distribution of personal care products decreased by 5.03% from RM12.22 million for FYE 30 June 2013 to RM11.60 million for FYE 30 June 2014. GP margin from personal care products decreased from 15.01% for FYE 30 June 2013 to 14.34% for FYE 30 June 2013. This was mainly attributed to the decrease in GP recorded for body, skin care and hair care products, as well as a drop in GP for our own brand of wet tissues during the financial year under review.

- GP from other CPG decreased by 5.31%, from RM2.30 million for FYE 30 June 2013 to RM2.17 million for FYE 30 June 2014. GP margin of this product segment decreased from 11.29% for FYE 30 June 2013 to 10.63% for FYE 30 June 2014. The minor decrease in GP margin was mainly attributed to the higher rebates provided by the brand owner in the previous financial year.

Manufacturing of Bakery Products

For FYE 30 June 2014, GP derived from the manufacturing of bakery products accounted for RM0.34 million or 1.19% of our total GP with a GP margin of 25.43% since the commencement of our manufacturing operations in February 2014.

Other Commentary

The GP from third party brands of CPG, which accounted for RM27.25 million or 94.46% of our total GP for FYE 30 June 2014, increased by 1.75% from RM26.78 million for FYE 30 June 2013 to RM27.25 million for FYE 30 June 2014. Meanwhile, the GP derived from our own brand of CPG, which accounted for RM1.60 million or 5.54% of our total GP for FYE 30 June 2014, increased from RM0.58 million for FYE 30 June 2013 to RM1.60 million for FYE 30 June 2014. GP margin from this category improved from 13.29% for FYE 30 June 2013 to 17.99% for FYE 30 June 2014, which was mainly contributed by frozen food and bakery products.

In terms of geographical markets, GP from Sabah which represented 91.23% of our total GP for FYE 30 June 2014, increased from RM24.35 million for FYE 30 June 2013 to RM26.32 million for FYE 30 June 2014. The GP from Sarawak and Labuan accounted for 4.99% and 3.78% of our total GP for FYE 30 June 2014.

Our subsidiary, KTC Sdn Bhd was our largest GP contributor, which accounted for 55.91% of our total GP before consolidation adjustments for FYE 30 June 2014. This was followed by AMDA Marketing and KTC Tawau at 24.15% and 12.15% respectively for FYE 30 June 2014. The GP from KTC Sarawak and KTC Distribution accounted for the remaining 4.95% and 1.16% of our total GP respectively, before consolidation adjustments for FYE 30 June 2014. GP from Creamos Malaysia improved from a gross loss of approximately RM8,000 for FYE 30 June 2013 to GP of RM0.26 million for FYE 30 June 2014.

FYE 30 June 2015 compared to FYE 30 June 2014

Our total GP increased by 42.36% from RM28.85 million for FYE 30 June 2014 to RM41.07 million for FYE 30 June 2015. Our Group's total GP margin increased from 12.57% for FYE 30 June 2014 to 13.70% for FYE 30 June 2015. The increase was mainly contributed by the distribution of CPG for third party brands and manufacturing operations.

Distribution of CPG

Our GP from the distribution of CPG increased by 34.66% from RM28.51 million for FYE 30 June 2014 to RM38.39 million for FYE 30 June 2015. GP margin improved marginally from 12.49% for FYE 30 June 2014 to 13.07% for FYE 30 June 2015. The increase in GP from the distribution of CPG was contributed by the following:

- GP from distribution of F&B products increased by 63.33% from RM10.70 million for FYE 30 June 2014 to RM17.48 million for FYE 30 June 2015, while GP margin improved slightly from 11.23% for FYE 30 June 2014 to 11.84% for FYE 30 June 2015. The increase in GP was mainly contributed by third party brands of beverage products and dry food while the slight improvement in GP margin was mainly attributed to third party brands of beverage products, dry food, chilled food as well as our own brand of dry food.

- GP from the distribution of personal care products increased by 18.56% from RM11.60 million for FYE 30 June 2014 to RM13.76 million for FYE 30 June 2015. GP margin for this category of products improved from 14.34% for FYE 30 June 2014 to 15.67% for FYE 30 June 2015. Both the increase in GP and GP margin for personal care products were mainly contributed by third party brands of sanitary products and oral care products.

- GP from the distribution of household products increased by 14.92% from RM4.03 million for FYE 30 June 2014 to RM4.63 million for FYE 30 June 2015. Our GP margin from household products improved from 12.78% for FYE 30 June 2014 to 13.89% for FYE 30 June 2015. The improvements in GP were mainly contributed by third party brands of tissue paper products, laundry detergents, and air fresheners.

- GP from distribution of other CPG increased by 16.01% from RM2.17 million for FYE 30 June 2014 to RM2.52 million for FYE 30 June 2015, mainly contributed by baby care products. Despite the increase in GP, GP margin from distribution of other CPG decreased from 10.63% for FYE 30 June 2014 to 10.11% for FYE 30 June 2015. This was mainly attributed to higher sales volume of lower margin products namely baby care products.

Manufacturing of Bakery Products

In tandem with our business expansion on manufacturing of bakery products, GP derived from the manufacturing of bakery products increased significantly from RM0.34 million for FYE 30 June 2014 to RM2.69 million for FYE 30 June 2015. GP margin for bakery products improved from 25.43% for FYE 30 June 2014 to 42.85% for FYE 30 June 2015. The improvements in GP and GP margin were mainly attributed to increase in the sales volume of our "Creamos" brand of cream rolls coupled with the penetration of two new markets namely Tawau in Sabah and Labuan during the financial year under review.

Other Commentary

GP from third party brands of CPG accounted for RM37.00 million or 90.08% of our total GP for FYE 30 June 2015, which increased by 35.76% from RM27.25 million for FYE 30 June 2014 to RM37.00 million for FYE 30 June 2015. GP margin improved slightly from 12.35% for FYE 30 June 2014 to 12.95% for FYE 30 June 2015. Meanwhile, the GP derived from our own brands of CPG increased by 154.88% from RM1.60 million for FYE 30 June 2014 to RM4.07 million for FYE 30 June 2015. GP margin for our own brands improved from 17.99% for FYE 30 June 2014 to 28.64% for FYE 30 June 2015. The improvements in GP and GP margin were mainly contributed by our manufacturing operations and distribution of our own brand of dry food products.

As for geographical market segmentation, GP from Sabah increased by 40.53% from RM26.32 million for FYE 30 June 2014 to RM36.99 million for FYE 30 June 2015. The remainder was contributed by Sarawak and Labuan at 5.40% and 4.55% respectively for FYE 30 June 2015.

Our subsidiary, KTC Sdn Bhd was our largest GP contributor, which accounted for 37.46% of our total GP before consolidation adjustments for FYE 30 June 2015. This was followed by KTC Distribution and AMDA Marketing at 25.30% and 16.75% respectively. The GP from KTC Tawau, KTC Sarawak and KTC Brands accounted for 8.38%, 5.38% and 0.38% of our total GP respectively, before consolidation adjustments for FYE 30 June 2015. GP from Creamos Malaysia accounted for 6.35% of our total GP before consolidation adjustments for FYE 30 June 2015. GP from Creamos Malaysia improved from RM0.26 million for FYE 30 June 2014 to RM2.6 million for FYE 30 June 2015.

12.2.3 Analysis of Operating Expenses

Operating Expenses	FYE 30 June 2012 RM'000	%	2013 RM'000	%	2014 RM'000	%	2015 RM'000	%
Selling and distribution	10,779	*57.32*	11,899	*59.66*	12,564	*62.95*	18,124	*63.22*
Administrative	7,085	*37.68*	7,375	*36.98*	6,612	*33.13*	8,961	*31.26*
Others	941	*5.00*	671	*3.36*	783	*3.92*	1,583	*5.52*
Total	**18,805**	***100.00***	**19,945**	***100.00***	**19,959**	***100.00***	**28,668**	***100.00***

Our total operating expenses generally comprised the following:

- Selling and distribution expenses, among others, include salaries and wages and other staff related costs for sales staff and personnel under commercial development department, transportation and handling charges, vehicle running expenses such as depreciation, fuel cost, and maintenance and repair cost, travelling expenses, utilities expenses, lease payments for property, as well as insurance.

