

4. DETAILS OF OUR IPO (cont'd)

- (iii) if there is an under-application of the Retail Offering and there is an over-application in the Institutional Offering, the IPO Shares not applied for may be clawed back from the Retail Offering and allocated to the Institutional Offering.

The clawback and reallocation provisions will not apply in the event there is an over-application in both the Retail Offering and the Institutional Offering.

Any IPO Shares allocated to Eligible Persons but not taken up by them shall be made available to other Eligible Persons who have applied for excess IPO Shares (if any) ("**Excess Shares**") in addition to their pre-determined allocation. Such Excess Shares will be allocated to these Eligible Persons on a fair and equitable basis in the following priority:

- (i) firstly, allocation on a proportionate basis to Eligible Persons who have applied for Excess Shares based on the number of Excess Shares applied for; and
- (ii) secondly, to minimise odd lots.

Any allocated IPO Shares not fully taken up by Eligible Persons will be made available for application by the Malaysian Public under the Retail Offering. Any IPO Shares under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be underwritten.

4.3.5 Share capital

	No. of Shares	RM
Authorised	2,500,000,000	500,000,000
Issued and fully paid-up as at the LPD	229,450,000	45,890,000
To be issued pursuant to the Public Issue	80,620,000	16,124,000
Enlarged issued and paid-up share capital upon Listing	<u>310,070,000</u>	<u>62,014,000</u>

4.3.6 Classes of shares and ranking

As at the date of this Prospectus and upon completion of our IPO, we have only one class of shares, namely ordinary shares of RM0.20 each in our Company. Our IPO Shares, upon allotment and issuance, will rank *pari passu* or equally in all respects with our existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared subsequent to the date of allotment of our IPO Shares, subject to any applicable rules of Bursa Depository.

Subject to any special rights attached 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 the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Memorandum and Articles, after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. Each shareholder shall be entitled to appoint not more than 2 proxy(ies) to attend and vote at any general meeting of our Company. A proxy may but need not be a member of our Company and the provisions of Section 149(1)(a), (b), (c) and (d) of the Act shall not apply to our Company. On a show of hands, each shareholder present either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have 1 vote for each Share held. A proxy shall be entitled to vote on a show of hands or on a poll, on any question, at any

4. DETAILS OF OUR IPO (cont'd)

general meeting, save that on a voting by show of hands if there is more than 1 proxy appointed, only the first named proxy on the form of proxy is entitled to vote on behalf of the shareholder. In a voting by poll, each proxy shall be entitled to such number of votes equal to the proportion of the shareholder's shareholdings represented by such proxy.

4.3.7 Minimum subscription

There is no minimum subscription level in terms of proceeds to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription level in terms of number of Shares will be the number of Shares required to be held by our Company's public shareholders in order to comply with the public spread requirements under the Listing Requirements or as approved by Bursa Securities.

If the aforesaid public spread requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full (without interest or any share of revenue or benefits arising therefrom) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of subsection 243(2) of the CMSA shall apply accordingly.

4.4 Basis of arriving at the price of our IPO Shares

4.4.1 Retail Price

Our Directors, Promoters, the Principal Adviser and the Managing Underwriter have determined and agreed to the Retail Price of RM1.10 per IPO Share, based on the following factors:

- (i) our competitive advantages and key strengths and our future plans and strategies as described in Sections 7.3.3 and 7.3.4 of this Prospectus;
- (ii) our Group's financial performance and operating history as set out in Sections 12 and 13 of this Prospectus which represents an implied price to earnings multiple of approximately 25.0 times based on our Group's consolidated PAT for the FYE 31 October 2015, as well as the CAGR of our Group's consolidated revenue and gross profits of 17.4% and 18.9% respectively over the past 3 FYEs up to 31 October 2015;
- (iii) the market performance of Bursa Securities and anticipated demand for our IPO Shares; and
- (iv) the growth of the Malaysian retail convenience store market and Malaysia's low retail convenience store penetration rate compared to other developed countries, which supports our Group's prospects as described in Section 8 of this Prospectus.

The Final Retail Price will be determined after the Institutional Price has been determined on the Price Determination Date, and will be equal to the Institutional Price, provided that it will not exceed the Retail Price, nor be lower than the par value of our Shares.

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants, without any interest thereon. Further details of the refund mechanism are set out in Section 4.4.3 of this Prospectus.

4. DETAILS OF OUR IPO (cont'd)

The Final Retail Price and the Institutional Price are expected to be announced within 2 Market Days from the Price Determination Date via Bursa Listing Information Network (BursaLINK). In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment for our IPO Shares.

4.4.2 Institutional Price

The Institutional Price will be determined by a bookbuilding process where prospective institutional and selected investors will be invited to bid for portions of the Institutional Offering by specifying the number of IPO Shares they would be prepared to acquire and the price they would be prepared to pay for our IPO Shares in respect of the Institutional Offering. This bookbuilding process commenced on 4 March 2016 and will end on 15 March 2016, or such date(s) as our Directors and the Sole Bookrunner in their absolute discretion may decide. Upon the completion of the bookbuilding process, the Institutional Price will be fixed by our Directors in consultation with the Sole Bookrunner on the Price Determination Date.

4.4.3 Refund mechanism

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest thereon.

The refund in the form of cheques will be despatched by ordinary mail to the addresses of successful applicants maintained with Bursa Depository for applications made via Application Forms for applicants who have not provided their bank account information to Bursa Depository for purposes of cash dividend / distribution. If the applicants have provided their bank account information to Bursa Depository for purposes of cash dividend / distribution, the refund will be credited directly to their bank accounts. For this purpose, the applicants are required to provide their consent via the Application Forms in accordance with the relevant laws of Malaysia (including Section 134 of the Financial Services Act 2013 and subsection 45(1) of the SICDA) for disclosure by the Company and Bursa Depository, of information pertaining to the applicants and their accounts with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the refund or for any other purpose in connection with such payments. This would include disclosure by the relevant financial institutions, their respective agents and any third parties who may be involved in facilitating the payment of refund to the applicants, as the case may be.

If the crediting of the refund into any bank account (details of which have been provided to Bursa Depository) is unsuccessful, the refund will then be made via cheque which will be despatched to the applicant by ordinary post to the correspondence address as shown on Bursa Depository's record, at the applicant's own risk.

The refund will be made by crediting into the accounts of successful applicants with Participating Financial Institutions for applications made via the Electronic Share Application or by crediting into the accounts of successful applicants with the Internet Participating Financial Institution for applications made via Internet Share Application, within 10 Market Days from the date of the final ballot of applications, at the successful applicants' own risk.

4.4.4 Expected market capitalisation

Based on the Retail Price, the total market capitalisation of our Company upon Listing shall be RM341,077,000.

4. DETAILS OF OUR IPO (cont'd)

4.5 Objectives of our IPO

The objectives of our IPO are as follows:

- (i) to enable us to access the equity capital market for cost effective capital raising for the purposes set out in Section 4.7 below and to provide us the financial flexibility to pursue growth opportunities;
- (ii) to enhance our Company's profile;
- (iii) to obtain the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market to provide an opportunity for the investing community including eligible employees of our Group to participate in the future performance of our Company by way of equity participation; and
- (iv) to establish liquidity of our Shares.

4.6 Dilution

Dilution is the amount by which the price paid by retail and institutional investors for our Shares exceeds our consolidated net assets per Share after our IPO. Our consolidated NTA per Share immediately before adjusting for our IPO was RM0.24, after taking into account our Group's audited consolidated NTA as at 31 October 2015. The consolidated NTA per Share represents the equity attributable to the shareholders of our Company over the number of Shares outstanding immediately prior to our IPO of 229,450,000 Shares.

Once the issuance of the 80,620,000 IPO Shares is effected and after further adjusting for estimated listing expenses, our pro forma audited consolidated NTA per Share as at 31 October 2015 after taking into account our Company's enlarged issued and paid-up share capital of 310,070,000 Shares would be RM0.44 per Share. This represents an immediate increase in NTA per Share of RM0.20 to our existing shareholders and an immediate dilution in NTA per Share of RM0.66, representing 60.0% from the Retail Price and the Institutional Price to our retail and institutional investors, on the assumption that the Institutional Price and the Final Retail Price is equal to the Retail Price.

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

	<u>RM</u>
Assumed Final Retail Price / Institutional Price equal to the Retail Price	1.10
Adjusted consolidated NTA per Share as at 31 October 2015, before adjusting for our IPO	0.24
Pro forma consolidated NTA per Share as at 31 October 2015, after adjusting for our IPO	0.44
Increase in NTA per Share to existing shareholders	0.20
Dilution in NTA per Share to retail / institutional investors	0.66
Dilution in NTA per Share to retail / institutional investors as a percentage to the Retail Price / Institutional Price	60.0%

4. DETAILS OF OUR IPO (cont'd)

Save as disclosed below, there has been no acquisition of any of our Shares by our Directors or Key Management, Substantial Shareholders or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our Shares, during the past 3 years up to the LPD:

Substantial Shareholders	No. of Shares	Total Consideration (RM)	Price per Share (RM)
D&D Consolidated	213,388,500	42,677,700	0.20
DTK	11,472,500	2,294,500	0.20
DTG	4,589,000	917,800	0.20

Further details of the acquisitions above have been set out in Sections 6.2 and 15.6(h) of this Prospectus.

4.7 Utilisation of proceeds

The gross proceeds from our Public Issue of up to RM88.68 million (assuming the Institutional Price and the Final Retail Price to be equal to the Retail Price) are expected to be utilised in the manner as set out below by our Group:

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM million	%
Capital expenditure	Within 36 months	50.00	56.4
Working capital	Within 36 months	32.23	36.3
Estimated listing expenses	Within 3 months	6.45	7.3
Total		88.68	100.0

Details of our utilisation of the gross proceeds are as follows:

4.7.1 Capital expenditure

Our capital expenditure requirements relate to our Group's plans to expand and enhance our network of outlets as well as those relating to improving our logistics and IT capabilities to support our growing network and product base.

(a) Expansion of our network of outlets and enhancement of our existing outlets

We plan to use approximately RM35.55 million (or 40.1%) from our IPO proceeds firstly for the purposes of outlet expansion, and secondly to enhance our existing outlets; within 36 months from the date of our Listing.

Our outlet expansion plans would include the setting up of new outlets and may also include strategic investments or acquisitions of existing retail chains or outlets to grow our network of outlets. However at this point in time we have not identified any such strategic investments or acquisitions that meet such requirements.

The capital expenditure required to set up new outlets include amongst others associated equipment, renovation costs, fit-outs, the purchase and installation of inventory control systems and related hardware, and we anticipate such cost to range from RM175,000 to RM250,000 for each new outlet depending on the location, retail space and layout.

The capital expenditure relating to the enhancement of our existing outlets include the installation of new and improved inventory control systems and

4. DETAILS OF OUR IPO (cont'd)

related hardware, as well as refurbishments when required. We anticipate such costs to be approximately RM40,000 for each outlet.

We intend to add at least another 115 new outlets by the FYE 31 October 2017. Such expansion is prioritised in major urban areas such as the Klang Valley, Johor Bahru and Penang, followed by other parts of Malaysia.

(b) **Improvement and/or establishment of nationwide logistics and IT capabilities to support our growing network and product base**

The requirement to improve our back-end infrastructure and business support functions will grow in tandem with the growth of our network of outlets. We intend to use approximately RM14.45 million (or 16.3%) from our IPO proceeds to improve our nationwide logistics and IT capabilities within 36 months from the date of our Listing, in the following manner:

- to establish an additional distribution centre and/or warehouse in our prioritised expansion areas of either Johor Bahru or Penang;
- to establish a food preparation and packaging facility that would also include cold storage facilities;
- to improve our current logistics capabilities by acquiring additional transport equipment such as up to 7 lorries to cater for our growing network; and
- to improve our IT software and capabilities to ensure improved connectivity by way of :
 - (i) additional servers for our WMS to cater for the additional number of outlets, the new distribution centre and/or warehouse as well as the food preparation and packaging facility; and
 - (ii) the installation of business intelligence software to improve our reporting requirements for further automation of data collation and trend analysis in anticipation of servicing a larger network of outlets.

As at the LPD, the plans for the distribution centre and/or warehouse and the food preparation and packaging facility as described above are still preliminary and we have yet to identify suitable locations for the facilities mentioned above.

4.7.2 **Working capital**

Our Group's requirement for working capital will also increase in tandem with the growth of our network of outlets. Therefore, we expect to use approximately RM32.23 million (or 36.3%) of our IPO proceeds raised as additional working capital to finance the following:

- approximately RM21.06 million to be allocated for initial inventory stocking of our new outlets at an estimate of approximately RM70,000 for each new outlet and for our day-to-day working capital requirements for inventory in connection with our existing outlets; and
- approximately RM11.17 million for:
 - (i) expansion of workforce required to manage and operate the larger number of outlets as we expand our network;
 - (ii) defrayment of other associated operational and business development expenses such as legal fees, licences and security deposits for new tenancies; and

4. DETAILS OF OUR IPO (cont'd)

- (iii) advertisement and promotional activities of our Group.

This additional working capital will further enhance our cash flow position and enable us to conduct our operations and expansion without being overly dependent on external funding.

4.7.3 To settle our listing expenses

Our listing expenses are estimated to be RM6.45 million, details of which are as follows:

	<u>RM million</u>
Professional fees	2.65
Fees to authorities	0.32
Estimated underwriting, placement and brokerage fees	2.84
Printing and advertising	0.50
Contingencies	0.14
Total	<u>6.45</u>

If the actual listing expenses are higher than estimated, the deficit will be funded out of our Group's internally generated funds.

The actual proceeds accruing to our Group will depend on the Institutional Price and the Final Retail Price. If the actual proceeds are higher than budgeted above, the excess will be used for working capital and general corporate purposes. Conversely, if the actual proceeds are lower than budgeted above, the proceeds allocated for capital expenditure and working capital will be proportionately reduced.

Pending the eventual utilisation of the Public Issue proceeds for the above intended purposes, the funds will be placed in short-term deposits with licensed financial institutions or short term money market instruments.

Our use of the Public Issue proceeds is expected to have the following primary impact to our Group:

(i) Outlet expansion

We intend to use part of the proceeds from our IPO to expand our network of outlets and to enhance as well as to improve our logistics and IT capabilities to support such expansion. The expansion of outlets and their respective contributions is expected to improve our financial performance in coming years.

Furthermore, a growing and larger network in tandem with improved and wider logistics and IT capabilities will provide our Group with an opportunity to become more competitive within the industry. For instance, our Group will be able to enjoy further economies of scale with our product principals and suppliers and be able to leverage and capitalise on an integrated and centralised supply chain, thus providing further efficiencies to our operations, with the objective of improving operating margins.

(ii) Availability of working capital

The ability to finance the initial inventory stocking for new outlets, as well as the additional manpower required for such new outlets is also crucial to support a growing network. As we intend to use a portion of the proceeds from our IPO to finance these requirements, the additional working capital will further enhance our cash flow position and enable us to conduct our operations and expansion without being overly dependent on external funding.

4. DETAILS OF OUR IPO (cont'd)

(iii) Enhancement to our Group's capital structure

With the increase in our shareholders' funds from the completion of the Public Issue, we expect our gearing level of approximately 0.16 times as at 31 January 2016 to decrease to approximately 0.07 times (on the assumption that the Public Issue was completed on the same date). The reduction in our gearing will enable our Group to have the flexibility to raise additional external financing as and when opportunities arise to fund our expansion and/or working capital requirements.

The pro forma financial impact of the utilisation of proceeds on our capitalisation and indebtedness as at 31 January 2016, assuming that the Public Issue and the utilisation of the proceeds is completed on the same date, is reflected in Section 12.6 of this Prospectus.

4.8 Brokerage, underwriting commission and placement fees

4.8.1 Brokerage fee

We will pay brokerage in respect of our IPO Shares under the Retail Offering, at a rate of 1.0% on the Final Retail Price per IPO Share in respect of all successful applications which bear the stamp of CIMB, 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.

CIMB is entitled to charge brokerage fees to successful applicants under the Institutional Offering. For avoidance of doubt, any brokerage fees payable under the Institutional Offering will not be borne by us.

4.8.2 Underwriting commission

As stipulated in the Retail Underwriting Agreement, we will pay the Managing Underwriter an underwriting commission of 2.5% of the amount equal to the Final Retail Price multiplied by the number of Shares underwritten pursuant to the Retail Offering.

4.8.3 Placement fee

We, in respect of our IPO Shares, will pay the Sole Bookrunner a base placement commission of 2.5% and an incentive fee of up to 0.6% of the Institutional Price multiplied by the number of IPO Shares sold to institutional and/or selected investors pursuant to the Institutional Offering, in accordance with the terms of the Placement Agreement.

4.9 Underwriting, placement and lock-up agreements

4.9.1 Underwriting

Pursuant to the Retail Underwriting Agreement, the Managing Underwriter has agreed to underwrite 18,303,500 IPO Shares under the Retail Offering, subject to clawback and reallocation provisions set out in Section 4.3.4 of this Prospectus. Details of the underwriting commission are set out in Section 4.8.2 of this Prospectus.

The salient terms of the Retail Underwriting Agreement are as follows:

- (i) the obligations of the Managing Underwriter under the Retail Underwriting Agreement are subject to certain conditions precedent;
- (ii) the Managing Underwriter may by notice to our Company given at any time before the date of Listing, terminate, cancel and withdraw its underwriting commitment if:
 - (a) there has been a breach by our Company of any of its warranties, undertakings or obligations under the Retail Underwriting Agreement in any respect;

4. DETAILS OF OUR IPO (cont'd)

- (b) our Company withholds any information from the Managing Underwriter which, in the opinion of the Managing Underwriter, would have or is likely to have a material adverse effect, whether individually or in the aggregate, and whether or not arising in the ordinary course of business, on any of the following:
- (aa) the condition (financial or otherwise), contractual commitments, general affairs, management, business, assets, liquidity, liabilities, shareholders' equity, prospects, properties or results of operations of our Company and our subsidiaries, taken as a whole;
 - (bb) the ability of our Company to perform in any respect its obligations under or with respect to, or to consummate the transactions to which it is a party as contemplated by this Prospectus and/or the Application Forms, the Placement Agreement or the Retail Underwriting Agreement;
 - (cc) the ability of our Company or any of our subsidiaries to conduct its businesses and to own or lease its assets and properties as described in this Prospectus; or
 - (dd) the IPO;
- ("Material Adverse Effect")**
- or affect the success of the IPO, or the distribution or the sale of the IPO Shares pursuant to the IPO;
- (c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Managing Underwriter by reason of Force Majeure (as defined below) which would have or can reasonably be expected to have, a Material Adverse Effect or is reasonably likely to have the effect of making any material obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms. **"Force Majeure"** means causes which are unpredictable and beyond the reasonable control of the party claiming Force Majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:
- (aa) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;
 - (bb) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power; or
 - (cc) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other acts of God;
- (d) there shall have occurred any government requisition or other occurrence of any nature whatsoever which would have or is reasonably likely to have a Material Adverse Effect;
- (e) there shall have occurred any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Managing Underwriter would have or is reasonably likely to, have a Material Adverse Effect or a material adverse effect (whether in the primary market or in respect of dealings in the secondary

4. DETAILS OF OUR IPO (cont'd)

market) on the value or price of the IPO Shares. For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:

- (aa) on or after the date of the Retail Underwriting Agreement; and
 - (bb) prior to the closing date of the Retail Offering,
- lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains 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;
- (f) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for 3 consecutive Market Days or more;
 - (g) there shall have announced or carried into force any new laws or change in laws in any jurisdiction which in the opinion of the Managing Underwriter may prejudice the success of the Listing or which would have or is reasonably likely to have the effect of making it impracticable to enforce contracts to allot the Shares or making any obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms;
 - (h) the Institutional Offering and/or the Retail Offering is stopped or delayed by our Company or the regulatory authorities for any reason whatsoever (unless such delay has been approved by the Managing Underwriter);
 - (i) the closing date of the Retail Offering does not occur within 10 days from the issuance date of this Prospectus or such other extended date as may be agreed by the Managing Underwriter;
 - (j) the Listing does not take place by 29 March 2016 or such other extended date as may be agreed by the Managing Underwriter;
 - (k) any commencement of legal proceedings or action against any member of our Group or any of our directors, which in the opinion of the Managing Underwriter, would have or is reasonably likely to have a Material Adverse Effect or make it impracticable to enforce contracts to allot the Shares;
 - (l) the Placement Agreement is terminated or rescinded in accordance with its terms or any of the conditions precedent set forth in the Placement Agreement not having been satisfied in full or to the extent not satisfied as such, waived by the Managing Underwriter in accordance with its terms; and
 - (m) any of the approvals below being revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms that would have or is reasonably likely to have a Material Adverse Effect:
 - (aa) amongst others, all approvals required in relation to the IPO, the admission of our Company's entire issued share capital to the Official List and the Listing, remaining in full force and effect and none having been rescinded, revoked or varied on the closing date of the Retail Offering and that all conditions to such approvals (except for any which can only be complied with after the Initial Public Offering has been completed) have been complied with;

4. DETAILS OF OUR IPO (cont'd)

- (bb) the approval-in-principle of Bursa Securities for the Listing being obtained on terms acceptable to the Managing Underwriter and such approval remaining in full force and effect and none having been rescinded, revoked or varied on the closing date of the Retail Offering and that all conditions to such approval (except for any which can only be complied with after the IPO has been completed) have been complied with.

4.9.2 Placement

We expect to enter into the Placement Agreement with the Sole Bookrunner in relation to the placement of 62,316,500 IPO Shares under the Institutional Offering, subject to clawback and reallocation provisions set out in Section 4.3.4 of this Prospectus. We will be requested to give various representations, warranties and undertakings and to indemnify the Sole Bookrunner against certain liabilities in connection with the IPO.

4.9.3 Lock-up agreements

- (i) Our Company had agreed to a lock-up agreement with the Sole Bookrunner dated 22 February 2016 (“**Issuer Lock-up Agreement**”) that our Company shall not and shall procure that its nominees and/or trustees holding Shares on trust for our Company shall not, and shall use our Company’s best endeavour to procure that our affiliates shall not, without the prior written consent of the Sole Bookrunner, from the date of the Issuer Lock-up Agreement until the date falling 180 days from the date of our Listing:
- (a) offer, pledge, sell, contract or agree to sell, mortgage, charge, assign, allot or issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance, or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares (or any securities convertible into or exercisable or exchangeable for the Shares), whether any such transaction is to be settled by delivery of the Shares or such other securities, in cash or otherwise;
 - (b) enter into any swap, hedge or derivative or other agreement, transaction or arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares (or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive or are substantially similar to, the Shares), whether any such transaction is to be settled by delivery of the Shares or such other securities, in cash or otherwise;
 - (c) deposit any Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities; or
 - (d) agree to do or announce any intention to do any of the above or an offering or sale of any of the Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) with respect to any of the foregoing.
- (ii) By respective agreements dated 22 February 2016, D&D Consolidated, DTG and DTK had respectively agreed to lock-up agreements with the Sole Bookrunner (“**Promoters Lock-up Agreements**”) that they respectively

4. DETAILS OF OUR IPO (cont'd)

shall not and shall procure that its affiliates and/or nominees and/or trustees holding the Shares on trust for or on his behalf shall not, without the prior written consent of the Sole Bookrunner, from the date of the Promoters Lock-up Agreement until the date falling 180 days from the date of our Listing (the “**Promoters Lock-up Period**”):

- (a) offer, pledge, sell, contract or agree to sell, mortgage, charge, assign, allot or issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance, or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares (or any securities convertible into or exercisable or exchangeable for the Shares), whether any such transaction is to be settled by delivery of the Shares or such other securities, in cash or otherwise;
- (b) enter into any swap, hedge or derivative or other agreement, transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares (or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive or are substantially similar to, the Shares), whether any such transaction is to be settled by delivery of the Shares or such other securities, in cash or otherwise;
- (c) deposit any Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities;
- (d) agree to do or announce any intention to do any of the above or an offering or sale of any of the Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) with respect to any of the foregoing; or
- (e) sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by it which is directly, or through another company or other entity indirectly, the beneficial owner of the Shares.

The restrictions above shall apply to all Shares (or any securities convertible into or exercisable or exchangeable for the Shares) (i) held by D&D Consolidated, DTG and DTK, their nominees and/or trustees holding shares as at the date of the Promoters Lock-up Agreement or (ii) acquired by D&D Consolidated, DTG and DTK, their nominees and/or trustees after the date of the Promoters Lock-up Agreement and until and including the date of our Listing.

D&D Consolidated, DTG and DTK respectively agrees that, without the prior written consent of the Sole Bookrunner, it will not, during the Promoters Lock Up Period, make any demand for or exercise any right with respect to, the registration of any Shares or any security convertible into or exercisable or exchangeable for the Shares.

4. DETAILS OF OUR IPO (*cont'd*)

4.10 Trading and settlement in secondary market

Upon our Listing, our IPO Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (which is operated by Bursa Depository). This will be effected in accordance with the Rules of Bursa Depository and the provisions of SICDA. Accordingly, our Company will not deliver share certificates to the subscribers of our IPO Shares.

Beneficial owners of our Shares are required under the rules of Bursa Depository to maintain the Shares in CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to their respective CDS accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS accounts shall not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of non-equity securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot market. Settlement and payment of trades done on a "ready" basis on Bursa Securities generally takes place on the 3rd Market Day following the transaction date.

It is expected that our IPO Shares will not commence trading on Bursa Securities until about 10 Market Days after the close of the Retail Offering. Holders of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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5. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that our Group, and to a large extent, our activities, are governed by the legal, regulatory and business environment in Malaysia whether presently or in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future. Additional risks, whether known or unknown, may in the future have a material and adverse effect on us or our Shares.

5.1 Risks affecting our business and operations

5.1.1 Our success depends on our ability to secure optimal outlet locations

As a press and convenience retailer, one of the key factors to the performance of our outlets is our ability to secure outlet locations with high foot traffic that are optimal to our retail business. This is done through our business development team that focuses on store acquisition and store development. Our established brand equity enhances our ability to secure optimal outlet locations as property owners are more likely to rent their premises to tenants that have established and easily recognisable brands. However, we cannot assure you that we will be able to secure optimal retail locations for our new outlets. If we are unable to secure optimal retail locations, our ability to expand our retail network may be hindered and if our outlets become sub-optimal in the future 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.

5.1.2 Our success depends on the value of our "myNEWS.com" brand

As at the LPD, out of our 255 outlets, 223 outlets operate under our homegrown trade name of "myNEWS.com". Maintaining consumer recognition for "myNEWS.com" is critical in attracting and expanding our customer base and ensuring customer loyalty.

Our "myNEWS.com" brand is built on several key factors such as our clean and inviting outlet concept, quality of customer service and optimum product mix of print media and convenience retail items, all of which are aimed at bringing a contemporary press and convenience shopping experience to our customers. The value of our "myNEWS.com" brand is dependent on us being able to continuously improve and build on these key factors to ensure continued consumer recognition. Failure to do so may adversely affect our brand equity, which in turn may result in a material adverse effect on our business and financial performance.

Despite our efforts, there is no assurance that our brand equity will not be eroded or adversely affected due to circumstances and events beyond our control. In such a situation, our sales and financial performance may be adversely affected and our ability to expand our retail network may also be hindered.

5.1.3 Our business is dependent on customer loyalty

Most of our customers are end consumers, and as such, our business is generally affected by consumer spending and behaviour. Our success depends on our customers' continuous loyalty to our brand. We believe that the key factors which will attract and retain customers include:

- (i) our ability to enhance our brand presence and brand value;
- (ii) successful promotional, advertising and marketing strategies;
- (iii) the quality of products and services offered at our outlets; and
- (iv) the ability for us to competitively price the products and services offered at our outlets.

5. RISK FACTORS *(cont'd)*

Nonetheless, we cannot guarantee that our efforts to establish customer loyalty will continue to be effective. If we are unable to establish continuous customer loyalty to our brand, products and services that we carry, our customers may turn to our direct competitors. This may result in a material adverse impact on our business and financial performance.

5.1.4 Our business depends on our ability to identify and match customer preferences for our products and services

Our business performance largely depends on our ability to identify a suitable mix of products and services to match consumer demands and preferences in different localities and across different demographics, as well as our ability to respond to such demands and preferences in a timely manner.

If we are unable to predict our target markets' demands, respond to our customers' needs and preferences, as well as execute necessary adjustments to our merchandise and services in a timely manner, we may suffer revenue loss and our prospects and financial performance may be materially and adversely impacted.

By leveraging on IT to provide us with on-demand information, we are able to systematically monitor and analyse sales trends, margins and SKU movements throughout our retail network to regularly identify sales patterns and trends. This allows us to respond to our target markets' demands in a timely manner and to optimise our sales performance.

Also, as we have been in the press and convenience retailing business over the past 19 years, we have established long-standing relationships with our suppliers. This assists us to access a wide variety of products and consumer services, from which we are able to select in order to ensure that our customers get a wide variety of their preferred products and services. Nevertheless, we cannot guarantee that we will be able at all times to predict accurately our product mix and services that match our customer preferences and demands. Any failure to do so may materially and adversely affect our business and financial performance.

5.1.5 We depend on IT in managing our business operations

We use IT as a competitive platform to place effective business and operating controls for our retail business. The application of our integrated IT system, consisting of our Bisonet System and WMS, spans across our business operations, human resources management, logistics and warehouse management, and to our front end over-the-counter POS. We are therefore reliant on the performance of our IT system to control, manage and monitor, amongst others, our retail and procurement activities. Further details of the technologies that we use and the capabilities of our IT platform are set out in Section 7.7 of this Prospectus.

We also use barcoding for all our inventories and SKUs, which is applied throughout our Bison DC, logistics distribution system and outlets. In addition, we are also dependent on the computer hardware and network to support our IT platform.

As such, there is a risk of interruption to our business operations and loss of data if we experience any malfunctions or system failure in our IT systems as well as our computer hardware or network. Such interruption, malfunction or system failure may have a material adverse impact on our Group's business operations and in such a situation, our sales and financial performance may be materially and adversely affected.

5. RISK FACTORS *(cont'd)*

5.1.6 We rely on our Bison DC

As at the LPD, approximately 86.7% of our SKUs received from our suppliers, managed and distributed to our network of outlets are from our Bison DC. Our Bison DC is supported by a logistics team consisting of 85 employees who are located on-site and a fleet of 13 delivery trucks which services all of our outlets nationwide.

Due to the concentration of our distribution network around our Bison DC, any significant disruption in the operations of our Bison DC due to natural disasters or calamities such as flooding or events such as fire, accidents, prolonged power outages, system failures or other unforeseen circumstances could severely damage our inventory, rendering the inventory unsaleable. In such an event, it could adversely affect our product distribution and sales until such time we secure an alternative facility or arrangements with our product principal and suppliers.

We cannot guarantee that our product principals or suppliers will agree to deliver those inventory that were distributed through Bison DC, directly to our outlets nor can we guarantee that we will be able to secure an alternative facility in a timely manner and on terms and conditions which are commercially acceptable to us.

Furthermore, if we encounter difficulties, delays or problems arising from the operations of our Bison DC, we cannot ensure that the critical systems and operations will be restored in a timely manner, resulting in delayed deliveries to our outlets or delivery scheduling conflicts, thereby affecting our ability to restock our outlets in a timely manner.

Any disruption or disasters affecting our Bison DC or delays from the operations of our Bison DC may consequently result in a material adverse impact on our business operations, financial performance and profitability.

5.1.7 We may be affected by inventory management issues

Our Group's principal business as a press and convenience retailer depends very much on our ability to procure optimal SKUs at our outlets at competitive costs and in a timely and satisfactory manner to meet our customers' demands. In case of delay or other problems in placing of stock orders by our outlets due to, amongst others, human error, or delay in receiving supply of products from our suppliers, shortages or oversupply may occur. If we are unable to meet our customers' demands due to shortage of SKUs at our outlets, we will lose sales. On the other hand, in the case of overstocking SKUs, we may face shortage of retail space and consequently increase in our inventory holding costs.

Our existing business operations is set up to enable us to respond in a timely manner to maintain optimal levels and range of SKUs at each particular outlet and to minimise obsolete or slow-moving SKUs. Despite our established network of suppliers and proactive management of our inventory, we are unable to guarantee that shortage in supply or obsolete or slow-moving SKUs will not occur. In such a situation, our sales and financial performance may be materially and adversely affected.

5.1.8 We are dependent on our major suppliers

During the FYEs 31 October 2013, 31 October 2014 and 31 October 2015, each of our major suppliers as set out in Section 7.15 of this Prospectus who accounted for more than 10% of our total purchases were tobacco suppliers.

These tobacco suppliers are also key suppliers in Malaysia. Any disruption to or cessation in the supply of products from these major suppliers, or any changes in our business relationship with these major suppliers may have an adverse effect on our business. We may incur additional costs, time and resources to seek alternative supply sources on terms that are commercially acceptable to us. This will in turn affect our profit margins and our price competitiveness against other tobacco retailers.

5. RISK FACTORS *(cont'd)*

Any disruption or cessation of supply from these major suppliers may result in shortage of supply to our outlets and as such may affect our outlets' sales performance as tobacco sales is one of our largest revenue contributors.

Despite our long-standing relationship with these major suppliers, there can be no assurance that these major suppliers will continue to supply their products to us, and any disruption in the supply of tobacco products from the above major suppliers may have a material adverse effect on the business of our Group.

5.1.9 We are dependent on skilled and experienced personnel and the loss of their continued services may affect our business

Our Group's continued success, future business growth and expansion depend on our Key Management's experience, expertise and continued efforts. Our Executive Directors, who are also our Promoters, play an active role in the management and operations of our Group. Specifically, DTL and DTW have been actively involved in our Group's operations, and their long service, in-depth knowledge on all aspects of our Group's operations, as well as their retail sector experience (19 years for DTL and 17 years for DTW) is invaluable to our Group and our Group's future plans. Our Executive Directors are assisted by our other Key Management who also have extensive knowledge and experience in the retail business.

The loss of any of our Key Management may adversely affect our ability to maintain and/or improve our performance. As such, our ability to retain and also attract competent and skilled personnel is crucial for our continued success, future business growth and expansion.

Nonetheless, there can be no assurance that the loss of any of our Key Management and the ensuing impact arising from the transition of key management functions will not have a material adverse effect on our Group's operations.

5.1.10 We may face human resource challenges which could lead to issues in the quality of our customer service

The retail convenience store market requires the need for human resources, and thus the market is reliant on the employment of efficient personnel. As a press and convenience retailer and an operator of a food and beverage outlet, our business is very much service oriented. It is therefore important to ensure that suitable front-line or front-desk personnel are hired. Any customer service issues such as inefficient or unfriendly customer service could have an overall unpleasant experience for customers. For example, any customer service issues leading to longer queues or longer check-out time could have a negative impact on our customers' convenience shopping experience. This may in turn result in loss of sales or loss of repeat customers. In the event of the above, our brand equity, business and results of operations may be materially and adversely affected.

As at the LPD, we have 464 contractual foreign workers. Factors such as language and cultural barriers in respect of our foreign workers may pose a challenge in our efforts to deliver quality customer service which is consistent with our objectives of bringing a contemporary press and convenience shopping experience to our customers.

Furthermore, while the employment of foreign workers in the retail market is presently allowed, the countries from which retail operators may source foreign workers as well as the ensuing conditions related to their employment are subject to governmental policies, directives and regulations from time to time. In general, approval is granted based on the merits of each case and is subject to conditions imposed by the relevant authorities from time to time. For example, under the current policies issued by MOHA, foreign workers are not allowed to work as front-line workers, which include having a role as a cashier. Additionally, the Government may amend policies relating to the employment of foreign workers in the retail market and/or introduce new conditions from time to time.

5. RISK FACTORS *(cont'd)*

As such, any shortage in the supply of foreign workers could adversely affect our business operations. In addition, we may also be subjected to increased costs and retail overheads if there are any increases in the levy or minimum wages for foreign workers or any other costs imposed by the Government in relation to their employment.

Based on our Group's experience, we have found it difficult to recruit and retain domestic employees to fill in front-line positions due to the transitory nature of the role. This places constraints on our ability to increase the pool of domestic manpower to manage front-line work at our outlets. As at the LPD, we have an average of 1.4 domestic employees for each outlet. Although we try to ensure that all front-line positions at our outlets are manned by domestic employees, there is no assurance that all front-line positions at our outlets will be manned by domestic employees at all times. To the extent that we are unable to attract and retain a wider pool of domestic employees, we may experience constraints in growing our network of outlets in compliance with the above policy by MOHA.

With an aim to attract a wider pool of employees to counter the risk of labour shortage which may disrupt our outlet operations, we have put in place competitive remuneration packages, benefits and incentive for our outlet staff. Also, to such extent that we are unable to arrange for contractual, part time or temporary staff in event of disruption to labour supply, we may experience loss of sales due to disruption to the affected outlets as well as increased operating costs, or constraints in growing our network of outlets. As a result of the above, we cannot assure you that the above factors will not materially and adversely impact our financial performance, results of operations and business prospects.

5.1.11 We are susceptible to pilferage and robbery, particularly at our outlets

The operational risks of pilferage and robbery will cause loss to our inventory which may in turn disrupt and/or affect our operations and financial condition. As a retail business, cash receipts constitute a significant proportion of our sales transactions at our outlets and as such, our outlets are particularly subject to the risk of pilferage and robbery.

As preventive measures to deter pilferage and robbery, all our outlets are installed with alarm systems, security cameras and safes. We also have in place our internal control team that is responsible for, amongst others, monitoring and investigating pilferage, cash variances and carrying out random spot checks on our outlets. Other efforts taken to mitigate these risks include applying various monitoring and tracking systems and standardised cash management practices to minimise any fraud, mismanagement or mishandling of cash and for safety purposes.

Although we have taken all reasonable steps to mitigate the operational risks above, we cannot assure you that the above measures taken will be adequate or that should such events occur they will not have a material adverse impact on our business, financial condition and operations.

5.1.12 Our operations may be affected due to changes in tenancy arrangements and rental costs, as well as outlet refurbishment costs

We do not own the properties on which our outlets operate from. Our outlets located at shopping malls, hypermarkets, high streets, office spaces, transportation hubs, resorts and medical centres are rented from third parties. Most of our tenancies do not exceed 3 years. The terms and conditions of our tenancies may be subject to review and modification by our landlords, depending on the provisions of the respective tenancy agreements.

5. RISK FACTORS (cont'd)

There can be no assurance that our landlords will not increase the rental rates or that our landlords will renew our tenancies upon expiry of the tenancy periods. If our landlords choose not to renew our tenancies, our operations in these affected outlets will have to be relocated to a new location, and there can be no assurance that we will be able to find a comparable location optimal to our business, especially for our outlets located at shopping malls or transportation hubs where the availability of retail space is competitive. This may result in a material adverse impact on our Group's operations and profitability.

In addition, from time to time, we may refurbish or our landlords may require us to refurbish our outlets, to improve our storefront appearance and to comply with our landlords' storefront appearance requirements. Any disruption to the operations and business of these outlets arising from such refurbishment may affect our sales and financial performance.

5.1.13 We may face risks of non-compliance with land laws, rules and regulations for our tenanted properties

In respect to our tenanted properties, we are not in a position to ascertain if our landlords have complied with all applicable land laws, regulations and rules. As such, we are susceptible to the risks of fines and penalties of any non-compliance of applicable land laws, regulations and rules to such extent it affects us as occupiers of the outlets.

All outlets operated by our Group are rented from property owners. These property owners comprise shopping malls, office or commercial property owners as well as individual property owners.

Therefore, there can be no assurance that we will not be subject to any penalties or fines as an occupier of such properties or spaces. Even if the fines and penalties for any breach of laws in respect of the properties are incurred and paid for by our landlords, we may be required to indemnify the landlords against such fines and penalties to the extent such breach is caused by us as tenants in accordance with the tenancy agreements that we entered into in respect of such properties. These fines, penalties and any indemnification may materially and adversely affect our business, financial condition and results of operations.

As part of our efforts to fully comply with the relevant land laws, rules and regulations relating to properties, which we rent and occupy, our business development team, in the course of site acquisition for our new outlets, will take into account the status of compliance as one of the evaluating factors. For non-compliances, though we may request our landlords, in our capacity as tenants, to procure the CF/CCC, or rectify any non-compliance of the category of land use and/or express condition or approved use of land on which the tenanted outlets are located, we are unable to guarantee that we will succeed in doing so or that the non-compliances may be rectified in a timely manner. As such, any disruption to the operations and business of the affected outlets, or if we will need to relocate the affected outlet, our business operations, sales and financial performance may be materially and adversely affected.

Please refer to section 7.23.2(i) for a description of the relevant land laws, rules and regulations relating to the properties which we rent and occupy and the status of compliance of our rented outlets with the CF/CCC requirements.

5.1.14 We are subject to risks of legal, employment, consumer, public liability claims, other disputes and negative publicity arising from our business operations

We are subject to risks of legal, employment, consumer claims, public liability claims and other disputes arising from our business operations. As most of our product and service offerings are third party consumer goods, we may be subject to consumer claims in the case of sale of substandard or defective products, and contaminated or deteriorated food and beverage products sold to our customers. As a mitigating measure, we are in the process of incorporating product indemnity terms within our standard trading terms with our product principals and suppliers.

5. RISK FACTORS *(cont'd)*

We also offer fresh food and beverages at our Bison Café. As such, we are subject to risks of food contamination and deterioration, which are inherent risks to food industry participants.

Any negative publicity arising from consumer claims and negative media reports which we may be directly or indirectly associated with may affect our brand equity and reputation and subsequently our sales.

In the course of our retail business operations, we are also susceptible to the risk of public liability claims such as public liability claims arising from accidents and/or injuries sustained by customers within our outlets.

Litigation or dispute resolution processes arising from these claims may be costly and time consuming. Due to the vagaries of litigation and dispute resolution proceedings, we are also unable to guarantee that the outcome of any such dispute resolution will be in our favour. If the outcome of dispute resolution is against us, we cannot assure you that we will have sufficient funds or be in a position to make sufficient provisions for such liabilities.

As a result of the abovementioned claims, we may be exposed to the risk of revocation, suspension or non-renewal of our business licences by the authorities. As such, these claims may materially and adversely affect our reputation, business, future growth and expansion, and financial performance.

Hence, any legal, employment, consumer, public liability claims, other disputes and negative publicity arising from our business operations may have a material adverse effect on our business, financial performance and results of operations.

Although we have not experienced any negative publicity that has materially affected our business, sales or financial performance as at the LPD, there is no guarantee that we will not be affected by negative publicity which may lead to a material adverse effect on our sales and financial position.

5.1.15 There is no assurance that our insurance coverage is adequate

We have purchased insurance policies for fire, burglary, money in transit, public liability, fidelity insurance and product liability insurance for consumables such as food and beverage products sold by us. We believe our current insurance coverage undertaken is adequate for our business and level of operations. Nonetheless, 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 such extent any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is not sufficient to cover such risks, we may have to bear such losses, damages or liabilities and consequently our business and financial condition may suffer a material adverse impact.

5.1.16 There is no assurance that our future plans will be commercially successful

We currently focus on expanding our network of outlets in major urban centres such as the Klang Valley, Johor Bahru and Penang. Our future plans and strategies focus on key areas of enhancing our revenue generation and margin optimisation, as well as the corresponding business and operational support functions.

It is our plan to expand our market presence through expansion of our network of outlets. We may also explore overseas markets. In order to stay competitive, we believe in the importance of continuous diversification and enhancement of our product range, and improving our business functions and back-end operations such as logistics capabilities and IT capabilities to support our growing network and product base. Please refer to Section 7.3.4 of this Prospectus for further details of our future plans and strategies.

Our expansion plans involve a number of risks, including but not limited to capital expenditure incurred to expand our outlets and to enhance our existing outlets, the costs of acquiring suitable land or properties and/or construction costs (if required) to expand our distribution and logistics capabilities that may include new distribution

5. RISK FACTORS *(cont'd)*

centres, warehouses or other facilities, the cost to improve our Bison DC and its logistics and IT capabilities, the working capital tied up in inventories, increased advertising, marketing and promotional expenses as well as other working capital requirements.

While we believe that we have sufficient resources at our disposal to execute our business expansion plans after the Public Issue and Listing, we are not able to guarantee that we will be successful in executing our business expansion plans, nor can we assure you that we will be able to anticipate all the business and operational risks arising from our future business plans. Any failure to do so may lead to a material adverse effect on our financial performance and position.

Any failure or inefficiency to manage our business growth and the expanding demand for personnel stemming from our future business expansion may also have a material adverse impact on our business operations and financial performance.

