



# KAREX BERHAD

(COMPANY NO. 1018579-U)  
(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT, 1965)

## PROSPECTUS

THIS PROSPECTUS IS DATED 11 OCTOBER 2013

THE INITIAL PUBLIC OFFERING OF 67,500,000 ORDINARY SHARES OF RM0.25 EACH IN KAREX BERHAD ("KAREX") ("SHARES") COMPRISING A PUBLIC ISSUE OF 40,500,000 NEW SHARES ("ISSUE SHARES") AND AN OFFER FOR SALE OF 27,000,000 EXISTING SHARES ("OFFER SHARES") AT RM1.85 PER SHARE INVOLVING:

- I. THE INSTITUTIONAL OFFERING OF 47,250,000 SHARES COMPRISING 27,000,000 OFFER SHARES AND 20,250,000 ISSUE SHARES TO INSTITUTIONAL AND SELECTED INVESTORS IN MALAYSIA, SINGAPORE AND HONG KONG; AND
- II. THE RETAIL OFFERING OF 20,250,000 SHARES COMPRISING:
  - 13,500,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC; AND
  - 6,750,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY ELIGIBLE DIRECTORS, EMPLOYEES, BUSINESS ASSOCIATES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF KAREX AND ITS SUBSIDIARIES,

SUBJECT TO CLAWBACK AND REALLOCATION PROVISIONS.



## KAREX BERHAD

[www.karex.com.my](http://www.karex.com.my)



PRINCIPAL ADVISER, UNDERWRITER  
AND JOINT PLACEMENT AGENT



FINANCIAL ADVISER



JOINT PLACEMENT AGENT



YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.  
PLEASE CONSIDER THE RISK FACTORS SET OUT IN SECTION 5 OF THIS PROSPECTUS BEFORE INVESTING.  
LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

## **IMPORTANT NOTICE**

### **RESPONSIBILITY STATEMENTS**

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

RHB INVESTMENT BANK BERHAD ("**RHB INVESTMENT BANK**"), BEING THE PRINCIPAL ADVISER FOR OUR INITIAL PUBLIC OFFERING ("**IPO**"), ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR IPO.

### **STATEMENT OF DISCLAIMER**

THE SECURITIES COMMISSION MALAYSIA ("**SC**") HAD ON 12 JUNE 2013 APPROVED OUR IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC ON 10 OCTOBER 2013. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR IPO.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF INVESTMENT IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

OUR COMPANY HAD ON 10 SEPTEMBER 2013 OBTAINED THE APPROVAL OF BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL COMPRISING ORDINARY SHARES OF RM0.25 EACH IN OUR COMPANY ("**SHARES**"). OUR ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, COMPANY OR SHARES.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORMS, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES OF MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

### **OTHER STATEMENTS**

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("**CMSA**").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING OUR IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, (E.G. DIRECTORS AND ADVISERS) ARE RESPONSIBLE.

YOU SHOULD NOTE THAT ANY AGREEMENT BY THE UNDERWRITER NAMED IN THIS PROSPECTUS TO UNDERWRITE OUR SHARES ALLOCATED FOR THE MALAYSIAN PUBLIC IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR SHARES BEING OFFERED.

THE DISTRIBUTION OF THIS PROSPECTUS AND OUR IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. THIS PROSPECTUS WILL NOT BE DISTRIBUTED OUTSIDE MALAYSIA OTHER THAN TO INSTITUTIONS AND SELECTED INVESTORS IN SINGAPORE AND HONG KONG. OUR COMPANY, THE PROMOTERS, SELLING SHAREHOLDERS, PRINCIPAL ADVISER, UNDERWRITER AND JOINT PLACEMENT AGENTS NAMED IN THIS PROSPECTUS HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE OF MALAYSIA, SINGAPORE AND HONG KONG. NO ACTION HAS BEEN TAKEN TO PERMIT ANY OFFERING OF OUR SHARES IN ANY JURISDICTION OTHER THAN MALAYSIA, SINGAPORE AND HONG KONG BASED ON THIS PROSPECTUS. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OR INVITATION TO SUBSCRIBE FOR OR PURCHASE SHARES OFFERED UNDER OUR IPO IN ANY JURISDICTION OR IN ANY CIRCUMSTANCE IN WHICH SUCH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF OUR SHARES OFFERED UNDER OUR IPO IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PROSPECTIVE INVESTORS WHO MAY BE IN POSSESSION OF THIS PROSPECTUS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS IS PUBLISHED SOLELY IN CONNECTION WITH OUR IPO. OUR SHARES BEING OFFERED IN OUR IPO ARE OFFERED ON THE BASIS OF THE INFORMATION CONTAINED AND REPRESENTATIONS MADE IN THIS PROSPECTUS. OUR COMPANY, THE PROMOTERS, SELLING SHAREHOLDERS, PRINCIPAL ADVISER, UNDERWRITER AND JOINT PLACEMENT AGENTS HAVE NOT AUTHORISED ANYONE TO PROVIDE INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS. ANY INFORMATION OR REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY OUR COMPANY, THE PROMOTERS, SELLING SHAREHOLDERS, PRINCIPAL ADVISER, UNDERWRITER AND JOINT PLACEMENT AGENTS OR ANY OF THEIR RESPECTIVE DIRECTORS OR ANY OTHER PERSONS INVOLVED IN OUR IPO.

THIS PROSPECTUS HAS BEEN PREPARED IN THE CONTEXT OF AN INITIAL PUBLIC OFFERING UNDER THE LAWS OF MALAYSIA. IT DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA.

**WARNING TO INVESTORS IN SINGAPORE AND HONG KONG:**

**THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN SINGAPORE OR HONG KONG. INVESTORS IN SINGAPORE AND HONG KONG ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.**

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE AS A PROSPECTUS UNDER THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (“SFA”) AND THE IPO SHARES WILL BE OFFERED IN SINGAPORE PURSUANT TO EXEMPTIONS INVOKED UNDER SUBDIVISION 4, DIVISION 1 OF PART XIII OF THE SFA, IN PARTICULARLY SECTION 274 AND SECTION 275, OF THE SFA. ACCORDINGLY, THIS PROSPECTUS AND ANY OTHER OFFERING DOCUMENT OR MATERIAL IN CONNECTION WITH THE IPO SHARES MAY NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN SINGAPORE, NOR MAY ANY OF THE IPO SHARES BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA, (II) A RELEVANT PERSON PURSUANT TO SECTION 275(1) OF THE SFA, (III) ANY PERSON PURSUANT TO AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA, OR (IV) PURSUANT TO AND IN ACCORDANCE WITH THE CONDITIONS OF ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING ARE SUBSCRIBED OR PURCHASED BY (I) AN INSTITUTIONAL INVESTOR PURSUANT TO SECTION 274 OF THE SFA, (II) A RELEVANT PERSON PURSUANT TO SECTION 275(1) OF THE SFA, OR (III) ANY PERSON PURSUANT TO AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA, SUCH SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING SHALL NOT BE SOLD WITHIN A PERIOD OF SIX MONTHS FROM THE DATE OF THE INITIAL ACQUISITION TO ANY PERSON OTHER THAN AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA, TO A RELEVANT PERSON AS DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON PURSUANT TO AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA, AND IN ACCORDANCE WITH THE CONDITIONS OF THE SFA.

WHERE THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS: (A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR (B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY IS AN ACCREDITED INVESTOR, SECURITIES OF THAT CORPORATION OR THE BENEFICIARIES’ RIGHTS AND INTEREST IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING UNDER SECTION 275 OF THE SFA UNLESS (I) THAT TRANSFER: (A) IS MADE ONLY TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA OR TO A RELEVANT PERSON AS DEFINED IN SECTION 275(2) OF THE SFA; OR (B) ARISES FROM AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA, (II) NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR (III) THE TRANSFER IS BY OPERATION OF LAW, AND IN ACCORDANCE WITH THE CONDITIONS OF THE SFA.

THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING MAY NOT BE OFFERED OR SOLD BY MEANS OF THIS OR ANY DOCUMENT, OTHER THAN (A) TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF SECTION 1 OF PART 1 OF SCHEDULE 1 TO THE SECURITIES AND FUTURES ORDINANCE (CAP.571 OF THE LAWS OF HONG KONG) ("SFO") AND ANY RULES MADE UNDER THE SFO OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) ("CO") OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE CO, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE OR ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE LAWS OF HONG KONG) MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, OTHER THAN WITH RESPECT TO THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF SECTION 1 OF PART 1 OF SCHEDULE 1 TO THE SFO AND ANY RULES MADE UNDER THE SFO.

THE STATEMENT OF DISCLAIMER IS SUBJECT TO THE JOINT PLACEMENT AGENTS COMPLYING WITH THE APPLICABLE SECURITIES LAWS IN SINGAPORE AND HONG KONG.

### **ELECTORNIC PROSPECTUS**

THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED AND SUBMITTED TO THE SC AND BURSA SECURITIES ARE THE SAME. YOU MAY VIEW A COPY OF THE ELECTRONIC PROSPECTUS ON THE WEBSITES OF RHB BANK BERHAD AT [www.rhb.com.my](http://www.rhb.com.my), CIMB INVESTMENT BANK BERHAD AT [www.eipocimb.com](http://www.eipocimb.com), CIMB BANK BERHAD AT [www.cimbclicks.com.my](http://www.cimbclicks.com.my), MALAYAN BANKING BERHAD AT [www.maybank2u.com.my](http://www.maybank2u.com.my), AFFIN BANK BERHAD AT [www.affinOnline.com](http://www.affinOnline.com) AND PUBLIC BANK BERHAD AT [www.pbebank.com](http://www.pbebank.com).

THIS PROSPECTUS MAY ALSO BE DOWNLOADED OR VIEWED FROM THE WEBSITE OF BURSA SECURITIES AT [www.bursamalaysia.com](http://www.bursamalaysia.com).

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

IF YOU DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM OUR COMPANY OR THE ISSUING HOUSE, (A PAPER/PRINTED COPY OF THIS PROSPECTUS). IF THERE ARE ANY DISCREPANCIES BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL.

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

- (I) WE DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY WITH THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENTS OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (II) WE ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, FOR FULFILLING ANY OF THE TERMS OF ANY AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COSTS THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED IN THE THIRD PARTY INTERNET SITES; AND
- (III) ANY DATA, INFORMATION, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEMS OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILE OR OTHER MATERIAL.

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

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OTHERWISE OBTAINED FROM THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND THEREAFTER COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES;
- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF THE ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED AS THE INTERNET IS NOT A FULLY SECURED MEDIUM; AND
- (III) ANY DATA, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEMS OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, FILE OR OTHER MATERIAL.

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

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**INDICATIVE TIMETABLE**

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Our indicative timetable is set out below:

<b>Events</b>	<b>Tentative date</b>
Issuance of Prospectus / Opening of Retail Offering	11 October 2013 at 10.00 a.m.
Closing of Retail Offering	23 October 2013 at 5.00 p.m.
Balloting of applications for the Issue Shares pursuant to the Retail Offering	25 October 2013
Allotment/transfer of the IPO Shares to successful applicants	4 November 2013
Listing	6 November 2013

The applications for the Retail Offering will close on the time and date stated above or such later date or dates as our Directors, the Selling Shareholders and Underwriter may decide in their absolute discretion.

Should the closing date and/or time for the application of the Retail Offering be extended, the dates for the balloting of applications for the Issue Shares pursuant to the Retail Offering, allotment/transfer of the Issue Shares to successful applicants and our Listing may be extended accordingly. We will announce any extension of time for the application for the Issue Shares by way of advertisements in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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Any discrepancy in the tables between the amounts listed and the totals in this Prospectus are due to rounding. Other abbreviations used herein are defined in the “Definitions” section in this Prospectus. Certain acronyms and technical terms used herein are defined in the “Glossary of Technical Terms” section appearing on page xxi of this Prospectus.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

All references to “our Company” and “Karex” in this Prospectus are to Karex Berhad. References to “our Group” and “Karex Group” in this Prospectus are to our Company and our subsidiaries taken as a whole. References to “RM” and “sen” are to the lawful currency of Malaysia. References to “our Share” are to the ordinary share of RM0.25 each in Karex Berhad. References to “we”, “us”, “our”, “ourselves” are to our Company and our subsidiaries, save where the context otherwise requires, our Group.

Unless the context otherwise requires, references to “Management” are to our Directors and key management personnel as at the date of this Prospectus. Statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to dates and times are references to dates and times in Malaysia, unless otherwise stated.

References to the “LPD” in this Prospectus are to 23 September 2013, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which our Group operates and our estimated market share in the industry in which our Group operates. This data is taken or derived from information published by publicly available sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from the report(s) prepared by Infobusiness Research & Consulting Sdn Bhd (“**Infobusiness**”), the independent market researcher, for inclusion in this Prospectus. We have appointed Infobusiness to provide an independent market and industry review. In compiling their data for the review, Infobusiness had relied on industry sources, published materials, their own private databanks and direct contacts within the industry. We believe that the information on the industries as contained in this Prospectus and the other statistical data and projections cited in this Prospectus are intended to help you to understand the major trends in the industry in which our Group operates. However, we, the Promoters, the Selling Shareholders and our Principal Adviser, Underwriter and Joint Placement Agents have not independently verified these data and projections.

We, the Promoters, the Selling Shareholders and our Principal Adviser do not make any representation as to the correctness, accuracy or completeness of such data and projections. Accordingly, you should not place undue reliance on the statistical data and projections cited in this Prospectus. Similarly, third party projections in this Prospectus are subject to uncertainties that could cause the actual data to differ materially from such projections. We give no assurance that such projections will be achieved and you should not place undue reliance on the third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

## FORWARD-LOOKING STATEMENTS

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This Prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Company for future operations, are forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitation, statements relating to:

- (i) the general industry environment including the demand for our products and services;
- (ii) our business strategies, trends, competitive position and future plans;
- (iii) potential growth opportunities;
- (iv) plans and objectives of our Company for future operations;
- (v) our financial performance and financing plans; and
- (vi) the regulatory environment and the effects of future regulation.

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

- (i) the general economic, business, social, political and investment environment in Malaysia and globally;
- (ii) government policies, legislations or regulations;
- (iii) interest rates, foreign exchange rates and tax rates;
- (iv) the competitive environment in our industry;
- (v) fixed and contingent obligations and commitments;
- (vi) the activities and financial health of our customers, suppliers and other business partners;
- (vii) significant capital expenditure requirements; and
- (viii) any other factors beyond our control.