- Administrative expenses mainly consist of salaries and wages and other staff related costs for functional department heads and administrative staff, directors' remuneration, depreciation of PPE, repair and maintenance, lease payments for equipment and property, bank charges, and utilities, among others.

- Other operating expenses including impairment loss on trade receivables, inventories written off and other miscellaneous expenses.

Our operating expenses as a proportion of revenue were 9.39%, 8.95%, 8.70% and 9.56% for the FYE 30 June 2012 to 2015.

FYE 30 June 2012 compared to FYE 30 June 2011

Our total operating expenses increased by 10.22%, from RM17.06 million for FYE 30 June 2011 to RM18.81 million for FYE 30 June 2012. Of this, our selling and distribution expenses which amounted to RM10.78 million or 57.32% of our total operating expenses, increased by 9.25% from RM9.87 million for FYE 30 June 2011 to RM10.78 million for FYE 30 June 2012. This was mainly contributed by the following:

- Staff cost under the selling and distribution category accounted for RM6.20 million or 32.99% of our total operating expenses for FYE 30 June 2012. Our staff cost increased by 5.74%, from RM5.87 million for FYE 30 June 2011 to RM6.20 million for FYE 30 June 2012, which was mainly due to an increase in the number of selling and distribution staff as well as an annual salary increments.

- Other selling and distribution expenses which accounted for RM4.58 million or 24.33% of our total operating expenses, increased by 14.38% for FYE 30 June 2012, were mainly attributed to the increase in our transportation and handling charges. Transportation and handling charges, which increased by 12.14% from RM2.08 million for FYE 30 June 2011 to RM2.34 million for FYE 30 June 2012, were in line with our business growth. This is supported by the increase in our revenue from distribution of CPG which increased by 12.24% for FYE 30 June 2012. Furthermore, the increase was also contributed by other expenses including vehicle running expenses, lease payments for property and utilities expenses.

Our administrative expenses which accounted for RM7.09 million or 37.68% of our total operating expenses for FYE 30 June 2012, increased by 12.91% from RM6.28 million for FYE 30 June 2011 to RM7.09 million for FYE 30 June 2012. The increase in our administrative expenses was mainly contributed by the depreciation of PPE, which increased by 23.50% from RM1.10 million for FYE 30 June 2011 to RM1.36 million for FYE 30 June 2012. This was the result of an acquisition of additional land and building during the financial year under review. Other administrative expenses which contributed to the increase include, among others, lease payments for equipment, security services, directors' remuneration, and staff cost.

Other operating expenses increased from RM0.92 million for FYE 30 June 2011 to RM0.94 million for FYE 30 June 2012, which was mainly contributed by impairment loss on trade receivables, write-off of assets and loss on disposal of assets.

FYE 30 June 2013 compared to FYE 30 June 2012

Our total operating expenses increased by 6.06% from RM18.81 million for FYE 30 June 2012 to RM19.95 million for FYE 30 June 2013. Of this, our selling and distribution expenses which amounted to RM11.90 million or 59.66% of our total operating expenses, increased by 10.39% from RM10.78 million for FYE 30 June 2012 to RM11.90 million for FYE 30 June 2013. This was mainly contributed by the following:

- Transportation and handling charges which accounted for RM3.03 million or 15.17% of our total operating expenses for FYE 30 June 2013, increased by 29.48% from RM2.34 million for FYE 30 June 2012 to RM3.03 million for FYE 30 June 2013.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

During the same financial year under review, our sales and distribution points increased from 2,678 points for FYE 30 June 2012 to 2,976 points for FYE 30 June 2013, and revenue from our distribution operations increased by 11.18% for FYE 30 June 2013.

- Our staff cost under the selling and distribution category which accounted for RM6.49 million or 32.54% of our total operating expenses for FYE 30 June 2013, increased by 4.63% from RM6.20 million for FYE 30 June 2012 to RM6.49 million for FYE 30 June 2013. The increase was mainly attributed to annual salary increments.

- Other selling and distribution expenses accounted for RM5.41 million or 27.11% of our total operating expenses for FYE 30 June 2013. Other selling and distribution expenses increased by 18.23% from RM4.58 million for FYE 30 June 2012 to RM5.41 million for FYE 30 June 2013. This was mainly contributed by travelling expenses and vehicle running expenses.

Our administrative expenses which accounted for RM7.38 million or 36.98% of our total operating expenses for FYE 30 June 2013, increased by 4.09% from RM7.09 million for FYE 30 June 2012 to RM7.38 million for FYE 30 June 2013. The increase in our administrative expenses for FYE 30 June 2013 was mainly contributed by increase in legal and professional fees and directors remuneration for FYE 30 June 2013, which increased by 157.66% and 10.46% respectively. Other expenses which contributed to the increase in our administrative expenses include, among others, repairs and maintenance, entertainment, training and seminar, and travelling expenses. The increase is partially offset by the decrease in our staff cost, which decreased by 14.77% from RM1.81 million for FYE 30 June 2012 to RM1.54 million for FYE 30 June 2013. The decrease was in line with the decline in the number of employees during the financial year under review, where our total number employees declined from 273 employees for FYE 30 June 2012 to 264 employees for FYE 30 June 2013.

Other operating expenses decreased from RM0.94 million for FYE 30 June 2012 to RM0.67 million for FYE 30 June 2013, which was mainly attributed to the decrease in write-off of inventories and lower impairment loss on trade receivables.

FYE 30 June 2014 compared to FYE 30 June 2013

Our total operating expenses increased marginally by 0.08% from RM19.95 million for FYE 30 June 2013 to RM19.96 million for FYE 30 June 2014. Our selling and distribution expenses which accounted for RM12.57 million or 62.95% of our total operating expenses for FYE 30 June 2014, increased by 5.59%, from RM11.90 million for FYE 30 June 2013 to RM12.57 million for FYE 30 June 2014. This was mainly due to the following factors:

- Staff cost under the selling and distribution category accounted for RM6.98 million or 34.95% of our total operating expenses for FYE 30 June 2014. Our staff cost increased by 7.49%, from RM6.49 million for FYE 30 June 2013 to RM6.98 million for FYE 30 June 2014, which was in line with the increase in the number of employees for our selling and distribution as well as annual salary increments.

- Other selling and distribution expenses accounted for RM5.59 million or 28.00% of our total operating expenses. Other selling and distribution expenses increased by 3.33% from RM5.41 million for FYE 30 June 2013 to RM5.59 million for FYE 30 June 2014, which were mainly due to increases in our transportation and handling charges, lease payments for property, as well as vehicle running expenses.

The increase in total operating expenses was partially offset by a drop in our administrative expenses for FYE 30 June 2014. Our administrative expenses which accounted for RM6.61 million or 33.13% of our total operating expenses for FYE 30 June 2014, decreased by 10.35% compared to FYE 30 June 2013. The decrease was mainly contributed by the decline in directors' remuneration by 30.80% from RM1.76 million for FYE 30 June 2013 to RM1.22 million for FYE 30 June 2014. The decline was also contributed by lower expenses from travelling, training and seminar, and medical expenses. The decrease in our administrative expenses was partially offset by an increase in our staff cost by 18.56% from RM1.54 million for FYE 30 June 2013 to RM1.83 million for FYE 30 June 2014. The increase in staff cost was in line with the increase in the number of employees as well as annual salary increments.

Other operating expenses increased from RM0.67 million for FYE 30 June 2013 to RM0.78 million for FYE 30 June 2014, which was mainly contributed by write-off of inventories.

FYE 30 June 2015 compared to FYE 30 June 2014

Our operating expenses increased by 43.63% from RM19.96 million for FYE 30 June 2014 to RM28.67 million for FYE 30 June 2015. Of this, our selling and distribution expenses which accounted for RM18.12 million or 63.22% of our total operating expenses, increased by 44.25% from RM12.56 million for FYE 30 June 2014 to RM18.12 million for FYE 30 June 2015. This was mainly contributed by the following:

- Staff cost under the selling and distribution category accounted for RM8.82 million or 30.75% of our total operating expenses for FYE 30 June 2015. Our staff cost increased by 26.35%, from RM6.98 million for FYE 30 June 2014 to RM8.82 million for FYE 30 June 2015, which was mainly due to the increase in the number of selling and distribution staff.