5.2 Risks affecting the industry in which we operate

5.2.1 We operate in a competitive environment

- (i) We are subject to competition within the retail convenience store market

The retail convenience store market consists of owners and operators ranging from large corporations to small independently owned businesses. The number of retail convenience stores in Malaysia was 2,547 as at 2014 and is estimated to have grown to 2,776 outlets as at 2015. Some of these retail convenience stores have been in operation for more than a decade, and as such are more established than others. With the presence of these established retail convenience store industry players, competition is strong as most of these industry players have the ability to offer competitive pricing and effectively manage their inventories, as a result of their higher stock turnover and larger inventory spaces. Furthermore, the reputation that these industry players garnered over many years in operations also enables them to seek and negotiate more suitable and strategic locations for their stores.

Some examples of the major retail convenience industry players which we compete with in the retail convenience store market are 7-Eleven Malaysia Holdings Berhad (under the trade name of "7-Eleven"), All Happy Sdn Bhd (under the trade name of "Happy Mart"), Circle K (Malaysia) Sdn Bhd (under the trade name of "Circle K"), Point Convenience Shop Sdn Bhd (under the trade name of "Point") and TCT Trading Sdn Bhd (under the trade name of "Orange").

(Source: IMR Report)

- (ii) We are also subject to competition from other retail format stores

Apart from competition within the retail convenience market, we also face competition from other retail format outlets including traditional retail outlets (e.g. independent small grocery retailers and specialist retailers) and large modern retail format outlets (e.g. hypermarkets and supermarkets). Most of these traditional retail format outlets are still thriving in rural areas and to a certain extent residential neighbourhoods in suburban areas, where they have built their loyal customer base through their long years of service to the local community. *(Source: IMR Report)*

Should we expand our network of outlets to these areas, we may compete with them for customers.

Large format retail outlets have greater capacity to carry higher volumes of inventories, thus garnering the ability to offer lower prices. While customers are willing to pay slightly higher prices for products from retail convenience stores in exchange for convenience, there is a possibility that retail

5. RISK FACTORS *(cont'd)*

convenience store industry players could lose out to large retail formats should there be a huge disparity in pricing. (*Source: IMR Report*)

As such, we may not be able to compete directly with larger retail formats which operate on a different business model as compared to retail convenience stores.

The IMR Report has identified several critical success factors in the retail convenience store market on which industry players' branding and market reputation are built on. These critical success factors include: (i) extensive store network in suitable and strategic store locations; (ii) successful and cost-effective management of inventory, warehousing and logistics; (iii) attractiveness of the store layout and outlet concept; (iv) responsiveness to market demands and consumer preferences in determining the suitable product mix and range; and (v) maintenance of customer service quality.

According to the IMR Report, we are the second largest retail convenience store industry player in Malaysia, with an estimated market share of 8.6% in terms of outlet numbers and 6.6% in terms of revenue in 2015.

Any failure on our part to build on the differentiating factors above as competitive advantages may cause us to lose sales revenue and a decline in customer loyalty to our brand, resulting in a subsequent loss of our market share. Although we will continue to take measures to maintain our competitiveness through our competitive advantages and key strengths set out in Section 7.3.3 of this Prospectus, there is no assurance that our business, performance and results of operations will not be materially and adversely affected if we are unable to do so.

5.2.2 Our financial performance is subject to regulatory changes in Malaysia

Our business, prospects, financial condition and results of operations may be affected by unfavourable changes in Government laws, regulations and policies (such as licensing regulations, wage requirements and changes to tobacco policies and taxes) that are beyond our control.

For instance, Thailand prohibits display of tobacco products at POS and Singapore is expected to introduce similar display ban measures in 2017. The implementation of such similar regulations or policies in Malaysia in particular towards restricting tobacco product display at POS will adversely affect our advertising and promotions revenue derived from tobacco principals, unless an alternative fee structure or arrangement is negotiated between us and the tobacco principals. Revenue from tobacco related advertising and promotions make up a substantial proportion of our Group's advertising and promotions revenue of RM18.53 million for the FYE 31 October 2015.

In addition, our income from retail sales of tobacco products may be adversely affected due to the above changes. For the FYE 31 October 2015, revenue from the sale of tobacco products was RM76.4 million or 35.1% of our Group's revenue.

As such, any unfavourable changes in Government laws, regulations and policies (such as licensing regulations, wage requirements and changes to tobacco policies and taxes) may have a material adverse effect on our business, financial performance and results of operations.

5.2.3 Our performance is dependent on the state of the Malaysian economy

As a press and convenience retailer, our sales and business performance is dependent on the state of Malaysia's economy. A growing economy indicates population growth with higher disposable income and as such greater spending power. This would in turn create demand for products and services sold in retail convenience stores. A decline in economic conditions in Malaysia may decrease consumers' spending power, which will in turn have a negative impact on the retail convenience store market.

5. RISK FACTORS *(cont'd)*

Any decline in the economic conditions in Malaysia may cause a reduction in sales volumes, which could have a negative impact on the overall financial condition of retail industry players. Nevertheless, we believe that products sold in retail convenience stores are generally inelastic against the backdrop of an adverse economic decline and as compared to other forms or types of retail products since these products are generic, broad-based in nature, and accessible to consumers at affordable price points.

Although we will try to be sensitive to consumer preferences and sales trends, as well as increase our measures to ensure customer loyalty and brand recognition, and to improve our business operating efficiencies in order to maintain our competitiveness, we are unable to assure you that a decline in Malaysia's economy will not materially and adversely affect our sales, results of operations and financial condition.

5.2.4 We are subject to political, economic and social developments in Malaysia

Our business, prospects, financial condition and results of operations may be affected by political, economic and social developments that are beyond our control in Malaysia. Such developments include, but are not limited to, the risks of war, terrorism, riots, nationalisation, expropriation, renegotiation or nullification of contracts, changes in interest rates, economic recession, fiscal and monetary policies of the Government such as foreign exchange control regulations, inflation, deflation, methods of taxation and tax policy (including customs, excise, duties and tariffs), unemployment trends, deterioration of international bilateral relationships and other matters that influence consumer confidence and spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. Negative developments in the socio-political environment in Malaysia such as minimum wage increases and/or restrictions on bringing in foreign workers may materially and adversely affect our business, financial conditions, results of operations and prospects.

Some types of losses such as from acts of war, terrorism and riots, may be either uninsurable or too prohibitive to justify insuring against. Should an uninsured loss or a loss in excess of incurred limits occur, our Group's business, prospects, financial conditions and results of operations may be materially and adversely affected.

There can be no assurance that adverse political, economic and social changes will not materially affect our Group's business.

5.3 Risks affecting our Shares

5.3.1 No prior market for our Shares and it is uncertain whether a sustainable market will ever develop

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares. The Retail Price was determined after taking into consideration various factors and we believe that a variety of factors could cause our Share price to fluctuate which may adversely affect the market price of our Shares.

There can be no assurance that the Final Retail Price will correspond to the price at which our Shares will trade on the Main Market upon our Listing and the market price of our Shares will not decline below the Final Retail Price.

5. RISK FACTORS *(cont'd)*

5.3.2 Investors in our IPO will suffer immediate dilution in NTA

The Retail Price is higher than the NTA value per Share by RM0.66 after adjusting for our IPO. Investors subscribing for Shares in our IPO will therefore incur immediate dilution on a NTA value per Share basis. The issuance of further Shares at prices lower than the then existing NTA value per Share would result in further dilution. Please refer to Section 4.6 of this Prospectus for further details on "Dilution".

5.3.3 Share price volatility and volume of our Shares

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Group have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 10 Market Days after the close of the Retail Offering before the trading of our Shares. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:

- (i) variations in our results and operations;
- (ii) success or failure in our management team in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (v) additions or departures of our key management personnel;
- (vi) fluctuations in stock market prices and volumes; or
- (vii) involvement in litigation.

5.3.4 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders

As disclosed in Section 9.2 of this Prospectus, our Promoters will collectively hold in aggregate 74.0% of our enlarged issued and paid-up share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of directors, the timing and payment of dividends as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. There can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders.

5. RISK FACTORS *(cont'd)*

5.3.5 Failure or delay in our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

- (i) our Managing Underwriter exercising their rights pursuant to the Retail Underwriting Agreement to discharge themselves from its obligations thereunder;
- (ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of our issued and paid-up share capital for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing;
- (iii) the revocation of approvals from the relevant authorities prior to our Listing and/or admission to the Official List for whatever reason other than the reasons specified in paragraph (iv) below; or
- (iv) if the SC issues a stop order pursuant to section 245 of the CMSA prior to our Listing or if permission is not granted by Bursa Securities for our Listing before the expiration of 6 weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC pursuant to section 243 of the CMSA.

If any event in paragraphs (i), (ii) or (iii) above occurs, investors will not receive any of our IPO Shares and we will return in full (without interest or any share of revenue or benefit arising therefrom) all monies paid in respect of any application for our IPO Shares in compliance with subsection 243(2) of the CMSA. However, if our IPO Shares have been issued and allotted to investors, we can only repay the monies paid in respect of our IPO Shares by a cancellation of our IPO Shares pursuant to a capital reduction exercise in accordance with section 64 of the Act. Such a capital reduction exercise, will require us to, amongst others, obtain our shareholders' sanction by special resolution, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and confirmation by the High Court of Malaya. Therefore, there can be no assurance that our IPO Shares can be cancelled or that such monies paid in respect of our IPO Shares can be recovered within a short period of time or at all.

If an event specified in paragraph (iv) above occurs, the issue of our IPO Shares shall be considered void and the investors will not receive any IPO Shares. In such event, we shall be liable to forthwith repay (without interest or any share of revenue or benefit arising therefrom) all monies received for our IPO Shares. If such monies are not repaid within 14 days after the date of the service of the stop order, then, pursuant to sub-sections 245(7) or 243(2) of the CMSA, as the case may be, we will be liable to repay the monies together with interest at the rate of 10% a year or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

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5. RISK FACTORS *(cont'd)***5.3.6 We cannot assure you that we will declare and distribute any amount of dividends in the future**

Presently our Company does not have a formal dividend policy. 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. However, it is the intention of our Board to allow our shareholders to participate in the profits of our Group and to propose to pay dividends out of cash generated by our operations after taking into account a number of factors, including our results of operations, financial conditions, the payment by our subsidiaries of cash dividends or other distributions to us, our future prospects and capital investments, any restrictive covenants that we are obliged to observe, where applicable, available reserves of our subsidiaries and other factors that our Board may consider important. Our ability to pay dividends is also subject to us having sufficient distributable reserves. In the case that we do not pay cash dividends on our Shares, you may not receive any return on an investment in our Shares unless you sell our Shares for a price greater than that which you paid for it.

Furthermore, payment of dividends may also be limited by restrictive covenants contained in our current and/or future financing agreements where consents may be required from the lender under certain circumstances before any declaration or payment of any dividend is made. Details of an existing restrictive covenant which our Group is subject to is set out in Section 12.5.3 of this Prospectus.

5.3.7 We are a holding company and, as a result, are dependent on the flow of dividends from our subsidiaries and our associate to meet our obligations and to provide funds for payment of dividends on our Shares

Our Company is a holding company and we conduct substantially all of our operations through our subsidiaries. Accordingly, an important source of our income, and subsequently an important factor in our ability to pay dividends on our Shares, is the amount of dividends and other distributions that our Company receives from our subsidiaries. The ability of our subsidiaries to pay dividends or make other distributions to our Company in the future will depend upon their operating results, earnings, capital requirements and general financial condition. In addition, changes in accounting standards may also affect the ability of our subsidiaries, and consequently, our ability to declare and pay dividends.

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6. INFORMATION ON OUR GROUP

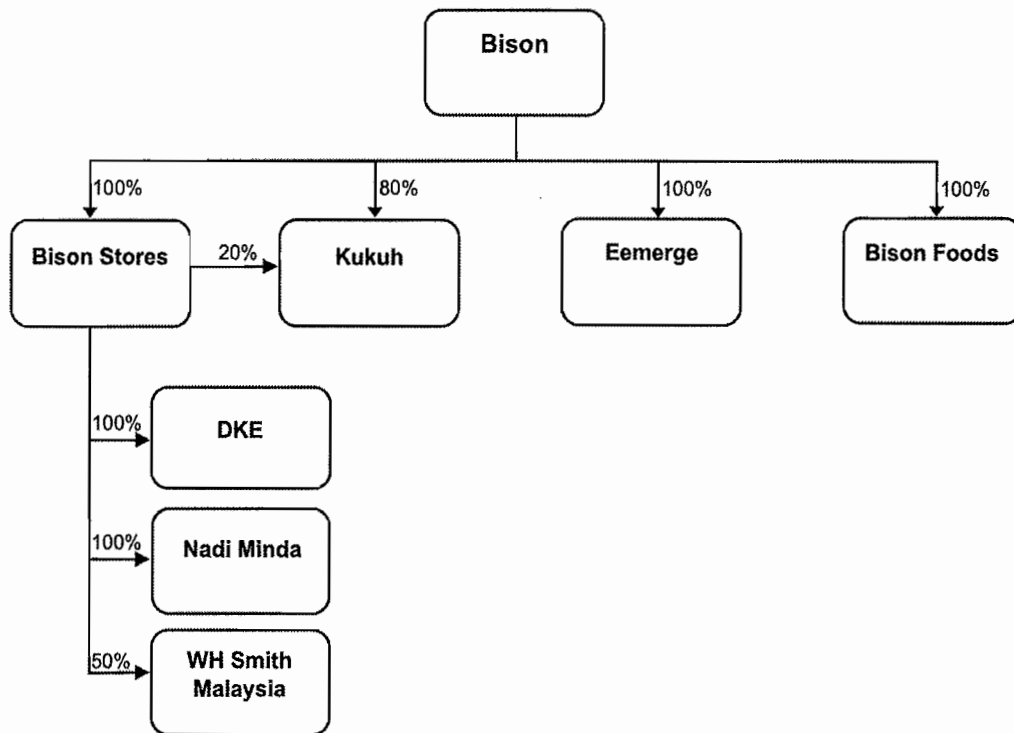
6.1 Our Company

Our Company was incorporated in Malaysia under the Act as a private limited company on 26 March 2013 under the name of Prempac Sdn Bhd. On 25 September 2014, our name was changed to Bison Consolidated Sdn Bhd and subsequently on 16 July 2015, our Company was converted into a public limited company and we assumed our present name of Bison Consolidated Berhad.

Our principal activity is investment holding, while our Group is principally involved in the business of press and convenience retailing, comprising the operations of a press and convenience retail chain in Malaysia under our main trade name of "myNEWS.com". Our Group also operates other outlets under the trade names of "newsplus", "MAGBIT" and "THE FRONT PAGE"; as well as under the trade name of "WHSmith" pursuant to our equal joint venture with WH Smith Travel. WH Smith Travel is an indirect wholly-owned subsidiary of WH Smith PLC (UK), one of UK's leading retailers.

6.2 Our Group

The structure of our Group is as follows:



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6. INFORMATION ON OUR GROUP (cont'd)

Our Group was formed on 9 July 2015 when our Company acquired the entire issued and paid-up share capital of Bison Stores, Eemerge and Bison Foods and 80% of the issued and paid-up share capital of Kukuh, which collectively held all our business operations. These companies were acquired from their respective shareholders in consideration for the allotment of 229,449,989 Shares to our Promoters and Substantial Shareholders, the details of which are as follows:

Subsidiary	Total interests in subsidiary acquired (%)	Consideration	
		Shares	(RM'000)
Bison Stores	100	204,449,989	40,890
Kukuh	*80	2,300,000	460
Eemerge	100	20,250,000	4,050
Bison Foods	100	2,450,000	490
		<u>229,449,989</u>	<u>45,890</u>

Note:

* Remaining 20% held by Bison Stores directly.

Following the completion of the Acquisitions, each subsidiary above became a 100%, direct and indirect, subsidiary of Bison. Prior to the formation of our Group, the shareholders of our subsidiaries above comprised of D&D Consolidated, DTL, DTH and DTW.

6.3 Share capital

6.3.1 Authorised, issued and fully paid-up share capital

Our authorised share capital as at the date of this Prospectus is RM500,000,000 comprising 2,500,000,000 Shares.

Our issued and paid-up share capital as at the date of this Prospectus is RM45,890,000 comprising 229,450,000 Shares.

6.3.2 Details of the issue and allotment of our Shares

There were no changes to our issued and paid-up share capital since our Company's incorporation date up to the date of this Prospectus, save as disclosed below:

Date of allotment / subdivision	No. of ordinary shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
26.03.2013	2	1.00	Cash (subscriber shares)	2.00
06.02.2015	10	0.20	Subdivision of shares	2.00
09.02.2015	1	0.20	Cash	2.20
09.07.2015	229,449,989	0.20	Pursuant to the Acquisitions	45,890,000.00

There were no outstanding warrants, options, convertible securities or uncalled capital in respect of the shares in our Company, subsidiaries and associate as at the date of this Prospectus.

6. INFORMATION ON OUR GROUP (cont'd)

6.4 Details of our subsidiaries and associate

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

Name (Registration No.)	Date and country of incorporation	Issued and paid- up share capital (RM)	Our Company's effective interest (%)	Principal activities
Direct wholly-owned subsidiaries of Bison				
Bison Stores (306295-X)	05.07.1994 Malaysia	2,000,000	100	Retailer of print media and convenience items
Eemerge (628407-U)	17.09.2003 Malaysia	150,000	100	Retailer of print media and convenience items
Kukuh (667117-M)	24.09.2004 Malaysia	50,000	100	Retailer of print media and convenience items
Bison Foods (663941-P)	25.08.2004 Malaysia	3	100	Operator of a food and beverage restaurant
Wholly-owned subsidiaries of Bison Stores				
DKE (883165-X)	21.12.2009 Malaysia	100,000	100	Commercialisation of a publications and magazine distribution and POS software as well as the provision of implementation, maintenance and technical services relating to the software
Nadi Minda (593872-D)	26.09.2002 Malaysia	94,000	100	Provision of management services
Associate of Bison Stores				
WH Smith Malaysia (961910-P)	28.09.2011 Malaysia	1,000,000	50	Retailer of print media and convenience items

(i) Bison Stores

(a) History and business

Bison Stores was incorporated in Malaysia under the Act as a private limited company on 5 July 1994 under the name of Sepintas Sinar Sdn Bhd. On 6 November 1997, it assumed its present name. Bison Stores commenced business on 25 December 1996.

Bison Stores is principally engaged in the business as a retailer of print media and convenience items.

(b) Share capital

The authorised share capital of Bison Stores is RM5 million comprising 5 million ordinary shares of RM1.00 each, of which 2 million ordinary shares are issued and fully paid-up.

6. INFORMATION ON OUR GROUP *(cont'd)*

There have been no changes in the issued and paid-up share capital of Bison Stores for the past 3 years preceding the LPD.

(c) Shareholder

Bison Stores is our wholly-owned subsidiary following the completion of the Acquisitions.

(d) Subsidiary and associate

Save for DKE, Nadi Minda and WH Smith Malaysia, Bison Stores does not have any other subsidiary or associate.

(ii) Eemerge

(a) History and business

Eemerge was incorporated in Malaysia under the Act as a private limited company on 17 September 2003 under the name of Techprovider Sdn Bhd. On 18 August 2004, it assumed its present name. Eemerge commenced business on 10 January 2004.

Eemerge is principally engaged in the business as a retailer of print media and convenience items.

(b) Share capital

The authorised share capital of Eemerge is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 150,000 ordinary shares are issued and fully paid-up.

There have been no changes in the issued and paid-up share capital of Eemerge for the past 3 years preceding the LPD.

(c) Shareholder

Eemerge is our wholly-owned subsidiary following the completion of the Acquisitions.

(d) Subsidiary and associate

Eemerge does not have any subsidiary or associate.

(iii) Kukuh

(a) History and business

Kukuh was incorporated in Malaysia under the Act as a private limited company under its present name on 24 September 2004. Kukuh commenced business on 25 November 2004.

Kukuh is principally engaged in the business as a retailer of print media and convenience items.

(b) Share capital

The authorised share capital of Kukuh is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 50,000 ordinary shares are issued and fully paid-up.

6. INFORMATION ON OUR GROUP *(cont'd)*

There has been no changes in the issued and paid-up share capital of Kukuh for the past 3 years preceding the LPD.

(c) Shareholder

Kukuh is our 80% owned subsidiary following the completion of the Acquisitions. The remaining 20% shareholding is held by Bison Stores.

(d) Subsidiary and associate

Kukuh does not have any subsidiary or associate.

(iv) Bison Foods

(a) History and business

Bison Foods was incorporated in Malaysia under the Act as a private limited company under its present name on 25 August 2004. Bison Foods commenced business on 25 August 2004.

Bison Foods is principally engaged as an operator of a food and beverage restaurant.

(b) Share capital

The authorised share capital of Bison Foods is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 3 ordinary shares are issued and fully paid-up.

There has been no changes in the issued and paid-up share capital of Bison Foods for the past 3 years preceding the LPD.

(c) Shareholder

Bison Foods is our wholly-owned subsidiary following the completion of the Acquisitions.

(d) Subsidiary and associate

Bison Foods does not have any subsidiary or associate.

(v) DKE

(a) History and business

DKE was incorporated in Malaysia under the Act as a private limited company under its present name on 21 December 2009. DKE commenced business on 21 December 2009.

DKE is principally engaged in the commercialisation of a publications and magazine distribution and POS software as well as the provision of implementation, maintenance and technical services relating to the software.

DKE is an MSC Malaysia Status company ("**MSC Malaysia Status**") and has been accorded pioneer status in accordance with the Promotion of Investments Act 1986.

6. INFORMATION ON OUR GROUP *(cont'd)*

(b) Share capital

The authorised share capital of DKE is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 100,000 ordinary shares are issued and fully paid-up.

There has been no changes in the issued and paid-up share capital of DKE for the past 3 years preceding the LPD.

(c) Shareholder

DKE is a wholly-owned subsidiary of Bison Stores.

(d) Subsidiary and associate

DKE does not have any subsidiary or associate.

(vi) Nadi Minda

(a) History and business

Nadi Minda was incorporated in Malaysia under the Act as a private limited company under its present name on 26 September 2002. Nadi Minda commenced business on 3 January 2004.

Nadi Minda is principally engaged in the provision of management services to WH Smith Malaysia.

(b) Share capital

The authorised share capital of Nadi Minda is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 94,000 ordinary shares are issued and fully paid-up.

There has been no changes in the issued and paid-up share capital of Nadi Minda for the past 3 years preceding the LPD.

(c) Shareholder

Nadi Minda is a wholly-owned subsidiary of Bison Stores.

(d) Subsidiary and associate

Nadi Minda does not have any subsidiary or associate.

(vii) WH Smith Malaysia

(a) History and business

WH Smith Malaysia was incorporated in Malaysia under the Act as a private limited company on 28 September 2011 under the name of Ammolite Holdings Sdn Bhd and assumed its present name on 23 May 2012. WH Smith Malaysia commenced business on 27 August 2012.

WH Smith Malaysia is principally engaged in the business as a retailer of print media and convenience items.

6. INFORMATION ON OUR GROUP (cont'd)

(b) Share capital

The authorised share capital of WH Smith Malaysia is RM1 million comprising 1 million ordinary shares of RM1.00 each, of which 1 million ordinary shares are issued and fully paid-up.

Save as set out below, there have been no changes in the issued and paid-up share capital of WH Smith Malaysia since its incorporation date up to the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Par value (RM)</u>	<u>Consideration</u>	<u>Cumulative issued and paid-up share capital (RM)</u>
28.09.2011	2	1.00	Cash	2.00
18.11.2014	999,998	1.00	Cash (Capitalisation of shareholders' advances)	1,000,000.00

(c) Shareholder

As at the LPD, WH Smith Malaysia is a 50% associate of Bison Stores. The remaining 50% shareholding is held by WH Smith Travel, an indirect wholly-owned subsidiary of WH Smith PLC (UK).

(d) Subsidiary and associate

As at the LPD, WH Smith Malaysia does not have any subsidiary or associate.

As at the LPD, neither Bison nor our subsidiaries and associate are involved in any bankruptcy, receivership or similar proceedings.

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7. BUSINESS OVERVIEW

7.1 History and background

Our history can be traced back to 25 December 1996 when DTL, together with his wife, Ling Chao and his family, established our first newsstand outlet under the trade name "MAGBIT". This outlet is located on the lower ground floor of 1 Utama Shopping Complex in Petaling Jaya, Selangor, and started out as a newsstand offering newspapers, magazines, confectioneries, beverages and tobacco products within a limited retail space. At that point in time, there was more reliance on manual labour to control the business operations such as managing and tracking inventory levels (e.g. stock in and out, stocktake, return of SKUs to suppliers), price labelling (prior to the introduction of barcoding), and managing the cash register and sales counter. In 1997, shortly after the opening of our first outlet, we opened our second outlet at Jejantas Sungai Buloh, located along the Malaysian North-South Expressway under the same trade name "MAGBIT" (which was subsequently converted to "myNEWS.com" in 2002).

In 1997, when an opportunity arose to set up an outlet in Mid Valley Megamall, Kuala Lumpur, we decided to launch our third outlet under the trade name "myNEWS.com". This is the first "myNEWS.com" outlet opened with the aim to introduce our contemporary press and convenience outlet appearance and concept which was developed in-house from the learning cycles of the first two outlets. Today, we have 247 outlets nationwide under our own trade names, namely "myNEWS.com", "newsplus", "MAGBIT" and "THE FRONT PAGE". There is no significant differentiation in how we operate and manage our outlets across the 4 trade names as we continue to be a press and convenience retailer. Further details of the locations of our outlets can be found in Section 7.4 of this Prospectus.

Our trade name "myNEWS.com" was conceptualised in line with our aim to bring our customers an improved press and convenience shopping experience. The late Mr Dang Kai Ee, father of our Promoters, with his iron-works experience, constructed a prototype of the print media racks for our outlets which enabled magazines to be displayed in an easily accessible and attractive manner. With the combined effort and expertise of the Dang family, the unique contemporary "look and feel" of our outlets was created and today, our brand, trade name, customised outlet appearance and product display layout, is consistently visible in all our outlets and this clean and inviting concept has become synonymous with our trade names and brand.

As our outlets and business operations began to expand, in 1998, we established our present HQ at Kepong Industrial Park, Selangor which also served as our distribution centre then. In 1999, we saw the need to put in place improved business controls with the use of IT, to cater for more efficient business operations and to allow for scalability as we expanded further. At that point in time, we were already operating 10 outlets. DTL, drawing on his background in IT and leveraging on his direct hands-on experience in operating our early outlets, developed an in-house POS system for our business with functions such as sales tracking, control and monitoring of store performance. As our business grew, this in-house POS system was replaced with our present Bisonet System to cater for the demands of an ever-increasing number of product SKUs, outlets and employees. Today, our Bisonet System, together with our WMS, is integrated within our Group's business operations, allowing us to control, manage and monitor, amongst others, our retail and procurement activities and the capability to analyse sales data and trends in detail. Further details on the capabilities of our Bisonet System are set out in Section 7.7.1 of this Prospectus.

By 2007, we had increased our brand presence significantly with the opening of our 100th outlet. This was followed by the opening of our 150th outlet in 2012.

In 2009, under The BrandLaureate SMEs BestBrands Award 2009, "myNEWS.com" was accorded the "Most Promising Brand" in the sub-category of the SMEs Brand Specialty Awards, and also the "BestBrands in Retail - Press Retailer" in the sub-category of the SMEs Chapter Awards. Our Managing Director, DTL, was recognised with the Silver Award, Entrepreneur of the Year 2011 by The Star Outstanding Business Awards.

7. BUSINESS OVERVIEW (cont'd)

From 2009 to 2013, Bison Stores' performance has also been consistently recognised by SME & Entrepreneurship Magazine, Malaysia where we received the SME100 Awards - Malaysia's Fast Moving Companies for 5 consecutive years; in addition to attaining Top 10 Ranking in the SME100 Awards – Malaysia's Fast Moving Companies in 2014. Bison Stores was also awarded the Retail Excellence Award under the Sin Chew Business Excellence Awards 2015.

In 2012, we entered into an equal joint venture with WH Smith Travel to set up and operate "WHSmith" outlets within Malaysia's international airports. As at the LPD, the joint venture entity, WH Smith Malaysia, operates 8 "WHSmith" outlets in Malaysia consisting of 1 outlet at KLIA, 2 outlets at klia2, 2 outlets each at the Langkawi International Airport and Penang International Airport and 1 outlet at the Kota Kinabalu International Airport. In 2013, WH Smith Malaysia was awarded the Certificate of Recognition for Outstanding Brand Concept at klia2 by Malaysia Airports Holdings Berhad.

In February 2013, to cater for the demands of our growing business, we started operating our Bison DC at an industrial building, with approximately 125,000 sq. ft. in built-up area, located in Rawang Integrated Industrial Park, Selangor. In tandem with the establishment of our Bison DC, we upgraded our WMS using the Manhattan Warehouse Management System and integrated it with our Bisonet System. The introduction of an enhanced and integrated supply chain management system and POS system throughout our retail chain and our Bison DC enabled us to operate and monitor our business more efficiently. The capabilities of our WMS are set out in Section 7.7.2 of this Prospectus.

As at the LPD, we operate 255 outlets (including the 8 "WHSmith" outlets) which are present in all but 3 states of Malaysia. Our outlets are concentrated mainly in Kuala Lumpur and Selangor where 77.3% of our outlets are located. Our retail network covers a total of approximately 174,000 sq. ft. of retail space ranging from approximately 60 sq. ft. to 2,300 sq. ft. for each outlet. Out of our 255 outlets as at the LPD, 32 of these outlets have been in operations for more than a decade. Our total outlets have grown at a CAGR of 17.8% over the 3 FYEs from 31 October 2013 to 31 October 2015.

Throughout our past 19 years of operations, we have built a strong base for our press and convenience retail business founded on our established homegrown brand, our experienced management team, our long term relationship with our business partners and our in-house developed IT-based operations and distribution system.

7.2 Key achievements, milestones and awards

7.2.1 Achievements and milestones

Year	Achievements and milestones
1997	<ul style="list-style-type: none"> We launched our trade name "myNEWS.com" and our first in-house developed contemporary press and convenience retail outlet.
1999	<ul style="list-style-type: none"> Developed our first in-house POS system. We opened our 10th outlet.
2007	<ul style="list-style-type: none"> We opened our 100th outlet.
2011	<ul style="list-style-type: none"> We acquired DKE, a MSC Malaysia Status company, to further develop and build on our Bisonet System. We launched our "myNEWS.com Charity" corporate social responsibility programme.
2012	<ul style="list-style-type: none"> We entered into an equal joint venture with WH Smith Travel to set up and operate "WHSmith" outlets within Malaysia's international airports. We opened our 150th outlet.

7. BUSINESS OVERVIEW (cont'd)

Year	Achievements and milestones
2013	<ul style="list-style-type: none"> We commenced operations of our Bison DC. We launched our "myNEWS.com on Wheels" mobile truck store.
2014	<ul style="list-style-type: none"> We opened our 200th outlet.
2016	<ul style="list-style-type: none"> We opened our 250th outlet.

7.2.2 Awards

Our commitment to excellence is evidenced by the awards and certifications which we have received to-date. We set out below the awards, accolades and accreditations which we have received:

Year	Award / Certification	Awarding body
2009	<ul style="list-style-type: none"> The BrandLaureate SMEs BestBrands Award: "Most Promising Brand" in the sub-category of SMEs Brand Specialty Awards for "myNEWS.com" The BrandLaureate SMEs BestBrands Award: "BestBrands in Retail – Press Retailer" in the sub-category of SMEs Chapter Awards for "myNEWS.com" 	The BrandLaureate The BrandLaureate
2011	<ul style="list-style-type: none"> The Silver Award as Entrepreneur of the Year awarded to our Managing Director, DTL 	The Star Outstanding Business Awards
2009 to 2013	<ul style="list-style-type: none"> SME100 Awards – Malaysia's Fast Moving Companies awarded to Bison Stores for 5 consecutive years 	SME & Entrepreneurship Magazine, Malaysia
2013	<ul style="list-style-type: none"> Certificate of Recognition for Outstanding Brand Concept at klia2 awarded to WH Smith Malaysia 	Malaysia Airports Holdings Berhad
2014	<ul style="list-style-type: none"> Top 10 Ranking in the SME100 Awards – Malaysia's Fast Moving Companies awarded to Bison Stores 	SME & Entrepreneurship Magazine, Malaysia
2015	<ul style="list-style-type: none"> Retail Excellence Award under the Sin Chew Business Excellence Awards 	Sin Chew Daily and sinchew.com.my

7.3 Our business

7.3.1 Principal business activities

Our principal business activity is press and convenience retailing, which involves the conceptualisation, development, expansion, management and operations of a press and convenience retail chain throughout Malaysia under our homegrown trade names of "myNEWS.com", "newsplus", "MAGBIT", "THE FRONT PAGE"; as well as the trade name of "WHSmith" (under our equal joint venture with WH Smith Travel) that retail news, books and convenience products within international airports in Malaysia. Our business encapsulates not just press and convenience retailing but also complementary services such as advertising and promotional activities and distribution services through our Bison DC.

7. BUSINESS OVERVIEW (cont'd)

7.3.2 Business model

(i) Business and core revenue stream

Our press and convenience outlets are typically located at shopping malls, hypermarkets, high street locations (being primary business or commercial street(s) within an urbanised or suburban area), office spaces, transportation hubs, resorts, hospitals and medical centres. These are localities which are urbanised and with high foot traffic. Presently, our growing network of outlets is mainly concentrated in Kuala Lumpur and Selangor where 77.3% of outlets are located. The growth of our outlets achieved a CAGR of 17.8% during the past 3 FYEs up to 31 October 2015. Please refer to Section 7.4 of this Prospectus for further details of our outlet locations.

The core of our press and convenience retail business operations includes outlet assessment and acquisition, merchandising and procurement, centralised distribution and warehousing, IT hardware and software support, advertising and marketing, point of sale and service to the end customer.

Most of our Group's total consolidated revenue is derived from retail sales (being the over-the-counter sales to our end customers at our outlets) which is derived from 5 general categories of products and services described below:

- tobacco products such as cigarettes;
- food and beverage products such as pre-packaged bakery products, drinks, dairy products, confectioneries and snacks, and alcoholic beverages (at selected outlets) as well as in-store self-served convenience food and beverages such as hot beverages, fresh bakery products and selected hot food;
- print media such as periodicals, newspapers, magazines and books;
- non-food products such as batteries, stationery, personal health care products, toys, accessories and other non-food related merchandise; and
- consumer services comprising commissions from electronic payment services (such as top-up/reloads for mobile service providers and selected bill payments), photocopying services and at selected outlets, money remittance services.

Print media is sourced on a consignment basis while consumer services income is recognised from the commissions generated. The other products are purchased from suppliers and sold to our customers at a margin.

In addition to retail sales, our Group also generates revenue from advertising and promotions. Such revenue is derived from a range of sources which is related mainly to the prominent placement and/or display of products within our outlets for the purpose of promoting or advertising such products to our customers. Examples of such prominent areas include:

- (a) the facing or slot display area behind the cashier for tobacco products;
- (b) eye-level retail shelving space or the ends of the shelving space facing the entrance of the outlet where products like confectioneries and snacks are placed to optimise sales of such products;
- (c) dedicated space within chillers for the placement and display of various chilled products from a single supplier; or

7. BUSINESS OVERVIEW (cont'd)

- (d) the placement of light box displays over the counter or on the counter to advertise mobile telecommunication products or the placement of product standees (standing either from the floor or the counter) that display and carry products such as toys, candy, phone cards or novelty items such as balloons or cards.

Advertising and promotions fees are paid by product principals or suppliers and can be in the form of fixed fees per outlet, fees based on the number of products carried on the shelf per outlet or a fee based on the volume or expected volume of products sold through the outlet.

We also recognise other advertising related income paid to our Group that is related to ad-hoc advertising and promotional activities such as placement of advertisement on our delivery trucks, special sales campaigns or promotions at our outlets or suppliers' anniversary sales. The fee from this other advertising related income is determined on a case-by-case basis taking into account the nature of the advertising and promotional activity.

A majority of our advertising and promotions revenue is derived from tobacco principals representing approximately 70.6% of our advertising and promotions revenue for the FYE 31 October 2015.

Our Group also generates other revenue in the form of sales incentives, rebates, distribution centre charges, sales from our Bison Café and management services charged to WH Smith Malaysia.

The products offered through our outlets are third party consumer brand products. Please refer to Section 7.5 of this Prospectus for further details of the types of products and services offered by us.

(ii) Target market and locality

Our target market is the end consumers who are walk-in customers. Our focus is on consumers in typically urban and suburban areas who lead fast-paced lifestyles and who favour the convenience of contemporary retail outlets.

As at the LPD, 78.8% and 9.8% of our outlets are located in Malaysia's central region (comprising Kuala Lumpur, Selangor and Negeri Sembilan) and southern region (comprising Melaka and Johor) respectively, which are regions that are relatively urbanised.

As a press and convenience retailer, the focus of our retail points are mainly high foot traffic retail locations such as shopping malls, hypermarkets, transportation hubs, office spaces, high street locations, resorts and hospitals or medical centres. These are strategically placed locations to provide convenience and to cater for "on-the-go" and impulse purchases to all types of end consumers.

At present, a majority of our outlets are located in shopping malls while our remaining outlets are mostly spread out amongst hypermarkets, transportation hubs, high street locations and office buildings.

Please refer to Section 7.4 of this Prospectus for further details of our outlets.

7. BUSINESS OVERVIEW *(cont'd)*

7.3.3 Competitive advantages and key strengths

(i) We own our trade names and have full autonomy over our trade names and brand

We have been actively involved in the business of press and convenience retailing since 1997 when we introduced our first “myNEWS.com” outlet. With a continuous operating history of 19 years, we believe that we have built up significant brand equity for our own homegrown trade name and brand of “myNEWS.com” which has 223 outlets carrying this trade name as at the LPD. We have also developed other trade names, i.e. “newsplus”, “MAGBIT”, and “THE FRONT PAGE”; which we use across 24 outlets. As such, we are not reliant on any third party brand, franchising or licensing relationships or arrangements, nor are we subject to the ensuing obligations, restrictions or terms and conditions arising from such relationships or arrangements.

Having full autonomy over our own trade names and brand, our business and operational systems, as well as control over the efficiency across our retail operations (from our procurement and merchandising, retail management and operations, human resources management, logistics and warehouse management, and to our front end over-the-counter POS) allow us to stay competitive. This autonomy further enables us to respond to market demands and consumer preferences in a fast and timely manner. For example, we are able to customise our outlet layout and storefront design, product and merchandise mix, and Merchandise Planogram to suit specific retail locations and demographic patterns. We also have our own Bison DC equipped with an integrated logistics and distribution system which allows us greater control over SKU movements and monitoring of in-store performance. Please see sub-paragraph (iv) below for further discussion on this competitive factor.

Our brand equity is built on several key factors such as our clean and inviting outlet concept, quality of customer service, and product mix of press and convenience retail items. We believe that our brand has become synonymous with contemporary press and convenience shopping experience in Malaysia.

The consistency in presenting our outlet appearance and concept throughout our retail network as well as the careful management of our “myNEWS.com” brand reputation, gives us a competitive edge in gaining traction with our customers, maintaining customer loyalty and enhancing brand recognition. Trade name strength and brand recognition also lend us a competitive advantage in securing optimal retail locations as property owners are more likely to rent their premises to tenants who have established and easily recognisable brands.

(ii) We have an experienced management team

Our Executive Directors have been instrumental in our growth and strategy since our Group’s formative years. Our Executive Directors are assisted by our other Key Management who have extensive knowledge and experience in retail and retail operations. Specifically, DTL’s and DTW’s long service with us, their in-depth knowledge on all aspects of our Group’s operations, as well as their retail sector experience (19 years for DTL and 17 years for DTW) are invaluable to our Group and our Group’s future plans. A majority of our Key Management have been with our Group for more than 5 years. It is our belief that with the continued growth of our Group, despite the origins of our business as a family entrepreneurship, a culture of professional management is encouraged and cultivated amongst our Key Management.

7. BUSINESS OVERVIEW (cont'd)

Our management team is organised along functional lines where department managers are responsible for the execution of their duties and the team is led by our Managing Director, DTL. We have in place a flat organisation structure, which we believe is conducive for operational efficiency and agile business decision-making. Our flat organisation structure also enables knowledge transfer through on-the-job training and provides us with a platform to identify high performing employees for management succession planning. Our Executive Directors, who are also our Promoters, play an active role in the management and operations of our Group and have been responsible for the strategic business direction and growth of our Group.

We also have in place employee retention measures such as providing competitive remuneration packages, benefits, incentives, training and development programmes at various levels from our outlet staff to our management personnel, as well as rewarding our employees for their loyalty and contribution towards our success.

We believe that our Key Management's collective experience in site acquisition, merchandising, supply chain management, outlet conceptualisation and IT will serve us well in our future growth plans as they are familiar with our branding and corporate objectives and they have also been part of our growth in the past.

(iii) **We use a comprehensive and integrated retail management and control system throughout our retail network**

We use IT as a platform to place effective business controls for our retail business. We have in place an integrated IT system encompassing our Bisonet System and WMS which are interfaced to our accounting system. The application and interaction of this IT system spans across most facets of our business operations from our back-end operations to our front-end over the counter POS. The details of the technologies used in our retail management and control system are set out in Section 7.7 of this Prospectus.

The usage of IT allows us to increase accuracy, transparency and accountability in our operations flow, providing us with a competitive advantage to optimise efficiency in our operations. Our ability to leverage on and optimise the use of IT in our business operations enables us to effectively track and manage our SKU movements across our operations and monitor in-store performance on an on-demand basis.

The usage of IT together with the integration of our WMS and Bisonet System has enabled us to have access to detailed and customisable sales data and allows us to analyse sales trends. This ability gives us a competitive edge in our business relations with publishers, product principals and suppliers as we are able to use such information and analysis to negotiate competitive pricing and product margins, provide feedback to publishers, product principals and suppliers on product sales performances and ensure better efficiency in advertising and promotional strategies.

(iv) **Our Bison DC and logistics team**

As at the LPD, approximately 86.7% of our SKUs received from our suppliers, managed and distributed to our network of outlets are from our Bison DC. Our Bison DC has approximately 125,000 sq. ft. built-up area and 122,601 sq. ft. of storage capacity. As at the LPD, our in-house logistics team consists of 13 delivery trucks which are owned by us, 85 employees who are located on-site and we also have the option to use third party transport service providers, when needed, to service our nationwide retail network.

7. BUSINESS OVERVIEW (cont'd)

Having our own Bison DC as well as our own logistics team gives us a competitive advantage as it provides us with greater control over merchandise and retail planning, in particular allocation of SKUs according to their sales trends at our respective outlets. We are also better able to manage and control merchandise handling during the warehousing and distribution process, ensuring that the merchandise arrive at our outlets in good condition and satisfactory quality.

This level of control also ensures timely and orderly delivery of inventory to our network of outlets so that inventory is maintained optimally at our outlets. Centralised distribution also allows us to enjoy certain supplier rebates and trading terms with our suppliers as products and merchandise are supplied to a centralised receiving point, thereby enabling us to ultimately price our products more competitively.

(v) Our products and services mix focuses on convenience or “on-the-go” merchandise which are general and broad-based in nature and accessible to consumers at affordable price points

We believe that our products and services mix focusing on convenience or “on-the-go” merchandise, allows us a competitive advantage to gain traction amongst a diverse range of consumer groups. Due to the general and broad-based nature of our products and services, they appeal to a wide variety of end consumers and are not dependent on any one specific target consumer group such as age or income.

In addition, a large proportion of our products and merchandise offered at our outlets are at affordable price points, and we focus on “on-the-go” convenience products such as print media, tobacco, snacks and confectionery.

Other than these consumer products, we also offer a variety of consumer services as an added convenience to customers such as electronic payment services (e.g. prepaid top-up for mobile service providers and Touch'nGO reloads), photocopying services, money remittance, and ATM services at selected outlets. These services increase convenience for the consumers by complementing sales of products available at the outlet and also enable us to attract more foot traffic at our outlets.

We believe that the demand for our “on-the-go” products and services mix is generally inelastic against the backdrop of an adverse economic decline and as compared with other forms or types of retail products, since these products are accessible to consumers at affordable price points.

(vi) As the largest homegrown retail convenience store player, we are well positioned to take advantage of the growth prospects of the retail convenience store market

The retail convenience store market has been the fastest growing sub-segment of the grocery retail market in Malaysia with a market size of RM1.2 billion in terms of retail sales in 2007, which more than doubled to reach an estimated RM3.3 billion in 2015, representing a CAGR of 13.5%. The number of retail convenience store outlets has also more than doubled, increasing from 1,054 outlets in 2007 to an estimated 2,776 outlets in 2015, which translates to a CAGR of 12.9%.