Additional factors that could cause our actual results, performance and achievements or industry results to differ materially include, but are not limited to, those discussed in Section 5 of this Prospectus on “Risk Factors” and Section 13.2 of this Prospectus on “Management’s discussion and analysis of proforma financial condition and results of operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be achieved. Such forward-looking statements were made as at the LPD. Subject to any applicable laws, rules, regulations and guidelines having the force of law, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

**DEFINITIONS**

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

Acquisitions	: Collectively, acquisitions of KISB, ITL, ISB, HMSB and UTSB pursuant to the SSAs
Act	: Companies Act, 1965 and any modification, consolidation or re-enactment thereof for the time being in force, and all statutory instruments or orders made pursuant thereto
ADA	: Authorised Depository Agent
Application Form	: The application form for the application for the Issue Shares accompanying this Prospectus
ATM	: Automated teller machine
Authorised Financial Institutions	: The authorised financial institutions participating in the Internet Share Applications with respect to payments for the Retail Offering
Board	: Board of Directors of our Company
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
CAGR	: Compounded annual growth rate
CCM	: Companies Commission of Malaysia
CIMB	: CIMB Investment Bank Berhad
CDS	: Central Depository System
CMSA	: Capital Markets and Services Act, 2007
CO	: Companies Ordinance (Cap. 32 of the Laws of Hong Kong)
Company Secretary	: Anna Lee Ai Leng (LS 0009729)
Deposited Security	: A security standing to the credit of a CDS account, and includes securities in a CDS account that is in suspense
Depositories Act	: The Securities Industry (Central Depositories) Act, 1991
Director(s)	: Director(s) of our Company and shall have the meaning given in Section 4 of the Act
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	: Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium, including but not limited to CD-ROMs
Electronic Share Application	: Application for our Shares under the Retail Offering through a Participating Financial Institutions' ATM
EPS	: Earnings per share
FPE	: Financial period ended/ending
FYE	: Financial year ended/ending 30 June



**DEFINITIONS (Cont'd)**

GP	:	Gross profit
HMSB SSA	:	The share sale agreement dated 30 November 2012 between our Company (as purchaser) and CIL (as vendor) for the acquisition of 1,000,000 shares of RM1.00 each in HMSB representing 100% of the issued and paid-up share capital in HMSB
IMR Executive Summary	:	Executive summary of Infobusiness' independent market research report on the strategic and competitive analysis of the global condom industry
Independent Market Researcher	:	Infobusiness Research & Consulting Sdn Bhd
Institutional Offering	:	The institutional offering of 47,250,000 Shares comprising 27,000,000 Offer Shares and 20,250,000 Issue Shares at the IPO Price to institutional and selected investors in Malaysia, Hong Kong and Singapore  This offering is subject to clawback and reallocation provisions
Internet Participating Financial Institution	:	The internet participating institution for the Internet Share Application, namely, RHB Bank Berhad, CIMB Investment Bank Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Affin Bank Berhad and Public Bank Berhad
Internet Share Application	:	The application for our Shares under the Retail Offering through an online share application service provided by the Internet Participating Financial Institutions
IPO	:	Initial public offering of 67,500,000 Shares on the Main Market of Bursa Securities comprising the Retail Offering and Institutional Offering
IPO Price	:	RM1.85 for each IPO Share
IPO Shares	:	Collectively, the Issue Shares and Offer Shares
ISB SSA	:	The share sale agreement dated 30 November 2012 between our Company (as purchaser) and AJNA, Goh Leng Kian, Lim Poh Chuan, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi (collectively as vendors) for the acquisition of 250,000 shares of RM1.00 each in ISB representing 100% of the issued and paid-up share capital in ISB
Issue Shares	:	40,500,000 new Shares to be issued pursuant to our IPO
Issuing House or MIH	:	Malaysian Issuing House Sdn Bhd
ITL SSA	:	The share sale agreement dated 30 November 2012 as varied by a letter of variation dated 28 June 2013 between our Company (as purchaser) and Innolatex Limited, Goh Siang, Goh Leng Kian and Goh Miah Kiat (collectively as vendors) for the acquisition of 1,620,000 shares of which THB130,500,000 have been paid-up, representing 100% of the issued and paid-up share capital in ITL
Joint Placement Agents	:	Collectively, RHB Investment Bank and CIMB, the placement agents for our IPO

## DEFINITIONS (Cont'd)

KISB SSA	: The share sale agreement dated 30 November 2012 between our Company (as purchaser) and Lam Jiuan Jiuan, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat, Lam Yiu Pang Albert, Goh Ai Noi, Shaari bin Haron, Dato Mohamed Suhaimi bin Sulaiman, Hamidon bin Abdullah and Abu Talib bin Abdul Rahman (collectively as vendors) for the acquisition of 2,500,000 shares of RM1.00 each in KISB representing 100% of the issued and paid-up share capital in KISB
Listing	: Admission of our Company to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM67,500,000 comprising 270,000,000 Shares on the Main Market
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 23 September 2013, being the latest practicable date prior to the issuance of this Prospectus
M&A	: Memorandum and articles of association
Main Market	: Main Market of Bursa Securities
Malaysian Public	: Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	: Any day on which Bursa Securities is open for the trading in securities
MIDA	: Malaysian Industrial Development Authority
MITI	: Ministry of International Trade and Industry
NA	: Net assets
NBV	: Net book value
NTA	: Net tangible assets
Offer Shares	: 27,000,000 existing Shares to be offered by the Selling Shareholders pursuant to our IPO
Offerors or Selling Shareholders	: Lam Jiuan Jiuan, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat, Lam Yiu Pang Albert and Goh Ai Noi, being the selling shareholders of the Offer Shares
Official List	: A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
Participating Financial Institution	: Participating financial institutions for the Electronic Share Application as set out in Section 17 of this Prospectus
PAT	: Profit after taxation
PB multiple	: Price-to-book multiple
PBT	: Profit before taxation
PE multiple	: Price-to-earnings multiple
Promoters	: Collectively, KOL, AJNA, Lam Jiuan Jiuan, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat, Lam Yiu Pang Albert and Goh Ai Noi

**DEFINITIONS (Cont'd)**

Prospectus	: This prospectus dated 11 October 2013 issued by our Company in respect of our IPO
Public	: All persons or members of the public excluding Directors of our Group, our substantial shareholders and persons connected or associated with them
Record of Depositors	: A record of depositors provided by Bursa Depository under the Rules of Bursa Depository
Reporting Accountants	: Messrs. KPMG
Retail Offering	: Offering of 20,250,000 Shares by our Company at the IPO Price comprising: <ul style="list-style-type: none"> <li>(i) 13,500,000 Issue Shares offered to the Malaysian Public via balloting where 50.0% or 6,750,000 Issue Shares are designated for Bumiputera investors; and</li> <li>(ii) 6,750,000 Issue Shares offered to our eligible Directors, directors of our Subsidiaries, employees, business associates and persons who have contributed to the success of our Group.</li> </ul> <p>This offering is subject to clawback and reallocation provisions</p>
RHB Investment Bank or Principal Adviser or Underwriter	: RHB Investment Bank Berhad
SC	: Securities Commission Malaysia
SC Guidelines	: Equity Guidelines issued by the SC
SFA	: Securities and Futures Act, Chapter 289 of Singapore
SFO	: Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
Share Registrar	: Symphony Share Registrars Sdn Bhd
Shares	: Ordinary shares of RM0.25 each in our Company
Solicitors	: Collectively, Jeff Leong, Poon & Wong in Malaysia and Siam City Law Offices Limited in Thailand
SSAs	: Collectively, the KISB SSA, ITL SSA, ISB SSA, HMSB SSA and UTSB SSA
Subsidiaries	: Collectively, KISB, ITL, ISB, HMSB and UTSB
Transfer of Shares	: Transfer of the consideration shares pursuant to the Acquisitions where a portion of the said consideration shares are transferred to/between the Promoters prior to our Listing to arrive at the final shareholdings structure (as described in Section 6.2(iii) of this Prospectus)
UAE	: United Arab Emirates
UK	: United Kingdom

**DEFINITIONS (Cont'd)**

Underwriting Agreement	: Underwriting agreement dated 27 September 2013 entered into between our Company and the Underwriter
US	: United States
UTSB SSA	: The share sale agreement dated 30 November 2012 between our Company, through KISB (as purchaser) and Goh Siang, Goh Leng Kian, Chew Cheng Chuan and the Estate of Abdul Rahman bin Rashid (collectively as vendors) for the acquisition of 200,000 ordinary shares of RM1.00 each in UTSB representing 40% of the issued and paid-up share capital in UTSB by KISB
ZJ Advisory or Financial Adviser	: ZJ Advisory Sdn Bhd

**COMPANIES / NGOs / INTERNATIONAL AGENCIES**

AJNA	: AJNA Holdings Limited, shareholder of ISB
Banrub	: Banrub Sdn Bhd
CI	: Carex International, a partnership registered in Hong Kong
CIL	: Carex International Limited
Crown Agents	: Crown Agents International Limited, an international development specialist working with Governments, companies and NGOs in the fields of public finance, banking, investment, institutional development, supply chain and training, so as to increase prosperity, reduce poverty and improve health
HMSB	: Hevea Medical Sdn Bhd
Getahindus	: Getahindus (M) Sdn Bhd, a company principally involved in the production and supply of natural rubber latex
ISB	: Innolatex Sdn Bhd
ITL	: Innolatex (Thailand) Limited
JSI	: John Snow Inc., a public health management consulting firm (a contractor for USAID to procure and supply health products)
Karex Group or Group	: Collectively, our Company and our Subsidiaries
Karex or Company	: Karex Berhad
KISB	: Karex Industries Sdn Bhd
KOL	: Karex One Limited, our Promoter and, upon completion of the Transfer of Shares, a substantial shareholder of our Company
MPIB	: Malaysia Packaging Industry Berhad, a company listed on Bursa Securities principally involved in the manufacturing of printed and laminated flexible light packaging materials. MPIB also specialises in producing special application packaging materials for use in the food and beverage, seasonings, medical, pharmaceutical and industrial use products

**DEFINITIONS (Cont'd)**

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MSI	: Marie Stopes International, an international NGO established to bring quality family planning and reproductive healthcare to the world's poorest and most vulnerable people, in the areas of family planning, safe abortion and maternal health services. It works closely with private healthcare providers, governments, other aid agencies, academic institutions and other NGOs
PSI	: Population Service International, an international NGO dedicated to improving the health of people in the developing countries, by focusing on serious challenges such as a lack of family planning, HIV and AIDS, barriers to maternal health as well as threats to children from diseases such as malaria, pneumonia and malnutrition. PSI works in partnership with local governments, ministries of health and local organisations to deliver its products and services
Revertex	: Revertex (Malaysia) Sdn Bhd, a member of Synthomer PLC and principally involved in the production and supply of natural rubber latex
UNFPA	: United Nation Population Fund, an agency within the United Nations. Its goals are towards achieving universal access to sexual and reproductive health, including family planning, promoting reproductive rights and reducing maternal mortality. It is also the lead agency within the United Nations for the procurement of reproductive health commodities, including condoms
USAID	: United State Agency for International Development, an agency created by the US government to promote the interest of the US while improving lives for the poorest and most vulnerable around the world. USAID assists to carry out US foreign policy by promoting broad scale human progress. At the same time, this assists to expand stable, free societies, creates markets and trade partners for the US, as well as fosters goodwill abroad
UTSB	: Uro Technology Sdn Bhd

**CURRENCIES**

Euro	: Euro, the lawful currency of the European Union
GBP	: Great Britain Pound, the lawful currency of UK
RM and sen	: Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
THB	: Thai Baht, the lawful currency of Thailand
USD	: United States Dollar, the lawful currency of the US

## GLOSSARY OF TECHNICAL TERMS

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To facilitate better understanding of the business of our Group, the following glossary contains an explanation and description of certain terms used in this Prospectus in connection with our Group. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

AIDS	:	Acquired immune deficiency syndrome
BSI	:	British Standards Institution, the national standards body of the UK
CE	:	Conformité Européenne, a certification marking which certified that a product has met the EU health, safety, and environmental requirements to ensure consumer safety
CMDCAS	:	Canadian Medical Devices Conformity Assessment System was developed by Health Canada in collaboration with the Standards Council of Canada to support the regulations of the Canadian Medical Devices Regulations
ET	:	Electronic testing
US FDA	:	Food and Drug Administration, an agency within the US Department of Health and Human Services and its responsibilities extend across the entire US. This includes, <i>inter alia</i> , protecting public health by assuring that food, medical devices, human and veterinary drugs and other biological products are safe
HIV	:	Human immunodeficiency virus
IEC	:	International Electrotechnical Commission, an organisation for the preparation and publication of International Standards for all electrical, electronic and related technologies
IPQC	:	In-process quality control
ISO	:	International Organization for Standardization, an organisation made up from a network of national standards bodies to develop international standards
NGOs	:	Non-Governmental Organisations
OBM	:	Own brand manufacturers / manufacturing
Polyisoprene	:	A type of synthetic rubber
Pre-vulcanised latex (also known as compounded latex)	:	A type of natural rubber latex produced from latex concentrate via the vulcanisation process (improvement of the rubber elasticity and strength by heating it in the presence of sulphur)
QA	:	Quality assurance
QC	:	Quality control
QMS	:	Quality management system
R&D	:	Research and development
SABS	:	South African Bureau of Standards, the national standards body of South Africa
SIRIM	:	SIRIM Berhad, the national standards body of Malaysia
STIs	:	Sexually transmitted infections
TISI	:	Thai Industrial Standards Institute, the national standards body of Thailand

## 1. INTRODUCTION

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This Prospectus is dated 11 October 2013.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with CCM. Neither the SC nor CCM takes any responsibility for its contents.

We have received the SC's approval vide its letter dated 12 June 2013 for our IPO and Listing. However, the approval of the SC shall not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the content of this Prospectus. **You are advised to make your own independent assessment of our Company and should rely on your own evaluation to assess the merits and risks of our IPO and an investment in our Company. In considering the investment, if you are in any doubt as to the action to be taken, you should immediately consult your stockbrokers, bank managers, solicitors, accountants or other professional advisers.**

We have also obtained the approval from Bursa Securities on 10 September 2013, for, amongst others, our admission to the Official List of the Main Market and for permission to deal in and for the listing of and quotation for our Shares, including the IPO Shares, which is the subject of this Prospectus, on the Main Market.

Our Shares will be admitted to the Official List of the Main Market and an official quotation will commence after, amongst others, the receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been issued and despatched to all the successful applicants. Admission to the Official List of the Main Market shall not be taken as an indication of the merits of our IPO, our Company or our Shares.

Pursuant to Section 14(1) of the Depositories Act, Bursa Securities has prescribed the IPO Shares as a prescribed security. Therefore, we will deposit the IPO Shares directly with Bursa Depository. Any dealings in the IPO Shares will be carried out in accordance with the Depositories Act and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of our Shares for which listing is sought must be in the hands of public shareholders and a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing. Our Company is expected to achieve this at the point of Listing. In the event that the above requirement is not met, our Company may not be permitted to proceed with our Listing. In such an event, all monies paid in respect of all applications will be returned in full without interest and if such monies are not returned in full within 14 days after we and the Selling Shareholders become liable to do so, the provisions of subsection 243(2) and 243(6) of the CMSA shall apply accordingly. In the event our Listing is aborted and our Shares have been allotted to our shareholders, a return of monies to holders of our Shares could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia.

