NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF KIM HIN JOO (MALAYSIA) BERHAD ("KHJ" OR THE "COMPANY") DATED 19 JUNE 2019 ("ELECTRONIC PROSPECTUS")

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad's ("**Bursa Securities**") website at www.bursamalaysia.com ("**Website**").

Availability and Location of Paper/Printed Prospectus

Any applicant who is in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") or Malaysian Issuing House Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus, subject to availability, from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

The distribution of the Electronic Prospectus and the sale of the initial public offering ("**IPO**") shares are subject to Malaysian law. Bursa Securities, UOBKH and the Company have not authorised and take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the IPO shares outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any IPO shares, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from **10.00 a.m. (Malaysian time)** on **19 June 2019** to **5.00 p.m. (Malaysian time)** on **26 June 2019**. If there are any changes to the timetable, the Company will advertise a notice of the changes in a widely circulated English and Bahasa Malaysia newspaper within Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users' access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

KIM HIN JOO (MALAYSIA) BERHAD [37655-U]

Wisma Pang Cheng Yean,
Lot 5205C, Jalan Perindustrian Balakong Jaya 1/3,
Kawasan Perindustrian Balakong Jaya,
43300 Seri Kembangan, Selangor, Malaysia.

General Line : (+603) 8940 6638

www.khj-my.com

PROSPECTUS
KIM HIN JOO (MALAYSIA) BERHAD

PROSPECTUS

KIM HIN JOO (MALAYSIA) BERHAD

(Company No. 37655-U)
Incorporated in Malaysia

INITIAL PUBLIC OFFERING (**"IPO"**) OF 133,000,000 ORDINARY SHARES IN KIM HIN JOO (MALAYSIA) BERHAD (**"KHJ"**) (**"SHARE(S)"**) IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED ORDINARY SHARE CAPITAL OF KHJ ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (**"BURSA SECURITIES"**) COMPRISING:-

(A) A PUBLIC ISSUE OF 76,000,000 NEW ORDINARY SHARES IN KHJ (**"ISSUE SHARE(S)"**) IN THE FOLLOWING MANNER:-

- (I) 19,000,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- (II) 10,000,000 ISSUE SHARES RESERVED FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES AS WELL AS PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP; AND
- (III) 47,000,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INSTITUTIONAL AND/OR SELECTED INVESTORS;

AND

(B) AN OFFER FOR SALE OF 57,000,000 EXISTING ORDINARY SHARES IN KHJ (**"OFFER SHARE(S)"**) IN THE FOLLOWING MANNER:-

- (I) 38,000,000 OFFER SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, MALAYSIA; AND
- (II) 19,000,000 OFFER SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INSTITUTIONAL AND/OR SELECTED INVESTORS;

AT AN ISSUE PRICE/OFFER PRICE OF RM0.43 PER ISSUE SHARE/ OFFER SHARE, PAYABLE IN FULL UPON APPLICATION

Principal Adviser, Sponsor, Underwriter and Placement Agent

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd (Company No. 194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

This Prospectus has been registered by the Securities Commission Malaysia (**"SC"**). The registration of this Prospectus, should not be taken to indicate that the SC recommends the IPO or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC and Bursa Securities are not liable for any non-disclosure on the part of KHJ and take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS. INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 31.

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION. THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SC.

THIS PROSPECTUS IS DATED 19 JUNE 2019

RESPONSIBILITY STATEMENTS

OUR DIRECTORS, PROMOTERS AND SELLING SHAREHOLDERS (AS DEFINED HEREIN) HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

UOB KAY HIAN SECURITIES (M) SDN BHD ("**UOBKH**"), BEING OUR PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT IN RELATION TO OUR IPO, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR IPO.

STATEMENTS OF DISCLAIMER

APPROVAL HAS BEEN OBTAINED FROM BURSA SECURITIES ON 18 APRIL 2019 FOR THE LISTING OF AND QUOTATION FOR OUR SHARES BEING OFFERED. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, KHJ OR OUR SHARES.

THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORMS (AS DEFINED HEREIN), HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES OF MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

OTHER STATEMENTS

YOU SHOULD NOTE THAT YOU MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("**CMSA**") FOR BREACHES OF SECURITIES LAWS INCLUDING ANY STATEMENT IN THIS PROSPECTUS THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION; OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS PROSPECTUS OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO KHJ.

OUR SHARES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC ON THE PREMISE OF FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING OUR IPO, FOR WHICH ANY PERSON SET OUT IN SECTION 236 OF THE CMSA, IS RESPONSIBLE.

OUR SHARES ARE CLASSIFIED AS SHARIAH-COMPLIANT BY THE SHARIAH ADVISORY COUNCIL OF THE SECURITIES COMMISSION MALAYSIA ("**SC**") ("**SAC**") BASED ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF ISSUE OF THIS PROSPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW UNDERTAKEN BY THE SAC. THE NEW STATUS IS RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES ON THE LAST FRIDAY OF MAY AND NOVEMBER.

THIS PROSPECTUS HAS BEEN PREPARED IN THE CONTEXT OF AN IPO UNDER THE LAWS OF MALAYSIA, AND OUR IPO WILL NOT BE MADE IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA OR TO PERSONS WHO ARE SUBJECT TO THE LAWS OF ANY COUNTRY OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. OUR IPO TO WHICH THIS PROSPECTUS RELATES IS ONLY AVAILABLE TO PERSONS RECEIVING THIS PROSPECTUS ELECTRONICALLY OR OTHERWISE WITHIN MALAYSIA. WE AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (IN PRELIMINARY OR FINAL FORM) OUTSIDE MALAYSIA. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER OR SUBSCRIPTION OR PURCHASE OR INVITATION TO SUBSCRIBE OR PURCHASE, ANY SECURITIES UNDER OUR IPO IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF OUR IPO SHARES (AS DEFINED HEREIN) IN CERTAIN JURISDICTION MAY BE RESTRICTED BY LAW. PERSONS WHO MAY BE IN POSSESSION OF THIS PROSPECTUS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

WE WILL NOT MAKE OR BE BOUND TO MAKE ANY ENQUIRY BEFORE ANY ACCEPTANCE IN RESPECT OF OUR IPO AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA. WE WILL NOT ACCEPT ANY LIABILITY WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION WITH IT. IT IS YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER OUR IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR OUR SHARES WOULD BE IN COMPLIANCE WITH THE TERMS OF OUR IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED TO. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THIS IPO IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA CONNECTED TO IT.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION, TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY FOR OUR IPO IN MALAYSIA UNDER THE LAWS OF MALAYSIA. OUR SHARES ARE ISSUED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. WE AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION, WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

ELECTRONIC PROSPECTUS

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com. THE CONTENTS OF THE ELECTRONIC PROSPECTUS ARE AS PER THE CONTENTS OF THE PROSPECTUS REGISTERED WITH THE SC.

YOU ARE ADVISED THAT THE INTERNET IS NOT A FULLY SECURE MEDIUM AND THAT YOUR INTERNET SHARE APPLICATION (AS DEFINED HEREIN) IS SUBJECT TO THE RISKS OF PROBLEMS OCCURRING DURING DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS (AS DEFINED HEREIN). THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

IF YOU DOUBT THE VALIDITY OR THE INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US OR THE ISSUING HOUSE (AS DEFINED HEREIN), A PAPER/PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS FOR ANY REASON WHATSOEVER, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD-PARTY INTERNET SITES (REFERRED TO AS "**THIRD-PARTY INTERNET SITES**"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD-PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:-

I. WE AND OUR PRINCIPAL ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD-PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENT OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD-PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD-PARTY INTERNET SITES;

II. WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD-PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD-PARTY INTERNET SITES. WE AND OUR PRINCIPAL ADVISER ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD-PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

III. ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THE THIRD-PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:-

I. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OBTAINED FROM THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND SUBSEQUENTLY, COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND

II. WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURE MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COST, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULTS ON YOUR OR ANY THIRD-PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

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INDICATIVE TIMETABLE

The indicative timetable for our IPO is set out below:-

Events	Date
Issuance of this Prospectus/Opening of application for our Issue Shares	19 June 2019
Closing of applications for our Issue Shares	26 June 2019
Balloting of applications for our Issue Shares	28 June 2019
Allotment of our Issue Shares/Transfer of Offer Shares to successful applicants	3 July 2019
Listing	8 July 2019

If there are any changes to this timetable, we will advertise a notice of the changes in a widely circulated English and Bahasa Malaysia newspaper within Malaysia.

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DEFINITIONS

The following terms in this Prospectus have the same meaning as set out below unless the term is defined otherwise or the context requires otherwise:-

"ACE Market"	:	The ACE Market of Bursa Securities
"Act"	:	Companies Act 2016
"ADA(s)"	:	Authorised Depository Agent(s)
"AGM"	:	Annual general meeting
"Application(s)"	:	The application for the Issue Shares by way of Application Form or Electronic Share Application or Internet Share Application
"Application Form(s)"	:	Application form(s) for the application of the Issue Shares accompanying this Prospectus
"ATM(s)"	:	Automated teller machine(s)
"Authorised Financial Institution(s)"	:	Authorised financial institution(s) participating in the Internet Share Application in respect of the payments for the Issue Shares
"Board"	:	Board of Directors of our Company
"Bonus Issue"	:	Bonus issue of 303,000,000 KHJ Shares on the basis of 303 new KHJ Shares for every 1 existing KHJ Share held by our shareholders as at 26 June 2018 which was completed on even date
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
"CAGR"	:	Compounded annual growth rate
"CCTV"	:	Closed-circuit television
"CDS"	:	Central Depository System
"CDS Account(s)"	:	Securities account(s) established by Bursa Depository for a depositor pursuant to the SICDA and the rules of Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor
"Cheng Yean"	:	Cheng Yean Properties Sdn Bhd (Company No. 1014338-V)
"CMSA"	:	Capital Markets and Services Act 2007
"Constitution"	:	The constitution of our Company
"Development Agreements"	:	Collectively, ELC Development Agreement and Mothercare Development Agreement
"Director(s)"	:	Has the meaning given to it in Section 2(1) of the CMSA
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"ELC Development Agreement"	:	Development Agreement dated 20 September 2010 between ELC UK and our Company, as set out in **Section 6.19.1** of this Prospectus
"ELC Disposal"	:	The disposal of the business and certain assets of ELC UK by Mothercare plc to TEAL Brands Limited, a subsidiary of TEAL Group, which was completed on 22 March 2019

"ELC UK"	:	Early Learning Centre Limited (Company No. 00102194) a subsidiary within the Mothercare plc group of companies
"Electronic Prospectus"	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to compact disc read-only memory (CD-ROMs)
"Electronic Share Application(s)"	:	Application(s) for the Issue Shares through a Participating Financial Institution's ATMs
"Eligible Person(s)"	:	Eligible Directors and employees of our Group as well as persons who have contributed to the success of our Group
"EPF"	:	Employees Provident Fund Board
"EPS"	:	Earnings per share
"financial years under review"	:	Collectively, the past 4 FYEs 31 December 2015, 2016, 2017 and 2018
"FRS"	:	Financial Reporting Standards
"FYE"	:	Financial year ended/ending, as the case may be
"Global Outsource"	:	Global Outsource Solutions Pte Ltd (Company No. 200309055N)
"GP"	:	Gross profit
"IMR" or "Smith Zander"	:	Smith Zander International Sdn Bhd (Company No. 1058128-V)
"Industry Overview"	:	Industry overview of the baby, children and maternity product industry in Malaysia prepared by Smith Zander, as set out in **Section 7** of this Prospectus
"Internet Participating Financial Institution(s)"	:	Participating financial institution(s) for the Internet Share Application
"Internet Share Application"	:	Application for the Issue Shares through an Internet Participating Financial Institution
"IPO"	:	Initial public offering comprising the Public Issue and the Offer for Sale
"IPO Share(s)"	:	Collectively, the Issue Share(s) and the Offer Share(s)
"Issue Price" or "Offer Price" or "IPO Price"	:	The issue price/offer price of RM0.43 per Issue Share/Offer Share
"Issue Share(s)"	:	76,000,000 new KHJ Share(s) to be issued pursuant to the Public Issue
"Issuing House" or "MIH"	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
"IT"	:	Information technology
"KHI"	:	Kim Hin International Pte Ltd (Company No. 201720713M)
"KHI Group"	:	Collectively, KHI and its subsidiaries
"KHJ" or our "Company"	:	Kim Hin Joo (Malaysia) Berhad (Company No. 37655-U)
"KHJ Group" or our "Group"	:	Collectively, KHJ and its subsidiaries
"KHJ Share(s)" or "Share(s)"	:	Ordinary share(s) in our Company

"Listing"	:	Admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of KHJ comprising 380,000,000 KHJ Shares on the ACE Market of Bursa Securities
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"LPD"	:	21 May 2019, being the latest practicable date prior to the registration of this Prospectus
"Malaysian Public"	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated and organised under the laws of Malaysia
"Market Day(s)"	:	A day(s) on which Bursa Securities is open for trading of securities
"MITI"	:	Ministry of International Trade and Industry, Malaysia
"Mother and Child"	:	Mother and Child Ltd (Company No. 228279)
"Mothercare Development Agreement"	:	Development Agreement dated 2 August 2011 between Mothercare UK and our Company and supplemented by a letter dated 24 March 2018 issued by Mothercare UK, as set out in **Section 6.19.1** of this Prospectus
"Mothercare Sg"	:	Mothercare (S) Pte Ltd (Company No. 198500605W)
"Mothercare UK"	:	Mothercare UK Limited (Company No. 00533087)
"NA"	:	Net assets
"NBV"	:	Net book value
"Offer for Sale"	:	Offer for sale of 57,000,000 Offer Shares at the Offer Price by the Selling Shareholders in the following manner:- (a) 38,000,000 Offer Shares by way of private placement to identified Bumiputera investors approved by the MITI; and (b) 19,000,000 Offer Shares by way of private placement to identified institutional and/or selected investors
"Offer Share(s)"	:	57,000,000 existing KHJ Share(s) to be offered by the Selling Shareholders pursuant to the Offer for Sale
"Official List"	:	A list specifying all securities listed on Bursa Securities
"Operational Agreements"	:	Operational agreements between our Company and our respective franchisors, governing each of our Mothercare outlets and ELC SIS, as set out in **Section 6.19.2** of this Prospectus
"Participating Financial Institution(s)"	:	Participating financial institutions for the Electronic Share Application
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Pink Application Form(s)"	:	Application form(s) for the application of IPO Shares by our Eligible Person(s) accompanying this Prospectus
"Product Marketing Mayborn"	:	Product Marketing Mayborn Limited (Company No. 0163316)
"Promoter(s)"	:	Collectively or individually, KHI and Pang Kim Hin
"Prospectus"	:	This prospectus dated 19 June 2019 issued by our Company in respect of our IPO
"Prospectus Guidelines"	:	Prospectus Guidelines issued by the SC

"Public Issue"	:	Public issue of 76,000,000 Issue Shares at the Issue Price, comprising the following:- (a) 19,000,000 Issue Shares made available for application by the Malaysian Public; (b) 10,000,000 Issue Shares reserved for application by our Eligible Persons; and (c) 47,000,000 Issue Shares by way of private placement to identified institutional and/or selected investors
"ROC"	:	Registrar of Companies of Malaysia
"SC"	:	Securities Commission Malaysia
"Selling Shareholder(s)"	:	Collectively, KHI and Dato' Pang Leong Hoon undertaking the Offer for Sale as follows:-

Name	No. of Offer Shares	% of the enlarged issued share capital after the IPO
KHI	38,000,000	10.00
Dato' Pang Leong Hoon	19,000,000	5.00
Total	**57,000,000**	**15.00**

"Share Registar"	:	Boardroom Share Registrars Sdn Bhd (Company No. 378993-D) (formerly known as Symphony Share Registrars Sdn Bhd)
"SICDA"	:	Securities Industry (Central Depositories) Act, 1991
"SOCSO"	:	Social Security Organisation
"TEAL Group"	:	TEAL Group Holdings Limited (Company No. 10862657), the holding company of The Entertainer group of companies
"The Entertainer UK"	:	The Entertainer (Amersham) Limited (Company No. 2057757)
"Trade Solutions"	:	Trade Solutions Ltd (Company No. 2475292)
"UOBKH" or "Principal Adviser" or "Sponsor" or "Underwriter" or "Placement Agent"	:	UOB Kay Hian Securities (M) Sdn Bhd (Company No. 194990-K)
"Underwriting Agreement"	:	Underwriting agreement dated 31 May 2019 between our Company and the Underwriter in relation to the Public Issue
"White Application Form(s)"	:	Application form(s) for the application of IPO Shares by the Malaysian Public accompanying this Prospectus

OUR SUBSIDIARIES

"Eldercare"	:	Eldercare Solutions Sdn Bhd (Company No. 1137500-P)
"Global Product"	:	Global Product Solutions Sdn Bhd (Company No. 705154-M)
"Global Retail"	:	Global Retail Network Sdn Bhd (Company No. 921399-V)

CURRENCIES, UNITS AND OTHERS

"GBP"	:	United Kingdom Pound Sterling
"RM" and "sen"	:	Ringgit Malaysia and sen
"SGD"	:	Singapore Dollar
"sq ft"	:	Square feet
"USD"	:	United States Dollar

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GLOSSARY OF TERMS

Commonly used terms in our Group's business and operations

"Baby Expo(s)" : An exhibition(s) selling a wide range of baby, children and maternity products of various brands by retailers, distributors and wholesalers to end-users

"Clothing" : Comprises a range of baby, children and maternity clothing

"consignment" : A trading arrangement whereby the seller (i.e. consignor) agrees to deliver goods to the buyer (i.e. consignee) and the products are left in the possession of the buyer to sell to its consumers or end-users. The payment to the seller for the products will only be made after the products are sold by the buyer and such payment will generally be based on an agreed percentage of the proceeds from the sale of the products by the buyer

"distribution" : A business model where products are sourced from manufacturers or brand owners to be sold to retailers or distributors for onward sale to end-customers

"distribution point(s)" : A physical location(s) or an online store(s) where our customers display and sell our distribution products (e.g. outlet, consignment counter, department store, website and e-commerce platform). The basis of determining our active distribution points are as follows:-

Active distribution points as at each FYE (i.e. 31 December 2015, 2016, 2017 and 2018)	Active number of distribution points as at the LPD
Based on the number of distribution points which had transactions with us during each of the respective FYE	Based on the following criteria:- (i) customers who opened a distribution account with us and have made purchases in any of the last 4 FYEs 31 December 2015, 2016, 2017 and 2018, and up to LPD; and (ii) customers who have not closed their accounts or ceased their operations as at the LPD. These customer accounts are assessed on a periodic basis for account management purposes

"e-commerce" : Electronic commerce, i.e. the buying and selling of goods over an electronic network, primarily the Internet

"ELC" : Early Learning Centre, a brand of educational and developmental toys designed for babies and children up to the age of 6 years, originated from the United Kingdom

"Gingersnaps" : A brand of baby, children and maternity clothing that originated from the Philippines

"Home & Travel" : Comprises a range of products generally used in the care and upbringing of newborns, infants and children at home or for travelling purposes including baby feeding, car seats and bedroom items

GLOSSARY OF TERMS (cont'd)

"Jujube"	:	A brand of specially designed bags catered for parents with young children that originated from the United States of America
"Konfidence"	:	A brand of baby swimming products that originated from the United Kingdom, comprising Home & Travel and Toys
"Mimosa"	:	A brand of stroller and stroller accessories, as well as baby feeding and babycare products that originated from Singapore
"Mothercare"	:	A brand of baby, children and maternity products that originated from the United Kingdom
"retail"	:	A business model where products are generally sold directly to end-users (i.e. consumers)
"SIS"	:	Store-in-store, a concept used in retail businesses where a brand occupies a space within a retailer's store to market and sell its own products according to their own brand display concept
"SKU(s)"	:	Stock keeping unit(s), an identification of a particular product that is used in inventory management to measure the distinct types of items for sale. Each SKU is distinguished based on attributes such as brand, product category, size and colour
"Snapkis"	:	A brand of babycare and travelling products that originated from Singapore
"The Entertainer"	:	The Entertainer – The Toy Shop, a chain of toy retail outlets in the United Kingdom which is owned and operated by The Entertainer UK
"Tommee Tippee"	:	A brand of baby feeding accessories that originated from the United Kingdom
"Toys"	:	Comprises a range of baby and children toys

Geographical locations within Malaysia in the context of this Prospectus

"East Coast"	:	Comprises Kelantan, Terengganu and Pahang
"East Malaysia"	:	Comprises Sabah and Sarawak
"Klang Valley"	:	Comprises Selangor, Federal Territories of Kuala Lumpur and Putrajaya
"Northern Region"	:	Comprises Perlis, Kedah, Penang and Perak
"Southern Region"	:	Comprises Negeri Sembilan, Malacca and Johor

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PRESENTATION OF INFORMATION

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include natural persons, firms, companies, body corporates and corporations.

References in this Prospectus to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force. References to a time of day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated.

References to “our Company” or “the Company” or “KHJ” in this Prospectus are made to Kim Hin Joo (Malaysia) Berhad (Company No. 37655-U), references to “our Group” or “the Group” or “KHJ Group” are made to our Company and our subsidiaries and references to “we” or “us” or “our” or “ourselves” are made to our Company, and where the context requires, our Company and our subsidiaries. Unless the context otherwise requires, references to “Management” are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originated from us. In particular, certain information in this Prospectus is extracted or derived from report(s) provided by Smith Zander for inclusion in this Prospectus. We have appointed Smith Zander to provide an independent market and industry review relating to an overview of the economy and industry in which we operate in. In compiling their data for the review, Smith Zander relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved. You should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to our website does not form part of this Prospectus.

Any discrepancy in the tables between the amounts listed and the totals in this Prospectus are due to rounding.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:-

i. demand for our services;

ii. our business strategies;

iii. our management's plans and objectives for future operations;

iv. our financial position; and

v. our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:-

i. the general economic, business, social, political and investment environment in Malaysia; and

ii. government policy, legislation and regulation affecting us or the industry in which we operate.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in **Section 4** of this Prospectus on risk factors and **Section 11.3** of this Prospectus on management's discussion and analysis of financial condition and results of operations.

We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of Issue Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provision of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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CORPORATE DIRECTORY

DIRECTORS

Name/(Designation)	Gender	Address	Nationality
Pang Kim Hin *(Non-Independent Non-Executive Chairman)*	Male	100 Chestnut Drive Singapore 679323	Singaporean
Pang Shu Ming *(Managing Director)*	Female	31 Mount Sinai Rise #05-07 Singapore 276953	Singaporean
Goh Poh Teng *(Executive Director)*	Female	A14-01, Block A Greenpark Condominium Jalan Awan Pintal, Taman Yarl 58200 Kuala Lumpur	Malaysian
Chew Soo Lin *(Senior Independent Non-Executive Director)*	Male	338 Jalan Boon Lay Singapore 619526	Singaporean
Yen Se-Hua Stewart *(Independent Non-Executive Director)*	Male	43 Victoria Park Grove Singapore 266126	Singaporean
Kor Yann Ning *(Independent Non-Executive Director)*	Female	25 Jalan Desa Makmur Taman Desa Jalan Klang Lama 58100 Kuala Lumpur	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Chew Soo Lin	Chairman	Senior Independent Non-Executive Director
Yen Se-Hua Stewart	Member	Independent Non-Executive Director
Kor Yann Ning	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Yen Se-Hua Stewart	Chairman	Independent Non-Executive Director
Pang Kim Hin	Member	Non-Independent Non-Executive Chairman
Chew Soo Lin	Member	Senior Independent Non-Executive Director
Kor Yann Ning	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (cont'd)

NOMINATION COMMITTEE

Name	Designation	Directorship
Chew Soo Lin	Chairman	Senior Independent Non-Executive Director
Pang Kim Hin	Member	Non-Independent Non-Executive Chairman
Yen Se-Hua Stewart	Member	Independent Non-Executive Director
Kor Yann Ning	Member	Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Pang Shu Ming	Chairman	Managing Director
Goh Poh Teng	Member	Executive Director
Chew Soo Lin	Member	Senior Independent Non-Executive Director
Yen Se-Hua Stewart	Member	Independent Non-Executive Director
Kor Yann Ning	Member	Independent Non-Executive Director

COMPANY SECRETARIES : Tai Yuen Ling
Professional qualification: Licensed Company Secretary
(License No. LS0008513)

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Tel : (03) 7720 1188
Fax : (03) 7720 1111

Tai Yit Chan
Professional qualification: Malaysian Institute of Chartered Secretaries and Administrators ("**MAICSA**") Chartered Secretary
(MAICSA No. 7009143)

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Tel : (03) 7720 1188
Fax : (03) 7720 1111

CORPORATE DIRECTORY (cont'd)

REGISTERED/HEAD OFFICE	:	Wisma Pang Cheng Yean Lot 5205C, Jalan Perindustrian Balakong Jaya 1/3 Kawasan Perindustrian Balakong Jaya 43300 Seri Kembangan Selangor Darul Ehsan Tel : (03) 8940 6638 Fax : (03) 8940 6637 Website : www.khj-my.com Email : investor.relations@khj-my.com
AUDITORS AND REPORTING ACCOUNTANTS	:	Deloitte PLT (LLP0010145-LCA) (Firm No. AF0080) Level 16, Menara LGB No. 1 Jalan Wan Kadir Taman Tun Dr Ismail 60000 Kuala Lumpur Tel : (03) 7610 8888 Fax : (03) 7726 8986 Partner in charge: Siti Hajar Osman Professional qualifications: Malaysian Institute of Certified Public Accounts ("**MICPA**") and Malaysian Institute of Accountants ("**MIA**") (MICPA Membership No. 4922) (MIA Membership No. 22296)
LEGAL ADVISER	:	Rahmat Lim & Partners Suite 33.01, Level 33 The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Tel : (03) 2299 3888 Fax : (03) 2287 1616
PRINCIPAL ADVISER, SPONSOR UNDERWRITER AND PLACEMENT AGENT	:	UOB Kay Hian Securities (M) Sdn Bhd Suite 19.03, 19th Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel : (03) 2147 1888 Fax : (03) 2147 1950
SHARE REGISTRAR	:	Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel : (03) 7849 0777 Fax : (03) 7841 8151/8152

CORPORATE DIRECTORY (cont'd)

INDEPENDENT MARKET RESEARCHER	:	Smith Zander International Sdn Bhd 15-01, Level 15, Menara MBMR 1 Jalan Syed Putra 58000 Kuala Lumpur Tel : (03) 2732 7537 Signing partner: Dennis Tan Tze Wen *(Please refer to **Section 7** of this Prospectus for the profile of Smith Zander and the signing partner)*
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel : (03) 7841 8289 Fax : (03) 7841 8150
LISTING SOUGHT	:	ACE Market of Bursa Securities
SHARIAH STATUS	:	Approved by the SAC

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1. INTRODUCTION

1.1 Approvals and conditions

We have obtained the approvals from the following authorities in relation to our Listing:-

(i) Bursa Securities

Bursa Securities had, vide its letter dated 18 April 2019, approved our admission to the Official List and listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities. The approval from Bursa Securities is subject to the following conditions:-

Conditions	Status of compliance
(i) To incorporate the disclosure in the section on "Dependency on contracts, agreements, documents or other arrangements" in the prospectus, the reason for the disposal of ELC UK and how would the disposal support the strategic objective of Mothercare UK as stated in its announcement;	Complied
(ii) Any director of the Company that has not attended the Mandatory Accreditation Programme must do so prior to listing of the Company;	To be complied (Note 1)
(iii) Submit the following information in respect of the moratorium on the shareholdings of Promoters to Bursa Depository:- (a) name of shareholders; (b) number of shares; and (c) date of expiry of the moratorium for each block of shares;	Complied
(iv) Obtain approvals from other relevant authorities for implementation of the listing proposal;	Complied
(v) Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To be complied
(vi) Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements on the first day of listing;	To be complied
(vii) In relation to the public offering to be undertaken by KHJ, to announce at least 2 market days prior to the Listing date, the result of the offering including the following:- (a) level of subscription of public balloting and placement; (b) basis of allotment/allocation; (c) a table showing the distribution for placement tranche, in the prescribed format; and (d) disclosure of placees who become substantial shareholders of KHJ arising from the public offering, if any.	To be complied
KHJ and UOBKH to ensure that the overall distribution of KHJ's securities is properly carried out to provide an orderly trading in the secondary market; and	Noted
(viii) Furnish Bursa Securities with a written confirmation of compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List of the ACE Market is completed.	To be complied

1. INTRODUCTION (cont'd)

Note:-

(1) Bursa Securities had, vide its letter dated 16 May 2019, approved an extension of time until 20 August 2019 to comply with condition (ii) above.

(ii) SC

Our IPO is a matter specified under Schedule 5 of the CMSA and is therefore not subject to the approval of the SC pursuant to Section 212(8) of the CMSA.