- Transportation and handling charges which accounted for RM5.33 million or 18.60% of our total operating expenses for FYE 30 June 2015, increased by 69.27% from RM3.15 million for FYE 30 June 2014 to RM5.33 million for FYE 30 June 2015. During the same financial year under review, our sales and distribution points increased from 3,160 points for FYE 30 June 2014 to 5,965 points for FYE 30 June 2015, and revenue from our distribution operations increased by 28.67% for FYE 30 June 2015.

- Other selling and distribution expenses, which accounted for RM3.98 million or 13.87% of our total operating expenses, increased by 63.06% from RM2.44 million for FYE 30 June 2014 to RM3.98 million for FYE 30 June 2015. This was mainly due to the increases in lease payments for property, travelling expenses and vehicle running expenses.

Our administrative expenses which accounted for RM8.96 milion or 31.26% of our total operating expenses for FYE 30 June 2015, increased by 35.53%, from RM6.61 million for FYE 30 June 2014 to RM8.96 million for FYE 30 June 2015. The increase was mainly contributed by the depreciation of PPE from RM0.77 million for FYE 30 June 2014 to RM1.70 million for FYE 30 June 2015. Other expenses which contributed to the increase in our administrative expenses include, among others, increase in legal and professional fees, directors' remuneration, rates and taxes expenses. The increase in administrative expenses was partially offset by a decrese in administrative staff cost due to a drop in the number of senior administrative employees following their resignation and retirement from our Group.

Other operating expenses increased from RM0.78 million for FYE 30 June 2014 to RM1.58 million for FYE 30 June 2015, which was mainly contributed by the write-off in inventories due to expired products, returned products as well as damaged goods. For FYE 30 June 2015, total inventory write-off including expired products, returned products as well as damaged goods was RM1.52 million.

12.2.4 Other Income

Other Income	< ----------	----------	----------	---------- FYE 30 June	----------	----------	----------	---------- >
	2012		2013		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Net fair value adjustment on assets held for distribution	-	-	7,090	*85.97*	-	-	-	-
Others	872	*100.00*	1,157	*14.03*	809	*100.00*	1,758	*100.00*
- *Rental income*	*397*	*45.53*	*279*	*3.38*	*223*	*27.57*	*434*	*24.69*
- *Supply chain income*	-	-	-	-	-	-	*159*	*9.04*
- *Logistic income*	*174*	*19.95*	*259*	*3.14*	*246*	*30.41*	*68*	*3.87*
- *Interest income*	*228*	*26.15*	*276*	*3.35*	*214*	*26.45*	*134*	*7.62*
- *Gain on disposal of PPE*	*73*	*8.37*	*343*	*4.16*	*126*	*15.57*	*963*	*54.78*
Total	**872**	***100.00***	**8,247**	***100.00***	**809**	***100.00***	***1,758***	***100.00***

Other income comprises mainly rental income, logistic income, interest income and gain on disposal of PPE. For the past four (4) financial years under review from FYE 30 June 2012 to 2015, other income accounted for 0.44%, 3.70%, 0.35% and 0.58% of our total revenue respectively.

FYE 30 June 2012 compared to FYE 30 June 2011

For FYE 30 June 2012, other income increased by 36.04% from RM0.64 million for FYE 30 June 2011 to RM0.87 million for FYE 30 June 2012. This was mainly attributed to an increase in interest income, rental income and gains from the disposal of motor vehicles.

FYE 30 June 2013 compared to FYE 30 June 2012

Other income increased from RM0.87 million for FYE 30 June 2012 to RM8.25 million for FYE 30 June 2013. The increase was mainly attributed to the net fair value adjustments on assets held for distribution of RM7.09 million, and partly contributed by gains from the disposal of motor vehicles and a slight increase in logistic income and interest income. Logistic income which was derived from the provision of logistic services consists of storage and delivery services. The increase in other income was partially offset by the decrease in rental income during the financial year under review.

FYE 30 June 2014 compared to FYE 30 June 2013

Other income decreased from RM8.25 million for FYE 30 June 2013 to RM0.81 million for FYE 30 June 2014, which was mainly attributed to the net fair value adjustments on assets held for distribution of RM7.09 million recorded for the previous financial year, a drop in interest income, rental income and logistic income, as well as lower gains on disposal of PPE during FYE 30 June 2014.

FYE 30 June 2015 compared to FYE 30 June 2014

Other income increased from RM0.81 million for FYE 30 June 2014 to RM1.76 million for FYE 30 June 2015, which was mainly attributed to the gains on disposal of PPE, increase in rental income, and supply chain income comprising warehousing and delivery services. The increase in other income was partially offset by the decrease in logistics income and interest income during the financial year under review.

12.2.5 Finance Costs

Finance Costs	<---- FYE 30 June ---->							
	2012		2013		2014		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:								
Bankers' acceptance	1,585	*73.34*	1,624	*79.03*	1,804	*78.03*	2,784	*73.11*
Term loans	518	*23.97*	423	*20.58*	413	*17.86*	366	*9.60*
Hire purchase	22	*1.02*	2	*0.10*	90	*3.89*	194	*5.10*
Bank overdrafts	36	*1.67*	6	*0.29*	5	*0.22*	464	*12.19*
Total	**2,161**	***100.00***	**2,055**	***100.00***	**2,312**	***100.00***	**3,808**	***100.00***

Finance costs are mainly interest charged on bank and trade facilities granted by banking and financial institutions, which accounted for 1.08%, 0.92%, 1.01% and 1.27% of our total revenue for the FYE 30 June 2012, 2013, 2014 and 2015 respectively.

FYE 30 June 2012 compared to FYE 30 June 2011

Our total finance cost increased by 35.91% from RM1.59 million for FYE 30 June 2011 to RM2.16 million for FYE 30 June 2012. This was mainly due to the increase in interest expense on bankers' acceptance and term loans as a result of an increase in the utilisation of bankers' acceptance for our business operations as well as an increase in drawdown of term loan facility during the financial year under review.

FYE 30 June 2013 compared to FYE 30 June 2012

Our total finance cost decreased by 4.91%, from RM2.16 million for FYE 30 June 2012 to RM2.06 million for FYE 30 June 2013. This was mainly due to the decline in the principal amount of our term loans and hire purchase which resulted in a decline in interest charged for FYE 30 June 2013. In addition, we also reduce the utilisation of other trade facility, namely bank overdraft which contributed to the decline in finance cost.

FYE 30 June 2014 compared to FYE 30 June 2013

Our total finance cost increased by 12.51%, from RM2.06 million for FYE 30 June 2013 to RM2.31 million for FYE 30 June 2014. This was mainly due to the increase in the utilisation of bankers' acceptance and take-up of the new hire purchase facility which resulted in an increase in interest charged for FYE 30 June 2014.

FYE 30 June 2015 compared to FYE 30 June 2014

Our total finance cost increased by 64.71%, from RM2.31 million for FYE 30 June 2014 to RM3.81 million for FYE 30 June 2015. This was mainly due to the increase in utilisation of bankers' acceptance and bank overdraft for our working capital, as well as the take-up of new hire purchase facilities for commercial vehicles and bakery equipment, all of which resulted in an increase in interest charged for FYE 30 June 2015.

12.2.6 Segmental Analysis of Profit before Tax (PBT), Profit after Tax (PAT) and Effective Tax Rates

The table below sets forth our Group's PBT, PAT and effective tax rates:

	<--- FYE 30 June			--->
	2012	2013	2014	2015
PBT (RM'000)	5,600	13,604	7,387	10,352
Excludes adjustment on assets held for distribution	-	(7,090)	-	-
Operating PBT	5,600	6,514	7,387	10,352
Taxation (RM'000)	1,632	1,866	1,836	3,274
Operating PBT margin	2.80%	2.92%	3.22%	3.45%
Effective Tax Rate	29.14%	*28.65%	24.85%	31.63%
Operating PAT(1) (RM'000)	3,895	4,490	5,485	7,050
Operating PAT(1) margin	1.94%	2.02%	2.39%	2.35%

Notes:

* *Based on operating profit excluding adjustment on assets held for distribution.*
(1) Exclusion of non-controlling interest

In order to have a meaningful analysis of our business operations, the following analysis of PBT and PAT refers to 'operating PBT' and 'operating PAT' which excludes the net fair value adjustments on assets held for distribution of RM7.09 million for FYE 30 June 2013.