In addition, Malaysia's retail convenience store penetration rate is significantly lower than other more developed countries in the Asian region such as Singapore, Hong Kong, Japan, South Korea and Taiwan, as well as other developed countries such as the United States of America, UK and Germany. As Malaysia progresses towards a developed nation status, and as

7. BUSINESS OVERVIEW (cont'd)

long term economic growth prospects in Malaysia continues to be positive with increases in GDP and disposable income, retail expenditure will continue to grow and this will have a positive impact on the growth in the retail convenience store market. Given the higher convenience store penetration rate seen in the developed countries, Malaysia's retail convenience store penetration rate is expected to increase as overall income rises, in line with global trends.

Moving forward, the number of retail convenience stores in Malaysia is forecast to grow at a CAGR of 9.5%, from an estimated 2,776 outlets in 2015 to 3,327 outlets in 2017. Accordingly, the retail convenience store market size is forecast to grow, in terms of retail sales, from an estimated RM3.3 billion in 2015 to RM4.2 billion in 2017, registering a CAGR of 12.8% during this period.

(Source: IMR Report)

The increasing number of retail convenience stores and the growing retail convenience store market size in Malaysia illustrates the growth in demand for retail convenience stores in the country. Malaysia's lower retail convenience store penetration rate in comparison to other developed countries signifies that the retail convenience store market in Malaysia has potential for growth in the country.

As the second largest retail convenience store operator and the largest homegrown retail convenience store player in Malaysia, the Group is well-positioned to capitalise on this growth potential.

7.3.4 Future plans and strategies

The future plans and strategies of our Group focus on the objective to grow our revenue, optimise margins as well as to improve our business functions and back-end operations to meet the demands of our future growth.

(i) Growing our business revenue and optimising our margins

(a) Expansion of our network of outlets

We plan to continue with the expansion of our network of outlets which would include the setting up of new outlets and may include strategic investments in or acquisitions of existing retail chains or outlets to grow our network of outlets. However, at this point in time, we have not identified any such strategic investments or acquisitions that meet such requirements.

We plan to continue expanding our network of outlets to enlarge our customer reach. As at the LPD, we operate 255 outlets (including "WHSmith" outlets). We intend to open at least another 115 new outlets by the FYE 31 October 2017. As at the LPD, our business development team is currently assessing the feasibility of opening 32 new outlets in various high foot traffic locations throughout Malaysia. Since the end of our last FYE 31 October 2015 up to the LPD, our Group opened 20 new outlets. Our plan is to prioritise our expansion of outlets in major urban areas such as the Klang Valley, Johor Bahru and Penang, followed by other parts of Malaysia. We will continually assess the feasibility of opening additional "WHSmith" outlets where opportunities arise.

In addition, to further accelerate our reach to our customers by increasing our number of outlets, we have through our subsidiary, Kukuh, submitted an application to MDTCC on 26 March 2015 for the registration of a franchise under the Franchise Act 1998 with a view

7. BUSINESS OVERVIEW (cont'd)

to expand our network of outlets by way of franchising "myNEWS.com". The franchising of "myNEWS.com" outlets will be implemented through Kuku.

This plan to establish a registered franchise is subject to us obtaining the relevant licensing and registration approvals pursuant to the Franchise Act 1998 and the relevant regulations pertaining thereto. As at the LPD, this application is pending approval. In addition to the relevant regulatory approvals, the launch or opening of any "myNEWS.com" franchised outlets is also subject to us identifying and evaluating suitable franchisee candidate(s), both in terms of the candidate's capabilities and whether the location of the franchise outlet is suitable. Such evaluation processes will assist our Group to mitigate the risks of our "myNEWS.com" brand equity from being affected as a result of errant franchisee(s) and to ensure that any franchise outlet is beneficial to our Group's overall objectives for sustainable growth.

The increase in our number of retail outlets would result in an increase of advertising space and product display rental capacity which we will be able to offer to our suppliers and product principals. As such, in addition to the increase in retail sales due to the larger number of outlets, we also anticipate a corresponding increase in revenue from advertising and promotional activities.

(b) Continued enhancement, diversification and improvement of our product and service offerings

As a press and convenience retailer, we believe that a key factor to our sustainability and performance is our product and service offerings. It is our strategy to continue to enhance, diversify and improve the selection of convenience products, print media, food, beverages, snacks and consumer services in order to meet consumer needs and market demands in a timely and orderly manner.

In particular, we plan to expand the selection of self-served convenience food and beverages at outlets where there is such demand in order to provide added convenience to consumers. For example, we plan to expand the range of fresh food and ready-to-eat food such as sandwiches, wraps, cut fruits, convenience food and hot beverages, which we have progressively introduced to our chain of outlets.

(ii) Improving our business functions and back-end operations

In order to support our growing network of outlets and product base, it is also part of our plans and strategies to improve and establish nationwide logistics and IT capabilities in the following manner:

- (a) to establish an additional distribution centre and/or warehouse in our prioritised expansion areas of either Johor Bahru or Penang;
- (b) to establish a food preparation and packaging facility that would also include cold storage facilities;
- (c) to improve our current logistics capabilities by acquiring additional transport equipment to cater for our growing network; and
- (d) to improve our IT software and capabilities to ensure improved connectivity by way of:

7. BUSINESS OVERVIEW (cont'd)

- additional servers for our WMS to cater for the additional number of outlets, the new distribution centre and/or warehouse as well as the food preparation and packaging facility; and
- the installation of business intelligence software to improve our reporting requirements to enable further automation of data collation and trend analysis in anticipation of servicing a larger network of outlets.

In line with our proposed outlet expansion plans described above, having an additional distribution centre and/or warehouse would enable us to better service our existing and new outlets beyond Kuala Lumpur and Selangor where our Bison DC is located. The improvements to our IT software and capabilities, for example the improved connectivity for our WMS required for our additional distribution centre, will assist us in monitoring and controlling SKU movements and the efficiency of our operations as we continue to expand our network of outlets nationwide. In addition, better control over supply chains such as by having in-house food preparation and packaging capabilities will allow us greater control over the quality of convenience food products offered as part of our continued efforts to diversify our product and service offerings. As at the LPD, no particular land or properties have been identified for the additional distribution centre and/or warehouse or facilities mentioned above.

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7. BUSINESS OVERVIEW (cont'd)

7.4 Our outlets

We operate, as at the LPD, 255 outlets (including “WHSmith” outlets) in Malaysia. The table below sets out the distribution of our outlets by each state in Malaysia as at the LPD.

Region	Total outlets	myNEWS.com	newsplus	MAGBIT	THE FRONT PAGE	WHSmith
Northern region						
Perak	10	10	-	-	-	-
Pulau Pinang	11	9	-	-	-	2
Kedah	4	2	-	-	-	2
Pahang	1	1	-	-	-	-
	<u>26</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Central region						
Kuala Lumpur	98	87	10	1	-	-
Selangor	99	89	5	1	1	3
Negeri Sembilan	4	3	1	-	-	-
	<u>201</u>	<u>179</u>	<u>16</u>	<u>2</u>	<u>1</u>	<u>3</u>
Southern region						
Johor	17	14	2	1	-	-
Melaka	8	6	2	-	-	-
	<u>25</u>	<u>20</u>	<u>4</u>	<u>1</u>	<u>-</u>	<u>-</u>
East Malaysia						
Sabah	1	-	-	-	-	1
Sarawak	2	2	-	-	-	-
	<u>3</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total	<u>255</u>	<u>223</u>	<u>20</u>	<u>3</u>	<u>1</u>	<u>8</u>

Our retail network covers a total of approximately 174,000 sq. ft. of retail space with outlets ranging from approximately 60 sq. ft. to 2,300 sq. ft. in retail space. As at the LPD, 223 of our outlets operate under the trade name of “myNEWS.com”, 20 outlets under the trade name of “newsplus”, 3 outlets under the trade name of “MAGBIT” and 1 outlet under the trade name of “THE FRONT PAGE”.

There is no significant differentiation in terms of how we operate and manage our outlets across the 4 trade names used by our Group as we have maintained as a press and convenience retailer since the introduction of our first “myNEWS.com” outlet in 1997. Since we are able to customise our product mix for each outlet to cater to our customers’ preferences in different locations, the product mix and SKU allocations for each outlet may vary based on factors such as locality, demography and available retail space.

7. BUSINESS OVERVIEW (cont'd)

Typically, the location of outlets will determine the nature of the product mix as follows:

No.	Typical locations	Product mix
1.	<ul style="list-style-type: none"> • Shopping malls • Hypermarkets 	<ul style="list-style-type: none"> • Higher proportion of retail space dedicated for print media • Selected convenience products and consumer services
2.	<ul style="list-style-type: none"> • Hospitals or medical centres • High street (including highway locations) • Offices • Resorts 	<ul style="list-style-type: none"> • Higher proportion of retail space dedicated to convenience products and consumer services • Only carries a selected range of print media
3.	<ul style="list-style-type: none"> • Transportation hubs • Shopping malls where small floor spaces are tenanted 	<ul style="list-style-type: none"> • Offers only bestselling SKUs for optimal stocking and turnover • Minimal range of print media

In addition to our outlets carrying our in-house developed trade names, we have 8 outlets that operate under the trade name "WHSmith" under our equal joint venture with WH Smith Travel which generally retail news, books and convenience products within international airports in Malaysia.

We also operate 1 mobile truck store known as "myNEWS.com on Wheels" which is typically stationed at major sporting or entertainment events or launches that have wider visibility and advertising exposure. At these locations, our "myNEWS.com on Wheels" truck retails tobacco products, fresh food, snacks and beverages as there is generally a higher demand for convenience retail products at these locations as compared to print media.

In the course of opening new outlets, our Group's priority has been to use our main trade name of "myNEWS.com", as it is our most easily recognisable trade name. The "newsplus" trade name was initially introduced in 2004 to serve transportation hubs but over the years, it has also been used for non-transportation locations. The last "newsplus" outlet was opened in 2011. Having an additional trade name other than "myNEWS.com" allows us the flexibility to strategically use a different trade name, if required.

The "MAGBIT" trade name was the first trade name used by our Group in 1996 for the opening of our first outlet, as well as our second outlet in 1997 (which has since been converted into a "myNEWS.com" outlet). An additional 2 "MAGBIT" outlets were opened in 2005 and 2006. Our sole "THE FRONT PAGE" outlet was opened in 2004. Although the "MAGBIT" and "THE FRONT PAGE" outlets continue to operate as at the LPD, they do so only in respect of these 4 outlets and the trade names have not been used for any new outlets since then.

We do not foresee that we will open any further new outlets with our "MAGBIT" or "THE FRONT PAGE" trade names and our "newsplus" trade name would only be used if there is a strategic reason to do so. Since 2011, all of our Group's new outlets have been opened under the "myNEWS.com" trade name and we have also converted a total of 11 "newsplus" outlets into "myNEWS.com" outlets. This is consistent with our strategy in focusing on "myNEWS.com" as our main trade name.

Some of our outlets offer a sit-in area with complimentary Wi-Fi and power points for the use of our customers. As at LPD, we offer this service at 40 of our outlets, typically located in high streets, to complement our product offering of self-serve fresh food, snacks and hot beverages.

7. BUSINESS OVERVIEW *(cont'd)*

The opening hours of our outlets differ depending on locality. Most of our outlets, which are located at shopping malls and hypermarkets, have operating hours from 10 a.m. to 10 p.m., following the respective opening hours of these locations. However, as at LPD, we have 40 high street outlets which operate 24-hours, and 41 mainly high street and transportation hub outlets that operate extended opening hours from 7 a.m. to 11 p.m. or beyond 16 hours.

7.5 Our products and services

7.5.1 Product and service offerings

As at the LPD, our Group carries a total of 5,561 SKUs. The types of products and services offered at our press and convenience outlets may be generally categorised as follows:

(i) Print media

We carry a wide range of print media which comprise of periodicals, newspapers, magazines and books. As at the LPD, print media accounted for approximately 26.3% of our total SKUs, consisting of approximately 43 newspaper titles, 660 magazine titles and 760 book titles.

The range of magazines which we offer span across a vast variety of topics and include but are not limited to, aviation, automobile, comic and cartoon periodicals, computing and IT, food and culinary, gardening and household, hobbies, arts and craft, photography, leisure, travel and living, sports, health and fitness, society, current affairs, politics, economics, finance and business, wealth management, entertainment, fashion and lifestyle and geography. A large proportion of our books consists of children storybooks and novels, education reference books and materials. We also carry a wide range of both domestic and international daily and weekly newspapers.

(ii) Convenience retail products

We have a diverse mix of convenience retail products such as:

- (a) food and beverages including pre-packaged bakery products, drinks, dairy products, confectioneries and snacks;
- (b) self-served convenience food and beverages including hot beverages, fresh bakery products and selected hot food;
- (c) general groceries and household products;
- (d) personal hygiene products;
- (e) selected pharmaceutical products;
- (f) stationery;
- (g) children toys;
- (h) tobacco products such as cigarettes, loose tobacco and other related paraphernalia; and
- (i) mobile prepaid starter packs.

The merchandise and product mix varies depending on locality of the outlet and its demographic pattern. As at the LPD, convenience retail products account for approximately 71.2% of our total SKUs.

7. BUSINESS OVERVIEW (cont'd)

(iii) Consumer services

To provide added convenience to our customers, we also offer various consumer services such as:

- (a) electronic payment services of prepaid top-up for mobile service providers and Touch'nGo, bill payments and the sale of gaming vouchers for online games and related content which is available at all of our outlets save for 9 outlets which do not provide bill payments;
- (b) money remittance services (3 outlets);
- (c) ATM services (4 outlets); and
- (d) photocopying services (40 outlets).

As at the LPD, consumer services account for approximately 2.5% of our total SKUs.

Most of our Group's total consolidated revenue is derived from retail sales (being the over-the-counter sales to our end customers at our outlets).

7.5.2 Advertising and promotional activities

As a supporting activity to our press and convenience retailing business, we also undertake advertising and promotional activities for several of our product principals and suppliers where we receive, amongst others, placement and advertising fees.

The advertising and promotional activities that we carry out with our product principals and suppliers include:

- (i) in-store product highlights and in-store advertising space;
- (ii) collaborating with product principals and suppliers for sales campaigns or promotions exclusive to our press and convenience outlets;
- (iii) monthly thematic promotions to introduce value buy items and new listing of merchandise across all categories of products;
- (iv) seasonal and festive promotional campaigns at our outlets;
- (v) periodical contests and competitions carried out in collaboration with product principals or suppliers for our customers to participate;
- (vi) participating in the sales campaigns and promotions of our product principals and/or suppliers; and
- (vii) initiating other promotional modes such as corporate social responsibility fund raising.

7.5.3 Distribution services

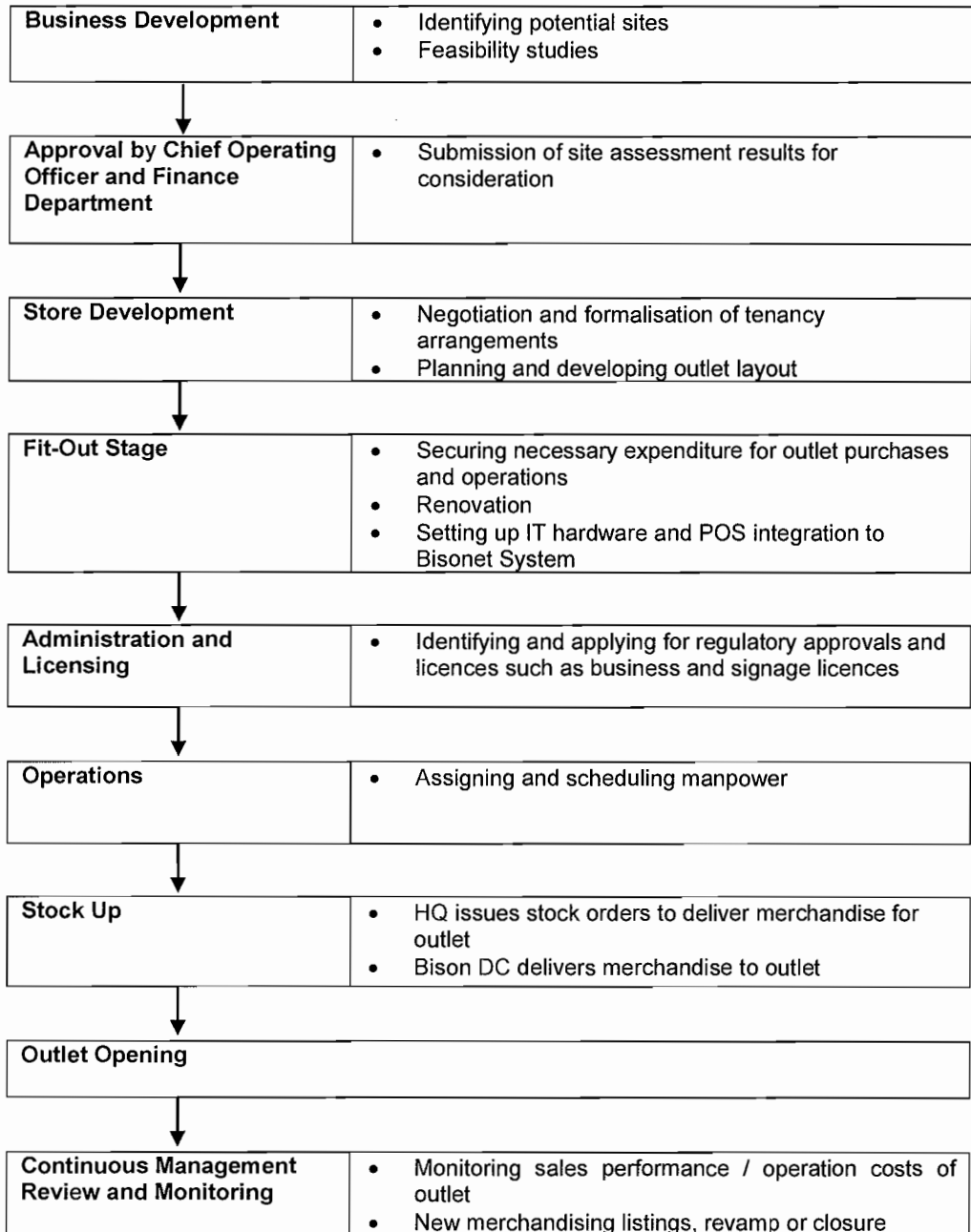
Another source of our Group's revenue is derived from distribution services for our product principals and suppliers. As at the LPD, approximately 86.7% of our SKUs received from our suppliers, managed and distributed to our network of outlets are from our Bison DC. Income derived from our distribution services provided to these suppliers, instead of the suppliers distributing directly or through third parties to our network of outlets, accounted for approximately 0.2%, 0.6%, and 0.7% of our total Group revenue for each of the respective FYEs 31 October 2013 to 31 October 2015.

7. BUSINESS OVERVIEW (cont'd)

7.6 Operational processes and facilities

7.6.1 Outlet opening process

The table below sets out a general overview of the process flow for the opening of each of our outlets.



The identification and acquisition of outlet locations are conducted through our business development team (consisting 9 personnel as at the LPD) that focuses on outlet acquisition and development to, amongst others, study outlet locations and identify optimal retail locations with high foot traffic. Our branding, trade names and image, which we believe have come to be associated with bringing contemporary press and convenience shopping experience to consumers, provides us with a wider pool of high foot traffic locations.

Our business development team is tasked to source for potential sites and carry out feasibility studies on such potential sites. Sources of potential sites come from,

7. BUSINESS OVERVIEW *(cont'd)*

amongst others, scouting for new sites, invitations from owners of shopping malls, residential or commercial developments, as well as references from real estate brokers and property developers. Factors that we take into consideration when assessing the feasibility of a new site include the location of the site, location features and surrounding profile, tenancy costs and terms and conditions of renting the site, demographics and consumer group profile, buying behaviour as well as competitors and traffic flow at the said location. We will also evaluate and carry out financial feasibility studies such as estimates of investment costs and returns. The site evaluation results are then submitted for review and approval by our Chief Operating Officer and the Finance Department.

Once the decision to acquire the new site is made, we will proceed to negotiate with the site owner to secure a formal tenancy arrangement. Most of our tenancies do not exceed 3 years. Once finalised, all relevant departments are notified of the new outlet opening to support the process flow of setting up and opening of the outlet.

One of the more important stages of this process is the designing and planning of the outlet layout. This involves designing the schematics of the outlet and storefront, flow and space planning, merchandise and services mix to be offered at the new outlet as well as designing the Merchandise Planogram, based on the available floor space and retail space. At this stage, we will apply our location-specific strategy to determine the allocation of retail space and the appropriate products and services mix for the new outlet following our Merchandise Planogram. Once all these are completed, renovations will be carried out at the new outlet based on the final and approved specifications upon obtaining vacant possession.

The outfitting of the new outlet is carried out by our operations team, who will take necessary steps to outfit the new outlet by way of supervising the renovation and installation of furniture and fittings, equipment, as well as scheduling and providing the manpower to operate the new outlet. Our IT team will also set up our Bisonet System and necessary POS and IT hardware (including installation of CCTV system) at the new outlet to complete the outfitting process.

Necessary regulatory approvals and licences are then applied for and obtained for the new outlet.

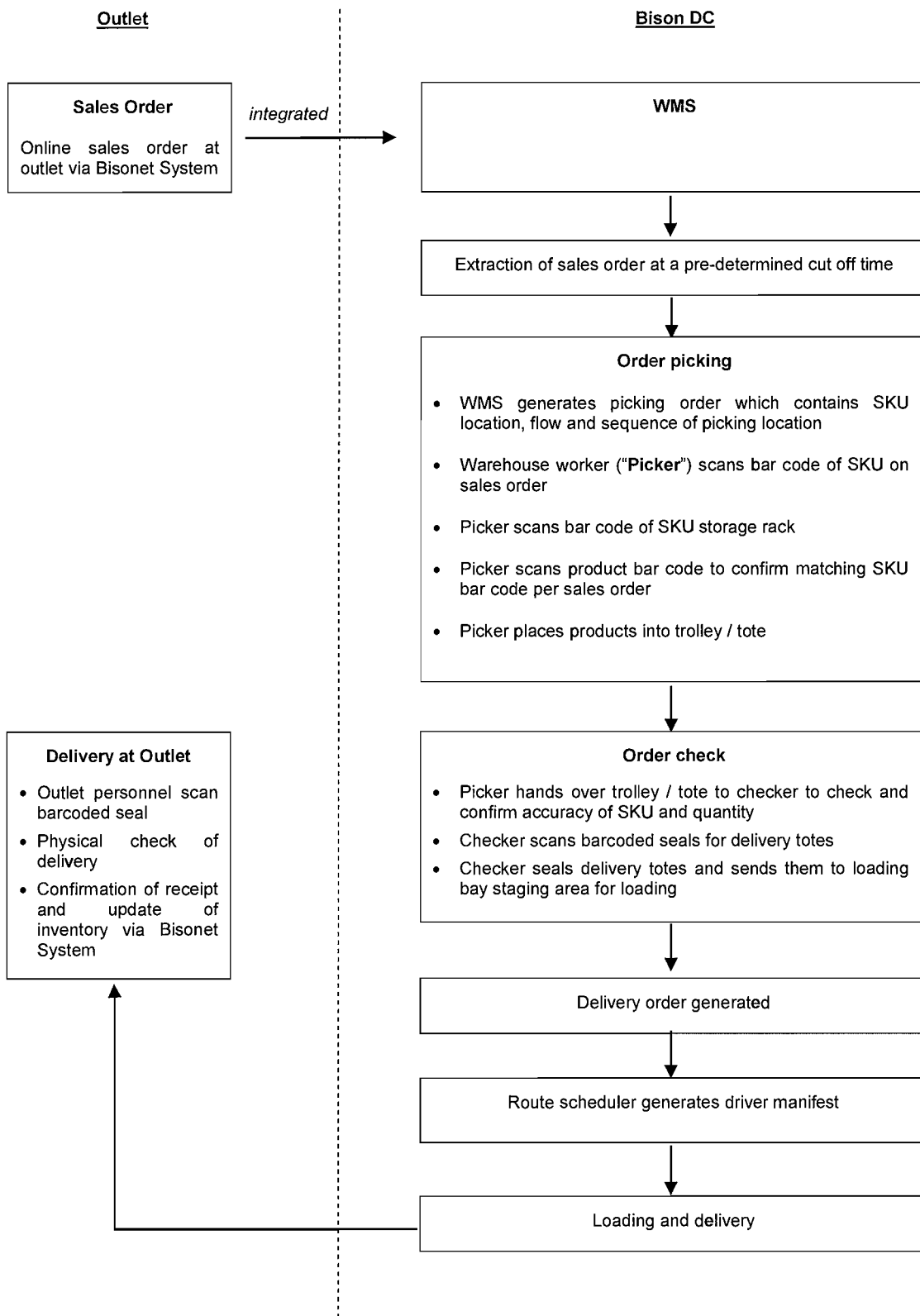
Upon the completion of the outlet's refurbishment, our merchandising team will then proceed to issue stock orders to our Bison DC or suppliers, where necessary, in the case of direct delivery from suppliers to our outlets, for the delivery of merchandise to the new outlet and stocking for sale. Finally, as a control measure, our internal control team will inspect the new outlet to ensure all merchandise is displayed in accordance with the prescribed Merchandise Planogram. The new outlet will then be opened for business.

Upon opening, we practise continuous monitoring and review of the financial and operational performance of each new outlet. We also carry out a review of the products and services mix at the new outlet on a quarterly basis or more frequently as and when considered necessary. Subject to the results of such monitoring, we may implement certain strategies like introducing new merchandise listings and/or phasing out of slow moving inventory to optimise the outlet's performance. This process allows us to take appropriate measures as and when required in order to remain responsive to market needs and demands.

We also undertake refurbishments of our outlets on an on-going basis as and when required, typically once in every 5 to 8 years to address wear and tear as well as to improve, update or change storefront appearance which may have become outdated.

7. BUSINESS OVERVIEW (cont'd)

7.6.2 Warehousing and distribution process



7. BUSINESS OVERVIEW (cont'd)

Our warehousing and distribution facilities and capabilities to service our retail network is made up of our Bison DC with its 122,601 sq. ft. storage capacity, delivery trucks and on-site warehouse employees. Together with our WMS and Bisonet System, Bison DC provides us with control over merchandise and retail planning, in particular allocation of SKUs according to their sales trends at our respective outlets.

The WMS assists us to manage and control merchandise handling during the warehousing and distribution process. This control feature also allows for timely and orderly delivery of inventory to our network of outlets so that inventory is maintained optimally at our outlets. To mitigate the risks of delay or disruption to our delivery system, we regularly maintain our delivery trucks and have in place a vehicle monitoring system to ensure timely delivery. We also secure alternative third party logistics providers to ensure that any delay or disruption in our distribution systems is addressed or to manage any increased distribution requirements during festive and peak periods when inventory turnover is at its highest.

We also strive to minimise variances and errors in fulfilling sales orders raised by our respective outlets, through the use of our WMS. Our WMS is integrated with our Bisonet System and is programmed to, amongst others, use barcoding technology to manage placement and storage of our inventory taking into account product life cycle and sequencing of stock picking. In addition, all our delivery totes or bundles are sealed with barcoded security seals to control product damage as well as to avoid pilferage and discrepancies in the delivery process.

Throughout our years of operations, we have established a reliable network of suppliers, thereby minimising the risk of insufficient or delayed supply of products. We also use our Bisonet System to track and monitor our inventory levels and sales at each outlet. With regards to placing of stock orders by our outlets, it is also monitored by our field managers. Data compiled by our Bisonet System enables us to anticipate future demands and evaluate our customers' purchasing patterns and trends through the movement of inventory at our outlets. With this information, it allows us to respond in a timely manner to maintain optimal level and range of inventory at each particular outlet to minimise obsolete or slow-moving SKUs.

Other than the above, in respect of certain SKUs, the product principals or suppliers deliver the products or merchandise directly to our outlets. Such SKUs include newspapers, dairy and bakery products.

7.7 Technologies

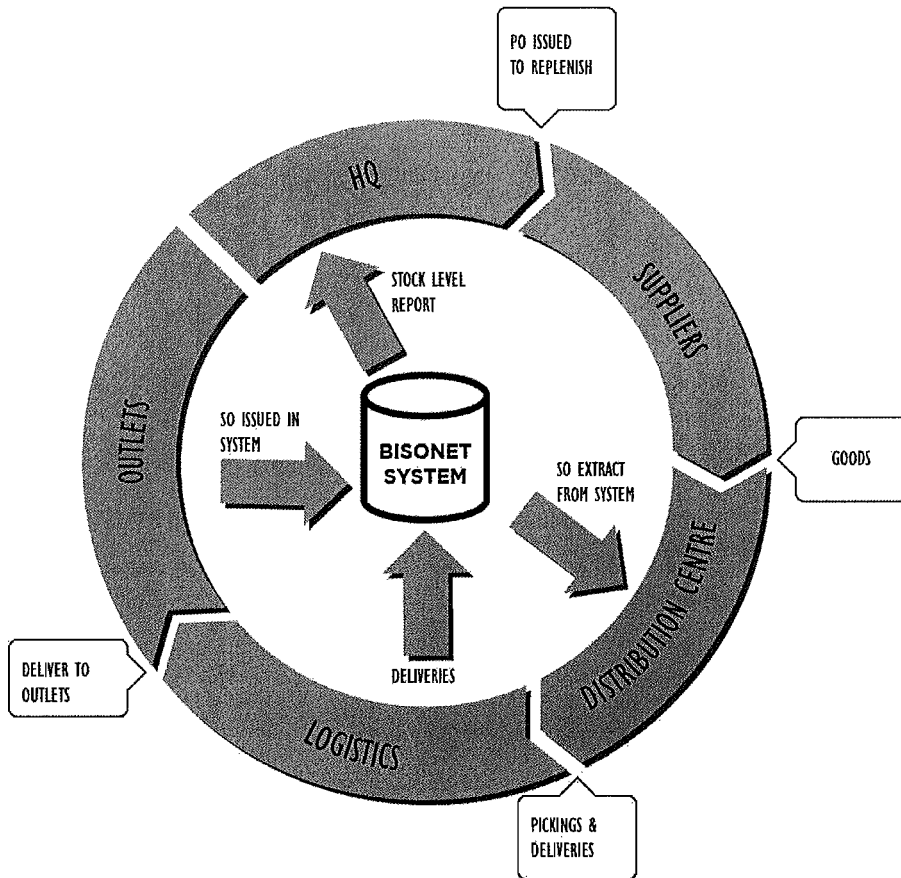
We have in place an integrated retail management and control system that spans from our procurement and merchandising activities, retail management and operations, human resources management, logistics and warehouse management to our front-end over-the-counter POS. We use barcoding for all our inventories and SKUs to track our SKU movements throughout our warehousing and distribution operations process, retail operations as well as to monitor sales performance, our outlets' daily operations, pilferage and security risks.

Our retail management and control system encompasses our Bisonet System and WMS.

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7. BUSINESS OVERVIEW (cont'd)

The relationship of our retail management and control system with our key operational processes is highlighted in the chart below.



Legend:

- SO : Stock order
- PO : Purchase order

7.7.1 Bisonet System

Our Bisonet System is a customised retail outlet operations system developed by us, housed under and maintained by our MSC Malaysia Status subsidiary, DKE. This system is critical to our Group's business as we use it to carry out, amongst others, the following functions:

Description	Key functions
<p>BisonPOS (outlet) – our POS system to capture sales and stock transactions</p>	<ul style="list-style-type: none"> • online stock orders to our Bison DC • capturing payment modes (via cash; debit or credit card; voucher; multicurrency in respect of the "WHSmith" outlets) • inventory monitoring for all SKUs at outlets • audit trail reports • cash management monitoring
<p>BisonPOS (HQ) – centralised control settings and report viewing at our HQ</p>	<ul style="list-style-type: none"> • merchandising and supply procurement management • sales orders monitoring • sales and costs of sales consolidation reports • review of operational compliance, sales performance reporting and variance reporting

7. BUSINESS OVERVIEW (cont'd)

Description	Key functions
BisonPOS (Bison DC) - handling and management of print media	<ul style="list-style-type: none"> tracking receipt and returns of print media SKUs at Bison DC tracking delivery and returns of print media SKUs to and from outlets
Second screen advertising attached with POS	<ul style="list-style-type: none"> serves as a display to customers with scan item pricing detail and display of images, video or advertising centrally controlled from HQ
Mobility solution - mobile scanning of print media and merchandise	<ul style="list-style-type: none"> capturing stock count figures and reconciliation for outlet stocktake
Memorandum broadcasting	<ul style="list-style-type: none"> paperless broadcasting of internal memoranda from HQ to outlet POS terminals
Bison electronic PunchCard	<ul style="list-style-type: none"> monitoring and control over the operations of the POS terminals logging staff working hours and overtime timing calculation monitoring of outlet visitation and inspection cash declarations by outlet staff for control purposes

7.7.2 WMS

We use our WMS to track and manage SKU movements and our distribution logistics. The system enables us to:

- (i) track and trace SKUs in our Bison DC;
- (ii) fulfil outlet stock orders and record them throughout the inventory picking process chain at our Bison DC, verify checks before delivery, as well as actual delivery and receipt of SKUs at our outlets by the use of real-time barcode retrieval and matching;
- (iii) manage use of space for inventory within our Bison DC;
- (iv) manage and optimise storage of inventory according to their product life cycles;
- (v) control and optimise inventory holding;
- (vi) record and to track returns to suppliers; and
- (vii) generate productivity reports for our logistics and deliveries such as punctuality of delivery and variances of inventory in transition.

7.7.3 Safeguards for our IT system

Our IT system is safeguarded by two alternate servers including an on-site backup server and an external remote server located off-site. In addition to our IT personnel who are on standby to support any system failures or malfunctions, we also train our outlet personnel to carry out basic repair and recovery measures to minimise outlet downtime. Furthermore, as a preventive measure, we regularly conduct scheduled tests of our IT disaster recovery system.

7. BUSINESS OVERVIEW (cont'd)

7.9 Security and loss prevention

In the course of the operations of our outlets, some of which operate 24 hours, we are susceptible to pilferage, shoplifting, theft and robbery.

As preventive measures to deter pilferage and robbery, all our outlets are installed with alarm systems, security cameras and safes.

We also have in place our internal control team that is responsible for, amongst others, monitoring and investigating pilferage, cash variances and random outlet spot checks. To minimise losses from pilferage, shoplifting and theft, our Bisonet System serves as a centralised platform to automate routine stocktake instructions to our outlet personnel, to track and record sales and inventory movement and to detect and report variances to our HQ, including the use of CCTV footage. This allows us to investigate, trace and resolve incidences of pilferage, shoplifting and theft in a timely manner.

Our Bison DC is patrolled 24 hours by third party security services provider and monitored by CCTV. To minimise loss of merchandise in transit, our delivery totes or bundles are all sealed with barcoded seals. We also closely monitor our delivery trucks by GPS tracking and their compliance with the assigned drivers' manifests. Please refer to Section 7.6.2 of this Prospectus for details of our distribution process flow.

7.10 Insurance

We purchase insurance policies for fire, burglary, money in transit, public liability, fidelity and product liability insurance for consumables sold by us to defray our exposure to numerous risks arising from the operations of our press and convenience retailing business, covering our central HQ functions, warehousing and distribution processes to the operations of our outlets and Bison Café. Please refer to Section 5 of this Prospectus which sets out a discussion of the risk factors which we are susceptible to. We believe our current insurance coverage undertaken is adequate for our business and current level of operations.

7.11 Corporate social responsibility

In 2011, we established our "myNEWS.com Charity" programme with an aim to run a sustainable platform for donation drives. To maximise our fundraising efforts, we leverage on our extensive network of outlets to organise donation drives. The size of our retail chain with 255 outlets across Malaysia assists us to achieve a wide reach for our donation drives and allows willing customers convenient access to contribute by donating at strategically placed donation boxes. We also encourage our suppliers to participate in the donation drives. Since initiating the "myNEWS.com Charity" programme in 2011, we have successfully raised an aggregate in excess of RM370,000 towards various social and charitable causes as part of our corporate social responsibility efforts.

7.12 Marketing activities

7.12.1 Modes of marketing

Marketing plays a key role in generating traction amongst end consumers and to build our trade names and brand reputation as one of Malaysia's leading press and convenience retail chain. As a press and convenience retailer, we believe that our brand presence, through our network of outlets, is crucial to the success of our business and financial performance. It is our strategy to upkeep and enhance the value of our homegrown trade names, in particular "myNEWS.com" in line with our objective to bring contemporary press and convenience experience to our customers.

7. BUSINESS OVERVIEW (cont'd)

We also undertake marketing measures through:

- (i) our actual network of outlets and the marketing of our trade names and brands from our signages throughout Malaysia that will continue to grow as our reach expands since our outlets are well placed in generally high foot traffic localities;
- (ii) the association of our trade names and branding with consumer product brands which we carry, via advertising and promotional activities conducted for our selected product principals and suppliers. Please refer to Section 7.5.2 for further details of our advertising and promotional activities;
- (iii) advertising and to promote consumer awareness of our branding via our "myNEWS.com on Wheels" mobile truck store which is typically stationed at major sporting events, entertainment events and launches; and
- (iv) initiating other promotional modes such as corporate social responsibility fund raising and through online presence and social media.

7.12.2 Distribution channel

Our distribution channel is direct from our outlets to our customers.

7.13 Seasonality

Our Group typically experiences a reduction in sales revenue in February due to the shorter month, which thereafter normalises until the Ramadhan fasting month when sales revenue experience a reduction again.

Save for the above, our Group does not experience any other material seasonality in sales.

7.14 Major customers

We have no individual customer who account for 10% or more of our Group's total revenue for the 3 FYEs 31 October 2013, 31 October 2014 and 31 October 2015. Our Group is not dependent on any single customer for business.

7.15 Major suppliers

The value of purchases from our suppliers that accounted for more than 10% of our Group's total purchases during the 3 FYEs 31 October 2013, 31 October 2014 and 31 October 2015 are as follows:

Supplier	Length of relationship as at the LPD / Country of incorporation	Value of purchases FYE 31 October					
		2013		2014		2015	
		(RM'000)	% ⁽¹⁾	(RM'000)	% ⁽¹⁾	(RM'000)	% ⁽¹⁾
New Foo Hing Tobacco Sdn Bhd ("New Foo Hing")	4 years 5 months / Malaysia	17,799	16.7	18,594	14.7	24,997	16.8
Lein Hing Enterprise Sdn Bhd ("Lein Hing")	18 years 8 months / Malaysia	13,726	12.9	14,527	11.5	22,858	15.3
CSS Tobacco Sdn Bhd ("CSS")	8 years 6 months / Malaysia	9,260	8.7	10,889	8.6	16,386	11.0

Note:

- (1) Represents the percentage of total purchases for the respective year.

7. BUSINESS OVERVIEW (cont'd)

We purchase "British American Tobacco" products from New Foo Hing, "Phillip Morris International" products from Lein Hing, and "Japan Tobacco International" products from CSS. We maintain good relationships with these major suppliers and their respective product principals whom they distribute tobacco products for, namely New Foo Hing for British American Tobacco (Malaysia) Berhad ("BAT"), Lein Hing for Godfrey Phillips (Malaysia) Sdn Bhd ("PMI") and CSS for JT International Trading Sdn Bhd ("JTI").

Our retail outlets have historically been carrying British American Tobacco products for the past 19 years and in respect of the past 4 years and 5 months through New Foo Hing as a BAT-appointed distributor. Prior to that, our purchases of British American Tobacco products were conducted directly with the product principal, BAT. We also have had 18 years and 8 months of continuous business relationship with Lein Hing as distributor and PMI as product principal. We have been carrying "Japan Tobacco International" products for the past 19 years, and in the past 8 years and 6 months we have dealt directly with JTI's appointed distributor, CSS. We believe that this indicates a stable and good business relationship with our major suppliers and associated product principals.

A discussion on our dependence on our major suppliers is set out in Section 5.1.8 of this Prospectus.

7.16 Approvals, major licences and permits obtained

Details of the approvals, major licences and permits obtained by our Group for the operation of our business and the status of compliance are as set out below:

7.16.1 Business and signage licences for our outlets

Prior to commencing operations for each of our outlets, we are required in accordance with the Local Government Act 1976, Local Authorities Ordinance 1996 of Sarawak, Trades Licensing Ordinance 1949 of Sabah and the by-laws of the respective local councils and authorities to obtain business and signage licences for each of our outlets. The business licence is a licence granted to the outlet to undertake business operations within the outlet premises whereas the signage licence is granted to enable the outlet to display its signboard and advertisements on the premises. These business and signage licences are renewable typically on a yearly basis.

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. In addition, as a general penalty, a fine of not exceeding RM2,000 or a term of imprisonment not exceeding 1 year or both will be imposed on anyone who is guilty of any offence against the Local Government Act 1976 or any by-law, rule or regulation for which no penalty is expressly provided. A similar penalty provision can also be found in the Local Authorities Ordinance 1996 of Sarawak save and except that in Sarawak an absolute fine of RM2,000 will be imposed on those who are found guilty of such offence. In Sabah, the Trades Licensing Ordinance 1949 of Sabah imposes on persons who carry on any business without a valid licence 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.

Based on our Group's experience, the abovementioned business and signage licences are typically obtained within 3 months after the opening of the outlets. Applications for the business and signage licences can only be made after the outlets have been fitted-out and stocked-up as verification to the local councils and authorities that the outlets are ready for opening. For this reason, in most cases such licences remain pending at the time of outlet opening. This situation affects only the opening of new outlets.

With the new outlets being fitted-out and stocked-up already at the point of the application for the licences, it would be impractical for our Group to allow the affected

7. BUSINESS OVERVIEW (cont'd)

outlet(s) to be left idle and to continue to incur rental expenses while awaiting the issuance of the business and signage licences. Furthermore, there may also be situations where property owners require our Group to open the outlets by certain pre-determined dates, for example, in conjunction with the opening of a shopping mall. Our Group foresees that this situation will continue to arise as and when our Group opens new outlets in Malaysia. Additionally, delays in the granting of business and/or signage licenses may also occur due to administrative and/or out of the ordinary situations.

For existing outlets, the yearly renewal process for the business and signage licences is done procedurally once a year prior to their expiry, and as such the timing for a renewal application can be anticipated and planned ahead.

However, despite the risk of penalties imposed by the local councils and authorities for non-compliance of business and signage licences, the day-to-day operations of those outlets are not affected, including that of our Group's applicable insurance coverage.

As at the LPD, our Group has experienced delay in obtaining the business and signage licences in respect of 11 outlets ("**Outstanding Licences**").

Save for the above, our Group's 244 remaining outlets as at the LPD have obtained their respective business and signage licences from their respective local councils and authorities, all of which are valid and in force as at the LPD. Our Group will continue to actively liaise with the relevant councils and authorities to speed up the progress of the Outstanding Licences.

Although our Board expects to obtain the Outstanding Licences and any other future applications for new outlets within the typical timeframe, if such timeframe becomes protracted, our Board will take such action as it considers necessary if such licences are not forthcoming.