The SC had, vide its letter dated 9 May 2019, approved the resultant equity structure of KHJ pursuant to the Listing under the equity requirement for public listed companies, subject to the following condition:-

Conditions	Status of compliance
(i) KHJ allocating Shares equivalent to at least 12.5% of its enlarged issued share capital at the point of listing to Bumiputera investors. This includes the Shares offered under the balloted public offer portion, of which at least 50% are to be offered to Bumiputera investors.	To be complied

The SC had noted the effects of the Listing on the equity structure of our Group as follows:-

Category of shareholders	As at 30 November 2018		After the Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera	-	-	**47,500,000[(1)]**	**12.5**
Non-Bumiputera	30,400,000	10.0	96,900,000	25.5
Malaysians	**30,400,000**	**10.0**	**144,400,000**	**38.0**
Foreigners	273,600,000	90.0	235,600,000	62.0
Total	**304,000,000**	**100.0**	**380,000,000**	**100.0**

Note:-

(1) Based on the assumption that the Shares allocated to Bumiputera investors shall be fully subscribed as follows:-

Category	*No. of Shares*
Bumiputera public investors via balloting	*9,500,000*
Private placement to identified Bumiputera investors approved by the MITI	*38,000,000*
Total	***47,500,000***

(iii) MITI

The MITI had via its letter dated 24 January 2019, taken note and had no objection to the listing of our Company on the ACE Market of Bursa Securities, subject to the following condition:-

Condition	Status of compliance
(i) To notify the MITI if there are any changes involving the total number of IPO Shares to be allocated to Bumiputera investors	To be complied

(iv) SAC

The SAC had, vide its letter dated 21 May 2019, classified our Shares as Shariah-compliant based on the latest audited consolidated financial statements of KHJ for the FYE 31 December 2018.

1.2 Moratorium on our shares

In accordance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:-

(i) The moratorium applies to the entire shareholdings of our Promoters (i.e. 236,600,000 Shares as disclosed in the table below) for a period of 6 months from the date of our admission to the Official List of the ACE Market ("**First 6 Months Moratorium**");

(ii) Upon the expiry of the First 6 Months Moratorium, we must ensure that our Promoters' aggregate shareholdings of at least 45% of the total number of issued ordinary shares (i.e. 171,000,000 Shares as disclosed in the table below) remain under moratorium for a further 6 months ("**Second 6 Months Moratorium**"); and

(iii) On the expiry of the Second 6 Months Moratorium, our Promoters may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight-line basis) of our Shares held under moratorium.

Details of our Promoters and their Shares which will be subject to moratorium are as follows:-

	Shares under the First 6 Months Moratorium		Shares under the Second 6 Months Moratorium	
Promoters	**No. of Shares ('000)**	**(1)(%)**	**No. of Shares ('000)**	**(1)(%)**
KHI	235,600	62.0	171,000	45.0
Pang Kim Hin	(2)1,000	0.3	-	-
Total	**236,600**	**62.3**	**171,000**	**45.0**

Notes:-

(1) Based on our enlarged issued share capital comprising 380,000,000 Shares after our IPO.

(2) Assuming Pang Kim Hin subscribes for his entitlement under the pink form allocation as set out in ***Section 3.1.1(ii)*** *of this Prospectus.*

The above moratorium, which is fully accepted by our Promoters, will be specifically endorsed on the share certificates representing the entire shareholdings of our Promoters to ensure that our share registrar does not register any transfer that contravenes the above moratorium restrictions. In addition, our Promoters have also provided an undertaking that they will comply with the said moratorium condition relating to the sale of the Shares as mentioned above.

Further, the shareholders of KHI, namely Pang Kim Hin, Queemay Holdings Pte Ltd and Chew Kheng Imm, have also provided undertakings that they will not sell, transfer or assign any part of their shareholdings in KHI during the moratorium period. The shareholders of Queemay Holdings Pte Ltd, as set out in **Section 8.1.2** of this Prospectus, had also undertaken that they will not sell, transfer or assign any part of their shareholdings in Queemay Holdings Pte Ltd during the moratorium period.

2. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

2.1 Principal details of our IPO

Our IPO comprises the following:-

(a) Public Issue

76,000,000 Issue Shares at the IPO Price in the following manner:-

(i) 19,000,000 Issue Shares made available for application by the Malaysian Public through a balloting process;

(ii) 10,000,000 Issue Shares reserved for application by our Eligible Persons; and

(iii) 47,000,000 Issue Shares by way of private placement to identified institutional and/or selected investors.

(b) Offer for Sale

57,000,000 Offer Shares at the IPO Price in the following manner:-

(i) 38,000,000 Offer Shares by way of private placement to identified Bumiputera investors approved by the MITI; and

(ii) 19,000,000 Offer Shares by way of private placement to identified institutional and/or selected investors.

(c) Moratorium on our Shares

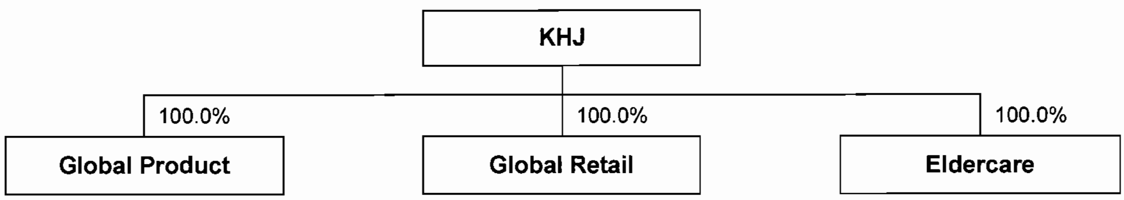
In accordance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters. Further details of the moratorium are set out in **Section 1.2** of this Prospectus. Save for the moratorium imposed on the Shares held by our Promoters, there is no other moratorium imposed on our Shares.

Please refer to **Section 3.1** of this Prospectus for further details on our IPO.

2.2 History and business

Our Company was incorporated in Malaysia on 10 February 1978 as a private limited company under the name of Kim Hin Joo (Malaysia) Sdn Bhd. We converted into a public limited company on 31 October 2018.

Our Group structure as at the LPD is set out below:-



Our Group is principally involved in the retail and distribution of baby, children and maternity products and our principal market is in Malaysia.

The following diagram illustrates our Group's business segments:-

Business segment	RETAIL		DISTRIBUTION
Sales channels	• Mothercare outlets • ELC SIS • Mothercare online store	• Online sales channels • Baby Expos	• Retailers and distributors
Category of products sold	• Clothing • Home & Travel • Toys	• Home & Travel • Toys	• Home & Travel
Suppliers	• Mothercare UK • ELC UK/ TEAL Brands Limited • Third-party suppliers	• Third-party suppliers	• Third-party suppliers
Target customers	Retail consumers (i.e. parents and parents-to-be, as well as care providers in the upbringing of young children)		Local and overseas retailers and distributors

Please refer to **Sections 5** and **6** of this Prospectus for further details on our history and business.

2.3 Competitive strengths

Our competitive strengths are summarised as follows:-

(i) Exclusive rights to sell Mothercare and ELC products in Malaysia and leverage on the Mothercare and ELC brand names

We have the exclusive rights to open and operate Mothercare and ELC outlets, and sell Mothercare and ELC products, in Malaysia. Mothercare and ELC brands are globally-recognised brands synonymous with baby, children and maternity products and are commonly associated with choice, quality and safety. This has provided us with a strategic advantage over our competitors who do not have the same brand heritage and recognition, and thus has contributed to our long standing presence in the Malaysian retail market since 1987.

(ii) Established track record and experience in the retail and distribution of baby, children and maternity products

We have a proven track record as a retailer of baby, children and maternity products for the past 32 years. Our extensive experience and industry insight gained throughout the years have led to the successful growth of our retail business and have also enabled us to establish a strong distribution business covering most parts of Malaysia.

Our retail business has grown from a single Mothercare outlet in 1987 to 17 Mothercare outlets and 11 ELC SIS as at the LPD, located within the Klang Valley as well as in major cities outside the Klang Valley (i.e. Georgetown, Johor Bahru, Kota Kinabalu and Kuching). Our distribution business which commenced operations in 2008 grew from the initial 12 distribution points to 624 distribution points spread throughout Malaysia (excluding Mothercare outlets) and 11 overseas as at the LPD.

(iii) Large portfolio of baby and children products

Our strong relationship with our franchisors and third-party suppliers has allowed us to offer a comprehensive range of baby and children's products to cater to the needs of newborns, toddlers, young children, babies, mothers and mothers-to-be. As at the LPD, we sell a total of 184 brands across our 17 Mothercare outlets, 11 ELC SIS and online sales channels, and distribute 29 brands to retailers, wholesalers and other distribution companies, out of which 7 brands are solely distributed to our Mothercare outlets.

(iv) Experienced management team

We have an experienced management team with expertise in operations, distribution, sales, marketing and finance. Our Managing Director, Pang Shu Ming, has more than 16 years of experience in the baby, children and maternity product industry, whilst our Executive Director, Goh Poh Teng, has been with our Group since the commencement of our retail business in 1987, where she was involved in setting-up our first Mothercare outlet.

Our Managing Director and Executive Director are supported by our key management, who have extensive industry knowledge in the baby, children and maternity product industry and have played an instrumental role in our growth.

Please refer to **Section 6.24** of this Prospectus for further information on our competitive strengths.

2.4 Future plans and strategies

Our future plans and strategies are summarised as follows:-

(i) Expansion of our retail network

As part of our future plans, we intend to open 4 to 5 new Mothercare outlets within 3 years of our Listing, whereby 2 premises located in the Klang Valley are expected to be opened in the 3rd quarter of 2019, and a further 2 to 3 new outlets outside the Klang Valley between 2020 and 2021, depending on the commercial feasibility of such outlet openings.

The expansion of our retail network nationwide with primary focus outside the Klang Valley will enable us to reach out to more customers and grow our revenue base further.

(ii) Expansion of our Toys range with the opening of The Entertainer toy outlets

Toys make up a relatively small portion of our product mix in our retail segment, as compared with our Clothing and Home & Travel, contributing only 6.63% to our total revenue for the FYE 31 December 2018. The main reason for this is we do not currently have a comprehensive range of toy offerings as the Toys sold in our outlets mainly cater for infants, toddlers and young children up to 6 years of age.

As at the LPD, we are in the midst of finalising a development agreement with The Entertainer UK, a United Kingdom-based toy retailer, which will grant us the exclusive rights to open and operate The Entertainer toy outlets in Malaysia, and sell a broad range of toys including for children above the age of 6. We target to conclude the discussions and sign the development agreement in the 2nd half of 2019.

(iii) Revamp and upgrade our back-end IT infrastructure system and e-commerce platform

We intend to replace our back-end IT infrastructure system with a system that incorporates business intelligence software, enables integration with all operations within the Group and is accessible to all departments across our Group. This upgrade is envisioned to streamline our business processes and increase the efficiency of our retail management, resource planning and management (such as merchandising, purchasing, stock management and financial reporting) in anticipation of a larger network of outlets and distribution points.

We also plan to concurrently revamp and upgrade our e-commerce platform which hosts the operations of our online store. In order for us to grow and enhance our online presence, it is important that we stay competitive by upgrading our website and online store to become more user friendly, easy to navigate, fast and responsive to facilitate our customers' online purchases.

(iv) Expansion of our distribution business

The growth of our distribution business is dependent on our ability to secure new brands and products as well as increase the sales of our existing brands. A wider range of brands and products will increase our product portfolio and enable us to secure more customers, leading to a wider distribution network.

As at the LPD, we are in the midst of on-going discussions with several brand principals/suppliers to expand our distribution portfolio. Typically, upon securing a new brand and/or product, we would be required to meet the minimum order requirements imposed by the brand principal/supplier and make upfront payments to take advantage of the bulk purchase discounts as well as to ensure adequate levels of inventory for distribution.

Please refer to **Section 6.25** of this Prospectus for further information on our future plans and strategies.

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2.5 Risk factors

Before investing in our Shares, you should carefully consider, along with the other matters set out in this Prospectus, the risks and investment considerations.

The following are some of the key risks affecting our business and operations that we are currently facing or that may develop in the future.

(i) Our ability to renew and comply with the Development Agreements and Operational Agreements with our franchisors

We are dependent on our Development Agreements with our franchisors, namely Mothercare UK and ELC UK/TEAL Brands Limited for the operations of our Mothercare and ELC outlets. Our existing Development Agreements with our franchisors are set out in **Section 6.19.1** of this Prospectus and summarised as follows:-

(a) the Mothercare Development Agreement which provides us with the exclusive rights to open and operate Mothercare outlets and sell Mothercare products in Malaysia, which is valid for a term of 10 years and will expire on 1 August 2021; and

(b) the ELC Development Agreement which provides us with the exclusive rights to open and operate ELC outlets and sell ELC products in Malaysia, which is valid for a term of 10 years and will expire on 19 September 2020. Following the disposal of the business and certain assets of ELC by Mothercare plc to TEAL Brands Limited, TEAL Brands Limited will assume the role as the franchisor of the ELC business subject to ELC UK and TEAL Brands Limited entering into a direct covenant with our Company.

In addition, we have an individual Operational Agreement for each of our Mothercare outlets and ELC SIS which is valid for a term of 7 years commencing from the date of the respective trading certificate as set out in **Section 6.19.2** of this Prospectus.

Although we have been operating the Mothercare franchise for more than 32 years and the ELC franchise for more than 8 years with no allegation of breach or threat of termination of these agreements against us, there can be no assurance that we will be able to renew the Development Agreements and/or Operational Agreements given that renewal of the Development Agreement and/or Operational Agreements are at the discretion of the management of the franchisors, nor can we assure that the Development Agreements and/or the Operational Agreements, will not be revoked or terminated by the franchisors prior to expiry. Upon termination of the Development Agreements, we would be prohibited from carrying out our business operations using "Mothercare" and "ELC" brand/tradename, which would then materially affect our financial condition and business prospects.

(ii) Events or actions beyond our control which may impact the value of the "Mothercare", "ELC" and "The Entertainer" brands

Our success depends substantially on our ability to operate retail outlets under the "Mothercare" and "ELC" brands and their reputation for consistent and high quality products. We also believe that our continued success will depend largely on our ability to protect and enhance the value of the "Mothercare" and "ELC" brands. We are also in the midst of finalising a development agreement with The Entertainer UK group which will grant us the exclusive rights to open and operate The Entertainer toy outlets in Malaysia, and sell a broad range of toys.

We have no control over events or actions taken by the franchisor, or other franchisees of the "Mothercare", "ELC" and "The Entertainer" brands outside Malaysia, which could erode consumer confidence in the "Mothercare", "ELC" and "The Entertainer" brands or negatively impact the future sustainability of our business operations.

(iii) Our existing retail outlets' performance and our ability to secure optimal outlet locations

As at the LPD, all of our Mothercare outlets and ELC SIS are located in shopping malls. There can be no assurance that our existing retail outlets will continue to meet our expectations or that the neighbourhood characteristics or demographic of the areas surrounding the existing retail outlets will not deteriorate or otherwise change in the future, resulting in reduced sales in these outlets.

We recorded same-store sales growth/(decline), being the growth/(decline) in revenue generated by outlets that were in continuous operations and did not undergo any renovations/expansions throughout the FYEs 31 December 2015 to 2018, of approximately 0.04% from the FYE 2015 to 2016, (1.77)% from the FYE 2016 to 2017, and (3.93)% from the FYE 2017 to 2018.

Further, one of the key factors to the performance of our outlets is our ability to secure attractive outlet locations, which are typically those with high foot traffic that are optimal to our retail business. Such locations are in high demand in Malaysia generally and the cost to secure or maintain those locations may increase in the future. As demand for retail locations in Malaysia increases, we cannot assure you that we will continue to be able to secure optimal outlets locations.

(iv) Changes in the terms of tenancy and increase in rental

We operate all Mothercare outlets and ELC SIS on properties tenanted from third-party mall operators/owners. Most of our tenancy arrangements are for a tenancy term of 3 years with an option to renew for a further term of 3 years. Upon expiry of our existing tenancies, the landlords may review and change the terms and conditions of the lease agreements, and we therefore face the possibility of not being able to renew the leases on terms and conditions which are commercially acceptable to us in particular significantly higher rental rates upon renewal for prime and competitive locations.

While we do not foresee any major issues in renewing these tenancies, we may be subject to new terms and conditions imposed by the mall operators/owners on these tenancies. We may also face interruptions to our business operations if we are unable to renew our tenancies in a timely manner.

(v) Foreign exchange risks

Our purchases from our franchisors and overseas suppliers are denominated in foreign currencies, mainly GBP (for our purchases from Mothercare UK and ELC UK which accounted for more than 40% of our total purchases) and USD (for our purchases from Product Marketing Mayborn which accounted for more than 10% of our total purchases) during the financial years under review.

Given that our sales are denominated in RM, we are unable to naturally hedge our exposure to foreign exchange fluctuations. We are also reluctant to pass on cost increases arising from adverse fluctuations in foreign exchange to our customers in order to maintain our price competitiveness.

Please refer to **Section 4** of this Prospectus for further details on our risk factors.

2.6 Our Directors and key management

Our Directors and key management are set out as follows:-

Name	Designation
Directors	
Pang Kim Hin	Non-Independent Non-Executive Chairman
Pang Shu Ming	Managing Director
Goh Poh Teng	Executive Director
Chew Soo Lin	Senior Independent Non-Executive Director
Yen Se-Hua Stewart	Independent Non-Executive Director
Kor Yann Ning	Independent Non-Executive Director
Key management	
Pang Shu Ming	Managing Director
Goh Poh Teng	Executive Director
Phuan Siew Ling	Chief Financial Officer
Lua Foong Ling	Head of Retail and Marketing
Chia Wei Wei	Head of Retail Merchandising
Ian Douglas Tan Pak Soon	Head of Distribution
Ong Bee Lian	Head of Sales and Merchandising - Distribution
Au Yeong Weng Hau	Warehouse Manager

Please refer to **Sections 8.2** and **8.4** of this Prospectus for further details of our Directors and key management.

2.7 Our Promoters and substantial shareholders

Our Promoters and substantial shareholders, as well as their respective shareholdings in our Company, are set out as follows:-

Promoters and substantial shareholders	Nationality / Country of incorporation	Before the IPO				After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares ('000)	[(1)](%)	No. of Shares ('000)	[(1)](%)	No. of Shares ('000)	[(2)](%)	No. of Shares ('000)	[(2)](%)
Promoters and substantial shareholders									
KHI	Singapore	273,600	90.0	-	-	235,600	62.0	-	-
Pang Kim Hin	Singaporean	-	-	[(3)]273,600	90.0	[(4)]1,000	0.3	[(3)]235,600	62.0
Substantial shareholder									
Dato' Pang Leong Hoon[(5)]	Malaysian	30,400	10.0	-	-	11,400	3.0	-	-
Total		**304,000**	**100.0**			**248,000**	**65.3**		

2. PROSPECTUS SUMMARY (cont'd)

Notes:-

(1) *Based on our existing issued share capital comprising 304,000,000 Shares before the IPO.*

(2) *Based on our enlarged issued share capital comprising 380,000,000 Shares after the IPO.*

(3) *Deemed interested by virtue of his shareholdings held through KHI pursuant to Section 8 of the Act.*

(4) *Assuming Pang Kim Hin subscribes for his entitlement under the pink form allocation as set out in **Section 3.1.1(ii)** of this Prospectus.*

(5) *Dato' Pang Leong Hoon will cease to be our substantial shareholder after the IPO.*

Please refer to **Section 8.1** of this Prospectus for further details of our Promoters and substantial shareholders.

2.8 Use of proceeds

The gross proceeds from the Public Issue amounting to RM32.68 million based on the Issue Price of RM0.43 per Issue Share are expected to be used in the manner as set out below:-

Details of use	Estimated timeframe for use upon Listing	(RM'000)	Percentage of gross proceeds (%)
Business expansion and capital expenditure	Within 36 months	20,000	61.20
Working capital	Within 24 months	8,880	27.17
Estimated listing expenses	Within 3 months	3,800	11.63
		32,680	**100.00**

Our Company will not receive any proceeds from the Offer for Sale as such proceeds will go directly to our Selling Shareholders. The gross proceeds from the Offer for Sale is approximately RM24.51 million based on the Offer Price of RM0.43 per Offer Share.

Please refer to **Section 3.4** of this Prospectus for further details on the use of proceeds from the Public Issue.

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2.9 Financial highlights

The historical financial information presented below should be read in conjunction with the management's discussion and analysis of financial condition and results of operations as set out in **Section 11.3** of this Prospectus and the Accountants' Report, together with its related notes and assumptions as set out in **Section 12** of this Prospectus.

Historical consolidated financial information

The following table sets out a summary of the audited consolidated financial information for the financial years under review.

	Audited			
	FYE 31 December			
	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)
Revenue	77,031	84,858	93,310	97,687
GP	39,487	44,606	48,891	51,187
PBT	11,749	16,396	16,261	15,451
Profit from continuing operations	8,700	12,401	12,365	11,551
PAT	8,204	12,234	11,561	11,112
GP margin (%)[(1)]	51.26	52.57	52.40	52.40
PBT margin (%)[(2)]	15.25	19.32	17.43	15.82
PAT margin (%)[(3)]	10.65	14.42	12.39	11.38
Basic EPS (sen)[(4)]	2.70	4.02	3.81	3.66

Notes:-

(1) GP margin is computed based on the GP over revenue of our Group.

(2) PBT margin is computed based on the PBT over revenue of our Group.

(3) PAT margin is computed based on the PAT over revenue of our Group.

(4) Basic EPS is computed based on PAT divided by our existing issued share capital comprising 304,000,000 Shares before the IPO.

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Proforma consolidated statement of financial position

We have prepared the proforma consolidated statement of financial position below for illustrative purposes only, to show the effects of the IPO on the NA and gearing of our Group assuming that the IPO had been effected on 31 December 2018.

The proforma consolidated statement of financial position should be read in conjunction with the Reporting Accountants' letter and the proforma consolidated statement of financial position as at 31 December 2018 and the notes thereon as set out in **Sections 12** and **11.2** of this Prospectus.

The proforma effects of the IPO on the NA and gearing of our Group are set out below:-

	Audited as at 31 December 2018 (RM'000)	Proforma I (1)After the IPO and utilisation of proceeds (RM'000)
Share capital	1,000	(2) 32,332
Retained earnings	37,747	(3) 35,295
Shareholders' equity/NA	**38,747**	**67,627**
No. of Shares in issue ('000)	304,000	380,000
NA per Share (RM)	**0.13**	**0.18**
Total borrowings (RM'000)	-	-
Gearing (times)	**-**	**-**

Notes:-

(1) The Offer for Sale and Listing will not have any effect on the NA and gearing of our Group.

(2) Out of the total estimated listing expenses of RM3,800,000, a total of RM1,348,600 is assumed to be directly attributable to the issuance of new Shares and will be debited against share capital.

(3) Out of the total estimated listing expenses of RM3,800,000, a total of RM2,451,400 is assumed to be attributable to the Listing and will be expensed off to profit or loss. Approximately RM867,980 of the total estimated listing expenses has already been charged to profit or loss as at 31 December 2018.

Please refer to **Sections 11** and **12** of this Prospectus for further information on our financial information and for the Reporting Accountants' letter on the consolidated statement of financial position.

2.10 Dividend policy

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, our intention is to have a dividend payout policy of not less than 40% of our annual audited net profit attributable to shareholders. Any dividends declared will be subject to the recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our AGM.

Please refer to **Section 11.6** of this Prospectus for further details on our dividend policy.

3. DETAILS OF OUR IPO

3.1 Particulars of our IPO

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares are expected to be allocated in the manner described below:-

	No. of IPO Shares	Percentage of our enlarged issued share capital (%)
Public Issue		
(i) Malaysian Public	19,000,000	5.00
(ii) Eligible Persons	10,000,000	2.63
(iii) Private placement to identified institutional and/or selected investors	47,000,000	12.37
	76,000,000	**20.00**
Offer for Sale		
(i) Private placement to identified Bumiputera investors approved by the MITI	38,000,000	10.00
(ii) Private placement to identified institutional and/or selected investors	19,000,000	5.00
	57,000,000	**15.00**
Total	**133,000,000**	**35.00**

3.1.1 Public Issue

We are offering 76,000,000 Issue Shares at an Issue Price of RM0.43 payable in full on application, representing approximately 20.00% of our enlarged issued share capital after the IPO, in the following manner:-

(i) Malaysian Public

19,000,000 Issue Shares, representing 5.00% of our enlarged issued share capital after the IPO are available for application by the Malaysian Public through a balloting process, of which at least 50.00% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions. Any Issue Shares not subscribed by the Bumiputera investors will be made available for application by other Malaysian Public.

(ii) Eligible Persons

10,000,000 Issue Shares, representing approximately 2.63% of our enlarged issued share capital after the IPO, have been reserved for application by our Eligible Persons in the manner set out as follows:-

	No. of persons	Aggregate number of Issue Shares allocated
Our eligible Directors(1)	6	5,400,000
Our eligible employees(2)	179	3,600,000
Persons who have contributed to our success(3)	20	1,000,000
Total	**205**	**10,000,000**

Notes:-

(1) The allocation to our eligible Directors is based on, amongst others, their respective roles, responsibilities and contribution in our Group. The number of Issue Shares to be allocated to our eligible Directors are set out as follows:-

Name	*Designation*	*No. of Issue Shares*
Pang Kim Hin	*Non-Independent Non-Executive Chairman*	*1,000,000*
Pang Shu Ming	*Managing Director*	*1,000,000*
Goh Poh Teng	*Executive Director*	*1,000,000*
Chew Soo Lin	*Senior Independent Non-Executive Director*	*800,000*
Yen Se-Hua Stewart	*Independent Non-Executive Director*	*800,000*
Kor Yann Ning	*Independent Non-Executive Director*	*800,000*
Total		***5,400,000***

(2) The allocation to our eligible employees, as approved by our Board, is based on, amongst others, the following factors:-

- *the eligible employee must be at least 18 years old, a full time and confirmed employee of our Group as at the LPD, and on our Group's payroll; and*

- *the number of Issue Shares allocated is based on their staff grade, length of service, past performance and level of contributions made to our Group, including any other factors considered relevant to our Board.*

The allocation to our eligible employees includes the allocation to the following key management:-

Name	*Designation*	*No. of Issue Shares*
Phuan Siew Ling	*Chief Financial Officer*	*350,000*
Lua Foong Ling	*Head of Retail and Marketing*	*250,000*
Chia Wei Wei	*Head of Retail Merchandising*	*250,000*
Ian Douglas Tan Pak Soon	*Head of Distribution*	*250,000*
Ong Bee Lian	*Head of Sales and Merchandising – Distribution*	*250,000*
Au Yeong Weng Hau	*Warehouse Manager*	*100,000*
Total		***1,450,000***

(3) The allocation to persons who have contributed to our success, as approved by our Board, is determined based on amongst others, the length of business relationship with our Group, their current and past contributions and support to our Group. The persons who have contributed to our success may include our customers, distributors, suppliers and business associates.

(iii) Private placement to identified institutional and/or selected investors

47,000,000 Issue Shares, representing approximately 12.37% of our enlarged issued share capital after the IPO, allocated by way of private placement to identified institutional and/or selected investors.

The 19,000,000 Issue Shares made available for application by the Malaysian Public under **Section 3.1.1(i)** of this Prospectus and 10,000,000 Issue Shares reserved for application by our Eligible Persons under **Section 3.1.1(ii)** of this Prospectus will be underwritten. Please refer to **Section 3.6** of this Prospectus for further details on our underwriting arrangement.

Meanwhile, the 47,000,000 Issue Shares under **Section 3.1.1(iii)** of this Prospectus will be placed out to institutional and/or selected investors identified by our Placement Agent. No undertaking arrangements to subscribe for these Issue Shares will be obtained as the remaining portion will be clawed-back and allocated to the Malaysian Public to increase the participation of retail investors. Thereafter, any remaining unsubscribed Issue Shares will be underwritten based on the terms and conditions of the Underwriting Agreement.

3. DETAILS OF OUR IPO (cont'd)

3.1.2 Offer for Sale

Our Selling Shareholders are offering for sale an aggregate of 57,000,000 Offer Shares at an Offer Price of RM0.43 per Offer Share, representing approximately 15.00% of our enlarged issued share capital after the IPO, by way of private placement in the following manner:-

(i) 38,000,000 Offer Shares to identified Bumiputera investors approved by the MITI; and

(ii) 19,000,000 Offer Shares to identified institutional and/or selected investors.

Details of our Selling Shareholders are set out as follows:-

		Before our IPO/As at the LPD		Shares offered pursuant to the Offer for Sale			After the Offer for Sale and the IPO	
Name and address	**Nature of relationship**	**No. of Shares ('000)**	**[1]%**	**No. of Shares ('000)**	**[1]%**	**[2]%**	**No. of Shares ('000)**	**[2]%**
KHI 601 Sims Drive Pan-I Complex Singapore 387382	Our Promoter and substantial shareholder	273,600	90.00	38,000	12.50	10.00	235,600	62.00
Dato' Pang Leong Hoon 31 Jalan Setiakasih Sembilan Bukit Damansara 50490 Kuala Lumpur	Our substantial shareholder before the IPO [3]	30,400	10.00	19,000	6.25	5.00	11,400	3.00
Total		**304,000**	**100.00**	**57,000**	**18.75**	**15.00**	**247,000**	**65.00**

Notes:-

(1) Based on our existing issued share capital comprising 304,000,000 Shares before the IPO.

(2) Based on our enlarged issued share capital comprising 380,000,000 Shares after the IPO.

(3) Dato' Pang Leong Hoon will cease to be our substantial shareholder after the IPO.

The 57,000,000 Offer Shares under the Offer for Sale will be placed out by our Placement Agent.

3.1.3 Clawback and reallocation

Our IPO Shares shall be subject to the following clawback and reallocation provisions:-

(i) Malaysian Public

If any Issue Shares allocated to Malaysian Public are undersubscribed, the balance portion will be allocated to our Eligible Persons as described in **Section 3.1.1(ii)** of this Prospectus.