If you are submitting your application by way of Application Form or Electronic Share Application or Internet Share Application (refer to Sections 17.4, 17.5 and 17.6 respectively of this Prospectus), you **MUST** have a CDS account. If you presently do not have a CDS account, you should open a CDS account at an ADA prior to making an application for the IPO Shares. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

## 2. CORPORATE DIRECTORY

### BOARD OF DIRECTORS

<b>Name / Designation</b>	<b>Address</b>	<b>Profession</b>	<b>Nationality</b>
Tan Sri Dato' Seri Arshad bin Ayub <i>Chairman, Independent Non-Executive Director</i>	25, Jalan Permata 7/1 40000 Shah Alam Selangor	Company Director	Malaysian
Goh Siang <i>Senior Executive Director</i>	No. 2, Jalan Mutiara 4 Taman Mutiara 82000 Pontian Johor	Company Director	Malaysian
Goh Leng Kian <i>Executive Director, Technical and R&amp;D</i>	No. 12, Jalan Mutiara 4 Taman Mutiara 82000 Pontian Johor	Company Director	Malaysian
Goh Yen Yen <i>Executive Director, Administration</i>	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	Company Director	Malaysian
Lam Jiu-an Jiu-an <i>Non-Independent Non-Executive Director</i>	16-C, Block 20, Baguio Villa Pokfulam Hong Kong	Company Director	Australian
Wong Yien Kim <i>Independent Non-Executive Director</i>	No. 8, Jalan 11/3 46200 Petaling Jaya Selangor	Company Director	Malaysian
Jonathan Law Ngee Song <i>Independent Non-Executive Director</i>	No. 7, Lorong Teluk Pulai Kanan Taman Seputih 58000 Kuala Lumpur Wilayah Persekutuan	Company Director	Malaysian
Dato' Dr. Ong Eng Long <i>Independent Non-Executive Director</i>	11, Jalan PJU 3/12A Tropicana Indah 47410 Petaling Jaya Selangor	Company Director	Malaysian

### AUDIT COMMITTEE

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Wong Yien Kim	Chairman	Independent Non-Executive Director
Tan Sri Dato' Seri Arshad bin Ayub	Member	Chairman, Independent Non-Executive Director
Jonathan Law Ngee Song	Member	Independent Non-Executive Director



**2. CORPORATE DIRECTORY (Cont'd)****REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Tan Sri Dato' Seri Arshad bin Ayub	Chairman	Chairman, Independent Non-Executive Director
Jonathan Law Ngee Song	Member	Independent Non-Executive Director
Goh Yen Yen	Member	Executive Director, Administration

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Jonathan Law Ngee Song	Chairman	Independent Non-Executive Director
Wong Yien Kim	Member	Independent Non-Executive Director
Lam Jiuan Jiuan	Member	Non-Independent Non-Executive Director

**COMPANY SECRETARY** : Anna Lee Ai Leng, LS 0009729  
10th Floor, Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur  
Wilayah Persekutuan  
Tel No.: +603 2382 4288  
Fax No.: +603 2382 4170

**REGISTERED OFFICE** : 10th Floor, Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur  
Wilayah Persekutuan  
Tel No.: +603 2382 4288  
Fax No.: +603 2382 4170

**HEAD / MANAGEMENT OFFICE /  
PRINCIPAL PLACE OF  
BUSINESS** : PTD 7906, Taman Pontian Jaya  
82000 Pontian  
Johor  
Tel No.: +607 687 8833  
Fax No.: +607 686 2657  
Official website: [www.karex.com.my](http://www.karex.com.my)  
E-mail: [info@karex.com.my](mailto:info@karex.com.my)

## 2. CORPORATE DIRECTORY (Cont'd)

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**AUDITORS AND REPORTING ACCOUNTANTS :** Auditor and Reporting Accountant

Messrs. KPMG (AF 0758)  
Level 14, Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru  
Johor  
Tel No.: +607 224 2870  
Fax No.: +607 224 8055

Auditor for ITL

Messrs. Intadit C.P.A. Office Company Limited  
38/10 Pracharak Road  
Haadyai, Songkhla, 90110  
Tel No.: +667 4352465  
Fax No.: +667 4352466

**SOLICITORS TO OUR COMPANY FOR OUR IPO :**

Malaysian Law

Jeff Leong, Poon & Wong  
B-11-8, Level 11  
Megan Avenue II  
Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Wilayah Persekutuan  
Tel No.: +603 2166 3225  
Fax No.: +603 2164 3227

Thai Law

Siam City Law Offices Limited  
Rajanakarn Building, 20th Floor  
183 South Sathorn Road  
Yannawa Sathorn  
Bangkok 10120 Thailand  
Tel No.: +662 6766667  
Fax No.: +662 6766188

**PRINCIPAL BANKERS :**

RHB Bank Berhad  
Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Wilayah Persekutuan  
Tel No.: +603 9280 6134

HSBC Bank Malaysia  
No. 46, Jalan Molek 1/10  
Taman Molek  
81100 Johor Bahru  
Johor  
Tel No.: +607 3502 787

**ISSUING HOUSE :**

Malaysian Issuing House Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor  
Tel No.: +603 7841 8000  
Fax No.: +603 7841 8150

## 2. CORPORATE DIRECTORY (Cont'd)

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- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor  
Tel No.: +603 7841 8000  
Fax No.: +603 7841 8150
- INDEPENDENT MARKET RESEARCHER** : Infobusiness Research & Consulting Sdn Bhd  
C4-3A-2, Solaris Dutamas  
No. 1, Jalan Dutamas 1  
50480 Kuala Lumpur  
Wilayah Persekutuan  
Tel No.: +603 6205 3930  
Fax No.: +603 6205 3927
- PRINCIPAL ADVISER AND UNDERWRITER** : RHB Investment Bank Berhad  
Level 10, Tower One  
RHB Centre  
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50400 Kuala Lumpur  
Wilayah Persekutuan  
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Fax No.: +603 9287 4770
- FINANCIAL ADVISER** : ZJ Advisory Sdn Bhd  
Suite 22B, 22<sup>nd</sup> Floor  
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50450 Kuala Lumpur  
Wilayah Persekutuan  
Tel No.: +603 2032 2328  
Fax No.: +603 2032 1328
- JOINT PLACEMENT AGENTS** : RHB Investment Bank Berhad  
Level 10, Tower One  
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Fax No.: +603 9287 4770
- CIMB Investment Bank Berhad  
10th Floor, Bangunan CIMB  
Jalan Semantan, Damansara Heights  
50490 Kuala Lumpur  
Malaysia  
Tel No.: +603 2084 8888  
Fax No.: +603 2094 3566
- LISTING SOUGHT** : Main Market of Bursa Securities

### 3. INFORMATION SUMMARY

This section is only a summary of the salient information about our Group and our IPO, which is extracted from the full text of this Prospectus. The summary information should be read in conjunction with the full text of this Prospectus. You should read and understand this section and the entire Prospectus before deciding whether to invest in our Company.

#### 3.1. Overview of our Group and business

Our Group was formed in 1988 when Mr. Goh Huang Chiat and his family decided to diversify into manufacturing latex condoms by incorporating Banrub (in Johor Bahru). In 1994, Banrub changed its name to KISB.

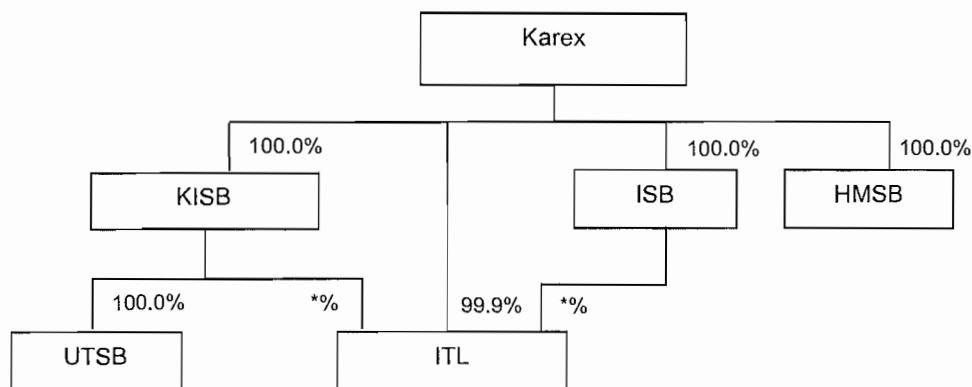
Over the years, we have continuously expanded, increased our capacity and ventured into other businesses. A brief description of major milestones is as follows:

- (i) In 1992, we ventured into the probe covers manufacturing business;
- (ii) In 1998, UTSB was incorporated and commenced operations in the manufacturing of sterile catheters;
- (iii) In 1999, HMSB and ISB were incorporated to expand our condom manufacturing capacity;
- (iv) In 2005, we ventured into the business of manufacturing of lubricating jelly; and
- (v) In 2006, we expanded our condoms manufacturing business into Thailand.

For more details on our history and key milestones, please refer to Sections 6.1 and 6.6 of this Prospectus.

Our Company was incorporated in Malaysia under the Act as a private limited company on 27 September 2012 under the name of Karex Sdn Bhd. Subsequently, our Company was converted to a public limited company on 5 October 2012.

Upon Listing, our Group structure is as follows:



Note:

\* KISB and ISB hold one (1) share each in ITL

### 3. INFORMATION SUMMARY (Cont'd)

Our Company is principally an investment holding company. The details of our Subsidiaries are as follows:

Direct subsidiaries / Company no.	Date / Place of incorporation	Issued and paid-up share capital	Effective interest	Principal activities
			(%)	
KISB (170363-X)	4 May 1988 / Malaysia	RM2,500,000	100	Manufacturing and sale of condoms
ITL (0905546001692)	7 August 2003 / Thailand	Registered capital of THB162,000,000 of which THB130,500,000 is paid-up as at the LPD	100	Manufacturing of all types of condoms, rubber finger gloves, hand gloves and/or products from rubber
ISB (500319-M)	2 December 1999 / Malaysia	RM250,000	100	Manufacturing and sale of condoms
HMSB (480951-X)	13 April 1999 / Malaysia	RM1,000,000	100	Manufacturing of condoms, latex probe covers and latex sleeves
			(%)	
<b>Indirect subsidiary / Company no.</b>	<b>Date / Place of incorporation</b>	<b>Issued and paid-up share capital</b>	<b>Effective interest</b>	<b>Principal activities</b>
<u>Subsidiary of KISB</u>				
UTSB (472154-X)	16 November 1998 / Malaysia	RM500,000	100	Manufacturing of sterile catheters

Our Group became the world's largest condom manufacturer in terms of annual manufacturing capacity in the FYE 2012 with an annual manufacturing capacity of approximately three (3) billion pieces. Our global market sales cover more than 110 countries. During the FYE 2013, we manufactured approximately 2.4 billion pieces of condoms. According to the IMR Executive Summary, our leading position is further reflected by our export market share of 60.8% (export volume from Malaysia of approximately 7.6 million kg) amongst condom manufacturers in Malaysia for the year 2012.

Our products are principally sold in the commercial, tender and OBM markets. For the FYE 2013, commercial, tender and OBM markets constituted approximately 59.7%, 36.1% and 4.2%, respectively to our Group's total revenue.

The commercial market is where we manufacture condoms for brand owners. This includes customers such as Ansell Limited (*Lifestyle brand*), Reckitt Benckiser PLC (*Durex brand*), Line One Laboratories Inc (*Trustex brand*) and Global Protection Corp (*One brand*).

The tender market is where we tender to institutional buyers to manufacture condoms for them. Institutional buyers consist of NGOs and government agencies such as UNFPA, USAID, PSI and MSI and may also include international purchasing agents such as JSI and Crown Agents.

### **3. INFORMATION SUMMARY (Cont'd)**

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Lastly, we also manufacture condoms under our own brands, namely "Carex" and "INNO". These condoms are distributed in countries such as UAE, South Africa, India, Nigeria and Bangladesh.

Please refer to Sections 6 and 7 of this Prospectus for further information on our Group and overview of our business.

#### **3.2. Our competitive advantages and key strengths**

Our competitive advantages and key strengths provide us with a strong platform to compete against other business operators, and also to facilitate business sustainability and growth. Our competitive advantages and key strengths are as follows:

- (i) Established market reputation with proven track record;
- (ii) Strong in-house R&D capabilities driven by continuous innovation;
- (iii) Recognition as a pre-qualified manufacturer;
- (iv) Ability to manufacture high quality condoms;
- (v) Ability to handle large volumes with minimal interruptions; and
- (vi) Wide market coverage supported by extensive product mix.

Please refer to Section 7.18 of this Prospectus for further information on our Group's competitive advantages and key strengths.

#### **3.3. Our future plans and strategies**

We have in place business and expansion plans moving forward, and are focused in the following areas:

- (i) Expansion of manufacturing facilities;
- (ii) Introduction of automation systems;
- (iii) Continuous development of new products; and
- (iv) Expansion of OBM market.

Please refer to Section 7.21 of this Prospectus for further information on our Group's future plans and strategies.

#### **3.4. Our prospects**

The prospects of our Group are as follows:

- (i) Growing demand for our product;
- (ii) No substitute presently for our products;
- (iii) Evolution of our product;
- (iv) Our expansion plans; and
- (v) Our favourable industry outlook.

Please refer to Section 7.22 of this Prospectus for further information on our Group's prospects.

### 3. INFORMATION SUMMARY (Cont'd)

#### 3.5. Financial highlights

You should read the summary of our proforma financial information in conjunction with the full text of this Prospectus, including the report on the compilation of proforma consolidated financial information and Accountant's Report set out in Sections 13.1 and 14 of this Prospectus and the management's discussion and analysis of financial condition and results of operations as set out in Section 13.2 of this Prospectus.

Our proforma financial information as illustrated below have been compiled based on the accounting principles and bases consistent with those adopted by our Group.

##### 3.5.1. Statements of comprehensive income

The following table summarises the proforma consolidated statements of comprehensive income for the past four (4) financial years which have been prepared for illustrative purposes to show the results of our Group, prepared on the assumption that the current structure of our Group existed throughout the financial years under review.