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7. BUSINESS OVERVIEW (cont'd)

7.16.2 MSC Malaysia Status and pioneer status certification

Company	Approving authority / issuer	Description of licence / approval / permit	Licence/ Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
DKE	Government of Malaysia – MDeC	<p>MSC Malaysia Status granted for DKE to enjoy the incentives, rights and privileges provided for under the Bill of Guarantee</p> <ul style="list-style-type: none"> To provide a world-class physical and information infrastructure; To allow unrestricted employment of local and foreign knowledge workers; To ensure freedom of ownership by exempting companies with MSC Malaysia Status from local ownership requirements; To give the freedom to source capital globally for MSC Malaysia infrastructure, and the right to borrow funds globally; To provide competitive financial incentives, including Pioneer Status (100 percent tax exemption) for up to 10 years or an Investment Tax Allowance for up to 5 years and no duties on the importation of multimedia equipment; To become a regional leader in Intellectual Property Protection and Cyberlaws; To ensure no censorship of the internet; To provide globally competitive telecommunications tariffs; To tender key MSC Malaysia infrastructure contracts to leading companies willing to use the MSC Malaysia as their regional hub; and To provide a high-powered implementation agency to act as an effective one-stop super shop. 	2431	<p>Effective Date: 1 April 2010</p> <p>Validity: Valid until and unless revoked</p>	<p>The major conditions imposed by MDeC vide its letter dated 1 April 2010 in respect of DKE's MSC Malaysia Status are as follows:</p> <p>DKE hereby agrees to:</p> <p>(i) complete business registration of the proposed entity as a locally incorporated company under the Companies Act 1965 within one (1) month from the date of the approval letter, commence operations of the proposed entity within six (6) months from the date of the approval letter, and undertake such activities specified in DKE's business plan ("Business Plan") as approved by MDeC below ("MSC Malaysia Qualifying Activities") within six (6) months from the date of the approval letter or by such date(s) as may be specified in the Business Plan (which date(s) may be extended or modified with the written consent of MDeC) and thereafter continue with such business and activities unless otherwise approved by MDeC. The MSC Malaysia Qualifying Activities are as follows:</p> <p>(a) Research, development and commercialization of the following software:</p> <ul style="list-style-type: none"> DKE Publications and Magazine Distribution Software <p>(b) Provision of implementation, maintenance and technical services related to the above software.</p> <p>Any changes proposed to the above MSC Malaysia Qualifying Activities as detailed in the Business Plan must receive the prior written consent of MDeC;</p>	Complied

7. BUSINESS OVERVIEW (cont'd)

Company	Approving Authority / issuer	Description of licence / approval / permit	Licence/ Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
					<p>(ii) locate the implementation and operation of the MSC Malaysia Qualifying Activities in a Designated Premises in an MSC Malaysia Cybercentre with minimum office space of 1,200 sq ft, within six (6) months from the date of the approval letter. DKE shall obtain MDeC's prior written approval in the event of any changes in the location or address of the company;</p> <p>(iii) ensure that at all times at least fifteen percent (15%) of the total number of employees (excluding support staff) of DKE shall be "knowledge workers" (as defined by MDeC). "Knowledge workers" shall be recruited, employed and/or appointed solely for the purpose of undertaking the MSC Malaysia Qualifying Activities. The recruitment, employment and/or appointment of foreign "knowledge workers" (if any) shall be the sole responsibility of DKE and MDeC shall not be held responsible for any liability arising from such recruitment, employment and/or appointment;</p> <p>(iv) ensure that any products produced pursuant to the MSC Malaysia Qualifying Activities are original, and that no part or portion of such product is an infringement or violation of any intellectual property or any proprietary rights of any third party, or constitutes a misappropriation of know-how belonging to any third party;</p> <p>(v) submit to MDeC a copy of DKE's Annual Report and Audited Statements in parallel with submission to the Companies Commission of Malaysia;</p> <p>(vi) ensure that all information and/or documents furnished by DKE to MDeC or any other authority or agency do not contain any false, untrue or inaccurate statements or omit to state any facts, the omission of which would make any statements made therein in the light of the circumstances under which they are made, misleading;</p> <p>(vii) inform and obtain the prior approval of MDeC for any proposed change in the name of DKE;</p>	Complied
						Complied
						Complied
						Complied
						Complied
						Complied

7. BUSINESS OVERVIEW (cont'd)

Company	Approving Authority / issuer	Description of licence / approval / permit	Licence/ Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
					(viii) inform MDeC of any change in the equity structure or shareholding structure of DKE, or such other changes that may affect the direction or operation of DKE. MDeC must be informed of any change before steps are taken to effect such change; and	Complied
					(ix) comply with all such statutory, regulatory and/or licensing requirements as may be applicable, including but not limited to the Transfer Pricing Guidelines issued by the Inland Revenue Board of Malaysia on 2 July 2003, and such other amendments as may be applicable from time to time.	Complied
DKE	MITI	Pioneer certificate and extension approval for pioneer status in accordance with Promotion of Investments Act 1986.	Certificate No. 3681 Extension approval letter : 020/B18/O 00027/2/M SC/2	28 August 2015/ 16 August 2015 to 15 August 2020	The MSC Malaysia Status granted to DKE shall not be transferable or assignable in any way whatsoever without the prior written consent of MDeC.	Noted

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7. BUSINESS OVERVIEW (cont'd)

7.16.3 Other operational licences / approvals

Company	Approving authority / Issuer	Description of licence / approval / permit	Licence/ Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
Bison Stores	WU Malaysia	<p>Certificate of appointment as money services business agent to conduct remittance business in accordance with section 43(1) of the Money Services Business Act 2011 at the following premises:</p> <p>(i) Lot G98B & G98C, Ground Floor, The Curve, Mutiara Damansara, Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor;</p> <p>(ii) Lot G30, Ground Floor, Centrepoint, No. 3, Lebuhr Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor; and</p> <p>(iii) No. 40, Jalan SS21/58, Damansara Utama, 47400, Petaling Jaya, Selangor.</p>	00032-002	Validity: 20 September 2015 to 19 September 2018	<p>(i) Ensure that Bison Stores complies with the requirements of the Money Services Business Act 2011 and other terms set by BNM;</p> <p>(ii) Bison Stores is fully responsible towards all money services business transactions and activities carried out on behalf of WU Malaysia;</p> <p>(iii) Ensure Bison Stores displays the certificate of appointment in a conspicuous position at the premises for customer verification that Bison Stores is an agent to WU Malaysia; and</p> <p>(iv) Ensure that Bison Stores properly display on all its signage the information indicating that the company is the agent to WU Malaysia. The signage should include WU Malaysia's name, address and details on how to contact WU Malaysia.</p>	Complied
Bison Stores	Department of Occupational Safety and Health, Selangor	<p>Certificate of fitness of cargo lift with registration no. SL PMA 1519 in accordance with the Factories and Machinery Act 1967 ("FMA") and Regulation 10(2) of the Factories and Machinery (Notification, Certificate of Fitness and Inspections) Regulations 1970</p> <p>Location of the machine: Lot 142, Jalan Industri 2/4, Rawang Integrated Industrial Park, 48000 Rawang, Selangor</p>	PMA-SL 211174	6 August 2015/ Until 6 October 2016	<p>This certificate is valid until the date stated in the certificate, unless suspended, revoked or otherwise terminated earlier under the FMA and provided that the provisions of the FMA and the regulations in respect of hoisting machine shall not be violated.</p>	Complied
Bison Stores	Department of Occupational Safety and Health, Selangor	<p>Certificate of fitness of cargo lift with registration no. SL PMA 1520 in accordance with the FMA and Regulation 10(2) of the Factories and Machinery (Notification, Certificate of Fitness and Inspections) Regulations 1970</p> <p>Location of the machine: Lot 142, Jalan Industri 2/4, Rawang Integrated Industrial Park, 48000 Rawang, Selangor</p>	PMA-SL 211175	6 August 2015 / Until 6 October 2016	<p>This certificate is valid until the date stated in the certificate, unless suspended, revoked or otherwise terminated earlier under the FMA and provided that the provisions of the FMA and the regulations in respect of hoisting machine shall not be violated.</p>	Complied

7. BUSINESS OVERVIEW (cont'd)

Company	Approving authority / Issuer	Description of licence / approval / permit	Licence/ Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
Bison Stores	Land Public Transport Commission ("SPAD")	Operator licence including vehicle permit, service level requirements and permit for service over the Peninsular Malaysia in accordance with Land Public Transport Act 2010	306295X (LC)	22 May 2013 / 22 May 2018	(i) The renewal must be made at least 90 days before the expiration; (ii) Any changes to the permit for service must obtain the prior written consent from SPAD through application for changing the requirements and to be recorded in the special conditions of this vehicle permit; and (iii) Loss of this special conditions permit for service should be reported immediately to the nearest SPAD offices.	Complied
Bison Stores	Majlis Perbandaran Selayang	Licence for Lot 142 (Pechan Lot 1289), Jalan Industri 2/4, Rawang Integrated Industrial Park, 48000 Rawang, Selangor <ul style="list-style-type: none"> • Alat tulis (membuat / memproses) <500m² • Memproses buku, alat tulis, makanan ringan • Alat tulis (memborong / menyimpan) <501m² • Menyimpan buku, alat tulis, makanan ringan & barangan runcit • Pelekat lesen • Menggiling & mengisar bhn makanan, herba, rempah ratus, bahan-bahan yang dikisar • DSB (membuat / memproses) < 20 • Memproses barang runcit dan makanan • Iklan tidak bercahaya tidak melebihi 8m² • Bison DC / Logo • Iklan tidak bercahaya tidak melebihi 8m² • Bison DC / Logo 	Account No: L-52241	Valid until 30 June 2016	Nil	Not applicable
DKE	Majlis Bandaraya Petaling Jaya	Licence for Lot 3.01, Level 3, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor <ul style="list-style-type: none"> • Pejabat urusan • Bayaran pelekat premis 	L9500001 73533	Valid until 31 December 2016	Nil	Not applicable
Bison Stores	Majlis Perbandaran Selayang	Licences for Lot 258 – 259, Jalan KIP 4, KIP Industrial Park, 52200 Kepong, Kuala Lumpur <ul style="list-style-type: none"> • Pejabat Urusan – melebihi 120MP • Iklan tidak bercahaya tidak melebihi 8m² • MYNEWS.COM • Iklan tidak bercahaya tidak melebihi 8m² • Bison Cafe • Iklan tidak bercahaya tidak melebihi 8m² • WHSMITH 	Account No: L-55926	Valid until 30 June 2016	Nil	Not applicable

7. BUSINESS OVERVIEW (cont'd)

Company	Approving authority / Issuer	Description of licence / approval / permit	Licence/ Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
Bison Stores	Majlis Perbandaran Selayang	<ul style="list-style-type: none"> • Iklan tidak bercahaya tidak melebihi 8m² Bison Stores • Iklan tidak bercahaya tidak melebihi 8m² MYNEWS.COM 	Account No. L-57998	Valid until 30 June 2016	Nil	Not applicable.

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7. BUSINESS OVERVIEW *(cont'd)*

7.17 Quality control procedures

Our quality control approaches and measures are carried out with an overall objective to monitor and maintain the quality and condition of our SKUs at all stages of our retail operations from warehousing to over-the-counter point of sales, as well as the quality of consumer services we offer to our customers. Amongst others, our Group adopts the following approaches and measures in our operations:

- (i) central distribution of a large proportion of our SKUs to our network of outlets to effectively control quality and condition as well as for accountability in inventory management;
- (ii) inspection of incoming products supplied and tracking of product cycles, in particular, expiry dates of food and beverage items;
- (iii) 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 outlets;
- (iv) standardisation of product display guidelines and prescribed Merchandise Planograms; and
- (v) uniform attire and name tags for our personnel to maintain a standard brand image.

In addition to the above measures, we have an internal control team comprising 21 employees as at the LPD, tasked to undertake internal audit and investigative functions.

Our internal control team essentially carries out the following functions to ensure that quality standards are maintained:

- (i) quality checks and quality assurance controls such as internal store audit for expired products, stock availabilities, stocktake, the condition and upkeep of the outlets, compliance with standardised product display guidelines and Merchandise Planograms;
- (ii) central monitoring of daily operations from our HQ via real-time CCTV footage and random inspection of real-time corresponding screenshots of the cash register at POS terminals for verification of sale transactions; and
- (iii) investigative functions in cases of pilferage, loss or theft.



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7. BUSINESS OVERVIEW (cont'd)




7.18 Licences, patents, trade marks, brand names, technical assistance agreements, franchises and other intellectual property rights

Save as disclosed below, our Group does not have any other licences, patents, trade marks, brand names, technical assistance agreements, franchises and other intellectual property rights:




7.18.1 Trade mark registrations

No.	Trade mark	Issuing authority	Name of applicant	Application or registration no. / Class	Description	Status / Registration validity
1.		IPC Malaysia	Bison Stores	05018333 / Class 16	Proprietor of the said trade mark for a period of 10 years in respect of the following goods: Advertisement material of paper or cardboard; banners and signboards of paper and cardboard; paper bags; brochures; bags envelopes or pouches of paper or plastic for packaging; booklets; boxes of cardboard or paper; bottle envelopes and wrappers of cardboard or paper; bubble packs of plastic for wrapping or packaging; credit card imprints, non-electronic; magazines; newsletters; handbooks; packing paper; pamphlets; paper and paper articles; cardboard and cardboard articles; cards; forms; labels; manuals; office requisites except furniture; pamphlets; paperweights; pen and pencils; pen and pencils cases and holders; periodicals; photographs; printed matter and publications; postcards; posters; signs; stationery; stickers; wrapping materials; writing materials; writing paper; writing pads; all included in Class 16.	Registered / 27 October 2015 to 27 October 2025 Certificate issuance date : 15 October 2015
2.		IPC Malaysia	Bison Stores	05018329 / Class 16	Proprietor of the said trade mark for a period of 10 years in respect of the following goods: Advertisement material of paper or cardboard; banners and signboards of paper and cardboard; paper bags; brochures; bags envelopes or pouches of paper or plastic for packaging; booklets; boxes of cardboard or paper; bottle envelopes and wrappers of cardboard or paper; bubble packs of plastic for wrapping or packaging; credit card imprints, non-electronic; magazines; newsletters; handbooks; packing paper; pamphlets; paper and paper articles; cardboard and cardboard articles; cards; forms; labels; manuals; office requisites except furniture; pamphlets; paperweights; pen and pencils; pen and pencils cases and holders; periodicals; photographs; printed matter and publications; postcards; posters; signs; stationery; stickers; wrapping materials; writing materials; writing paper; writing pads; all included in Class 16.	Registered / 27 October 2015 to 27 October 2025 Certificate issuance date : 15 October 2015

7. BUSINESS OVERVIEW (cont'd)




No.	Trade mark	Issuing authority	Name of applicant	Application or registration no. / Class	Description	Status / Registration validity
3.		IPC Malaysia	Bison Stores	05018330 / Class 35	Proprietor of the said trade mark for a period of 10 years in respect of the following services: Retail services and retail store services relating to / in the field of / dealing with newsstand selling newspapers, books, magazines, stationeries, cigarettes, smoker's articles and anything related to the aforesaid goods; stationeries, phone cards and anything related to the aforesaid goods; magazine reservation services, photo developing and anything related to the aforesaid photo developing; bill payments service, pharmaceutical products and anything related to the aforesaid goods; all included in Class 35.	Registered / 27 October 2015 to 27 October 2025 Certificate issuance date : 15 October 2015
4.		IPC Malaysia	Bison Stores	01016209 / Class 35	Proprietor of the said trade mark for a period of 10 years in respect of the following services with conditions: Retail newsagent services featuring books, magazines, newspapers, food and beverages, tobacco, cigarettes, cigars, smoker's articles, matches, films, batteries, pharmaceuticals, stationeries, phone cards, magazine reservation service, courier service, photo developing, laundry and bill payments service; all included in Class 35.	Registered / 20 December 2011 to 20 December 2021 Certificate issuance date : 13 July 2012
5.		IPC Malaysia	Bison Stores	05018331 / Class 16	Registration of this trade mark shall give no right to the exclusive use of the word '.com'. Proprietor of the said trade mark for a period of 10 years in respect of the following goods with condition: Advertisement material of paper or cardboard; banners and signboards of paper and cardboard; paper bags; brochures; bags envelopes or pouches of paper or plastic for packaging; booklets; boxes of cardboard or paper; bottle envelopes and wrappers of cardboard or paper; bubble packs of plastic for wrapping or packaging; credit card imprints, non-electronic; magazines; newsletters; handbooks; packing paper; pamphlets; paper and paper articles; cardboard and cardboard articles; cards; forms; labels; manuals; office requisites (except furniture); pamphlets; paperweights; pen and pencils; pen and pencils cases and holders; periodicals; photographs; printed matter and publications; postcards; posters; signs; stationery; stickers; wrapping materials; writing materials; writing paper; writing pads; all included in Class 16.	Registered / 27 October 2015 to 27 October 2025 Certificate issuance date : 15 October 2015

7. BUSINESS OVERVIEW (cont'd)

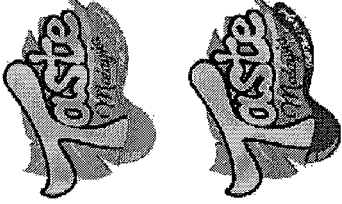
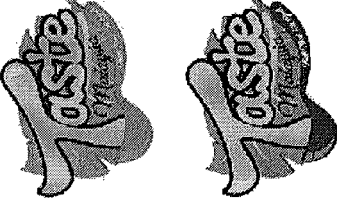
No.	Trade mark	Issuing authority	Name of applicant	Application or registration no. / Class	Description	Status / Registration validity
6.		IPC Malaysia	Bison Stores	05018332 / Class 35	Proprietor of the said trade mark for a period of 10 years in respect of the following services: Retail services and retail store services relating to or in the field of or dealing with newsstand selling newspapers, books, magazines, stationeries, cigarettes, smoker's articles and anything related to the aforesaid goods; stationeries, phone cards and anything related to the aforesaid goods; magazine reservation services, bill payments service, pharmaceutical products and anything related to the aforesaid goods; all included in Class 35.	Registered / 27 October 2015 to 27 October 2025 Certificate issuance date : 15 October 2015
7.		IPC Malaysia	Bison Stores	2014001168 / Class 16	Proprietor of the said trade mark for a period of 10 years in respect of the following goods: Advertisement material of paper or cardboard; banners and signboards of paper and cardboard; paper bags; brochures; bags envelopes or pouches of paper or plastic for packaging; booklets; boxes of cardboard or paper; bottle envelopes and wrappers of cardboard or paper; bubble packs of plastic for wrapping or packaging; credit card imprints, non-electronic; magazines; newsletters; handbooks; packing paper; pamphlets; paper and paper articles; cardboard and cardboard articles; cards; forms; labels; manuals; office requisites except furniture; pamphlets; paperweights; pen and pencils; pen and pencils cases and holders; periodicals; photographs; printed matter and publications; postcards; posters; signs; stationery; stickers; wrapping materials; writing materials; writing paper; writing pads; all included in Class 16.	Registered / 27 January 2014 to 27 January 2024 Certificate issuance date : 25 August 2015
8.		IPC Malaysia	Bison Stores	2014001169 / Class 43	Proprietor of the said trade mark for a period of 10 years in respect of the following services: Cafes in bookstores, cafeterias in bookstores, snack bars in bookstores, self service cafes, cafeterias and snack bars, food and drink kiosks or bars selling cigarettes and anything related to products, sweets and candies and anything related to the aforesaid goods; all included in Class 43.	Registered / 27 January 2014 to 27 January 2024 Certificate issuance date : 17 August 2015

7. BUSINESS OVERVIEW (cont'd)

7.18.2 Trade mark applications

No.	Trade mark	Issuing Authority	Name of applicant	Application no./ Class / Application date	Description	Status / Registration validity
1.		Intellectual Property Office of Singapore	Bison Stores	T1411181E / Classes 16 and 35 / 16 July 2014	<u>Class 16</u> Advertisement material of paper or cardboard; banners and signboards of paper and cardboard; paper bags; brochures; bags envelopes or pouches of paper or plastic for packaging; booklets; boxes of cardboard or paper; bottle envelopes and wrappers of cardboard or paper; bubble packs of plastic for wrapping or packaging; credit card imprints, non-electronic; magazines; newsletters; handbooks; packing paper; pamphlets; paper and paper articles; cardboard and cardboard articles; cards; forms; labels; manuals; office requisites except furniture; pamphlets; paperweights; pen and pencils; pen and pencils cases and holders; periodicals; photographs; printed matter and publications; postcards; posters; signs; stationery; stickers; wrapping materials; writing materials; writing paper; writing pads; all included in Class 16.	Application for registration of the trade mark has been filed on 16 July 2014. Pending registration.
2.		Directorate General of Intellectual Property Rights, Indonesia	Bison Stores	D00.2014.033963 / Class 16 / 18 July 2014	<u>Class 35</u> Retail services and retail store services relating to/in the field of/dealing with newsstand selling newspapers, books, magazines, stationeries, cigarettes, smoker's articles and anything related to the aforesaid goods; stationeries, phone cards and anything related to the aforesaid goods; magazine reservation services, photo developing and anything related to the aforesaid photo developing; bill payments service, pharmaceutical products and anything related to the aforesaid goods; all included in Class 35.	Application for registration of the trade mark has been filed on 18 July 2014. Pending registration.
3.		Directorate General of Intellectual Property Rights, Indonesia	Bison Stores	J00.2014.033965 / Class 35 / 18 July 2014	Retail services and retail store services; newsstand and bookstore services, stationery store services; convenience store services.	Application for registration of the trade mark has been filed on 18 July 2014. Pending registration.

7. BUSINESS OVERVIEW (cont'd)

No.	Trade mark	Issuing Authority	Name of applicant	Application no./ Class / Application date	Description	Status / Registration validity
4.		IPC Malaysia	Bison Stores	2015065442 / Class 16	List of goods or services: Book marks; book ends; paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); calendars; greeting cards; cards; advertising material expressed in card form; cards (stationery); business cards; gift cards; invitation cards; menu cards; printed matter in the form of cards; writing cards; name cards; magazines (periodicals); manuals (handbooks); cookbooks; newsletters; newspapers; pamphlets; periodicals; postcards; posters; printed publications; tickets; seal (stamps); address stamps; rubber stamps; self-inking stamps, for office use; catalogues; paper coasters; place mats of paper; paper placemats; drawing or writing pads; envelopes; notebooks; pen or pencil holders or cases; photograph stands; placards; prints; rulers; erasers; scrap books; stamp pads; stickers; wrapping paper; all included in Class 16.	Application for registration of the trade mark has been filed on 17 September 2015. Pending registration.
5.		IPC Malaysia	Bison Stores	2015065443 / Class 43	List of goods or services: Services for providing food and drink; restaurant services, café and cafeteria services, canteen services; catering services, bistro, snack bar and bar services; coffee shop services; bakery services; services rendered or associated with operating restaurants and other establishment or facilities engaged in providing food and drink prepared for consumption; preparation services of food and drink for sale; preparation services of carry-out foods and drinks; kitchen services for preparation of food and beverage; kitchen services rendered or associated with operating kitchen for preparation of food and beverage; establishment and facility services engaged in providing kitchen services for preparation of food and beverage; preparation services of food and beverage for sale; preparation services of carry-out foods and beverage; provision of food and beverage services through an on-line computer network; provision of food and beverage services through telephone call-in or hotline, related services thereof; all included in Class 43.	Application for registration of the trade mark has been filed on 17 September 2015. Pending registration.

7. BUSINESS OVERVIEW (cont'd)

7.18.3 Licence of intellectual property rights granted to WH Smith Malaysia

Pursuant to our equal joint venture with WH Smith Travel, WH Smith Retail Holdings Limited had via a Licence of Intellectual Property Rights dated 12 May 2015 (“**WHS IPR Licence**”) granted our associate, WH Smith Malaysia, a non-exclusive, non-transferable, revocable, royalty-free licence to use several registered trade marks associated with the “WHSmith” brand (which may be varied by WH Smith Retail Holdings Limited from time to time) to operate “WHSmith” outlets in Malaysia. The WHS IPR Licence is effective from 23 May 2012 and shall terminate upon termination of our equal joint venture with WH Smith Travel. The WHS IPR Licence is governed by the laws of England and Wales; and WH Smith Malaysia shall only use such intellectual property rights in accordance with the manner as set out in the WHS IPR Licence.

7.19 Research and development

Product research and development is not a requirement for our Group as our Group is primarily engaged in press and convenience retailing. As such, our Group does not carry out any specific research and development activities and therefore has not formed any research and development policy. As a result of this, our Group did not incur any expenditure or capitalise any development cost that was specific to research and development activities during the 3 FYEs 31 October 2013, 31 October 2014 and 31 October 2015.

7.20 Interruptions to the business for the past 12 months

We have not experienced any interruptions to our business having a significant effect on our Group’s operation for the past 12 months prior to the LPD.

7.21 Employees

7.21.1 Number of employees

As at the LPD, our Group has a total workforce of 991 employees of whom 527 are permanent employees and 464 are contractual foreign workers. We pay social insurance for our employees, including, medical, personal accident and work injury insurance in compliance with applicable local laws and regulations concerning social insurance. None of our employees belong to any trade unions and there has been no industrial dispute since we commenced operations.

A summary of our Group’s total workforce by job functions for the past 3 FYEs up to 31 October 2015 as well as at the LPD are set out below:

Categories	Number of employees			As at the LPD
	FYE 31 October			
	2013	2014	2015	
Management	33	45	45	45
Administration ⁽¹⁾	62	76	83	82
Operations ⁽²⁾				
- HQ / Bison DC	57	92	111	104
- Outlets ⁽³⁾	590	691	749	760
	<u>647</u>	<u>783</u>	<u>860</u>	<u>864</u>
Total workforce	<u>742</u>	<u>904</u>	<u>988</u>	<u>991</u>

7. BUSINESS OVERVIEW (cont'd)

Notes:

- (1) Includes personnel from the finance department, merchandising, marketing, human resources, purchasing and internal control.
- (2) Includes operational support personnel and operational internal control team based in HQ, as well as personnel based in Bison DC.
- (3) Includes area managers and retail personnel based at our outlets, WH Smith Malaysia personnel and Bison Café staff.

The increase in the total workforce over the past 3 FYEs up to 31 October 2015 is due to our expanding retail chain and growing business operations since each additional outlet would require additional outlet supervisors, area managers and retail personnel to operate such outlets.

Our retail staff increased by 17.1% in 31 October 2014 and 8.4% in 31 October 2015. As at the LPD, it grew a further 1.5% from 31 October 2015.

Our foreign workers are sourced from the following countries and their job functions as at the LPD are as follows:

Location	Number of foreign workers as at the LPD				
	Management	Administration	Operations		Total
			HQ/Bison DC	Outlets	
Nepal	-	15	36	321	372
Philippines	-	5	-	83	88
Bangladesh	-	-	2	-	2
Indonesia	-	-	1	1	2
Total	-	20	39	405	464

All the foreign workers employed by us have valid working permits and are not in breach of any immigration laws.

7.21.2 Training and development

Our Company believes that the ability to retain quality employees is instrumental to our success. Hence, we emphasise the importance of training and development programmes as a continuing process for our employees at all levels from our outlet staff to our management personnel. These programmes relate to in-house workshops and external training programmes to update our employees on the latest developments within our Group and the industry that we are involved in and to enhance productivity.

We have in place a training centre at Bandar Utama, Selangor to provide basic operation training, customer satisfaction training and store management skill courses to our existing and new employees. Practical training is also conducted at our outlets. All new employees are required to undergo induction training programmes to familiarise themselves with their job scope and responsibilities, our working environment, products and services, operations, safety and emergency policies and procedures.

These training programmes also provide us with an avenue to identify high performing employees to fill in roles of our outlet managers.

A discussion on the human resource challenges that we face is set out in Section 5.1.10 of this Prospectus.

7. BUSINESS OVERVIEW *(cont'd)*

7.21.3 Management succession plan

Our business is organised along functional lines where heads of departments are responsible for the execution of their duties. This allows our Managing Director and Chief Operating Officer to focus on strategic matters and on further developing the business for growth and success.

In order to ensure business continuity, we strive to execute good succession planning through the following measures which includes amongst others:

- (i) identifying key competencies and requirements for managers and higher positions. Job and candidate profiles are developed for management position in line with the business goals, strategies and culture of our Group;
- (ii) taking a positive approach towards addressing talent management to ensure the organisation has talent readily available from a capability perspective to undertake leadership positions throughout the organisation; and
- (iii) having in place employee retention measures and human resources development such as competitive remuneration packages, benefits, incentives and training and development programmes.

In addition, our flat organisation structure is conducive for knowledge transfer through on-the-job training and provides us with a platform to identify high performing employees for management succession planning. Our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision-making process and are equipped with the knowledge necessary for them to succeed to senior management positions.

Furthermore, we also have in place our Nominating Committee whose responsibilities include, amongst others, reviewing the Board's succession planning, recommending candidates for appointment to our Board and board committees. Please refer to Section 9.1.9 of this Prospectus for further details of our Nominating Committee and their scope of responsibilities.

7.22 Dependency on contracts, agreements, documents or other arrangements

As at the LPD, our Group is not highly dependent on any material contracts or agreements including patents or licences, industrial, commercial or financial contracts which are material to our Group's business or profitability.

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7. BUSINESS OVERVIEW (cont'd)

7.23 Material properties, plant, machinery and equipment

7.23.1 Material properties owned by our Group

The material properties owned by our Group are as follows:

No.	Location / Postal address	Registered / Beneficial owner	Description / Existing use	Express conditions of land use / Category of land use	Encumbrances	Land / Built-up area (sq. ft.)	Tenure / Date of expiry of lease	Date of issuance of CF / CCC	NBV as at 31 October 2015 (RM)
1.	Geran 212277, Lot 21191, Mukim Rawang, Daerah Gombak, Negeri Selangor bearing postal address of Lot 142, Jalan Industri 2/4, Rawang Integrated Industrial Park, 48000 Rawang, Selangor	Bison Stores	A detached warehouse with two units of guard houses / Warehouse	Industrial / Industrial	United Overseas Bank (Malaysia) Berhad	Land area: 108,715 (equivalent to 10,100 sq. m.) Built-up area: 125,270 (equivalent to 11,638 sq. m.)	Freehold / Perpetuity	14 January 2004	18,059,000
2.	Geran 213977, Lot 2801, Bandar Kepong, Daerah Gombak, Negeri Selangor bearing postal address of 258, Jalan KIP 4, Taman Perindustrian KIP, 52200 Kuala Lumpur	Bison Stores	A 1 ½ storey factory lot / terrace premises	Industrial / Industrial	United Overseas Bank (Malaysia) Berhad	Land area: 2,002 (equivalent to 186 sq. m.) Built-up area: 2,750 (equivalent to 255.47 sq. m.)	Freehold / Perpetuity	24 April 1999	1,606,458
3.	Geran 213978, Lot 2802, Bandar Kepong, Daerah Gombak, Negeri Selangor bearing postal address of 259, Jalan KIP 4, Taman Perindustrian KIP, 52200 Kuala Lumpur	Bison Stores	A 1 ½ storey factory lot / terrace premises	Industrial / Industrial	United Overseas Bank (Malaysia) Berhad	Land area: 2,002 (equivalent to 186 sq. m.) Built-up area: 2,750 (equivalent to 255.47 sq. m.)	Freehold / Perpetuity	24 April 1999	1,606,458

7. BUSINESS OVERVIEW (cont'd)

No.	Location / Postal address	Registered / Beneficial owner	Description / Existing use	Express conditions of land use / Category of land use	Encumbrances	Land / Built-up area (sq. ft.)	Tenure / Date of expiry of lease	Date of issuance of CF / CCC	NBV as at 31 October 2015 (RM)
4.	HS(D) 158129, PT 41071, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor bearing postal address of No. 48, Jalan Nova K U5/K, Seksyen U5, 40150 Shah Alam, Selangor	Bison Stores	5 storey terraced shop office / Vacant	Commercial Building / Building	CIMB Berhad	Land area: 2,433 (equivalent to 226 sq. m.) Built-up area: 12,163 (equivalent to 1,129.97 sq. m.)	99 years, expired on 22 May 2095	25 June 2014	3,745,831
5.	HS(D) 296565, PT 36936 (previously held under HS(D) 264383), PT 26534, Mukim Bukit Raja, District of Petaling, State of Selangor identified as Parcel No. B-30-15, Storey No. 30, Type A1-Trefoil, Block No. Tower B, Accessory Parcel No. L4-305, Project Trefoil located at Shah Alam, Selangor bearing postal address of B-30-15, Trefoil @ Setia City, No. 2, Jalan Setia Dagang AH U13/AH, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor	Bandar Setia Alam Sdn Bhd (as developer) / Bison Stores (as purchaser)	1 unit of Parcel No. B-30-15 in 1 multi-storey building comprising of 3 office towers (Tower B - 36 storeys) / Vacant	Commercial Building / Building	Public Berhad	Built-up area: 486 (equivalent to 45.15 sq. m.)	Freehold / Perpetuity	11 August 2015	280,304
6.	HS(D) 296565, PT 36936 (previously held under HS(D) 264383), PT 26534, Mukim Bukit Raja, District of Petaling, State of Selangor identified as Parcel No. B-30-16, Storey No. 30, Type A1-Trefoil, Block No. Tower B, Accessory Parcel No. L4-304, Project Trefoil located at Shah Alam, Selangor bearing postal address of B-30-16, Trefoil @ Setia City, No. 2, Jalan Setia Dagang AH U13/AH, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor	Bandar Setia Alam Sdn Bhd (as developer) / Bison Stores (as purchaser)	1 unit of Parcel No. B-30-16 in 1 multi-storey building comprising of 3 office towers (Tower B - 36 storeys) / Vacant	Commercial Building / Building	Public Berhad	Built-up area: 486 (equivalent to 45.15 sq. m.)	Freehold / Perpetuity	11 August 2015	280,304

7. BUSINESS OVERVIEW (cont'd)

7.23.2 Material properties rented by our Group

The material properties rented by our Group are as follows:

(i) Our retail outlets

We do not own the properties on which our outlets and café operate from. All of our outlets are rented from third parties. Most of our tenancies are for terms not exceeding 3 years.

The total tenanted area for our outlets is approximately 176,000 sq. ft, ranging from approximately 60 sq. ft. to 2,300 sq. ft. for each outlet as at the LPD. The distribution of our outlets by each state of Malaysia as at the LPD is set out in Section 7.4 of this Prospectus. The total rental paid by our Group for the FYEs 31 October 2013, 31 October 2014 and 31 October 2015 for our rented outlets is approximately RM12.40 million, RM15.29 million and RM18.87 million respectively.

In Peninsular Malaysia, any occupation or granting of permission to occupy any building or part thereof without a CF/CCC will render the registered proprietor or occupier liable to a fine and/or imprisonment of persons such as directors, company secretary or similar officers within our Group. The Street, Drainage and Building Act 1974 provides that any person who occupies or permits to be occupied any building or any part thereof without a CCC, shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

In addition, any usage of land that our Group occupies that is inconsistent with the category of land use and/or express condition as set out in the title or any use of a building or part thereof for a purpose other than that for which it was originally constructed, could subject the affected land to forfeiture by the Land Administrator, pursuant to the National Land Code 1965 and expose our Group to fines and/or imprisonment of persons such as directors, company secretary or similar officers within our Group.

In East Malaysia, where matters in relation to administration of land in Sabah and Sarawak are governed by the Sabah Land Ordinance 1930 and the Sarawak Land Code 1958 respectively; any usage of land that is inconsistent with the condition set out in the title or occupation of any building or any part thereof without a valid occupation certificate will render the registered proprietor or occupier liable to a fine and/or imprisonment, which varies depending on the district and location in the 2 states.

As at the LPD, all of our tenanted properties have their respective CF/CCC save for 13 tenanted properties for which the status of their CF/CCC is uncertain or that no CF/CCC has been issued ("**Outstanding CF/CCC**"). These 13 tenanted properties which comprise our outlets only represent 5.1% of our total 255 outlets as at the LPD.

Our Group will continue to work with the property owners to obtain the CF/CCC in respect of those CF/CCC which have not been provided to us, and to assist the property owners, to the extent possible, to apply and obtain the CF/CCC, failing which our Board will take such action as it considers necessary, including to reassess and to reconsider the operations of the affected outlet such as either temporarily ceasing operations pending resolution of the CF/CCC or permanently ceasing operations in the event the CF/CCC is not forthcoming.

Our Board anticipates a timeframe of 12 months from the date of the SC's approval for our IPO to rectify the above non-compliance.

7. BUSINESS OVERVIEW (cont'd)

(ii) Our office premises

Company (Tenant)	Landlord	Postal address	Description / Existing use	Tenure of tenancy/ Expiry date of tenancy	Land/ Built-up area (sq. ft.)	Date of issuance of CF/CCC	Rental a year (RM)
Bison Stores	Ling Chao and Wong Siew Na ⁽¹⁾	260, Jalan KIP 4, KIP Industrial Park, 52200 Kuala Lumpur	A 1 ½ storey terrace factory lot / Office premises	2 years 1 November 2015 to 30 October 2017	Land area: 3,154 (equivalent to 293 sq. m.)	24 April 1999	72,000
DKE	Bandar Utama City Sdn Bhd	Lot 3.01 Level 3 First Avenue, Bandar Utama 47800 Petaling Jaya Selangor	Office unit / Management office for DKE	3 years 1 September 2013 to 31 August 2016	Built-up area: 1,436	28 April 2010	86,160

Note:

- (1) This tenancy is a related party transaction between Bison Stores, Ling Chao (spouse of DTL) and Wong Siew Na (spouse of DTH), who are persons connected to our Executive Directors and Substantial Shareholders. Please refer to Section 11.1.2 of this Prospectus for further details of this related party transaction.

Save as set out in Section 7.23.2(i) of this Prospectus in respect for our tenanted properties, the properties stated in Sections 7.23.1 and 7.23.2 above have not breached any of the land use conditions / permissible land use; and where buildings are involved, we are in compliance with applicable laws, rules and building regulations.

7.23.3 Material plant, machinery and equipment

As at the LPD, our Group does not own any material plant, machinery and equipment.

7. BUSINESS OVERVIEW *(cont'd)*

7.24 Governing laws and regulations including environmental concerns

7.24.1 Government laws and regulations

Our Group's retail operations are subject to the following governing laws and regulations:

- (i) the Goods and Services Tax Act 2014 which governs the imposition and collection of goods and services tax and for matters connected therewith;
- (ii) the Local Government Act 1976, Local Authorities Ordinance 1996 of Sarawak, Trades Licensing Ordinance 1949 of Sabah and the by-laws of the respective local councils and authorities setting out the requirements to obtain business and signage licences;
- (iii) the Sale of Goods Act 1957 governing the sales of goods;
- (iv) the Price Control and Anti-Profiteering Act 2011 which serves to control prices of goods and charges for services and to prohibit profiteering;
- (v) the Money Services Business Act 2011 which governs the licensing, regulation and supervision of money services business and to provide for related matters;
- (vi) the National Land Code 1965, Sabah Land Ordinance 1930 and Sarawak Land Code 1958 governing the administration of land matters in Peninsular Malaysia, Sabah and Sarawak respectively;
- (vii) the Street, Drainage and Building Act 1974, Sabah Building Ordinance 1994, Sarawak Local Government Ordinance 1961 and the relevant by-laws issued pursuant thereto regulating, amongst others, the occupation of buildings; and
- (viii) the Food Act 1983 and the Control of Tobacco Product Regulations 2004 regulating, amongst others, control of sale of tobacco products and tobacco product advertisement.

As at the LPD, save as those set out in Sections 7.16.1 and 7.23.2(i) of this Prospectus, we are not in breach of laws and regulations governing our business that may have a material adverse impact on our retail operations.

7.24.2 Environmental regulations

During the normal course of our business operations, our Group does not generate any waste that is classified as a Scheduled Waste under the Environmental Quality (Scheduled Waste) Regulations 2005 and as such our Group is not subject to any environmental regulations.

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8. INDUSTRY OVERVIEW

SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
 Suite 23-3, Level 23, Office Suite, Menara 1MK,
 1 Jalan Kiara, Mont' Kiara,
 50480 Kuala Lumpur, Malaysia.
 T +603 6211 2121

SMITH ZANDER

22 FEB 2016

The Board of Directors

BISON CONSOLIDATED BERHAD
 Unit 07-02, Level 7, Persoft Tower,
 6B Persiaran Tropicana,
 Tropicana Golf & Country Resort,
 47410 Petaling Jaya,
 Selangor Darul Ehsan,
 Malaysia.

Dear Sirs/Madam,

Executive Summary of the Independent Market Research Report dated February 2016

This Executive Summary of the Independent Market Research Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the initial public offering and the listing of Bison Consolidated Berhad on the Main Market of Bursa Malaysia Securities Berhad.

SMITH ZANDER has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair 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 the industry. 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.

We acknowledge that this report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act 2007. We further acknowledge that if we are aware of any significant changes to the adequacy of the information in this report between the date of this report and the issue date of the Prospectus, or after the issue of the Prospectus and before the issue of securities, we have an ongoing obligation to either cause this report to be updated so as to correct any inaccuracies and where applicable, cause Bison Consolidated Berhad to issue a supplemental prospectus, or should they fail to do so, withdraw our consent to the inclusion of this report in the Prospectus.

For and on behalf of SMITH ZANDER:



 DENNIS TAN
 MANAGING PARTNER

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

Table of Contents

1 Economic Overview	3
2 Definitions and Segmentation	4
<i>Segmentation of the Retail Market</i>	<i>4</i>
<i>Overview of the Grocery Retail Market</i>	<i>5</i>
<i>The Convenience Market</i>	<i>6</i>
3 Market Size and Performance.....	8
<i>The Retail Market and Grocery Retail Market.....</i>	<i>8</i>
<i>The Retail Convenience Store Market.....</i>	<i>9</i>
<i>Competitive Landscape.....</i>	<i>11</i>
<i>Product/ Service Substitution</i>	<i>13</i>
<i>Reliance and Vulnerability to Imports</i>	<i>14</i>
4 Demand and Supply Conditions	15
<i>Key Drivers: Demand and Supply Conditions.....</i>	<i>15</i>
<i>Supply Dependencies</i>	<i>19</i>
5 Critical Success Factors.....	21
6 Growth Potential	23
7 Risks and Challenges	25
8 Government Laws and Regulations.....	28
9 Outlook and Prospects of Bison Consolidated Berhad.....	30

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

1 ECONOMIC OVERVIEW

The Malaysian economy registered a growth of 4.5% in the fourth quarter of 2015 (3Q 2015: 4.7%), supported mainly by the private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 1.5% (3Q 2015: 0.7%). For the year 2015, the Malaysian economy expanded by 5.0%.

Despite the challenging economic environment during the quarter, the private sector continued to be the key driver of growth. Private consumption grew by 4.9% (3Q 2015: 4.1%), supported by stable wage growth and labour market conditions. Private investment expanded by 5.0% (3Q 2015: 5.5%), driven by capital spending in the manufacturing and services sectors. Public investment growth moderated in the fourth quarter (0.4%; 3Q 2015: 1.8%), following lower growth in fixed assets spending by the Federal Government. Meanwhile, public consumption growth registered sustained growth of 3.3% (3Q 2015: 3.5%) as the stronger growth in emoluments was offset by slower growth in supplies and services expenditure.

On the supply side, growth in the fourth quarter was supported by the major economic sectors. Growth in the services sector was underpinned by the consumption and trade-related activities. The manufacturing sector recorded a marginally higher growth, supported mainly by domestic-oriented industries. In the construction sector, growth was supported by the civil engineering and residential subsectors. Meanwhile, growth in the agriculture sector moderated, reflecting lower production of palm oil. The mining sector, however, registered a contraction arising from the lower production of both crude oil and natural gas.

Inflation, as measured by the annual change in the Consumer Price Index ("CPI")¹, was lower at 2.6% in the fourth quarter of 2015 due to the lower domestic fuel prices. However, this was partly offset by the higher inflation for food and cigarettes.

The RM, along with other regional currencies, did not face significant volatility during the quarter despite uncertainties over global growth prospects and declining global energy prices. Overall, the RM appreciated by 3.6% against the USD during the quarter. The RM also appreciated against the Euro (6.7%), the pound sterling (6.0%), and the Japanese yen (4.0%), but depreciated against the Australian dollar (-0.5%). The RM also appreciated against all regional currencies, by between 2.4% and 5.8%, with the exception of the Indonesian rupiah (-2.4%). Between 1 January and 16 February 2016, the RM appreciated against the US dollar (3.5%). The RM also appreciated against the pound sterling (6.3%), the Australian dollar (5.4%), and the Euro (1.4%), but depreciated against the Japanese yen (-1.3%). The RM appreciated against most regional currencies.

The Malaysian economy is expected to face a challenging operating environment in the immediate future. Growth will continue to be driven by domestic demand, with some support from net exports. Nevertheless, the pace of domestic demand expansion is projected to moderate. While the growth in income and employment continues to support private consumption, it is expected to moderate as households continue to adjust to the higher cost of living. Meanwhile, private investment is projected to moderate to below its long term trend but will nevertheless be supported by the capital expenditure in the manufacturing and services sectors, as well as the implementation of infrastructure projects. The downside risks to growth will however remain, given the continued uncertainty in the external environment and the on-going reforms in the domestic economy.

Source: Extracted from the Independent Market Research ("IMR") report by SMITH ZANDER

¹ CPI examines the weighted average price changes of a basket of consumer goods and services. It measures the changes in the purchasing power of a currency and the inflation rate.