If there are any Issue Shares not subscribed by the Malaysian Public and/or our Eligible Persons, the remaining portion will be placed out to institutional and/or selected investors identified by our Placement Agent under **Section 3.1.1(iii)** of this Prospectus. Thereafter, any remaining unsubscribed Issue Shares will be underwritten based on the terms and conditions of the Underwriting Agreement.

(ii) Eligible Persons

If the Issue Shares allocated to the Eligible Persons are not fully subscribed, the Issue Shares will be allocated to the Malaysian Public. If there are Issue Shares not subscribed by the Malaysian Public, the remaining portion will be placed out to institutional and/or selected investors identified by our Placement Agent under **Section 3.1.1(iii)** of this Prospectus. Thereafter, any remaining unsubscribed Issue Shares will be underwritten based on the terms and conditions of the Underwriting Agreement.

(iii) Private placement to identified institutional and/or selected investors

If the Issue Shares under **Section 3.1.1(iii)** of this Prospectus as well as the Offer Shares under **Section 3.1.2(ii)** are under-subscribed, the remaining portion will be clawed-back and be allocated to the Malaysian Public to increase the participation of retail investors. Thereafter, any remaining unsubscribed IPO Shares will be underwritten based on the terms and conditions of the Underwriting Agreement.

(iv) Bumiputera investors approved by the MITI

If the Offer Shares allocated to identified Bumiputera investors approved by the MITI are not fully subscribed and subject to oversubscription by the Malaysian Public or oversubscription by identified institutional and/or selected investors under the private placement, the remaining portion will be clawed back and re-allocated to the Malaysian Public to increase the participation of retail investors under **Section 3.1.1(i)** of this Prospectus and/or placed to identified institutional and/or selected investors under **Section 3.1.1(iii)** of this Prospectus. Thereafter, any remaining unsubscribed Offer Shares will be underwritten based on the terms and conditions of the Underwriting Agreement.

Save for the allocation made available for application by the Eligible Persons as disclosed in **Section 3.1.1(ii)** of this Prospectus, it is not known to our Company as to whether any of our substantial shareholders, Directors or member of the key management have the intention to subscribe for the Issue Shares allocated under **Section 3.1.1(i)** of this Prospectus for the Malaysian Public. To the best of our knowledge and belief, there is no person who intends to subscribe for more than 5.00% of our IPO Shares.

The basis of allocating the IPO Shares shall take into account the desirability of distributing the IPO Shares to a reasonable number of applicants with a view of broadening our shareholding base, to meet the public spread requirements of Bursa Securities as well as to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Board.

3.1.4 Price stabilisation mechanism

We will not be employing any price stabilisation mechanism (which is in accordance with the Capital Markets and Services (Price Stabilisation Mechanism) Regulations 2008) for our IPO.

3.1.5 Classes of shares and ranking

As at the LPD, our Company has only 1 class of shares, namely ordinary shares.

The Issue Shares will, upon allotment and issue, rank equally in all respects with our other existing issued Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares.

The Offer Shares rank equally in all respects with our existing issued Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus, in accordance with our Constitution.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney. Any resolution set out in the notice of any general meeting, or in any notice of resolution, shall be voted by poll. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote for each Share held. A proxy may but need not be a member of our Company.

3.1.6 Minimum level of subscription

There is no minimum subscription in terms of the proceeds to be raised by our Company and Selling Shareholders as the Public Issue will be underwritten and the Placement Agent will ensure successful placement of all the Issue Shares and Offer Shares. However, in order to comply with the public spread requirements of Bursa Securities, we are required to have a minimum subscription of 95,000,000 Shares, representing 25.00% of our enlarged issued share capital after the IPO, held by at least 200 public shareholders holdings not less than 100 Shares each.

3.2 Basis of arriving at our IPO Price

3.2.1 IPO Price

Our IPO Price of RM0.43 per IPO Share was determined and agreed upon between our Directors, Selling Shareholders and our Principal Adviser, after taking into consideration the following factors:-

(i) Our operating history and financial performance as described in **Sections 5**, **6** and **11** of this Prospectus;

(ii) Our proforma EPS of approximately 2.92 sen per Share for the FYE 31 December 2018 based on our enlarged issued share capital comprising 380,000,000 Shares after the IPO which translates to a proforma net price-to-earnings multiple of approximately 14.73 times;

(iii) The proforma consolidated NA as at 31 December 2018 attributable to equity holders of our Company of approximately 17.80 sen per Share based on our enlarged issued share capital comprising 380,000,000 Shares after the IPO and subsequent to the utilisation of proceeds from our Public Issue;

(iv) Our competitive strengths, future plans and strategies as outlined in **Sections 6.24** and **6.25** of this Prospectus;

(v) The outlook of the industry which we operate in, as described the Industry Overview in **Section 7** of this Prospectus; and

(vi) The prevailing market conditions which include the current market trends and investors' sentiment.

Applicants should also note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the trading volatility of our Shares. You are reminded to consider the risk factors as set out in **Section 4** of this Prospectus before deciding to invest in our Shares.

3.2.2 Market capitalisation upon Listing

Based on our IPO Price of RM0.43 per IPO Share and our enlarged issued share capital comprising 380,000,000 Shares, our market capitalisation upon Listing is RM163.4 million.

3.3 Dilution

Dilution is calculated as the difference between the IPO Price paid by the investors for our IPO Shares and the proforma consolidated NA per Share of our Group immediately after our IPO.

Our audited consolidated NA as at 31 December 2018 was approximately RM38.75 million or RM0.13 per Share based on our existing number of issued Shares of 304,000,000 Shares prior to our Listing.

After giving effect to the issuance of 76,000,000 new Shares under the Public Issue, and after further adjustment for the estimated listing expenses, our proforma consolidated NA per Share as at 31 December 2018 (based on our enlarged issued share capital comprising 380,000,000 Shares after the IPO) would have been RM0.18 per Share. This represents an immediate increase in our proforma NA per Share of RM0.05 to our existing shareholders and an immediate dilution in our proforma NA per Share of RM0.25, representing approximately 58.14% of the IPO Price, to our new public investors. Further details on our NA per Share are set out in **Section 11.2** of this Prospectus.

The following table illustrates such dilution on a per Share basis:-

	(RM)
IPO Price	0.43
Audited consolidated NA per Share as at 31 December 2018, before adjusting for the IPO	0.13
Proforma consolidated NA per Share as at 31 December 2018, after giving effect to the IPO	0.18
Increase in the proforma consolidated NA per Share to existing shareholders	0.05
Dilution in the proforma consolidated NA per Share to new public investors	0.25
Dilution in the proforma consolidated NA per Share to new public investors as a percentage of the IPO Price	58.14%

Save as disclosed below, there has been no direct acquisition and/or subscription of any existing Shares in our Company by our Directors, key management, substantial shareholders or persons connected with them, or in which they have the right to acquire, during the past 3 years prior to the date of this Prospectus:-

(i) On 12 February 2018, KHI acquired 900,000 Shares from Mothercare Sg at a consideration sum of RM5,699,753, or approximately RM6.33 per Share. After taking into consideration the number of Shares issued to KHI pursuant to the Bonus Issue, as well as the enlarged share capital of KHJ resulting from the Bonus Issue, the average effective cost for each Share is approximately RM0.02 per Share.

3.4 Use of proceeds

The expected gross proceeds from the Public Issue amounting to RM32.68 million based on the Issue Price of RM0.43 per Issue Share are expected to be used in the manner as set out below:-

Details of use	Estimated timeframe for use upon Listing	(RM'000)	Percentage of gross proceeds (%)
1. Business expansion and capital expenditure	Within 36 months		
• Expansion of our retail network		10,000	30.60
• Expansion of our Toys range by opening and operating The Entertainer toy outlets		5,000	15.30
• Revamp and upgrade our back-end IT infrastructure system and e-commerce platform		3,000	9.18
• Expansion or relocation of our existing outlets		2,000	6.12
		20,000	**61.20**
2. Working capital	Within 24 months		
• To support the day-to-day operations cost, including inventory and operational overheads, maintenance and upkeep, expansion of workforce and advertisement and promotional activities		4,880	14.93
• Expansion of product range offered under our distribution segment		4,000	12.24
		8,880	**27.17**
3. Estimated listing expenses	Within 3 months	3,800	11.63
Total		**32,680**	**100.00**

3.4.1 Business expansion and capital expenditure

(a) Expansion of our retail network

We plan to use RM10.0 million or 30.60% of our IPO proceeds to set up new Mothercare outlets with primary focus on locations outside the Klang Valley. We are looking to open 4 to 5 new outlets within 3 years of our Listing.

Out of the 4 to 5 new outlets, we have, as at the LPD, secured 2 premises located at Sunway Velocity Mall in Kuala Lumpur and Empire Shopping Gallery in Selangor respectively. These outlets are expected to be opened in the 3rd quarter of 2019.

Between 2020 to 2021, we plan to open a further 2 to 3 new Mothercare outlets outside the Klang Valley, depending on the commercial feasibility of such outlet openings. As at the LPD, we have received enquiries from mall operators/owners to set-up outlets in Ipoh, Kuantan, Melaka and Miri, locations where we do not currently have any retail outlets, which we are still deliberating.

The historical cost to set-up a Mothercare outlet ranges between RM1.5 million to RM2.0 million, and as such we have used this historical cost as a basis for the costing of new outlet openings. The estimated set-up cost varies depending on the location, size and layout of the outlet and includes the estimated rental deposit, cost of fixtures and fittings/renovation works and 3 to 6 months' worth of initial stocks placed at each new outlet.

In the event the actual cost and number of outlet openings vary from our budget, we will adjust the difference to/from the portion allocated for working capital and/or from internally generated funds depending on availability of funds and remaining timeframe for utilisation. Please refer to **Section 6.25** of this Prospectus for further details on our plans in expanding our retail network.

In the event that it is not commercially feasible for us to open new Mothercare outlets within the timeframe stipulated, we will channel the allocated IPO proceeds towards the expansion of our Toys range and opening and operating The Entertainer toy outlets.

(b) Expansion of our Toys range by opening and operating The Entertainer toy outlets

As part of our future plans, we intend to expand our range of Toys to include Toys catering to children above 6 years of age.

As at the LPD, we are in the midst of finalising a development agreement with The Entertainer UK which will grant us the exclusive rights to open and operate The Entertainer toy outlets in Malaysia as a franchisee. We plan to use RM5.0 million or 15.30% of our IPO proceeds to open and operate 3 to 4 The Entertainer toy outlets within 3 years of our Listing based on the following indicative development schedule:-.

Period[(1)]	1st year	2nd year	3rd year
No. of new outlet openings	1	1	1 - 2[(2)]
No. of outlets in operation	1	2	3 - 4
Proposed location	Klang Valley	East Malaysia	Klang Valley

Notes:

(1) Commencing from the date of the signing of the development agreement with The Entertainer UK.

(2) The opening of our third The Entertainer toy outlet is at the discretion of our management and The Entertainer UK, which will take into consideration the management's assessment on, amongst others, the following:-

(i) the overall sales performance and profitability of The Entertainer toy outlet business since commencement of the franchise; and

(ii) the market demand for Toys.

In the event the opening of our third The Entertainer toy outlet does not materialise, we will channel the allocated IPO proceeds towards our working capital requirements of The Entertainer toy outlets.

As this is a new franchise, we do not have historical cost data to serve as a point of reference for new store openings. However, we estimate that the cost to set-up The Entertainer toy outlet to be approximately RM1.5 million to RM2.0 million each based on our historical cost to set-up a Mothercare outlet. The estimated set-up cost would include the estimated rental deposit, cost of fixtures and fittings/renovation works and 6 months' worth of initial stocks placed at each new outlet, and will vary depending on the location, size and layout of the outlet.

In the event the actual cost and number of outlet openings is higher than our budget, the balance will be adjusted from the portion allocated for working capital and/or to be funded by bank borrowings or internally generated funds, if required. Conversely, if the actual cost and number of outlet openings is lower than our budget, we will allocate the balance of the proceeds to our working capital.

Please refer to **Section 6.25** of this Prospectus for further details on our plans in expanding our Toys range with the opening of The Entertainer toy outlets.

(c) Revamp and upgrade our back-end IT infrastructure system and e-commerce platform

We have earmarked RM3.0 million or 9.18% of our IPO proceeds to revamp and upgrade our back-end IT infrastructure system and e-commerce platform to facilitate our business growth and improve on our operating efficiency.

We plan to install a system that incorporates business intelligence software, enables integration with all operations within the Group and is accessible to all departments across our Group. This upgrade is expected to streamline our business processes and increase the efficiency of our retail management, resource planning and management.

As at the LPD, we have yet to obtain a detailed cost analysis for this revamp and upgrade exercise. We plan to embark on identifying and shortlisting vendors for the revamp and upgrade of our back-end IT infrastructure system and e-commerce platform after our Listing.

We anticipate that this project will be carried out in stages over a period of 3 years from our Listing and will also include the IT requirements of The Entertainer toy outlet. The indicative timeframe is set out below:-

Stages	Timeframe
1. User requirement study on our requirements and current IT system architecture	2-3 months
2. Selection process to identify and shortlist the vendor and the suitable systems. The selection process requires a lengthy period of 4-5 months as we will need to undertake the following processes:- (a) Conduct interview and engagement process with the identified vendors; (b) Request for Proposal (RFP) from the vendors; (c) Review and evaluate the RFP proposals; and (d) Commence contract negotiations	4-5 months
3. Design, programming and customisation of the IT system and e-commerce platform based on the user requirement studies. The vendor requires such a lengthy timeframe as they are required to:- (a) undertake detailed assessment on our current systems, which are not fully integrated with each other and each system has its unique configurations; and (b) conduct adequate testing on the newly customised system to ensure smooth integration and transition from our current systems to newly customised systems	16-18 months
4. Installation, integration and commissioning of the IT system and e-commerce platform by stages	6-8 months
5. Conducting IT training at our headquarters, warehouses and outlets to ensure that the users of the new IT infrastructure are familiar with and understand the new IT processes	2 months
Total	**30- 36 months**

In the event the actual cost is higher than our budget, the balance will be adjusted from the portion allocated for working capital, and/or to be funded by bank borrowings or internally generated funds, if required. Conversely, if the actual cost is lower than our budget, we will allocate the balance of the proceeds to our working capital.

Please refer to **Section 6.25** of this Prospectus for further details on our plans in revamping and upgrading our back-end IT infrastructure and e-commerce platform.

(d) Expansion or relocation of our existing outlets

We have allocated RM2.00 million or 6.12% of our IPO proceeds for the expansion and relocation of our existing Mothercare outlets to a larger outlet size, depending on the availability of such retail space, rental rates and the approval of the landlords.

The expansion or relocation would typically entail a resizing and reconfiguration of outlet layout, an increase in outlet space or a relocation to a larger outlet located in a different part of the mall. The expenses for expansion or relocation include rental, renovation works and cost of new fixtures and fittings, and additional inventories.

In the event the actual cost is higher than our budget, the balance will be adjusted from the portion allocated for working capital, and/or to be funded by bank borrowings or internally generated funds, if required. Conversely, if the actual cost is lower than our budget or we are unable to identify suitable and sizeable outlets for our expansion or relocation within the stipulated timeframe, we will allocate the balance of the proceeds to our working capital.

3.4.2 Working capital

Save for the costs associated with opening of new outlets, we do not consider our business to be capital intensive in nature. However, we do require working capital to finance our day-to-day operations, which is expected to increase in tandem with our new outlet openings and future plans as described in **Section 6.25** of this Prospectus. We have allocated RM8.88 million or 27.17% of our IPO proceeds as additional working capital, which include the following:-

Details		(RM'000)
(a)	To support the following day-to-day operations cost:- • approximately RM3.20 million for inventory and operational overheads (such as rental and utilities) for the new retail outlets disclosed in **Section 3.4.1(a)** above; • approximately RM1.00 million for maintenance and upkeep of our existing retail outlets and expansion of workforce required to manage and operate the expanded retail network; and • approximately RM0.68 million for advertisement and promotional activities of our Group	4,880
(b)	Expansion of our product range offered under our distribution segment to purchase fast moving consumer products such as toiletries, baby wipes and bottle cleaners. These purchases would involve the following:- • upfront payments for bulk purchases from brand principals/suppliers to take advantage of bulk purchase discounts; and • other costs associated with the introduction of new brands and products, such as regulatory and compliance fees, marketing and advertising, and product sampling	4,000
	Total	**8,880**

3.4.3 Estimated listing expenses

The expenses of our Listing to be borne by us are estimated to be RM3.80 million and will comprise of the following:-

	(RM'000)
Estimated professional fees	2,500
Brokerage, underwriting and placement fees	820
Regulatory fees	90
Other fees and expenses such as printing, advertising, travelling and roadshow expenses incurred in connection with the IPO	200
Contingencies and other incidental expenses in connection with the IPO such as translation fees, public or investor relation consultant, service tax, and funds reserved for contingency purposes	190
Total estimated listing expenses	**3,800**

If the actual expenses are higher than estimated, the deficit will be funded out of the portion allocated for working capital. However, if the actual expenses are lower than estimated, the excess will be used for the general working capital requirements of our Group.

We intend to place the proceeds raised from the Public Issue (including accrued interest, if any) or the balance thereof as deposits with licensed financial institutions or short-term money market instruments prior to the use of our IPO proceeds for the above intended purposes.

Our Company will not receive any proceeds from the Offer for Sale as such proceeds will go directly to our Selling Shareholders. This gross proceeds from the Offer for Sale is approximately RM24.51 million based on the Offer Price of RM0.43 per Offer Share. Our Selling Shareholders shall bear all the expenses including the registration and transfer fees, placement fees and miscellaneous expenses relating to the Offer for Sale, which is estimated to be approximately RM0.55 million.

3.5 Brokerage, underwriting commission and placement fee

(i) Brokerage

We will pay brokerage in respect of the sale of the Issue Shares under the Public Issue, at the rate of 1.00% of the Issue Price in respect of all successful applications which bear the stamp of the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

(ii) Underwriting commission

Our Underwriter has agreed to underwrite any unsubscribed IPO Shares under the Public Issue and Offer for Sale. We will pay our Underwriter an underwriting commission at the rate of 2.25% of the total value of the underwritten Shares based on the Issue Price. There will be no managing underwriter fees payable to UOBKH.

(iii) Placement fee

Our Placement Agent, UOBKH, has agreed to place out 47,000,000 Issue Shares to be offered to identified institutional and/or selected investors as set out in **Section 3.1.1(iii)** of this Prospectus as well as 57,000,000 Offer Shares to identified Bumiputera investors approved by the MITI and identified institutional and/or selected investors as set out in **Section 3.1.2** of this Prospectus. We will pay our Placement Agent a placement fee at the rate of 2.25% of the total value of the 47,000,000 Issue Shares at the Issue Price to be placed out by our Placement Agent. The placement fee to be incurred on the sale of 57,000,000 Offer Shares at the Offer Price will be fully borne by our Selling Shareholders.

3.6 Underwriting arrangement

We entered into the Underwriting Agreement with the Underwriter on 31 May 2019 to underwrite (i) 19,000,000 Issue Shares available for application by the Malaysian Public through a balloting process; and (ii) 10,000,000 Issue Shares reserved for application by our Eligible Persons, subject to the clawback and reallocation as set out therein.

Pursuant to the Underwriting Agreement, the Underwriter may withdraw its obligations upon the occurrence of any of the following:-

(The capitalised terms used in this section shall have the respective meanings as ascribed in the Underwriting Agreement unless they are otherwise defined herein or the context otherwise requires.)

(a) the IPO is stopped or delayed by the Company for any reason whatsoever (unless such delay has been approved by the Underwriter;

(b) there occurs any misrepresentation or breach of warranties or failure to perform the undertakings by the Company set out in the Underwriting Agreement in any material respect;

(c) the Placement Agreement shall have been terminated in accordance with its terms or either the Company or the Selling Shareholders shall have failed to perform their obligations thereunder;

(d) the SC or Bursa Securities suspends or revokes any approval for the IPO or makes any ruling (or revokes any ruling previously made), the effect of which is to prevent the IPO and the Listing;

(e) trading of all securities on Bursa Securities has been suspended or materially limited on, or by Bursa Securities, as the case may be;

(f) any new law or regulation or change in law, directive, policy or ruling in Malaysia which in the reasonable opinion of the Underwriter (after having consulted the Company) may prejudice the success of the Listing or which would have or the effect of making it impracticable to enforce contracts to allot the Shares or making any obligation under the Underwriting Agreement incapable of performance in accordance with its terms;

(g) there shall have been any other material adverse change in national monetary, financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market or currency exchange rates or foreign exchange controls) conditions which in the reasonable opinion of the Underwriter (after having consulted the Company) is likely to have a Material Adverse Effect. For the avoidance of doubt, if the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:

   (i) on or after the date of the Underwriting Agreement; and

   (ii) prior to the Closing Date,

   lower than 85% of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remain at or below that level for at least 3 consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;

(h) the Company withholds any material information from the Underwriter which, in the reasonable opinion of the Underwriter (after having consulted the Company), is likely to have a Material Adverse Effect;

(i) there shall have occurred any outbreak or escalation of hostilities, epidemic, acts of terrorism, acts of God, accidents or interruptions, or any calamity or crisis or other event or series of events in the nature of force majeure that, in the reasonable opinion of the Underwriter (after having consulted the Company), makes it impracticable or inadvisable to proceed with the offer, sale or delivery of the Issue Shares on the terms and in the manner contemplated in each Offer Documents;

(j) any government requisition or other occurrence of any nature whatsoever in the reasonable opinion of the Underwriter (after having consulted the Company), is likely to have a Material Adverse Effect; or

(k) the Listing does not take place within 3 months from the date of the Underwriting Agreement or such other extended date as may be agreed by the Underwriter.

4. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that our Company, and to a large extent our activities, are governed by the legal, regulatory and business environment in Malaysia and other countries where we operate. Our business is subject to a number of risks, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set out in this Prospectus, the risks and investment considerations below.

4.1 Risks relating to the industry in which we operate

4.1.1 Competition from other industry players

We operate in the highly competitive baby, children and maternity product industry where we face competition from a large number of local and overseas players. In Malaysia, baby, children and maternity products are available through multiple distribution channels such as retail stores, e-commerce platforms and special events such as Baby Expos. Our competitors include specialty retailers, department stores and online retailers who compete based on a variety of factors such as range of merchandise, price points, quality, promotional activities, outlet location, outlet presentation, product presentation, new store roll-out and customer service. Increasingly, online retailers and e-commerce platforms are also flooding the market with cheaper products, the offer of convenience and the availability of delivery options.

In view of the above, we need to constantly improve to maintain our competitive edge and take measures such as providing comprehensive product offerings at competitive prices, providing good customer service and shopping experience as well as responding to the changes in customer preference. Any failure on our part to remain competitive in the baby, children and maternity product industry would lead to reduced sales volume and impact our profitability.

4.1.2 Changing consumer trends, preferences and demand

As a result of the evolving consumer taste and consumer preferences in selecting baby, children and maternity products, we encounter significant challenges in maintaining and growing our market share within the industry. As with most other retail markets, we need to anticipate and respond in a timely manner to changes in consumer preferences, consumer behaviour and demand trends in the baby, children and maternity product industry.

There are a number of trends in consumer preference and demand which may have an impact on our Group and the sector within which we operate. As set out in the Industry Overview, awareness over the usage of safe home and travel products for babies, children as well as new and expectant mothers are growing. For instance, as parents become more educated and knowledgeable, they are cognizant of toxic materials that could be present in baby, children and maternity products, and are pro-active in ensuring that they purchase baby, children and maternity products which are safe and do not contain toxic materials. This creates demand for natural, organic and eco-friendly baby, children and maternity products.

In terms of consumer shopping behaviour, while Malaysians generally prefer to shop for baby, children and maternity products in retail stores, online shopping is also increasing in popularity.

In view of the above, our Group's business performance partly depends on our ability to identify an appropriate product mix that both meet our standard of quality and match consumer demand and preferences in different localities and across different demographics. Any changes in consumer behaviour patterns in Malaysia, such as an increasing trend of consumers shifting their preference from shopping at physical stores to online shopping may also have a material adverse effect on our Group's financial performance and business operations.

We cannot guarantee that our management will at all times be able to accurately predict and identify appropriate product mix that matches changing consumer preferences and demand, and this may lead to slow inventory turnover in our retail outlets. Failure on our part to anticipate appropriate product mix that meets market needs could lead to decreased sales volume and affect our profitability.

4.1.3 Dependency on the retail industry and economic conditions in Malaysia

We are highly dependent on the retail industry given that our retail segment is the main contributor to our revenue, contributing more than 80% to our total revenue for the financial years under review. According to the Industry Overview, store-based retail remains the preference for Malaysians as indicated by growth in retail sales from RM371.50 billion in 2015 to RM499.99 billion in 2018 representing a CAGR of 10.41%. In line with the retail industry outlook, revenue from our retail segment grew by approximately 21.11% between the FYE 31 December 2015 (RM66.26 million) and the FYE 31 December 2018 (RM80.25 million).

Being in the retail industry targeting mainly Malaysian consumers, our sales and business performance are also dependent on the economic conditions in Malaysia. A growing economy supported by a growing population with increasing disposable income and spending power creates demand for products sold in our retail outlets and distribution points.

Conversely, a decline in economic conditions in Malaysia may decrease consumer spending power and cause a reduction in sales volume, thus having a negative impact on the overall financial condition of the retail industry. In addition, during economic uncertainty, parents may decrease their budgets for baby, children and maternity products, or may even defer plans to expand their families which may potentially affect our future growth and prospects.

We are unable to provide assurance that a decline in the Malaysian economy will not materially affect our sales, result of operations and financial conditions. The consumer's purchasing power has been and may continue to be affected by rising inflation and cost of living. This may result in a decrease in shopper foot traffic, and accordingly lead to a downturn in the businesses at our retail outlets and distribution points which will materially affect our financial performance and business prospects.

4.1.4 Negative news and publicity about our industry and product safety

Baby, children and maternity products should be safe and free from harmful chemicals. There may be occasions where manufacturers recall their products due to contamination, the discovery of harmful ingredients or safety concerns. For example, during the financial years under review, there were 2 occasions where our manufacturers or suppliers recalled their products due to colour leaching.

The baby, children and maternity product industry is also affected by counterfeit products, where imitation versions of branded products are sold at lower prices. As these counterfeit products do not go through the necessary safety and compliance testing, they may not meet safety requirements, be contaminated or contain dangerous substances. Any safety issues concerning the counterfeit version of "Mothercare" brand, "ELC" brand and other brands of baby, children and maternity products we carry could confuse consumers who have difficulty distinguishing between products sold by us and counterfeit products. This could lead to loss of consumer trust and undermine our Group's reputation and brand image.

Negative news and publicity about our industry as well as safety issues with regard to baby, children and maternity products may adversely affect our sales and financial performance. Notwithstanding that we always ensure our products comply with the relevant safety requirements, as set out in **Section 6.17** of this Prospectus, we had experienced 2 occasions of product recalls as described above during the financial years under review. However, these occasions did not have material impact on our revenue as these products have back-to-back warranties with the manufacturer, original product supplier or brand owner.

4.2 Risks relating to our business and our operations

4.2.1 Our ability to renew and comply with the Development Agreements and Operational Agreements with our franchisors

We are dependent on the Development Agreements for the operations of our Mothercare and ELC outlets. The sales generated at our Mothercare and ELC outlets accounted for more than 80% of our Group's total revenue for the financial years under review.

Our current Development Agreements with our franchisors are valid for a term of 10 years and will expire on 1 August 2021 and 19 September 2020 respectively.

In addition, we have individual Operational Agreements for each of our Mothercare outlets and ELC SIS which is valid for a term of 7 years commencing from the date of the respective trading certificate, as set out in **Section 6.19.2** of this Prospectus. This means that each outlet may continue to operate even after the expiry date stated in the relevant Development Agreement, for a period not exceeding the term of the relevant Operational Agreement.

While the Development Agreements are silent on our option to renew prior to expiry, we have a right to renew the Operational Agreements by prior written notice. Our right to renew the Operational Agreements is subject to the condition that:-

(i) we have substantially observed and performed the terms of the Operational Agreements;

(ii) we have no outstanding breach of the terms of the Operational Agreement; and

(iii) our Development Agreements have not been terminated.

Our right to renew an Operational Agreement is also subject to the franchisor's absolute discretion if at the time of renewal, the remaining term of the relevant Development Agreement is less than 12 months.

Please refer to **Section 6.19** of this Prospectus for the salient terms of the Development Agreements and the Operational Agreements, including our obligations as a franchisee.

Although we have been operating the Mothercare franchise for more than 32 years and the ELC franchise for more than 8 years with no allegation of breach or threat of termination of these agreements against us, there can be no assurance that we will be able to renew the Development Agreements and/or Operational Agreements given that renewal of the Development Agreement and/or Operational Agreements are at the discretion of the management of the franchisors, nor can we assure that the Development Agreements and/or the Operational Agreements, will not be revoked or terminated by the franchisors prior to expiry.

For example, termination may be due to events that are beyond our control, such as breakdown of negotiation for renewal as a result of the change in the franchisor's management and/or business strategy. Upon termination of the Development Agreements, we would be prohibited from carrying out our business operations using "Mothercare" and "ELC" brand/trade name, which would then materially affect our financial condition and business prospects.