FYE 30 June 2012 compared to FYE 30 June 2011

Our operating PBT increased by 8.97% from RM5.14 million for FYE 30 June 2011 to RM5.60 million for FYE 30 June 2012. Despite the increase in operating PBT, our operating PBT margin decreased slightly from 2.88% for FYE 30 June 2011 to 2.80% for FYE 30 June 2012. This was mainly attributed to a slightly lower GP margin recorded for FYE 30 June 2012. Further analysis of GP and GP margin is disclosed in Section 12.2.2 of this Prospectus.

Our operating PAT increased by 3.48% from RM3.76 million for FYE 30 June 2011 to RM3.90 million for FYE 30 June 2012 while our operating PAT margin decreased slightly from 2.11% for FYE 30 June 2011 to 1.94% for FYE 30 June 2012.

Taxation increased from RM1.30 million for FYE 30 June 2011 to RM1.63 million for FYE 30 June 2012, with an effective tax rate of 29.14% for FYE 30 June 2012. The effective tax rate was higher than the statutory tax rate of 25%. This was mainly due to certain expenses that were not deductible for tax purposes.

FYE 30 June 2013 compared to FYE 30 June 2012

Our operating PBT increased by 16.32% from RM5.60 million for FYE 30 June 2012 to RM6.51 million for FYE 30 June 2013. Similarly, our operating PBT margin increased minimally from 2.80% for FYE 30 June 2012 to 2.92% for FYE 30 June 2013. The improvements in operating PBT and operating PBT margin were mainly due to the lower operating expenses over revenue ratio and higher other income recorded during the financial year under review. Our total operating expenses over revenue ratio decreased from 9.39% for FYE 30 June 2012 to 8.95% for FYE 30 June 2013.

Our operating PAT increased from RM3.90 million for FYE 30 June 2012 to RM4.49 million for FYE 30 June 2013. Likewise, our operating PAT margin increased from 1.94% for FYE 30 June 2012 to 2.02% for FYE 30 June 2013.

Taxation increased from RM1.63 million for FYE 30 June 2012 to RM1.87 million for FYE 30 June 2013, where our effective tax rate of 13.72% was lower than the statutory tax rate of 25%. This was mainly due to the inclusion of the said adjustment on assets held for distribution mentioned earlier. With the exclusion of the said adjustment, the effective tax rate was 28.65%, which was higher than the statutory tax rate of 25%. This was mainly due to certain expenses that were not deductible for tax purpose.

FYE 30 June 2014 compared to FYE 30 June 2013

Our operating PBT increased from RM6.51 million for FYE 30 June 2013 to RM7.39 million for FYE 30 June 2014. Likewise, our operating PBT margin improved from 2.92% for FYE 30 June 2013 to 3.22% for FYE 30 June 2014. This was mainly attributed to a slightly higher GP margin recorded for FYE 30 June 2014 as well as lower operating expenses over revenue ratio and a higher other income recorded during the financial year under review. Our total operating expenses over revenue ratio decreased from 8.95% for FYE 30 June 2013 to 8.70% for FYE 30 June 2014. Further analysis of GP and GP margin is disclosed in Section 12.2.2 of this Prospectus.

Our operating PAT increased from RM4.49 million for FYE 30 June 2013 to RM5.49 million for FYE 30 June 2014. Our operating PAT margin also improved from 2.02% for FYE 30 June 2013 to 2.39% for FYE 30 June 2014.

Taxation decreased slightly from RM1.87 million for FYE 30 June 2013 to RM1.84 million for FYE 30 June 2014 and recorded an effective tax rate of 24.85%, which was lower than the statutory tax rate of 25%. The lower effective tax rate was mainly due to overprovision of income tax in the previous years.

FYE 30 June 2015 compared to FYE 30 June 2014

Our operating PBT increased from RM7.39 million for FYE 30 June 2014 to RM10.35 million for FYE 30 June 2014. Likewise, our operating PBT margin improved from 3.22% for FYE 30 June 2014 to 3.45% for FYE 30 June 2015. This was mainly attributed to a slightly higher GP margin recorded for FYE 30 June 2015 as well as a higher other income recorded during the financial year under review. Further analysis of GP and GP margin are disclosed in Section 12.2.2 of this Prospectus.

Our operating PAT increased from RM5.49 million for FYE 30 June 2014 to RM7.05 million for FYE 30 June 2015. Despite the increase in operating PAT, our operating PAT margin decreased slightly from 2.39% for FYE 30 June 2014 to 2.35% for FYE 30 June 2015. This was due to the increase in provision of income tax during the financial year under review.

Taxation increased from RM1.84 million for FYE 30 June 2014 to RM3.27 million for FYE 30 June 2015 and recorded an effective tax rate of 31.63%, which was higher than the statutory tax rate of 25%. The increase in taxation was mainly attributed to the loss of tax savings from subsidiary companies that were no longer entitled to the small and medium enterprises (SME) income tax rate, real property gains tax (RPGT) incurred from the disposal of property as well as certain expenses that were not tax deductible. For FYE 30 June 2015, real property gains tax (RPGT) incurred from the disposal of property was approximately RM0.10 million.

12.2.7 Factors and Trends Affecting Future Financial Conditions and Results

Saved as disclosed in Section 12.2.8 of this Prospectus, factors that may cause our future financial condition and operation results to differ significantly are as follows:

(a) Socio-economic conditions that drive local consumption where a growing economy provides the impetus for spending, which will have a positive flow-on effect on the CPG industry. In this respect, this will ultimately impact on the demand for our products and services;

(b) Growth in user industry sectors such as food services sector which would also have a direct and positive flow-on effect on the demand for CPG, thus creating business opportunities for our Group;

(c) Wide product portfolio to maximise on growth opportunities supported by a wide distribution network and infrastructure;

(d) Moving forward, we have in place our future plans which include the expansion of distribution and manufacturing operations in Sabah and Sarawak to provide us with the platform to grow our business. Details of our future plans are set out in Section 6.18.1 of this Prospectus; and

(e) Our competitive advantages which will provide us with the platform to sustain our business growth, are as follows:

    (i) we cover a wide range of CPG;

    (ii) we cover recognizable CPG brands;

    (iii) we have a wide distribution network;

    (iv) we have an established track record;

    (v) we have economies of scale; and

    (vi) we have experienced Directors and key management personnel.

Details of our competitive advantages are set out in Section 6.1 of this Prospectus.

12.2.8 Significant Factors Materially Affecting Our Operations and Financial Results

In addition to the factors and trends set-out in Section 12.2.7, the following factors that have had a historical impact or potentially may impact on our future business operations and financial results are as follows:

(a) Business Expansion and Growth

Our financial results are, to a large extent, dependent on our business growth and expansion in Malaysia focusing on markets in East Malaysia, where all of our revenue grew from RM200.33 million for FYE 30 June 2012 to RM299.87 million for FYE 30 June 2015, represented by an AAGR of 14.39%. For FYE 30 June 2015, most of our revenue was derived from Sabah as it accounted for RM272.29 million or 90.80% of our total revenue while 4.69% was from Labuan and the remaining 4.51% was contributed by Sarawak. In this respect, our business growth and expansion would be affected by any adverse economic, political and regulatory developments in Malaysia in the future.

(b) Direct Sourcing from Brand Owners

As a provider of market access and coverage of CPG, our core competency is in the distribution of a proliferation of brands across various product categories for markets in Sabah, Sarawak and Labuan. Revenue from the distribution of third party brands of CPG accounted for RM285.65 million or 95.26% of our total revenue. As at LPD, we distribute a total of 194 third party brands of CPG in East Malaysia. Hence, there are risks relating to the direct sourcing of products from third party brand owners, which may have an adverse impact on our financial performance.

Further details are set out in Section 4.2 of this Prospectus.

(c) Malaysia's Economic Conditions and Consumer Spending

As our business operations are in Malaysia, to a large extent, we are dependent on the economic growth and consumer spending in Malaysia. Any prolonged and/or widespread economic slowdown would affect consumer confidence and spending. Any uncertainty over the global and local economies may cause consumers to adopt a cautious position in their spending, which may in turn lower consumer spending on CPG. This may have a negative impact on distributors of CPG in Malaysia. In this respect, there can be no assurance that any prolonged economic slowdown in Malaysia would not have an adverse impact on our business performance.

Further details are set out in Section 4.2 of this Prospectus.