8. INDUSTRY OVERVIEW (cont'd)

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2 DEFINITIONS AND SEGMENTATION

Segmentation of the Retail Market

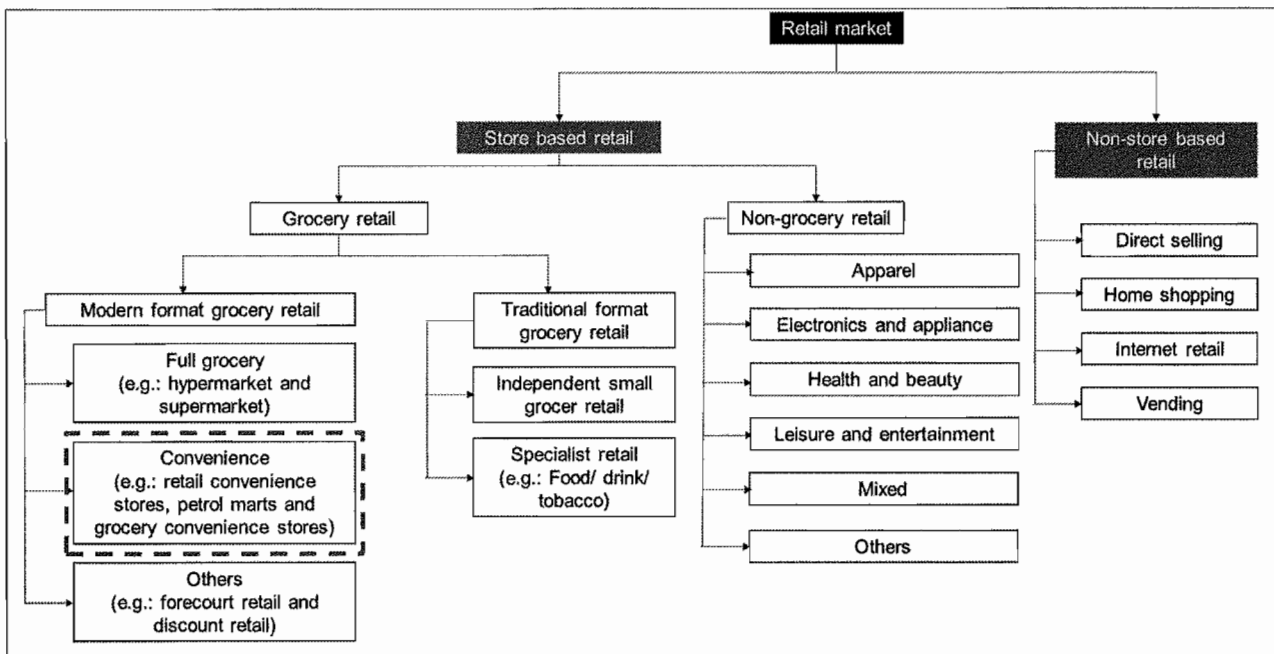
The retail market in Malaysia comprises store-based retail and non-store retail. Store-based retail comprises grocery and non-grocery retailers. On the other hand, non-store retail consists of direct selling, internet retailing, home shopping and vending businesses.

Grocery retailers include retailers which market and sell food and beverage, and non-food products. Major non-grocery retailers refer to mixed retailers and specialists providing only non-food products such as fashion apparel, electronics and appliance, apparel, health and beauty, and leisure and personal products.

There are generally two (2) types of grocery retailers, namely traditional and modern format grocery retailers. Traditional format grocery retailers include independent small grocery retailers and specialist retailers. Modern format grocery retailers include convenience market (which includes retail convenience stores, petrol marts, and grocery convenience stores), discount outlets, forecourt retail market (which includes kiosks or carts), hypermarkets, and supermarkets.

Both supermarkets and hypermarkets sell a variety of food and non-food grocery products, particularly household products, though hypermarkets sell a relatively more extensive assortment of consumer products, including apparels. On the other hand, the convenience market has relatively smaller retail spaces as compared to supermarkets and hypermarkets, and these stores sell a selected range of convenience food and non-food products, which are set out in the ensuing sections of this chapter.

Retail market in Malaysia – Market segmentation



Note:

--- Market segment where Bison Consolidated Berhad is principally involved in.

Source: Extracted from the IMR report by SMITH ZANDER

The segment within the retail market that is of interest in this IMR report is the convenience market, a sub-segment of the grocery retail market, which is the segment in which Bison Consolidated Berhad is principally involved in.

8. INDUSTRY OVERVIEW *(cont'd)*

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Overview of the Grocery Retail Market

Malaysia's grocery retail market began with traditional format grocery retailers in the past, largely consisting of wet markets and family-owned and operated independent small grocery retail stores, otherwise known colloquially as "sundry shops" or "provision shops". The wet markets served as a source of fresh meat and produce (i.e. perishable products), while the sundry shops were the primary avenues for non-perishable products, snacks and beverages. These retailers were generally small and independent markets and shops established to serve the surrounding neighborhoods, and as such were common all over the country. Up until around the late 1980s to early 1990s, these wet markets and sundry shops were the mainstay of the grocery retail business in Malaysia.

In the mid-1980s, modern format grocery retailers began to emerge, introducing newer and more modern store concepts and layouts. These consisted largely of two (2) types of retailers, the large format supermarkets and hypermarkets, and the modern format retail convenience store industry players. Many of these modern format grocery retailers quickly became chains, with multiple outlets or branches across the country.

Following the removal of certain restrictions on foreign retailers in the grocery retail business in Malaysia in 1995, foreign multinational grocery retailers began to penetrate the Malaysian market. Some of these foreign multinationals acquired local grocery companies and transformed these traditional format independent small grocery retailers into modern format retail chains. Notwithstanding the presence of foreign retailers in the market, there were also local independent small grocery retailers who converted their traditional format retail outlets into modern format retail outlets in order to remain competitive in the market.

Almost simultaneously, modern format retail convenience stores also began to emerge to complement the existence of the large, modern format grocery retailers and grocery convenience stores. While consumers patronised the large grocery retailers for their major grocery needs, the retail and grocery convenience stores became the alternative avenue for quick, ad-hoc shopping needs and hassle-free source of small-item purchases, such as snacks, beverages, tobacco products and newspapers. "7-Eleven" was one of the earlier modern format convenience retailers to open their stores in Malaysia, having been granted the rights to develop and operate "7-Eleven" stores in Malaysia and Brunei in 1986. Bison Consolidated Berhad opened its first modern format retail convenience store in 1997.

These modern format grocery retailers are able to offer consumers relatively lower prices and fresher products due to the large volumes they sell and the quicker turnover of products. Furthermore, with new modern store concepts and layouts, consumers are also presented with a more comfortable shopping experience. Typically, modern format grocery retailers have inventory management systems which enables cost efficiency and scalability, thus allowing these modern format grocery retailers to expand their network of store chains. As a result, the retail landscape in Malaysia has transformed in the last two (2) decades with modern retail formats increasing in dominance over traditional, family-owned and operated shops.

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8. INDUSTRY OVERVIEW (cont'd)

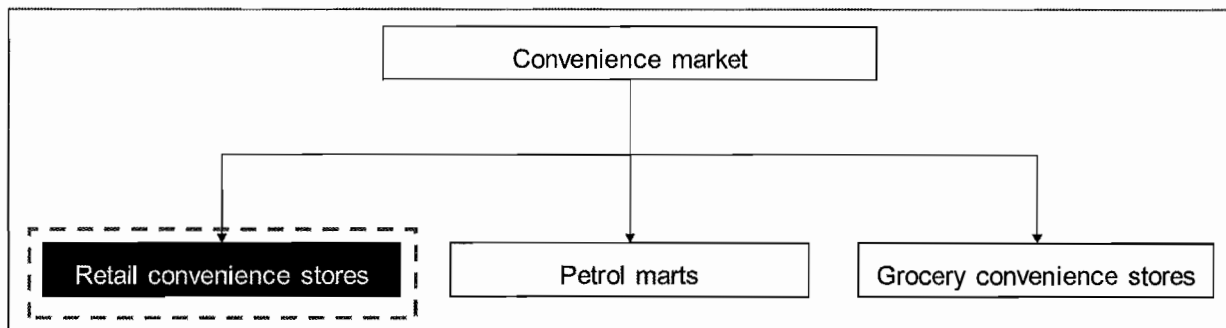
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The Convenience Market

The convenience market encompasses modern format stores that offer a range of fast moving consumer goods ("FMCG") and convenience products and services. The convenience market emerged to complement the large format grocery retailers (i.e. hypermarkets and supermarkets), offering food products such as snacks and confectioneries, beverages, tobacco products, magazines and newspapers, stationery, basic over-the-counter pharmaceutical products, bakery products and grocery products as well as offer consumer services such as automated teller machines ("ATM"), money remittance and currency exchange services, photocopying services, pre-paid card top-ups and bill payment services, as a fast, alternative and convenient mode of shopping.

Typically, these stores have longer operating hours as compared to the normal operating hours of traditional format stores such as independent small grocery retailers. Stores located in shopping centres, transportation hubs and commercial centres operate during the opening hours of the premises, e.g. 10am to 10pm, while others, especially those located on high streets, may operate 24 hours.

The convenience market can be broadly categorised into the following three (3) categories:



Note:

--- Market segment where Bison Consolidated Berhad is principally involved in.

Source: Extracted from the IMR report by SMITH ZANDER

(i) Retail convenience stores

SMITH ZANDER defines retail convenience stores as stores which sell FMCG and convenience products, and have relatively smaller retail spaces (i.e. typically not more than 2,500 square feet) as compared to hypermarkets and supermarkets. These outlets typically focus on selling food products such as snacks and confectioneries, beverages (e.g.: packaged or ready-to-go beverages), tobacco products, stationery and basic over-the-counter pharmaceutical products. Some of these stores also sell print published materials (e.g.: magazines and newspapers), as well as offer bakery products (e.g.: pastries, sandwiches and hotdogs) and instant food products (e.g.: instant noodles). In addition, retail convenience stores may also offer consumer services such as ATM, money remittance and currency exchange services, photocopying services, pre-paid card top-ups and bill payment services, as a fast, alternative and convenient mode of shopping.

Retail convenience stores are commonly found in convenient and accessible locations such as shopping centres, transportation hubs, high streets, residential and commercial areas. In line with the growing café-lifestyle in Malaysia, seating areas are also increasingly provided in some retail convenience stores.

Examples of major retail convenience store industry players are set out in **Chapter 3 - Market Size and Performance (Competitive Landscape)** of this IMR report.

8. INDUSTRY OVERVIEW *(cont'd)*

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(ii) Petrol marts

Petrol marts are exclusively located in petrol stations, while retail convenience stores can be located in any public and convenient location. Retail convenience stores and petrol marts have similar product offerings, except that petrol marts also carry automotive products and accessories in their stores.

Petrol marts can be operated in three (3) forms, either on a "company-owned, retailer-operated" business model (where the store is owned by the respective oil and gas company but is operated by the designated retailer) or on a "retailer-owned, retailer-operated" business model (where the store is owned and operated by the designated retailer) or a "company-owned, company-operated" business model (where the store is owned and operated by the respective oil and gas company).

Among some of the petrol mart industry players include Boustead Petroleum Marketing Sdn Bhd (under the tradename "BHPetrolmart"), Chevron Malaysia Limited (under the tradenames "Star Mart" and "Xpress Point"), Petron Malaysia Refining and Marketing Berhad (under the tradename "Treats"), Petronas Dagangan Berhad (under the tradename "Kedai Mesra") and Shell Malaysia Trading Sdn Bhd (under the tradename "Select").

(iii) Grocery convenience stores

Grocery convenience stores have relatively wider product ranges as compared to retail convenience stores and petrol marts, offering grocery products such as fresh meats and produce (albeit with much smaller selections compared to supermarkets and hypermarkets), dry and canned foods, and household products, as well as similar products types as retail convenience stores and petrol marts such as snacks and confectioneries, beverages, tobacco products, stationery, basic over-the-counter pharmaceutical products, print published materials, bakery products and instant food products.

These stores are also usually relatively larger in terms of retail space size as compared to retail convenience stores and petrol marts. Retail space size for grocery convenience stores vary according to its location, though it is typically more than approximately 1,000 square feet. In addition, the locations of grocery convenience stores typically differ from retail convenience stores and petrol marts, as they are largely found in commercial centres and shoplots located close to residential areas.

Among some of the major grocery convenience industry players include 99 Speed Mart Sdn Bhd (under the tradename "99 Speed Mart"), KK Supermart & Superstore Sdn Bhd (under the tradename "KK Super Mart"), MRT Retail Sdn Bhd (under the tradename "Kedai Rakyat 1 Malaysia") and Mydin Mohamed Holdings Bhd (under the tradename "MyMart" and "MyMydin").

The store category within the convenience market that is of interest in this report is the retail convenience store segment, which is the segment in which Bison Consolidated Berhad is principally involved in.

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8. INDUSTRY OVERVIEW (cont'd)

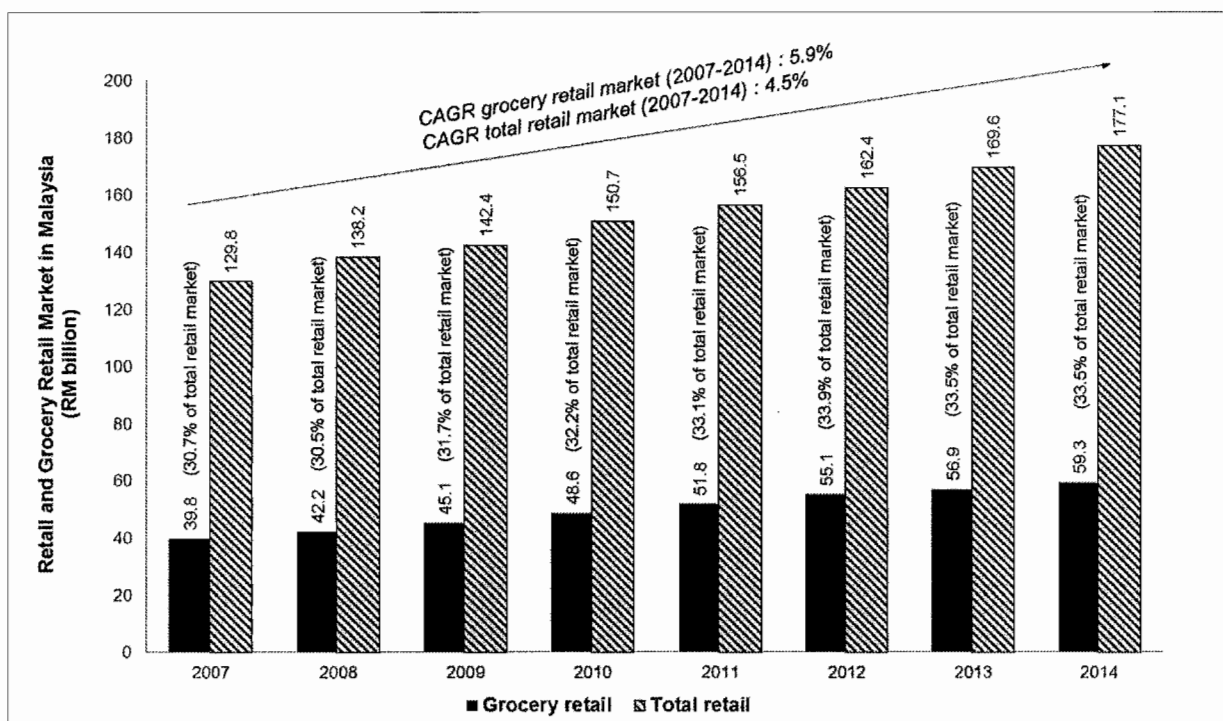
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3 MARKET SIZE AND PERFORMANCE

The Retail Market and Grocery Retail Market

The retail market in Malaysia, of which the retail convenience store market is a subset, grew from RM129.8 billion in 2007 to RM177.1 billion in 2014 at a compound annual growth rate ("CAGR") of 4.5%, based on retail sales value. The grocery retail market comprised about 33.5% of total retail sales in 2014, and is growing faster than other retail sub-segments, having recorded a CAGR of 5.9%, from RM39.8 billion to RM59.3 billion between 2007 and 2014. In comparison, other retail sales, comprising non-grocery retailers and non-store retailers, grew at a relatively slower CAGR of 3.9%, from RM90.0 billion in 2007 to RM117.8 billion in 2014.

Retail market and grocery retail market size (Malaysia), 2007-2014



Note:

2014 is the latest year in which data for the retail and grocery retail markets are available.

Source: Extracted from the IMR report by SMITH ZANDER

The grocery retail market in Malaysia is fragmented, with over 167 hypermarkets, 1,298 supermarkets, and 2,547 convenience stores owned by local and foreign companies located nationwide in Malaysia in 2014.³ Traditional format grocery retail channels such as independent small grocery retailers are largely located in suburban, residential neighbourhoods and rural areas, while modern format grocery retail channels such as retail convenience stores, hypermarkets and supermarkets are more dominant in urban and commercial areas. However, this is gradually changing as a result of urbanisation, with retailers opening modern format grocery retail outlets including retail convenience stores, hypermarkets and supermarkets on the fringes of city centres in a bid to widen their customer reach and respond to the increased demand for convenience by consumers. This is largely a result of globalisation and the liberalised business policies which have brought foreign players, franchises and new retail formats into the grocery retail market in Malaysia.

³ Latest available data is as at 2014.

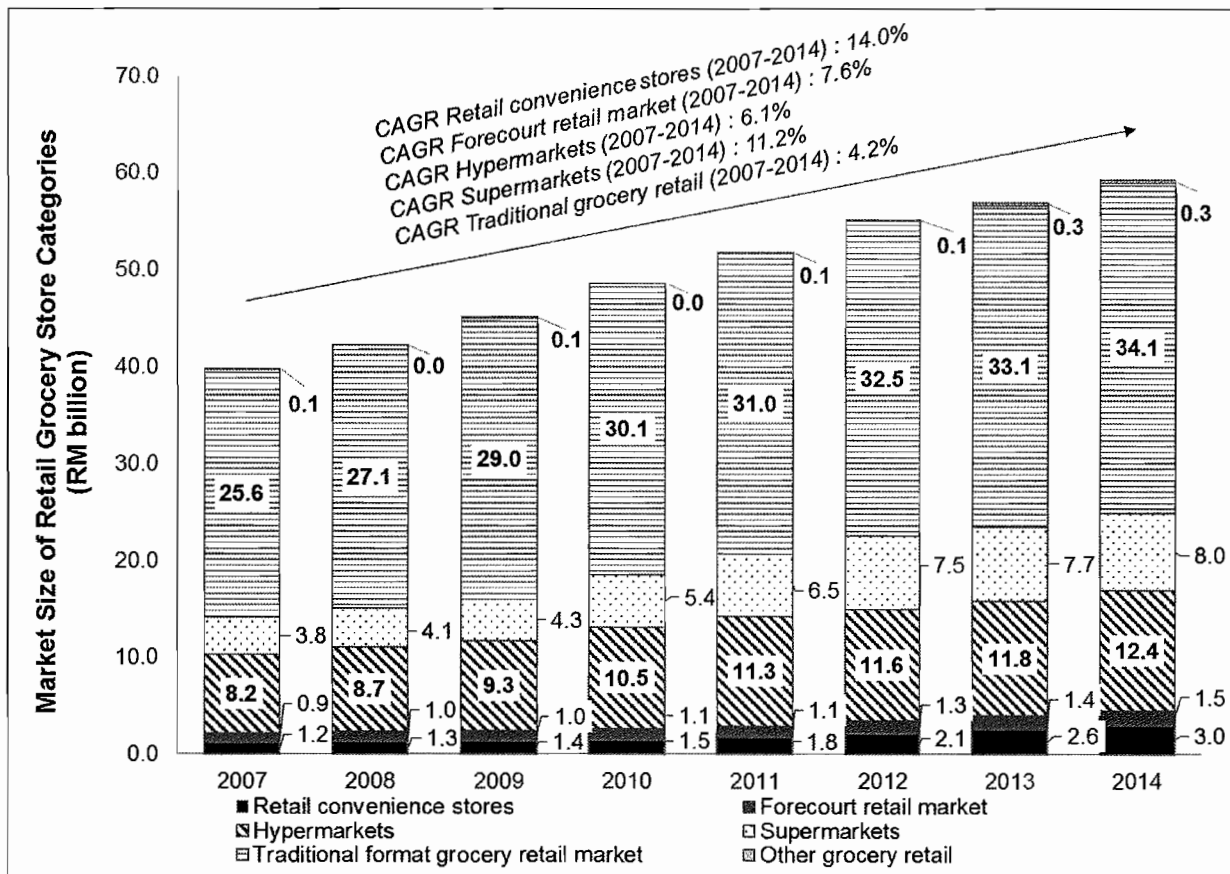
8. INDUSTRY OVERVIEW (cont'd)

The Retail Convenience Store Market

Over the last two (2) decades, the grocery retail landscape in Malaysia has transformed with modern format grocery retail outlets (i.e. retail convenience stores, forecourt retail market, hypermarkets and supermarkets) increasing in dominance over traditional format grocery retail outlets (i.e. wet markets and family-owned and independently operated small grocery retailers). The increasing consumer preference towards modern format grocery retail outlets, particularly in the major urban areas, is evidently illustrated by the strong growth of the modern format grocery retail market over the years.

The modern format grocery retail market comprising retail convenience stores, forecourt retail market, hypermarkets and supermarkets grew, in terms of market size, from RM14.1 billion in 2007 to reach approximately RM24.9 billion in 2014, at a CAGR of 8.5%. On the other hand, the traditional format grocery retail market, comprising largely small, independently-owned businesses, experienced a slower CAGR of 4.2%, in terms of market size, from RM25.6 billion in 2007 to RM34.1 billion in 2014.

Traditional and modern format grocery retail market size (Malaysia), 2007-2014



Note:

2014 is the latest year in which data for the retail and grocery retail markets are available.

Source: Extracted from the IMR report by SMITH ZANDER

The retail convenience store market has been the fastest growing sub-segment of the grocery retail market in Malaysia, outpacing all other sub-segments. In 2007, the retail convenience store market recorded a market size, in terms of retail sales, of RM1.2 billion, and this more than doubled to reach RM3.0 billion in 2014, at a CAGR of 14.0%. Taking into account the estimated market size of RM3.3 billion in 2015, the retail convenience store market is then expected to grow at a CAGR of 13.5% between 2007 and 2015. Meanwhile, supermarkets grew at a CAGR of 11.2%, while forecourt retail market and

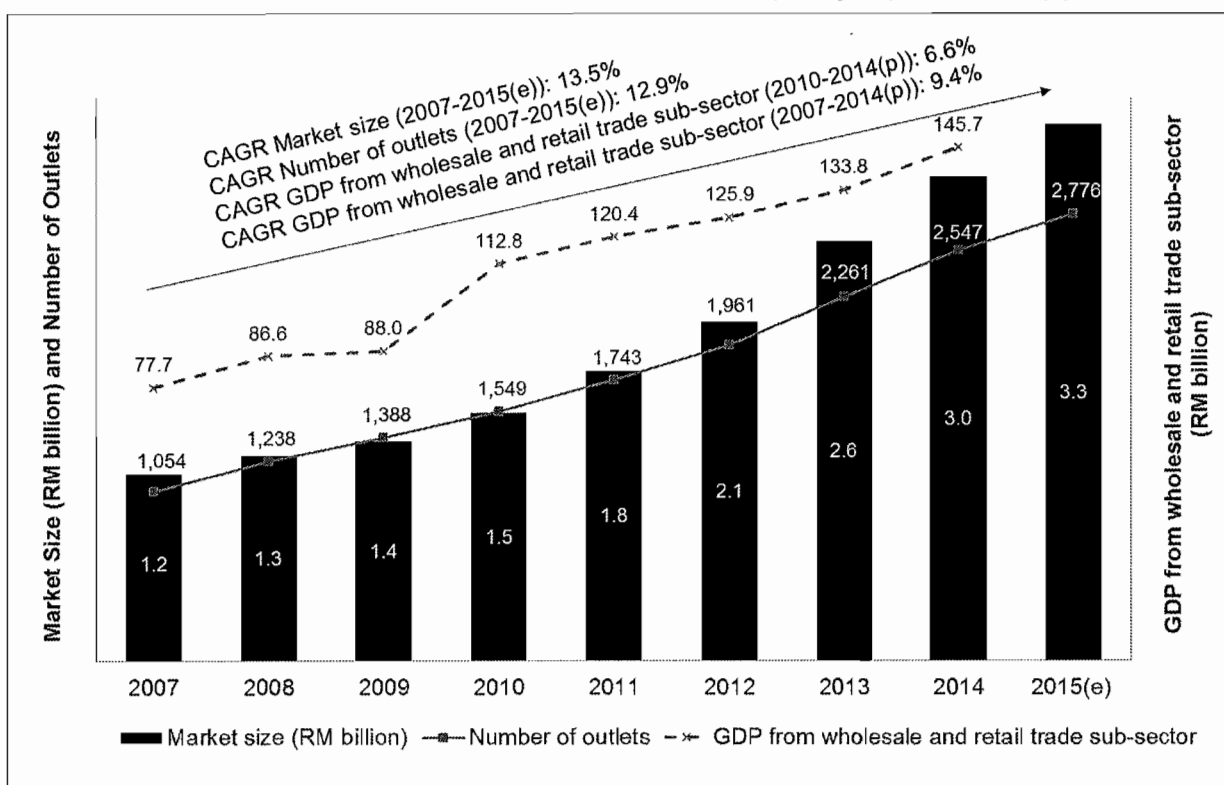
8. INDUSTRY OVERVIEW (cont'd)

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hypermarkets grew at CAGRs of 7.6% and 6.1% respectively, between 2007 and 2014. Traditional format grocery retail grew at 4.2% during the same period. The retail convenience store market also grew significantly higher as compared to the growth of gross domestic product (“GDP”) from the entire wholesale and retail trade sub-sector, which grew at a CAGR of 6.6% between 2010 and 2014.

In line with this growth, the number of retail convenience store outlets has also more than doubled, increasing from 1,054 outlets in 2007 to an estimated 2,776 outlets in 2015, which translates to a CAGR of 12.9%. These 2,776 retail convenience store outlets are mostly made up of several prominent convenience store chains, of which some of the larger convenience store retailers include 7-Eleven Malaysia Holdings Berhad and Bison Consolidated Berhad. Further details of the competitive landscape of the retail convenience store market is illustrated in the ensuing sections of this chapter.

Retail convenience store market size and number of outlets (Malaysia), 2007-2015(e)



Notes:

GDP from wholesale and retail trade sub-sector for the years 2007 to 2009 are at constant 2005 prices.

GDP from wholesale and retail trade sub-sector for the years 2010 to 2014 are at constant 2010 prices.

2014 is the latest year in which data for the retail and grocery retail markets are available.

(e) SMITH ZANDER's estimate based on historical market performance and research on prevailing market drivers.

Source: Extracted from the IMR report by SMITH ZANDER

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8. INDUSTRY OVERVIEW (cont'd)

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Competitive Landscape

Key industry players

The retail convenience store market in Malaysia consists of established industry players and several other smaller industry players. Some of these are foreign brands with operations in multiple countries worldwide, while a majority of industry players are homegrown companies. In the context of this report, homegrown companies refer to companies which originated from Malaysia, and have built and established their market reputation and branding in Malaysia.

Retail convenience stores typically focus on selling food products such as snacks and confectioneries, beverages, tobacco products, stationery, basic over-the-counter pharmaceutical products, as well as print published materials, bakery products and instant food products. Retail convenience stores may also offer consumer services.

Below are examples of major retail convenience store industry players and their details, listed in alphabetical order:

Industry Player	Trade Name	Number of stores	Latest Financial Year Ending ¹	Revenue (RM 'million)
7-Eleven Malaysia Holdings Berhad	7-Eleven	1,883 ²	31 December 2014	1,893.1
All Happy Sdn Bhd	Happy Mart	N/A	31 March 2015	47.5
Bison Consolidated Berhad	<ul style="list-style-type: none"> • myNEWS.com • newsplus • MAGBIT • THE FRONT PAGE 	238 ^{3, 4}	31 October 2015	217.5
Circle K (Malaysia) Sdn Bhd	Circle K	14 ⁵	N/A	N/A
Point Convenience Shop Sdn Bhd	Point	N/A	31 December 2013	15.2
TCT Trading Sdn Bhd	Orange	8 ⁵	31 March 2011	Undisclosed ⁶

Notes:

The table above includes key identified retail convenience store industry players, and may not be exhaustive. N/A denotes that information for the company is not publicly available.

¹ Latest financial information available from SSM as of 8 January 2016.

² Number of stores are as at 30 September 2015.

³ Number of stores exclude WH Smith stores.

⁴ Number of stores are as at 31 December 2015.

⁵ Number of stores are based on latest publicly available information as at 8 January 2016.

⁶ Segmental revenue of the retail convenience business is not publicly available.

Source: Extracted from the IMR report by SMITH ZANDER

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8. INDUSTRY OVERVIEW (cont'd)

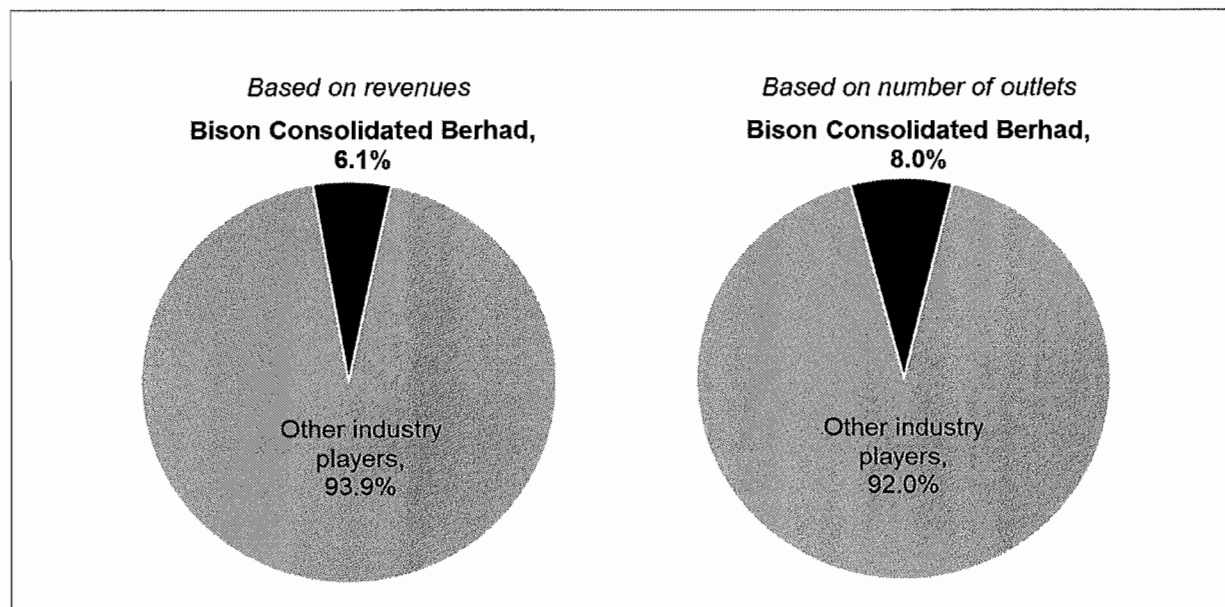
Market Share

Bison Consolidated Berhad's positioning within the retail convenience store market in Malaysia can be determined based on revenues and number of outlets. Bison Consolidated Berhad registered a market share of 6.1% in the retail convenience store market in 2014, based on its revenue of RM182.4 million in the FYE 31 Oct 2014 as compared to Malaysia's retail convenience store market size of RM3.0 billion in 2014. Bison Consolidated Berhad's market share, in terms of revenues, is estimated to have increased to 6.6% in 2015, based on its revenue of RM217.5 million in the FYE 31 Oct 2015 as compared to Malaysia's estimated retail convenience store market size of RM3.3 billion in 2015.

As at 2014, the total number of retail convenience stores in Malaysia was 2,547. Based on Bison Consolidated Berhad's total number of stores of 205 as at 31 December 2014, Bison Consolidated Berhad garnered a market share of 8.0% in terms of the number of retail convenience store outlets. In 2015, Bison Consolidated Berhad's market share, in terms of number of retail convenience store outlets, is estimated to have increased to 8.6% based on Bison Consolidated Berhad's total number of stores of 238 as at 31 December 2015, and an estimated total number of retail convenience stores in Malaysia of 2,776 in 2015.

With a market share of 6.1% in terms of its revenues, and 8.0% in terms of number of outlets in 2014, and an estimated market share of 6.6% in terms of its revenues and 8.6% in terms of number of outlets in 2015, Bison Consolidated Berhad is the second largest retail convenience store industry player in Malaysia, and the largest homegrown retail convenience store industry player in Malaysia.

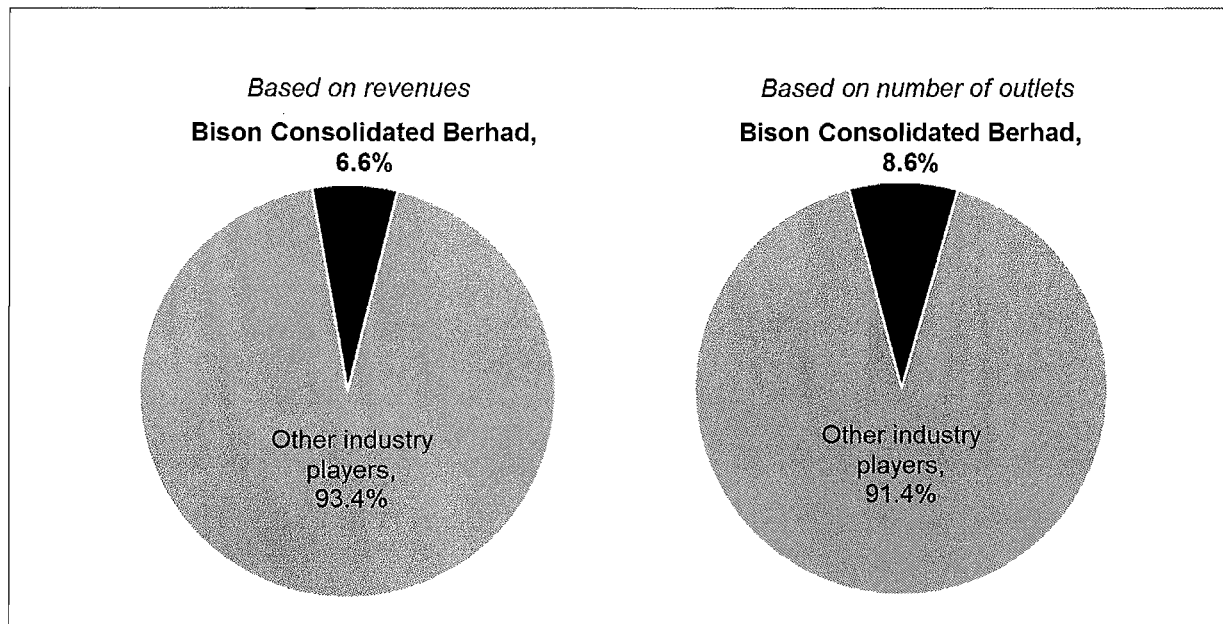
Retail convenience store market – Market share (Malaysia), 2014



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8. INDUSTRY OVERVIEW (cont'd)

Retail convenience store market – Estimated market share (Malaysia), 2015



Source: Extracted from the IMR report by SMITH ZANDER

Product/ Service Substitution

Retail convenience stores emerged to complement the large format grocery retailers such as hypermarkets and supermarkets. Retail convenience stores are typically located in accessible, high foot traffic locations in order to appeal to consumers seeking “on-the-go” or impulse purchases. Thus, while consumers are able to procure the same FMCG (such as snacks and confectioneries, beverages, tobacco products, stationery, basic over-the-counter pharmaceutical products and bakery products) and print media (such as magazines and newspapers) at large format grocery retailers, it is the convenience that appeals to consumers, as these are often small items purchased on an unplanned or impulsive basis. As such, large format grocery retailers are not substitutes to retail convenience stores, as long as convenience is a factor for purchases.

However to a certain extent, retail convenience stores can be substituted with grocery convenience stores, petrol marts and traditional format independent small grocery retailers, particularly in locations such as high street, residential and commercial areas, and petrol stations. Nevertheless it is important to note that grocery convenience stores, petrol marts and traditional format independent small grocery retailers are typically only situated in such locations, and thus will not be able to substitute retail convenience stores situated in locations such as shopping centres and commercial centres.

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8. INDUSTRY OVERVIEW *(cont'd)*

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Reliance and Vulnerability to Imports

The retail convenience store market in Malaysia, similar to the overall retail market, is made up of both locally-produced and imported products. Products such as snacks and confectioneries, beverages, tobacco products, stationery, basic over-the-counter pharmaceutical products and print published materials comprise both local products as well as imported ones, while bakery products are typically all locally produced as they are supplied on a daily basis.

The presence of imported products essentially complement locally-produced products, which offers consumers a greater variety and choice of products. The nature of the retail market is such that local and imported products have different price points and target markets, and thus would cater to a wide range of customer segments. As such, similar to the overall retail market, the retail convenience store market in Malaysia is not reliant nor vulnerable to imports.

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8. INDUSTRY OVERVIEW (cont'd)

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4 DEMAND AND SUPPLY CONDITIONS

Key Drivers: Demand and Supply Conditions

Increasing number of transportation hubs and growth in public transport riderships in Malaysia

Transportation hubs have high foot traffic, and consumers in these areas tend to seek convenience in purchasing FMCG and print media as they are typically travelling or commuting. Hence retail convenience stores in Malaysia are expected to benefit from the growth in transportation hubs and increase in public transportation passengers, as this not only indicates the availability of more suitable locations for expansion, it also exposes the retail convenience stores to a larger target market.

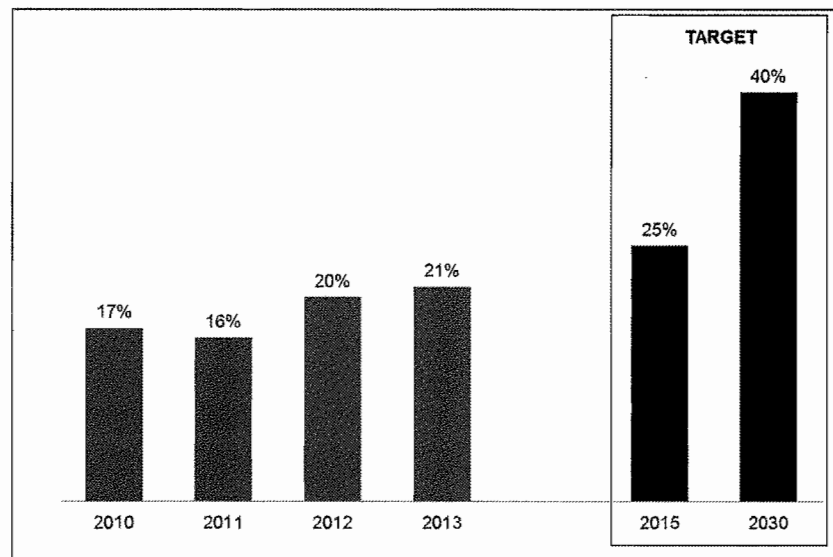
Through the 11th Malaysia Plan, Economic Transformation Programme (“ETP”) and Budget 2016, initiatives to improve and enhance public transportation in Malaysia in order to increase public transportation ridership have been implemented and are on-going. Some of these initiatives include the implementation of the Urban Public Transport National Key Results Areas which aims to improve city rail network for better connectivity and integration as well as emerging demand lending to opportunities for high density mixed developments and new suburban townships. This includes the development of the Klang Valley Mass Rapid Transit System (“MRT”) which comprises 31 stations, and the extension of the Light Rail Transit lines (“LRT”) comprising 25 new stations. In addition, further developments in public transportation in Malaysia includes the construction of the 56-km Second MRT Line from Sungai Buloh to Putrajaya and the LRT 3 Project which will link Bandar Utama to Klang under the Budget 2016, which will significantly add more stations, and thus more suitable locations for retail convenience stores throughout the Klang Valley.

Furthermore, under the Comprehensive Development Plan in Johor, transportation hubs including the rapid transit system linking Johor Bahru to Singapore will also be constructed. The State Government of Penang also intends to implement the Penang Integrated Transport Masterplan, with the aim of developing an integrated public transportation and road system for the whole of Penang. In Kedah, intentions to construct Kulim Airport, an international airport, was also announced by the respective state Governments in January 2015.

In 2013, the public transport mode share was 21%, which indicates that 21% of commuters were using public transportation. The Government expects to have reached 25% of public transport mode share in 2015, whereby a targeted 750,000 daily public transport riderships during peak hours is expected in the same year. The Government has also targeted for 75% of the population to reside within 400 metres of public transportation nodes by 2015. According to the National Land Public Transport Master Plan, the Government aims to reach 40% of public transport mode share by 2030 in urban areas.

These national initiatives create opportunities for expansion for retail convenience stores, thus promoting the growth of the retail convenience store market in Malaysia.

Public transport mode share (Malaysia), 2010-2013, 2015 and 2030



Note:

Only publicly available data are in 2010-2013, 2015 and 2030.

Source: Extracted from the IMR report by SMITH ZANDER

8. INDUSTRY OVERVIEW (cont'd)

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Increasing preference for modern format over traditional format

Consumers in Malaysia, particularly in the urban and suburban areas, have established a greater preference for modern format retail outlets. Traditional format grocery retail outlets are losing ground as modern format grocery retail outlets continue to proliferate in the urban and suburban areas. The traditional format retail grocery market size grew at a CAGR of 4.2% between 2007 and 2014, from RM25.6 billion in 2007 to RM34.1 billion in 2014. Meanwhile modern format grocery retail market size grew at a higher CAGR of 8.5% during the same period, from RM14.1 billion in 2007 to reach approximately RM24.9 billion in 2014. The retail convenience store market, in particular, has been the fastest growing sub-segment of the modern format grocery retail market in Malaysia, in terms of its market size, with a CAGR of 14.0% during the same period. Taking into account the estimated market size of RM3.3 billion in 2015, the retail convenience store market is then expected to grow at a CAGR of 13.5% between 2007 and 2015.

The evolution in the grocery retail competitive landscape is largely due to consumer preference for a reliable, clean and comfortable shopping environment. With the growing affluence of consumers and their increasing sophistication in shopping behaviour, the store concepts and layouts of retail convenience stores appeal highly to these consumers. The modern store concepts and layouts of retail convenience stores also accords it with the opportunity to be present in shopping centres, transportation hubs and commercial centres. Securing such store locations increases the exposure to consumers seeking convenience-based or impulse purchases as these locations have higher foot traffic.

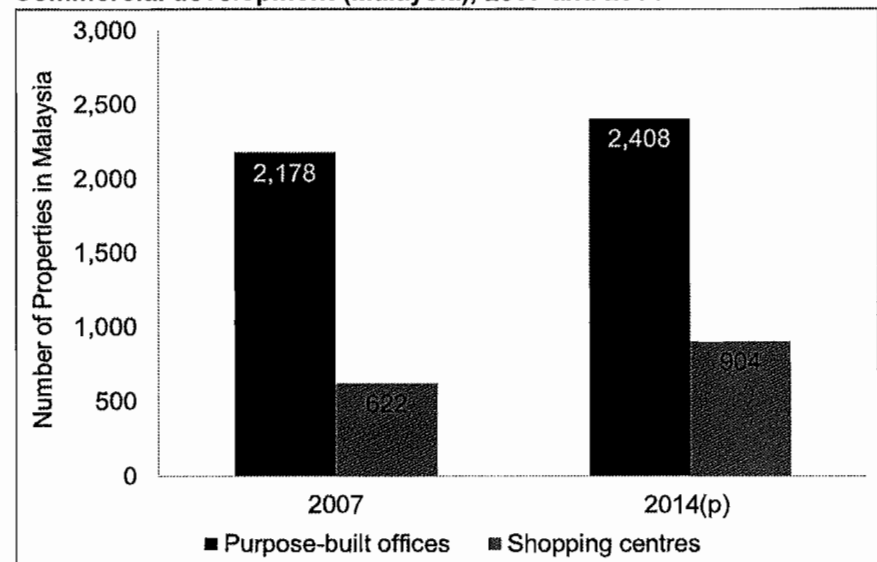
Moreover, some major modern format retail convenience store retailers have multiple outlets or branches, operating as retail convenience store chains. With their scale and size of operations, they often have greater bargaining power with their suppliers, effectively allowing them to negotiate and enjoy better pricing for their products as compared to independently operated outlets. As such, consumers will likewise benefit as they are able to purchase these products at comparatively lower prices, thereby increasing their preference for modern format retail convenience stores over traditional format sundry shops or provision shops.

Rise in the number of commercial developments in Malaysia

Shopping centres and commercial centres are also strategic locations for retail convenience stores as it allows for accessibility to a large target market of consumers that are seeking convenience in purchasing FMCG and print media.