We also cannot guarantee that we are able to fully comply with all our contractual obligations in the future. We may also not be able to renew the Development Agreements and/or Operational Agreements, on terms which are commercially acceptable to us as our franchisors may, amongst others, increase the management services fees payable by us.

4.2.2 Events or actions beyond our control which may impact the value of the "Mothercare", "ELC" and "The Entertainer" brands

Our success depends substantially on our ability to operate retail outlets under the "Mothercare" and "ELC" brands and their reputation for consistent and high quality products. We also believe that our continued success will depend largely on our ability to protect and enhance the value of the "Mothercare" and "ELC" brands. We are also in the midst of finalising a development agreement with The Entertainer UK group which will grant us the exclusive rights to open and operate The Entertainer toy outlets in Malaysia, and sell a broad range of toys.

We have no control over events or actions taken by the franchisor, or other franchisees of the "Mothercare", "ELC" and "The Entertainer" brands outside Malaysia, which could erode consumer confidence in the "Mothercare", "ELC" and "The Entertainer" brands or negatively impact the future sustainability of our business operations. For instance, the following events or actions may have an impact on our operations:-

(i) Negative news or announcements relating to our franchisors. There have been news and announcements relating to the financial difficulties faced by the parent company of our franchisors, Mothercare plc due to, amongst others, the decline in the retail store footfall, inflexible store cost base, softening and slow-down in the United Kingdom retail industry, as well as the restructuring undertaken by Mothercare plc which includes closing down of about 55 Mothercare outlets in the United Kingdom to reduce losses and rent liabilities. Mothercare plc has also undertaken the sale of the ELC business as part of its strategic transformation plans to deliver a sustainable and profitable future for Mothercare plc group. Based on the latest press releases, Mothercare plc has made significant progress with its strategic transformation plan and is on track to be bank debt free by end of 2019 following its outlet closure programme and the ELC Disposal. Management believes that Mothecare plc as a newly restructured business with reduced debt levels will operate in a healthier financial position in the coming financial year.

    Nevertheless, in the event that the financial health of Mothercare plc does not recover notwithstanding the strategic transformation plan and if winding-up proceedings were to be initiated against Mothercare plc, it may give rise to negative attention or negative public perception, which could adversely impact the value and reputation of the "Mothercare" brands and we may not be able to leverage on the Mothercare brand names.

Further, under a winding-up scenario, we believe that:-

(a) we will continue to operate our Mothercare outlets as the Mothercare franchise will potentially be taken over/acquired by third-parties in view that the Mothercare franchise business is valuable given its history, brand value, the number of franchisees worldwide and the franchise fees to be derived from maintaining the brand. Nevertheless, there is no assurance that any new owners of the Mothercare franchise business will not implement new plans and business strategies or potentially alter the pricing or terms of the subsisting Mothercare Development Agreements and Operational Agreements. Hence, any such changes will materially impact our operations and businesses; and

(b) in the unlikely event that the Mothercare franchise business is discontinued in its entirety and we are unable to continue our retail business under the Mothercare brand, we will rebrand our outlets and source for new suppliers to substitute for the products procured from Mothercare UK. Although we are able to leverage on our retail business track record and expertise coupled with our product procurement/ sourcing capabilities, there is no assurance that that our rebranded outlets and newly sourced products will appeal to our customers and our outlets will be profitable following the absence of the Mothercare brand.

Notwithstanding the above, there is no assurance that our business will not be adversely affected and we can continue to operate as a going concern; and

(ii) Change in ownership of these brands. TEAL Brands Limited, a subsidiary of TEAL Group had, on 22 March 2019, completed the acquisition of ELC UK's business and certain assets. Pursuant to the acquisition, we had been notified by TEAL Group that it intends to maintain the current business arrangements in respect of the operations of the ELC franchise in the UK and overseas with no plans to relocate or close down any of our existing ELC SIS. As at the LPD, we have requested for and are still awaiting for the requested documentation of the direct covenant between ELC UK and TEAL Brands Limited in relation to our ELC Development Agreement which will expire on 19 September 2020 and Operational Agreements.

There is no assurance that TEAL Group or TEAL Brands Limited will not implement new plans and business strategies or potentially alter the pricing or terms of the subsisting ELC Development Agreement and Operational Agreements in the future. Any such changes will materially impact our operations and businesses.

4.2.3 Our existing retail outlets' performance and our ability to secure optimal outlet locations

As at the LPD, all of our Mothercare outlets and ELC SIS are located in shopping malls. There can be no assurance that our existing retail outlets will continue to meet our expectations or that the neighbourhood characteristics or demographic of the areas surrounding the existing mall/retail outlets will not deteriorate or otherwise change in the future, resulting in reduced sales in these outlets. For example, construction or renovation works in surrounding areas may adversely affect the accessibility of our retail outlets or reduce the pedestrian or vehicle flow in the area, resulting in reduced shopper traffic at our retail outlets. In these circumstances, we may wish to relocate or cease operations.

We recorded same-store sales growth/(decline), being the growth/(decline) in revenue generated by outlets that were in continuous operations and did not undergo any renovations/expansions throughout the FYEs 31 December 2015 to 2018, of approximately 0.04% from the FYE 2015 to 2016, (1.77)% from the FYE 2016 to 2017, and (3.93)% from the FYE 2017 to 2018. Meanwhile, our total revenue generated at all outlets recorded a growth of 9.27% from the FYE 2015 to 2016, 9.35% from the FYE 2016 to 2017, and 0.65% from the FYE 2017 to 2018. We also recorded a growth in total retail space of 5.53% from the FYE 2015 to 2016, 14.16% from the FYE 2016 to 2017, and 5.07% from the FYE 2017 to 2018.

Further details on our same-store sales growth, total revenue generated at all outlets growth, and total retail space of all outlets growth are set out in **Section 6.3.1** of this Prospectus.

Further, one of the key factors to the performance of our outlets is our ability to secure attractive outlet locations, which are typically those with high foot traffic that are optimal to our retail business. Such locations are in high demand in Malaysia generally and may increase the costs to secure or maintain locations for our outlets. Our outlets that generated the highest revenue for each financial year under review are located in the Klang Valley, in particular, our Suria KLCC, Mid Valley and Bangsar Shopping Centre outlets. As demand for retail locations in Malaysia increases, we cannot assure you that we will continue to be able to secure optimal outlets locations.

Moving forward, if our outlets become sub-optimal in terms of declining foot traffic, the financial viability from operating such outlets may be adversely impacted due to lower sales performance, which may then materially impact our Group's overall financial performance and business profitability.

4.2.4 Changes in the terms of tenancy and increase in rental

We operate all Mothercare outlets and ELC SIS on properties tenanted from third-party mall operators/owners. Most of our tenancy arrangements are for a tenancy term of 3 years with an option to renew for a further term of 3 years. Upon expiry of our existing tenancies, the landlords may review and change the terms and conditions of the lease agreements, and we therefore face the possibility of not being able to renew the leases on terms and conditions which are commercially acceptable to us in particular significantly higher rental rates upon renewal for prime and competitive locations. Out of all our 17 tenancy agreements, 6 of these tenancy agreements for our retail outlets (located in 1 Utama, The Curve, Subang Parade, Gurney Plaza, Pavilion and AEON Tebrau) will be subject to renewal in 2019. While we do not foresee any major issues in renewing these tenancies, we may be subject to new terms and conditions imposed by the mall operators/owners on these tenancies. We may also face interruptions to our business operations in these 6 retail outlets if we are unable to renew these tenancies in a timely manner.

For each of the financial years under review, rental expenses represented more than 10% and 30% of our total revenue and total administrative and other operating expenses respectively. As such, the Group's profitability may be adversely affected by any substantial increase in rental at the retail outlets.

4.2.5 Foreign exchange risks

Our purchases from our franchisors and overseas suppliers are denominated in foreign currencies, mainly GBP (for our purchases from Mothercare UK and ELC UK which accounted for more than 40% of our total purchases) and USD (for our purchases from Product Marketing Mayborn which accounted for more than 10% of our total purchases) during the financial years under review. Our purchases of inventory in foreign currencies are equivalent to approximately RM34.45 million, representing 77.89% our total purchases for the FYE 31 December 2017, and RM39.62 million, representing 75.42% of our total purchases for the FYE 31 December 2018.

Given that our sales are denominated in RM, we are unable to naturally hedge our exposure to foreign exchange fluctuations. We are also reluctant to pass on cost increases arising from adverse fluctuations in foreign exchange to our customers in order to maintain our price competitiveness.

For the financial years under review, we have entered into forward contracts, on an as needed basis, to partially hedge our exposure against foreign currency fluctuations for our purchases from our suppliers and payment of management service fees to our franchisors. We have not incurred any material losses arising from foreign currency translations for the financial years under review, and the net foreign exchange gains/(losses) of our Group for the financial years under review. Please refer to **Section 11.4.11** of this Prospectus for further details.

Hence, while we closely monitor the movements in exchange rates and assess the need to utilise financial instruments to hedge our exposure against transactions in foreign currencies and have not incurred any material losses arising from foreign currency translations for the financial years under review, there can be no assurance that any future fluctuations in exchange rates will not have a material and adverse impact on our financial performance.

4.2.6 Pricing strategy for third-party brand products sold at our retail outlets

We face competition from other retailers in terms of pricing of third-party brand products sold at our retail outlets. The retail price for third-party brand products are typically set according to the recommended retail prices prescribed by the manufacturers, brand-owners or distributors. These retail prices are also applicable to, and required to be complied by other retailers who carry these products. However, unlike other retailers, we are also required to pay our franchisors the management service fees for the sale of third-party brand products at our retail outlets in accordance with the Development Agreements set out in **Section 6.19.1** of this Prospectus. It is also pertinent to note that although we distribute our third-party brand products, the bulk of these products are sold at our retail outlets.

Hence, we may not be able to realise the same profit margins as other retailers for the sale of the same third-party brand products as we have to pay management service fees to our franchisors. This may further affect our profitability in the event that the manufacturers, brand-owners or distributors require us to set lower prices for third-party brand products.

4.2.7 Dependency on our major suppliers

For the financial years under review, our major suppliers (including Mothercare UK, ELC UK and Product Marketing Mayborn) accounted for more than 50% of our total purchases by value and hence our business depends on our ability to maintain a good relationship with our major suppliers.

Our arrangements with Mothercare UK and ELC UK/TEAL Brands Limited (as a franchisee) as well as Product Marketing Mayborn (as the sole distributor of Tommee Tippee products in Malaysia), ensure that we have a consistent supply of good quality products from these suppliers. Under the arrangement with Product Marketing Mayborn, we are also required to purchase an agreed minimum value of Tommee Tippee products throughout the term of our distributorship. We may not be able to comply with such obligations as we place our purchase orders on an as-needed basis, based on sales target, sales performance, product mix and inventory level at our outlets and warehouses. If we fail in any year to place the required minimum orders with them, Product Marketing Mayborn may terminate our distributorship.

We do not have long-term agreements with our other top 5 suppliers for the FYE 31 December 2018 such as Global Outsource and Jiangsu Little Dinosaur Childrens Products Group Co., Ltd, as we typically place orders through individual purchase orders on an as-needed basis, rather than dedicated supply contracts. Thus, we may be subject to price fluctuations or supply shortages based on changes in our suppliers' cost structure or other factors, which will in turn affect our profit margins and our price competitiveness.

While we have not previously experienced any early termination of distribution agreement against us or encountered disruptions to the operations of our major suppliers (including Mothercare UK) in the past, arising from natural catastrophes, acts of war or terrorism, labour strikes, bankruptcy and/or winding up acts in/instituted against our major suppliers, occurrence of these disruptions, will result in shortage of supply, impairment of our ability to supply products to our retail outlets, and thus adversely impact our sales and costs. For example, if winding-up proceedings were initiated against our franchisors, we will experience shortage of supply and are required to look for alternative suppliers. We may also incur additional costs, time and resources to seek alternative suppliers.

4.2.8 Our ability to retain key management

Our Group's continued success and future business growth are, to a significant extent, dependent on the experience, expertise, commitment, performance and continued service of our key management as set out in **Section 8.4** of this Prospectus. The majority of our key management have been attached to our Group for at least 8 years and have extensive and in-depth knowledge of our operations and industry.

Any loss of our key management without suitable and timely replacement may adversely affect the execution and implementation of our business strategies, which could have a material adverse effect on our business, financial condition, results of operations and prospects. In recognising the importance of attracting and retaining suitably qualified key management personnel, we have put in place human resources strategies, which includes competitive remuneration packages and the adoption of succession planning for key positions.

However, we cannot provide any assurance that these measures will be successful in attracting and retaining our key management or ensuing a smooth transition should changes occur.

4.2.9 Human resource challenges

We are reliant on the employment of suitable personnel for our business operations.

Based on our Group's experience, attracting suitable personnel to fill in front-line positions at our retail outlets can be challenging. The demand for front-line personnel is high due to the rapid expansion of shopping malls, and competition from other retailers who are able to offer better employment terms. If we are unable to attract suitable front-line personnel, it will result in poor customer service and adversely affect the daily operations of our retail outlets.

Further, any shortage of personnel for our distribution business could adversely affect our business operations. We may experience loss of sales due to delay in the delivery of products from our warehouses to the relevant distribution points including our Mothercare outlets and ELC SIS, as well as constraints in servicing and growing our distribution network.

Our Group's employees' annual turnover rate has been on an increasing trend, mainly due to turnover of staff employed at our retail outlets in view of the competition from other retailers. We employ between 6 to 20 permanent employees at each of our outlets, depending on the size of the respective outlets, and have experienced an average annual turnover between 3 to 5 employees per outlet during the financial years under review. We have, therefore incurred higher administrative and other operating expense in employing and attracting suitable replacement personnel to ensure that there have not been any material disruptions to our business operations arising from the shortage of personnel for our retail outlets and warehouse.

As our Group plans to upgrade our e-commerce platform, we are also reliant on our ability to attract and recruit personnel who have the requisite e-commerce and online expertise, skill and knowledge.

4.2.10 Limitations in terms of our geographical growth and expansion

Our Mothercare and ELC franchise business operations are solely focused in Malaysia, due to the terms of our Development Agreements, which grant us the exclusive right to open and operate Mothercare and ELC outlets as well as Mothercare online store in Malaysia. Further, our NotTooBig online store, which is hosted on Lazada, and our distribution business are, to a certain extent, limited within the geographical boundaries of Malaysia as our target market are primarily Malaysian customers.

We are hence, exposed to the geographical limitations of expanding our retail and distribution businesses overseas. While we believe that there are still significant opportunities to grow our retail and distribution businesses in Malaysia, we may be exposed to limitations in our growth in the event we reach our limit in expanding our retail outlets and distribution network locally. Further, although we intend to grow our retail segment further through the opening of The Entertainer toy outlets, there is no assurance that our new venture will be profitable and contribute to the growth of our retail business.

4.2.11 Pilferage, shoplifting and theft

Our products and cash receipts at our Mothercare outlets, ELC SIS, headquarters and warehouses are susceptible to the risk of pilferage, shoplifting and theft. While we have taken measures against pilferage and theft such as installation of CCTVs, anti-theft system, regular cycle count and total stock taking process, as set out in **Section 6.10** of this Prospectus, we may not be able to prevent, detect or deter all instances of pilferage, shoplifting and theft nor can we assure you that the preventive measures that have or to be undertaken by us will be adequate.

Any instances of pilferage and theft committed against our interests could expose us to financial and reputation loss, and thus have a material adverse effect on our business and results of operations.

4.2.12 Inadequate insurance coverage

As at the LPD, we have taken out insurance policies that are customary in our industry to protect against various losses and liabilities. These insurance policies and respective amounts as at the LPD mainly comprise fire (RM58.80 million), burglary (RM4.60 million) and loss of money in transit (RM0.61 million) insurance. We also have public liability and product liability insurance in place, with liability limits ranging from RM0.5 million to RM5.0 million for each occurrence.

While we believe our current insurance coverage undertaken is adequate for our business and level of operations by taking into account amongst others the number of retail outlets operated by our Group, inventory levels, and furniture, fixtures and fitting, we are unable to guarantee that the insurance coverage would be adequate to cover the losses, damages or liabilities which we may incur in the course of our business operations. To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is not sufficient to cover such risks, we would have to bear such losses and consequently our business and financial condition may be adversely affected.

4.2.13 No assurance that the expansion of our retail and distribution businesses will be profitable

As part of our future plans and strategies, we plan to expand our retail network by opening new Mothercare outlets and ELC SIS and expanding our Toys range through the opening of The Entertainer toy outlets. There is no assurance that our expanded retail network will be profitable as our business operations and financial performance remain subject to the factors set out in **Section 11.3.3** of this Prospectus, which amongst others include the demand and supply condition of our products, competition level in the baby, children and maternity product industry, and the expected capital expenditure for new outlet openings and expansion. In particular, The Entertainer business is exposed to consumer demand and preferences. Based on the Industry Overview, imports of Toys in Malaysia was on an increasing trend from RM505.73 million in 2015 to RM702.83 million in 2017. However, the imports of Toys in Malaysia decreased by approximately 9.36% to RM637.07 million in 2018. As such, any material decline in in demand for Toys will adversely affect our retail toy outlet business in the future.

In addition, there is also no assurance that introduction of new products under our distribution segment will be will be profitable for our business, or in tune with the evolving consumer demand and preferences.

Please refer to **Section 6.25** of this Prospectus for further details of our future plans and strategies.

4.3 Risks relating to our Shares

4.3.1 No public market for our Shares

There has been no public market for our Shares. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares.

Our Shares could trade at prices that may be lower than the IPO Price depending on many factors, including prevailing economic and financial conditions in Malaysia, our operating results and the markets for similar securities. In addition, the market for securities in emerging markets has been subject to disruptions that have caused intense volatility in the prices of securities similar to our Shares. There can be no assurance that the market for our Shares, if any, will not be subject to similar disruptions. Any disruption in such markets may have a material and adverse effect on the holders of our Shares.

4.3.2 Potential delay or failure of the Listing

The occurrence of any one or more of the following events, which may not be exhaustive, may cause a delay in our Listing or our Listing to be aborted:-

(i) any or all the identified institutional and/or selected investors under **Sections 3.1.1(iii)** and **3.1.2(ii)** of this Prospectus fail to subscribe to the portion of IPO Shares allocated to them;

(ii) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations under the Underwriting Agreement; or

(iii) we are unable to meet the public spread requirements as determined by Bursa Securities of at least 25% of our enlarged issued share capital to be held by a minimum of 200 public shareholders holding not less than 100 Shares each at the time of Listing.

If we are unable to meet the above requirement, you will not receive any Shares and monies paid in respect of any application accepted will be returned to you without interest within 14 days after we become liable to repay it. If any such monies are not repaid within 14 days after we become liable to repay it, then the provisions under sub-section 243(2) of the CMSA shall apply.

If our Listing is aborted and our Shares have been allotted to you, a return of monies to you can only be achieved by way of cancellation of our share capital as provided under the Act. Such cancellation can be implemented by either (i) the approval of our shareholders by way of a special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya; or (ii) the approval of our shareholders by way of a special resolution in a general meeting supported by a solvency statement from our Directors. There can be no assurance that such monies can be recovered within a short period of time or at all under such circumstances.

4.3.3 Volatility of our Share price

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the IPO Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that have affected the share price of many companies. Share prices of many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. There can be no assurance that the price and trading of our Shares will not be subject to such fluctuation in the future.

4.3.4 Our ability to pay dividends

Our Board intends to adopt a dividend payout policy of not less than 40% of our annual audited net profits to be distributed as dividends. However, our ability to pay dividends to our shareholders is dependent upon a number of factors, including our level of cash and retained earnings, gearing, results of our operations, anticipated capital expenditure requirement and our financial conditions. As such, dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

4.3.5 Continued control by our Promoters

Following the Listing, an aggregate of 236,600,000 Shares representing 62.26% of our enlarged issued share capital will be held by our Promoters. As a result, our Promoters will be able to, in the foreseeable future, effectively control the business direction and management of our Group.

The interests of our Promoters may differ from our interest or interest of our other shareholders. Our Promoters would have significant influence in determining the outcome of any corporate transaction or other matters submitted to our shareholders for approval, including mergers, consolidation and the substantial sale of our assets, to the extent that KHI is not required to abstain from voting (and producing persons connected to them to abstain from voting) in respect of such transactions and corporate actions. KHI also has the power to prevent or cause a change in control. In addition, we have entered into various transactions with persons directly or indirectly controlled by or connected to our Promoters and substantial shareholders, and we expect such transactions to recur in the future in the ordinary course of business. Please refer to **Section 9.1** of this Prospectus for further details of these transactions.

Hence, in order to ensure good corporate governance, we have appointed 3 independent Directors and established an Audit Committee to ensure all future transactions involving related parties, if any, are entered into on an arm's length basis or normal commercial terms that are not more favourable to the related parties than those generally available to third parties and not to the detriment of our minority shareholders.

However, there can be no assurance that the interest of our Promoters will be aligned with those of our shareholders.

4.3.6 Future fund raising may dilute shareholder's equity or restrict our operations

We may require additional funding for future growth. This may result in dilution of our shareholder's equity, or restrictions imposed by additional debt funding such as, amongst others, maintenance of a certain level of current ratio, gearing ratio and/or dividend payouts.

Our capital requirements depend on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our client base and the need to maintain and expand our operations. Thus, we may need additional capital expenditure for mergers and acquisition or investments. An issue of Shares or other securities to raise funds will dilute shareholder's equity interest and may, in a case of a rights issue, require additional investment by shareholders.

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5. INFORMATION OF OUR GROUP

5.1 Our Company

5.1.1 Incorporation and principal activities

Our Company, Kim Hin Joo (Malaysia) Berhad (Company No. 37655-U) was incorporated in Malaysia on 10 February 1978 as a private limited company under the name of Kim Hin Joo (Malaysia) Sdn Bhd. We converted into a public limited company on 31 October 2018.

Our Company is principally involved in retailing of baby, children and maternity products.

5.1.2 Share capital

As at the LPD, our Company's issued share capital is RM1,000,000 comprising 304,000,000 Shares.

Details of changes in our Company's issued share capital for the financial years under review and up to the LPD are as follows:-

Date of allotment	No. of shares	Nature of transaction	Consideration	Cumulative issued share capital (RM)
As at 15 October 2015	1,000,000	-	-	1,000,000
26 June 2018	303,000,000	Bonus Issue	N/A	1,000,000

None of our Shares were issued at a discount, on special terms or based on instalment payments. As at the LPD, our Company does not have any outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares.

The changes in our Company's issued share capital and ownership for the financial years under review and up to the LPD are summarised below:-

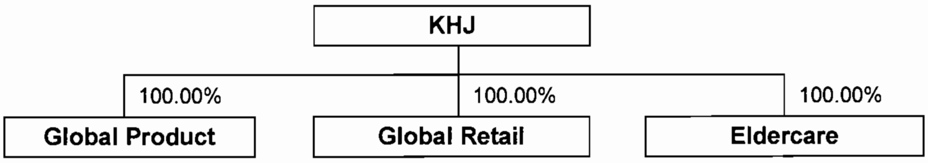
<table>
<tr><th>Year</th><th>Changes in our issued share capital and ownership</th></tr>
<tr><td>2018</td><td>

On 12 February 2018, KHI acquired 900,000 Shares from Mothercare Sg at consideration sum of RM5,699,753, resulting in KHI holding 90.00% equity interest in our Company
On 26 June 2018, our Company implemented a Bonus Issue of 303,000,000 new Shares credited as fully paid-up at nil consideration on the basis of 303 new Shares for every 1 existing Share held by our shareholders as at 26 June 2018
The resulting shareholding structure of our Company was as follows:-

<table>
<tr><th>Shareholders</th><th>No. of shares</th><th>(%)</th></tr>
<tr><td>KHI</td><td>273,600,000</td><td>90.00</td></tr>
<tr><td>Dato' Pang Leong Hoon</td><td>30,400,000</td><td>10.00</td></tr>
<tr><td>Total</td><td>304,000,000</td><td>100.00</td></tr>
</table>
</td></tr>
</table>

5.2 Our Group structure

Our Group structure as at the LPD is set out below:-



5.3 Our subsidiaries

The details of our subsidiaries as at the LPD are as follows:-

Name and company no.	Date and country of incorporation	Principal place of business	Issued share capital (RM)	Effective equity interest (%)	Principal activities
Global Product[(1)] (705154-M)	3 August 2005, Malaysia	Malaysia	1,000,000	100.00	Distribution of baby, children and maternity products
Global Retail (921399-V)	10 November 2010, Malaysia	Malaysia	1,000,000	100.00	Distribution of baby, children and maternity Clothing
Eldercare (1137500-P)	27 March 2015, Malaysia	Malaysia	2	100.00	Dormant – yet to commence business operations. Intended business activity is the retailing of children's toys

Note:-

(1) Further details on the share capital of our material subsidiary, Global Product, are set out as follows:-

(i) There has been no change in Global Product's issued share capital for the financial years under review and up to the LPD.

(ii) None of Global Product's ordinary shares were issued at a discount, on special terms or based on instalment payments.

(iii) As at the LPD, Global Product does not have any outstanding warrants, options, convertible securities or uncalled capital in respect of its ordinary shares.

As at the LPD, we do not have any joint ventures or associate companies.

5.4 Pre-IPO restructuring exercise

We implemented a restructuring exercise prior to our Listing, as set out below:-

5.4.1 Disposal

On 4 June 2018, our Company entered into share sale agreements with Pang Kim Hin, our Chairman, and Dato' Pang Leong Hoon, our substantial shareholder, for the disposal of 100.00% equity interest in Cheng Yean for an aggregate sale consideration of RM1,878,289, in the manner as set out below:-

(a) disposal of 315,000 ordinary shares in Cheng Yean, representing 90.00% equity interest, to Pang Kim Hin for a sale consideration of RM1,690,460; and

(b) disposal of 35,000 ordinary shares in Cheng Yean, representing 10.00% equity interest, to Dato' Pang Leong Hoon for a sale consideration of RM187,829.

As part of the disposal, Pang Kim Hin and Dato' Pang Leong Hoon assumed the liabilities owed by Cheng Yean to KHJ as at 31 December 2017 of RM20,600,000 ("**Assumption of Liabilities**"). The sale consideration including the Assumption of Liabilities totalling RM22,478,289 ("**Sale Consideration**") which was satisfied through the set-off of dividends declared by KHJ during the FYE 31 December 2018. Please refer to **Note 19** of the Accountants' Report (which is set out in **Section 12** of this Prospectus) for further details on the set-off of dividends and the manner of payment.

The Sale Consideration of RM22,478,289 was arrived at on a "willing-buyer willing-seller" basis after taking into consideration amongst others, the audited NA of Cheng Yean as at 31 December 2017 of approximately RM2.04 million and estimated market value of similar sized factories/warehouses in the vicinity of the properties, ranging from approximately RM11.0 million to RM17.0 million per property (in view of the 2 properties owned by Cheng Yean).

The disposal which was completed on 28 June 2018 resulted in our Group recording a gain on disposal of approximately RM0.21 million and Cheng Yean ceasing to be our wholly-owned subsidiary. Following the disposal, we entered into rental arrangements with Cheng Yean in relation to the tenancy of the properties owned by Cheng Yean (i.e. our headquarters and warehouses) as disclosed under **Sections 6.23.2(ii)** and **9.1** of this Prospectus. We have been occupying and utilising these properties as our headquarters and warehouses prior to the disposal.

The disposal of Cheng Yean was undertaken based on our management's view that ownership of these properties are not vital to our business operations given that:-

(a) by not owning the properties, we have the flexibility to relocate or rent new premises for our headquarters and warehouse operations should the need arise in the future; and

(b) our main revenue and profit generating activities are carried out at our retail outlets, all of which are rented from mall owners/operators.

5.4.2 Bonus Issue

We had, on 26 June 2018, implemented a bonus issue of 303,000,000 new ordinary shares in KHJ ("**Bonus Shares**") on the basis of 303 Bonus Shares credited as fully paid-up for every 1 existing ordinary share held in KHJ. The purpose of the Bonus Issue was to enlarge the share capital base of our Company prior to our IPO. Following the completion of the Bonus Issue, the share capital of our Company became RM1,000,000 comprising 304,000,000 KHJ Shares.

6. BUSINESS OVERVIEW

6.1 Our background and history

6.1.1 History of our business

Our Company was incorporated in Malaysia on 10 February 1978 as a private limited company. On 31 October 2018, we converted to a public company and assumed our present name to facilitate our Listing. We are principally involved in the retail and distribution of baby, children and maternity products.

History of our retail business

The history of our retail business dates back to 1986 when our founder, Pang Kim Hin became a Director of our Company with the intention of venturing into the baby and children product retail business. The Company, which was incorporated in 1978, was previously involved in the pawnbroking business which had ceased operations shortly thereafter. In November 1986, we entered into our first development agreement with Mothercare UK, which gave us the exclusive rights to open and operate Mothercare outlets and sell Mothercare products within Malaysia for an initial period of 10 years ("**First Mothercare Development Agreement**"). With this, we opened our first Mothercare outlet in KL Plaza in April 1987, where we sold a selected range of baby, children and maternity products.