	Compiled historical financial results <sup>(1)</sup>	Proforma		
		FYE 2010	FYE 2011	FYE 2012
	(RM' 000)	(RM' 000)	(RM' 000)	(RM' 000)
Revenue	157,444	181,753	188,751	231,389
Cost of goods sold	(117,315)	(156,869)	(155,886)	(171,472)
<b>Gross profit</b>	<b>40,129</b>	<b>24,884</b>	<b>32,865</b>	<b>59,917</b>
Administrative expenses	(7,888)	(8,680)	(9,207)	(10,068)
Distribution expenses	(7,683)	(7,083)	(9,307)	(9,698)
Other operating expenses	(5,168)	(1,204)	(424)	(3,645)
Other operating income	1,382	1,672	3,105	1,988
<b>Result from operating activities</b>	<b>20,772</b>	<b>9,589</b>	<b>17,032</b>	<b>38,494</b>
Finance costs	(1,118)	(1,990)	(2,646)	(2,500)
Interest income	38	104	144	150
<b>PBT</b>	<b>19,692</b>	<b>7,703</b>	<b>14,530</b>	<b>36,144</b>
Income tax expense	(3,163)	(715)	(2,514)	(7,116)
<b>PAT</b>	<b>16,529</b>	<b>6,988</b>	<b>12,016</b>	<b>29,028</b>
<b>Other comprehensive income, net of tax</b>	<b>16,529</b>	<b>6,988</b>	<b>12,016</b>	<b>29,028</b>
Foreign currency translation differences	1	(101)	76	275
<b>Total comprehensive income for the year</b>	<b>16,530</b>	<b>6,887</b>	<b>12,092</b>	<b>29,303</b>
EBITDA	26,222	15,168	22,475	44,381

## 3. INFORMATION SUMMARY (Cont'd)

	Compiled historical financial results <sup>(1)</sup>	Proforma		
		FYE 2010	FYE 2011	FYE 2012
	(RM' 000)	(RM' 000)	(RM' 000)	(RM' 000)
No. of Shares <sup>(2)</sup>	270,000	270,000	270,000	270,000
Gross EPS (RM) <sup>(3)</sup>	0.07	0.03	0.05	0.13
Net EPS (RM) <sup>(4)</sup>	0.06	0.03	0.04	0.11
GP margin (%)	25.5	13.7	17.4	25.9
PBT margin (%)	12.5	4.2	7.7	15.6
PAT margin (%)	10.5	3.8	6.4	12.5

## Notes:

- (1) The financial results of the FYE 2010 was compiled on a prorated basis from the audited financial statements for the financial year/ period ended 31 December 2009 and 30 June 2010 due to the non-coterminous year end of certain Subsidiaries
- (2) Number of Shares in issue after completion of the Acquisitions and our IPO
- (3) The gross EPS is computed based on the consolidated PBT divided by the number of Shares in issue after our IPO
- (4) The net EPS is computed based on the consolidated PAT divided by the number of Shares in issue after our IPO

## 3.5.2. Statement of financial position

Our proforma consolidated statements of financial position have been prepared for illustrative purposes only based on our consolidated statement of financial position as at FYE 2013 and on the assumption that our Listing had been effected on 30 June 2013.

	As at 30 June 2013	(I) After Acquisitions	(II) After (I), IPO and utilisation of proceeds
	(RM' 000)	(RM' 000)	(RM' 000)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	73,230	116,980
Investment properties	-	2,797	2,797
Intangible asset (development cost)	-	-	2,000
Deferred tax assets	-	701	701
	-	<b>76,728</b>	<b>122,478</b>
<b>Current assets</b>			
Inventories	-	47,221	47,221
Trade and other receivables	945	57,924	57,924
Tax recoverable	-	216	216
Cash and cash equivalents	-(1)	41,317	55,624
	<b>945</b>	<b>146,678</b>	<b>160,985</b>
<b>TOTAL ASSETS</b>	<b>945</b>	<b>223,406</b>	<b>283,463</b>



## 3. INFORMATION SUMMARY (Cont'd)

	As at 30 June 2013	(I) After Acquisitions	(II) After (I), IPO and utilisation of proceeds
	(RM' 000)	(RM' 000)	(RM' 000)
<b>EQUITY</b>			
Share capital	-( <sup>(1)</sup> )	57,375	67,500
Share premium	-	-	60,900
Reserve	(632)	51,022	50,054
Shareholders' equity	(632)	108,397	178,454
<b>TOTAL EQUITY</b>	<b>(632)</b>	<b>108,397</b>	<b>178,454</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	-	10,965	10,965
Deferred tax liabilities	-	5,034	5,034
	-	<b>15,999</b>	<b>15,999</b>
<b>Current liabilities</b>			
Loans and borrowings	-	39,897	29,897
Trade and other payables	1,577	56,907	56,907
Provision for taxation	-	2,206	2,206
	<b>1,577</b>	<b>99,010</b>	<b>89,010</b>
<b>TOTAL LIABILITIES</b>	<b>1,577</b>	<b>115,009</b>	<b>105,009</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>945</b>	<b>223,406</b>	<b>283,463</b>
No. of ordinary shares in issue ('000)	-( <sup>(2)</sup> )	229,500	270,000
(Net liabilities)/NA	(632)	108,397	178,454
(Net liabilities)/NTA	(632)	108,397	176,454
NA per share (RM)	(79,000) <sup>(2)</sup>	0.47	0.66
NTA per share (RM)	(79,000) <sup>(2)</sup>	0.47	0.65

## Notes:

(1) Denotes RM2.00

(2) Denotes/ Based on 8 ordinary shares of RM0.25 each

### 3. INFORMATION SUMMARY (Cont'd)

#### 3.5.3. Proforma consolidated statement of cash flows

Our proforma consolidated statement of cash flows for the FYE 2013 below has been prepared for illustrative purposes only, based on the audited financial statement for the FYE 2013 of our Group and other adjustments necessary for the elimination of all intercompany transactions and balances and on the assumption that our Group's current structure had been in existence since 1 July 2012.

	<u>FYE 2013</u>
	<u>(RM' 000)</u>
<b><i>Cash flow from operating activities</i></b>	
PBT	36,144
Adjustments for:	
Depreciation	5,887
Interest expense	2,500
Gain on disposal of property, plant and equipment	(312)
Interest income	(150)
Unrealised gain on foreign exchange	(1,398)
Fair value loss on derivative instruments	957
<b>Operating profit before working capital changes</b>	<u><b>43,628</b></u>
Changes in working capital:	
Inventories	(1,599)
Trade and other receivables	5,173
Trade and other payables	(4,140)
<b><i>Cash generated from operations</i></b>	<u><b>43,062</b></u>
Income taxes paid	(2,865)
<b><i>Net cash from operating activities</i></b>	<u><b>40,197</b></u>
 <b><i>Cash flow used in investing activities</i></b>	
Proceeds from disposal of property, plant and equipment	690
Interest received	150
Acquisition of property, plant and equipment	(17,623)
<b><i>Net cash used in investing activities</i></b>	<u><b>(16,783)</b></u>
 <b><i>Cash flow from financing activities</i></b>	
Interest paid	(2,886)
Net proceed from bankers' acceptance	8,059
Net proceed from packing credit	4,403
Repayment of term loan	(1,795)
Repayment of finance lease liabilities	(733)
Drawdown of term loan	6,788
Fixed deposits pledged to licensed banks	(1,391)
Amount due to directors	(402)
Amount due to shareholders	(1,230)
<b><i>Net cash from financing activities</i></b>	<u><b>10,813</b></u>

### 3. INFORMATION SUMMARY (Cont'd)

	<u>FYE 2013</u>
	(RM' 000)
Net increase in cash and cash equivalents	34,227
Exchange differences on translation of the financial statement of foreign subsidiaries	3
Cash and cash equivalents as at 1 July 2012	(899)
Cash and cash equivalents as at 30 June 2013*	<u>33,331</u>

Note:

\* Components of cash and cash equivalents as at 30 June 2013:

	<u>FYE 2013</u>
	(RM'000)
Cash and cash equivalents	41,317
Less: Fixed deposits pledged with a licensed bank	(7,533)
Bank overdrafts	(453)
	<u>33,331</u>

#### 3.6. Summary of our IPO

IPO Price : RM1.85

IPO Size : 67,500,000 Shares comprising 40,500,000 Issue Shares and 27,000,000 Offer Shares

	<u>Institutional Offering</u>	<u>Retail Offering</u>			<u>Total</u>
	<u>Placement to institutions and/or selected investors</u>	<u>Our eligible Directors, employees and business associates</u>	<u>Malaysian Public</u>		
			<u>Bumiputera</u>	<u>Not designated</u>	
<b>Issue Shares</b>	20,250,000	6,750,000	6,750,000	6,750,000	40,500,000
<b>Offer Shares</b>	27,000,000	-	-	-	27,000,000

Institutional Offering\* : The institutional offering of 47,250,000 Shares comprising 27,000,000 Offer Shares and 20,250,000 Issue Shares to institutional and selected investors in Malaysia, Hong Kong and Singapore

Retail Offering\* : Offering of up to 20,250,000 Shares by our Company for application by retail investors, comprising:

- (i) 13,500,000 Issue Shares offered to the Malaysian Public via balloting where 50.0% or 6,750,000 Issue Shares are designated for Bumiputera investors; and
- (ii) 6,750,000 Issue Shares for application by eligible Directors, employees, business associates and persons who have contributed to the success of our Group.

**3. INFORMATION SUMMARY (Cont'd)**

Utilisation of proceeds : We intend to utilise the gross proceeds from sale of the Issue Shares of approximately RM74.9 million in the following manner:

Purpose	Amount of total proceeds raised	Percentage of total proceeds raised
	(RM'000)	(%)
R&D	4,000	5.3
Capital expenditure	41,750	55.7
Working capital	13,675	18.3
Repayment of bank borrowings	10,000	13.3
Listing expenses	5,500	7.4
<b>Total gross proceeds</b>	<b>74,925</b>	<b>100.0</b>

Note:

\* Subject to clawback and reallocation provisions

Please refer to Section 4 of this Prospectus for further information on our IPO.

**3.7. Risk factors**

Before investing in our Shares, you should carefully consider the following risk factors (which may not be exhaustive), along with other matters in this Prospectus.

**3.7.1. Risks relating to our business operations**

- (i) We are subject to the fluctuations in prices of raw materials;
- (ii) We are exposed to foreign currency exchange risks;
- (iii) We are dependent on major suppliers;
- (iv) The financial and operational conditions and the overall profitability of our Group will depend on the continued employment and performance of our Directors and key employees (both management and personnel);
- (v) We are dependent on foreign labour;
- (vi) We are exposed to operational risk; and
- (vii) We are exposed to unexpected and uncontrollable events.

**3.7.2. Risks relating to our industry**

- (i) The global condom industry is highly competitive;
- (ii) The lack of long term contracts;
- (iii) We are exposed to product liability risk;
- (iv) We are exposed to the risk of revocation of certifications, approvals, permits and licenses;
- (v) There is a risk that there may be alternatives to or substitutions of our core product;
- (vi) There is a risk that our manufacturing facilities may be underutilised after our planned expansion; and
- (vii) There is a risk that there may be a cure or vaccine for HIV/AIDS.

**3.7.3. Risks relating to our Listing and investment in our Shares**

- (i) There may be a delay to or failure of our Listing;
- (ii) There has been no prior market for our Shares;
- (iii) Volatility in our share price and trading volume;
- (iv) Control by our Promoters; and
- (v) We are dependent on dividends from our Subsidiaries.

Please refer to Section 5 of this Prospectus for further information on the risk factors.

## 4. PARTICULARS OF OUR IPO

### 4.1 Opening and closing of applications

Applications for our Shares will be opened at 10.00 a.m. on 11 October 2013 and closed at 5.00 p.m. on 23 October 2013 or such later date or dates as our Directors, the Selling Shareholders and the Underwriter may decide in their absolute discretion. **Late applications will not be accepted.**

### 4.2 Indicative timetable

The following events are intended to take place on the following tentative dates:

Events	Tentative date
Issuance of Prospectus / Opening of Retail Offering	11 October 2013 at 10.00 a.m
Closing of Retail Offering	23 October 2013 at 5.00 p.m.
Balloting of applications for the Issue Shares pursuant to the Retail Offering	25 October 2013
Allotment/transfer of the IPO Shares to successful applicants	4 November 2013
Listing	6 November 2013

The applications for the Retail Offering will close on the time and date stated above or such later date or dates as our Directors, the Selling Shareholders and Underwriter may decide in their absolute discretion.

Should the closing date and/or time for the application of the Retail Offering be extended, the dates for the balloting of applications for the IPO Shares pursuant to the Retail Offering, allotment/transfer of the IPO Shares to successful applicants and our Listing may be extended accordingly. We will announce any extension of time for the application for the Issue Shares by way of advertisements in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

### 4.3 Details of our IPO

Our IPO comprises the Institutional Offering and Retail Offering for a total of 67,500,000 Shares. These IPO Shares will be issued/offered based on the terms and conditions set out in this Prospectus and will be allocated and allotted in the following manner:

#### 4.3.1 Institutional Offering

The institutional offering of 47,250,000 Shares representing 17.5% of our enlarged issued and paid-up share capital, comprising 27,000,000 Offer Shares and 20,250,000 Issue Shares to institutional and selected investors in Malaysia, Singapore and Hong Kong at the IPO Price.

The Offer Shares are offered by the Selling Shareholders and represents 10.0% of our enlarged issued and paid-up share capital.

For details on the Selling Shareholders, please refer to Section 4.8 of this Prospectus.

As at the date of this Prospectus, all our institutional and selected investors have provided their irrevocable undertakings to subscribe for the entire Institutional Offering.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### 4.3.2 Retail Offering

Retail Offering of 20,250,000 Issue Shares, representing 7.5% of our enlarged issued and paid-up share capital, at the IPO Price and allocated in the following manner:

- (i) 13,500,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of our Company, are available for application by the Malaysian Public, of which 6,750,000 Issue Shares, representing 2.5% of the enlarged issued and paid-up share capital of our Company, are set aside for Bumiputera investors. Any Issue Shares not subscribed by such Bumiputera investors will be made available for application by other Malaysian investors under the Retail Offering; and
- (ii) 6,750,000 Issue Shares, representing 2.5% of our enlarged issued and paid-up share capital, are made available for application by our eligible Directors, employees, business associates and persons who have contributed to the success of our Group. The allocation of these Issue Shares are as follows:

Category	No. of eligible persons	Aggregate number of Issue Shares allocated
Eligible Directors <sup>(1)</sup>	8	800,000
Eligible directors of our Subsidiaries and employees of our Group <sup>(2)</sup>	Up to 600	3,500,000
Eligible business associates and persons who have contributed to the success of our Group <sup>(3)</sup>	Up to 100	2,450,000
<b>Total</b>	<b>Up to 708</b>	<b>6,750,000</b>

Notes:

- (1) The allocation to our eligible Directors is based on, amongst others, their respective roles, responsibilities and contribution to our Company. Each of our Directors shall be allocated 100,000 Issue Shares each.

The allocation of Issue Shares made available to our eligible Directors are as follows:

Directors	Designation	No. of Issue Shares allocated
Tan Sri Dato' Seri Arshad bin Ayub	Chairman, Independent Non-Executive Director	100,000
Goh Siang	Senior Executive Director	100,000
Goh Leng Kian	Executive Director, Technical and R&D	100,000
Goh Yen Yen	Executive Director, Administration	100,000
Lam Jiuan Jiuan	Non-Independent Non-Executive Director	100,000
Wong Yien Kim	Independent Non-Executive Director	100,000
Jonathan Law Ngee Song	Independent Non-Executive Director	100,000
Dato' Dr. Ong Eng Long	Independent Non-Executive Director	100,000
<b>Total</b>		<b>800,000</b>

#### 4. PARTICULARS OF OUR IPO (Cont'd)

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- (2) *The allocation to our eligible employees is based on, amongst others, staff grade in our Group and length of service. Goh Yin, our QA Director and Goh Miah Kiat, our Chief Executive Officer, who are also our substantial shareholders and Promoters have been allocated 100,000 Issue Shares each. Chew Cheng Chuan, the General Manager of UTSB and our existing shareholder, has been allocated 90,000 Issue Shares. Lim Poh Chuan, a director of ISB and our existing shareholder, has been allocated 100,000 Issue Shares.*
- (3) *The allocation to eligible business associates and persons who have contributed to the success of our Group is based on, level of contribution rendered by these people to the success of our Group in terms of our Group's turnover and profitability growth, as approved by our Board. The business associates and persons who have contributed to the success of our Group include our business contacts, our customers and our suppliers, who have contributed to the business development and success of our Group.*

##### 4.3.3 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions.

- (i) Any Issue Share not taken up by our eligible Directors, employees, business associates and persons who have contributed to the success of our Group shall be reallocated to the other eligible Directors, employees, business associates and persons who have contributed to the success of the our Group. Thereafter, any of the reallocated Issue Shares which are not taken up by other eligible Directors, employees, business associates and persons who have contributed to the success of our Group will be made available for application by the Malaysian Public under the Retail Offering; and
- (ii) Subject to (i), if there is an under-application in the Retail Offering and a corresponding over-application in the Institutional Offering, the IPO Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

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

The Issue Shares under the Retail Offering not applied for after being subject to the provisions above shall be underwritten.