Commercial development in Malaysia, comprising shops, shopping complexes, purpose-built offices and hotels, registered positive growth between 2007 and 2014. In 2014, there were 904 shopping complexes in Malaysia, up from 622 in 2007. The number of purpose-built private and government office buildings in Malaysia also

Commercial development (Malaysia), 2007 and 2014



Note:
(p) preliminary

Source: Extracted from the IMR report by SMITH ZANDER

8. INDUSTRY OVERVIEW *(cont'd)*

SMITH ZANDER

registered growth from 2,178 buildings in 2007 to 2,408 buildings in 2014.

In particular, commercial development in the Central region (comprising Kuala Lumpur, Selangor and Negeri Sembilan) is expected to be driven by national plans to transform Malaysia into a high-income nation by 2020 such as the Greater Kuala Lumpur/Klang Valley module of the ETP. Some of the upcoming commercial development projects in the Central region include the development of three (3) KLCC towers for additional office, hotel and retail space, Bukit Bintang Commercial Centre, and KL118 Tower.

Property development in the Southern region (comprising Malacca and Johor) is also expected to grow in line with the implementation of the second phase of the Iskandar Malaysia Masterplan. Development activities in Iskandar Malaysia will continue to be focused within the city centre, Danga Bay and the Nusajaya locality within Flagship A and Flagship B development zones. In 2013, several integrated developments incorporating purpose-built office building space were announced including Medini Empire, Zikay @ Medini, D'Pristine@Medini, Southkey, Vantage Bay, 18@Medini, Meridin@Senibong, Sunway Medini, Medini Lakeside and The Suasana. Several of these announced integrated developments in 2013 are also expected to carry retail components.

In addition, upcoming commercial property development projects in the North region (comprising Penang, Kedah and Perak) are driven by the Government's promotion of Kedah and Perak as tourist destinations. Commercial developments in Perak are expected to see a rise in light of the launching of Perak's transformation plan, Perak Amanjaya, in 2016, with five (5) key economic zones identified, i.e. Hulu Perak, Beriah Valley, Manjung, Ulu Bernam and Lembah Kinta. Perak has already experienced major growth in its commercial developments, where some of the major commercial centres include Taipan @ Ipoh CyberCentre and Taipan Festival Mall in Bandar Meru Raya; Taipan @ Slim River shopping centre in Tanjung Malim; Jelapang Square in Western Ipoh; Movie Animation Park Studios in Meru Raya which is an animation theme park; University Square @ Kampar in Kampar which comprises The Pavilion shop offices and The Disney concept retail shop lots, as well as the anticipated upcoming three-star hotel, a college, an office tower, 24-hour food and beverage outlets and Disneyland Castle. Kedah also sees growth in commercial development with new shopping centres currently under construction, such as Aman Central in Alor Setar (which is an eight (8)-storey development, and is presently the largest shopping centre in Kedah) which is expected to be opened by end of 2015. Commercial developments in Penang are expected to continue, and the Second Penang Bridge which was opened in 2014 is promoting property development in both landing sites of the bridge, i.e. Batu Kawan and Batu Maung. Some of the proposed developments in these areas include a theme park; IKEA store, IKANO Shopping mall and mixed development of offices and residences; and Penang Premium Outlet.

These development plans create opportunities for expansion for retail convenience stores, thus promoting the growth of the retail convenience store market in Malaysia.

In line with the slower economic growth in 2015, the commercial property development sector is expected to experience a decline in commercial property transactions. Nevertheless, any adverse impact on the commercial property development sector arising from the slower economic growth is expected to be short-term, and the sector is expected to rebound in following years as economic conditions improve in the country.

Government-driven initiatives to support the growth of the retail market in Malaysia and boost retail expenditure

The wholesale and retail sub-sector is a major contributor to Malaysia's gross national income ("GNI") and thus has been identified as one (1) of the 12 key economic focus areas under the ETP. The ETP (2011-2020) was launched in 2010 with the goal of promoting Malaysia into an inclusive and sustainable high-income country by the year 2020. The ETP is a comprehensive initiative comprising 131 high impact projects under 12 economic focus areas that have the potential to stimulate economic growth. The retail sector is a key driver of domestic consumption and plays a significant role in promoting economic growth.

8. INDUSTRY OVERVIEW (cont'd)

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Despite recent developments in the retail market, annual retail expenditure per capita in Malaysia (RM3,154 or USD812⁴) is lower compared to that in more developed countries such as South Korea (USD2,995), Taiwan (USD3,115) and Singapore (USD3,423). While this disparity can be partially attributed to differing income levels, the Government of Malaysia intends to drive retail spending in achieving the targets under ETP. In achieving the GNI targets for the retail sector, the Government intends to liberalise the retail sector through streamlining set-up and expansion requirements, upgrading transportation infrastructure and growing human capital. These initiatives taken by the Government of Malaysia via various economic plans and policies to boost the retail market in Malaysia will inadvertently contribute to the growth of the retail convenience store market.

The growing need for convenience is increasing market preference for retail convenience stores

Rapid urbanisation has led to a change in lifestyle of the population in Malaysia. As such, convenience has become essential in the lifestyle of Malaysian society, particularly in the urban and suburban areas, leading to an increasing need for retail formats which promotes convenience. Over the years, the rate of urbanisation grew with Malaysia's growing economy, rising from 32.4% of total population in 1980 to 73.5% of total population in 2012.⁵ This increasing urbanisation rate illustrates that the need for convenience in consumer lifestyle today has been, and will continue to be, a growing trend.

The greater need for convenience increases market preferences for retail convenience stores over larger retail formats such as hypermarkets and supermarkets, as retail convenience stores cater for this specific need. As consumers lead a fast-paced lifestyle, they tend to have, or want to spend, less time searching for FMCG and print media while they are travelling or commuting, or while they are purchasing food and beverage products in between meals. This results in consumers seeking FMCG and print media from smaller retail stores where they will save time retrieving these products and queuing for payment. Furthermore, some retail convenience stores also offer additional consumer services. This allows consumers to perform multiple tasks at a single retail convenience store, once again offering consumers greater convenience and helping them save time. In addition, the extended operating hours of retail convenience stores also caters for consumers who work longer hours or have busy schedules. The location of retail convenience stores also play an important role in attracting consumers seeking convenience, as these stores are typically located in accessible locations in shopping centres, transportation hubs, high streets, residential and commercial areas.

With continuing urbanisation and the prevalence of fast-paced urban living in Malaysia, consumers are expected to increase their acceptance and to develop market preference towards purchasing FMCG and print media from retail convenience stores.

Increasing disposable income of the population signifies growth potential over the long term

Malaysia is an upper-middle income developing economy with aspirations to achieve developed status by the year 2020. GDP per capita increased by 24.8% from approximately RM27,303 in 2007 to an estimated RM34,064 in 2015, indicating the growing disposable income and the improving standard of living of the population. These increases in disposable income and higher standard of living are leading to a rise in a more affluent population that has greater spending power, creating demand for products sold in retail convenience stores.

The ETP (2011-2020) will allow Malaysia to be closer to achieving its goal of raising the per capita disposable income of the population to approximately RM48,000 by 2020. In order to achieve a per capita income of RM48,000, the Government intends to attract RM1.4 trillion investments which is expected to create 3.3 million jobs, of which 60.0% are expected to be in high value sectors under the 12 economic focus areas under the ETP.

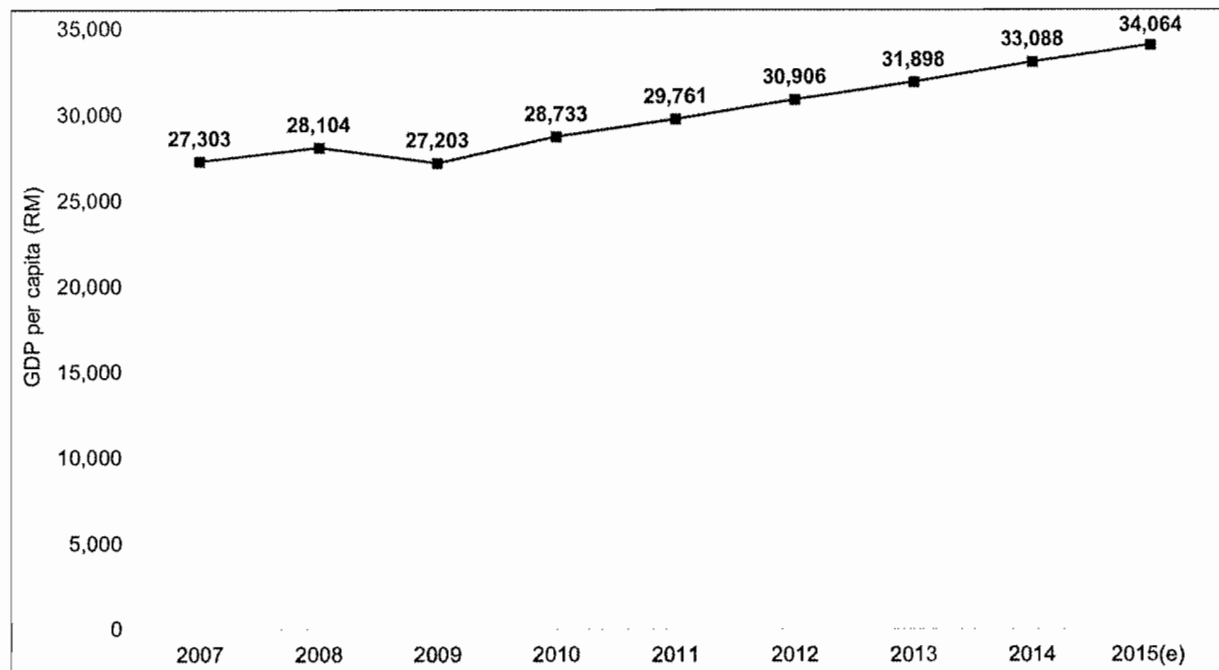
³ Converted based on Bank Negara Malaysia's annual average exchange rate in 2015 of RM1=USD0.2574

⁴ Latest publicly available information

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

GDP per capita (Malaysia), 2007-2015(e)



Source: Extracted from the IMR report by SMITH ZANDER

The disposable income of the population is expected to continue to increase over the long term, and as such has the potential to contribute to higher retail sales from retail convenience stores in the country. Although products sold in retail convenience stores are generally price inelastic as purchases are typically which are purchased on an impulse basis, the increase in disposable income will encourage consumers to frequent the areas in which retail convenience stores are located such as shopping centres and commercial areas, thereby boosting the retail convenience store sales.

Further, the Federal Government of Malaysia announced under the revised Budget 2016 that employees have an option to reduce their Employees Provident Fund ("EPF") contribution by 3% from March till December 2017, and that there will be a tax exemption of RM2,000 for Malaysians earning RM8,000 and below for 2015. These initiatives to increase the disposable income of Malaysians may have a positive impact on the retail convenience store market.

Supply Dependencies

Availability of suitable and strategic locations for retail convenience stores

Ability to source suitable and strategic locations is one of the key success factors of a retail convenience store. The three (3) main characteristics of a strategic location for retail convenience stores are store visibility, accessibility, as well as high foot traffic. Visibility and accessibility are essential as FMCG are generally impulse purchases and thus, consumers are less likely to locate these shops if these shops are situated in inaccessible locations or at low foot traffic locations. In Malaysia, strategic locations for retail convenience stores are easily available as growth in commercial development is positive, with shopping centres, transportation hubs and commercial buildings heavily patronised by consumers. Moving forward, private sector and Government plans to develop commercial centres and transportation hubs are expected to continue to create opportunities for retail convenience stores to expand.

8. INDUSTRY OVERVIEW *(cont'd)***SMITH ZANDER****Availability of operations personnel**

All retail convenience stores require operations staff to manage customers, handle inventory and other operational functions. Thus, these personnel are important for retail convenience stores to operate efficiently. Employment in the wholesale and retail trade sub-sector increased from 1.7 million persons in 2007 to 2.1 million persons in 2012⁵, indicating that there is growth in the supply of labour in this sector.

Furthermore, the retail convenience store market also relies on the hiring of foreign labour for operational functions, and there are presently no restrictions to the hiring of foreign labour in the retail market.

Availability of products sold in retail convenience stores

Retail convenience stores typically carry a mix of local and international brands. These products are available through local distributors which source the products from various FMCG manufacturers, as well as through publishers of newspapers and magazines. As these are common products, they are easily and readily available from a large pool of suppliers.

Reliable supply chain network

Convenience stores source most of their products from distributors. As products sold in retail convenience stores are FMCG and print media, continuous replenishing of inventory levels are required and important in order to meet market demands for particular products. Failure to maintain inventory levels could cause losses in sales and a decline in customer loyalty to these stores. On the other hand, excessive inventory levels could result in higher cost and lower profit margins, especially for perishable products.

Retail convenience store chains are able to benefit most from effective management of their supply chain network as the large quantities of products required by their retail convenience stores or chains will provide them with better price negotiation power with suppliers, and control over their supply chain network, factors which will allow them to achieve greater economies of scale. Effective inventory management is aided through centralised warehouses which are strategically and optimally situated within the network of outlets or branches. As retail convenience stores have smaller retail spaces, the need for efficient delivery of products are essential to these stores to maintain sufficient inventory levels.

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⁵ Latest publicly available information.

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

5 CRITICAL SUCCESS FACTORS

It is critical for retail convenience store industry players to maintain consumer recognition of its trade name in order to attract and expand its customer base and consumer loyalty. An industry player's branding and market reputation is built on the following critical success factors:

Extensive store network, and suitable and strategic store locations

One of the critical success factor in operating a retail convenience store business is the ability to build an extensive network of stores in suitable and strategic locations. The three (3) main characteristics of a strategic location for retail convenience stores are store visibility, accessibility, as well as high foot traffic. Retail convenience stores appeal to consumers seeking convenience and as such, industry players will be able to build and attain consumer recognition if its stores are constantly visible and accessible to consumers whenever they seek convenience purchases.

Successful and cost-effective management of inventory, warehousing and logistics

Products sold in retail convenience stores are FMCG and print media, and thus continuous replenishment of inventory is required in order to meet market demands for particular products and latest issues of published materials. The ability to successfully and cost-effectively manage inventory is one of the key critical success factors of a retail convenience store.

For retail convenience chain stores, the location of the warehouses which store inventory stocks as well as the management of delivery fleets are essential components in supply chain management. The stores generally have limited storage space in their premises and hence, storage warehouses and delivery fleets play an essential role in supply chain management. The limited storage spaces within retail convenience stores require products to be replenished throughout the store network on a frequent basis, and the timely delivery of products to these stores is essential to ensure that there is no shortfall in inventory levels. Thus it is important for retail convenience store industry players to operate warehouses in different regions in order to be in closer proximity to their stores, or increase their delivery fleet while centralising their warehouse to shorten delivery times. An efficient supply management system is also required to track and monitor inventory levels and sales at each outlet or branch in order to reduce loss in sales from unsold stock, and efficiently manage changes in merchandising or products, where required.

It is also essential for retail convenience store industry players to understand the market demands for individual products in order to ensure that there is sufficient stock available for these products. Customers' demand for products may differ according to the store locations and as such, industry players may need to localise and monitor product mix based on locality and/or demography, as opposed to generalising the type of inventories for products across all stores. Hence, the ability to accurately localise and monitor product mix could prevent stockpiling of low-turnover products or running out-of-stock of high turnover products. In order to do so, industry players must understand and analyse the market demography and demand for products in different store locations. Many industry players have point-of-sale ("POS") systems which enable these analyses, and the results and outputs from these systems could save industry players from incurring unnecessary carrying and transportation costs.

Retail convenience store industry players which are able to effectively manage their supply chain network will not only benefit through better price negotiation power and control over their supply chain network, but also minimise losses arising from insufficient or excessive inventory.

8. INDUSTRY OVERVIEW *(cont'd)***SMITH ZANDER****Attractiveness of the store layout and outlet concept**

An attractive store layout and outlet concept is also a critical success factor as it not only invites consumers to the store, but also maximises consumers' exposure to products sold in the store. Consumers are more likely to visit the store if they find the particular store's layouts and concept to be appealing and attractive. Moreover, an appealing store layout and concept will also invite consumers to spend more time in the store, which would then encourage these customers to purchase more products.

The attractiveness of the store layout and outlet concept is also a contributing factor when industry players seek and negotiate suitable and strategic locations for their stores. The management of key shopping centres, transportation hubs and commercial centres with high foot traffic carefully select retail tenants in order to ensure an appealing and attractive image to consumers, as well as to maintain their overall market positioning. As such, it is critical for industry players to project a store image that would appeal to consumers in order to increase their attractiveness as a tenant in such store locations.

Responsiveness to market demands and consumer preferences in determining the suitable product mix and range

Retail convenience stores sell a variety of FMCG (such as snacks and confectioneries, beverages, tobacco products, stationery, basic over-the-counter pharmaceutical products, bakery products and instant food products) and print published materials, as well as provide a variety of consumer services.

In order to maximise revenue and profitability, retail convenience stores must be able to appeal to the market demands of consumers, and this demand could differ between locations. For example, while stores located in shopping centres would have higher demand of food products such as snacks and confectioneries, stores located in transportation hubs such as airports generally have higher demand of print published materials. On the other hand, stores located in transportation hubs with faster-moving commuting traffic such as train and bus stations will have a higher demand for snacks and packaged or ready-to-go beverages. The ability of industry players to understand and analyse these demands, and to react in a timely manner, to offer consumers a suitable product range and mix is critical to maintain growth and sustainability.

Maintenance of customer service quality

Suitable front-line personnel such as cashiers and store assistants are essential to the success of a retail convenience store as their interaction with customers could impact in-store consumers' shopping experiences. Inefficient and unfriendly customer service could lead to longer queues and an overall unpleasant shopping experience for customers. This would cause a loss in repeat customers, inevitably leading to a loss in sales. Thus, industry players which are able to hire suitable employees and conduct sufficient training for their staff in this aspect would be able to build a competitive advantage for their businesses.

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8. INDUSTRY OVERVIEW (cont'd)

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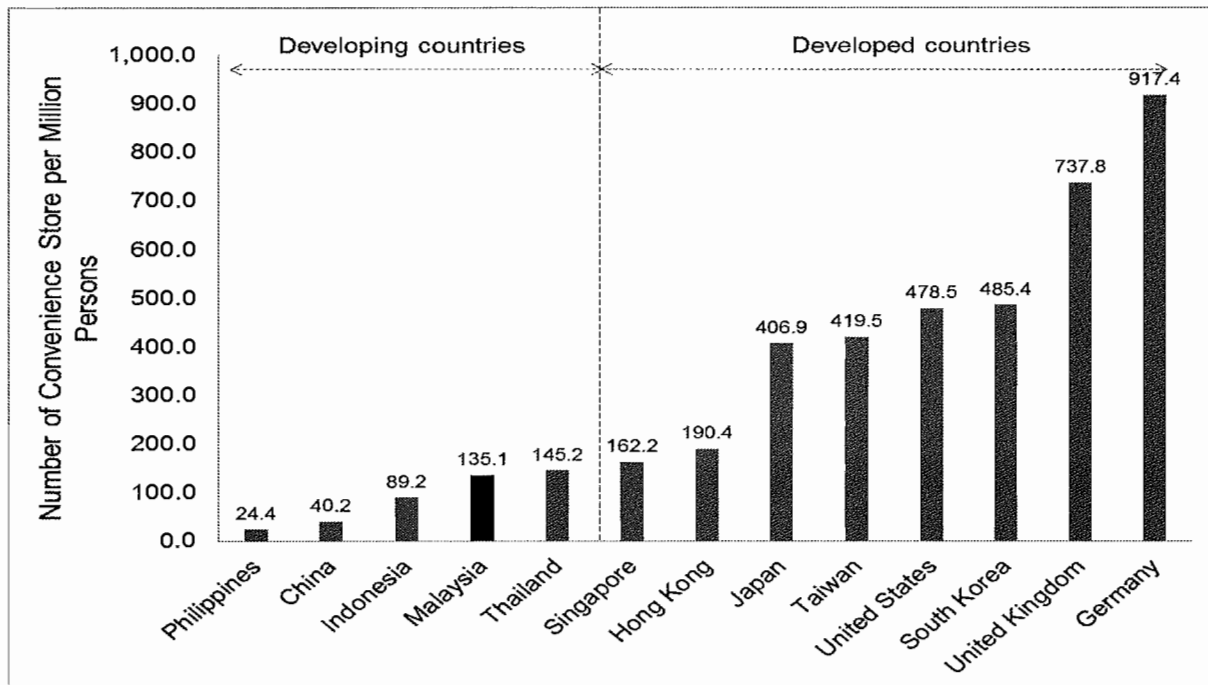
6 GROWTH POTENTIAL

The retail convenience store market in Malaysia, which began to emerge around the mid-1980s, is a relatively young market as compared to the overall retail market in Malaysia. Thus, in order to identify the growth opportunities for the retail convenience store market, it is important to assess global trends of retail convenience stores worldwide.

Based on global trends, SMITH ZANDER notes that the penetration rate of retail convenience stores, in terms of number of retail convenience stores per million persons, is higher amongst more developed countries relative to less developed or developing countries. Developed countries such as Germany, the United Kingdom, South Korea, the United States of America ("United States"), Taiwan and Japan recorded higher penetration rates, in terms of number of convenience store per million persons. Likewise, developing countries including Malaysia, Philippines, China, Indonesia, and Thailand, registered lower penetration rates, in terms of number of convenience store per million persons.

Malaysia's retail convenience store penetration rate in 2014, in terms of number of convenience store per million persons, was ahead of Philippines, China and Indonesia. However, Malaysia's penetration rate is significantly lower than other more developed countries in the Asian region such as Singapore, Hong Kong, Japan, South Korea and Taiwan, as well as developed countries in other regions such as the United States, the United Kingdom and Germany during the same period.

Number of convenience store per million persons (Selected countries, Global), 2014



Source: Extracted from the IMR report by SMITH ZANDER

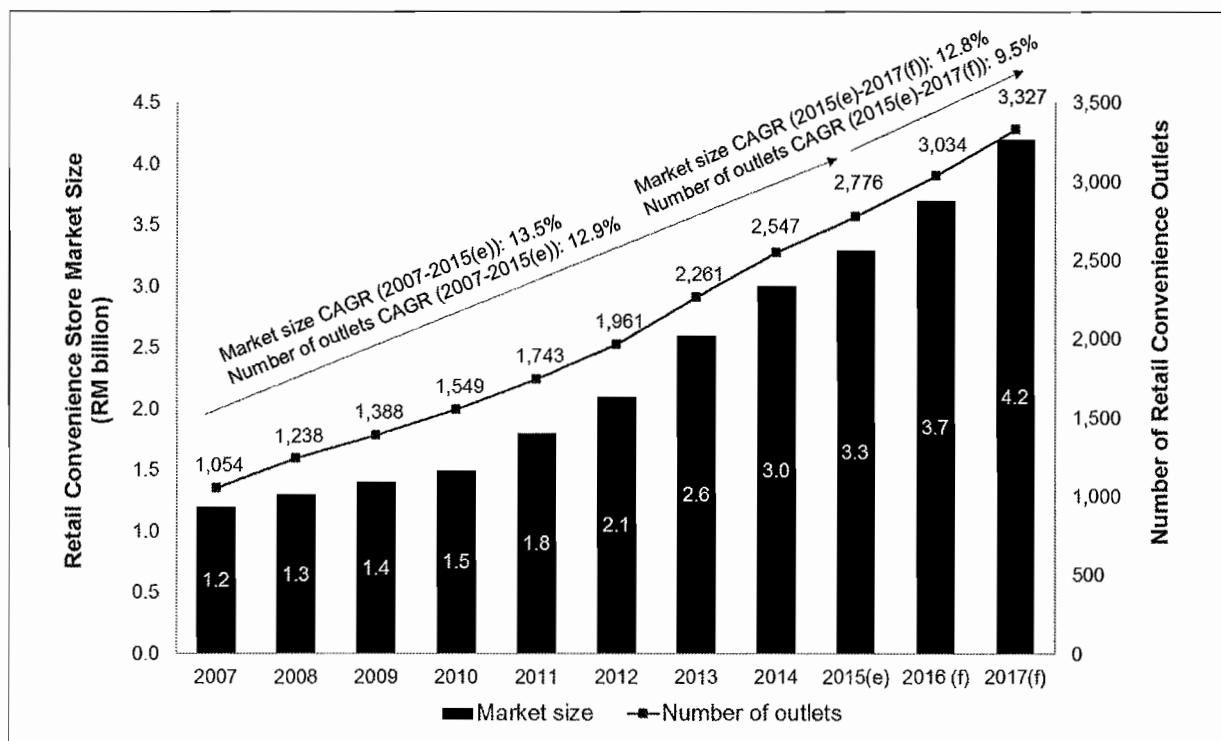
Hence, as Malaysia progresses toward developed nation status, and as long term economic growth prospects in Malaysia continues to be positive with increases in GDP and disposable income, retail expenditure will continue to grow and this will have a positive impact on the growth in the retail convenience store market. Given the higher convenience store penetration rates seen in the developed countries, Malaysia's retail convenience store penetration rate is expected to increase as overall income rises, in line with global trends.

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

Moving forward, SMITH ZANDER forecasts the number of retail convenience stores to grow at a CAGR of 9.5% from an estimated 2,776 outlets in 2015 to 3,327 outlets in 2017. Accordingly, the retail convenience store market size is forecast by SMITH ZANDER to grow, in terms of retail sales, from an estimated RM3.3 billion in 2015 to RM4.2 billion in 2017, registering a CAGR of 12.8%. This is expected to be driven by the increase in transportation hubs and growth in transport riderships, growing need for convenience due to lifestyle changes, increasing preference for modern format grocery retail outlets over traditional format grocery retail outlets, rise in the number of commercial developments in Malaysia, growing disposable income of the population over the long term and Government driven initiatives to boost retail expenditure (Please refer to Chapter 4 – Demand and Supply Conditions (Key Drivers: Demand and Supply Conditions) of this IMR report for further details of market drivers).

Retail convenience store market size and number of outlets (Malaysia), 2007-2017(f)



Notes:

(e) SMITH ZANDER's estimate based on historical market performance and research on prevailing market drivers.

(f) Forecast

Source: Extracted from the IMR report by SMITH ZANDER

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7 RISKS AND CHALLENGES

Retail convenience store industry players not only face competition within the retail convenience store market, but also from other retail format stores

The retail convenience store market consists of owners and operators ranging from large corporations to small independently owned businesses. Some of these retail convenience stores have been in operation for more than a decade, and as such are more established than others. With the presence of these established retail convenience store industry players, competition is strong as most of these industry players have the ability to offer competitive pricing and effectively manage their inventories, as a result of their higher stock turnover and larger inventory spaces.

Furthermore, the reputation that these established industry players have garnered over many years in operations also enables them to seek and negotiate more suitable and strategic locations for their stores. This is highly important as store visibility and accessibility as well as high foot traffic locations are contributing factors to the success of a particular retail convenience store.

The aforementioned factors are key differentiators for industry players, and failure on any industry player's part to build on these differentiating factors as a competitive advantage for themselves could cause losses in sales and a decline in customer loyalty to their stores, leading to a subsequent loss in market share.

Apart from competition within the retail convenience store market, retail convenience store industry players also face competition from other retail format outlets, including traditional format retail outlets (e.g.: independent small grocery retailers, and specialist retailers) and large modern format retail format outlets (e.g.: hypermarkets and supermarkets).

In 2014, there were 68,482 traditional format retail outlets while there were 2,547 retail convenience stores. Most of these traditional format retail outlets are still thriving in rural areas and to a certain extent, residential neighbourhoods in suburban areas, where they have built their own loyal customer base through its long years of service to the local community. As such, retail convenience stores face competition from traditional format retail outlets particularly when expanding into suburban and rural areas. Nevertheless, this is expected to change in the future as retail convenience stores are able to offer lower prices and provide a variety of consumer services for the convenience of consumers.

Although larger modern format retail outlets such as hypermarkets, supermarkets and grocery convenience stores operate on a different business model as compared to retail convenience stores, with the latter placing focus on providing convenience, large format retail outlets have greater capacity to carry higher volumes of inventories, thus they may offer lower prices. While customers are willing to pay slightly higher prices for products from retail convenience stores in exchange for convenience, there is a possibility that retail convenience store industry players could lose out to large retail formats should there be a huge disparity in pricing. As such, the ability of retail convenience store industry players to negotiate better prices with their suppliers is key in this case to avoid customers from shifting their convenience purchases to large format retail outlets, and the failure to do so could ultimately lead to a loss in sales.

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8. INDUSTRY OVERVIEW *(cont'd)***SMITH ZANDER****Increased exposure to shoplifting, theft, pilferage and robbery could cause loss in sales**

Retail convenience stores' premises are open to the public with majority of the in-store transactions carried out in cash, and some stores may even operate on extended shopping hours, exposing these stores to the risk of robbery and theft. Furthermore, as products sold in retail convenience stores are typically small items, shoplifting and pilferage could occur particularly in locations with higher crime rates, and during peak hours where there is heavy foot traffic.

In light of this, many retail convenience stores have taken precautions through the installation of video surveillance systems (i.e. closed-circuit television ("CCTV")) to deter shoplifting, theft and robberies, as well as effective inventory management systems to detect the loss of products from employee pilferage.

Reliance on human resources

The retail convenience store market requires the need for human resources, and thus the market is reliant on the employment of efficient personnel. The retail convenience store market is service-oriented, and it is therefore important to ensure that suitable front-line or front-desk personnel are hired as cashiers and store assistants as their interaction with customers has an impact on the customers' shopping experience. Inefficient and unfriendly customer service could lead to longer queues and an overall unpleasant shopping experience for customers. As customers purchasing from a retail convenience store seek convenience, longer check-out times could lead to a loss in sales or loss in repeat customers.

Also, there is an increasing reliance on foreign employees in Malaysia. Some of the foreign employees from countries such as Nepal and Bangladesh may face language and cultural barriers, and it is important for industry players to provide sufficient training to ensure that the quality of customer service is maintained at an acceptable level.

Furthermore, while the employment of foreign workers is currently allowed in the retail market, these foreign workers can only be sourced from specific countries as determined by the Government and are not allowed to be front-line workers. In general, approval is granted based on the merits of each case and is subject to conditions imposed by the relevant authorities from time to time. Additionally, the Government may amend policies relating to the employment of foreign workers in the retail market and/or introduce new conditions from time to time.

As the retail market is dependent on the supply of foreign workers, any scarcity in supply or change in regulations would adversely affect industry players. Furthermore, any increase in the levy or minimum wages for foreign workers or any other additional costs to be paid to the Government in relation to the employment of foreign workers would increase retail overheads and directly impact the financial performance of industry players.

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8. INDUSTRY OVERVIEW *(cont'd)***SMITH ZANDER****Adverse economic conditions could have an impact on sales, and this may adversely impact industry players**

The retail convenience store market 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 convenience stores. A decline in economic conditions in Malaysia may decrease consumer spending power, which will in turn have a negative impact on the retail convenience store market.

Overall, the economy in Malaysia experienced a slower growth in 2015 as a result of factors such as the depreciating RM and the falling crude oil prices.

The RM further declined against the USD and hit an all-time low in the past five (5) years in September 2015. The weakening RM could accelerate inflation and increase cost of living, which would result in a lower purchasing power. On the other hand, this could also encourage growth in the retail sector as a result of a boost in the tourism sector, indirectly leading to higher retail sales.

In addition, crude oil prices had also fallen dramatically since July 2014 from an average of USD100 per barrel to approximately an average of approximately USD30.80 per barrel in January 2016, due to excess in crude oil supply. The fall in crude oil prices had adversely impacted many oil producing countries, including Malaysia, resulting in a cutback in Government spending and an adjustment in the national Budget for 2016. Nevertheless, the fall in crude oil prices had also resulted in a fall in gasoline prices, which benefited consumers.

Should any of the above developments persist, this may cause reduced sales volumes, which could have a negative impact on the overall financial condition of industry players who may not be able to successfully achieve their expected results. Nevertheless, products sold in retail convenience stores are generally price inelastic as purchases made are on an impulse basis, as these products are typically low-priced items and are purchased from the retail convenience store as a fast and convenient mode of shopping. This thus lowers the susceptibility of the retail convenience store market to adverse economic conditions.

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8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

8 GOVERNMENT LAWS AND REGULATIONS**Control of Supplies Act 1961 (with amendments up to 1 January 2006) and Control of Supplies Regulations 1974**

This Act stipulates that a valid license issued under this Act is required in order to retail any controlled article. According to the Ministry of Domestic Trade, Co-operatives and Consumerism, controlled articles refer to goods such as bread, milk, sugar and salt. In addition, these goods are also prohibited from being concealed or destroyed in order to withhold the goods from the market. License holders cannot falsely deny the possession of the stock of any controlled article. Any person carrying on retail business in any premises or place, in which a license has been issued, must display the license in a conspicuous position so that it may be read by consumers purchasing the controlled article. Any individual will be liable for a fine not exceeding RM15,000 and/or an imprisonment term of not more than two (2) years should the individual fail to adhere to this Act for the first instance, and a fine of RM25,000 and/or an imprisonment term of not more than five (5) years for subsequent offences. A corporation will be liable to a fine not exceeding RM25,000 should the corporation fail to adhere to this Act for the first time, and a fine not exceeding RM50,000 for subsequent offences.

Business and Signage License

Companies intending to set up an office are required to obtain a business premise and signage license from the respective local authority (based on the location of the office or store), under the Local Government Act 1976, Local Authorities Ordinance 1996 of Sarawak, Trades Licensing Ordinance 1949 of Sabah, and the by-laws of the respective local councils and authorities. There are 179 local authorities in Malaysia, and the requirements and fees charged for obtaining a business and signage license may vary according to the respective local authority.

Excise Act 1976

The Excise Act 1976 sets out the licensing requirements for the sale by retail, or offer for sale by retail, of any "intoxicating liquor" whether for consumption on or off the premises of the vendor. "Intoxicating liquor", as defined in the Customs Act 1967, refers to any alcohol, or any liquid containing more than two (2) per centum of proof spirit, which is fit, or intended to be, or which can by any means be converted, for use as a beverage.

Money Services Business Act 2011

The Money Services Business Act 2011 governs the licensing, regulation, and supervision of money services business and to provide for related matters.

Goods and Services Tax Act 2014

The Goods and Services Tax Act 2014 governs the imposition and collection of goods and services tax and for matters connected therewith.

Price Control and Anti-profiteering Act 2011

The Price Control and Anti-profiteering Act 2011 serves to control prices of goods and charges for services and to prohibit profiteering.

8. INDUSTRY OVERVIEW *(cont'd)*

SMITH ZANDER**Food Act 1983 and the Control of Tobacco Product Regulations 2004 (and its subsequent amendments)**

The Control of Tobacco Product Regulation 2004 and its subsequent amendments were issued under the Food Act 1983, regulating amongst others, smoke free environments, tobacco advertising, promotions and sponsorships, packaging and labelling, as well as pricing of tobacco products.

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8. INDUSTRY OVERVIEW *(cont'd)*

SMITH ZANDER

9 OUTLOOK AND PROSPECTS FOR BISON CONSOLIDATED BERHAD

The retail convenience store market has been the fastest growing sub-segment of the grocery retail market in Malaysia, outpacing all other sub-segments. Its market size, in terms of retail sales, more than doubled from RM1.2 billion in 2007 to reach an estimated RM3.3 billion in 2015, at a CAGR of 13.5%.

In line with this growth, the number of retail convenience store outlets has also more than doubled, increasing from 1,054 outlets in 2007 to an estimated 2,776 outlets in 2015, which translates to a CAGR of 12.9%. These 2,776 retail convenience store outlets are mostly made up of several prominent convenience store chains, of which some of the larger convenience store retailers, including 7-Eleven Malaysia Holdings Berhad (under the tradename "7-Eleven"), All Happy Sdn Bhd (under the tradename "Happy Mart"), Bison Consolidated Berhad (under the tradenames "myNEWS.com", "Newsplus" and "MAGBIT"), Circle K (Malaysia) Sdn Bhd (under the tradename "Circle K"), Point Convenience Shop Sdn Bhd (under the tradename "Point") and TCT Trading Sdn Bhd (under the tradename "Orange").

Malaysia's retail convenience store penetration rate, in terms of number of convenience store per million persons, was ahead of Philippines, China and Indonesia. However, Malaysia's penetration rate is significantly lower than other more developed countries in the Asian region such as Singapore, Hong Kong, Japan, South Korea and Taiwan, as well as other developed countries such as the United States, the United Kingdom and Germany. As Malaysia develops and grows in terms of economic wealth, the local retail convenience store market would inevitably grow in tandem. Greater economic wealth will likely drive consumer preferences for convenience in order to accommodate busier lifestyles and as such, encourages a greater need for retail convenience stores.

SMITH ZANDER forecasts the number of retail convenience stores to grow at a CAGR of 9.5% from an estimated 2,776 outlets in 2015 to 3,327 outlets in 2017. In line with the growth in market size, the retail convenience store market size is forecast by SMITH ZANDER to grow, in terms of retail sales, from an estimated RM3.3 billion in 2015 to RM4.2 billion in 2017, registering a CAGR of 12.8%. This is expected to be driven by the increase in transportation hubs and growth in transport riderships, growing need for convenience due to lifestyle changes, increasing preference for modern format grocery retail outlets over traditional format grocery retail outlets, rise in the number of commercial developments in Malaysia, growing disposable income of the population over the long term and Government driven initiatives to boost retail expenditure.

Bison Consolidated Berhad, as one of the key industry players in the retail convenience store market in Malaysia, shows potential to gain from the growth in retail sales from retail convenience stores and number of retail convenience stores. With a market share of 6.1% in terms of its revenues and 8.0% in terms of number of outlets in 2014, and an estimated market share of 6.6% in terms of its revenues and 8.6% in terms of number of outlets in 2015, Bison Consolidated Berhad is the second largest retail convenience store industry player in Malaysia, and the largest homegrown retail convenience store industry player in Malaysia.

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9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT

9.1 Our Directors

9.1.1 Responsibilities of our Board

Subject to the limitations set out in our Articles, our Board has adopted a charter ("**Board Charter**"), which sets out, among others the following principal responsibilities of our Board for effective discharge of its functions:

- (i) reviewing and adopting a strategic plan including setting performance objectives and approving operating budgets for our Group and ensuring that the strategies promote sustainability;
- (ii) overseeing the conduct of our Group's business and building sustainable value for shareholders;
- (iii) reviewing the procedures to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- (iv) succession planning, including appointing, assessing, training, fixing the compensation of and where appropriate, replacing executive directors and senior management;
- (v) developing and ensuring that our Company has in place a corporate disclosure policy and/or procedures to enable effective communication with, and appropriate disclosure to, our shareholders and other stakeholders; and that our shareholders have access to information about our Group;
- (vi) reviewing the adequacy and the integrity of our Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (vii) monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- (viii) ensuring that our Company's financial statements are true and fair and conform with the accounting standards;
- (ix) monitoring and reviewing policies and procedures relating to occupational health and safety and compliance with relevant laws and regulations; and
- (x) ensuring that our Group adheres to high standards of ethics and corporate behaviour.

9.1.2 Board of Directors

Our Board comprises the following 6 Directors as at the date of this Prospectus, 3 of whom are independent non-executive directors:

<u>Name</u>	<u>Age</u>	<u>Date of appointment as Director</u>	<u>Designation</u>
Ding Lien Bing	56	10.07.2015	Independent Non-Executive Chairman
DTL	56	05.02.2015	Non-Independent Executive Director
DTW	42	25.04.2013	Non-Independent Executive Director
DTH	58	25.04.2013	Non-Independent Executive Director
Soon Dee Hwee	55	10.07.2015	Independent Non-Executive Director
Mohd Suffian bin Suboh	39	10.07.2015	Independent Non-Executive Director

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

None of our Directors are representatives of corporate shareholders.

Under Article 88 of our Articles, an election of Directors shall take place each year. At the annual general meetings for each year subsequent to our Company's first annual general meeting, 1/3 of our Directors for the time being or, if their number is not 3 or a multiple of 3, then the number nearest to 1/3 shall retire from office and be eligible for re-election provided always that all Directors shall retire from office at least once in every 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires whether adjourned or not.

Pursuant to Article 95 of our Articles, the Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with our Articles. Any Director so appointed shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

The date of expiration of the current term of office for each of our Directors and the period that each of them has served in that office is as follows:

Name	Date of appointment as Director	Date of expiration of the current term of office⁽¹⁾	Approximate no. of years and months in office up to the date of this Prospectus
Ding Lien Bing	10.07.2015	30.04.2019 ⁽²⁾	8 months
DTL	05.02.2015	30.04.2017 ⁽²⁾	1 year and 1 month
DTW	25.04.2013	30.04.2017 ⁽²⁾	2 years and 10 months
DTH	25.04.2013	30.04.2018 ⁽²⁾	2 years and 10 months
Soon Dee Hwee	10.07.2015	30.04.2019 ⁽²⁾	8 months
Mohd Suffian bin Suboh	10.07.2015	30.04.2018 ⁽²⁾	8 months

Notes:

- (1) Assuming the annual general meeting of the Company will be held on 30 April 2017, 30 April 2018 and 30 April 2019 respectively, being 6 months from our Company's financial year end of 31 October.
- (2) Retired and be eligible for re-election pursuant to Article 88 of our Company's Articles.

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9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

9.1.3 Profiles of our Directors

Ding Lien Bing, (“Mr Ding”), Malaysian, 56 years old, is our Independent Non-Executive Chairman. He is a Chartered Accountant registered with the Malaysian Institute of Accountants and has been a member since March 1992. He is also the Chairman of our Nominating Committee and a member of our Audit Committee.

Since January 2011 till present, Mr Ding has been the President of MBf Corporation Berhad (“**MBf Corporation**”), an investment holding company with subsidiaries involved in promoting and selling of timeshare memberships, resort management services and investment properties. As part of this role, he is responsible for the overall affairs, operations and administrative functions of MBf Corporation and its subsidiaries, including being the Chief Executive Officer of a number of MBf Corporation’s subsidiaries since February 2012.

Mr Ding started his career in 1984 in the accounting field upon receiving his qualification from the Association of Chartered Certified Accountants (UK) in the same year. Upon his return to Malaysia in October 1985, he was attached to two companies as an accountant and methods analyst respectively, prior to joining MBF Cards (M’sia) Sdn Bhd (“**MBF Cards**”) as a Finance Manager in August 1988. Over the years, Mr Ding rose to the rank of Senior Vice President in charge of Finance & Operations. MBF Cards is a company involved in the credit card and charge card business and was, at the time Mr Ding was there, a subsidiary of MBf Holdings Berhad (“**MBf Holdings**”), a diversified conglomerate.

From October 1998 to April 2002, Mr Ding oversaw the corporate office responsibilities and finance functions of MBf Holdings and MBf Capital Berhad. In May 2002, Mr Ding was transferred back to MBF Cards as Executive Vice President for finance and operations functions until January 2004.

In February 2004, Mr Ding was promoted as the President-Corporate of MBf Holdings, and in December 2004, he was also appointed as the President of MBF Cards; taking up corporate office responsibilities and chief operating responsibilities of the companies respectively.

Prior to his current position with MBf Corporation, Mr Ding took up the position of President of MBF Cards and Chief Financial Officer of MBf Holdings in November 2007 after a 18-month period with OSK Holdings Berhad group as its Group Chief Financial Officer.

DTL, Malaysian, 56 years old, is our Managing Director and a member of our Board as well as our Remuneration Committee. He is also a substantial shareholder of our Company and a Promoter.

DTL opened our Group’s first newsstand outlet in 1996 and since then, as our Managing Director, has played a key role in guiding the strategic direction and growth of our Group. He, amongst others, oversees the successful implementation of strategies and growth plans, forms strategies and plans to meet our Group’s mission and objectives for all relevant stakeholders and to guide our Group’s operations and culture.

DTL holds a Bachelor of Computer Science (Honours) and a Master of Science in Computer Science from University of Manitoba, Canada, which was awarded in 1985 and 1992, respectively.

During the early stage of his career, from 1985 to 1996, DTL was involved in the IT sector where he held positions as a programmer for banking applications and mainframe systems support, involved in computer networking and systems support, and was involved in the development of computer network recovery plans. Just before the opening of our Group’s first newsstand in 1996, he was the general manager of a facility that produced sound systems.

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (cont'd)

Due to his academic background and experience in IT, DTL had started to develop computer applications to assist and enhance our business operations at the early stage of our business. The adoption of IT in modernising our business eventually contributed to the development of a comprehensive IT system developed in-house, with functions including POS, outlet inventory and cash management, as well as staff performance monitoring.