Following the opening of our KL Plaza outlet, we gradually familiarised ourselves with retail outlet operations and developed our relationship with our franchisor, which led to the subsequent opening of 8 new Mothercare outlets within the Klang Valley between 1994 to 2006. This included an outlet in Berjaya Times Square as well as 7 other outlets set out in **Section 6.3.1** of this Prospectus. Our particular focus on the Klang Valley was primarily driven by the increasing number of shopping malls during that period of time, the availability of retail space and growing demand for our products. Upon expiry of our First Mothercare Development Agreement, we entered into our second development agreement with Mothercare UK in July 1997 ("**Second Mothercare Development Agreement**"). We also increased our brand and product offerings to include a wider range of Clothing, Home & Travel and Toys through our close collaboration with Mothercare UK.

We periodically review the performance of some of our existing outlets to determine if any refurbishment, closures or relocations would be required. As such, between 2004 and 2007, we renovated and reconfigured the outlet layout for 4 of our Mothercare outlets, and closed the outlets in KL Plaza and Berjaya Times Square.

In 2007, we expanded our retail presence outside the Klang Valley with the opening of our first Mothercare outlet in Gurney Plaza. Subsequently, we expanded our presence to East Malaysia and the Southern Region, by opening Mothercare outlets in Sabah, Sarawak and Johor in 2014, 2015 and 2016, respectively.

In 2010, we entered into a development agreement with ELC UK, a subsidiary within the Mothercare plc group of companies, which gave us the exclusive rights to open and operate ELC outlets and sell ELC products within Malaysia for an initial period of 10 years. We sell ELC products which consist of a broad range of baby and children's educational toys. All our ELC outlets are operated as a SIS within our Mothercare outlets. Please refer to **Section 6.3.1** of this Prospectus for further details on our ELC SIS.

On 12 March 2019, Mothercare plc had announced the ELC Disposal. Based on the press release by Mothercare plc, the acquisition of the business and certain assets of ELC UK by TEAL Brands Limited, a subsidiary of TEAL Group was completed on 22 March 2019. The handover of the business and assets that were acquired by TEAL Brands Limited will be carried out during the transitional period between 22 March 2019 and 13 May 2019. Mothercare plc and TEAL Group have both assured our management that we will retain our rights to sell ELC products and operate ELC franchise in Malaysia and there would be no requirements for the ELC SIS to be relocated or closed down.

In November 2010, we began selling the Gingersnaps brand of baby, children and maternity clothing through our Gingersnaps retail outlets operated by Global Retail. However, we have since closed our Gingersnaps outlets due to the decline in revenue over the past years and as at the LPD, Gingersnaps products are sold only in our Mothercare outlets located in Suria KLCC and Mid Valley Megamall ("**Mid Valley**").

In May 2011, we launched our flagship store in Suria KLCC, our biggest store with a retail space of 9,554 sq ft, carrying the highest number of brands and products. We also entered into our third development agreement with Mothercare UK in August 2011, being our existing Development Agreement, for a further period of 10 years.

By October 2016, we had grown our presence in Malaysia to 14 Mothercare outlets and 9 ELC SIS, located in Klang Valley (11 Mothercare outlets and 7 ELC SIS), East Malaysia (2 Mothercare outlets and 2 ELC SIS) and Penang (1 Mothercare outlet).

We diversified our retail operations into the online retail space, in order to expand our presence and to reach a wider customer demographic. Hence, in October 2016, we officially launched our Mothercare online store (www.mothercare.com.my), which enabled us to provide an alternative platform for our customers to shop for our products.

In April 2019, we opened our Johor flagship store in Mid Valley Southkey Megamall in Johor Bahru. As at the LPD, our retail business consists of 17 Mothercare outlets and 11 ELC SIS nationwide with a cumulative retail space of approximately 75,927 sq ft, including 12,949 sq ft for our flagship store in Suria KLCC (which was recently expanded in September 2018) and 5,520 sq ft for our Johor flagship store in Mid Valley Southkey Megamall (which was opened in April 2019). In addition, the number of brands and range of products that we offer have also expanded to provide our customers with a wider selection of baby, children and maternity products.

History of our distribution business

In 2008, we ventured into the distribution of baby, children and maternity products through Global Product to complement our existing retail business. In the same year, our customer base included Tesco, a major hypermarket, which remains one of our existing customers to-date. Our distribution business enables us to carry a wider range of products and brands, as well as broaden our market reach to distribution points comprising specialty stores, department stores, hypermarkets and online stores throughout Malaysia.

By 2011, our distribution business had expanded to over 100 distribution points in Malaysia. Our customer base has since grown to include department stores such as Sogo in January 2012, and AEON in July 2013.

Since 2008, our distribution business has grown significantly from having 12 distribution points to 624 distribution points spread throughout Malaysia (excluding Mothercare outlets) and 11 overseas as at the LPD. Global Product also distributes products to KHJ which are then sold in Mothercare outlets and Mothercare online store.

6.1.2 Milestones and achievements

The key milestones for our Group are set out below:-

Year	Key milestones and achievements of our Group
1978	Incorporation of our Company
1986	First Mothercare Development Agreement signed
1987	First Mothercare outlet at KL Plaza
1997	Second Mothercare Development Agreement signed
2007	Expanded our presence outside of the Klang Valley with the opening of our Mothercare outlet in Plaza Gurney
2008	Started our distribution business and secured our first sales from Tesco Stores (M) Sdn Bhd through Global Product
2010	ELC Development Agreement signed
2011	• Third Mothercare Development Agreement signed • Distribution business crossed over 100 distribution points throughout Malaysia • Expanded our outlet at Suria KLCC to 9,554 sq ft thus becoming our flagship store in the Klang Valley
2014	Expanded our presence to East Malaysia with the opening of our Mothercare outlet and ELC SIS in Suria Sabah Mall
2016	Mothercare online store launched
2018	Expanded our outlet at Suria KLCC to 12,949 sq ft thus becoming our largest outlet to-date
2019	• Opened our Johor flagship store in Mid Valley Southkey Megamall • Retail business reached 17 Mothercare outlets and 11 ELC SIS • Distribution business crossed over 600 distribution points throughout Malaysia and overseas (Brunei, Hong Kong, Singapore, Thailand and United Arab Emirates)

6.1.3 Awards and recognition

We typically receive awards and recognitions for the performance of our Mothercare outlets from our franchisor or landlords. For example, in 2017, we were awarded the "Mothercare & ELC 30 Years Partnership Recognition" by Mothercare UK for our long-standing relationship with them.

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6.2 Our principal business activities

6.2.1 Business model

Our Group's business activities are categorised into the following and summarised in the table below:-

(i) **Retail** of baby, children and maternity products through our Mothercare outlets, ELC SIS, Mothercare online store, online sales channels and Baby Expos; and

(ii) **Distribution** of baby, children and maternity products to local retailers, as well as overseas retailers and distributors.

Business segment	RETAIL		DISTRIBUTION
Sales channels	• Mothercare outlets • ELC SIS • Mothercare online store	• Online sales channels[1] • Baby Expos	• Retailers and distributors[2]
Category of products sold	• Clothing • Home & Travel • Toys	• Home & Travel • Toys	• Home & Travel
Suppliers	• Mothercare UK • ELC UK/ TEAL Brands Limited[3] • Third-party suppliers	• Third-party suppliers	• Third-party suppliers
Target customers	Retail Consumers (i.e. parents and parents-to-be, as well as care providers in the upbringing of young children)		Local and overseas retailers and distributors

Notes:-

(1) Global Product sells its products online through its NotTooBig online store, which is hosted on Lazada.

(2) Includes specialty stores, department stores, hypermarkets, other distributors, online stores (operated by our distribution consumers i.e. the retailers/distributors), pharmacies, confinement centres, traditional Chinese medical halls and corporate customers.

(3) Before the ELC Disposal, ELC products were purchased from ELC UK. Following the ELC Disposal and effective from 13 May 2019, we purchase ELC products from TEAL Brands Limited.

6.2.2 Retail segment

We sell baby, children and maternity products, comprising Mothercare, ELC and other third-party branded products at our Mothercare outlets, ELC SIS, Mothercare online store and online sales channels as well as through our participation in Baby Expos. Products for our retail segment are sourced through Mothercare UK, ELC UK, Global Product, Global Retail and other third-party suppliers. A summary of our retail segment and sales channels are set out below:-

Retail channels	Categories and brands of products offered		
Mothercare outlets	**Clothing** - Mothercare - Third-party	**Home & Travel** - Mothercare - Third-party	**Toys** - Mothercare - Third-party
Mothercare online store	**Clothing** - Mothercare - Third-party	**Home & Travel** - Mothercare - Third-party	**Toys** - Mothercare - ELC - Third-party
ELC SIS	**Toys** ELC		
Baby Expos	**Home & Travel** Third-party	**Toys** Third-party	
Online sales channels	**Home & Travel** Third-party		

Further details of our retail channels are as follows:-

(a) <u>Mothercare outlets and ELC SIS</u>

Our Mothercare outlets and ELC SIS are opened and operated in accordance with the terms of our Development Agreements and Operational Agreements, as set out in **Section 6.19** of this Prospectus.

As at the LPD, we operate 17 Mothercare outlets and 11 ELC SIS throughout Malaysia, where we sell Mothercare and ELC products. Pursuant to the terms of Development Agreements, we are also permitted to sell third-party branded products at our Mothercare outlets and ELC SIS, subject to clearance/consent being obtained from our franchisors, Mothercare UK and ELC UK (a subsidiary within the Mothercare plc group of companies), as well as payment of management services fee.

As at the LPD, we carry a total 184 brands of Clothing, Home & Travel and Toys at our Mothercare outlets and ELC SIS.

(b) Mothercare online store and online sales channels

We also sell our products through the following:-

Online sales channel	Launch date	Types of products sold
Mothercare online store (www.mothercare.com.my)	October 2016	Mothercare, ELC and other third-party branded Clothing, Home & Travel and Toys
NotTooBig online store, which is hosted on Lazada, a third-party e-commerce platform	April 2018	Third-party branded Home & Travel

As at the LPD, we carry a total of 87 brands of Clothing, Home & Travel and Toys at our Mothercare online store, and 4 brands of Home & Travel at our NotTooBig online store.

(c) Baby Expos

Since 2010, we have regularly participated in Baby Expos to showcase our product offerings for some of our third-party Home & Travel and Toys.

In our retail segment, purchases from our suppliers are predominantly outright purchases based on purchase orders. A small portion of the products sold at our Mothercare outlets are on consignment basis, whereby some of our suppliers (i.e. consignors) place their products for sale at our Mothercare outlets for a period of time. Ownership of these consigned products at our Mothercare outlets will remain with the respective consignors subject to the terms of the consignment arrangements, and will be returned to the consignors after a period of time if the products are not sold.

As at the LPD, we offer 3 consignment brands, namely Baby Blanket, Vision Empire and Micro, at our Mothercare outlets. The revenue contribution from the sales of consigned products for our retail segment accounted for approximately 0.31%, 0.16%, 0.11% and 0.09% of our total revenue for the FYEs 31 December 2015, 2016, 2017 and 2018, respectively.

6.2.3 Distribution segment

Through Global Product, we distribute third-party branded Home & Travel mainly to specialty stores, department stores, hypermarkets, online store, and other retailers and distributors. We also sell our products to pharmacies, confinement centres, traditional Chinese medical halls, and corporate customers such as hotels, restaurants, nurseries/kindergartens and consumer reward companies (such as Bonuslink). Products sold to such customers include baby nursing products and toiletries, strollers, travel cots, high chairs, toys, travel bags, baby seats, nursing pillows and toilet training mats.

As at the LPD, we distribute a total of 22 brands of Home & Travel throughout Malaysia and other countries such as Brunei, Hong Kong, Singapore, Thailand and United Arab Emirates. We also distribute 7 brands of Home & Travel and Toys solely to our Mothercare outlets and Mothercare online store. As such, these 29 brands are part of the 184 brands carried by our Group. The number of brands we carry fluctuates from year to year depending on market demand and popularity of the brand.

Sales to the customers of our distribution business are generally outright sales based on our customers' purchase orders. A small portion of our sales are on consignment basis, whereby we place our products with the selected retailers (i.e. consignees) to be sold at their outlets. Ownership of these products will remain with our Group subject to the terms of the consignment arrangements, and will be returned to us after a period of time if the products are not sold by our consignees.

As at the LPD, we place our consignment products with 8 retailers, which includes 2 of our major customers (namely AEON Co. (M) Bhd and Sogo (KL) Department Store Sdn Bhd). The revenue contribution from our consignment sales for our distribution segment accounted for approximately 1.12%, 1.22%, 1.27% and 1.36% of our total revenue for the FYEs 31 December 2015, 2016, 2017 and 2018, respectively.

As at the LPD, our products offered on a consignment basis comprise only of Home & Travel products for the following brands:-

Brands of our consignment products
Bumbo, Clevamama, Jujube, Mimosa, Richell, Snapkis, Tommee Tippee

Our inventory level for our consignment products accounted for approximately 0.42%, 0.53%, 0.60% and 0.55% of our inventories for the FYEs 31 December 2015, 2016, 2017 and 2018, respectively. We generally enter into consignment arrangements with our consignees for a 1-year-period, which sets out the sales target and other terms that may be set by our consignees. These consignment arrangements may be renewed on a yearly basis.

6.3 Our outlets and distribution points

6.3.1 Our Mothercare outlets and ELC SIS

As at the LPD, we operate 17 Mothercare outlets and 11 ELC SIS in Malaysia. The table below sets out our Mothercare outlets and ELC SIS as at the LPD.

Geographical location	Total number of Mothercare outlets	Number of Mothercare outlets with ELC SIS
Klang Valley	**12**	**8**
Outside Klang Valley		
- Northern Region	1	-
- Southern Region	2	1
- East Malaysia	2	2
Total	**17**	**11**

All of our outlets are located within shopping malls. The decision to open new Mothercare outlets and ELC SIS is determined by our management on a case-by-case basis taking into consideration, amongst others, the following factors:-

(a) market size, demographics, foot traffic, customer behaviour and customer demand trend in the particular locale;

(b) competitive environment and the presence of other similar outlets in the vicinity (i.e. outlets which carry similar products);

(c) outlet size and layout, as well as available lease terms; and

(d) required upfront capital expenditure to open and operate the outlet.

6. BUSINESS OVERVIEW (cont'd)

Our management will periodically review and assess the performance of our outlets to determine the optimal product mix and whether there will be any need for outlet expansion, refurbishment or general upkeep. The growth in revenue and total retail space for our outlets is set out as follows:-

	No. of comparable outlets	From FYE 2015 to FYE 2016	From FYE 2016 to FYE 2017	From FYE 2017 to FYE 2018
Same-store sales growth/(decline)[(1)]	8	0.04%	(1.77)%	(3.93)%
Total revenue generated at all outlets growth[(2)]	16	9.27%	9.35%	0.65%
Total retail space of all outlets growth (change in sq ft)[(2)]	16	5.53%	14.16%	5.07%

Notes:-

(1) *Same-store sales growth is computed based on the revenue generated by outlets that were in continuous operations and did not undergo any renovations/expansions throughout the FYEs 2015 to 2018.*

(2) *The total sales generated and total retail space for all outlets includes the 8 comparable outlets included in same-store sales growth in Note (1) above, as well as 4 relocated/expanded outlets and 4 new outlets.*

The relocated/expanded outlets were Pavilion KL (which was relocated/expanded in January 2017), The Curve and Mid Valley (which were both relocated/expanded in August 2017) as well as Suria KLCC (which was expanded in September 2018).

The Pavilion KL outlet did not experience any interruptions to its business activities during the relocation/expansion period as we continued to operate the existing outlet up until the date of our relocation/expansion to the new location, whilst The Curve outlet had been closed for 24 days, and the Mid Valley outlet had been closed for 31 days during the relocation/expansion periods. Meanwhile, the Suria KLCC outlet had been closed for 35 days.

These relocations/expansions had resulted in an increase in retail space of these 4 outlets from 16,483 sq ft to 25,955 sq ft (inclusive of Suria KLCC which increased from 9,554 sq ft to 12,949 sq ft), enabling these 4 outlets to carry a wider range of products, which in turn contributed to the increase in total revenue generated at all outlets.

Meanwhile, the new outlets opened during the FYEs 2015 to 2018 comprise of the following:-

New outlets	***Opening dates***	***Retail space (sq ft)***
Atria Shopping Gallery	*May 2015*	*5,910*
Vivacity Megamall	*December 2015*	*4,558*
AEON Tebrau City	*December 2016*	*3,077*
Melawati Mall	*July 2017*	*2,236*
		15,781

The opening of these new outlets had generated additional revenue for our retail outlet business, and increased our overall retail space by 15,781 sq ft.

Prices of our products are the same across all our Mothercare outlets and ELC SIS with promotional periods and discounts being consistent throughout all our retail outlets. However, the product mix offered at each Mothercare outlets and ELC SIS may differ depending on consumer demand at each locale.

Details of all our Mothercare outlets and ELC SIS as at the LPD based on geographical location are set out as follows:-

(a) **Klang Valley**

Outlet location	Initial outlet opening date & size (sq ft)	Outlet expansion* date & outlet size after expansion (sq ft)
Mothercare outlets with ELC SIS		
Bangsar Shopping Centre, Kuala Lumpur	1 October 1994 / 1,596	31 October 2009 / 7,120
Subang Parade, Selangor Darul Ehsan	14 December 1996 / 2,400	12 April 2013 / 4,729
Suria KLCC, Kuala Lumpur	8 May 1998 / 2,456	(1)12 May 2011 / 9,554
		28 September 2018 / 12,949
The Curve, Selangor Darul Ehsan	5 March 2005 / 2,056	1 December 2013 / 2,418
		3 August 2017 / 3,675
Mid Valley, Kuala Lumpur	9 September 2006 / 1,141	(2) 29 April 2009 / 3,165
		18 August 2017 / 6,620
Setia City Mall, Selangor Darul Ehsan	26 May 2012 / 3,344	-
IOI City Mall, WP Putrajaya	20 November 2014 / 3,836	-
Atria Shopping Gallery, Selangor Darul Ehsan	28 May 2015 / 5,910	-
Mothercare-only outlets		
1 Utama Shopping Centre, Selangor Darul Ehsan	2 December 1995 / 1,653	-
Alamanda, Putrajaya, WP Putrajaya	5 July 2006 / 1,216	9 April 2011 / 1,851
Pavilion Kuala Lumpur	20 September 2007 / 1,346	20 January 2017 / 2,711
Melawati Mall, Kuala Lumpur	26 July 2017 / 2,236	-
	Total outlet size	**56,634**

Notes:-

* *Includes renovation, relocation or expansion, as well as incorporation of ELC SIS, where applicable.*

(1) *Since 2011, our Suria KLCC outlet has been our flagship store, being our largest outlet carrying the highest number of products.*

(2) *On 29 April 2009, we opened another outlet within Mid Valley (3,165 sq ft), which operated concurrently with our initial Mid Valley outlet (1,141 sq ft). Subsequently, our initial Mid Valley outlet ceased operations on 31 October 2011.*

(b) **Outside Klang Valley**

Outlet location	Initial outlet opening date & size (sq ft)	Outlet expansion * date & outlet size after expansion (sq ft)
Mothercare outlets with ELC SIS		
Southern Region		
AEON Tebrau City Shopping Centre, Johor Bahru	16 December 2016 / 3,077	-
East Malaysia		
Suria Sabah, Kota Kinabalu	25 April 2014 / 3,888	-
Vivacity Megamall, Kuching	12 December 2015 / 4,558	-
Mothercare-only outlet		
Plaza Gurney, Penang	8 September 2007 / 1,152	1 September 2008 / 2,250
Mid Valley Southkey Megamall, Johor Bahru	23 April 2019 / 5,520	-
	Total outlet size	**19,293**

Note:-

* *Includes renovation, relocation or expansion.*

6.3.2 Distribution points

As at the LPD, Global Product distributes to a total of 328 customers throughout Malaysia (excluding KHJ) and to a total of 11 retailers and distributors overseas. Each customer may have one or several distribution points. A distribution point is a physical location or an online store where our distribution products are displayed and sold (e.g. outlet, consignment counter, department store, website, social media and e-commerce platform).

We do not enter into any distribution arrangements with our customers. In order to manage the retail pricing of our products, our customers are required to sell our products based on our prescribed retail price list for our products and obtain our approval prior to conducting sale/promotional discounts on any of our products. We will carry out inspections and conduct periodic site visits to ensure they comply with our retail terms.

As at the LPD, Global Product has a total of 635 distribution points (excluding Mothercare outlets) throughout Malaysia and overseas as shown below:-

Malaysia

Region	Number of distribution points (excluding Mothercare outlets)
Klang Valley	277
Northern Region	120
Southern Region	136
East Coast	44
East Malaysia	47
Total	**624**

Overseas

Country	Number of distribution points
Brunei	4
Hong Kong	2
Singapore	3
Thailand	1
United Arab Emirates	1
Total	**11**

As at the LPD, Global Product distributes a total of 22 brands of Home & Travel products, details of which are as follows:-

Brands
aden + anais, Aleva Naturals, Bumbo, Charlie Banana, Clevamama, Daiichi, eLIPse Kids, Gaia, Honey Bunny, Jack N' Jill, JJ Cole, Jujube, Mimosa, Mosquitno, Mum 2 Mum, Purest, Richell, Silver Cross, Snapkis, Summer Infant, Tommee Tippee, Zoggs

Global Product also distributes the following 7 brands of Home & Travel and Toys solely to KHJ as at the LPD, details of which are as follows:-

Brands solely distributed to KHJ
Biocair, Globbler, Konfidence, Love to Dream, Playgro, Strapstop, Swimava

As at the LPD, we are the sole/authorised distributor for Tommee Tippee, Konfidence, Gaia and Zoggs brands of Home & Travel in Malaysia.

6.4 Our products

Our products are categorised into 3 main categories, namely Clothing, Home & Travel and Toys. As at the LPD, we offer a total of 184 brands and 40,278 SKUs, as follows:-

Category	Total number of brands	Top 10 brands by revenue	Number of SKUs as at the LPD
Clothing	15	Mothercare, Gingersnaps, Ipanema, Never Stop Exploring (NSE), Havaianas, Mini Melissa, Jump Eat Cry, Oeteo, Vision Empire, Babiators	32,544
Home & Travel	144	Tommee Tippee, Mimosa, Mothercare, Snapkis, Buds, aden + Anais, Clevamama, Avent, Joie, Jujube	4,153
Toys	39	ELC, Mothercare, Playgro, Jellycats, Leapfrog, Zoggs, Melissa and Doug, Konfidence, Trunki, Sophie	3,581
Total	**(1)198**		**40,278**

Note:-

(1) Total number of brands does not add up to 184 as some brands cater for more than one product category.

6.4.1 Clothing

Our Clothing comprises (i) baby and children clothing; and (ii) maternity clothing, in the following manner:-

Clothing

Baby and children clothing

- Baby clothing caters for newborns, babies and toddlers up to 36 months old
- Children clothing caters for children from 3 to 10 years old

Examples:-

- One-piece garments designed to be worn by babies (i.e. bodysuits, onesies, rompers and playsuits)
- Sleepwear and underwear
- Tops (i.e. blouses, shirts and T-shirts)
- Bottoms (i.e. joggers, leggings, pants and skirts)
- Clothing sets, which are offered in a pair of matching clothing (i.e. T-shirt and pants)
- Swimwear
- Accessories (i.e. hats, mittens, hair accessories and sunglasses)
- Footwear and hosiery

Maternity clothing

Mainly maternity undergarment catering for women during and post-pregnancy, such as maternity underwear and nursing bras

6.4.2 Home & Travel

Our Home & Travel can be categorised into the following:-

Home & Travel

Feeding and home safety

(i) **Baby feeding**
- Breastpumps
- Sterilising equipment
- Bottle feeding
- Bibs and muslins

(ii) **Home safety**
- Safety gates
- Baby monitors
- Bed guards

Bathing and changing

(i) **Bathing**
- Bathtubs
- Toiletries
- Anti-slip mats
- Towels
- Flannels
- Bath toys

(ii) **Changing**
- Diapers
- Baby wipes
- Change mats

Nursery and bedroom

- Baby cribs and cots
- Travel cots
- Mattresses
- Nursery furniture
- Lighting and storage
- Blankets
- Pillows
- Sleeping bags
- Cotsheets

Strollers and stroller accessories

(i) **Strollers**
- Cabin sized stroller
- Pushchairs

(ii) **Stroller accessories**
- Baby changing bags
- Carry cots
- Cup holders and hooks
- Harnesses
- Parasols
- Canopies
- Raincovers

Car seats and baby carriers

6.4.3 Toys

Our Toys cater for babies (up to the age of 3 years) and children above 3 years old, and can be categorised as follows:-

Toys

Baby toys
- Baby play mats and gyms
- Rattles and teethers
- Soft toys
- Dolls
- Light, sound and music toys
- Wooden toys
- Puzzles
- Travel toys

Children toys
- Dolls
- Doll houses
- Action figures
- Playsets
- Puzzles

Outdoor toys
- Sandpits and water tables
- Pool and pool accessories
- Bikes and scooters
- Beach and garden toys and games
- Tents and playhouses
- Children's outdoor furniture

Books
- Storybooks
- Colouring books
- Activity books

6.5 Exchange policies and warranties

- **Retail segment**

We have exchange policies for our products, whereby products purchased by our retail customers are exchangeable within 14 days from the purchase date with our other products of similar or higher value as long as it is returned in its original packaging, unused and in sell-able condition. For avoidance of doubt, if the value of the exchanged products are higher, our customers are required to pay for the said variances.

We provide warranty ranging from 6 months to 4 years depending on the brands, primarily for Home & Travel. A limited selection of our products has lifetime warranty.

As we are neither a manufacturer nor brand owner, we are not generally exposed to the risk of providing warranties as most of our products sold have back-to-back warranties with the manufacturer, original product supplier or brand owner.

We do not offer returns and exchanges during our sales period at the Baby Expos.

- **Distribution segment**

We provide warranty ranging from 6 months to 3 years to our distribution customers (i.e. retailers and/or distributors), depending on the warranty periods determined by our third-party suppliers. A limited selection of our products has lifetime warranty, which have back-to-back warranty arrangements with the manufacturer, distributor or brand owner.

For both our retail and distribution segments, we do not provide any warranties to our customers for products which do not have any back-to-back warranties with the manufacturer, distributor or brand owner.

6.6 Operational process and facilities

Our operational process flow for our retail and distribution segment is set out as follows:-

Retail segment	
Merchandising and purchase orders	• Our retail merchandising team will identify the type and quantity of products to be purchased from our suppliers and place orders in the following manner:- - In relation to products from Mothercare UK, purchase orders are placed:- i) 4 times a year for Clothing according to the seasonality of the collections; and ii) twice a year for Home & Travel and Toys. - In relation to Toys for our ELC SIS, purchase orders are placed with ELC UK twice a year. We will place all our future orders with TEAL Brands Limited following the ELC Disposal. - In relation to products from other third-party suppliers, purchase orders are placed on a monthly or ad-hoc basis • We will also generate monthly sales reports which are sent to our franchisors for their record and assessment. Our franchisors will also assess our purchases (in terms of quantity and range of products) by monitoring our purchase orders. • Our retail merchandising team will also utilise Tech-Trans[1] system to assess our inventory levels prior to placing orders
Receipt and storage of products at our warehouse	• Immediately upon delivery of the products by our suppliers, our warehouse team will store the products in our warehouse • The products will be stored at the respective shelves by product categories by using our Warehouse Management System[2]
Stock allocation and replenishment for our outlets	• Our retail merchandising team will determine the stock allocation and replenishment requirements based on the sales target, sales performance, product mix and inventory level for each Mothercare outlet and ELC SIS. Reports on the sales performance of our Mothercare outlets and online store as well as inventory levels are generated through the Tech-Trans system • The retail staff at our outlets will also request for stock replenishment on a need-to basis in the event that any product is low in stock or is in high demand
Packing of products for delivery	• Our retail merchandising team will forward a pick list to our warehouse, which comprises the stock allocation to be delivered to each outlet • Our warehouse team will pack the products according to the pick list provided, and prepare the products for delivery • If any of the products are unavailable, our retail merchandising team will place a separate purchase order for the replenishment of the said products from our suppliers
Delivery to outlets or directly to customers	• The products will be delivered to our respective Mothercare outlets by our in-house logistics team (for our Mothercare outlets located in the Klang Valley) or outsourced logistics service providers (for our Mothercare outlets located outside the Klang Valley) • For purchases made through our Mothercare online store (which are processed through our e-commerce platform, Magento[3] and subsequently transmitted to the Tech-Trans system), the products will be picked and packed at our warehouse and thereafter, delivered directly to customers using outsourced logistics service providers
Receipt of products by our outlets	• Upon receipt of the products, our staff in-charge will perform a check to ensure that the order is complete and products are not damaged • Once inspection is completed, the products will be recorded in our outlet's inventory system using the Tech-Trans system
Products display	• Products will be displayed in our outlets for sale to retail customers
Warranty claims (where applicable)	• Subject to the terms and conditions set out in our warranty claim policy, our customers can claim warranty for selected products purchased from our outlets and Mothercare online store • Our staff will conduct a check on the damaged product to determine the cause and we will either replace the damaged product or return the product to our supplier for repair

Distribution segment

Merchandising and purchase orders

- Our distribution merchandising team places purchase orders on an as-needed basis, based on sales target, sales performance, product mix and inventory level at our warehouse based on reports generated by Kingdee[(4)]

↓

Receipt and storage of products at our warehouse

- Immediately upon delivery of the products by our suppliers, our warehouse team will store the products in our warehouse
- The products will be stored at the respective shelves categorised by product brand

↓

Receipt of orders from our customers

- Customers will place their orders with our distribution team according to the type of products and quantity required
- For consignments, our distribution sales team will place orders according to the type of products and quantity required for new stocks as well as replenishment of stocks

↓

Packing of products for delivery

- Upon receipt of orders from our customers or our sales team, a pick list will be forwarded to our warehouse
- Our warehouse team will pack the products according to the pick list provided, and prepare the products for delivery to our customers

↓

Delivery to our customers

- The products will be delivered to our customers by our in-house logistics team (for customers located in the Klang Valley) or outsourced logistics service providers (for customers located outside the Klang Valley)

↓

Receipt of products by our customers

- Upon receipt of the products, our customers are required to acknowledge receipt by signing off on the delivery order
- Deliveries within Klang Valley are carried out by our in-house logistics team, whilst deliveries outside Klang Valley are carried out by outsourced logistics service providers
- For consignments, the sales personnel at our consignment counters will acknowledge receipt by signing off the consignment note upon the receipt of products

↓

Warranty claims (where applicable)

- Subject to the terms and conditions set out in our warranty claim policy, our customers can claim warranty for selected products purchased from us
- Our staff will conduct a check on the damaged product to determine the cause and we will either replace the damaged product or return the product to our supplier for repair
- If the damage to the product is due to manufacturer defect, we will replace the damaged product with a new product to the customer

Notes:-

(1) Tech-Trans is a retail management system used at our headquarters and Mothercare outlets.