(d) Competition

We face competition from other providers of market access and coverage of CPG in the market. If we fail to be competitive with the other providers, this would affect our financial performance. According to the IMR Report, distributors that provide market access and coverage of CPG in Malaysia face normal competitive conditions, whereby the industry is subjected to normal supply and demand conditions moderated by the price mechanism. However, we believe that our competitive advantages and key strengths, such as covering a wide range of products and coverage of recognisable brands, our wide distribution network, established track record, economies of scale and experienced Directors and key management personnel would provide us with the platform to compete effectively within the industry and continue to grow our business. For further details on our competitive advantages and key strengths, please refer to Section 6.1 of this Prospectus. Nevertheless, there is no assurance that we would be able to remain competitive or that the increase in competition would not have a material impact on our financial performance in the future.

(e) Dependency on External Manufacturers

We are dependent on external manufacturers for the manufacture of our own brands of CPG, comprising of frozen and dry food as well as beverage products. This is reflected by the fact that purchases from these external manufacturers collectively accounted for RM7.90 million or 2.80% of our total purchases of products, raw materials and services for FYE 30 June 2015. We sourced our frozen and dry foods from a total of ten (10) external parties which comprise nine (9) manufacturers in Malaysia and one (1) manufacturer of frozen potato products in Belgium for FYE 30 June 2015. Revenue derived from the distribution of our own brands of CPG accounted for RM14.22 million or 4.74% of our total revenue for FYE 30 June 2015. In this respect, any disruptions in the business dealings and supply from these external manufacturers may affect our business and financial performance.

Our strategy of engaging external manufacturers to produce some of our brands of CPG is to provide a diversity and range of products to the market where it is not practical or economical to invest in machinery and equipment and manufacture a wide range of products in-house. In line with our mode of operations, we will continue to source these existing and new products from external manufacturers in Malaysia for cost efficiency reasons. Nevertheless, there can be no assurance that the potential risk of dependency on external manufacturers would not have a material adverse impact on our financial performance in the future.

Further details are set out in Section 4.1 of this Prospectus.

(f) Impact of Inflation

Our financial performances from FYE 30 June 2012 to 2015 were not materially affected by the impact on inflation. Although we believe that we would be able to pass on any future increases in prices of products, materials and costs of our operations to our customers, there can be no assurance that future inflation will not have an impact on our business and financial performance.

(g) Impact from interest rates

Our Group's gearing stood at 1.07 times as at FYE 30 June 2015, and all our borrowings are interest bearing obligations. Notwithstanding the above, any interest rate hike will affect businesses and hence, we will monitor and plan for alternative financing options should the need arises. Our finance cost comprising interest charged on bank and trade facilities granted by financial institutions, increased from RM2.16 million for FYE 30 June 2012 to RM3.81 million for FYE 30 June 2015. This was mainly due to an increase in the utilisation of bankers' acceptance to fund our business operations. From FYE 30 June 2012 to 2015, our financial results were not adversely affected by the interest rate fluctuations.

(h) Government/ Economic/ Fiscal/ Monetary Policies

Risks relating to Government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 4.2.2 of this Prospectus. To the best of our knowledge, save for the risks disclosed in Section 4.2.2 of this Prospectus, there are no Government, economic, fiscal or monetary policies or factors that may have a material impact on our profitability and financial position.

(i) Financial Risk

Our working capital and capital expenditure requirements for our business operations are funded by internally generated funds and external financing in the forms of borrowings and trade facilities from financial institutions and credit arrangements with suppliers. In this respect, we are subjected to financial risks including credit risk, liquidity risk, and interest rate risk. Further details are set out in Section 13 of this Prospectus.

(j) Foreign Exchange Fluctuations

For FYE 30 June 2015, 3.97% or RM11.21 million of our total purchases were transacted in USD and Euro. This was mainly for the purchases of third party brand of oral care products and own brands of frozen food. All of our revenue was transacted in RM for FYE 30 June 2015. As we only have minimal transactions in foreign currency, the fluctuations in foreign exchange rate would have minimum impact on the performance of our business. Nevertheless, there can be no assurance that the potential risk in foreign exchange fluctuations such as an unfavourable foreign exchange movement against the RM would not have an impact on our business and financial performance.

(k) Product Misstatement and Mislabelling

In line with all F&B products, we take due care and consideration in the labelling of content and ingredients of our own brand of food products with the intention to provide information to our consumers. The Food Act 1985 ("Food Act") provides, among others, that any person who prepares, packages, labels or sells any food in a manner that is false, misleading or deceptive as regards its character, nature, value, substance, quality, composition, merit or safety, strength, purity, weight, origin, age or proportion or in contravention of any regulation which includes Food Regulations 1985 made under the Food Act commits an offence and is liable on conviction to imprisonment for a term not exceeding three years or to a fine or to both in relation to penalties for product misstatement or mislabelling.

There is always a potential risk of product mislabelling which, may result in the consumption of ingredients that consumers are allergic to, or which are against their religious or other beliefs or preferences. This would adversely impact on the brand name, reputation and public perception of the operator, manufacturer and/or distributor of any F&B product. The operator, manufacturer and/or distributor may, among others, would be forced to recall its F&B products, be subjected to administrative actions and/or penalties/fines by the relevant authorities, be forced to compensate affected end-consumers, or be subjected to legal action resulting from product liability claims. Should any of the above occur, it may have an adverse effect on the financial performance and future prospects of our Group.

For our own brands of CPG, we source the finished products from external manufacturers locally and overseas, which are packed under our own brands. This consists of beverage products, frozen and dry foods. For the FYE 30 June 2015, we sourced our dry and frozen foods, and beverage products from a total of ten (10) external parties comprising nine (9) manufacturers in Malaysia and one (1) manufacturer of frozen potato products in Belgium. As at LPD, all our external manufacturers in Malaysia are accredited with the following certifications:

- ISO quality assurance certification;
- HACCP certification; and/or
- Halal certified products.

In addition, with our manufacturing operations, we also strive to practice proper product labelling for our bakery products. Since the commencement of our own brands of CPG and bakery products up to LPD, our Group complies with product labelling of food products and we have not faced any liabilities for product misstatement or mislabelling from the governing authority that have a material adverse impact on our financial performance. Nevertheless, there can be no assurance that there will be no occurrence of misstatement and mislabelling, which may not have a material adverse impact on our brand name, reputation, or ultimately, our business and financial performance in the future.

(I) Product Liability

As a provider of market access and coverage, we are involved in the distribution of third party brands and our own brands of CPG, as well as bakery products. As such, we are potentially exposed to the risk of product liability which may impact on our revenue and profitability. Product liability is generally stemming from, among others, manufacturing defects, design defects or defective warnings or instructions, product contamination, inadvertent use of unsafe ingredients, sabotage and product mislabelling. Members of the public claiming damages from these defects may take legal action against an operator, which may have an adverse financial impact on its business, as well as create bad publicity that may damage the brand and reputation. While manufacturers are likely to be the most directly exposed to the risk of public liability (as the party manufacturing products), operators involved in branding and marketing, and distribution may also face legal action for negligence. Operators in the CPG industry may mitigate the risk posed by product liability by obtaining product liability insurance.

We are currently covered by product liability insurance of up to RM1 million for bakery products and up to RM2 million for the distribution of our own brand of products, as well as up to RM1 million for the distribution of third party brands of products. There can be no assurance that the amount insured by us is sufficient to cover the entire amount of claims on third party or our own brands of CPG, as well as our bakery products. As such, there can be no assurance that any successful product liability claim would not have a material adverse impact on our business performance. For the past financial years under review and up to LPD, we have not experienced any product liability claims from our distribution of CPG and manufacturing business operations.

(m) Negative Perception and Publicity on Our Reputation

The reputation of operators in the CPG industry is sensitive to public perception for example F&B products that are consumed directly by the general public, possibly resulting from improper processing, storage or handling during the processing, manufacturing or distribution phases that may cause F&B products to become contaminated, resulting in food poisoning or other illnesses. Likewise, personal care products can potentially cause allergic reaction or have an adverse impact on sensitive skin. As such, any adverse public opinions on any products, brand or effects of any ingredients could have impact on the affected operator, from manufacturers, distributors up to retailers.