There is no minimum subscription in terms of proceeds to be raised by our Company and the Selling Shareholders. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of Shares will be the number of Shares required to be held by public shareholders for us to comply with the public spread requirements under the Listing Requirements or as approved by Bursa Securities. There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of the IPO Shares.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

In summary, the IPO Shares are allocated in the following manner:

Categories	Offer Shares		Issue Shares		Total	
	No. of Shares	% of the enlarged share capital	No. of Shares	% of the enlarged share capital	No. of Shares	% of the enlarged share capital
	('000)	(%)	('000)	(%)	('000)	(%)
<b><u>Institutional Offering</u></b>						
Private placement to institutions and/ or selected investors in Malaysia, Singapore and Hong Kong	27,000	10.0	20,250	7.5	47,250	17.5
<b><u>Retail Offering</u></b>						
Malaysian Public (via balloting):						
- Designated for Bumiputera	-	-	6,750	2.5	6,750	2.5
- Not designated	-	-	6,750	2.5	6,750	2.5
Directors and eligible employees of our Group	-	-	4,300	1.6	4,300	1.6
Eligible business associates and persons who have contributed to the success of our Group	-	-	2,450	0.9	2,450	0.9
<b>Total</b>	<b>27,000</b>	<b>10.0</b>	<b>40,500</b>	<b>15.0</b>	<b>67,500</b>	<b>25.0</b>

#### 4.4 Classes / Ranking of Our Shares

As at the date of this Prospectus and upon completion of our IPO, we have only one (1) class of shares, namely ordinary shares of RM0.25 each in our Company. The IPO Shares, upon allotment and issuance, will rank *pari passu* 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 the Issue 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 M&A 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. On a show of hands, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of our Company and the provisions of Section 149 (1)(b) of the Act shall not apply to our Company.



#### 4. PARTICULARS OF OUR IPO (Cont'd)

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##### 4.5 Basis of arriving at the IPO Price

The Promoters, the Selling Shareholders, the Principal Adviser, the Underwriter and the Joint Placement Agents have determined and agreed to the IPO Price of RM1.85 per Share, based on the following factors:

- (i) our Group's historical financial information as listed in Sections 13 and 14 of this Prospectus;
- (ii) our competitive advantages and key strengths in terms of our:
  - established market reputation and proven track record;
  - strong in-house R&D capabilities driven by continuous innovation;
  - recognition as a pre-qualified manufacturer;
  - ability to manufacture high quality condoms;
  - ability to handle large volumes with minimal interruptions; and
  - wide market coverage supported by extensive product mix.

Further details on our competitive advantages and key strengths are outlined in Section 7.18 of this Prospectus;

- (iii) our future plans, strategies and prospects in terms of the:
  - expansion plan to double our annual manufacturing capacity of approximately three (3) billion pieces presently to six (6) billion pieces by the end of 2015;
  - introduction of automation systems;
  - continuous development of new products; and
  - expansion into new OBM markets, including South East Asian countries and India.

Further details on our future plans, strategies and prospects are outlined in Sections 7.21 and 7.22 of this Prospectus;

- (iv) our Group's position as the world's largest condom manufacturer;
- (v) the overview and prospects of the global condom industry as outlined in Section 8 of this Prospectus; and
- (vi) our proforma consolidated NA attributable to shareholders of RM0.66 per Share based on our enlarged issued and paid-up share capital pursuant to our Listing; and
- (vii) our historical net EPS of approximately 10.8 sen (computed based on our consolidated historical PAT for the FYE 2013 and our enlarged issued and paid-up share capital upon our Listing) and the net PE multiple of approximately 17.1 times.

**You should also take note that upon and subsequent to our Listing, the market price of our Shares is subject to the vagaries of market forces and other uncertainties, which may affect the pricing of our Shares being traded. You are reminded to consider carefully the risk factors as set out in Section 5 of this Prospectus before deciding to invest in our Shares.**

**Based on the IPO Price, the total market capitalisation of our Company upon Listing shall be RM499.5 million.**

#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### 4.6 Purposes of our IPO

The purposes of our IPO are as follows:

- (i) to enable us to enhance our corporate stature through our listing status, which will further enhance our corporate reputation and assist us in expanding our customer base and brand recognition;
- (ii) to raise proceeds for the purpose stated in Section 4.9 of this Prospectus;
- (iii) to enable us to have access to the capital market for cost effective capital raising and financial flexibility for future expansion and the continuing growth of our Group;
- (iv) to obtain listing of and quotation for our entire issued and paid-up share capital of 270,000,000 Shares on the Main Market;
- (v) to provide an opportunity for the eligible Directors, employees, business associates and persons who have contributed to the success of our Group and the Malaysian Public and institutions to participate in our continuing growth by way of equity participation; and
- (vi) to create liquidity for our Shares.

##### 4.7 Dilution

Dilution is the amount by which the IPO Price paid by subscribers of our Shares exceeds our consolidated NA per Share after our IPO. The audited NA per Share of our Group as at 30 June 2013, adjusted for the Acquisitions up to the date of this Prospectus, but before adjusting for the net proceeds from the sale of the Issue Shares, was approximately RM108.4 million based on the number of Shares in issue before our IPO.

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

No.	Details	RM
(i)	IPO Price	1.85
(ii)	NA per Share attributable to existing shareholders of our Company as at 30 June 2013, after adjusting for the Acquisitions and prior to our IPO	0.47
(iii)	Proforma consolidated NA per Share as at 30 June 2013, after giving effect to our IPO and utilisation of proceeds	0.66
(iv)	Increase in NA per Share to the existing shareholders compared to (iii) assuming the existing shareholders:	
	(a) do not subscribe	(a) 0.19
	(b) subscribe <sup>(1)</sup>	(b) 0.18
	for the 790,000 Issue Shares made available to them as eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)	
(v)	Dilution in NA per Share to new investors <sup>(2)</sup>	1.19
(vi)	Dilution in NA per Share to new investors as a percentage to the IPO Price <sup>(2)</sup>	64.3%

Notes:

- (1) Average NA per share is RM0.47 (calculated based on the weighted average of NA per Share as disclosed in item (ii) and allocated shares at the IPO Price)
- (2) Quantum of dilution and percentage to IPO Price is the same whether existing shareholders subscribe or not subscribe Issue Shares made available to them as eligible Directors and employees as the Issue Shares are subject to reallocation and are also underwritten.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### 4.8 Selling Shareholders

The Selling Shareholders who are offering the Offer Shares and their shareholdings in our Company and their respective relationships with our Group since the date of our incorporation are as follows:

Selling Shareholders	Address	Material relationship with our Group	Shares held as at the LPD <sup>(1)</sup>		Shares held immediately prior to Listing <sup>(2)</sup>		Shares held immediately upon Listing <sup>(3)</sup>			
			No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)		
Goh Siang	No. 2, Jalan Mutiara 4 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>Senior Executive Director.</li> </ul>	15,880,601	6.92	10,280,586	4.48	3,375,000	1.47	7,005,586	2.59
Goh Leng Kian	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>Executive Director, Technical and R&amp;D.</li> </ul>	19,680,605	8.58	14,080,590	6.14	3,375,000	1.47	10,805,590	4.00
Goh Yen Yen	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>Executive Director, Administration.</li> </ul>	16,430,559	7.16	10,830,543	4.72	3,375,000	1.47	7,555,543	2.80
Lam Jiuian Jiuian	16-C, Block 20, Baguio Villa Pokfulam Hong Kong	<ul style="list-style-type: none"> <li>Promoter</li> <li>Substantial shareholder; and</li> <li>Non-Independent Non-Executive Director.</li> </ul>	14,530,559	6.33	8,930,543	3.89	3,375,000	1.47	5,655,543	2.09

## 4. PARTICULARS OF OUR IPO (Cont'd)

Selling Shareholders	Address	Material relationship with our Group	Shares held as at the LPD <sup>(1)</sup>		Shares held immediately prior to Listing <sup>(2)</sup>		Offer Shares		Shares held immediately upon Listing <sup>(3)</sup>	
			No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Goh Yin	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>QA Director.</li> </ul>	16,430,563	7.16	10,830,547	4.72	3,375,000	1.47	7,555,547	2.80
Goh Miah Kiat	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>Chief Executive Officer.</li> </ul>	16,430,601	7.16	10,830,585	4.72	3,375,000	1.47	7,555,585	2.80
Lam Yiu Pang Albert	16-C, Block 20, Baguio Villa Pokfulam Hong Kong	<ul style="list-style-type: none"> <li>Promoter; and</li> <li>Substantial shareholder.</li> </ul>	14,530,559	6.33	22,430,543	9.77	3,375,000	1.47	19,055,543	7.06
Goh Ai Noi	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter; and</li> <li>Substantial shareholder.</li> </ul>	16,430,559	7.16	10,830,543	4.72	3,375,000	1.47	7,455,543	2.76

## Notes:

(1) Based on the issued and paid-up capital of 229,500,000 Shares after the Acquisitions

(2) Based on the issued and paid-up capital of 229,500,000 Shares after the Acquisitions and incorporates effects of the Transfer of Shares

(3) Based on the enlarged issued and paid-up capital of 270,000,000 Shares and incorporates effects of the Transfer of Shares, our IPO and assuming full subscription of the issue Shares made available to eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)

The Selling Shareholders shall bear all the placement and miscellaneous fees relating to their respective portion of the Offer Shares. Save as disclosed above, the Selling Shareholders do not have any other material relationship with our Company or our Group since the date of our incorporation.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### 4.9 Use of proceeds

Our Company will not receive any proceeds from the Selling Shareholders' sale of 27,000,000 Offer Shares. This offer for sale is expected to raise gross proceeds of approximately RM50.0 million which will accrue entirely to the Selling Shareholders.

The expected total gross proceeds from the sale of the Issue Shares is approximately RM74.9 million. We intend to utilise the gross proceeds in the following manner:

Details of the proposed utilisation	Notes	Amount of total proceeds raised (RM'000)	Percentage of total proceeds raised (%)	Timeframe for utilisation of proceeds
R&D	(1)	4,000	5.3	Within 36 months
Capital expenditure	(2)	41,750	55.7	Within 36 months
Working capital	(3)	13,675	18.3	Within 36 months
Repayment of bank borrowings	(4)	10,000	13.3	Within 6 months
Listing expenses	(5)	5,500	7.4	Within 6 months
<b>Total gross proceeds</b>		<b>74,925</b>	<b>100.0</b>	

(1) **R&D**

The amount of RM4.0 million is proposed to be utilised for the development/ enhancement of our machineries and the future development of products of our Group in accordance to the following breakdown:

<b>Description of proposed utilisation</b>	<b>RM'000</b>
Development/ enhancement of machineries	3,000
Product development	1,000
<b>Total</b>	<b>4,000</b>

The development/ enhancement of machineries includes the research, design and development of new manufacturing machineries as well as machinery customisation, improvisation and automation.

Machinery customisation is required to cater to the continuous introduction of new products and packaging designs by our customers. For example, we customise our foiling machines to cater to different foiling packages which include round and rectangular foiling as well as blister pack.

Continuous improvisation is conducted to our manufacturing machineries to ensure that the machineries are able to run at desired optimum level even with the introduction of new raw materials.

Machinery automation has been continuously explored by our Group as new avenues to increase efficiency and reduce our reliance on manual labour. For more details on machinery automation, please refer to Section 7.21(ii) of this Prospectus.

Our Group is constantly looking into expanding our existing range of products to ensure continuous growth in revenue. For more details, please refer to Section 7.21(iii) of this Prospectus.

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#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### (2) Capital expenditure

In order to cater for the expansion of our manufacturing facilities, our Group proposes to allocate RM41.8 million for capital expenditure, in accordance to the following breakdown:

<u>Description of proposed utilisation</u>	<u>RM'000</u>
<u>Construction of new manufacturing facility for KISB</u>	
• Construction of new buildings	10,000
• Installation of 10 condom dipping lines	7,500
• Installation of 50 ET machines and 40 foiling machines	7,500
<u>Expansion of manufacturing facility for ITL</u>	
• Installation of five (5) condom dipping lines	5,000
• Installation of 25 ET machines and 20 foiling machines	5,000
<u>Expansion of manufacturing facility for ISB</u>	
• Installation of five (5) condom dipping lines	5,000
• Installation of 10 ET machines and 10 foiling machines	1,750
<b>Total</b>	<b>41,750</b>

For further information on our Group's expansion and capital expenditure plans, please refer to Section 12.3 of this Prospectus.

##### (3) Working capital

Our requirement for working capital will increase in line with our expected expansion and business growth. Therefore, our Group proposes to allocate RM13.7 million for our working capital requirements as follows:

<u>Description of proposed utilisation</u>	<u>RM'000</u>
Human capital	4,000
Marketing, promotion and branding activities – exhibition, trade shows, advertisement to enhance corporate image	5,000
Other working capital requirements	4,675
<b>Total</b>	<b>13,675</b>

##### Human capital

In tandem with our Group's expansion plans, we intend to increase our workforce to support the growth in our business.

##### Marketing, promotion and branding activities – exhibition, trade/road shows, advertisement to enhance corporate image

We also intend to increase our marketing, promotion and branding activities to enhance our Group's corporate image and brand presence.

As part of our marketing and promotional activities, we intend to continue participating in international trade shows and exhibitions to promote our products globally. In addition, we are embarking on a branding exercise to reposition our brand presence and increase our brand value.

##### Other working capital requirements

In line with our business growth, we plan to utilise funds for various aspects of our Group's cash cycle such as the purchase of raw materials and to finance other operating costs of our Group's day-to-day operations. This will enable us to conduct our operations without being dependent on external borrowings.