(2) Warehouse Management System is used by KHJ in our warehouse for inventory management.

(3) Magento is an e-commerce platform that hosts our Mothercare website and online store.

(4) Kingdee is an enterprise resource planning system.

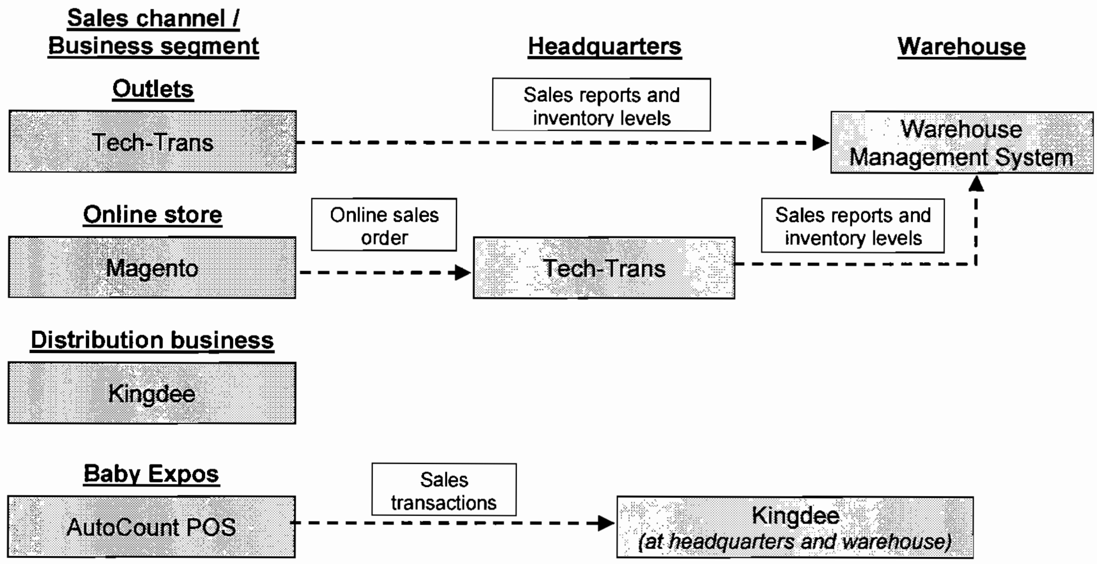
6.7 Technology used

We utilise the following third-party software for our business operations in our headquarters and outlets:-

Software and type of technology	Description
Magento	Magento is an e-commerce platform that hosts our Mothercare website and online store
Tech-Trans (Retail management system)	Tech-Trans is a retail management system used at our headquarters and Mothercare outlets:- • At our headquarters, Tech-Trans is used to generate reports for sales performance and inventory levels • At our Mothercare outlets, Tech-Trans is used to perform transactions including sales, exchanges and returns. Tech-Trans is also used to record payment amounts and method of payment, monitor cash and inventory levels, generate sales reports and record information on our loyalty programme members
Warehouse Management System	This warehouse management system is used by KHJ in our warehouse to manage inventory levels, track stock locations and manage tasks and resources
Kingdee K/3 ("**Kingdee**") (Enterprise resource planning ("**ERP**") system)	Kingdee is an ERP system used by Global Product for the distribution segment. It is used for the purposes of supply chain procurement process, costing, inventory control and monitoring inventory levels, supply chain sales management, financial reporting and financial consolidation
AutoCount point-of-sales ("**POS**")	AutoCount POS is an offline POS used by Global Product offsite (e.g. Baby Expos) which records information on sales transaction, payment amounts and method of payment and generates sales reports

Our IT system is also safeguarded by a firewall and antivirus system.

Our usage of the abovementioned systems as well as the relevant data transmissions between departments are set out below:-



Key:-

Data transmission.

Global Product's online sales channel, NotTooBig, is hosted on Lazada, where the sale transactions of NotTooBig are managed through Lazada's own internal IT system. However, the tracking of inventory for NotTooBig is managed through our distribution IT system, Kingdee.

As both IT systems are not integrated, our IT systems for our retail and distribution businesses are operated independently and separately from each other.

6.8 Our business segments and markets

(i) Revenue by business segments

The breakdown of our revenue by business segments is as follows:-

Business segments	FYE 31 December							
	2015		2016		2017		2018	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Retail	66,264	86.02	72,692	85.66	80,258	86.01	80,254	82.15
Distribution	10,767	13.98	12,166	14.34	13,052	13.99	17,433	17.85
Total revenue	**77,031**	**100.00**	**84,858**	**100.00**	**93,310**	**100.00**	**97,687**	**100.00**

We primarily generate revenue from our retail segment, from the sales of products at our Mothercare outlets and ELC SIS, Mothercare online store, Baby Expos and online sales channels. Our retail segment has generated approximately 86.02%, 85.66%, 86.01% and 82.15% to our total revenue for the past 4 FYEs 31 December 2015, 2016, 2017 and 2018.

(ii) Revenue by geographical location

The breakdown of our revenue by geographical location is as follows:-

Region	FYE 31 December							
	2015		2016		2017		2018	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia								
Klang Valley	66,210	85.95	69,423	81.81	74,261	79.59	75,094	76.87
Northern Region	3,974	5.16	4,535	5.34	4,553	4.88	5,049	5.17
Southern Region	1,085	1.41	2,461	2.90	5,996	6.43	7,131	7.30
East Malaysia	5,482	7.12	7,738	9.12	7,534	8.07	8,005	8.19
East Coast	199	0.26	276	0.33	369	0.39	702	0.72
	76,950	**99.90**	**84,433**	**99.50**	**92,713**	**99.36**	**95,981**	**98.25**
Overseas	**81**	**0.10**	**425**	**0.50**	**597**	**0.64**	**1,706**	**1.75**
Total	**77,031**	**100.00**	**84,858**	**100.00**	**93,310**	**100.00**	**97,687**	**100.00**

Our principal market is in Malaysia, whilst our revenue is primarily generated in the Klang Valley.

Please refer to **Section 11.3.2** of this Prospectus for further details on the segmental analysis of our revenue for the financial years under review.

6.9 Cash management

We have an internal cash management policy to prevent mishandling of funds. Our cash management policy is designed to standardise practices with respect to cash handling and cash deposits to prevent possibilities of cash mismanagement and fraud.

Our cash management policy outlines the responsibilities of our staff, including:-

(a) to receive, deposit and/or disburse cash;

(b) to reconcile cash and equivalents with the daily sales transactions;

(c) to ensure cash and equivalents are handled in a safe manner; and

(d) to ensure cash is deposited in the designated bank account on a daily basis save for non-banking days. For some of our Mothercare outlets that are not situated in close proximity to the nearest branches of our designated bank, these stores are to deposit the cash on specified days of the week.

In the event of fraud, mismanagement or mishandling of cash, we will take appropriate action such as conducting internal inquiries, taking disciplinary actions or reporting such incidences to the police, when required.

6.10 Security and loss prevention

Our headquarters, outlets and warehouses may be affected by pilferage, shoplifting and theft.

To minimise these risks at our outlets, we maintain strict security procedures, which includes random outlet spot checks by our headquarters staff, routine checks on shop display units and maintaining minimal cash in the cash tills. In addition, we have installed CCTVs at all of our outlets. Most of our outlets are also equipped with anti-theft systems (such as sensor tags and security labels on our products) to further monitor any incidences of pilferage, shoplifting and theft.

Our headquarters and warehouses are patrolled by third-party security service provider and monitored by CCTVs. We also undertake regular cycle count and total stock taking process.

The above measures allow us to investigate, trace and resolve any incidences of pilferage, shoplifting and theft.

6.11 Insurance

We have purchased insurance policies to cover a variety of risks that are relevant to our business needs and operations and customary in our industry, such as fire, burglary, money in transit, public liability and product liability insurance for our operations. These insurance policies have specifications and insured limits that we believe are appropriate taking into consideration our risk levels and exposure to such loss, the cost of such insurance, applicable regulatory requirements and the prevailing industry practice in Malaysia.

6.12 Sales and marketing activities

Our sales and marketing activities are as follows:-

(i) Network of outlets

We have a network of 17 Mothercare outlets and 11 ELC SIS located in shopping malls throughout Malaysia, as set out in **Section 6.3.1** of this Prospectus. Our network of outlets enhances the visibility and awareness of our Mothercare and ELC brands which we believe will continue to grow as our reach expands.

(ii) Customer loyalty programme

We offer a customer loyalty programme under the name of ViP Parenting Club. Customers who have a cumulative minimum spending of RM400 in store or online over a period of 3 months will be entitled to sign-up for our customer loyalty programme and will be entitled to member-exclusive discounts for purchases. The membership under our customer loyalty programme is valid for 3 years and will be automatically renewed with accumulated spending of RM1,000 or more within the membership period.

(iii) Mothercare online store and social media platforms

We have established our online presence with our Mothercare online store at *www.mothercare.com.my* which provides immediate searchable information on details of our products. Customers are able to purchase our products through our Mothercare online store for delivery within Malaysia.

We also announce our current promotions and campaigns on our Mothercare online store and social media platforms such as Facebook and Instagram.

The current widespread use of internet as a source of information enables us to cross geographical borders and facilitate access from any part of Malaysia, enhancing our potential market reach and exposure beyond the locations of our existing Mothercare outlets and ELC SIS.

(iv) Print and digital advertising

We place advertisements on print media such as magazines and flyers to advertise new products, current promotions and campaigns. We also send e-mail newsletters containing information on our latest promotions and information on new brands and new products to our customer loyalty programme members and online registered customers.

(v) Baby Expos

We regularly participate in Baby Expos to showcase our product offerings and to increase our brand awareness.

6.13 Seasonality

We may experience seasonal increase in our sales during our sale periods which are carried out 4 to 5 times a year, being the Super Sale, Anniversary Sale, Mid-Year Mega Sale, Merdeka Sale and Year End Sale. We may also experience higher sales when the festive celebrations such as Chinese New Year, Hari Raya and Christmas celebrations coincide with our sale periods.

6. BUSINESS OVERVIEW (cont'd)

6.14 Employees

As at the LPD, we employ 249 permanent employees (which includes 1 contract employee). Permanent employees generally include key management, headquarters and administrative staff, contract executive and outlet staff.

The following depicts the breakdown of our permanent employees in our Group as at the LPD:-

Department	As at the LPD
	Permanent employees
Management	8
Finance	12
IT	3
Human Resources	3
Administration	2
Marketing	7
Warehouse	50
Retail	8
E-commerce	3
Retail Merchandising	6
Distribution	15
Mothercare outlets:-	
Klang Valley	100
Northern Region	7
Southern Region	11
East Malaysia	14
Total	**249**

In addition, our Group regularly employs part-time employees on an as-needed basis. For the most recent FYE 31 December 2018, we employed:-

(a) a monthly average of 6 part-time employees for our headquarters and retail outlets;

(b) a monthly average of 2 part-time employees for our distribution business; and

(c) an average of 18 part-time employees for each Baby Expo we participated in.

None of our employees belong to any union and there has been no industrial dispute pertaining to our employees.

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6.15 Major customers

We do not have any major customers for our retail business as we sell our products to general consumers who visit our outlets and online sales channels.

Our top 5 customers by revenue (comprising customers of our distribution business) for the financial years under review, are as follows:-

Customers	Description	FYE 31 December								Length of business relationship (years)
		2015		2016		2017		2018		
		(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	
Manjaku Baby Centre Sdn Bhd	Specialty store and online store	894	1.16	1,317	1.55	1,196	1.28	1,198	1.23	8
Tesco Stores (M) Sdn Bhd	Hypermarket	632	0.82	610	0.72	824	0.88	1,065	1.09	11
Global Outsource	Distributor	*	*	*	*	*	*	1,037	1.06	11
Able Potential Sdn Bhd	Online store	*	*	*	*	458	0.49	961	0.98	5
AEON Co. (M) Bhd	Department store	*	*	*	*	641	0.69	830	0.85	6
Sogo (KL) Department Store Sdn Bhd	Department store	473	0.61	491	0.58	411	0.44	*	*	7
Little Baby Marketing	Specialty store	409	0.53	483	0.57	*	*	*	*	6
Twins Baby (KL) Sdn Bhd	Specialty store and online store	380	0.49	490	0.58	*	*	*	*	8
Total		**2,788**	**3.61**	**3,391**	**4.00**	**3,530**	**3.78**	**5,091**	**5.21**	
Total revenue of our Group		**77,031**	**100.00**	**84,858**	**100.00**	**93,310**	**100.00**	**97,687**	**100.00**	

Note:-

* *Not applicable as the customer was not a top 5 customer for the respective FYE.*

The customers of our distribution business comprise specialty stores, department stores, hypermarkets, online stores and other distributors, who purchase Home & Travel products from us. All sales to our customers are carried out in the following manner:-

(i) outright sales to our customers on purchase order basis; and

(ii) consignment basis, mainly to department stores (i.e. AEON Co. (M) Bhd and Sogo (KL) Department Store Sdn Bhd).

None of our top 5 customers contributed more than 2.00% to our Group's revenue for the financial years under review. As such, we are not dependent on any customer.

6.16 Major suppliers

Our top 5 suppliers by total purchases for the past financial years under review are as follows:-

Suppliers	Description	Categories of products supplied	FYE 31 December 2015 (RM'000)	2015 (%)	2016 (RM'000)	2016 (%)	2017 (RM'000)	2017 (%)	2018 (RM'000)	2018 (%)	Length of business relationship (years)
Mothercare UK	Franchisor and retailer	Clothing, Home & Travel and Toys	17,121	45.09	22,508	49.59	16,935	38.29	22,480	42.80	33
Product Marketing Mayborn	Brand owner	Home & Travel	8,799	23.17	6,066	13.37	6,781	15.33	8,611	16.39	11
Global Outsource	Distributor	Clothing, Home & Travel and Toys	*	*	*	*	*	*	2,333	4.44	10
ELC UK/ TEAL Brands Limited[(1)]	Franchisor and retailer	Toys	1,814	4.78	1,411	3.11	1,432	3.24	1,621	3.09	9
Jiangsu Little Dinosaur Childrens Products Group Co., Ltd	Manufacturer	Home & Travel	*	*	*	*	*	*	1,453	2.77	3
Perroquet Bleu Corporation	Brand owner and retailer	Clothing	1,238	3.26	743	1.64	663	1.50	*	*	9
B&G Baby & Maternity Distribution (M) Sdn Bhd	Distributor	Home & Travel and Toys	*	*	*	*	853	1.93	*	*	6
Stokke Hong Kong Limited	Distributor and retailer	Home & Travel	746	1.96	894	1.97	*	*	*	*	7
Total			**29,718**	**78.26**	**31,622**	**69.68**	**26,664**	**60.29**	**36,498**	**69.49**	
Total purchases of our Group			**37,970**	**100.00**	**45,384**	**100.00**	**44,224**	**100.00**	**52,528**	**100.00**	

6. BUSINESS OVERVIEW (cont'd)

Notes:-

* *Not applicable as the supplier was not a top 5 supplier for the respective FYE.*

(1) *Before the ELC Disposal, ELC products were purchased from ELC UK. Following the ELC Disposal and effective from 13 May 2019, we purchase ELC products from TEAL Brands Limited.*

As we operate as a franchisee of Mothercare UK and ELC UK (a subsidiary within the Mothercare plc group of companies), we are dependent on our franchisors for the supply of products for our Mothercare outlets and ELC SIS in accordance with our Development Agreements set out in **Section 6.19** of this Prospectus. Pursuant to the ELC Disposal and effective from 13 May 2019 onwards, we purchase ELC products from TEAL Brands Limited, and as such are dependent on TEAL Brands Limited for our supply of ELC products.

Our total purchases from Mothercare UK and ELC UK, which are denominated in GBP, accounted for 49.87%, 52.70%, 41.53% and 45.89% of our Group's total purchases for the FYEs 31 December 2015, 2016, 2017 and 2018, respectively. Although we have been operating the Mothercare franchise for more than 32 years, there can be no assurance that we will be able to renew the Development Agreements and continue to rely on Mothercare UK for product support. In addition, although we have been operating the ELC franchise for more than 8 years, there is no assurance that our supply of products will not be affected by the change in ownership of the ELC brand from ELC UK to TEAL Brands Limited.

We are also dependent on Product Marketing Mayborn for our supply of Tommee Tippee brand products, whereby we have been authorised to be the sole distributor to sell Tommee Tippee products in Malaysia, for a term of 5 years from 1 January 2015 to 31 December 2019. Under the arrangement with Product Marketing Mayborn, we were also required to purchase an agreed minimum value of Tommee Tippee products throughout the term of our distributorship. Our purchases from Product Marketing Mayborn, which are denominated in USD, accounted for 23.17%, 13.37%, 15.33% and 16.39% of our Group's total purchases for the FYEs 31 December 2015, 2016, 2017 and 2018, respectively. Whilst we have maintained a good working relationship with Product Marketing Mayborn, which spans over 11 years, we cannot guarantee that we will be able to maintain our good working relationship in the future. This may potentially affect our supply of products and thus our sales and financial performance.

Further, we purchase Gingersnaps brand products, comprising of baby, children and maternity Clothing, from Perroquet Bleu Corporation ("**Perroquet**"). Our purchases from Perroquet are made through Global Retail, and the products were sold through our Gingersnaps outlets. However, as we had downscaled the operations of our Gingersnaps outlets, the value of our purchases from Perroquet have been on a decreasing trend during the financial years under review. Further, we have since ceased the operations of our Gingersnaps outlets and solely sell Gingersnaps products at our Suria KLCC and Mid Valley Mothercare outlets. As such, we are not dependent on Perroquet as at the LPD.

Save for Mothercare UK, ELC UK/TEAL Brands Limited and Product Marketing Mayborn, we are not dependent on any of our suppliers. In addition, in view that we are required to obtain consent from our franchisors for the sale of third-party branded products in our retail outlets, and accordingly, the purchase of these products from third-party suppliers would depend on us obtaining the consents from Mothercare UK and ELC UK/TEAL Brands Limited. In the past, we have not encountered any difficulties in obtaining consent from Mothercare UK and ELC UK for the sale of third-party branded products in our retail outlets. Further, in respect of our ELC business following the ELC Disposal to TEAL Brands Limited, we do not foresee any difficulties in obtaining consent from TEAL Brands Limited for the sale of third-party branded products in our ELC SIS.

6. BUSINESS OVERVIEW (cont'd)

Notwithstanding the above, our suppliers of third party branded products are also, to a certain extent, dependent on us for the sale of their products at our retail outlets and through our distribution networks given that we are the exclusive operator of Mothercare outlets and ELC SIS as well as our strong distribution network.

6.17 Major licenses and permits

Our Group's business activities and operations are subject to various governmental laws and regulations. The relevant laws and regulations governing our Group and which are material to our operations are summarised below. The following does not purport to be an exhaustive description of all the relevant laws and regulations of which our business is subject to.

(i) Franchise registration for our franchise business

As at the LPD, we have obtained the following franchise registration:-

Company	Description of licence / approval	Approving authority	Permit / Licence / Registration No.	Issue date / Expiry date	Salient conditions	Status of compliance
KHJ	Registration as a franchisee of foreign franchisor pursuant to Section 6A of the Franchise Act 1998 for Mothercare brand	Ministry of Domestic Trade, Co-Operatives and Consumerism ("**MDTCC**")	KPUn.FV20/171/1/109	<u>Issue date:-</u> 7 November 2000 <u>Expiry date:-</u> Valid until the Registrar of Franchise provides a written notice stating that it has suspended, terminated or prohibited the sale or the registration of this franchise pursuant to the Franchise Act 1998	• The registration shall continue to be in force unless the Registrar of Franchise issues an order in writing to suspend, terminate, restrict or refuse the sale or registration of the franchise under the Franchise Act 1998 • Any amendments to the disclosure documents shall be filed with the Registrar of Franchise • An annual report is to be submitted to the Registrar of Franchise within 30 days of the anniversary date of the registration file	Complied

6. BUSINESS OVERVIEW (cont'd)

Company	Description of licence / approval	Approving authority	Permit / Licence / Registration No.	Issue date / Expiry date	Salient conditions	Status of compliance
KHJ	Registration as a franchisee of foreign franchisor pursuant to Section 6A of the Franchise Act 1998 for ELC brand	MDTCC	KPDN.BPF/EARLY LEARNING CENTRE.	Issue date:- 3 January 2019 Expiry date:- Valid until the Registrar of Franchise provides a written notice stating that it has suspended, terminated or prohibited the sale or the registration of this franchise pursuant to the Franchise Act 1998	• The franchisee is required to comply with all applicable acts, regulations and guidelines relating to the franchise business • The registration shall continue to be in force unless the Registrar of Franchise issues an order in writing to suspend, terminate, restrict or refuse the sale or registration of the franchise under the Franchise Act 1998	Complied

Although we began operating the ELC business in 2010, we had only submitted our application for the registration as a franchisee for the ELC brand on 16 October 2018 (""**ELC Registration**"). We had not previously undertaken the ELC Registration due to an oversight by the management. The Franchise Act 1998 does not contain any provision on penalties or fine for late registration of franchisee of foreign franchisor.

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(ii) Business premise and/or advertisement licence for our headquarters, warehouses and outlets

We are required to obtain the business premise and advertisement licence from the relevant local councils and authorities in accordance with the Local Government Act 1976 (for our headquarters, warehouses and outlets in Peninsular Malaysia), Local Authorities Ordinance 1996 (for outlets in Sarawak), Trade Licensing Ordinance 1949 (for outlets in Sabah) and the relevant by-laws and regulations.

In Peninsular Malaysia, most local or district councils have (Licensing of) Trades, Businesses and Industries Bye-Laws which stipulate, among others, that no person shall carry on any trade, business or industry in any place or premise within the respective district council unless he is licensed. Each set of by-laws applies within the boundaries of each local or district council.

The majority of our business premise and advertisement licences obtained for our outlets contain a condition that such licence shall be displayed at the licensed premise, which we have complied with. Pursuant to subsection 107(6) of the Local Government Act 1976, any person who fails to exhibit or produce his licences on the premises shall be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding 6 months or to both.

Further, as a general penalty, the Local Government Act provides that a local authority may, by by-law, rule or regulation prescribe for the breach of any by-law, rule or regulation, a fine not exceeding RM2,000 or a term of imprisonment not exceeding 1 year or to both and in the case of a continuing offence a sum not exceeding RM200 for each day during which such offence is continued after conviction. In Sarawak, the Local Authorities Ordinance 1996 of Sarawak provides for an absolute fine of RM2,000 on those who are found guilty of such offence. In Sabah, the Trades Licensing Ordinance 1949 of Sabah provides that persons who carry on any business without a valid licence will be liable for a fine of four times the amount of the licence fee and a further fine of RM10 for each day or part of a day during which the contravention continues.

As at the date of this Prospectus, the business premise licence for our warehouse located at Lot 5205B is in the process of being renewed following our application for renewal with the relevant local council which was made on 7 December 2018. Save as disclosed above, our Group has obtained the respective business premise and/or advertisement licence issued by the relevant local council for our headquarters, warehouses and our Mothercare outlets and ELC SIS.

(iii) Certificate of conformance for our Toys under the toys safety standard regulations

Our baby and children toys are generally subject to the safety standards as prescribed under the Consumer Protection (Safety Standards for Toys) Regulations 2009. For the purpose of these regulations, toys generally mean any goods designed or intended for use in play by children less than 14 years of age subject to certain exceptions.

Pursuant to the Consumer Protection (Certificate and Conformity Mark of Safety Standards) Regulations 2010, we as the suppliers, distributors or retailers of baby and children toys are required to amongst others declare that our toys have been tested by an accredited laboratory and is compliant with the prescribed safety standards, as well as mark or affix our toys with the prescribed conformity marks, which we have complied with.

Failure to comply with these regulations is deemed to be a failure to comply with the safety standards under the Consumer Protection Act 1999 ("**Consumer Protection Act**"). As a general penalty, any person who is convicted of an offence under the Consumer Protection Act shall be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 3 years, and any body corporate who is convicted of an offence shall be liable to a fine not exceeding RM100,000, and for a second or subsequent offence with a fine not exceeding RM200,000. Any person who or body corporate which is convicted of an offence under the Consumer Protection Act shall in the case of a continuing offence, in addition to any fine provided, be liable to a fine not exceeding RM1,000 for each day or part of a day during which the offence continues after conviction.

As at the LPD, all our Toys are complied with the prescribed safety standards and marked with the prescribed conformity marks.

(iv) Notification notes for our products under the Control of Drug and Cosmetic Regulations

Some of our products such as baby wipes and toiletries fall within the definition of "cosmetics" under the Control of Drug and Cosmetic Regulations 1984 ("**CDCR**"). "Cosmetic" is defined under the CDCR to mean any substance or preparation intended to be placed in contact with the various external parts of the human body (including epidermis, hair system, nails, lips and external genital organs) or with the teeth and the mucous membranes of the oral cavity with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance or correcting body odours, protecting them or keeping them in good condition.

Pursuant to the CDCR, no person shall, inter alia, manufacture, sell, supply, import, possess or administer any cosmetic unless (a) the cosmetic is a notified cosmetic, that is a cosmetic as specified in the notification note issued by the Director of Pharmaceutical Services, in the manner as he deems fit or (b) such person is the person responsible for placing the notified cosmetic in the market or a person authorised in accordance with the notification which is issued by the Director of Pharmaceutical Services.

Further, the person responsible for placing the notified cosmetic in the market or the authorised person shall, inter alia, comply with any directives or guidelines issued and any conditions imposed by the Director of Pharmaceutical Services. Where any notified cosmetic is found to have contravened or reasonably suspected to have contravened any provision of these Regulations, the Director of Pharmaceutical Services may, by directive in writing, order the person responsible for placing the notified cosmetic in the market or the authorised person, to recall, remove, or withdraw the notified cosmetic from any premises within such time as may be specified in the directive.

Any person who contravenes any of the provisions of the CDCR commits an offence. As a general penalty, any body corporate shall be liable on conviction to a fine not exceeding RM50,000 and for a second or subsequent offence shall be liable to a fine not exceeding RM100,000.

As at the LPD, we have a total of 73 products which are notified cosmetic under the CDCR.

(v) Certificate of Approval for our products under the Electricity Regulations

Some of our products such as steam steriliser and bottle heater are equipment falling within the ambit of the Electricity Regulations 1994 ("**Electricity Regulations**").

Pursuant to the Electricity Regulations, no person shall manufacture, import, display, sell or advertise any domestic equipment, any low voltage equipment which is usually sold directly to the general public, or any low voltage equipment which does not require special skills in its operation, unless the equipment is approved by the Energy Commission. "low voltage" means a voltage normally exceeding extra low voltage but not exceeding 1,000 volts alternating current or 1,500 volts direct current between conductors, or 600 volts alternating current or 900 volts direct current between conductor and earth.

Where an equipment has been approved for manufacture, import, display, sale or advertisement by the Energy Commission, the person to whom a Certificate of Approval been issued may be required to mark or label the equipment and he shall do so in the manner to be determined by the Energy Commission.

The Energy Commission may cancel a Certificate of Approval issued in respect of any approved equipment if amongst others the person has contravened or failed to comply with any of the provisions of the Electricity Supply Act 1990 or the Electricity Regulations. Further, as a general penalty, any person who is convicted of an offence under the Electricity Regulation shall be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding one year or both.

As at the LPD, we have been issued with 9 Certificates of Approval which approved our products that fall within the ambit of the Electricity Regulations, for manufacture, import, display, sale or advertisement by us in Malaysia.

6.18 Licenses, patents, trademarks, brand names, technical assistance agreements, franchises and other intellectual property rights

The Development Agreements and Operational Agreements grant us the right to use trademarks, brand names and logos, marketing designs and internet domain names associated with Mothercare and ELC products that our franchisors may vary and make available to us from time to time.

Our franchisors have registered various intellectual property rights with the Intellectual Property Corporation of Malaysia and granted us, through the Development Agreements and Operational Agreements, the licence to use the registered intellectual property.