DTL has together with our Group's management team built not just an established modern press and convenience store retail chain but also developed a distinctive homegrown Malaysian brand. His leadership and guidance led to "myNEWS.com" being awarded the "Most Promising Brand" in the sub-category of the SMEs Brand Specialty Awards and also the "BestBrands in Retail - Press Retailer" in the sub-category of the SMEs Chapter Awards, under The BrandLaureate SMEs BestBrands Award 2009. DTL himself was awarded the Silver Award, Entrepreneur of the Year 2011 by The Star Outstanding Business Awards. Please refer to Section 7.2.2 of this Prospectus for further details.

DTL is a sibling to DTH and DTW, both of whom are also members of our Board.

DTW, Malaysian, 42 years old, is our Chief Operating Officer and a member of our Board. He is also a substantial shareholder of our Company and a Promoter.

As our Chief Operating Officer, DTW leads and manages the day-to-day operations and performance of our Group, is in charge of our Group's key operational and business areas such as outlet operations, business development and outlet openings. He is also in charge of sales and the management of supply and logistics in coordination with our Group's Merchandising Department.

DTW holds a Bachelor of Environmental Design from the University of Manitoba, Canada, obtained in 1997. Prior to joining our Group, DTW practised as a Junior Architect from 1997 to 1998 at Akitek Habitat Sdn Bhd. He was involved in the firm's business development involving designing and proposing of new projects.

DTW joined Bison Stores in late 1998. Together with DTL he was instrumental in creating the distinctive look and feel of our outlet appearance, in particular "myNEWS.com" with his design and architectural background. DTW has been with our Group since the beginning of his retail career in 1998, fine-tuning and managing our day-to-day operations with the objective of optimising the efficiency of our Group's outlets and distribution channels. Today, he has more than 17 years of experience in retailing with Bison Stores.

DTW continues to play a key role in our Group's branding concepts and in originating and conceptualising new ideas for our homegrown trade name particularly the "myNEWS.com" brand, which focuses on creating attractive and strategic merchandise displays and positive shopping ambiance. He will also continue to contribute in providing direction and roll-out of our Group's business development and expansion plans, including in areas such as site acquisitions for our outlet expansion and optimisation of our products and services mix.

DTW is a sibling to DTL and DTH, both of whom are also members of our Board.

DTH, Malaysian, 58 years old, is our Executive Director, a substantial shareholder of our Company and a Promoter.

DTH has been leading the F&B division of our Group since January 2014 and oversees the development and expansion of our food and beverages products or SKUs for our retail business.

DTH graduated with a Bachelor of Science from University of Manitoba, Canada in 1982 and a Bachelor of Arts from University of Winnipeg, Canada, in 1983, majoring in Administrative Studies.

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

DTH started his career in sales with Rank Xerox Malaysia Sdn Bhd from 1984 to 1985 where he was principally responsible for sales of Xerox photocopiers, typewriters and fax machines. From Rank Xerox Malaysia Sdn Bhd, DTH was headhunted in 1985 to join Nationwide Express Sdn Bhd (now known as Nationwide Bhd) ("**Nationwide**") as one of its pioneer staffs in setting up their sales department. DTH was subsequently promoted to Nationwide's National Sales Manager in 1988.

He joined Federal Express Services (M) Sdn Bhd ("**FedEx**") in 1988 as their National Sales Manager in Malaysia where he was responsible for overseeing their overall sales in Malaysia.

He left FedEx in 1990 to set up his own company, Alphanical Press Sdn Bhd, which was principally involved in printing and stationeries and he was actively involved in this company until 2014.

DTH is a sibling to DTL and DTW, both of whom are members of our Board.

Soon Dee Hwee ("Ms Soon"), 55 years old, is our Independent Non-Executive Director. She is a Chartered Accountant registered with the Malaysian Institute of Accountants. She is the Chairman of our Audit Committee and also a member of our Nominating Committee and Remuneration Committee.

Ms Soon completed her articleship and qualified as a Certified Public Accountant, Malaysia with Messrs. Hanafiah Raslan & Mohd before moving to the audit department of Messrs. KPMG in 1987. In 1989, she joined Bumiputra Merchant Bankers Berhad ("**BBMB**") as an officer in the Corporate Finance department and rose through the ranks to the designation of Deputy General Manager, Corporate Finance. In BBMB, she was involved in a wide range of corporate finance exercises from origination, structuring, execution and provision of corporate and financial advice on, amongst others, capital raising, corporate restructuring, mergers and acquisitions, initial public offerings and reverse takeovers.

In 1997, Ms Soon joined Alliance Investment Bank Berhad as Deputy General Manager in the corporate finance department and was subsequently promoted to Head of Corporate Finance. As the Head of Corporate Finance, she was responsible for the strategic planning, direction as well as operational matters relating to the corporate finance department. In 2003, she left to join HwangDBS Investment Bank Bhd ("**HwangDBS IB**") where she also assumed the position of Head of Corporate Finance. In 2007, she assumed the position of Senior Vice President, CEO's Office in HwangDBS IB. She was transferred out from HwangDBS IB in April 2014 following the disposal of HwangDBS IB by Hwang Capital (Malaysia) Berhad ("**Hwang Capital**") and is currently the Senior Vice President of Hwang Capital group where she handles the Hwang Capital group's corporate affairs.

Mohd Suffian bin Suboh ("Encik Suffian"), 39 years old, is our Independent Non-Executive Director. He is also the Chairman of our Remuneration Committee and a member of our Audit Committee and Nominating Committee.

Encik Suffian graduated from George Washington University, United States of America with a Bachelor of Business Administration in 1999 and Master of Science in Information Systems Technology in 2000 from the same university.

Upon his return to Malaysia in 2000, he began his career in Petroliaam Nasional Berhad ("**PETRONAS**") as a systems analyst where his responsibilities were to oversee the SAP (systems, applications & products in data processing) systems, deployment and administration. In 2002, he left PETRONAS to become a project manager in ASIE Sdn Bhd ("**ASIE**"), an engineering company participating in diverse range of business activities such as construction and property development, project management, oil and gas support services, manufacturing and electronics and communication. During his tenure with ASIE, one of Encik Suffian's main

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

assignments was the Perlis independent power plant project, where he oversaw the maintenance of diesel storage tanks and supply of diesel to the power plant.

In 2007, he joined Coal and Minerals Pte Ltd ("**CMPL**"), a tin and anthracite trading firm based in Kuala Lumpur. He began as a logistics manager and within a few short years worked his way up to front office operations in charge of the coal and anthracite operations in 2009. During his tenure in charge of the coal and anthracite operations, he implemented structured off take and structured finance strategies to secure supplies and mitigate operational and commercial risks.

In 2012, Encik Suffian left CMPL to join Awan Bara Sdn Bhd ("**Awan Bara**") as an advisor in respect of logistics. Awan Bara is a Malaysian coal trading and mining firm supplying coal to the Malaysian power and cement industry. Encik Suffian continues to participate in Awan Bara as an advisor till today. Since 2013, Encik Suffian has been a director and shareholder of Salient Square (Sarawak) Sdn Bhd and Salient Square Sdn Bhd, which are principally involved in diesel trading.

9.1.4 Relationships and associations between our Directors, Promoters, Substantial Shareholders and Key Management

Save as disclosed below, there is no family relationship and/or association between any of our Directors, Promoters, Substantial Shareholders and Key Management as at the LPD.

<u>Name</u>	<u>Position / Capacity</u>	<u>Relationship / Association</u>
D&D Consolidated	Promoter and Substantial Shareholder	As set out in Section 9.2.1 of this Prospectus, DTL, DTH, DTW, DTG and DTK are shareholders of D&D Consolidated; DTL, DTH and DTW are directors of D&D Consolidated.
DTL	Director, Key Management, Promoter and Substantial Shareholder	Brother to DTH, DTW, DTG and DTK.
DTW	Director, Key Management, Promoter and Substantial Shareholder	Brother to DTL, DTH, DTG and DTK.
DTH	Director, Key Management, Promoter and Substantial Shareholder	Brother to DTL, DTW, DTG and DTK.
DTK	Promoter and Substantial Shareholder	Brother to DTL, DTH, DTW and DTG.
DTG	Promoter	Brother to DTL, DTH, DTW and DTK.

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9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (cont'd)

9.1.5 Principal directorships and principal business activities of our Directors outside our Group

The following table sets out the principal directorships of our Directors as at the LPD (“**Present Directorships**”) and those which were held within the past 5 years up to the LPD (“**Previous Directorships**”), as well as their involvement in principal business activities outside our Group as at the LPD:

Name	Directorships	Principal business activities	Involvement in principal business activities other than as a director
Ding Lien Bing	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> Leisure Holidays Marketing Sdn Bhd Leisure Commerce Square Sdn Bhd Leisure Holidays Bhd Leisure Holidays Resorts Management Sdn Bhd MBF Premier Sdn Bhd Trade Wheel Sdn Bhd Melawati Recreation Berhad (<i>Under voluntary winding up</i>) Mexan Enterprise Sdn Bhd (<i>Under voluntary winding up</i>) Oncard Malaysia Sdn Bhd (<i>Under voluntary winding up</i>) Malaysian Holiday Timeshare Developers' Federation 	<ul style="list-style-type: none"> Sales and marketing of timeshare, property and club memberships. Property development. Promoting and selling of timeshare and club memberships. Resort Management Services. Investment holding. Dormant. Development and sale of membership of a recreational club. Investment holding. Promotion and sales of dining club membership (Ceased its business operations prior to year 2010). Promoting and protecting the interest of members in the business of timesharing 	<ul style="list-style-type: none"> As at the LPD, Ding Lien Bing is not involved in principal business activities outside our Group other than his principal directorships as set out in this table.

Previous directorships:

- Nil

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (cont'd)

Name	Directorships	Principal business activities	Involvement in principal business activities other than as a director
DTL	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> • 100Acrewood Sdn Bhd • Hikmat Menanti Sdn Bhd • Metromore Estate Sdn Bhd • D&D Consolidated • Honeycreeper Sdn Bhd (<i>Under voluntary winding up</i>) • Great Malaysian News Sdn Bhd (<i>Under voluntary winding up</i>) 	<ul style="list-style-type: none"> • Foods and beverages restaurants. • Oil palm plantation. • Investment holding. • Investment holding. • Retailers of magazines, cigarettes, tidbits, periodicals, drinks and telephone cards. • Retailer in magazine and convenience items. 	<p><i>Shareholder in:</i></p> <ul style="list-style-type: none"> • 100Acrewood Sdn Bhd - Direct interest: 1.00% • Hikmat Menanti Sdn Bhd - Direct interest: 40.00% • D&D Consolidated - Direct interest: 43.41%
DTW	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> • 100Acrewood Sdn Bhd • D&D Consolidated • Metromore Estate Sdn Bhd • Nova Dynasty Development Sdn Bhd • Hikmat Menanti Sdn Bhd • Evertop Cleaners Sdn Bhd • Honeycreeper Sdn Bhd (<i>Under voluntary winding up</i>) • Great Malaysian News Sdn Bhd (<i>Under voluntary winding up</i>) <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> • Otaru Fine Food Sdn Bhd • Peninsula Education Sdn Bhd 	<ul style="list-style-type: none"> • Foods and beverages restaurants. • Investment holding. • Investment holding. • Dormant. • Oil palm plantation. • Dormant. • Retailers of magazines, cigarettes, tidbits, periodicals, drinks and telephone cards. • Retailer in magazine and convenience items. • Manufacture of bread, cakes and other bakery products. • Business of education industry including licensed systems from overseas and new learning. 	<p><i>Shareholder in:</i></p> <ul style="list-style-type: none"> • 100Acrewood Sdn Bhd - Direct interest: 99.00% • D&D Consolidated - Direct interest: 16.48% • Metromore Estate Sdn Bhd - Direct interest: 50.00% • Hikmat Menanti Sdn Bhd - Direct interest: 30.00% • Evertop Cleaners Sdn Bhd - Direct interest: 50.00% • Otaru Fine Food Sdn Bhd - Direct interest: 25.00%

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (cont'd)

Name	Directorships	Principal business activities	Involvement in principal business activities other than as a director
DTH	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> • Upayapadu Plantation Berhad • D&D Consolidated • Leaseline Sdn Bhd • Hikmat Menanti Sdn Bhd • Alphanical Press Sdn Bhd • Metromore Estate Sdn Bhd • Nova Dynasty Development Sdn Bhd • Evertop Cleaners Sdn Bhd • Great Malaysian News Sdn Bhd (<i>Under voluntary winding up</i>) <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> • 100Acrewood Sdn Bhd 	<ul style="list-style-type: none"> • Cultivation of rubber and palm oil. • Investment holding. • Dormant. • Oil palm plantation. • Engaged as a printer. • Investment holding. • Dormant. • Dormant. • Retailer in magazine and convenience items. • Foods and beverages restaurants. 	<p><i>Shareholder in:</i></p> <ul style="list-style-type: none"> • D&D Consolidated - Direct interest: 32.41% • Leaseline Sdn Bhd - Direct interest: 50.05% - Indirect interest*: 49.95% • Hikmat Menanti Sdn Bhd - Direct interest: 30.00% • Alphanical Press Sdn Bhd - Direct interest: 33.33% • Metromore Estate Sdn Bhd - Direct interest: 50.00% • Evertop Cleaners Sdn Bhd - Direct interest: 50.00%
Soon Dee Hwee	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> • Carl Corynton Holdings Sdn Bhd • HDM Properties Sdn Bhd <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> • Carl Corynton Medical Centre Sdn Bhd 	<ul style="list-style-type: none"> • Property investment and investment holding company. • Property investment and letting of properties. • Hospital activities. 	<ul style="list-style-type: none"> • As at the LPD, Soon Dee Hwee is not involved in principal business activities outside our Group other than her principal directorships as set out in this table.

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (cont'd)

Name	Directorships	Principal business activities	Involvement in principal business activities other than as a director
Mohd Suffian bin Suboh	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> Sallient Square (Sarawak) Sdn Bhd Sallient Square Sdn Bhd HTT Marketing (Northern) Sdn Bhd Nasioncom Telephony Sdn Bhd Nasioncom (Sabah) Sdn Bhd Kasturi Jermih Sdn Bhd 	<ul style="list-style-type: none"> General supplier. Dormant. Dormant. Dormant. Dormant. Wholesale of other construction materials, hardware, plumbing and heating equipment and supplies, activities of holding companies and business management consultancy services. 	<p><i>Shareholder in:</i></p> <ul style="list-style-type: none"> Sallient Square (Sarawak) Sdn Bhd - Direct interest: 50.00% Sallient Square Sdn Bhd - Direct interest: 50.00% Senary Base Element Sdn Bhd - Direct interest: 50.00% Tinggi Tenggara Sdn Bhd - Direct interest: 50.00% <p><i>Sole Proprietor of</i></p> <ul style="list-style-type: none"> Emawas Enterprise - Direct interest: 100.00%
	<p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> Senary Base Element Sdn Bhd 	<ul style="list-style-type: none"> Providing information technology related products and services, management and advisory services. 	

Notes:

* Deemed interested by virtue of Section 6A of the Act via his spouse's 49.95% direct shareholding in Leaseline Sdn Bhd.

DTL's, DTW's and DTH's respective involvement in the business activities or corporations set out above is not expected to affect their respective contribution to our Group nor negatively impact their ability to act as our Executive Directors as they do not hold any executive positions in such businesses or corporations. In addition, such businesses' or corporations' operations do not require their involvement on a day-to-day basis as these businesses or corporations are managed or operated by the other shareholders or have their own independent management teams.

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

9.1.6 Involvement of our Directors in other businesses or corporations which carry on a similar trade as our Group, or which are our customers and/or suppliers

Save as disclosed below, as at the LPD, none of our Directors have any interest, direct or indirect, in other businesses or corporations which are (i) carrying on a similar trade as that of our Group; or (ii) our customers and/or suppliers:

Name	Businesses/Corporations	Nature of interest	Direct interest (%)	Indirect interest (%)
DTW	Supplier to our Group: Otaru Fine Food Sdn Bhd ("Otaru Fine Food")	Shareholder	25	-

Our Board is of the view that DTW's shareholding interest in Otaru Fine Food does not give rise to a conflict of interest situation with our Group's business as Otaru Fine Food is only a supplier to our Group and does not compete directly with our business. Furthermore, DTW's involvement in the business activities of Otaru Fine Food does not require his involvement on a day-to-day basis as it is managed by Otaru Fine Food's other substantial shareholder. As such, his involvement in Otaru Fine Food will neither affect his contribution to our Group nor negatively impact his ability to act as a Director and Chief Operating Officer of our Group.

Otaru Fine Food has been a supplier to our Group since 2014. As such, transactions entered into between our Group and Otaru Fine Food will be related party transactions and subject to our Group's monitoring and oversight procedures for related party transactions. Please refer to Section 11.1.2 of this Prospectus for details of our Group's recurrent related party transactions with Otaru Fine Food, and Section 11.3 of this Prospectus for further details of the aforesaid monitoring and oversight procedures.

In addition, it should be noted that our Directors, including businesses or corporations that our Directors have interests in, may have in the past purchased and may in the future purchase products and/or services from our Group's outlets as walk-in customers. We do not expect such purchases to be of material amounts and that such purchases are conducted at the same retail prices as other walk-in customers.

9.1.7 Audit Committee

The Audit Committee of our Company comprises 3 Directors, all of whom are Independent Non-Executive Directors. The Audit Committee, constituted on 20 July 2015, was established by our Board with the function of assisting our Board in fulfilling its oversight responsibilities. The current members of our Audit Committee are set forth below:

Name	Position	Directorship
Soon Dee Hwee	Chairman	Independent Non-Executive Director
Ding Lien Bing	Member	Independent Non-Executive Chairman
Mohd Suffian bin Suboh	Member	Independent Non-Executive Director

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

Our Audit Committee has full access to both internal and external auditors who in turn have access at all times to the Chairman of our Audit Committee. Our Audit Committee performs, among others, the following functions:

- (i) consider the appointment or re-appointment of the external auditor, and to discuss on their scope of work, responsibilities, their remuneration, any questions of resignation or dismissal of the external auditor, to recommend the nomination of the external auditor and to ensure co-ordination where more than one audit firm is involved;
- (ii) review the quarterly and year-end financial statements of our Group and Company, before the approval by the Board focusing on, amongst others, any change in or implementation of major accounting policy and practices, significant and unusual events, and to ensure compliance with applicable accounting standards and other relevant legal requirements;
- (iii) review and report the same to our Board on the adequacy of the scope, competency, functions and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work;
- (iv) review and report the same to our Board on the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken, and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (v) consider and evaluate any related party transactions or conflict of interest situations that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (vi) review and monitor the adequacy and integrity of our Company's system of internal controls and management information systems, including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines;
- (vii) review the risk management framework of our Group and Company to ensure the existence and adequacy of effective risk management policies and controls to monitor and manage all financial and non-financial risks;
- (viii) review our Company's procedures for detecting fraud and whistle blowing; and
- (ix) consider and examine such other matters as our Audit Committee considers appropriate.

Pursuant to our Audit Committee's terms of reference, our Audit Committee shall comprise at least 3 non-executive directors appointed by our Board based on the recommendation by our Nominating Committee. All the members of our Audit Committee must be non-executive directors with a majority of independent directors. All members of our Audit Committee shall be financially literate and at least 1 member shall:

- (i) be a member of the Malaysian Institute of Accountants ("MIA"); or
- (ii) if he/she is not a member of the MIA, he/she must have at least 3 years' working experience and:
 - (a) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (b) he/she must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

- (iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

The Chairman of the Audit Committee shall be an independent director appointed by our Board, based on the recommendation of the Nominating Committee. The term of office and performance of our Audit Committee and each of its members shall be reviewed by our Board annually or as and when recommended by the Nominating Committee. Our Board believes that the system of internal controls maintained by our Company is adequate to safeguard against financial, operational and compliance risks.

9.1.8 Remuneration Committee

Our Remuneration Committee was constituted by our Board on 20 July 2015 and currently comprises 3 members as set forth below, the majority of whom are Independent Non-Executive Directors:

<u>Name</u>	<u>Position</u>	<u>Directorship</u>
Mohd Suffian bin Suboh	Chairman	Independent Non-Executive Director
DTL	Member	Non-Independent Executive Director / Managing Director
Soon Dee Hwee	Member	Independent Non-Executive Director

Our Remuneration Committee is responsible for, amongst others, the following:

- (i) to review and assess on an annual basis, the remuneration packages of the executive and non-executive directors, senior and key management of our Group to reflect their responsibilities, expertise and complexity of our Group's activities;
- (ii) to develop and establish a clear and transparent remuneration policy and procedures framework for our directors (both executive and non-executive), including senior and key management of our Group who are not our directors;
- (iii) to ensure the levels of remuneration be sufficiently attractive and be able to retain directors needed to run our Company successfully;
- (iv) to structure the component parts of remuneration so as to align with the business strategy and long-term objectives of our Company and to link rewards to individual performance;
- (v) to recommend to our Board the remuneration of non-executive directors, including directors' fees and allowances; and
- (vi) to recommend to our Board the annual total remuneration payable to executive directors, senior and key management in connection with their appointment (including short term and long term incentives and any compensation payable for loss or termination of their office or appointment) to ensure that such remuneration is determined in accordance with relevant contractual terms and that such remuneration is otherwise fair and not excessive to our Company.

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

9.1.9 Nominating Committee

Our Nominating Committee, constituted on 20 July 2015, was established by our Board and currently comprises 3 members as set forth below, all of whom are independent non-executive directors:

<u>Name</u>	<u>Position</u>	<u>Directorship</u>
Ding Lien Bing	Chairman	Independent Non-Executive Chairman
Soon Dee Hwee	Member	Independent Non-Executive Director
Mohd Suffian bin Suboh	Member	Independent Non-Executive Director

Our Nominating Committee is responsible for, amongst others, the following:

- (i) to recommend to our Board, candidates for all directorships (both executive and independent) to be approved by our shareholders or our Board after having evaluated, amongst others, the balance of skills, knowledge and experience, character, competencies and capabilities, potential conflict of interest situations and/or related party interests and the candidates' ability to discharge their responsibilities;
- (ii) to recommend to our Board the nominees to fill the seats on board committees;
- (iii) to prepare the description of the roles and responsibilities required for a particular appointment;
- (iv) to assess on an annual basis, the effectiveness of our Board as a whole and each individual director / committee of our Board, including the desirability of the overall composition of our Board, the balance between executive directors, non-executive directors and independent directors, the required mix of skills, experience, diversity and other qualities;
- (v) to review our Board's succession planning, taking into account the challenges and opportunities facing our Company, the skills and expertise, including diversity, needed on our Board in the future; and
- (vi) to ensure that orientation and education programmes are provided for new members of our Board, to review the directors' continuing education programmes for existing members of our Board and to ensure that the education programmes attended by our directors must be one that aids the director in the discharge of his/her duties.

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9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (cont'd)

9.1.10 Shareholding of our Directors in our Company

The following table sets forth the direct and indirect shareholdings of each of our Directors before and after our IPO, assuming full subscription of our IPO Shares reserved for our Directors under the allocation for Eligible Persons in respect of the Retail Offering:

Name	Nationality	Before IPO			After IPO		
		Direct		Indirect	Direct		Indirect
		No. of Shares held	%		No. of Shares held	%	
Ding Lien Bing	Malaysian	-	-	-	200,000	0.1	-
DTL ⁽¹⁾	Malaysian	-	-	213,388,500	93.0	-	213,388,500
DTH ⁽¹⁾	Malaysian	-	-	213,388,500	93.0	-	213,388,500
DTW ⁽¹⁾	Malaysian	-	-	213,388,500	93.0	-	213,388,500
Soon Dee Hwee	Malaysian	-	-	-	200,000	0.1	-
Mohd Suffian bin Suboh	Malaysian	-	-	-	200,000	0.1	-

Notes:

(1) Deemed interested by virtue of Section 6A of the Act, through his shareholding of more than 15% in D&D Consolidated

Despite the subscription of our IPO Shares allocated for the Eligible Persons as set out in Section 4.3.3 of this Prospectus, our Directors may also subscribe for additional Excess Shares under those allocated for the Eligible Persons as well as our IPO Shares under the Retail Offering.

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9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

9.1.11 Remuneration and material benefits-in-kind of our Directors and CEO

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 31 October 2015 and estimated for the FYE 31 October 2016 are as follows:

Directors	Remuneration band of our Directors	
	FYE 31 October 2015 (Actual)	FYE 31 October 2016 (Estimate)
	RM	RM
Ding Lien Bing	Below 50,000	Below 50,000
DTL	450,000 to 500,000	500,000 to 550,000
DTW	350,000 to 400,000	450,000 to 500,000
DTH	100,000 to 150,000	200,000 to 250,000
Soon Dee Hwee	Below 50,000	Below 50,000
Mohd Suffian bin Suboh	Below 50,000	Below 50,000

The remuneration of our Directors includes salaries, bonuses, fees and allowances as well as other benefits. As set out in the Articles, any change in Directors' fees must be approved by shareholders of our Company pursuant to an ordinary resolution passed at a general meeting where notice of any proposed increase should be given in the notice convening the meeting, further details of which are set out in Section 15.2.2 of this Prospectus. The remuneration for each of our Directors are subject to annual review by our Remuneration Committee.

9.2 Our Promoters and Substantial Shareholders

9.2.1 Profiles of our Promoters and Substantial Shareholders

Save for DTG, all our Promoters are also our Substantial Shareholders (being a person who holds not less than 5% of our Shares). The profiles of DTL, DTH and DTW, are set out in Section 9.1.3 of this Prospectus.

D&D Consolidated, a Promoter and Substantial Shareholder, was incorporated in Malaysia under the Act on 8 January 2013. The principal activity of D&D Consolidated is investment holding.

As at the LPD, D&D Consolidated's authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which RM10,000 comprising 10,000 ordinary shares of RM1.00 each have been fully issued and paid up.

The directors of D&D Consolidated as at the LPD are DTL, DTH and DTW. The particulars of D&D Consolidated's shareholders and their respective shareholdings are set out below:

Shareholders	Nationality	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
DTL	Malaysian	4,341	43.41	-	-
DTH	Malaysian	3,241	32.41	-	-
DTW	Malaysian	1,648	16.48	-	-

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (cont'd)

Shareholders	Nationality	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
DTK	Malaysian	495	4.95	-	-
DTG	Malaysian	275	2.75	-	-

DTK, Malaysian, aged 50, is our Promoter and Substantial Shareholder.

He holds a Diploma in Electrical Engineering Technology from the Red River Community College, Manitoba, Canada obtained in 1994 and in 1995 graduated with a Bachelor of Arts from the University of Winnipeg, Manitoba, Canada.

He started as a remisier in a local stock broking firm in 1996 when he returned from Canada. In 2004, he founded Kobonos Sdn Bhd ("**Kobonos**") which is principally involved in the business of pedicure / manicure services, as well as the importation and distribution of beauty products. He is also the founder of the Malaysian Expert Institute of Cosmetology as well as the Malaysian Practitioner Association of Cosmetology in 2009.

DTK will have a direct shareholding of 3.70% in our Company upon the successful completion of the Public Issue. He also holds a 4.95% shareholding in D&D Consolidated which will in turn hold 68.82% of our Shares upon the successful completion of the Public Issue.

DTG, Malaysian, aged 46, is our Promoter and shareholder.

DTG is the sole proprietor of Fruitty Candy Floss, a manufacturer and distributor of candies throughout Malaysia. He has been in the business of manufacturing and distribution of candies for the past 15 years.

DTG will have a direct shareholding of 1.48% in our Company upon the successful completion of the Public Issue. He also holds a 2.75% shareholding in D&D Consolidated which will in turn hold 68.82% of our Shares upon the successful completion of the Public Issue.

As Fruitty Candy Floss is a supplier to our Group, transactions entered into between our Group and Fruitty Candy Floss will be related party transactions and subject to our Group's monitoring and oversight procedures for related party transactions. Please refer to see Section 11.1.2 of this Prospectus for details of our Group's recurrent related party transactions with Fruitty Candy Floss for the past 3 FYEs 31 October 2013, 31 October 2014 and 31 October 2015, and Section 11.3 of this Prospectus for further details of the aforesaid monitoring and oversight procedures.

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9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (cont'd)

9.2.2 Our Promoters' and Substantial Shareholders' shareholdings in our Company

The following table sets forth the shareholdings of our Promoters and Substantial Shareholders before and after our IPO:

Name	Before IPO			After IPO		
	Direct No. of Shares held	%	Indirect No. of Shares held	Direct No. of Shares held	%	Indirect No. of Shares held
D&D Consolidated	213,388,500	93.0	-	213,388,500	68.8	-
DTK	11,472,500	5.0	-	11,472,500	3.7	-
DTG	4,589,000	2.0	-	4,589,000	1.5	-
DTL ⁽¹⁾	-	-	213,388,500	-	-	213,388,500
DTH ⁽¹⁾	-	-	213,388,500	-	-	213,388,500
DTW ⁽¹⁾	-	-	213,388,500	-	-	213,388,500

Note:

(1) Deemed interested by virtue of Section 6A of the Act, through his shareholding of more than 15% in D&D Consolidated.

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9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (cont'd)

9.2.3 Changes in shareholdings of our Promoters and Substantial Shareholders in our Company since incorporation

The table below sets forth our Promoters' and Substantial Shareholders' direct and indirect shareholding interests in our Company since our incorporation on 26 March 2013 up to the date of this Prospectus:

Name	As at 26 March 2013 ⁽¹⁾⁽²⁾			As at 27 March 2014 ⁽²⁾			As at 27 March 2015 ⁽³⁾			As at the date of this Prospectus ⁽³⁾			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	
Lim Kok Heng	1	50.0	-	-	-	-	-	-	-	-	-	-	
Lim Kok Shee	1	50.0	-	-	-	-	-	-	-	-	-	-	
Yap Lei Hue	-	-	-	-	-	-	1	10.0	-	-	-	-	
D&D Consolidated	-	-	-	-	-	-	9	90.0	-	213,388,500 ⁽⁵⁾	93.0	-	
DTK	-	-	-	-	-	-	-	-	-	11,472,500 ⁽⁵⁾	5.0	-	
DTG	-	-	-	-	-	-	-	-	-	4,589,000 ⁽⁵⁾	2.0	-	
DTL	-	-	-	-	-	-	-	-	-	-	-	213,388,500 ⁽⁴⁾	93.0
DTH	-	-	-	-	1	50.0	-	-	-	-	-	213,388,500 ⁽⁴⁾	93.0
DTW	-	-	-	-	1	50.0	-	-	-	-	-	213,388,500 ⁽⁴⁾	93.0

Notes:

- (1) Subscriber shares based on our issued and paid up share capital of RM2.00 as at the date of our incorporation.
- (2) Based on the then par value of RM1.00 per ordinary share in our Company.
- (3) Subsequent to the subdivision of each existing ordinary share of RM1.00 each in Bison into 5 Shares of RM0.20 each which had been effected on 6 February 2015.
- (4) Deemed interested by virtue of Section 6A of the Act, through his shareholding of more than 15% in D&D Consolidated.
- (5) Subsequent to the completion of the Acquisitions, details of which are set out in Section 6.2 of this Prospectus.

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

9.3. Our Key Management

9.3.1 Members of our Key Management

Our Key Management is set out below:

Name	Age	Designation/Function
DTL	56	Managing Director
DTW	42	Chief Operating Officer
DTH	58	Director – F&B
Ong Chee Jern	36	General Manager (Operations)
Steven Koh	51	Financial Controller
Zainora Binti Zainal Abidin	45	Administration Manager
Chang Wei Lin	39	Head of IT Application

9.3.2 Profiles of our Key Management

The profiles of DTL, our Managing Director, DTW, our Chief Operating Officer, and DTH, our Director – F&B, are set out in Section 9.1.3 of this Prospectus.

Ong Chee Jern (“Ong”), Malaysian, 36 years old, is our General Manager (Operations) reporting to the Chief Operating Officer and is responsible for overseeing the day-to-day operations of our Group's outlets, as well as the inventory and merchandising operations for our Bison DC and outlets. Ong has been with our Group since September 2008.

He graduated with a Bachelor of Management (Honours) (Finance) from Universiti Sains Malaysia, with first class honours in 2004.

Upon graduation, Ong joined Panasonic Malaysia Sdn Bhd in 2004 as a key account executive at its Penang sales branch and thereafter was transferred to its headquarters in Petaling Jaya, Selangor to manage the modern electrical retail chain dealers. In 2007, he was then reassigned to the position of Team Leader in the Budget and Sales Planning, Modern Trade Division, where he was responsible for functions of advertising and the planning of sales promotion activities until 2008.

Ong joined Bison Stores in September 2008 as the head of our Merchandising Department. He was subsequently promoted to be our General Manager of Merchandising in 2013, where he oversaw the operational aspects of merchandising, marketing, consumer services, the supply chain under our central distribution centre and warehouse, as well as central procurement. In June 2014, he was promoted to General Manager of our Operations Department. Ong brings with him 7 years of experience in merchandising and retail operations.

Steven Koh (“Steven”), Malaysian, 51 years old, is our Financial Controller and is responsible for overseeing our Group's financial and human resource related matters. He oversees and manages the statutory reporting and internal management reporting functions of our Group, financial planning and analysis, treasury, tax and other finance operations. He also oversees the establishment and monitoring of internal control, governance and risk management procedures of our Group. Steven has been with our Group since April 2014. Steven brings with him more than 20 years of experience in finance and accounting.

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

He holds a Bachelor of Business (Accountancy) from Charles Sturt University, Australia, awarded in 1993. He is a Chartered Accountant registered with the Malaysian Institute of Accountants and has been a member since March 1996.

Steven started his career as an internal auditor with Kwong Yik Bank Berhad in 1992 upon completing his degree course. From 1995 until 2006, he was involved in various roles in accounting, finance and internal audit as well as human resource and administrative functions in a number of companies located in Malaysia.

Upon joining Goh Ban Huat Berhad in 2006, his role expanded where he oversaw the group's financial reporting and management functions as the company's Group Financial Controller. He continued the role as chief financial officer and financial controller in two other companies in Malaysia until 2011.

Prior to joining our Group in April 2014, Steven was attached in various capacities from 2011 to 2014 with the DSG International (Thailand) Public Company Limited's ("DSG") group of companies and was responsible for overseeing the finance functions of its Malaysian, Singaporean and Indonesian divisions up till 2012, and subsequently headed its Indonesian subsidiaries' finance and supply chain function until 2014.

Zainora Binti Zainal Abidin ("Nora"), Malaysian, 45 years old, is our Administration Manager responsible for managing and overseeing our Group's administrative functions relating to licensing, outlet operations and outlet opening. Nora is one of our Group's longest employees, having joined our Group in December 2002.

Upon completing her STPM pre-university education, she started her career as an administration and human resource executive at Glasspec (M) Sdn Bhd in Negeri Sembilan. In 2002, she joined our Group as a Magazine Assistant where she was responsible for receiving and reconciling magazines stock from suppliers for distribution to our outlets. Nora was subsequently transferred to our Administration Department as Administrative Assistant where she was involved in general office administration.

In 2009, Nora was promoted to Assistant Administration Manager where she was responsible for the collation of tenancies and documents required for our outlet operations and opening. She was also responsible for the procurement of the licences and business permits required for outlet operations. In 2011, she was promoted to her current position as Administration Manager.

Chang Wei Lin ("Wei Lin"), Malaysian, 39 years old, is our Head of IT Application overseeing the development, enhancement and support of our IT systems, including our Bisonet System. She graduated with a Bachelor of Science (Honours) in Computer Science from De Montfort University, UK in 2003.

She started her career in 2003 as a sales coordinator with Thumbprints Utd Sdn Bhd, a company in the printing industry where she monitored and coordinated the flow of confirmed orders to delivery. She was also responsible for IT support functions for the company. In 2005, she joined Cactus Marketing Sdn Bhd, a mineral water bottler and distributor, as an administration and inventory controller where she also handled customer inquiries and complaints. She was also involved in the support of the company's IT business planner system.

She joined Bison Stores in 2006 as an IT programmer handling the programming of the POS system. Wei Lin left Bison Stores in December 2009 to establish DKE. When DKE was acquired by Bison Stores in November 2011, Wei Lin re-joined our Group as our Head of IT Application. She is currently a director of DKE, a wholly-owned subsidiary of Bison Stores.

9. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT *(cont'd)*

9.3.3 Shareholding of our Key Management

Save for DTL, DTH and DTW, whose direct and indirect shareholdings in our Company have been set out in Section 9.2.2 of this Prospectus, none of our other Key Management has any shareholding, direct or indirect, in our Company.

Each of our Key Management, save for DTL, DTH and DTW, have been allocated between 11,000 to 53,000 IPO Shares pursuant to our IPO Shares reserved for Eligible Persons under the Retail Offering. In addition, our Key Management may also subscribe for additional Excess Shares under those allocation for the Eligible Persons as well as for our IPO Shares under the Retail Offering.

9.3.4 Involvement of our Key Management in other principal business activities

Save as disclosed in Section 9.1.5 of this Prospectus, none of our Key Management is involved in any other principal business activities outside of our Group as at the LPD.

9.4 Declaration by our Directors, Promoters and Key Management

Each of our Directors, Promoters and Key Management have confirmed that, as at the LPD, he or she is not and has not been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person is or was a partner or any corporation of which such person was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgment entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity.

9.5 Service agreements

As at the LPD, there are no existing or proposed service agreements entered into or to be entered into by our Directors or any member of our Key Management with our Group.

9.6 Other matters

No amount has been paid or benefit given within the 2 years preceding the LPD, nor is it intended to be so paid or given, to our Directors, Promoters and Substantial Shareholders except for the following:

- (i) historical and future payments to our Directors and/or our Substantial Shareholders in the ordinary course of business as set out in Section 11 of this Prospectus;
- (ii) remunerations and benefits-in-kind payable to our Directors as set out in Section 9.1.11 of this Prospectus; and
- (iii) the allocation of IPO Shares to the Eligible Persons which may be subscribed by them under our IPO as set out in Section 4.3.3 of this Prospectus.

10. APPROVALS AND CONDITIONS

10.1 Approvals and conditions

The SC has, via its letter dated 10 December 2015 (“SC Approval”):

- (i) approved our IPO and Listing under subsection 214(1) of the CMSA and equity requirement for public companies, subject to compliance with the following conditions:

Condition	Status of compliance
(a) The Principal Adviser and our Company are to fully comply with the requirements of the SC’s Equity Guidelines and Prospectus Guidelines – Equity pertaining to the implementation of the Proposed Listing.	Noted

- (ii) noted that the effective equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from our IPO as follows:

Shareholders	Before IPO (%)	After IPO (%)
Bumiputera		
- Individual	-	2.5 ⁽¹⁾
- To be approved by MITI	-	10.0 ⁽²⁾
Total Bumiputera	-	12.5
Non-Bumiputera / Foreigners	100.0	87.5
Total	100.0	100.0

Notes:

- (1) Assuming 50.0% of 15,503,500 Shares, representing 2.5% of the enlarged issued and paid-up share capital of our Company, made available to the Malaysian Bumiputera public is fully subscribed.
- (2) Assuming 10.0% of the enlarged issued and paid-up share capital of our Company, made available under the Institutional Offering to Bumiputera investors to be approved by MITI is fully subscribed.

Bursa Securities in its letter dated 20 January 2016 approved the admission of our Company to the Official List and the listing of and quotation of the entire enlarged issued and paid-up share capital of our Company on the Main Market.

10.2 Moratorium on our Shares

In accordance with the Equity Guidelines (issued by the SC and as amended from time to time), our Promoters will not be allowed, and have undertaken not to sell, transfer or assign its or their entire shareholding of 229,450,000 Shares, which represent 74.0% of the enlarged issued and paid-up ordinary share capital of our Company as at the date of our Listing, for a period of 6 months from the date of our Listing.

In this respect, our Shares that are subject to moratorium for 6 months from the date of our Listing are set out below:

Name	No. of Shares held	%
D&D Consolidated	213,388,500	68.8
DTK	11,472,500	3.7
DTG	4,589,000	1.5
Total	229,450,000	74.0

10. APPROVALS AND CONDITIONS *(cont'd)*

The above moratorium restrictions are specifically endorsed on the share certificates representing the Shares held by our Promoters which are under moratorium to ensure that our Company's Share Registrar does not register any transfers that contravene such restrictions.

In accordance with the Equity Guidelines, the shareholders of D&D Consolidated, namely DTL, DTH, DTW, DTK and DTG, have also undertaken not to sell, transfer or assign their entire respective shareholdings held in D&D Consolidated for a period of six months from the date of our Listing.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

11.1 Related party transactions

Under the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “**related party**” of a listed issuer (not being a special purpose acquisition company) is:

- (i) a director, having the meaning given in subsection 2(1) of the CMSA, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
- (ii) a major shareholder, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the nominal amount of that share or the aggregate of the nominal amounts of those shares is:
 - (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or
 - (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) a person connected with such director or major shareholder.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

11.1.1 Related party transactions

Our Group had not entered into nor proposes to enter into any material related party transactions for the 3 FYEs 31 October 2013, 31 October 2014 and 31 October 2015 and the subsequent financial period immediately preceding the LPD, save as disclosed below:

Transacting No.	Nature of relationship	Nature of transaction	Actual	
			FYE 31 October 2014	FYE 31 October 2015
			(RM)	(RM)
(i)	Bison Stores and Evertop Cleaners Sdn Bhd ("Evertop Cleaners") DTH and DTW are our Promoters and Substantial Shareholders, our Directors, BISON STORES' directors, and prior to the Acquisitions, direct shareholders of BISON STORES.	Sale of investment property held under PN 12392/M1/8/72, No. Petak: 72, Tingkat No. 8, Bangunan No. M1, Lot No. 49501 Seksyen 39, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor bearing postal address of L8-10, Wisma BU8, Lebuhr Bandar Utama, Bandar Utama PJU 6, 47800 Petaling Jaya, Selangor to Evertop Cleaners	650,000 ⁽¹⁾	-
	DTH and DTW are our Promoters and Substantial Shareholders, our Directors, BISON STORES' directors, and prior to the Acquisitions, direct shareholders of BISON STORES.	Sale of residential property held under Strata Title Geran 98679/M1/11/125 No. Petak : 125, No. Tingkat :11, No. Bangunan: M1, Petak Aksesori : A261, Lot 64492, Bandar Kepong, Daerah Gombak, Negeri Selangor known as A-12-3, Blk A, Aman Puri Apartment, Jalan Aman, Desa Aman Puri, 51200 Kepong Selangor to Evertop Cleaners	300,000 ⁽¹⁾	-
		Sale of residential property held under Geran 23514 Lot 50973, Geran 46843 Lot 53610 and Geran 46844 Lot 53611 all in Mukim Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan identified as Parcel No. A-11-1 (Type A1), Storey No. 11, Building No. A, Accessory Parcel No. L2A 48, 49 & 50, The Greens, TTDI to Evertop Cleaners	872,672 ⁽¹⁾	-
		Sale of residential property held under Geran 23514 Lot 50973, Geran 46843 Lot 53610 and Geran 46844 Lot 53611 all in Mukim Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan identified as Parcel No. B-23A-5 (Type B2), Storey No. 23A, Building No. B, Accessory Parcel No. L2 3 & 4, The Greens, TTDI to Evertop Cleaners	268,688 ⁽¹⁾	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual	
				FYE 31 October 2014	FYE 31 October 2015
			(RM)	(RM)	
	Bison and Evertop Cleaners (cont'd)	Stores and Evertop Cleaners	Sale of residential property held under PN 30313, Lot 64211, Mukim Damansara, Daerah Petaling, Negeri Selangor identified as Parcel No. B-15-06, Storey No. 15, Building No. Wing B, Accessory Parcel No. L2-7 & L2-8, Project Urbana Residences to Evertop Cleaners	80,834 ⁽¹⁾	-
			Disposal by Bison Stores to Evertop Cleaners of all its interests in Nova Dynasty Development Sdn Bhd ("Nova Dynasty") which consists of 3 ordinary shares of RM1.00 each, representing 50% of the entire issued and paid-up capital of Nova Dynasty	3 ⁽¹⁾⁽²⁾	-
(ii)	Bison and D&D Consolidated, DTL, DTH and DTW	DTL, DTH and DTW are common directors and shareholders of Bison and D&D Consolidated.	The Acquisitions as set out in Section 6.2 of this Prospectus.	-	45,889,998

Notes:

- (1) On 30 October 2014, Bison Stores, Evertop Cleaners, DTL, DTH and DTW entered into a tripartite agreement where DTL, DTH and DTW had agreed to assign the dividend payments due to them from Bison Stores amounting to approximately RM5.92 million to Evertop Cleaners towards the settlement of the purchase considerations in relation to the sale and purchase agreements for the properties in Section 11.1.1(i) above and settlement of the loan of RM3.75 million assigned from Bison Stores to Evertop Cleaners mentioned in Note (2) below. Please refer to Section 15.6(g) of this Prospectus for further details of the tripartite agreement.
- (2) On 30 October 2014, Bison Stores had entered into a Sale and Purchase Agreement with Evertop Cleaners to dispose of all its interests in Nova Dynasty, representing 50% of the issued and paid up capital of Nova Dynasty, to Evertop Cleaners. The purchase price of RM3.00 had been arrived at taking into consideration Evertop Cleaners' agreement to assume and accept the assignment of Bison Stores' loan to Nova Dynasty, its associate then, amounting to RM3.75 million. Please refer to Section 11.1.4 of this Prospectus below for further details of Bison Stores' loans to Nova Dynasty for the past 3 years ended 31 October 2012, 31 October 2013 and 31 October 2014. The disposal had been completed on 30 October 2014, and as at the LPD there are no outstanding loans owing from Nova Dynasty to Bison Stores.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

11.1.2 Recurrent related party transactions

Related party transactions can be deemed as recurrent, if they are entered into at least once every 3 years, in the ordinary course of business and are of a revenue or trading nature necessary for the day-to-day operations of our Group.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek shareholders' approval each time our Group enters into material related party transactions. However, if a related party transaction can be deemed as a recurrent related party transaction, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time it wishes to enter into such related party transactions during the validity period of the mandate.

Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12-month period, are entered with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one particular corporation / asset or of various parcels of land contiguous to each other.

Save as disclosed below, there are no proposed material recurrent related party transactions which have been entered into or are to be entered into by our Group for the past 3 FYEs 31 October 2013, 31 October 2014, 31 October 2015 and the subsequent 18 month period from 1 November 2015 to 30 April 2017:

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual			Estimate For the 18 months period from 1 November 2015 to 30 April 2017
				(RM)			
				2013	2014	2015	
(i)	Fruitty Candy Floss and Bison Stores, Eemerge, Kukuh and Nadi Minda respectively	DTG is one of our shareholders and our Promoter. DTG, the sole proprietor of Fruity Candy Floss, is the brother of DTL, DTH, DTW and DTK. DTL, DTH and DTW are our Executive Directors, Promoters and Substantial Shareholders. DTL, DTH and DTW are directors of Bison Stores and Eemerge. DTL and DTW are directors of Kukuh and Nadi Minda.	Purchase of candy by Bison Stores Purchase of candy by Eemerge Purchase of candy by Kukuh Purchase of candy by Nadi Minda	485,084	591,416	479,621	1,262,000
			82,917	55,977	22,601	39,000	
			49,812	22,720	12,159	12,000	
			1,911	-	-	-	

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual			Estimate	
				FYE 31 October				For the 18 months period from 1 November 2015 to 30 April 2017
				2013	2014	2015		
							(RM)	
(ii)	Fruitty Candy Floss and Bison Stores	Prior to the Acquisitions, DTL, DTH and DTW were direct and indirect shareholders of Bison Stores, Eemerge, Kukul and Nadi Minda. Please refer to sub-paragraph (i) above.	Advertising promotion (revenue) and income	2,000	7,760	9,012	26,000	
(iii)	Bison Stores and Voila Sdn Bhd	The spouse of DTW is a director and shareholder of Voila Sdn Bhd. DTW is our Executive Director, Promoter and Substantial Shareholder, a director of Bison Stores, and prior to the Acquisitions was a direct shareholder of Bison Stores.	Purchase of magazines and books (Disney titles) Design fees	691,105	752,088	593,993	474,000	
(iv)	Bison Stores and Hikmat Menanti Sdn Bhd	DTL, DTH and DTW are our Promoters, Substantial Shareholders and Executive Directors. They are Bison Stores' directors, and prior to the Acquisitions, direct shareholders of Bison Stores. They are common directors and substantial shareholders of Bison Stores and Hikmat Menanti Sdn Bhd.	Advertising promotion (revenue) and income Hostel Rental (58, Jalan SS2/6, Petaling Jaya, 47300 Petaling Jaya)	38,398	45,927	8,850	20,000	
				19,632	19,632	24,000	36,000	

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual			Estimate For the 18 months period from 1 November 2015 to 30 April 2017
				FYE 31 October			
				2013	2014	2015	
(v)	Bison Stores and DTW	DTW is our Promoter, Substantial Shareholder, Executive Director, Bison Stores' director, and prior to the Acquisitions, a direct shareholder of Bison Stores.	Hostel Rental (1-16-07, Blok 1 (Tulip), Pelangi Damansara PJU 6, Persiaran Surian, 46200 Petaling Jaya)	19,200	19,200	16,800	25,200
(vi)	Bison Stores and DTL	DTL is our Promoter, Substantial Shareholder, Executive Director, Bison Stores' director, and prior to the Acquisitions, a direct shareholder of Bison Stores.	Hostel Rental ⁽¹⁾ (1-16-03, Blok 1 (Tulip), Pelangi Damansara PJU 6, Persiaran Surian, 46200 Petaling Jaya)	-	-	16,800	25,200
(vii)	Bison Stores, Ling Chao and Wong Siew Na	Ling Chao is the spouse of DTL, who is our Promoter, Substantial Shareholder and Executive Director. He is also Bison Stores' director, and prior to the Acquisitions, a direct shareholder of Bison Stores. Wong Siew Na is the spouse of DTH, our Promoter, Substantial Shareholder and Executive Director. He is also Bison Stores' director, and prior to the Acquisitions, a direct shareholder of Bison Stores.	Rental of our office premises located at Lot 260, Jalan KIP 4, KIP Industrial Park, 52200 Kuala Lumpur ⁽²⁾	45,438	3,779	72,000	108,000

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual			Estimate For the 18 months period from 1 November 2015 to 30 April 2017
				FYE 31 October			
				2013	2014	2015	
(viii)	Otaru Fine Food Sdn Bhd and Bison Stores and Eemerge respectively	DTW is our Promoter, Substantial Shareholder, Executive Director, Bison Stores' director, and prior to the Acquisitions, a direct shareholder of Bison Stores and Eemerge. He is a director and shareholder of Bison Stores and Eemerge; and a common shareholder of Bison Stores, Eemerge, and Otaru Fine Food Sdn Bhd.	Purchase of bakery products by Bison Stores	-	6,832	260,757	523,000
			Purchase of bakery products by Eemerge	-	1,620	29,624	52,000
(ix)	Bison Stores and Evertop Cleaners	DTH and DTW who are our Promoters, Substantial Shareholders and Executive Directors, are common directors and substantial shareholders of Bison Stores and Evertop Cleaners.	Hostel rental (A-12-3 Blk A Aman Puri Apartment, Jalan Aman, Desa Aman Puri, 51200 Kepong Selangor)	-	-	12,000	18,000
(x)	Bison Stores and Great Malaysian News Sdn Bhd ⁽³⁾	DTL, DTH and DTW who are our Promoters, Substantial Shareholders and Executive Directors, are common directors of Bison Stores and Great Malaysian News Sdn Bhd. DTH and DTW are shareholders of Great Malaysian News Sdn Bhd, and prior to the Acquisitions, were direct shareholders of Bison Stores.	Sales of press and convenience retail items	3,176,163	3,607,853	1,467,898	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual			Estimate For the 18 months period from 1 November 2015 to 30 April 2017
				FYE 31 October			
				2013	2014	2015	
(xi)	Bison Stores and Honeycreeper Sdn Bhd ⁽³⁾	DTL and DTW who are our Promoters, Substantial Shareholders and Executive Directors, are common directors of Bison Stores and Honeycreeper Sdn Bhd.	Sales of press and convenience retail items	359,059	308,373	110,501	-
(xii)	DKE and Great Malaysian News Sdn Bhd ⁽³⁾	DTW is a shareholder of Honeycreeper Sdn Bhd, and prior to the Acquisitions, was a direct shareholder of Bison Stores.	Software maintenance fees	72,000	72,000	35,000	-
(xiii)	DKE and Honeycreeper Sdn Bhd ⁽³⁾	DTH and DTW who are our Promoters, Substantial Shareholders and Executive Directors, are common directors of DKE and Great Malaysian News Sdn Bhd. DTH and DTW are shareholders of Great Malaysian News Sdn Bhd.	Service maintenance fees	12,000	12,000	7,000	-
		DTW is a shareholder of Honeycreeper Sdn Bhd.					

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

Notes:

- (1) In the absence of a formal tenancy agreement, rental payment for the property during the FYEs 31 October 2013 and 31 October 2014 were not required as instructed by the property owner during the said periods. Subsequently, a tenancy agreement for the rental of the property was entered into commencing on 1 November 2014 based on current market rental rates.
- (2) During the 2 FYEs up to 31 October 2014, the rental amount was based on the property owners' loan instalment payment sum in relation to their loan facility undertaken to purchase the property. The loan facility was fully settled during the FYE 31 October 2014. Subsequently, a tenancy agreement for the rental of the property was entered into commencing on 1 November 2014 based on current market rental rates. This tenancy agreement was further extended to 30 October 2017 based on the same rental rate.
- (3) Both Honeycreeper Sdn Bhd and Great Malaysian News Sdn Bhd were placed under voluntary winding up on 16 July 2015. Prior to their voluntary winding up, both Honeycreeper Sdn Bhd and Great Malaysian News Sdn Bhd carried on the principal business as retailer of print media and convenience items. They had purchased merchandise from our Group for sale at their outlets as well as IT services for the maintenance of their POS system and database. The outlets operated by both these related parties had been absorbed by our Group since April 2015 and June 2015. Since then, there has been no further related party transactions entered into by our Group with these companies.

Our Directors are of the view that all the above related party transactions and recurrent related party transactions were conducted on an arm's length basis and are based on terms and conditions which are not unfavourable to our Group.

11.1.3 Transactions entered into that are unusual in their nature or conditions

There were no transactions entered into that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we or any of our parent or subsidiaries were a party to in respect of the past 3 FYEs 31 October 2013, 31 October 2014 and 31 October 2015, and for the subsequent financial period immediately preceding the LPD.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

11.1.4 Loans made to or for the benefit of related parties and associate

(i) Loans made to or for the benefit of related parties

Save as disclosed below, there were no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of any related party, for the past 3 FYEs 31 October 2013, 31 October 2014 and 31 October 2015, and the subsequent financial period immediately preceding the LPD. As at the LPD, all loans set out below owing from related parties to Bison Stores have been fully settled and as such there remains no existing nor outstanding loans (including guarantees of any kind) made by our Group.

Transacting parties	Nature of relationship	Nature of transaction	Balance as at		
			31 October 2013	31 October 2014	31 October 2015
Hikmat Menanti Sdn Bhd and Bison Stores	DTL, DTH and DTW are common directors and substantial shareholders of Bison Stores and Hikmat Menanti Sdn Bhd.	Loans	492	-	-
	They are our Promoters, Substantial Shareholders, Executive Directors and Bison Stores' directors, and prior to the Acquisitions, direct shareholders of Bison Stores.	Corporate guarantee in favour of Hikmat Menanti Sdn Bhd	8,500,000	8,500,000	-
Metromore Estate Sdn Bhd and Bison Stores	DTL is a common director of Metromore Estate Sdn Bhd and Bison Stores; and DTW and DTH are common directors and shareholders of Metromore Estate Sdn Bhd and Bison Stores.	Loans	1,027	-	-
	DTL, DTH and DTW are our Promoters, Substantial Shareholders, Executive Directors and Bison Stores' directors, and prior to the Acquisitions, direct shareholders of Bison Stores.				

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

Transacting parties	Nature of relationship	Nature of transaction	Balance as at		
			31 October 2013	31 October 2014	31 October 2015
100Acrewood Sdn Bhd and Bison Stores	DTL and DTW are common directors and shareholders of Bison Stores and 100Acrewood Sdn Bhd.	Loans	390,612	-	-
	DTL and DTW are our Promoters, Substantial Shareholders, Executive Directors and Bison Stores' directors, and prior to the Acquisitions, direct shareholders of Bison Stores.				
D&D Consolidated and Bison Stores	DTL, DTH and DTW, are common directors and shareholders of D&D Consolidated and Bison Stores.	Loans	782	-	-
	DTL, DTH and DTW are our Promoters, Substantial Shareholders, Executive Directors and Bison Stores' directors, and prior to the Acquisitions, direct shareholders of Bison Stores.				
Nova Dynasty and Bison Stores	Former associate of Bison Stores	Loans	3,750,000	-	-

(ii) Loans made to associate

As at the LPD, there is an outstanding loan balance of RM1,048,173 owing from our associate, WH Smith Malaysia to Bison Stores. This loan had been made in furtherance of WH Smith Malaysia's operations of the "WHSmith" outlets in Malaysia. This loan was made in proportion to our shareholdings in WH Smith Malaysia.

In addition, as at the LPD, Bison Stores had also secured bank guarantees from a financial institution amounting to RM527,500 as security deposits in favour of WH Smith Malaysia for tenancy agreements entered into in relation to 7 "WHSmith" outlets. The amounts of the bank guarantees secured were based on Bison Stores' 50% shareholding in WH Smith Malaysia.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(cont'd)*

11.2 Conflicts of interest

Notwithstanding DTW's shareholding interest in one of our suppliers as set out in Section 9.1.6 of this Prospectus, none of our Directors and Substantial Shareholders have any interest, direct or indirect, in any businesses or corporations that (i) carry a similar trade as that of our Group; and (ii) are customers or suppliers of our Group; which would give rise to a situation of conflict of interest with our Group's business.

11.3 Monitoring and oversight of related party transactions and conflicts of interest**11.3.1 Audit Committee review**

Our Audit Committee reviews related party transactions to ensure no conflicts of interests arise within our Group. Our Audit Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to ensure that these transactions are carried out in the best interest of the Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Company's minority shareholders. All reviews by the Audit Committee are reported to our Board for its further action.

11.3.2 Related party transactions and conflicts of interest

Some of the Directors and/or Substantial Shareholders of our Group are also directors and/or shareholders of related parties of our Group or persons connected, as disclosed in Section 11.1 above. It is the policy of our Group that all related party transactions shall be reviewed by the Audit Committee to ensure there is no conflict of interest, are negotiated and agreed in the best interest of the Company at arm's length basis, and are based on normal commercial terms not more favourable to the related party than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders.

11.4 Declarations by advisers on conflicts of interest**11.4.1 Declaration by CIMB**

CIMB confirms that there is no existing or potential conflicts of interest in relation to its capacity as the Principal Adviser, Managing Underwriter and Sole Bookrunner in respect of our IPO.

CIMB, its related and associated companies ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company and/or our affiliates and/or any other person(s), hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates. This is a result of the businesses of CIMB Group generally acting independently of each other and accordingly, there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

CIMB Group has in the ordinary course of its banking business, granted credit facilities to our Group of which the total outstanding amount owing by our Group to the CIMB Group as of the LPD was approximately RM2.42 million.

CIMB Group is of the view that the aforementioned extension of credit facilities does not result in a conflict of interest situation in respect of our IPO as:

- (i) the total credit facilities is not material when compared to the audited total net assets of the CIMB Group as at the FYE 31 December 2014 of approximately RM38.39 billion;
- (ii) the extension of credit facilities arose in the ordinary course of business of the CIMB Group in view of CIMB Group's extensive participation in the Malaysian banking industry; and
- (iii) the conduct of CIMB Group in its banking business is strictly regulated by the Financial Services Act 2013, the Islamic Financial Services Act 2013 and CIMB Group's own internal controls and checks.

11.4.2 Declaration by Cheang & Ariff

Cheang & Ariff confirms that there is no existing or potential conflicts of interest in its capacity as the Legal Advisers in respect of our IPO.

11.4.3 Declaration by Zaid Ibrahim & Co.

Messrs Zaid Ibrahim & Co. confirms that there is no existing or potential conflicts of interest in its capacity as the Legal Advisers to the Managing Underwriter and Sole Bookrunner in respect of our IPO.

11.4.4 Declaration by SJ Grant Thornton

SJ Grant Thornton confirms that there is no existing or potential conflicts of interest in its capacity as the Reporting Accountants in respect of our IPO.

11.4.5 Declaration by Smith Zander International Sdn Bhd

Smith Zander International Sdn Bhd confirms that there is no existing or potential conflicts of interest in its capacity as the Independent Market Researcher in respect of our IPO.

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12. FINANCIAL INFORMATION

12.1 Historical consolidated statements of profit or loss and other comprehensive income and financial position

12.1.1 Historical financial performance

The historical audited consolidated statements of profit or loss and other comprehensive income of our Group for the FYEs 31 October 2013, 31 October 2014 and 31 October 2015 presented below have been extracted from the Accountants' Report in Section 13 of this Prospectus.

	Audited		
	FYE 31 October		
	2013	2014	2015
	(RM'000)	(RM'000)	(RM'000)
Revenue	157,962	182,409	217,546
Cost of sales	(105,313)	(122,050)	(143,107)
Gross profit	52,649	60,359	74,439
Gain/(loss) on disposal of PPE	6,156 ⁽¹⁾	81	(8)
Other income	368	512	490
Administration expenses	(34,660)	(41,397)	(53,523)
Other expenses	(2,314)	(2,976)	(3,846)
Finance costs	(596)	(602)	(577)
Share of profit of associates	36	302	727
PBT	21,639	16,279	17,702
Tax expense	(3,784)	(3,850)	(4,192)
Net profit for the financial year	17,855	12,429	13,510
Other comprehensive income, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of land and buildings	-	9,489	-
Crystallisation of revaluation reserve	-	(477)	-
Tax effect on item that will not be reclassified to profit or loss	-	(451)	-
	-	8,561	-
Transfer to retained earnings	-	477	-
Total other comprehensive income	-	9,038	-
Total comprehensive income for the financial year	17,855	21,467	13,510
Gross profit margin ⁽²⁾ (%)	33.3%	33.1%	34.2%
EBITDA (RM'000)	24,371	19,612	21,872
EBITDA margin (%)	15.4%	10.8%	10.1%
PBT margin ⁽³⁾ (%)	13.7%	8.9%	8.1%

12. FINANCIAL INFORMATION (cont'd)

	Audited		
	FYE 31 October		
	2013	2014	2015
	(RM'000)	(RM'000)	(RM'000)
PAT margin ⁽⁴⁾ (%)	11.3%	6.8%	6.2%
Basic EPS ⁽⁵⁾ (RM)	8.15	5.68	0.06
Illustrative EPS ⁽⁶⁾ (sen)	7.78	5.42	5.89
Dividend per share ⁽⁵⁾ (RM)	3.06	4.99	neg. ⁽⁷⁾
Dividend rate (%) ⁽⁸⁾	37.5	87.9	3.7
Illustrative dividend per share ⁽⁶⁾ (RM)	0.03	0.05	neg. ⁽⁷⁾

Notes:

- (1) Represents a net gain of approximately RM6.16 million from the disposal by Bison Stores (a wholly-owned subsidiary) of a landed property situated in Sungai Buloh, Selangor and a commercial property located in Petaling Jaya, Selangor, and after taking into account the loss of RM5,148 from disposal of certain used equipment in outlets.
- (2) Gross profit margin is computed based on the gross profit over revenue.
- (3) PBT margin is computed based on the PBT over revenue.
- (4) PAT margin is computed based on the net profit over revenue.
- (5) Basic EPS and dividend per share are computed based on the net profit and dividends declared and distributed (including dividends in-specie) for the respective financial year over 2,190,005 ordinary shares of RM1.00 each in Bison as at 31 October 2013 and 31 October 2014 and 229,450,000 Shares as at 31 October 2015. Dividends in-specie relates to the transfer of PPE, investment property and assignment of amount due from related party as set out in Note 29 of the Accountants' Report.
- (6) Illustrative EPS and illustrative dividend per share are computed based on the net profit and dividends declared and distributed (including dividends in-specie) for the FYEs 31 October 2013, 31 October 2014 and 31 October 2015 over our Company's existing 229,450,000 Shares (prior to the Public Issue), to provide an illustration of the EPS and the dividend per share on the assumption that our current Group structure was in existence during the relevant financial periods presented above.
- (7) Represents an interim dividend amounting to RM500,000.
- (8) Dividend rate is computed based on dividends declared and distributed (including dividends in-specie) over the net profit for the financial year.

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12. FINANCIAL INFORMATION (cont'd)

12.1.2 EBITDA

The table below sets out the reconciliation of our net profit to EBITDA for the FYES 31 October 2013, 31 October 2014 and 31 October 2015:

	Audited		
	FYE 31 October		
	2013	2014	2015
	(RM'000)	(RM'000)	(RM'000)
Net profit	17,855	12,429	13,510
Tax expense	3,784	3,850	4,192
PBT	21,639	16,279	17,702
Finance costs	596	602	577
Depreciation	2,136	2,731	3,593
EBITDA	24,371	19,612	21,872

EBITDA and its related ratio presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with MFRS and IFRS. EBITDA and its related ratio are not measurements of financial performance or liquidity under MFRS and IFRS and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with MFRS and IFRS or as alternatives to cash flows from operating activities or as measures of liquidity.

The EBITDA presented here may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to the EBITDA presented by other companies because not all companies use the same definition.

12.1.3 Historical financial position

The summarised historical audited consolidated statements of financial position of our Group for the FYES 31 October 2013, 31 October 2014 and 31 October 2015 presented below have been extracted from the Accountants' Report in Section 13 of this Prospectus.

	Audited		
	FYE 31 October		
	2013	2014	2015
	(RM'000)	(RM'000)	(RM'000)
Non-current assets	29,124	43,085	48,258
Current assets	36,797	38,858	51,190
Total assets	65,921	81,943	99,448
Non-current liabilities	9,345	11,634	10,855
Current liabilities	24,633	27,820	33,094
Total liabilities	33,978	39,454	43,949
Net assets	31,943	42,489	55,499

12. FINANCIAL INFORMATION (cont'd)

The audited historical consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the "Management's discussion and analysis of financial condition and results of operations" as set out in Section 12.4 of this Prospectus and with the Accountants' Report set out in Section 13 of this Prospectus. The historical financial information included in this Prospectus does not reflect our Group's results of operations, financial position and cash flows in the future, and our Group's past operating results are not indicative of our Group's future operating performance.

Our Consolidated Financial Statements have been prepared in accordance with MFRS and IFRS and have been audited by our Reporting Accountants, SJ Grant Thornton, in accordance with the Approved Standards on Auditing in Malaysia. Our Group is regarded as a continuing entity resulting from the Acquisitions since the management of all the entities which took part in the Acquisitions were controlled by common directors and under common shareholders before and immediately after the Acquisitions. Accordingly, the audited Consolidated Financial Statements have been prepared on the basis of merger accounting and comprise the financial statements of our subsidiaries which were under common control of the ultimate shareholders and directors that existed prior to the Acquisitions during the relevant years under review or since our Company's date of incorporation. Further details relating to common control business combination are set out in Paragraph 4.1.1 of the Accountants' Report.

The financial statements of Bison for the FYE 31 October 2014 (and in respect of Bison Stores, Kuku, Eemerge and Bison Foods for the FYE 31 October 2013), are the first financial statements prepared in accordance with MFRS and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

There were no significant events subsequent to our Group's statement of financial position as at 31 October 2015 except for the SC Approval and the Bursa Approval.

12.2 Significant accounting policies, estimates and judgments

Our audited Consolidated Financial Statements have been prepared in accordance with MFRS and IFRS throughout the FYEs 31 October 2013, 31 October 2014 and 31 October 2015. Except for certain changes mentioned in Note 3.4 of the Accountants' Report set out in Section 13 of this Prospectus, our Group has consistently applied the accounting policies to all the relevant periods presented in the Consolidated Financial Statements. For a summary of our significant accounting policies, please refer to Note 4 of the Accountants' Report in Section 13 of this Prospectus.

The preparation of our financial statements requires us to make certain estimates, assumptions concerning the future and judgments. They affect the application of our Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. These estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Although these estimates and judgments are based on our best knowledge of current events and actions, actual results may differ, and will seldom equal the estimated results.

To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flow will be affected. Those accounting policies which we believe involve the application of estimates, assumptions or judgments which are significant are set out below.

12. FINANCIAL INFORMATION (cont'd)

12.2.1 Property, plant and equipment

Our Group measures our land and buildings at their revalued amount with changes in fair value being recognised in other comprehensive income.

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. We estimate the useful life of property, plant and equipment to be within 2.5 to 50 years and review the useful life of depreciable assets at end of each reporting period, where the useful life represents the utility of the assets to our Group.

Our Group carries out impairment tests where there are indications of impairment based on a variety of estimation including value-in-use of cash-generating unit to which the property, plant and equipment and the prepaid land lease payments are allocated. Estimating the value-in-use requires our Group to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate present value of those cash flows.

In the event of the expiry or termination of an operating lease for any reason, our Group's policy is to write off the restoration costs as part of the Company's operating expenses for the respective financial year due to the insignificant amount involved and infrequencies.

12.2.2 Inventories

Our inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, we take into account the most reliable evidence available at the time the estimates are made. Our Group's core business is subject to economic and technology changes which may cause selling prices to change rapidly, and our Group's profit to change.

Most of our inventories are returnable. For those that are not returnable and remain unsold past their expiry dates, we write them off as part of the costs of goods for the period.

12.2.3 Impairment of loans and receivables

Our Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, our Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

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12. FINANCIAL INFORMATION (cont'd)

12.2.4 Income taxes and deferred tax assets

Significant judgment is involved in determining our Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of our business. Our Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

12.2.5 Classification between investment properties and owner-occupied properties

Our Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, our Group considers whether a property generates cash flows largely independent of the other assets held by our Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under finance lease), our Group accounts for each portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

As at 31 October 2015, there were no investment properties held by our Group.

12.2.6 Leases

In applying the classification of leases in MFRS 117, we consider some of our leases of motor vehicles as finance lease arrangements.

The lease transaction itself is not always conclusive, and we use judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 leases.

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12. FINANCIAL INFORMATION (cont'd)

12.3 Significant factors affecting our Group's operating and financial results

Our revenue and results of operations are driven by certain factors such as retail sales from our outlets, individually and collectively, as well as certain key operating expenditures relating to our Group. Any material impact on each or a combination or all of the factors describe below would have a significant impact on our Group's operating and financial results.

(i) Growth in our Group's network of outlets

Our sales, costs and profitability, including income from advertising and promotional activities correlate directly to the number of stores that we operate. Therefore, our ability to generate and grow our revenue is dependent on our ability to continue to increase the number of our outlets.

The following table sets out the movement of our outlet numbers, our Group's consolidated revenue and retail sales over the past 3 financial years excluding "WHSmith" outlets and Bison Café:

	Audited		
	FYE 31 October		
	2013	2014	2015
Consolidated revenue (RM'000)	157,962	182,409	217,546
Retail sales (RM'000) ⁽¹⁾	140,384	158,081	191,533
Outlets at beginning of year	156	165	196
Outlets opened during the year	16	35	41
Outlets opened due to relocation during the year ⁽²⁾	-	2	-
Total outlets opened	16	37	41
Outlets closed during the year	(6)	(5)	(8)
Outlets closed due to relocation during the year ⁽²⁾	(1)	(1)	-
Total outlets closed	(7)	(6)	(8)
Outlets at the end of year	165	196	229

Notes:

(1) Retail sales are revenue generated by our outlets, calculated based on our audited consolidated revenue less:

- (i) revenue from advertising and promotions derived in the form of display incentives, space rental, merchandising fee and other advertising related income;
- (ii) other revenue in the form of sales rebates and distribution centre charges;
- (iii) sales from our Bison Café which is a food and beverage outlet;
- (iv) management services charged to WH Smith Malaysia; and
- (v) sales of merchandise to related parties and billings for IT services for the maintenance of their outlets' POS system and database.

(Items (i) to (iv) above are collectively defined as "Complementary Income").

(2) Represent the outlets that were closed and relocated within the same retail centres.

12. FINANCIAL INFORMATION (cont'd)

Over the past 3 financial years, the growth of our consolidated revenue and retail sales correlated with the growth of our number of outlets.

The closing of outlets mentioned above is generally due to them not being profitable after operating a certain length of time, reallocation of rental space and/or property owners declining to renew tenancies.

(ii) Optimising product mix

To optimise our outlets' sales performance, we largely depend on our ability to identify a suitable mix of products and services, including our ability to adapt to changes in consumer preference and to match consumer demands and preferences in different localities and across different demographics. As a result, the mix of products and services which we carry at each individual outlet may differ depending on factors such as location, foot traffic, demographic patterns, outlet size, local competition and sales patterns. The table below sets out our average transactions per outlet per day and average retail sales per transaction over the past 3 financial years:

	FYE 31 October		
	2013	2014	2015
Retail sales (RM'000)	140,384	158,081	191,533
Outlets at the end of the year	165	196	229
Average transactions per outlet per day (nos.) ⁽¹⁾	477	436	411
Average retail sales per transaction ⁽²⁾	RM4.89	RM5.07	RM5.58

Notes:

- (1) Calculated based on total number of transactions for the year over the number of days in the financial year (365 days) and the result divided by the number outlets as at the end of the respective periods.
- (2) Calculated based on total retail sales for the year over the total number of transactions for the year.

Despite the decline in the average transactions per outlet per day during the relevant FYEs under review, our average retail sales per transaction registered a growth of 3.7% from the FYE 31 October 2013 to 31 October 2014 and 10.1% from the FYE 31 October 2014 to 31 October 2015, by optimising product mix.

Changes in our product mix can impact our revenue and profitability as profit margins for our products and services vary. Commentaries relating to our revenue and gross profit are set out in Sections 12.4.1 and 12.4.3 respectively of this Prospectus.

Our ability to maintain our outlets' sales performance is dependent on our continued ability to identify suitable product mix to match our consumers' demands and preferences and if necessary, to respond in a timely manner.

(iii) Human resource supply and related cost

A key expense component of our Group is human resource expenses, more particularly those related to our retail staff. Our growth is dependent on our ability to continue to secure efficient and suitable front-line employees as our business is very much service oriented and labour-intensive. Our human resource expenditure includes our outlet and administrative staff costs. Such costs include, amongst others, wages, salaries, allowances, employee provident fund contributions and employee security contributions.

As a result of the Government's decision to increase the levy of foreign workers, we expect that our human resource related costs to increase when such an increase is imposed.

12. FINANCIAL INFORMATION *(cont'd)*

Our growth, both in sales and number of outlets, may be hindered if we are unable to secure or there is a limited supply of human resource (both local and/or foreign) to manage the operations of our new outlets. If there is labour supply disruption, we may also experience loss of sales due to disruption at the affected outlets, to such extent when we are unable to arrange for contractual, part time or temporary staff. Furthermore, in order to retain or hire employees, we may need to provide better compensation, which in turn would increase our overall operating expenditure.

Further details on the risks and challenges arising from human resources are set out in Section 5.1.10 of this Prospectus.

(iv) Tenancy expenses and related capital expenditure

Other than purchases and human resource expense, rental for outlets forms one of our largest expense items to operate an outlet. Most of our tenancies are short term in nature and not exceeding 3 years. Such tenancy agreements may be subject to review and modification by property owners, depending on the provisions of the respective tenancy agreements. Furthermore, rental rates are also subject to prevailing property market conditions, location and the demand profile of particular retail lots within a locality.

Our operating expenditure may be affected if the property owners choose to significantly increase rental rates upon renewal, in particular for prime and competitive locations or that property owners may choose not to renew our tenancies. In such an event, we may not be able to operate the affected outlet competitively or may even be required to relocate to a location that may be less optimal.

In addition to rental, and from time to time, we may also be required by property owners to conduct refurbishment to our outlets to improve storefront appearance. We may also renew an outlet's layout or appearance to improve sales or when an outlet is affected by disasters such as fire or flooding.

Such refurbishment would result in additional capital expenditure for the affected outlets and the disruption from the refurbishment may affect those outlets' sales and performance during the refurbishment period.

(v) General state of the Malaysian economy

Our present operations are located entirely in Malaysia and as such, our business operations and sales are dependent on the general state of the Malaysian economy and consumer spending.

We expect urbanisation and consumers' increasing disposable income, together with the increasing acceptance of convenience outlets as an alternative convenient shopping destination, to drive our Group's growth.

Further details of our industry and market landscape are set out in the IMR Report, included in Section 8 of this Prospectus.

However, any significant increase in inflation in the future may negatively affect our Group's operations and performance if we are unable to pass on the higher cost to our customers through increased selling prices or higher fees charged to our customers for services provided by our Group. Despite this, we believe that the impact of inflation would be limited as a majority of our products and services are generic and broad-based in nature, and accessible to consumers at affordable price points.

Please refer to "Risk factors" in Section 5 of this Prospectus for a more detailed discussion of the risk factors which may affect our Group's business, financial condition and results of operations.

12. FINANCIAL INFORMATION (cont'd)**12.4 Management's discussion and analysis of financial condition and results of operations**

The following management's discussion and analysis of our Group's financial condition and results of operations for the FYEs 31 October 2013, 31 October 2014 and 31 October 2015 are based on, and should be read in conjunction with the accompanying notes, assumptions and bases set out in the Accountants' Report in Section 13 of this Prospectus.

This discussion and analysis contains data derived from our audited Consolidated Financial Statements and includes forward-looking statements that involve risk, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors which may cause future results to differ significantly from those included in the forward-looking statements are discussed in "Forward-Looking Statements" on page xi of this Prospectus and elsewhere in this Prospectus, in particular the risk factors as set out in Section 5 of this Prospectus. Such forward-looking statements should not in any manner or circumstance be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us or any other person. Investors are cautioned not to place undue reliance on the forward-looking statements made as of the date of this Prospectus.

WH Smith Malaysia is a 50% associate of Bison Stores, and hence its financial results and position are not consolidated with that of our Group's. Our Group's investment in associates are accounted for using equity method and carried in the statements of financial position at cost plus post acquisition changes in our Group's share of net assets of the associate since acquisition date. The share of the result of the associate is reflected in the profit or loss and any change in other comprehensive income of those investees is presented as part of our Group's other comprehensive income.

Our discussion on the financial conditions and results of operations of our Group excludes those relating to WH Smith Malaysia and hence the 8 "WHSmith" outlets, unless otherwise stated. For the purposes of our discussion on the financial conditions and results of operations, we have also excluded those relating to Bison Café in order to demonstrate our pure retail operations and results, unless otherwise stated. Furthermore, the contribution of the Bison Café is not material in the context of our Group's overall business operations.

12.4.1 Revenue of our Group**(i) Revenue from our product categories, complementary income and related companies**

Our principal source of revenue is derived from retail sales of 5 general categories being (i) tobacco; (ii) food and beverage; (iii) print media; (iv) non-food products; and (v) consumer services.

Our remaining revenue is derived from Complementary Income and sales to related parties. Sales to related parties consist of merchandise sales and billings for IT services for the maintenance of their outlets' POS system and database.

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12. FINANCIAL INFORMATION (cont'd)

The following table sets out our consolidated revenue by product categories during the past 3 financial years:

	Audited					
	FYE 31 October					
	2013		2014		2015	
	(RM'000)	%	(RM'000)	%	(RM'000)	%
Retail sales:						
Tobacco	50,931	32.2	62,367	34.2	76,409	35.1
Food and beverage	49,265	31.2	59,297	32.5	80,810	37.2
Print media	31,719	20.1	26,569	14.6	20,811	9.6
Non-food	5,437	3.5	7,130	3.9	10,383	4.8
Consumer services	3,032	1.9	2,718	1.5	3,120	1.4
	140,384	88.9	158,081	86.7	191,533	88.1
Complementary Income:						
Advertising and promotions	11,343	7.2	16,881	9.2	18,532	8.5
Others	2,616	1.6	3,447	1.9	5,455	2.5
Total	154,343	97.7	178,409	97.8	215,520	99.1
Sales to related companies	3,619	2.3	4,000	2.2	2,026	0.9
Total Revenue	157,962	100.0	182,409	100.0	217,546	100.0

The outlets operated by related parties have been absorbed by our Group since April 2015 and June 2015 and the respective related parties are currently under voluntary winding up. No further sales or billings have been made since the outlets have been absorbed by our Group.

Tobacco

Revenue from our tobacco product category grew by 22.5% (RM11.44 million) from the FYE 31 October 2013 to 31 October 2014. There was a further growth by 22.5% (RM14.04 million) from the FYE 31 October 2014 to 31 October 2015.

The growth in revenue from tobacco sales was driven by a combination of tobacco price increase and the increase in the number of our retail outlets.

Food and beverage

Revenue from our food and beverage product category grew by 20.4% (RM10.03 million) from the FYE 31 October 2013 to 31 October 2014. There was a further growth by 36.3% (RM21.51 million) from the FYE 31 October 2014 to 31 October 2015.

The growth in revenue was due to the increase in the number of our retail outlets and the range of beverages sold.

12. FINANCIAL INFORMATION (cont'd)***Print media***

There has been a noticeable reduction in revenue contributed by print media year-on-year. Revenue from print media declined by 16.2% (RM5.15 million) from the FYE 31 October 2013 to 31 October 2014. There was a further decline of 21.7% (RM5.76 million) from the FYE 31 October 2014 to 31 October 2015.

We believe that this decrease is due to changing preference of consumers to online medium from the proliferation of digital media coupled with increased affordability of IT devices and hardware, mobile-data and broadband access. Another contributing factor is the increasing availability of media content through the online medium. However, we intend to continue to provide print media in our outlets to attract walk-in customers with the selection of titles based on the ratio of their sales in proportion to other product categories.

We expect the ratio of print media revenue contribution to continue to decline due to increasing revenue contributions from other product categories, as we have continuously expanded our convenience products and services in terms of range and categories as well as adjusting our mix to optimise sales performance.

Non-food

Revenue from non-food category grew by 31.1% (RM1.69 million) from the FYE 31 October 2013 to 31 October 2014. There was a further growth of 45.6% (RM3.25 million) from the FYE 31 October 2014 to 31 October 2015.

The growth in revenue is due to the increase in the number of outlets offering this range and also the increase in the range and variety of products carried by our outlets.

Consumer services

Revenue from consumer services are derived from commissions received by our Group. Further details of our consumer services are set out in Section 7.5.1(iii) of this Prospectus.

Revenue from consumer services declined by 10.4% (RM0.31 million) from the FYE 31 October 2013 to 31 October 2014. This was principally due to the cessation of our Western Union money transfer services ("**WU Service**") in April 2014, which we have been operating as a sub-agent of a financial institution since November 2012. Our WU Service ceased due to the decision of the same financial institution to cease their WU Service. This had directly affected 12 outlets within our network. However, since August 2014, we had been able to secure from WU Malaysia, our appointment as their direct agent. As a direct agent, every outlet that provides the WU Service is subject to the approval of BNM. As at the LPD, 3 of our retail outlets offer WU Service.

Revenue from consumer services increased by 14.8% (RM0.40 million) from the FYE 31 October 2014 to 31 October 2015 due to higher commissions from electronic payment services.

Advertising and promotions

The revenue derived under this category is from advertising and promotional activities undertaken by us and mainly from our beverage, telecommunication and tobacco principals and suppliers. Details of our advertising and promotional activities are set out in Sections 7.3.2(i) and 7.5.2 of this Prospectus.

12. FINANCIAL INFORMATION (cont'd)

Revenue from advertising and promotions increased by 48.8% (RM5.54 million) from the FYE 31 October 2013 to 31 October 2014. There was a further growth by 9.8% (RM1.65 million) from the FYE 31 October 2014 to 31 October 2015.

The overall growth of our advertising and promotions revenue can be attributed to the increase in number of outlets and as a result, increase in display spaces offered.

As we expand our network of outlets and thus increasing points of sales, we expect advertising and promotional activities to increase in tandem. In addition, the expansion of our network of outlets enables us to secure better trading terms in respect of advertising revenue.

Others

Revenue from others increased by 31.8% (RM0.83 million) from the FYE 31 October 2013 to 31 October 2014. There was a further growth by 58.3% (RM2.01 million) from the FYE 31 October 2014 to 31 October 2015.

The growth in revenue from the FYE 31 October 2013 to 31 October 2014 is largely driven by Bison DC charges and sales rebate charged to our suppliers due to better trading terms. The growth from FYE 31 October 2014 to 31 October 2015 was due to the same reasons, in addition to the revenue contribution of our Bison Café.

Revenue from our Bison Café for the FYE 31 October 2014 decreased from RM1.08 million the year before to RM0.98 million due to the closure of the outlet for 2 months in June and July 2014 for refurbishment. Upon reopening, Bison Café's revenue increased to RM1.53 million for the FYE 31 October 2015.

(ii) Revenue from our network of outlets

The growth in our consolidated revenue during the FYEs 31 October 2013, 31 October 2014 and 31 October 2015 can be attributed to the increase in the number of our outlets.

Sales by our existing, new and closed outlets

The following table sets out the corresponding retail sales of our existing, new and closed outlets during the past 3 financial years:

	FYE 31 October					
	2013		2014		2015	
	(RM'000)	(outlets)	(RM'000)	(outlets)	(RM'000)	(outlets)
Existing outlets ⁽¹⁾	134,805	149	141,000	159	170,920	188
New outlets ⁽²⁾	3,825	16	12,698	37	18,963	41
	138,630	165	153,698	196	189,883	229
Closed outlets ⁽³⁾	1,754	7	4,383	6	1,650	8
Total	140,384	172	158,081	202	191,533	237

12. FINANCIAL INFORMATION (cont'd)

Notes:

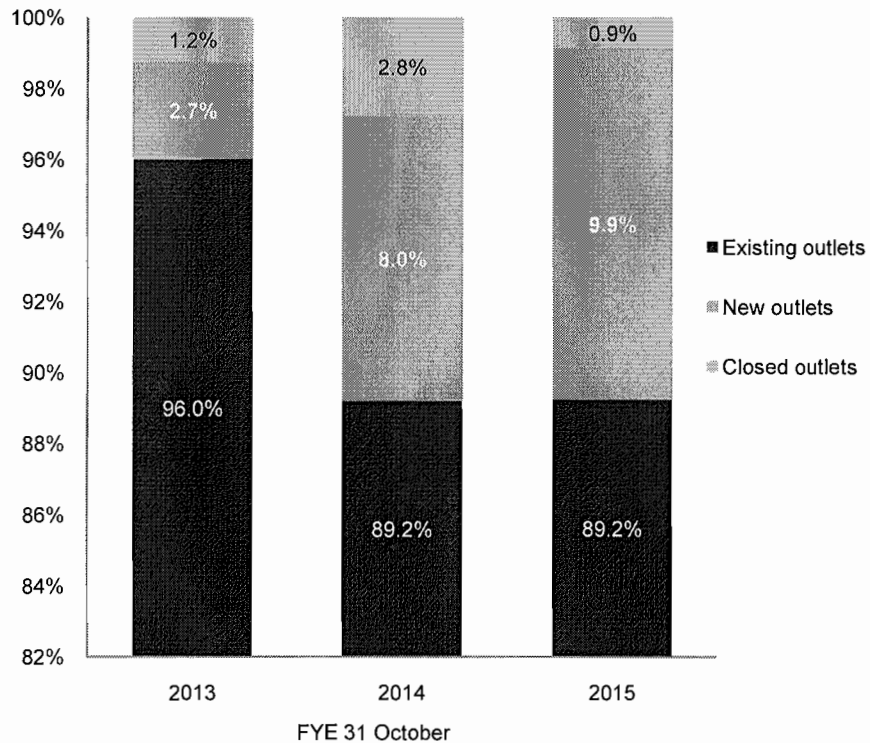
- (1) Being the retail sales of existing outlets for the relevant financial year that were operating at the start of the financial year and were still operating at the end of the financial year. Existing outlets represent the number of outlets at the beginning of the financial year and includes new outlets opened during the previous financial year.
- (2) Being the retail sales contributed by new outlets opened and operating during the financial year.
- (3) Being the retail sales of outlets that were closed during the financial year due to expiry of lease, non-renewal of lease or closed due to poor performance.

The increase in the number of our outlets has generally been concentrated in urban retail localities. This growth can also be attributed to the increasing number of shopping malls and the growth of new residential and commercial areas within these localities.

Generally, our outlets experienced increasing sales during the first 3 years of operations and sales are expected to plateau after that when the outlets have reached maturity in customer awareness and share of foot traffic.

At the beginning of the FYE 31 October 2013, our Group operated 156 outlets. At the end of the FYE 31 October 2015, we had grown to a total of 229 outlets.

The chart below sets out the proportion of our consolidated revenue for the respective years contributed from existing outlets, new outlets and closed outlets:



During the financial periods under review, existing outlets contributed the largest proportion of revenue to our Group's consolidated revenue, averaging above 90%.