##### (4) Repayment of bank borrowings

The amount of RM10.0 million is proposed to be utilised for the repayment of bank borrowings. The bank borrowings were selected after taking into consideration the interest rates and the tenure of the banking facilities is set out below:

<u>Banking facility</u>	<u>Amount outstanding as at the LPD</u>	<u>Proposed repayment</u>	<u>Interest rate (% per annum) / maturity</u>	<u>Purpose of borrowing</u>
	<u>RM'000</u>	<u>RM'000</u>		
Banker's acceptance	31,415	10,000	2.05% - 6.25% / one (1) to three (3) months from the LPD	Purchase of raw material

#### 4. PARTICULARS OF OUR IPO (Cont'd)

(5) **Listing expenses**

Our Company will bear the entire listing expenses and fees incidental to our Listing of approximately RM5.5 million as follows:

<b>Description of proposed utilisation</b>	<b>RM'000</b>
Estimated professional fees <sup>(1)</sup>	3,100
Underwriting, placement and brokerage fees	1,500
Other fees and expenses such as printing, advertising and roadshow expenses incurred in connection with our IPO	600
Miscellaneous expenses and contingencies	300
<b>Total</b>	<b>5,500</b>

Note:

<sup>(1)</sup> Include fees for the Principal Adviser, Financial Adviser, Reporting Accountants, Solicitors to our Company for our IPO, Independent Market Researcher, Company Secretary, Issuing House and Share Registrar.

If the actual cost of R&D, capital expenditure and listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital purposes. Conversely, if the actual R&D, capital expenditure and listing expenses are lower than budgeted, the excess will be used for working capital purposes.

We intend to place the proceeds raised from the sale of the Issue Shares (including accrued interest, if any) or the balance thereof with banks or licensed financial institutions in interest-bearing instruments / funds prior to the eventual utilisation of the proceeds from our IPO for the above intended purposes.

There is no minimum subscription to be raised from our IPO. The effect of the utilisation of proceeds on our proforma consolidated balance sheets as at 30 June 2013 is reflected in Section 13.1 of this Prospectus.

#### 4.10 Financial impact from utilisation of proceeds

The financial impact and benefits from the proceeds of the sale of the Issue Shares include, amongst others, the following:

- (i) help enhance our current capabilities through the further expansion of our manufacturing facilities in order to support and increase our existing customer base;
- (ii) help increase our manufacturing capabilities by acquiring new machineries to meet the growing demands for our products, in line with the expanding global condom market, with condom sales increasing from 22.8 billion pieces in 2012 to 30.4 billion pieces in 2016 (Source: IMR Executive Summary); and
- (iii) help strengthen our liquidity and cash flow position by increasing our working capital.

#### 4.11 Brokerage, underwriting commission and placement fee

(i) **Brokerage**

We will bear the brokerage fees relating to the Issue Shares pursuant to the Retail Offering, at the rate of 1.0% of the IPO Price in respect of successful applications, which bear the stamp of RHB Investment Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of Malaysian Investment Banking Association in Malaysia or the Issuing House.

Joint Placement Agents are entitled to charge brokerage commission to institutional and selected investors under the Institutional Offering. For avoidance of doubt, such brokerage commission shall not be payable by us.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

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(ii) **Underwriting commission**

The Underwriter shall underwrite all the IPO Shares under the Retail Offering subject to clawback and reallocation.

We will pay the Underwriter an underwriting commission of 2.0% of the IPO Price multiplied by the number of IPO Shares underwritten ("**Underwritten Shares**").

(iii) **Placement fee**

The Joint Placement Agents shall identify the institutions and/or selected investors for the entire Institutional Offering subject to clawback and reallocation.

We will pay the Joint Placement Agents a placement commission of 1.0% to 1.5% of the IPO Price multiplied by the number of Issue Shares subscribed by institutions and/or selected investors identified by the Joint Placement Agents.

The Selling Shareholders will pay the Joint Placement Agents a placement commission of 1.0% to 1.5% of the IPO Price multiplied by the number of Offer Shares subscribed by institutions and/or selected investors identified by the Joint Placement Agents.

In the event the clawback and reallocation provision is implemented in accordance with Section 4.3.3 of this Prospectus, the amount of Underwritten Shares shall: (a) be reduced by the number of the IPO Shares that are clawed back from the Retail Offering and reallocated to the Institutional Offering and are duly subscribed by institutions and/or selected investors ("**Clawed Shares**"); and (b) be deemed to be part of the IPO Shares placed out to institutional and selected investors under the Institutional Offering.

Accordingly, the Underwriter shall not be entitled to any commission in respect of the Clawed Shares and the Joint Placement Agents shall be entitled to such fee and commission in respect of any Clawed Shares subscribed.

#### 4.12 Salient terms of the Underwriting Agreement

Unless stated, all capitalised terms and clause references used in this section shall bear the same meanings and references as prescribed in the Underwriting Agreement.

We have entered into an Underwriting Agreement with the Underwriter (referred to as "Sole Underwriter" in the Underwriting Agreement), whereby the Sole Underwriter shall underwrite all 20,250,000 Issue Shares offered under the Retail Offering. The salient terms of the Underwriting Agreement, amongst others, are set out below. Save for the term "Underwriting Agreement", all other references used are as defined in the Underwriting Agreement:

- (i) The Sole Underwriter agrees to underwrite the Underwritten Shares upon such terms and conditions in the Underwriting Agreement. The Sole Underwriter's obligations under the Underwriting Agreement are conditional upon:
  - (a) the Underwriting Agreement being duly executed by the respective Parties and consequently duly stamped within the statutory time frame;



#### 4. PARTICULARS OF OUR IPO (Cont'd)

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- (b) on or prior to the Closing Date, there is no material adverse change nor development likely to result in any material adverse change, in the condition (financial or otherwise) of the Company or its Subsidiaries, which is material to the IPO as set out in the Prospectus, nor the occurrence of any event or the discovery of facts which are inaccurate, untrue or incorrect to any extent which is or will be material in the opinion of the Sole Underwriter, which results in the representations and warranties contained in the Underwriting Agreement untrue and incorrect in any material respect as though they had been given and made on such date with reference to the subsisting facts and circumstances, nor the occurrence of any breach of the undertakings contained in the Underwriting Agreement;
- (c) the Sole Underwriter receiving the relevant irrevocable undertakings, statutory declarations, application forms and banker's drafts or cashier's orders from the respective investors in relation to the Institutional Offering;
- (d) the delivery to the Sole Underwriter prior to the registration date of the Prospectus with the SC, two (2) certified extracts of each of the following:
  - (aa) all resolutions of the board of directors of the Company: (i) approving the IPO and the Listing and the transactions contemplated by each of the same; (ii) approving and authorising the execution of the Underwriting Agreement as well as such person authorised to execute the Underwriting Agreement; (iii) approving the issue and allotment of the IPO Shares under the IPO; (iv) approving and authorising the issuance of the Prospectus; and (v) confirming that the Directors, collectively and individually, accept full responsibility for the accuracy of all information stated in the Prospectus in the form previously agreed by or on behalf of the Sole Underwriter; and
  - (bb) a certificate, in the form or substantially in the form contained in the first schedule of the Underwriting Agreement, dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.2.2 of the Underwriting Agreement;
- (e) the Prospectus being in the form and substance satisfactory to the Sole Underwriter;
- (f) the delivery to the Sole Underwriter on the Closing Date of such reports and confirmations dated the same from the Directors of the Company as the Sole Underwriter requires to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Company or its Subsidiaries;
- (g) the Sole Underwriter satisfied that the Company has made arrangements for payment of the expenses referred to in Clause 15 of the Underwriting Agreement;
- (h) the IPO not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia, including but not limited to Bursa Securities and the SC;
- (i) the Company having complied including the IPO is in compliance with the CMSA, policies, guidelines and requirements of Bursa Securities and/or the SC and all related revisions, amendments and/or supplements;

#### 4. PARTICULARS OF OUR IPO (Cont'd)

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- (j) the Prospectus issued within one (1) month after the date of the Underwriting Agreement or within such extended period agreed in writing by the Sole Underwriter;
  - (k) all Approvals required for the IPO, the Admission and the Listing, including but not limited to approvals from the SC, Bursa Securities and the MITI and are in full force and effect as at the Closing Date and that all conditions of the Approvals (except for any which can only be complied with after the completion of the IPO) have been complied with;
  - (l) the execution of the Placement Agreement and such agreements not having been terminated or rescinded pursuant to the provisions thereof (for clarity, the execution of the Placement Agreement by the Joint Placement Agents shall be at their sole discretion); and
  - (m) the Sole Underwriter satisfied that there are no breach of, or failure by the Company to comply with, any of their obligations under the Underwriting Agreement, and that the Company have complied with, and that the IPO (including the offer, sale and issue of IPO Shares), the Listing and the transactions contemplated under the Underwriting Agreement are in compliance with, all relevant laws.
- (ii) If any condition set out above is not satisfied by the Closing Date, the Sole Underwriter shall be entitled to terminate the Underwriting Agreement and except for the liability of the Company for payment of the Underwriting Commission, costs and expenses provided in the Underwriting Agreement incurred prior to termination and any claims under to Clause 3.3.1 of the Underwriting Agreement, there shall be no further claims by the Sole Underwriter against the Company, and the Parties shall be released and discharged from their obligations PROVIDED THAT the Sole Underwriter may at its discretion waive compliance with any of the provisions of Clause 2.2 of the Underwriting Agreement.
- (iii) The Sole Underwriter may give written notice to the Company at any time before Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:
- (a) there is breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which cannot be remedied or, if remediable, is not remedied to the Sole Underwriter's satisfaction within such days as stipulated within the notice given to the Company, or by the Closing Date, whichever is earlier; or
  - (b) there is withholding of information by the Company or Selling Shareholder which is required to be disclosed to the Sole Underwriter under to the Underwriting Agreement, and if remediable, is not remedied within such days as stipulated within the notice given to the Company, in the opinion of the Sole Underwriter, may or can be expected to have, a material adverse effect on the business or operations of the Karex Group, success of the IPO, or distribution or sale of the Issue Shares; or
  - (c) there occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company or the Karex Group; or

#### 4. PARTICULARS OF OUR IPO (Cont'd)

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- (d) there occurred, happened or come into effect any of the following circumstances which has an adverse effect on the condition or financial position of the Company:
  - (aa) any material change, or any development involving prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
  - (bb) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Sole Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);  
  
which, (in the opinion of the Sole Underwriter), would have or can be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company, success of the IPO, or distribution or sale of the Issue Shares, or has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
- (e) there is failure by the Company to perform any of its obligations specified in the Underwriting Agreement; or
- (f) any of the conditions precedent set out in the Underwriting Agreement are not duly satisfied by the Closing Date.
- (iv) Upon notice(s) being given under Clause 9.1 of the Underwriting Agreement, the Sole Underwriter shall be released and discharged of its obligations under the Underwriting Agreement without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of the Underwriting Agreement, except that the Company shall remain liable in respect of its obligations and liabilities under Clause 3 of the Underwriting Agreement, the Underwriting Commission any antecedent breaches and under the Underwriting Agreement for the payment of the costs and expenses already incurred up to the date of termination or in connection with such termination and for the payment of any taxes, duties or levies within seven (7) days from the date of the same being due.
- (v) If the Underwriting Agreement is terminated due to the Company taking positive steps not to proceed with the IPO resulting in the Sole Underwriter being unable to perform its obligations, the Sole Underwriter is entitled to the Underwriting Commission in addition to the costs and expenses incurred.
- (vi) If the Underwriting Agreement is terminated pursuant to Clause 9.1.4 of the Underwriting Agreement, the Sole Underwriter and the Company may decide to defer the IPO by amending its terms or terms of the Underwriting Agreement and may enter into a new underwriting agreement accordingly, but neither the Sole Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.

4. PARTICULARS OF OUR IPO (Cont'd)

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- (vii) It will be an event of force majeure if the Sole Underwriter is unable to perform its obligations resulting from any events beyond the control of the Sole Underwriter, including any of the following:
- (a) acts of God, national disorder, armed conflict or serious threat of the same, hostilities, embargo, detention, revolution, riot, looting or other labour disputes, any unavailability of transportation or severe economic dislocation, earthquake, typhoon, outbreak of war, outbreak of disease, acts of terrorism or the declaration of a state of national emergency;
  - (b) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing. For clarity, if the conditions of the stock market in Malaysia deteriorates to the extent that the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day: (i) on or after the date of the Underwriting Agreement; and (ii) prior to the Closing Date, lower than ninety per centum (90%), 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 Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition; or
  - (c) any new law, regulation, directive, policy or ruling or any material change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Sole Underwriter or any events beyond the control of the Sole Underwriter;
  - (d) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for one (1) or more consecutive Market Days;

which may or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Korex Group, success of the IPO, or distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

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**4. PARTICULARS OF OUR IPO (Cont'd)**

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- (viii) In the event of a force majeure pursuant to the Underwriting Agreement, the Sole Underwriter may, consult with the Company, at any time prior to or on the Closing Date:
  - (a) terminate the Underwriting Agreement by giving notice to the Company in the manner as set out in Clause 16 of the Underwriting Agreement; or
  - (b) request for the Closing Date to be extended to such reasonable date as the Sole Underwriter may decide.
  
- (ix) Upon delivery of the notice of termination pursuant to Clause 10.2.1 of the Underwriting Agreement and in the manner as set out in Clause 16 of the Underwriting Agreement, the Underwriting Agreement will terminate each Party's rights and obligations will cease and none of the Parties will have any claim against each other except such claims of the costs and expenses of the Sole Underwriter and the Underwriting Commission as set out in the Underwriting Agreement.

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## 5. RISK FACTORS

We are exposed to a number of possible risks that may arise from economic, business, market and financial factors and developments, which may have an adverse impact on the financial performance of our Group and/or our share price performance. You should carefully consider the risks and investment considerations set out below along with the other matters in this Prospectus before you make your investment decision.

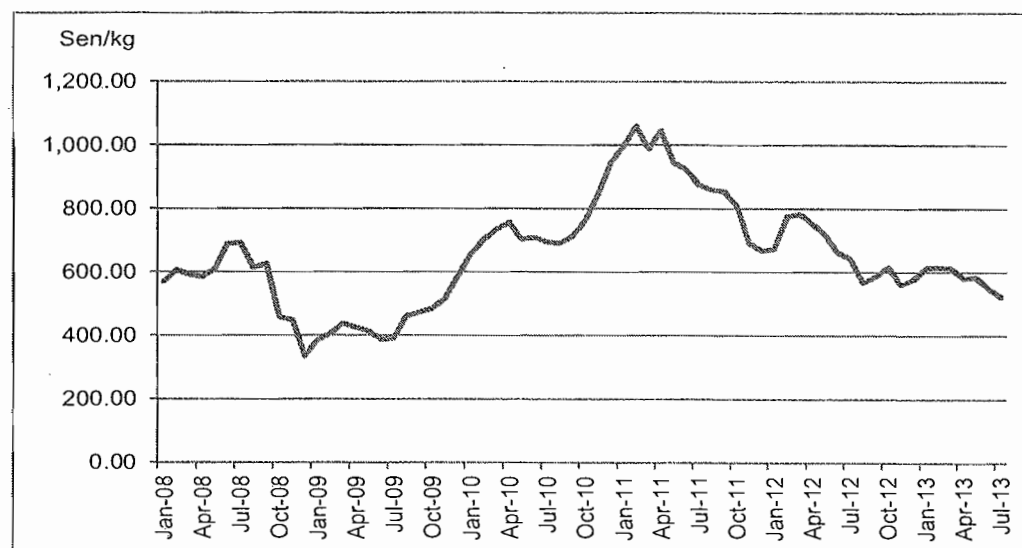
The risks and investment considerations set out below are not an exhaustive list of the challenges that we currently face or that may develop in the future. These and other risks, whether known or unknown, may have a material adverse effect on the financial performance of our Group and/or our share price.