Save as disclosed above, our Group is not dependent on any other trademarks registrations and intellectual property rights for our business. Please refer to **Section 6.19** of this Prospectus for further information on the Development Agreements and Operational Agreements.

6.19 Dependency on contracts, agreements, documents or other arrangements

We are highly dependent on the Development Agreements and the Operational Agreements.

On 12 March 2019, Mothercare plc, the holding company of Mothercare UK, had announced the sale of the business and certain assets of ELC UK to TEAL Brands Limited, a subsidiary of TEAL Group, for GBP13.5 million. Based on the press releases of Mothercare plc, the proceeds from the sale of the ELC will be utilised to reduce the bank borrowings of Mothercare plc. This sale is part of Mothercare plc's ongoing strategic transformation plan to reduce its net debts and to be bank debt free by the end of 2019. This transaction was completed on 22 March 2019.

Pursuant to the above, Mothercare plc and TEAL Group have both assured our management that we will retain our rights to sell ELC products and operate ELC franchise in Malaysia, in a similar manner as described under the ELC Development Agreement and Operational Agreements, and there would be no requirements for the ELC SIS to be relocated or closed down.

In addition, our Mothercare retail business is not affected by the ELC Disposal as there is no change to our Mothercare business, or our obligations under the Mothercare Development Agreement and Operational Agreements.

6.19.1 Development Agreements

The salient terms of the Development Agreements are summarised below.

<u>Development rights and terms</u>

(a) Pursuant to the Mothercare Development Agreement, our Company has an exclusive right to develop a minimum of 14 outlets using the trade name of "Mothercare" in accordance with the development schedule as agreed with Mothercare UK. As at the LPD, we operate 17 Mothercare outlets in Malaysia, in compliance with the development schedule.

In connection with this, Mothercare UK has also granted our Company the right to sell baby and children product including clothing, equipment and accessories bearing "Mothercare" trademark in Malaysia.

Our development right in relation to "Mothercare" outlets is valid for a period of 10 years commencing from the date of the Mothercare Development Agreement, 2 August 2011 and expiring on 1 August 2021.

(b) Pursuant to the ELC Development Agreement, our Company has an exclusive right to develop a minimum of 7 outlets in Malaysia using the trade name "ELC" in accordance with the development schedule as agreed with ELC UK. As at the LPD, we operate 11 ELC SIS in Malaysia, in compliance with the development schedule.

In connection with this, ELC UK has also granted our Company the right to sell baby and children toys bearing "ELC" trademark in Malaysia.

Our development right in relation to "ELC" outlets is valid for a period of 10 years commencing from the date of the ELC Development Agreement, 20 September 2010 and expiring on 19 September 2020.

The development rights granted by the Development Agreements are personal to our Company who has no right to assign the Development Agreements or any of the rights granted by the Development Agreements and shall not have the right to grant any sub-franchise.

Renewal right

The Development Agreements are silent on our right to renew. However, the provisions of the Development Agreements, other than those relating to the abovementioned development rights, shall continue for so long as there is an Operational Agreement remaining in force.

Management services fees

We are required to pay our franchisors the management services fee calculated based on an agreed percentage rate of the gross sales of products at our Mothercare outlets and ELC SIS upon receipt of invoice from our franchisors. The management services fee paid to the franchisors ranges from 4.5% to 7.0% depending on the products. However, we also receive rebates from the franchisors for new outlet openings. Following the ELC Disposal, both Mothercare plc and TEAL Group have informed our management that all management services fees in respect of sales of ELC products at our ELC SIS from 22 March 2019 onwards will be payable to TEAL Brands Limited and there will not be an increase of management service fees payable to TEAL Brands Limited.

We are required to pay the management services fee in GBP.

Franchisee's obligations

As a franchisee, we are obliged to, amongst others:-

(a) comply with the development schedule or any variation to the development schedule as may be agreed between both parties;

(b) appoint and ensure that at all times during the subsistence of the Development Agreements, there is a general manager responsible for general management and store operations. The general manager shall be person reasonably acceptable to the franchisor and who passes the training course as referred to in the Development Agreements;

(c) appoint and ensure that at all times during the subsistence of the Development Agreements, there are 3 appointed senior executives, each responsible for buying, visual and product merchandising and property acquisition, and work together with the general manager. The senior executives shall be persons reasonably acceptable to the franchisor and who passes the training course as referred to in the Development Agreements;

(d) use its best endeavours to establish, maintain and increase the turnover of the franchise business, Mothercare outlets and ELC SIS;

(e) ensure that all obligations under the Operational Agreements are promptly discharged;

(f) ensure that only range of products bearing Mothercare and ELC trademarks or in the case of products not bearing Mothercare and ELC trademarks, approved by the franchisor, are sold in Mothercare outlets and ELC SIS ("**Approved Products**"). We should not sell any products similar to or which compete with Mothercare and ELC products. We are to obtain our supply of products bearing Mothercare and ELC trademarks exclusively from our franchisors;

(g) purchase from the franchisor such quantities and ranges of the Approved Products as deem required to meet the demand from consumers in our outlets;

(h) keep the franchisor fully indemnified against all claims, demands, damages costs and expenses (i) resulting from any breach by us as the franchisee of any terms of the Development Agreements and/or any Operational Agreement and (ii) arising from our conduct of the franchise business and operation of the Mothercare outlets and ELC SIS;

(i) maintain full insurance cover against all risks which are appropriate and customary for our franchise business;

(j) provide statement of gross revenue, sales reports, sales budget and buying plan at such agreed frequency and periodic basis; and

(k) spend an agreed percentage of 2% of the aggregate gross revenue of our Mothercare outlets and ELC SIS for promotion and advertising purposes.

Restriction on carrying on similar or competing business

During the term of the Development Agreements and for a period of 12 months after the termination or expiry of the Development Agreements, we are not to be directly or indirectly interested or concerned in any business which competes with the Mothercare and ELC business, unless we have amongst others obtained prior written consent of the franchisor.

Our right to sell our retail business

We have the right to sell our retail business with the prior written consent of our franchisor provided that the retail business remains subject to the terms of the relevant Operational Agreements, after the sale.

We are required to furnish a copy of the written offer received from a prospective purchaser of our retail business, which we propose to accept, to our franchisor as soon as possible. Our franchisor will have the option to purchase our retail business for the same purchase consideration and upon the same terms of the offer made by the prospective purchaser, within 30 days upon receipt of our written notice. If our franchisor does not exercise the option to purchase, we are entitled to proceed with the sale of our business upon the same terms as notified to the franchisor or on terms which are no more favourable to the third-party purchaser.

Assignment by franchisor

Mothercare UK or ELC UK may assign the benefit and burden of the Development Agreements (without the consents of the franchisee) to a new assignee following an internal reorganisation or sale of a substantial part of the franchisor's business. This assignment is subject to the assignee entering into a direct covenant with our Company as the existing franchisee and the assignee is required to thereafter observe and perform all the obligations of the franchisors as set out in the Development Agreements.

As at the LPD, we have also requested for and are presently awaiting for the requested documentation of the direct covenant between our Company, ELC UK and TEAL Brands Limited in relation to our ELC Development Agreement, which is in the midst of being finalised and signed by ELC UK and TEAL Brands Limited.

Termination

Each franchisor has the right to terminate the respective Development Agreements in any of the prescribed termination events, including:-

(a) we neglect or fail to perform or observe any of the terms of the Development Agreements and fail to remedy such breach or default to the satisfaction of the franchisor within 30 days from the written notice by the franchisor provided that we are not entitled to any grace period to remedy such default or breach for any persistent default or breach. A persistent default or breach means breach of the same terms for more than twice in any period of one year; or

(b) the franchisor terminates more than 2 Operational Agreements; or

(c) we commit an act of bankruptcy, become insolvent or make a proposal to our creditors, or if a petition of bankruptcy or liquidation is filed against us, or if a receiving order is made against us; or

(d) we assign or purport to assign the Development Agreements or any of the rights granted by the Development Agreements otherwise than in accordance with the terms of the Development Agreements.

Upon termination of the Development Agreements, we are required to amongst others discontinue the use of the trade name, trademarks, signs, cards, notices or other display or advertising matter which are associated with the franchisor or of the Mothercare and ELC retail business. Our franchisors shall also have the option to purchase the assets of the Mothercare and ELC retail business.

6.19.2 Operational Agreements

The operation of each of our Mothercare outlets and ELC SIS are governed by individual Operational Agreement entered into between our Company and the franchisor. An Operational Agreement comprises a trading certificate and terms and conditions which are set out as Schedule 5 of the respective Development Agreements.

The salient terms of the Operational Agreements are summarised below.

Rights granted and terms

We have amongst others been granted with the right to use the trade name, trademarks, and other symbols owned by the franchisor in operating Mothercare outlets and ELC SIS. We should only carry out our franchise business from the premises described in the trading certificate.

An Operational Agreement is valid for a term of 7 years commencing from the date of the respective trading certificate, subject to our option to renew.

The terms of our existing Operational Agreements are set out below:-

	Period of Operational Agreement	
Location	**Mothercare outlet**	**ELC SIS**
Bangsar Shopping Centre	28 October 2016 to 27 October 2023	28 October 2016 to 27 October 2023
1 Utama Shopping Centre	2 December 2016 to 1 December 2023	-
Subang Parade	12 April 2013 to 11 April 2020	12 April 2013 to 11 April 2020
Suria KLCC	10 January 2018 to 9 January 2025	12 May 2018 to 11 May 2025

6. BUSINESS OVERVIEW (cont'd)

Location	Period of Operational Agreement	
	Mothercare outlet	ELC SIS
The Curve	5 March 2019 to 4 March 2026	1 December 2013 to 30 November 2020
Alamanda Putrajaya	8 April 2018 to 7 April 2025	-
Plaza Gurney	8 September 2014 to 7 September 2021	-
Pavilion Kuala Lumpur	20 January 2017 to 19 January 2024	-
Mid Valley	29 April 2016 to 28 April 2023	18 August 2017 to 17 August 2024
Setia City Mall	16 May 2019 to 15 May 2026	16 May 2019 to 15 May 2026
Suria Sabah	25 April 2014 to 24 April 2021	25 April 2014 to 24 April 2021
IOI City Mall	20 November 2014 to 19 November 2021	24 November 2014 to 23 November 2021
Atria Shopping Gallery	28 May 2015 to 27 May 2022	28 May 2015 to 27 May 2022
Vivacity Megamall	11 December 2015 to 10 December 2022	11 December 2015 to 10 December 2022
AEON Tebrau City Shopping Centre	16 December 2016 to 15 December 2023	16 December 2016 to 15 December 2023
Melawati Mall	26 July 2017 to 25 July 2024	-
Mid Valley Southkey Megamall	23 April 2019 to 22 April 2026	-

Right to renew

Our right to renew each Operational Agreement is subject to the condition that:-

(a) we have substantially observed and performed the terms of the Operational Agreement;

(b) we have no outstanding breach of the terms of the Operational Agreement; and

(c) the respective Development Agreement has not been terminated.

In addition, our right to renew an Operational Agreement is also subject to the franchisor's absolute discretion if at the time of renewal, the remaining term of the relevant Development Agreement is less than 12 months.

Franchisee's obligations

Our obligations as a franchisee under an Operational Agreement include:-

(a) using our best endeavours to maintain the highest standards in all matters connected with the Mothercare and ELC business and shall not sell anything other than the products lawfully bearing the trademarks of franchisor or approved by the franchisor pursuant to the Development Agreements and which form part of the range of products permitted or specified by the franchisor at the relevant time nor provide any service which does not conform with the standards associated with the trade name or of which the franchisor does not approve. We are also required to comply with all instructions given to us by the franchisor with regard to standard or quality of service and preparation of products for sale (including display, merchandising and packaging);

(b) using only signs, packaging, materials for or in connection with the display and sale of products at the premise which shall contain the trade name, trademarks or such other name as may be designated by the franchisor from time to time;

(c) operating the business in accordance under the name specified by the franchisor without any accompanying words or symbols of any nature (save as required by the provisions of the Operational Agreement) unless first approved in writing by the franchisor;

(d) carrying out alteration, erection or installation at the premises described in the trading certificate in accordance with plans, drawings and specifications approved by the franchisor;

(e) using only equipment, fixtures and fittings as approved in writing by the franchisor in the conduct of our franchise business;

(f) ensuring that the manager of the franchise business successfully complete the course of training provided by the franchisor in accordance with the training programme specified by the franchisor from time to time;

(g) if necessary, making arrangement to enable the franchisor to speak and/or write to customers about the service being provided to such customer by us; and

(h) complying with all statutory or other legal requirements and regulations of local municipal or other authorities which apply to our franchise business.

Restriction on carrying on similar or competing business

During the term of an Operational Agreement and for a period of 12 months after the termination of the Operational Agreement, we are not to be directly or indirectly interested or concerned in any business which competes with the Mothercare and ELC business within a radius of 10 kilometres from the premises as described in the trading certificate, unless we have amongst others obtained prior written consent of the franchisor.

Assignment by franchisor

Mothercare UK or ELC UK may assign the benefit and burden of the Operational Agreements (without the consents of the franchisee) to a new assignee following an internal reorganisation or sale of a substantial part of the franchisor's business. This assignment is subject to the assignee entering into a direct covenant with our Company as the existing franchisee and the assignee is required to thereafter observe and perform all the obligations of the franchisors as set out in the Operational Agreements.

As at the LPD, we have requested for and are presently awaiting for the requested documentation of the direct covenant between our Company, ELC UK and TEAL Brands Limited in relation to our Operational Agreements for ELC SIS, which is in the midst of being finalised and signed by ELC UK and TEAL Brands Limited.

Termination

The franchisor may by written notice terminate the Operational Agreement if amongst others:-

(a) we neglect or fail to perform or observe any of the terms of the Operational Agreement and fail to remedy such breach or default to the satisfaction of the franchisor within 30 days from the written notice by the franchisor provided that we are not entitled to any grace period to remedy such default or breach for any persistent default or breach. A persistent default or breach means breach of the same terms for more than twice in any period of one year; or

(b) we fail to keep the premise described in the trading certificate open for trading as a Mothercare outlet or ELC SIS, as the case may be, for a consecutive period of 3 business days; or

(c) there is an assignment or purported assignment of the Operational Agreement; or

(d) any of the termination events as stated in the Development Agreements have occurred.

Upon termination of the Operational Agreement, we are similarly required to amongst others discontinue the use of the trade name, trademarks, signs, cards, notices or other display or advertising matter which are associated with the franchisor or of the Mothercare and ELC retail business.

Both Development Agreements and the respective Operational Agreements are to be construed and enforced according to the laws of England save that the laws of Malaysia shall apply to the trademarks and any other industrial and intellectual property of the franchisor in Malaysia.

Save as disclosed above, there are no other material contracts or arrangements entered into by our Group which we are highly dependent on.

6.20 Operational standards

Our Group adopts the following operational standards for our outlets:-

(i) the continuous training of our employees to ensure operational efficiency, productivity throughout all stages of our operations, and in particular, level of customer service at our Mothercare outlets and ELC SIS;

(ii) standardisation and product display guidelines; and

(iii) uniform attire and name tags for our personnel to maintain a standard brand image.

6.21 Research and development

We do not conduct any research and development activities and we do not have any specific research and development policy.

6.22 Interruptions to business and operations

Save for our major refurbishments to our Mothercare outlet in Suria KLCC, which took 35 days, there has not been any material interruption to our business activities during the past 12 months as at the LPD.

6.23 Material properties, plant, machinery and equipment

6.23.1 Material properties owned by our Group

As at the LPD, we do not own any properties.

6.23.2 Material properties rented by our Group

A summary of the properties rented by our Group for our operations are set out below:-

(i) Outlets

We do not own the properties on which our retail outlets operate from. All of our retail outlets are rented from third parties and are located within shopping malls. We generally enter into tenancy agreements for a term of 3 years with an option to renew for a further term of 3 years.

The tenanted area for our existing 17 retail outlets range from 1,653 sq ft to 12,949 sq ft. The total rental paid for all our tenanted outlets in the FYE 31 December 2018 is approximately RM10.20 million. Please refer to **Section 6.3.1** of this Prospectus for further details on our Mothercare outlets and ELC SIS.

(ii) Our headquarters and warehouses

We do not own our headquarters and warehouses as these properties are rented from Cheng Yean (a related party), details of which are set out in the table below:-

Tenant	Landlord	Location / Postal address	Tenure/ Date of expiry of lease	Description/ existing use	Total built up area/ land area (sq ft)	Yearly rental (RM'000)
KHJ	Cheng Yean	Lot 5205C, Kawasan Perindustrian Balakong Jaya 2, Mukim Kajang, Daerah Hulu Langat, Selangor Darul Ehsan[(1)] **Postal address:-** Wisma Pang Cheng Yean Lot 5205C, Jalan Perindustrian Balakong Jaya 1/3, Kawasan Perindustrian Balakong Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan	3 years/ 1 July 2018 to 30 June 2021	3 storey detached office and 1 storey warehouse **Existing use:-** Headquarters and warehouse	31,937 / 48,029	600

Tenant	Landlord	Location / Postal address	Tenure/ Date of expiry of lease	Description/ existing use	Total built up area/ land area (sq ft)	Yearly rental (RM'000)
Global Product	Cheng Yean	Lot 5205B, Kawasan Perindustrian Balakong Jaya 2, Mukim Kajang, Daerah Hulu Langat, Selangor Darul Ehsan[(1)] **Postal address:-** Wisma Choo Peck Lian Lot 5205B, Jalan Perindustrian Balakong Jaya 1/3, Kawasan Perindustrian Balakong Jaya, 43300 Seri Kembangan Selangor Darul Ehsan	3 years/ 1 July 2018 to 30 June 2021	3 storey detached office and 1 storey warehouse **Existing use:-** Warehouse	31,205 / 44,186	600

Note:-

*(1) Due to the extensions done to a small section of the warehouses for rain shelter purposes, we have requested our landlord, Cheng Yean to update/revise the existing Certificate of Completion and Compliance ("**CCC**") dated 10 May 2012. The appointed architect had on 4 October 2018 submitted the revised building plans to Majlis Perbandaran Kajang for approval. The approval from the Fire and Rescue Department of Malaysia has been obtained for the revised building plans on 22 March 2019. Cheng Yean is currently waiting for issuance of the revised CCC from Majlis Perbandaran Kajang. The revised CCC is expected to be obtained by the 3rd quarter of 2019, failing which, we will request Cheng Yean to tear down the rain shelter extensions as it is not critical to our warehouse operations.*

As at the LPD, save as disclosed above, none of our tenanted properties are in breach of any law, rules and building regulations in relation to the use of the properties. Our Directors wish to highlight that, with respect to the land and buildings leased by our Group, there are no environmental issues that may materially affect our Group's operations and utilisation of the above properties.

6.23.3 Material vehicles and equipment

A summary of the material vehicles and equipment owned and used by us are set out below:-

Vehicles and equipment	No. of units	Function	Net book value as at 31 December 2018 (RM)
Lorries*	5	Transportation of products to our Mothercare outlets and ELC SIS, as well as customers of our distribution business which are located within the Klang Valley	24,450
Forklifts and reach trucks	4	Lifting and moving goods in our warehouses	- ^
Stackers	3	Lifting and moving goods by pallets within our warehouses	- ^

Notes:-

* *The average age of our lorries is approximately 7.8 years.*

^ *Fully depreciated.*

6.24 Competitive strengths

Our competitive strengths as set out below provide us with a platform for future growth.

Exclusive rights to sell Mothercare and ELC products in Malaysia and leverage on the Mothercare and ELC brand names

We have the exclusive rights to open and operate Mothercare and ELC outlets, in accordance with our Development Agreements with Mothercare UK and ELC UK whereby:-

(a) our Development Agreement with Mothercare UK which provides us with the exclusive rights to open and operate Mothercare outlets and sell Mothercare products in Malaysia, which is valid for a term of 10 years and will expire on 1 August 2021; and

(b) our Development Agreement with ELC UK which provides us with the exclusive rights to open and operate ELC outlets and sell ELC products in Malaysia, which is valid for a term of 10 years and will expire on 19 September 2020.

Mothercare UK is a well-established global retailer of Clothing, Home & Travel and Toys, catering to parents and young children with a long history dating back to 1961. ELC UK (a subsidiary within the Mothercare plc group of companies) has also built its presence since 1974 as a Toys retailer, catering to babies and young children. As at 24 March 2018, our franchisors' global presence spans across 48 countries, with 1,268 outlets located across the United Kingdom, Asia, Europe, Latin America and the Middle East for both Mothercare and ELC*.

*(*Source: Mothercare plc's annual report and accounts 2018 and Mothercare plc's website)*

As detailed in the Mothercare plc's latest financial results, the last 12 months have been challenging for Mothercare plc group as the revenue from its international and United Kingdom market had declined as compared to the previous corresponding financial period. However, as set out in the Mothercare plc Chief Executive Officer's statement below, Mothercare plc is now on a sounder financial footing following the completion of Mothercare plc's transformation plan, comprising refinancing, restructuring and reorganising exercises*.

"We have achieved a huge amount this year, refinancing, restructuring and reorganising Mothercare to ensure a sustainable future for the business. The majority of that work is now done, including the completion of our store closure programme, leaving us with 79 stores which are well positioned to support our United Kingdom customer base. We have also sold Early Learning Centre and our Head Office, and the proceeds have been used to greatly reduce our debt. Combined with a new approach to sourcing product and our organisational restructuring, we have a much reduced cost base. Whilst this major restructuring activity has resulted in significant headline losses for the year, the business is now on a sounder financial footing. The next phase of our strategic transformation plan is to develop Mothercare as a global brand, maximising the opportunities we see across many international markets. At the same time our primary focus in the United Kingdom will be the development of our online proposition, the introduction of enhanced credit options and more exclusivity in product, coupled with a reinforcement of our specialist and service credentials."

*(*Source: Mothercare plc's 2018/2019 preliminary results)*

Notwithstanding the above, Mothercare and ELC brands are globally-recognised brands synonymous with baby, children and maternity products and are commonly associated with choice, quality and safety. This has provided us with a strategic advantage over our competitors who do not have the same brand heritage and recognition, and thus has contributed to our long standing presence in the Malaysian retail market since 1987.

Established track record and experience in the retail and distribution of baby, children and maternity products

We have a proven track record as a retailer of baby, children and maternity products for the past 32 years. Our extensive experience and industry insight gained throughout the years have led to the successful growth of our retail business and has also enabled us to establish a strong distribution business covering most parts of Malaysia.

We have been strategic in securing our outlet locations in Malaysia, a majority of which are located in shopping malls with high foot traffic and convenient accessibility as set out in **Section 6.3.1** of this Prospectus. We have also focused on building customer relationships, by providing training and development programmes to equip our outlet staff with product knowledge and customer service skills. These factors coupled with our wide range of products have enabled us to build brand recognition and customer loyalty over the years in Malaysia.

Our retail business has grown from a single Mothercare outlet in 1987 to 17 Mothercare outlets and 11 ELC SIS as at the LPD, located within the Klang Valley as well as in major cities outside the Klang Valley (i.e. Georgetown, Johor Bahru, Kota Kinabalu and Kuching).

Our distribution business which commenced operations in 2008 grew from the initial 12 distribution points to 624 distribution points spread throughout Malaysia (excluding Mothercare outlets) and 11 overseas as at the LPD. Our focus in this segment of the market coupled with our proven ability to purchase and manage a wide selection of brands for distribution via our expanding network of distribution points has enabled us to be a supplier of choice for brand owners and product manufacturers.

With our experience in the baby, children and maternity product industry and reputation for offering products with proven quality and safety, we are well-positioned to continue expanding our network of Mothercare outlets, ELC SIS and distribution points.

Large portfolio of baby and children products

Our strong relationship with Mothercare UK, ELC UK and third-party suppliers has allowed us to offer a comprehensive range of baby and children's products to cater to the needs of newborns, toddlers, young children, babies, mothers and mothers-to-be.

Our wide selection of products has enabled us to be a retailer of choice for baby and children products with proven quality and safety. As at the LPD, we sell a total of 184 brands across our 17 Mothercare outlets, 11 ELC SIS and online sales channels, and distribute 22 brands to retailers, wholesalers and other distribution companies, out of which 7 brands are solely distributed to our Mothercare outlets.

Experienced management team

We have an experienced management team with expertise in operations, distribution, sales, marketing and finance.

Our Managing Director, Pang Shu Ming, has more than 16 years of experience in the baby, children and maternity product industry. She is responsible for spearheading our business direction and overall strategies and was instrumental in identifying and securing* the relationship with The Entertainer UK.

Note:-

* *As at the LPD, we are in the midst of finalising a development agreement with The Entertainer UK for the rights to open and operate The Entertainer toy outlets in Malaysia.*

Our Executive Director, Goh Poh Teng, is responsible for managing the overall operations of our retail and distribution businesses together with our Managing Director. Goh Poh Teng has been with our Group since the commencement of our retail business in 1987, where she was involved in setting-up our first Mothercare outlet.

Our Managing Director and Executive Director are supported by a team of key management comprising:-

Name	Designation	Total number of years of relevant experience	Numbers of years with our Group
Phuan Siew Ling	Chief Financial Officer	24	8
Ian Douglas Tan Pak Soon	Head of Distribution	19	11
Ong Bee Lian	Head of Sales and Merchandising, Distribution	19	10
Lua Foong Ling	Head of Retail and Marketing	17	3
Chia Wei Wei	Head of Retail Merchandising	15	10
Au Yeong Weng Hau	Warehouse Manager	22	2

Our key management have extensive industry knowledge in the baby, children and maternity product industry and have played an instrumental role in our growth. Their ability to understand the industry and anticipate consumer trends equips them with the necessary skillsets to maintain and grow our business.

On an overall basis, we are guided by the vision of our founder and Non-Executive Chairman, Pang Kim Hin, who was responsible for bringing in the Mothercare and ELC franchises into Malaysia and spearheaded the initial growth and development of our business.

6.25 Future plans and strategies

Our future plans and prospects are underpinned by our business strategies set out below:-

Expansion of our retail network

Since the commencement of our outlet operations in 1987, we have established a wide network of Mothercare outlets especially within the Klang Valley region. As at the LPD, we have 17 Mothercare outlets and 11 ELC SIS nationwide, with 12 Mothercare outlets and 8 ELC SIS located in shopping malls within the Klang Valley.

As part of our future plans, we intend to open 4 to 5 new Mothercare outlets within 3 years of our Listing, with details as follows:-

(i) As at the LPD, we have secured 2 premises located at Sunway Velocity Mall in Kuala Lumpur and Empire Shopping Gallery in Selangor, respectively. These outlets are expected to be opened in the 3rd quarter of 2019; and

(ii) We plan to open a further 2 to 3 new outlets outside the Klang Valley between 2020 and 2021, depending on the commercial feasibility of such outlet openings.

As at the LPD, we have received enquiries from mall operators/owners to set-up outlets in Ipoh, Kuantan, Melaka and Miri, locations where we do not currently have any retail outlets. These new locations (including potential locations in other town/cities) will only be secured after undergoing our customary feasibility and assessment, taking into consideration the factors set out in **Section 6.3.1** of this Prospectus.

The historical cost to open a new Mothercare outlet ranges between RM1.5 million to RM2.0 million, comprising the estimated rental deposit, cost of fixtures and fittings, renovation works, as well as initial inventory cost for each outlet. As such, we have estimated our retail network expansion to cost approximately RM10.0 million, which will be funded by our IPO proceeds.

The expansion of our retail network nationwide with primary focus outside the Klang Valley will enable us to reach out to more customers and grow our revenue base further.

Expansion of our Toys range with the opening of The Entertainer toy outlets

Toys make up a relatively small portion of our product mix in our retail segment, as compared with our Clothing and Home & Travel, contributing only 6.63% to our total revenue for the FYE 31 December 2018. The main reason for this is we do not currently have a comprehensive range of toy offerings as the Toys sold in our outlets mainly cater for infants, toddlers and young children up to 6 years of age.

We believe that Toys is an important segment to focus on. According to the Industry Overview, the toys market in Malaysia which is driven by imports, constitutes the largest segment (at approximately 68.78% for 2018) of the baby, children and maternity markets in Malaysia based on import value and has grown at a CAGR of 8.00% between 2015 (RM505.73 million) to 2018 (RM637.07 million).

We are, as at the LPD, in the midst of finalising a development agreement with The Entertainer UK, a United Kingdom-based toy retailer, which will grant us the exclusive rights to open and operate The Entertainer toy outlets, and sell a broad range of toys including for children above the age of 6. We target to conclude the discussions and sign the development agreement by the 2nd half of 2019.

The Entertainer UK was founded in 1981 in Amersham, Buckinghamshire, United Kingdom. To-date, The Entertainer UK continues to be a privately-owned company which runs a chain of toy shops in the United Kingdom with a total of 148 stores*.

Once we have the development agreement in place, we intend to open and operate 3 to 4 The Entertainer toy outlets, which will be primarily located in Klang Valley within 3 years of our Listing. We plan to offer a broader range of Toys to include action concept figures, dolls, puzzles, tech related toys and educational games. As part of our branding and marketing strategies, we also intend to implement in store toy recommendation and playtime sessions at the toy outlets.

We anticipate that the cost to implement this expansion plan will be approximately RM1.5 million to RM2.0 million per The Entertainer toy outlet and will vary depending on the location, size and layout of the outlet. The estimated total cost amounting to RM5.0 million will be funded by our IPO proceeds.