In addition, CPG operators may become the target of malicious sabotage or rumours intended to damage their reputation. In this respect, operators may experience harmful substances being maliciously introduced into an operator's products or subjected to market rumours based on unfounded claims of harm resulting from consuming an operator's products. These incidences of contamination, sabotage or rumours may have an adverse impact on the brand name, reputation and public perception of the operator, which in turn, may have a negative effect on the demand for their products. This may culminate in the recall of products from the market, and in addition, the operator may be subjected to administrative action by the relevant authorities. As a result, these types of incidences may have an adverse effect on the financial performance and future prospects of an operator in the CPG industry.

As a provider of market access and coverage of CPG including third party and our own brands as well as the manufacture of bakery products, we may be exposed to potential reputation risk associated with third party brands and/or our own brands of CPG. In August 2013, we were involved in assisting our supplier, a brand owner of milk powder to facilitate their product recall in Sabah and Labuan. This product recall has impacted on our revenue for milk powder which decreased by 8.83% from RM54.79 million for FYE 30 June 2013 to RM49.95 million for FYE 30 June 2014. Save for the recall in August 2013, we have not experienced any recall of third party brands or our own brands of CPG as well as our brand of bakery products or subject to any administrative action by relevant authorities of F&B contamination, sabotage or rumours for the past financial year under review up to LPD. Nonetheless, there can be no assurance that the risk in reputation resulting from negative perception and publicity would not have a material adverse impact on our business and financial performance.

(n) Fluctuations in Petrol Prices

We are principally a provider of market access and coverage of CPG where we are involved in the distribution and warehousing of a range of CPG. As at LPD, our market reach extends to 6,419 sales and distribution points. Our transportation and handling charges amounted to RM5.33 million, which representing 18.60% of our total operating expenses for FYE 30 June 2015. As such, any unfavourable fluctuation in petrol prices, which are typically determined and incluenced by crude oil prices, may have an impact on our operational cost specifically transportation cost.

12.2.9 Liquidity and capital resources

(i) Working capital

Our business has been financed via a combination of internal and external sources of funds. The internal sources comprised shareholders' equity and cash generated from our operations while the external sources were various credit facilities extended to us by financial institutions. Our principal utilisation of funds has been for our business growth and operations.

As at FYE 30 June 2015, after incorporating the effects of the Acquisitions, our Group's proforma cash and bank balances is RM29.88 million, total borrowings of RM78.01 million and debt to equity ratio is 1.07 times.

Furthermore, as at LPD, we had banking facilities available to our Group amounting to RM182.49 million, of which RM74.58 million has yet to be utilised.

Our Directors are of the opinion that, after taking into consideration the cash and cash equivalents, the expected funds to be generated from operating activities, amounts available under our existing banking facilities, new banking facilities which may be granted to our Group and the proceeds expected to be raised from the Public Issue, our Group would have adequate working capital to meet our present and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus.

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(ii) Cash flow

The following table is a summary of our Group's proforma cash flow for FYE 30 June 2015 based on the proforma consolidated statement of cash flows and should be read in conjunction with the Reporting Accountants' Report on Proforma Consolidated Financial Information included as set out in Section 11 of this Prospectus.

	[a]FYE 30 June 2015 RM'000	FYE 30 June 2015 after the Acqulsitions, IPO and proposed utilisation of proceeds RM'000
Net operating cash flows	17,262	17,262
Net investing cash flows	(6,561)	(20,561)
Net financing cash flows	(8,681)	10,550
Net changed in cash and cash equivalents	**2,020**	**7,251**
Cash and cash equivalents at beginning of financial year	12,766	12,766
Cash and cash equivalents at end of financial year[1]	**14,786**	**20,017**

Notes:

(a) *Based on our proforma financial position as at 30 June 2015 after the Acquisitions but before our IPO and proposed utilisation of listing proceeds.*

(1) *Components of cash and cash equivalents for the FYE 30 June 2015:*

	[a]FYE 30 June 2015 RM'000	FYE 30 June 2015 after the Acquisitions, IPO and proposed utilisation of proceeds RM'000
Cash and bank balances	*29,882*	*35,113*
Less: Bank overdrafts	*(15,096)*	*(15,096)*
	14,786	*20,017*

Note:

(a) *Based on our proforma financial position as at 30 June 2015 after the Acquisitions but before our IPO and proposed utilisation of listing proceeds.*

Brief commentaries on our Group's consolidated cash flow statement (*prior to Public Issue and utilisation of proceeds*) for FYE 30 June 2015 are as follows:

Net cash flow from operating activities

For FYE 30 June 2015, we generated an operating cash flow of RM16.75 million. After adjusting for net cash inflow of RM3.69 million from working capital changes, net income tax paid of RM2.85 million, interest paid of approximately RM0.46 million and cash inflow from interest received of approximately RM0.13 million, we generated a net cash from operating activities of RM17.26 million.

The net cash inflow of RM3.69 million was mainly from the increase in inventory of RM20.24 million, increase in payables of RM41.94 million as well as increase in receivables of RM18.01 million.

Net cash flow from investing activities

For FYE 30 June 2015, our Group's net cash used in investing activities amounted to RM6.56 million. This was mainly attributed to the cash used for the purchase of PPE of RM9.75 million primarily for the acquisition of Lot 3. This was partially offset by proceeds from the disposal of PPE of RM3.19 million, which was mainly attributed to the disposal of a vacant land at Kota Kinabalu Industrial Park (KKIP).

Net cash flow used in financing activities

For FYE 30 June 2015, our Group's net cash used in financing activities amounted to RM8.68 million. This was mainly attributed to the repayment of loan and borrowings of RM308.27 million, interests paid of RM3.35 million, increase in amount due by intermediate company of RM2.00 million, and decrease in amount due to directors of RM0.03 million. This was partially offset by cash from net drawdown of bankers' acceptance and term loans of RM300.63 million and RM4.34 million respectively.

(iii) Borrowings

As at 30 June 2015, our Group's total outstanding bank borrowings was RM78.01 million, all of which are interest-bearing and denominated in RM, the details of which are set out below:

	Note	<---- FYE 30 June 2015 ---- Payable within twelve (12) months RM'000	Payable after twelve (12) months RM'000	----> Total RM'000
Bankers' acceptance		47,716	-	47,716
Bank overdraft		15,096	-	15,096
Term loans	(i)	841	10,384	11,225
Hire purchase payables	(ii)	766	3,207	3,973
Total		**64,419**	**13,591**	**78,010**
Gearing *(times)**				1.07

Notes:

(i) Term loans were obtained to finance acquisition of land and buildings, and warehouse equipment.

(ii) Hire purchase payables were utilised to finance purchases of machinery and equipment, and motor vehicles.

* *Calculated based on proforma shareholders' funds after the Acquisitions before our IPO and proposed utilisation of listing proceeds.*

As at 30 June 2015, our Group's floating and fixed rate borrowings are set out below:-

	<------------ FYE 30 June 2015 ------------>		
	Floating Rate Borrowings[(1)] RM'000	Fixed Rate Borrowings[(2)] RM'000	Total RM'000
Total borrowings	73,237	4,773	78,010

Notes:

(1) *Includes bankers' acceptance, bank overdraft and term loan.*
(2) *Includes term loan and finance lease liabilities, namely hire purchase.*

The details of the types of credit facilities that we use and its balances as at LPD are as follows:

Type of financial instruments	Tenure	Interest rates % per annum	Credit limit RM'000	Balance as at LPD RM'000
Term loans	3 to 20 years	4.25% to 7.35%	14,795	12,525
Hire purchase payables	36 to 84 months	3.00% to 4.00%	5,093	4,214
Bankers' acceptance	120 to 180 days	3.27% to 4.82%	128,200	65,102
Others				
- *Bank overdrafts*	-	7.35% to 8.35%	21,380	13,748
- *Bank guarantees*	-	0.85% to 1.20%	13,020	12,320
				107,909

There has been no default on payments of either interest and/or principal sums for any borrowings throughout the past one financial year and up to LPD.

(iv) Treasury policies and objectives

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

The normal credit terms granted to our Group by our suppliers ranges from 1 day to 90 days due to the good relationships which we have established with our suppliers. For some of the overseas suppliers, payments are made through telegraphic transfer. Our Group's borrowings from financial institutions consist of term loans which are used for the purchase of properties. In addition, our Group has banking facilities to be utilised.

Our short term borrowings are the portion of term loans which are payable within one (1) year. The interest rates for these short term borrowings are based on the prevailing cost of funds plus or minus a margin as the case may be as agreed upon by our bankers when the respective term loans were granted.