### 5.1 Risks relating to our business operations

#### (i) We are subject to the fluctuations in prices of raw materials

The common raw materials we use include Pre-vulcanised latex, silicone oil, foil, boxes and carton boxes. For the FYE 2013, our main raw material was Pre-vulcanised latex. For more details on the major types of raw materials that we purchased for our manufacturing operations, please refer to Section 7.12 of this Prospectus.

Pre-vulcanised latex, key for manufacturing of our condoms, is produced from latex concentrate which in turn is an internationally traded commodity, where its price is subject to demand and supply forces.



The prices of latex concentrate experienced high volatility in the market between January 2008 and July 2013. Owing to the efficiency of the global market place, any volatility in the prices of latex concentrate are quickly translated along the supply chain, affecting the cost of condom manufacturing. This contributes to the uncertainty in the costs of condom manufacturing. In turn, this impacts the manufacturing and marketing planning processes of condom manufacturers.

In the first seven (7) months of 2013, the average prices of latex concentrate declined by 18.5% over the corresponding period of 2012, due to the health of the global automotive industry, as natural rubber is the primary input for tyres. The tyre industry accounts for approximately 70% of global natural rubber consumption. Global economic weakness, due to the eurozone sovereign debt crisis, has prompted anticipation of slower automotive sales growth. This has, in turn, lead to expectations of poorer tyre sales and a corresponding decline in natural rubber demand.

## 5. RISK FACTORS (Cont'd)

The outlook for the latex concentrate market remains uncertain as external factors continue to play a major role in determining prices. The market is expected to be impacted by concerns over the eurozone sovereign debt crisis, the Chinese and global economies, as well as the vagaries of the weather that lead to floods in the natural rubber producing countries.

(Source: Infobusiness Research)

Our average raw material cost comprise approximately 69.6% of our cost of sales for the past four (4) FYEs, any fluctuation of raw material costs will have an impact on our profit margin. Any increase in raw material prices will result in lower gross profit and vice versa on the assumption of constant product selling price.

To mitigate the fluctuations in raw material pricing, we work closely with our customers in planning their respective manufacturing forecasts to map out our manufacturing schedules so that we may determine a more accurate supply forecast and plan our purchases accordingly.

Notwithstanding above, there can be no assurance that any increase in the price of raw materials will not adversely affect our business performance.

Please refer to Sections 13.2.2(i) and 13.2.3 of this Prospectus for details of the impact of raw materials prices on our Group.

### (ii) We are exposed to foreign currency risks

For the FYE 2013, 91.2% of our total revenue was denominated and transacted in foreign currencies (mainly in USD). Most of our purchases were denominated in the local currencies of our operations, i.e. RM and THB. Our net gains and losses in foreign exchange translation for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013 are shown below:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Realised	(2,654)	(37)	1,229	(1,508)
Unrealised	(1,527)	328	1,568	1,398
<b>Total</b>	<b>(4,181)</b>	<b>291</b>	<b>2,797</b>	<b>(110)</b>

To mitigate foreign currency risk, our Group entered into various foreign exchange forward contracts with banking institutions to sell foreign currencies at agreed prices for fixed periods of time during the FYE 2010 to FYE 2013. Our foreign exchange forward contracts were for converting sales receipts denominated in foreign currencies to RM and THB.

We also maintain accounts in USD, GBP and Euro for business transacted in foreign currencies. These foreign currency accounts are later used to make payments in the respective foreign currencies incurred in our business, thus forming a natural hedge to minimise our foreign currency exchange risk exposure. Furthermore, we enter into foreign exchange forward contracts in relation to USD for hedging purposes. In addition, we constantly monitor our foreign currency exchange risk exposure and will hedge as and when we consider necessary.

Going forward, our Group will continue to enter into foreign exchange forward contracts to hedge a majority of our net exposure.

## 5. RISK FACTORS (Cont'd)

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Notwithstanding the above measures in place to minimise our foreign currency exchange risk exposure, any significant currency fluctuation such as the continued strengthening of the RM and/or THB against the USD, GBP and Euro, may materially and adversely impact our financial performance.

Please refer to Sections 13.2.4 and 13.2.5 of this Prospectus for details of foreign exchange gains and losses incurred by our Group for the past four (4) FYEs.

### (iii) **We are dependent on major suppliers**

Our business relies on our major suppliers, such as Revertex and Getahindus from Malaysia, which represented 25.3% and 17.5% respectively of our Group's total purchases for the FYE 2013. We have maintained business relationships with Revertex and Getahindus for the last 24 years and five (5) years respectively. Nevertheless, our dependency on a single supplier for Pre-vulcanised latex is mitigated by the availability of alternative sources.

MPIB has been our reliable supplier for packaging foil for the last 17 years. Our reliance on MPIB is mitigated as we can source packaging foil from other local suppliers.

To date, our current suppliers have been reliable and were able to supply to us with sufficient raw materials in a timely manner. There are no interruptions of raw materials supply to our Group for the FYE 2010 to FYE 2013.

There can be no assurance that we will be able to continue to obtain sufficient supply of raw materials in a timely manner from our existing suppliers. A reduction in the supply of any main raw material may lead to an increase in costs or result in disruptions to our manufacturing operations schedule.

For more information on our major suppliers, please refer to Section 7.13 of this Prospectus.

### (iv) **The financial and operational conditions and the overall profitability of our Group will depend on the continued employment and performance of our Directors and key employees (both management and personnel)**

Our future performance depends to a significant extent on the expertise, experience and continued efforts of our Directors and key employees. This is one of our Group's key success factors and the loss of the services of our Directors and key employees could materially affect our Group's operations.

We believe that our success largely dependent on good management succession planning and our ability to continue to attract, motivate and retain qualified and skilled personnel. To ensure smooth succession planning at the middle level, we train and groom younger members of our management team to gradually take on greater responsibilities. As part of our Group's human resource planning, our staff are required to undergo training programmes consisting mandatory training (on-the-job and ISO certification training) as well as selective intermediate and advanced training. Trainings are mostly conducted in-house with the exception of selective intermediate and advanced trainings which are conducted by third (3<sup>rd</sup>) parties. These include conferences and seminars that highlight new developments and progress in the field of standards and regulatory requirements. By exposing our employees to these conferences and seminars, we equip our personnel with the knowledge and know-how to grow our Group's business as well as to enhance their career progression capabilities.



## 5. RISK FACTORS (Cont'd)

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We recognise the importance of attracting and retaining our Directors and key employees and have put in place competitive remuneration packages. In addition, our Group has also set aside a portion of the Issue Shares to eligible Directors and employees of our Group in order to provide an opportunity for them to participate in the continuing growth of our Group by way of equity participation as well as to instill loyalty amongst them.

Over the years, our Group has been able to retain our Directors and most of the key employees as a result of the aforementioned. This coupled with the cordial relationship between us have ensure the Directors' and key employees' continued employment and performance in our Group.

Notwithstanding the above, there can be no assurance that the above measures will be successful in retaining our Directors and key employees (both management and personnel).

### (v) We are dependent on foreign labour

Our operations in Malaysia are dependent on the supply of foreign labour. As at the LPD, approximately 60.5% of our employees are foreign workers mainly from Myanmar, Nepal and Vietnam. Therefore, inadequate supply of labour as well as any policy revision in respect of foreign workers may disrupt our manufacturing process.

As part of our effort to reduce our dependency on manual labour, we have increased the usage of automated ET machines in our manufacturing flow. In addition, we work closely with our recruitment agencies for the recruitment and renewal of work permits for the foreign workers. To date, we have not experienced any acute shortage in the supply of labour for our operations nor were there any interruptions in our operations during the past 12 months due to an acute shortage of foreign labour. For the FYE 2012, there was a delay of new foreign workers' arrival to replace the expiring foreign workers during the 6P programme (process of legalising illegal foreign workers) initiated by the Government of Malaysia.

The Malaysian government has introduced a minimum wage policy of RM900 per month for the Peninsular Malaysia that came into effect on 1 January 2013. However, this revision to the wages is not material and is minimal to our manufacturing cost.

### (vi) We are exposed to operational risk

Any failure in our internal processes, people or systems may result in losses in manufacturing, revenue and our reputation.

Our processes are designed so that each and every condom manufactured will go through a series of in-process testing to ensure the final product meets international standards. We continue to monitor and improve our processes to minimise the occurrence of operational failures. In addition, our testing machines are recalibrated at set intervals and samples are taken at random to be analysed and tested further. The entire batch of condoms will be rejected and scrapped if any discrepancies are found.

We have not faced any material losses due to operational risks in the past as we have been conducting regular maintenance and inspections to our machineries as well as trainings for the responsible personnel.

We are also in the process of increasing the usage of automated ET machines to reduce human error while, at the same time, increase our rate of manufacturing. Regardless, total elimination of operational risk is not possible and we may be susceptible to failures in operations.

## 5. RISK FACTORS *(Cont'd)*

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### (vii) We are exposed to unexpected and uncontrollable events

Our Group is susceptible to risks due to uncontrollable external factors such as outbreak of fire and floods, explosion, energy crisis, sabotage, civil commotion and other calamity which may cause significant losses or damage to our products, manufacturing facilities, warehouse and office, thus disrupting and affecting our business operations.

We are also aware of the adverse consequences arising from inadequate insurance coverage for accidents and outbreaks of fire which could disrupt our business operations. To mitigate this risk, we have taken up necessary insurance covering our Group's premises, fixed assets as well as personal injury insurance covering our employees.

For the past four (4) FYEs, our business operations are not affected by unexpected and uncontrollable events.

However, there is no assurance that this coverage will be sufficient to cover all potential losses and to indemnify our Group against all possible liabilities arising from operations disruption.

## 5.2 Risks relating to our industry

### (i) The global condom industry is highly competitive

We have and will continue to face competition from existing competitors and potential new market entrants. Well established international condom manufacturers in particular may have greater financial resources, similar fundamentals and capabilities to compete with us on cost, reliability, quality, time-to-market and capacity.

However, we believe that we set ourselves apart from many of our competitors by offering the following:

- (a) Our Group's market reputation and position as the world's largest condom manufacturer in terms of annual manufacturing capacity;
- (b) Extensive product mix. We offer condoms in various flavours, colours and textures to suit the needs and specifications of our customers. This allows us to expand our coverage across a much wider market segment;
- (c) Manufacturing flexibility. Our manufacturing capacity allows us to accommodate both small or large manufacturing batches and urgent orders; and
- (d) Against international competitors, we may leverage on Malaysia's reputation as the world's leading manufacturer of latex products.

Due to the key reasons above and because of our reputation, the flexibility, diversity of our market coverage and our international distribution network, we have a potentially wider customer base. We will also continue to take other pro-active measures to mitigate competition risks, including continuous reviews of our development and market strategies in response to market demand.

Despite the highly competitive global condom industry, our Group's revenue has been on an increasing trend annually as a result of the increased sales of condoms for the past four (4) FYEs.

## 5. RISK FACTORS (Cont'd)

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Notwithstanding the above, there is no assurance that the financial and operational conditions and the overall profitability of our Group will not be affected by competition from other players in the industry.

### (ii) The lack of long term contracts

In general, our Group does not enter into long-term contracts with our customers. Our business is normally transacted via purchase orders, which is commonplace practice in the industry. Despite this, we have built an established track record and credible name in the industry throughout our 25 years of experience with our customers. As a result, we have a continuous flow of orders for our products from some of our major customers. Despite not having long term contracts with them, 60% of our top 10 customers in the FYE 2013 have had more than six (6) years of business relationship with us. Furthermore, our Group's geographical reach in exports is a testimony to our Group's product acceptance in the global condom industry.

The lack of long term contracts does not have significant impact on our Group's financial and operational conditions as well as our long term overall profitability as evidenced by the increase in our Group's revenue.

Notwithstanding the above, there can be no assurance that the absence of any long-term contracts with our customers will not have an adverse effect on the financial and operational conditions and the overall profitability of our Group in the long term.

For further details on our major customers, please refer to Section 7.11 of this Prospectus.

### (iii) We are exposed to product liability risk

Our products, namely condoms, may from time to time be subjected to customers' complaints. As a result, we may face an inherent risk of exposure to product liability claims. Also, any product liability claims or allegations made against us, regardless of the authenticity and validity, would have a negative impact on our Group's credibility and reputation.

We are a manufacturer of condoms and do not have direct contact with consumers. As such, insurance coverage in relation to product liability (including claims of damages by consumers) is covered by our customers (distributors). Nevertheless, we may still be subject to the cost of recalling and replacing the defective batches of our products should they be found to be out of specification during our customers' pre-shipment inspections or throughout the shelf life of our products.

To minimise product liability risk, our Group has implemented stringent QA procedures (as disclosed in Section 7.8 of this Prospectus). In addition, all our tender market orders are subject to independent third (3<sup>rd</sup>) party laboratory tests. These tests will be used to authenticate any complaints received. We are also in constant discussion with our customers to ensure that their requirements are fully understood and addressed.

We are not subject to any product liability claims during the FYE 2010 up to the LPD.

## 5. RISK FACTORS (Cont'd)

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**(iv) We are exposed to the risk of revocation of certifications, approvals, permits and licenses**

We have to comply with the laws, regulations and specific conditions set by the relevant authorities. As at the LPD, our Group has obtained all necessary certifications, approvals, permits and licenses in order for us to manufacture and market our condoms in the countries to which we export our products. However, as disclosed in Annexure A, we are in the midst of applying to the Fire and Rescue Department for one (1) of our manufacturing facilities in Port Klang to obtain the fire certificate from the Fire and Rescue Department ("**Property Application**").

Notwithstanding the lack of fire certificate, all of our manufacturing facilities are fully insured. We have taken up necessary insurance covering our premises and fixed assets of our manufacturing facilities in Port Klang with a value of RM6.92 million as at 30 June 2013. However, there may be complication to insurance claims pertaining to the outbreak of fire due to the lack of fire certificate.

Therefore, we are working closely with the Fire and Rescue Department for our Property Application and do not foresee any issues in getting the approval from the Fire and Rescue Department. Please refer to Section (b) of Annexure B for further details of our Property Application.

Any revocation of our certifications, approvals, permits and licenses could materially and adversely affect the financial and operational conditions and the overall profitability of our Group.

Apart from that, our Group has not encountered any difficulties in maintaining and renewing the relevant certifications, approvals, permits and licenses in the past. To date, none of these certifications, approvals, permits and licenses have been revoked and we will continue to take preventive measures such as implementation of QMS, human, safety and environment system as well as operational procedures in our daily operations. However, there can be no assurance that the regulatory authorities will not attempt to vary, modify or impose further conditions on us.

**(v) There is a risk that there may be alternatives to or substitutions for our core product**

We may face product substitutions from new technologies that may arise in the future. This may affect the demand for our products in the market and could materially and adversely affect the financial and operational conditions and the overall profitability of our Group.