During the course of finalising the above development agreement with The Entertainer UK, The Entertainer group had, on 22 March 2019, completed the acquisition of ELC UK's business and certain assets. The acquisition of the ELC business further validates:-

(a) our expansion strategy to offer a range of toys to cater to children of all ages; and

(b) The Entertainer UK being the right strategic partner to grow our toy business in Malaysia.

*(*Source: The Entertainers UK's website at www.thetoyshop.com)*

Revamp and upgrade our back-end IT infrastructure system and e-commerce platform

We intend to revamp and upgrade our back-end IT infrastructure system and e-commerce platform to facilitate our business growth and improve on our operating efficiency.

Our existing back-end IT infrastructure system comprises individual retail management system, enterprise resource planning system and a warehouse management system as set out in **Section 6.7** of this Prospectus, all of which are not fully integrated with each other and the following data have to be transmitted manually to the respective systems:-

(a) data from our warehouse (i.e. inventory reports through our Warehouse Management System), and sales reports for our online store (generated through Magento) will have to be manually transmitted to our Tech-Trans system in order for us to track our inventories and sales performance of our retail outlets; and

(b) sales reports from Baby Expos (generated through AutoCount POS) will have to be manually transmitted to Kingdee in order for us to track the sales transactions and inventory levels of Global Product.

Further, as our inventory levels for our retail segment and distribution segment are monitored using different systems (i.e. Warehouse Management System for retail and Kingdee for distribution), we would need to generate separate reports and manually combine the data in order to assess our overall inventory levels.

The manual transmission of data, which involves exporting raw data from one system, and subsequently manually inputting the data into another system, is a lengthy process and time-intensive given that the systems are not fully integrated with each other and each system has its unique configurations. Therefore, in order to improve on our operating efficiency, we intend to replace our back-end IT infrastructure system with a system that incorporates business intelligence software, enables integration with all operations within our Group and is accessible to all departments across our Group. This upgrade is envisioned to streamline our business processes and increase the efficiency of our retail management, resource planning and management (e.g. merchandising, purchasing, stock management and financial reporting) in anticipation of a larger network of outlets and distribution points.

In addition, we also plan to concurrently revamp and upgrade our e-commerce platform which hosts the operations of our online store. According to the Industry Overview, e-commerce is progressively being regarded as an acceptable and popular channel for consumers to purchase goods, as represented by the e-commerce sales in Malaysia which grew from RM6.37 billion in 2015 to RM11.46 billion in 2018, recording a CAGR of 21.62%. Therefore, in order for us to grow and enhance our online presence, it is important that we stay competitive by upgrading our website and online store to become more user friendly, easy to navigate, fast and responsive to facilitate our customers' online purchases.

We anticipate that the project to revamp and upgrade our back-end IT infrastructure system and e-commerce platform will be carried out in stages over a period of 3 years from our Listing. This would involve a lengthy process starting from user requirement study, system and architecture design, programming and customisation, testing, installation and integration to commissioning of the IT infrastructure system and e-commerce platform, in accordance with the indicative timeframe set out in **Section 3.4.1(c)** of this Prospectus.

The cost of revamping and upgrading our back-end IT infrastructure system and e-commerce platform is expected to be approximately RM3.0 million, which will be funded by our IPO proceeds. We are currently reviewing our existing business processes and, as at the LPD, we have yet to obtain a detailed cost analysis. We plan to embark on identifying and shortlisting vendors for the revamp and upgrade of our back-end IT infrastructure system and e-commerce platform after our Listing.

Expansion of our distribution business

We have been involved in the business of distributing baby, children and maternity products since 2008, and have grown our distribution business from the initial 12 distribution points to 624 distribution points throughout Malaysia (excluding Mothercare outlets) and 11 overseas. As at the LPD, we distribute a total of 22 brands to all our distribution segment customers, as well as 7 brands solely to KHJ.

The growth of our distribution business is dependent on our ability to secure new brands and products as well as increase the sales of our existing brands. A wider range of brands and products will increase our product portfolio and enable us to secure more customers, leading to a wider distribution network.

As at the LPD, we are in the midst of on-going discussions with several brand principals/suppliers to expand our distribution portfolio. Typically, upon securing a new brand and/or product, we would be required to meet the minimum order requirements imposed by the brand principal/supplier and make upfront payments to take advantage of bulk purchase discounts as well as to ensure adequate levels of inventory for distribution. We have hence allocated RM4.0 million for the purchase of any new products and/or securing new brands with good demand potential, which we intend to utilise within 2 years after our Listing.

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T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 31 May 2019

The Board of Directors

Kim Hin Joo (Malaysia) Berhad
Wisma Pang Cheng Yean, Lot 5205C
Jalan Perindustrian Balakong Jaya 1/3
Kawasan Perindustrian Balakong Jaya
43300 Seri Kembangan
Selangor Darul Ehsan

Dear Sirs/ Madams,

Industry Overview of the Baby, Children and Maternity Product Industry in Malaysia

This Industry Overview of the baby, children and maternity product industry in Malaysia has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the listing of Kim Hin Joo (Malaysia) Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this Industry Overview in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this Industry Overview presents a fair and balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this Industry Overview. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

SMITH ZANDER

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 21 years of experience in market research and strategy consulting, including over 16 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

1 INTRODUCTION

Objective of the Study

This Industry Overview has been prepared in conjunction with the listing of Kim Hin Joo (Malaysia) Berhad ("KHJ Group") on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this Industry Overview is to provide a fair and balanced view of the industry and market(s) in which KHJ Group operate and to offer a clear understanding of the industry and market dynamics.

Rationale and Scope of Work

KHJ Group is principally involved in the retail and distribution of baby, children and maternity products.

The scope of work for this Industry Overview will thus address the following areas:

(i) The baby, children and maternity product industry in Malaysia, which is the industry in which KHJ Group operates;

(ii) The drivers and challenges of the baby, children and maternity product industry in Malaysia; and

(iii) The competitive overview of the baby, children and maternity product industry in Malaysia.

2 THE BABY, CHILDREN AND MATERNITY PRODUCT INDUSTRY IN MALAYSIA

Introduction

Baby, children and maternity products are items used for the care and the wellbeing of children from newborn, infancy, toddlerhood to childhood, which is typically considered to encompass children up to the age of twelve; as well as expectant and new mothers.

Baby, children and maternity products can be segmented into clothing, home and travel, toys, as well as food. There is a wide variety of baby, children and maternity products available in the market ranging from mass market to premium, and they encompass both daily necessities and luxury items.

These products are available from different brick-and-mortar stores such as specialty product stores[1], departmental stores, fashion apparel retail stores, supermarkets/hypermarkets and pharmacies; and electronic commerce ("e-commerce") platforms which include online marketplaces[2], specialty product websites[3], as well as social media platforms like Instagram and Facebook.

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[1] *Specialty product stores refer to physical retail outlets that only sell baby, children and maternity products*

[2] *Online marketplaces are platforms for merchants to sell retail products (e.g. Lazada, Shopee, 11street, and Motherhood) and may include merchants selling baby, children and maternity products*

[3] *Specialty product websites are online stores that only sell baby, children and maternity products*

Types of baby, children and maternity products

Baby, children and maternity products

	Clothing	Home and travel	Toys	Food
Baby	• Clothes • Footwear • Swimwear • Accessories	• Feeding • Bathing • Diapers • Safety • First aid • Furniture • Bedding • Strollers • Car seats • Carriers	• Books • Educational toys • Soft toys • Musical toys • Puzzles and games	• Formula milk • Cereal • Rusks • Puree
Children	• Clothes • Footwear • Swimwear • Accessories	• Bathing • Safety • First aid • Furniture • Strollers • Car seats	• Books • Educational toys • Soft toys • Musical toys • Puzzles and games	• Milk • Cereal
Maternity	• Clothes • Nursing bras • Underwear • Footwear • Accessories	• Skincare • Bathing • Bedding • Feeding • First aid • Furniture • Sanitary pads • Breast pads		• Milk supplement

Notes:

- *denotes the industry segments in which KHJ Group is principally involved in.*
- *This list is not exhaustive.*

Source: SMITH ZANDER

In the baby, children and maternity product industry, industry players are involved in various sections of the value chain, depending on the business strategies of respective industry players. Typically, brand owners are manufacturers, or they may outsource the manufacturing to third party manufacturers. Thereafter, baby, children and maternity products will be distributed by authorised distributors to retail outlets, for onward sales to consumers. However, roles of individuals involved in the value chain might overlap. For instance, brand owners may be involved in the whole value chain; and franchisees and authorised distributors may be involved in distribution and retail.

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Value chain of the baby, children and maternity product industry

Manufacturing	Distribution	Retail	Consumer
• Brand owners • Third party manufacturers	• Brand owners • Importers • Franchisees/ authorised distributors • Wholesalers	• Brand owners • Franchisees/ authorised distributors • Departmental store owners • Specialty product store owners • Specialty product website owners • Merchants of online marketplaces	• Babies • Children • Mothers

Notes:

- *[ ] denotes the section of the value chain in which KHJ Group is principally involved in.*
- *This list is not exhaustive.*

Source: SMITH ZANDER

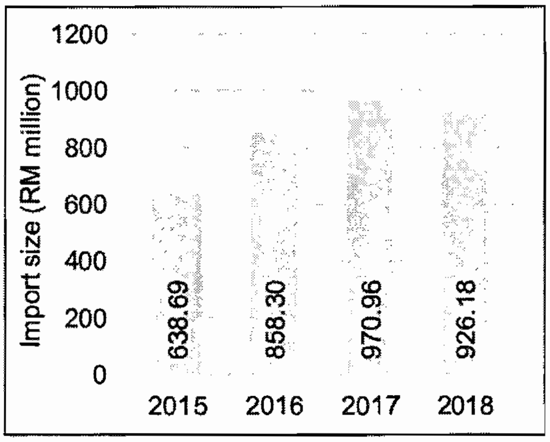
Industry Performance, Size and Growth

For the purpose of this Industry Overview, the industry size for baby, children and maternity products is represented by imports of baby, children and maternity products into Malaysia as KHJ Group is involved solely in the retail and distribution of imported baby, children and maternity products.

Further, the market size for baby, children and maternity products in Malaysia is not publicly available. Due to the unavailability of complete data on local production of baby, children and maternity products, the market size for baby, children and maternity products cannot be derived. Nevertheless, as the KHJ Group is involved in the retail and distribution of imported baby, children and maternity products and primarily competes against other imported baby, children and maternity products, SMITH ZANDER is of the view that using imports to represent the industry size for baby, children and maternity products, with respect to KHJ Group, is a suitable alternative to gauge the size of the industry.

The imports of baby, children and maternity products grew from RM638.69 million in 2015 to RM926.18 million in 2018 at a Compound Annual Growth Rate ("CAGR") of 13.19%. This was due to consumer demand driven by the factors outlined in Chapter 3 below.

Imports of baby, children and maternity products in Malaysia (excluding imports of children and maternity clothes, feeding equipment and bathing needs), 2015-2018



	2015	2016	2017	2018	CAGR
	(RM million)				(%)
Clothing	74.19	122.03	201.79	190.85	37.02
Home and travel	58.77	65.92	66.34	98.26	18.69
Toys	505.73	670.35	702.83	637.07	8.00
Total	**638.69**	**858.30**	**970.96**	**926.18**	**13.19**

Source: Department of Statistics Malaysia ("DOSM")

It is important to note that import data of baby, children and maternity products such as children and maternity clothes, feeding equipment and bathing needs are not publicly available as they are classified under other product categories (e.g. clothing for men, women, boys and girls; plastics and glass bottles; and plastic wares). As this data cannot be segregated from these other product categories, data for such baby, children and maternity products cannot be accounted for in the total imports of baby, children and maternity products. Notwithstanding this limitation, the imports of baby, children and maternity products presented in this report is the best available data to represent the size and performance of the baby, children and maternity products industry with respect to KHJ Group.

Baby, Children and Maternity Clothing Market in Malaysia

The baby, children and maternity clothing market in Malaysia caters to both mass and premium markets where consumers are able to obtain clothing for basic wear, and have the option to obtain clothing with premium materials and finishing.

Local manufacturers for clothing cater to local brands as well as for export purposes. However, the market is driven by imports which grew from RM74.19 million in 2015 to RM190.85 million in 2018 at a CAGR of 37.02%. Baby, children and maternity clothing are widely available through local manufacturers, importers and distributors, and are retailed in fashion apparel retail stores, specialty product stores, departmental stores, hypermarkets/supermarkets, as well as e-commerce platforms.

Baby, Children and Maternity Home and Travel Products Market in Malaysia

The home and travel products market is driven by imports, especially for travel equipment where consumers often opt for prominent brands that are known for product safety and durability. Awareness over the usage of safe home and travel products for babies, children as well as new and expectant mothers are growing among consumers. For instance, parents and expectant parents are more aware of the usage of safe toiletries and feeding utensils that are free from toxic materials and meet safety requirements; and the usage of travel equipment such as strollers and car seats that meet international safety standards.

As a result, the imports of home and travel products grew from RM58.77 million in 2015 to RM98.26 million in 2018 at a CAGR of 18.69%. Home and travel products are retailed at specialty product stores, departmental stores, hypermarkets/supermarkets, as well as e-commerce platforms.

Baby and Children Toy Market in Malaysia

Toys for babies and children can be generally categorised into educational toys, recreational toys and collectible toys. Educational toys are toys designed for brain development of babies and children, which is an important factor in child development. Toys featuring elements of science, technology, engineering and mathematics are becoming popular among parents as babies and children are able to engage in play while at the same time developing their learning skills. These educational toys help children in developing cognitive and sensory skills needed for future learning. Recreational toys are toys for leisure and outdoor activities, and include sandpits and water tables, pool and pool accessories, bikes and scooters, beach and garden toys and games, and tents and playhouses. Collectibles toys comprise largely soft toys, dolls and action figures.

The toy market in Malaysia is driven by imports which grew from RM505.73 million in 2015 to RM637.07 million in 2018 at a CAGR of 8.00%. Toys are sourced from foreign brands which are widely available through importers, distributors and e-commerce platforms. These toys are then sold through toy stores, specialty product stores, departmental stores, hypermarkets/supermarkets, and e-commerce platforms.

The baby, children and maternity product industry is expected to be driven by lifestyle factors such as increasing affluence and wealth among Malaysian parents. As disposable income and wealth increase, so will the likelihood of parents demanding better quality baby, children and maternity products, along with desire for a wider range of products to select from. As such, new products and product improvements are constantly being introduced into the market to fulfil demand.

3 DRIVERS AND CHALLENGES OF THE BABY, CHILDREN AND MATERNITY PRODUCT INDUSTRY IN MALAYSIA

Key Industry Drivers

- **Increasing disposable income and affluence of the population signifies growth potential for the baby, children and maternity product industry**

Malaysia is an upper-middle income economy with aspirations to achieve high income status by 2025. Gross domestic product (GDP) per capita increased by 11.40% from approximately RM37,738 in 2015 to RM42,041 in 2018, indicating the growing disposable income and the improving standard of living of the population. The increase in disposable income has led to a more affluent population that has greater spending power, creating demand for basic necessities and non-essential products.

As people are becoming parents at a later age, they are more financially stable with more disposable income to spend. According to the DOSM, on average, mothers in Malaysia give birth to their first child at the age of 27.70. At this age, they have been in the workforce for a few years and have the financial stability to provide for their children. Further, mothers often return to the workforce which then contribute to the growth in dual-income families. The involvement of both parents in the workforce contributes to average monthly household incomes, which increased from RM6,141 in 2014 to RM6,958 in 2016[4], at a CAGR of 6.44%. As household income increases, parents are able to better provide for their children, as they are more likely to have more income to spend at their discretion.

With the growth in wealth and income, parents now have more disposable income which will in turn increase their propensity for spending more on baby, children and maternity products.

- **Demand for a wider range of product choices drives growth of the baby, children and maternity product industry**

Consumers prioritise their children's safety, needs and wants, therefore brand owners or manufacturers of baby, children and maternity products introduce products that conform to safety and quality requirements in addition to introducing products of current trends. In order to distribute these products to a wider market, brand owners also license their brands to country distributors to be retailed to consumers, thereby allowing consumers to access a greater array of products at a wide range of price points.

Parents in Malaysia are becoming more knowledgeable about the diverse range of products offered by retailers. Parents obtain product information through various media, including hospitals and child care facilities that conduct product awareness programs for parents. Additionally, with the increasing use of the internet, parents are able to obtain instant information on child and personal care as well as useful information on baby, children and maternity products.

In addition to increased awareness for safety, parents are also more health-conscious and aware of environmental impact, thereby creating demand for natural, organic and eco-friendly baby, children and maternity products. Furthermore, they are cognizant of toxic materials that could be present in baby, child and maternity products, and are pro-actively ensuring that they purchase baby, children and maternity products which are safe and do not contain toxic materials.

The Ministry of Transport Malaysia announced in October 2018 that child car seats will be made mandatory for all private cars by 2020 where upon mandating, all parents are required to install car seats for their children. Even though the use of child car seats is not mandatory until then, there is increasing awareness among parents about the importance of installing these seats to ensure the safety of their children.

- **Availability of distribution channels promotes increased retail sales of baby, children and maternity products**

In Malaysia, baby, children and maternity products are available through multiple distribution channels such as retail stores, e-commerce platforms and special events such as baby fairs.

Store-based retail remains the preference for Malaysians, as indicated by growth in retail sales from RM371.50 billion in 2015 to RM499.99 billion in 2018 at a CAGR of 10.41%. The presence of retail stores enables consumers to physically touch and inspect products and provides confidence during purchasing. In comparison, e-commerce sales in Malaysia increased at a CAGR of 21.62%, from RM6.37 billion to RM11.46 billion during the same period.

Statistics for the purchase of baby, children and maternity products via different distribution channels in Malaysia are not publicly available. However, it can be deduced that in line with the inclination towards store-based retail, Malaysians still prefer to shop for baby, children and maternity products in retail stores, though online shopping is increasing in popularity.

Special events such as baby fairs are organised several times a year in Malaysia, whereby many exhibitors set up booths to promote and sell maternity and baby-related products and services. Such events are popular among Malaysian parents due to the variety of choices available in a single location and the heavy discounts and promotions available.

[4] *Latest available data as at 30 May 2019*

► **Growing popularity and acceptance of e-commerce as a distribution channel for baby, children and maternity products**

E-commerce is progressively being regarded as an acceptable and popular channel for consumers to purchase goods. The growth in adoption of e-commerce or online platforms as a means for shopping, represented by the percentage of individuals using the internet to purchase goods and services, increased from 16.1% in 2015 to 24.8% in 2018.

The growing popularity of e-commerce in Malaysia enables business owners for baby, children and maternity products to have other avenues for retailing their products, either through their own website, online marketplaces and/or social media platforms, collectively known as online platforms. Gradually, as mobile devices become more important in daily life, e-commerce has expanded into mobile application platforms. The process of purchasing has become more convenient as consumers are able to purchase goods through their mobile phones and tablets at any time and location.

The increasing popularity of e-commerce as a distribution channel for baby, children and maternity products is evident from the presence of baby, children and maternity product e-commerce stores in Malaysia such as Applecrumby & Fish and Babydash. Baby, children and maternity products are also widely available on online marketplaces such as Lazada, Shopee, 11street, and Motherhood, as well as social media platforms such as Facebook and Instagram. As the popularity of e-commerce continues to grow, this signifies potential for the online retail of baby, children and maternity products.

Key Industry Risks and Challenges

► **Changing consumer demands may affect demand for baby, children and maternity products**

Owing to the evolving consumer taste and preferences in selecting baby, children and maternity products, industry players are presented with significant challenges in maintaining and growing their market share within the industry. As with most other retail markets, there is a need for industry players to anticipate and be responsive to consumer demands as they change. For instance, anticipating demand for organic or natural products and ensuring that they carry such options. Failure to anticipate and meet market needs could lead to decreased sales volume and affect the profitability of industry players.

► **Adverse economic conditions could impact baby, children and maternity product sales**

The retail industry is dependent upon the present state of the economy, as a growing economy signifies a population with higher disposable income that has greater spending power, creating demand for products sold in retail stores, including baby, children and maternity products. A decline in economic conditions in Malaysia may decrease consumer spending power, which will in turn, have a negative impact on retail spending. Parents may decrease their spending budgets for baby, children and maternity products during economic uncertainty, or may even put a hold on expanding their families.

► **Negative news about safety issues could have an impact on retail sales, and this may adversely impact industry players**

Baby, children and maternity products should be free from hazards (e.g. electrical, chemical and mechanical hazards), as well as manufacturing defects that can potentially cause health and safety risks to the users. For example, toiletries, feeding utensils and toys should be free from toxic chemicals such as talc, parabens, phthalates, formaldehyde and bisphenol A (BPA). Occasionally, there may be product recalls from manufacturers as a result of the injury or death associated to the use of these hazardous products.

The baby, children and maternity product industry is also affected by counterfeit products, whereby imitation versions of branded products are sold at lower prices. As these counterfeit products may not be required to go through the necessary safety and compliance testing as the original branded products, they may not meet safety requirements.

The baby, children and maternity product industry is affected by any negative news about safety with regards to baby, children and maternity products, and affected brands may be adversely impacted. Industry players need to ensure that their products are genuine and comply with the necessary health and safety regulations. Any compromise on the safety of baby, children and maternity products will have a negative impact on the industry.

▶ **Competition from other industry players**

The baby, children and maternity product industry in Malaysia is fragmented, as there are a large number of players in the country. Baby, children and maternity products in Malaysia which have been traditionally sold in brick-and-mortar stores, are now available through other distribution channels such as e-commerce stores, as a result of high internet penetration in the country. Further, due to parents' busy lifestyles, many find it more convenient to purchase online due to availability of free shipping, variety of choice and better prices.

The industry has seen significant growth in the variety of products available at a wide range of price points. There are numerous local and imported brands available to cater to parents with differing budgets. The baby, children and maternity product industry in Malaysia is well-established, and comprises homegrown players with recognisable brand names such as Anakku, Autumnz, Baby KIKO, Fabulous Mom, Fiffy, Poney, and Sweet Cherry; as well as a range of imported brands such as Fisher-Price, Mothercare, Philips Avent, Pigeon and Tommee Tippee.

The highly fragmented and competitive nature of the baby, children and maternity product industry remains a restraint. Thus, industry players need to maintain a competitive edge by taking measures such as providing quality products at competitive prices, ensuring good customer service and employing effective marketing strategies. Any failure on the industry players' part to remain competitive would lead to reduced sales volume and impact their profitability.

4 COMPETITIVE OVERVIEW OF THE BABY, CHILDREN AND MATERNITY PRODUCT INDUSTRY IN MALAYSIA

The baby, children and maternity product industry in Malaysia is fragmented, as there are a large number of players in the country. It comprises homegrown players with recognisable brand names such as Anakku, Autumnz, Baby KIKO, Fabulous Mom, Fiffy, Poney and Sweet Cherry; as well as a range of imported brands such as Fisher-Price, Mothercare, Philips Avent, Pigeon and Tommee Tippee.

Baby, children and maternity products in Malaysia which have been traditionally sold in brick-and-mortar stores such as specialty product stores, departmental stores, fashion apparel retail stores, supermarkets/hypermarkets and pharmacies, are now also available through e-commerce platforms such as online marketplaces, specialty product websites and social media platforms. These brick-and-mortar stores are generally operated by locally incorporated entities, while e-commerce platforms can be operated by individuals and local or foreign incorporated entities.

Industry players who are focused in baby, children and maternity products participate in various sections of the value chain. There are industry players who besides retailing their house brands at their own retail outlets, also retail products of other brands as complementary products to their house brands (e.g. Anakku, Fabulous Mom, Fiffy, and Mothercare). Besides retailing at their own retail outlets, industry players may also distribute their house brands to other retail channels such as departmental and stand-alone stores along with e-commerce platforms to expand their distribution network (e.g. Anakku, Poney, Fabulous Mom, and Fiffy). There are also industry players with no physical retail outlet as they are only involved in distribution of baby, children and maternity products to retailers (e.g. Autumnz, Baby KIKO, Sweet Cherry, Fisher-Price, Philips Avent, Pigeon, and Tommee Tippee).

Further, specialty product stores for baby, children and maternity brands such as Mothercare also face competition from fashion apparel retail stores, amongst which include Cotton On, Mango and Uniqlo, and toy stores such as Hamleys and Toys "R" Us, as well as supermarkets/hypermarkets and pharmacies, given that these outlets also sell products for baby, children and/or expectant and new mothers.

KHJ Group, which is involved in the retail and distribution of baby, children and maternity products, competes with industry players in Malaysia who sell similar types of baby, children and maternity products regardless of their distribution channel (i.e. brick-and-mortar stores or e-commerce marketplaces) and specialty (i.e. specific or broad range of product offerings) as these industry players in the baby, children and maternity product industry compete for sales from the same pool of customers.

Key Industry Players

KHJ Group is principally involved in the retail and distribution of baby, children and maternity products. The key industry players listed in this Industry Overview have been identified on the following basis:

- Industry players that are involved in the retail and/or distribution of baby, children and/or maternity products (i.e. clothing, home and travel products, and/or toys);
- Industry players with retail chain stores in Malaysia; and
- Industry players that recorded more than RM5.00 million revenue based on their respective latest available financial year.

Based on the above criteria, a total of 10 companies (including KHJ Group) have been identified as key industry players in the baby, children and maternity product industry in Malaysia.

The following sets out the key industry players in Malaysia:

Company Name	Product Offerings	Name of retail store	Latest Available Financial Year	Revenue (RM million)	Gross profit margin (%)	Profit after tax margin (%)
Asia Brands Berhad (Baby Products division, under Anakku Sdn Bhd)	Clothing (baby and children) Home and travel (baby and maternity) Toys (baby)	Anakku	31 March 2018	105.95	39.77	(17.11)
Fiffy Sdn Bhd *	Clothing (baby, children and maternity) Travel and home (baby and maternity) Toys (baby)	Fiffy	30 April 2018	92.82	37.45	5.44
Happikiddo (M) Sdn Bhd	Clothing (baby and maternity) Home and travel (baby, children and maternity) Toys (baby)	Happikiddo	30 September 2018	13.01	32.29	3.83
KHJ Group	Clothing (baby, children and maternity) Home and travel (baby, children and maternity) Toys (baby)	Mothercare	31 December 2018	97.69	52.40	11.38
Manjaku Baby Centre Sdn Bhd	Clothing (baby and children) Home and travel (baby) Toys (baby)	Manjaku	30 April 2018	47.64	13.65	2.58
Poney Garments Sdn Bhd *	Clothing (baby and children)	Poney	28 February 2018	53.06	63.12	0.29

Company Name	Product Offerings	Name of retail store	Latest Available Financial Year	Revenue (RM million)	Gross profit margin (%)	Profit after tax margin (%)
QQ Baby Store Sdn Bhd	Clothing (baby and children) Home and travel (baby and maternity) Toys (baby)	QQ Baby	31 May 2017	11.35	28.74	0.48
Serimep (M) Sdn Bhd	Clothing (baby) Home and travel (baby, children and maternity)	Mamours	31 December 2017	5.35	39.76	7.48
Toys'R'Us (Malaysia) Sdn Bhd	Home and travel (baby) Toys (baby and children)	Toys "R" Us	31 December 2017	191.69	46.48	12.17
Twins Baby (KL) Sdn Bhd	Clothing (baby) Home and travel (baby and maternity) Toys (baby)	Twins Baby	31 August 2017	18.46	25.16	(1.82)

Notes:

- *Latest available as at 30 May 2019.*
- *The list of companies above is arranged in alphabetical order.*
- *These 10 identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.*
- *These 10 identified key industry players also sell their products online.*

a. *Revenue is derived from Malaysia as well as may be derived from countries outside Malaysia. However, details are not publicly available as segmental and/or export revenue is not available from the Companies Commission of Malaysia.*

Sources: KHJ Group, various company websites, Companies Commission of Malaysia ("CCM"), SMITH ZANDER

We have excluded GRV Toy Store Sdn Bhd, a key industry player involved in the retail of toys for baby and children through its stores named Hamleys, from the list above as the latest publicly available financial results of the company in CCM was dated back in financial year ended 31 August 2014.

There are also other industry players whose brands are visible in the industry and they fulfil the basis of involvement in the retail and/or distribution of baby, children and/or maternity products (i.e. clothing, home and travel products, and/or toys) and operate retail chain stores in Malaysia. However, the revenues of these industry players are not available as they are private exempt companies. These identified industry players are ATZ Care Sdn Bhd and One BB World Sdn Bhd, with retail store names of Autumnz and One Baby World respectively.

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Market Share

In order to compute the market share of KHJ Group in Malaysia, the market size for baby, children and maternity products in Malaysia is required for the computation. As the market size for baby, children and maternity products in Malaysia could not be accurately derived, the market share of KHJ Group in Malaysia could not be computed.

The market size for baby, children and maternity products in Malaysia could not be accurately derived as there is no complete publicly available data on local sales and production of baby, children and maternity products. Further, in order to compute the market size for baby, children and maternity products based on the revenue of industry players, a complete list of all industry players in the baby, children and maternity product industry in Malaysia would be required, together with revenue data of all the industry players. However, there is no complete list of industry players due to the fragmented nature of the industry, whereby there is a large number of industry players, comprising brand owners, manufacturers and/or retailers carrying local and/or imported brands; and there is no centralised record of industry players tracked by any Government and/or other relevant agencies in Malaysia as there are no specific licenses and/or permits for the retail and/or distribution of baby, children and maternity products in Malaysia.

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