Our long term borrowings are the portion of term loans which are payable after one (1) year. The interest rates for these long term borrowings are based on the prevailing cost of funds minus a margin as agreed upon by our bankers when the respective term loans were granted.

The decision to either utilise banking facilities or internally generated funds for our operations depend on, inter alia, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, *inter alia*, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

(v) Financial instruments for hedging purposes

For FYE 30 June 2015 up to as at LPD, our Group does not hold any financial instruments for hedging purposes.

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(vi) **Capital expenditure and divestitures**

Our Group's capital expenditure for the past four (4) FYE 30 June 2012 to FYE 30 June 2015 and up to LPD is as follows:

	<------ Audited	FYE 30 June		------>	Unaudited
	2012	2013	2014	2015	Up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Land and buildings	8,781	822	-	6,502	-
Renovation, office equipment, furniture & fittings and computer	790	492	734	1,784	191
Motor vehicles	79	233	432	3,473	478
Machineries	-	1,506	138	795	-
	9,650	**3,053**	**1,304**	**12,554**	**669**

Our material capital expenditure on land and buildings for FYE 30 June 2012 increased to RM8.78 million which was attributed to the acquisition of a property located at SEDCO Light Industrial Estate, Kota Kinabalu. As at LPD, this property serves as a distribution centre and manufacturing plant for bakery products.

For FYE 30 June 2013, our material capital expenditure was on machineries which amounted to RM1.51 million. This was for the manufacture of our own brands of bakery products, which commenced operations in February 2014.

For FYE 30 June 2015, our material capital expenditure on land and buildings was attributed to the acquisition of a property located in Kota Kinabalu Industrial Park (KKIP), for the expansion of our manufacturing operations. For FYE 30 June 2015, our material capital expenditure on motor vehicles was attributed to the purchase of commercial vehicles for our distribution operations as well as industrial vehicles such as forklifts for our warehousing. Material capital expenditure under machineries for FYE 30 June 2015 was attributed to the acquisition of equipment for the above property.

Our Group's material divestitures for the past four (4) financial years, from FYE 30 June 2012 to FYE 30 June 2015 and up to LPD is as follows:

	<------ Audited	FYE 30 June		------>	Unaudited
	2012	2013	2014	2015	Up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Land and buildings	-	4,772	-	2,178	-
Motor vehicles	1,079	301	174	342	-
Renovation, office equipment, furniture & fittings and computer	6	19	-	177	1
Machineries	-	-	-	6	-
	1,085	**5,092**	**174**	**2,703**	**1**

Our material divestitures for FYE 30 June 2012 increased to RM1.09 million which was mainly attributed to the disposal of motor vehicles with a total value of RM1.08 million, whilst the remaining of approximately RM6,000 was from the disposal of office equipment, furniture and fittings, and computers.

Our material divestitures for FYE 30 June 2013 was RM5.09 million which was mainly attributed by the distribution of properties held by our subsidiary companies, KTC Sdn Bhd and KTC Tawau to its former shareholders via dividend-in-specie, amounting to RM4.52 million and RM0.25 million respectively. The remaining RM0.30 million was from disposal of motor vehicles and approximately RM19,000 was from disposal of office equipement.

Our material divestures for FYE 30 June 2014 comprised the disposal of motor vehicles with a total value of RM0.17 million.

For FYE 30 June 2015, our material divesture was mainly attibuted to the disposal of a vacant land at Kota Kinabalu Industrial Park (KKIP) at RM2.18 million and disposal of motor vehicles with a total value of RM0.34 million.

Save as disclosed above and in Section 6.18.1 of this Prospectus, we do not have any material plan on capital expenditure and divestment as at LPD.

(vii) Material capital commitments

As at LPD, the material capital commitments for our business expansions are as follows:

Capital commitment	RM'000
Approved and/or contracted for:	
- Acquisition of distribution business in Brunei	1,542
Total capital commitments	**1,542**

As at LPD, our capital commitment of RM1.54 million is for the acquisition of an existing distributor of CPG in Brunei, which is part of our expansion plans.

The above capital commitments will be financed via proceeds from internally generated funds and bank borrowings.

Please refer to Section 6.18.1.1(i) of this Prospectus for further details on our Group's future plans on the expansion of our distribution operations.

As at LPD, save as disclosed in the table above, our Board is not aware of any other material capital commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on our financial results/position.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(viii) Material contingent liabilities

As at LPD, the details of our material contingent liabilities are as follows:

Contingent Liabilities	RM'000
Bank guarantees	12,320
Total capital commitments	**12,320**

As at LPD, save as disclosed above, our Board is not aware of any material contingent liability which in the opinion of our Board, will or may substantially affect our financial results or position upon becoming enforceable.

(ix) Material litigation, claims or arbitration

As at LPD, save as disclosed in Section 16.4 of this Prospectus, neither our Company nor our Group is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our Group and our Board has no knowledge of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Company or our Group.

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(x) Key financial ratios

The following table sets forth the key financial ratios based on our proforma consolidated financial statements for the financial years indicated below:

	<------------ FYE 30 June			------------>
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Trade receivables turnover period (days)[(1)]	54	51	56	48
Trade payables turnover period (days)[(2)]	28	24	24	38
Inventory turnover period (days)[(3)]	63	59	62	65
Current ratio (times)	1.31	1.34	1.33	1.20
Gearing ratio (times)[(4)]	0.94	0.93	1.02	1.07

Notes:

(1) Based on average trade receivables of the respective financial years over revenue of the respective financial years.
(2) Based on average trade payables of the respective financial years over cost of sales of the respective financial years.
(3) Based on average inventory value over the cost of sales of the respective financial years.
(4) Based on total borrowings over the proforma shareholders' funds after the Acquisitions before our IPO and proposed utilisation of listing proceeds.

(a) Trade receivables

A summary of trade receivables of the proforma Group for the four (4) FYE 30 June 2012 to 2015 are set out below:

	<------------ FYE 30 June			------------>
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Trade receivables	28,182	34,377	35,540	43,536
Revenue	200,332	222,731	229,530	299,866
Trade receivables turnover period (days)[(1)]	54	51	56	48

Note:

(1) Based on average trade receivables of the respective financial years over revenue of the respective financial years.

The ageing analysis of our Group's trade receivables as at 30 June 2015 is as follows:

	Within credit period (days)		Exceeding credit period (days)	
	0 – 30	31 – 60	Over 60	Total
Trade receivables (RM'000)	17,630	14,618	11,288	43,536
Percentage of total trade receivables (%)	40.49	33.58	25.93	100.00
*Subsequent collections as at LPD (RM'000)	16,004	13,651	9,853	39,508
Trade receivables net of subsequent collections (RM'000)	1,626	967	1,435	4,028

Note:

* *Include payments received, goods returned, discounts allowed and other claims.*

The normal credit period generally granted to our customers is between 30 days to 60 days. Our credit terms to customers are assessed and approved on a case-by-case basis. For the FYE 30 June 2012 to 2015, our trade receivables turnover period ranges from 48 days to 56 days, which falls within our normal credit period.

Nevertheless, we will ensure that proper credit control procedures are conducted in terms of evaluation of credit risk assessments and customers' funding to ensure such delays whilst undeniably exists, is mitigated thoroughly. As at LPD, the bulk of 90.75% of the total trade receivables outstanding have been collected save for RM4.03 million which represented 9.25% of total trade receivables as at 30 June 2015. Of this outstanding amount, RM1.44 million exceeded our normal credit period which was due to delayed payment from customers comprising retailers of our household and personal care products, as well as retailers and operators of food services for our F&B products.

(b) Trade payables

A summary of trade payables of the proforma Group for the four (4) FYE 30 June 2012 to 2015 are set out below:

	<---FYE 30 June--->			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Trade payables	11,949	13,282	12,595	41,774
Cost of sales	174,638	195,374	200,681	258,796
Trade payables turnover period (days)[1]	28	24	24	38

Note:

(1) Based on average trade payables of the respective financial years over cost of sales of the respective financial years.

The ageing analysis of our Group's trade payables as at 30 June 2015 is as follows:

	Within Credit Period (days)			Exceeding Credit Period (days)	Total
	0 – 30	31 – 60	61 –90	Over 90	
Trade payables (RM'000)	24,848	11,959	4,781	187	41,774
Percentage of total trade payables (%)	59.48	28.63	11.44	0.45	100.00
*Subsequent payments as at LPD (RM'000)	(24,848)	(11,959)	(4,781)	(187)	(41,774)
Trade payables net of subsequent payments (RM'000)	-	-	-	-	-

Note:

* *Includes payments made, discount received and claims made.*

The normal credit terms granted to our Group by our suppliers ranges from one (1) day to 90 days. Our trade payables turnover has been decreasing from 28 days for the FYE 30 June 2012 to 24 days for the FYE 30 June 2014, which indicated promptness in our payments to suppliers historically. For FYE 30 June 2015, our trade payables turnover period was 38 days, which was higher than 24 days for FYE 30 June 2014, which was mainly due to the increase in the number of suppliers granting us longer credit period.

Nevertheless, the 38 days trade payables turnover period was well within our normal credit period of one (1) day to 90 days.

Our Group is of the view that the timely settlement of payment facilitates better services and prices, in addition to strengthening our relationship with our suppliers. As at LPD, all of the total trade payables outstanding as at 30 June 2015 have been paid.

(c) Inventory turnover

A summary of our Group's inventories for the four (4) FYE 30 June 2012 to 2015 are set out below:

	<------FYE 30 June			------>
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Total inventory	31,123	32,067	36,515	55,238
Cost of sales	174,638	195,374	200,681	258,796
Inventories turnover period (days)[1]	63	59	62	65

Note:

(1) Based on average inventory value over the cost of sales of the respective financial years.

The table below sets out of our Group's inventory aging analysis as at 30 June 2015:

	Days				
	1 – 30	31 – 60	61 –90	Over 91	Total
Inventory (RM'000)	26,314	9,208	5,404	14,312	55,238
Percentage of total inventory (%)	47.64	16.67	9.78	25.91	100.00

Our inventory comprises third party brands and own brands of CPG, and raw materials for the manufacturing of bakery products. Our practice is to maintain a sustainable level of inventory to support our business operations and to reduce the lead time of supplying our products to the market.

Between FYE 30 June 2012 and 2014, our inventory turnover period ranges from 59 days to 63 days. As for FYE 30 June 2014, our inventory turnover period was 62 days which was slightly higher than 59 days for FYE 30 June 2013. The slightly higher turnover period was mainly due to the increase in inventory of hair care products. For FYE 30 June 2014, we were awarded new market coverage for Sarawak for the distribution of an existing range of hair care products. As such, during the last quarter of FYE 30 June 2014, we stocked up on the range of hair care products in preparation for distribution to Sarawak.

For FYE 30 June 2015, our inventory turnover period was 65 days, slightly higher than 62 days for FYE 30 June 2014. This was mainly due to the increase in inventory of carbonated and non-carbonated drinks, personal care products namely sanitary products, as well as household products namely tissue paper and lighting products as a result of the commencement of distribution of new various third party brands. In addition, we stocked up for our own brands of CPG mainly dry foods and beverage products in line with the launch of our new products during FYE 30 June 2015.

(d) Current Ratio

The following table sets forth a summary of our Group's current ratio for the four (4) FYE 30 June 2012 to 2015 are set out below:

	<--------------------	FYE 30 June	-------------------	-------------------->
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Current assets	84,124	90,089	92,035	145,908
Current liabilities	64,036	67,191	69,141	121,406
Current ratio (times)[1]	1.31	1.34	1.33	1.20

Note:

(1) Current ratio is calculated based on current assets over current liabilities after the Acquisitions before our IPO and proposed utilisation of listing proceeds.

For FYE 30 June 2012, our current ratio was 1.31 times, which was higher than 1.29 times for FYE 30 June 2011. This was mainly attributed to the increase in cash and bank balances, and inventory, as well as decrease in trade and other payables during FYE 30 June 2012.

For FYE 30 June 2013, our current ratio was 1.34 times, which was slightly higher than 1.31 times for FYE 30 June 2012. This was mainly attributed to the increase in our trade receivables, which was in line with our business expansion where our customers increased from 2,733 customers for FYE 30 June 2012 to 3,020 customers for FYE 30 June 2013.

For FYE 30 June 2014, our current ratio was 1.33 times which was slightly lower than 1.34 times for FYE 30 June 2013, as both current assets and current liabilities grew by a similar proportion between the two financial years under review.

For FYE 30 June 2015, our current ratio was 1.20 times, slightly lower than 1.33 times for FYE 30 June 2014. This was mainly due to the increase in our trade payables and short term borrowings as at 30 June 2015. Our trade payable increased by 231.67% or RM29.18 million, which was in line with our business growth where our revenue increased by 30.64% or RM70.34 million for FYE 30 June 2015 as compared to FYE 30 June 2014. Our short term borrowings increased by 19.56% or RM10.54 million, which were mainly bank overdraft for our working capital.

(e) Gearing Ratio

The following table sets forth a summary of our Group's gearing ratio for the four (4) FYE 30 June 2012 to 2015 are set out below:

	<------------------FYE 30 June			------------------>
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Total borrowings[1]	58,417	59,035	62,128	78.010
Shareholders' Funds[2]	62,482	63,346	60,828	73,155
Gearing ratio (times)[3]	0.93	0.93	1.02	1.07

Notes:

(1) Total borrowings include term loans, hire purchases and trade facilities such as bankers' acceptance and bank overdraft.

(2) Proforma shareholders' funds after the Acquisitions before our IPO and proposed utilisation of listing proceeds.

(3) Gearing ratio is calculated based on total borrowings over proforma shareholders' funds after the Acquisitions and before our IPO and proposed utilisation of listing proceeds.

For FYE 30 June 2012 and FYE 30 June 2013, our gearing ratios were at 0.93 times, which were higher compared to 0.87 times for FYE 30 June 2011. This was mainly due to the increase in utilisation of short term banking facility specifically bankers' acceptance, as well as term loans.

For FYE 30 June 2014, our gearing ratio was at 1.02 times compared to 0.93 times for FYE 30 June 2013. This was mainly due to increase in borrowings consisting of bankers' acceptance and term loans, coupled with a reduction in shareholders' funds.

For FYE 30 June 2015, our gearing ratio was at 1.07 times compared to 1.02 times for FYE 30 June 2014. This was mainly due to the increase in borrowings consisting of bankers' acceptance, bank overdraft, and hire purchase.

12.2.10 Trend analysis

As at LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and Section 3, Section 4 and Section 6 of this Prospectus;

(ii) material commitment for capital expenditure, as set out in Section 12.2.10 (vi) of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and in Section 4, Section 12.2.9 and Section 12.2.10 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in Section 7 of this Prospectus and future plans and strategies as set out in Section 6.18 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 4 of this Prospectus; and

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and in Section 4 of this Prospectus.

12.3 ORDER BOOK

The state of order book is not relevant to our business as we are a provider of market access and coverage of CPG focusing on distribution operations, and manufacture of bakery products to meet the purchase orders on an on-going basis.

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12.4 CAPITALISATION AND INDEBTEDNESS

The following information shall be read in conjunction with the Reporting Accountants' Report on the Proforma Consolidated Financial Information and Accountants' Report set out in Sections 11.4 and 13 of this Prospectus, respectively.

The following table shows our Group's cash and cash equivalents, capitalisation and indebtedness:

(i) based on our proforma financial position as at 30 June 2015 and after the Acquisitions; and

(ii) as adjusted for the proceeds arising from our IPO and utilisation of proceeds.

	Audited (i) As at 30 June 2015 RM'000	(ii) After Public Issue and Utilisation of Proceeds RM'000
Deposits, cash and cash equivalents	29,882	35,113
Indebtedness		
Current		
Unsecured		
Bankers' acceptance	20,773	20,773
Bank overdraft	13,127	13,127
Secured		
Bankers' acceptance	26,943	26,943
Bank overdraft	1,969	1,969
Term loans	841	841
Hire purchase payables	766	766
	64,419	64,419
Non-current		
Secured		
Term loans	10,384	10,384
Hire purchase payables	3,207	3,207
	13,591	13,591
Total indebtedness	78,010	78,010
Shareholders' funds	73,155	92,386
Total capitalisation and indebtedness	**151,165**	**170,396**
Gearing Ratio[(1)] (times)	**1.07**	**0.84**

Note:

(1) Gearing ratio is calculated based on total borrowings over total shareholders' funds.