There is no impact on our Group's financial and operational conditions and the overall profitability as a result of the availability of alternatives or substitutions for our core product (condoms) for the last four (4) FYEs.

Nonetheless, condom is the single most efficient, available technology in the world to reduce the sexual transmission of STI and HIV as well as offers dual protection for prevention of unintended pregnancy.

*(Source: IMR Executive Summary)*

## 5. RISK FACTORS (Cont'd)

**(vi) There is a risk that our manufacturing facilities may be underutilised after our planned expansion**

We plan to expand our manufacturing facilities as stated in Section 7.21 of this Prospectus. Our expansion programmes are expected to double our annual manufacturing capacity of approximately three (3) billion pieces presently to six (6) billion pieces by 2015.

Our manufacturing outputs and approximate global market share for the last three (3) FYEs are as follows:

	<u>Manufacturing output</u>	<u>Global demand of condoms</u>	<u>Global market share<sup>(2)</sup></u>
	(billion pieces)	(billion pieces)	(%)
FYE 2011	2.40	21.20	11.3
FYE 2012	1.95	22.80	8.6
FYE 2013	2.42	24.50 <sup>(1)</sup>	9.9

Notes:

(1) Forecasted based on a CAGR of 7.5%.

(2) Estimated based on pieces of condoms manufactured during our financial year over the global demand for the respective calendar years

The global demand for condoms is expected to increase from 22.8 billion pieces of condom per year in 2012 to 30.4 billion pieces of condoms per year in 2016 (as illustrated in Section 1.10 of the IMR Executive Summary). To attain an 80.0% utilisation rate of our expanded manufacturing capacity in 2016, we will have to manufacture 4.8 billion pieces of condoms per year. These 4.8 billion pieces of condoms represent 15.8% of the forecasted global market share of condoms for 2016, a 59.6% increase from our global market share of 9.9% in the FYE 2013.

As such, there is a risk that our manufacturing facilities may be underutilised after our planned expansion if we are not able to increase our global market share by achieving the required sales.

To minimise this risk, we will continue to adopt marketing strategies such as participating in various medical exhibitions and trade shows as well as conducting sales calls and product demonstrations in order to sustain and expand our sales. For more details on our marketing strategies, please refer to Section 7.10(i) of this Prospectus.

**(vii) There is a risk that there may be a cure or vaccine for HIV/AIDS**

In the event there is a cure or vaccine for HIV/AIDS in the future, this may affect the demand for our products in the market and could materially and adversely affect the financial and operational conditions and the overall profitability of our Group.

Nonetheless, condom is the single most efficient, available technology in the world to reduce the sexual transmission of STI and HIV and offers dual protection for the prevention of unintended pregnancy.

(Source: IMR Executive Summary)

## 5. RISK FACTORS (*Cont'd*)

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### 5.3 Risks relating to our Listing and investment in our Shares

#### (i) There may be a delay to or failure of our Listing

Our Listing may potentially be delayed or aborted upon the occurrence of certain events, including the following:

- (a) the Underwriter exercises its rights pursuant to the Underwriting Agreement to discharge itself from its obligations;
- (b) failure of our institutional and selected investors under the Institutional Offering fail to pay for the subscription of our Shares allocated to them;
- (c) we are not able to meet the public spread requirements of at least 25% of the enlarged issued and paid-up share capital of our Company being held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of Listing;
- (d) the revocation of the approval by Bursa Securities for the listing and/or admission to the Official List for whatsoever reason; and
- (e) any unexpected and uncontrollable event(s), which are beyond our control before our Listing.

The above risks are mitigated by the following:

- (a) the institutional and selected investors in Malaysia, Singapore and Hong Kong have provided written undertakings to subscribe for the respective portion of the Issue Shares and Offer Shares to be placed to them;
- (b) the portion of the Issue Shares allocated to the Malaysian Public are fully underwritten; and
- (c) our Directors and RHB Investment Bank as the Principal Adviser, Underwriter and Joint Placement Agent will endeavour to ensure that our Group is able to meet the public spread requirement by allocating the Issue Shares applied for by the Malaysian Public to the required number of public shareholders during the balloting process.

If our Listing is aborted, investors will not receive any Shares and the Selling Shareholders and our Company will return in full, without interest, all monies paid in respect of any application for our Shares. If any such monies are not repaid in full within 14 days after the Selling Shareholders and our Company are liable to repay, the provisions of subsections 243(2) and 243(6) of the CMSA shall apply accordingly. In the event our Listing is aborted and our Shares have been allotted to the shareholders, a return of monies to holders of our Shares could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

**5. RISK FACTORS (Cont'd)**

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**(ii) There has been no prior market for our Shares**

There has been no prior market for our Shares and it is uncertain whether a market will develop or, if a market does develop, whether it will be sustained. There is no assurance to the liquidity of any market that may develop for our Shares.

Our Shares could be trade at prices that may be lower than the IPO Price depending on various factors including prevailing economic conditions in Malaysia, our operating results and the markets for similar securities. In addition, there can be no assurance that the market of our Shares is not subjected to disruptions that may cause volatility in the prices of our Shares.

Please refer to Section 4.5 of this Prospectus on the basis for the determination of the IPO Price.

**(iii) Volatility in our share price and trading volume**

Shares of other companies listed on Bursa Securities have experienced considerable price volatility in the past. It is possible that our Shares will be subject to price volatility, which may have no direct correlation with our Group's NA value, financial results or performance. Price volatility may also affect the ability of our shareholders to sell and the price at which our Shares can be sold.

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations. The market price of our Shares is also susceptible to certain new developments within the condom industry, acquisitions or strategic alliances by our competitors. In addition, many of the risks described in Section 5 of this Prospectus could materially and adversely affect the market price of our Shares.

On the other hand, the performance of our Shares on the Main Market could be affected by external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. These are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various economic sectors. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of our Shares, which could potentially result in losses for investors in acquiring our Shares.

**(iv) Control by our Promoters**

Upon completion of our IPO, our Promoters as set out in Section 9.1 of this Prospectus will collectively control 63.31% of our enlarged issued and paid-up share capital. By virtue of such joint control, our Promoters will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities. The interests of our Promoters may individually or collectively differ from or conflict with the interests of other shareholders of our Company.

Nevertheless, our Group has appointed four (4) independent non-executive directors and set up of an audit committee to monitor that any future transaction involving related party(ies) are entered into based on arm-length terms and conditions which are not detrimental to our Group and to facilitate good corporate governance whilst promoting greater corporate transparency.

**5. RISK FACTORS (Cont'd)**

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**(v) We are dependent on dividends from our Subsidiaries**

We conduct all of our operations through our Subsidiaries. Accordingly, dividends and other distributions received from our Subsidiaries are our principal source of income.

The factors below may hinder our Company and our Subsidiaries' ability to pay dividends or make other distributions and to meet our financial obligations:

- (a) availability of our Subsidiaries' distributable reserves and them having sufficient funds that are not needed to fund their operations, other obligations or business plans;
- (b) changes in applicable accounting standards;
- (c) our claims as a shareholder will generally rank junior to all claims of our Subsidiaries' creditors and claimants. In the event of a liquidation of a Subsidiary, there may not be sufficient assets for us to recoup our investment in that Subsidiary; and
- (d) our Company and/or our Subsidiaries may not obtain the consent of certain financial institutions for the payment/ distribution of dividends (as disclosed in Section 13.2.11(iii) of this Prospectus).

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## 6. INFORMATION ON OUR GROUP

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### 6.1 Our history

Our Group's history started in the late-1980s following from the boom in the Malaysian rubber glove industry with many manufacturers in operation as a result of the AIDS outbreak and the subsequent implementation of a mandatory policy for the use of latex gloves to prevent blood borne infections such as AIDS. Our Group was formed in 1988 when Mr Goh Huang Chiat and his sons, namely Goh Phon, Goh Siang and Goh Leng Kian (collectively, known as the "Goh family") decided to venture into manufacturing rubber-based medical devices. Prior to this, Mr. Goh Huang Chiat was primarily involved in the business of processing natural rubber.

The Goh family decided to venture into the condom manufacturing industry, which is a more obscure and niche segment of the rubber-based medical device manufacturing industry as the natural rubber glove manufacturing industry was facing heavy competition then. Hence, we incorporated Banrub in 1988 (in Johor Bahru) and commenced operations in a factory located at Larkin Industrial Estate with a manufacturing capacity of approximately 60 million pieces of condoms per annum. Goh Phon, Goh Siang and Goh Leng Kian assisted Goh Huang Chiat in the marketing, operations and R&D aspects of our business.

During the initial stage, we started as an OBM whereby several brand names of condoms such as "Carex", "Passion", "Mega", "Skin Love" and "Mandom" were marketed in the Malaysian and Singaporean market. Our distributors were mainly convenience shops and pharmacies. Our condoms under the Carex brand were well accepted in the Singaporean market, and thus, in order to safeguard our interests, in 1990, we trademarked the "Carex" brand name in Singapore. At the same time, we established an R&D division to focus on product innovations and manufacturing efficiency.

In-line with our business expansion, we decided to increase our product offerings to include probe covers in 1992. Goh Yen Yen joined our Group in 1993 to oversee the finance and administration department. In 1994, Banrub changed its name to KISB.

The condom industry became a highly regulated industry in the mid-1990s as a result of the severity of the global HIV/AIDS outbreak. The newly implemented regulations, amongst others, the introduction of air burst tests and more stringent pinhole tests, whereby the maximum failure rate of condoms allowed is 10 and 2 pieces of condoms, respectively, based on a sample size of 315 has minimised competition as industry players who were unable to comply were eliminated. This drove us to grow further as we continuously emphasised the quality of our condoms to meet the stringent requirements and specifications set by regulatory authorities and customers.

Furthermore, in order to control the outbreak of HIV/AIDS cases globally many institutional buyers were actively involved in prevention programmes to prevent the spreading of HIV/AIDS. Subsequently, we seized this opportunity to participate in the tender market involving these institutional buyers. Due to the increased demands from the tender market, we expanded our operations to Pontian in 1994.

In 1998, Goh Yin joined our Group as our QA Director. UTSB was incorporated in 1998 as our Group ventured into the catheter manufacturing business as we foresee a growing market for catheters. As our condoms manufacturing business grew, HMSB and ISB were incorporated in 1999 to expand our condom manufacturing capacity. HMSB and ISB commenced its operations in Pontian, Johor and Sungai Buloh, Selangor respectively.

In 1999, Goh Miah Kiat joined our Group to take charge of the marketing and business development of our Group. We also started participating in international medical exhibitions to market our products and services to customers at the international level. Through these medical exhibitions, we have been able to improve the sales of our products and increase our customer base.

## 6. INFORMATION ON OUR GROUP (Cont'd)

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In 2000, we started to supply lubricating jelly to our customers via outsourcing. In 2005, we started manufacturing our own lubricating jelly in-house at our Pontian Besar factory.

In 2003, business opportunities in the Thai market as well as the tax incentive and attractive land leasing rates offered by the Board of Investment of Thailand led to the establishment of ITL and the construction of a manufacturing facility in Hat Yai, Thailand. In addition, the availability of skilled and unskilled labour at a lower wage rate compared to the wage rate in Malaysia was also factor of the establishment of our Thai manufacturing facility. ITL commenced operations in 2006 to manufacture condoms for customers both in Thailand and overseas. At the same time, we were granted a tax incentive by the Board of Investment of Thailand which allows us to enjoy 13 years of tax incentives for condoms manufactured by ITL's current manufacturing facilities (100% tax exemption for the first eight (8) years (i.e. from 2006 to 2013) and 50% tax exemption for the subsequent five (5) years (i.e. from 2014 to 2018)). In addition, a similar tax incentive will be granted for the condoms to be manufactured by ITL's new manufacturing facilities (expected to be completed by the end of 2013) for the same duration (13 years from completion). For more details on ITL, please refer to Section 6.4.1(ii) of this Prospectus.

In early 2004, we rented a larger factory in Pontian Besar to expand and increase the manufacturing capacity of KISB. Subsequently, we relocated the manufacturing operations of KISB, HMSB and UTSB on a gradual basis to this new Pontian Besar factory. As at the LPD, Pontian Jaya remains as our Group's finance office as well as packaging centre and warehouse.

In 2004, due to capacity limitation, ISB's entire operations in Sungai Buloh were relocated to a larger factory located in Port Klang.

In 2010, we acquired a piece of vacant land with a land area of approximately 7.259 hectares in Pontian for the construction of a centralised manufacturing facility in the future. In 2012, we acquired a vacant factory adjacent to our current Port Klang factory for our future expansion. Please refer to Section 12.3 of this Prospectus for more information on our expansion plans.

### 6.2 Information on our Company

Our Company was incorporated in Malaysia under the Act as a private limited company on 27 September 2012 with the name Karex Sdn Bhd. Subsequently, on 5 October 2012, our Company was converted into a public limited company. Our Company is an investment holding company whilst our Subsidiaries are principally involved in the manufacturing and sale of condoms, sterile catheters, latex probe covers latex sleeves and rubber products.

Prior to the IPO, our Company had undertaken a pre-IPO restructuring which comprised the following:

- (i) Establishment of Karex as a special purpose acquisition vehicle for our IPO on 27 September 2012;

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## 6. INFORMATION ON OUR GROUP (Cont'd)

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(ii) The acquisitions of KISB, ITL, ISB and HMSB by us and UTSB by KISB, for an aggregated consideration of approximately RM57.4 million to be settled via the issuance of approximately 229.5 million Shares to their respective shareholders on 23 September 2013. Details of the Acquisitions are as follows:

- (a) We acquired the entire issued and paid-up share capital of KISB from Lam Juan Juan, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat, Lam Yiu Pang Albert, Goh Ai Noi, Shaari bin Haron, Dato' Mohamed Suhaimi bin Sulaiman, Hamidon bin Abdullah and Abu Talib bin Abdul Rahman (collectively known as "**Vendors I**") for a purchase consideration of RM35,474,998 to be satisfied via the issuance of 141,899,992 Shares. The purchase consideration of RM35,474,998 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 0.66 times of the consolidated NA of KISB for the FYE 2012 of approximately RM53.9 million. We had on 30 November 2012 entered into the KISB SSA with Vendors I for the acquisition of KISB;
- (b) We acquired the entire issued and paid-up share capital of ITL from Innolatex Limited, Goh Siang, Goh Leng Kian and Goh Miah Kiat (collectively known as "**Vendors II**") for a purchase consideration of RM12,500,000 to be satisfied via the issuance of 50,000,000 Shares. The purchase consideration of RM12,500,000 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 1.61 times of the NA of ITL for the FYE 2012 of approximately RM7.8 million. We had on 30 November 2012 entered into the ITL SSA with Vendors II for the acquisition of ITL.

Subsequently, we had on 28 June 2013 entered into a letter of variation with Vendors II to vary the ITL SSA by increasing the number of ITL shares to be acquired to 1,620,000 of THB100 each in ITL as ITL were required to increase its registered share capital from THB120,000,000 to THB162,000,000 in order for ITL to derive, amongst others, taxation relief under the Promotion Investment Act 2520.

We have nominated KISB and ISB to hold one (1) share each in ITL to comply with the requirement under Thai Law that a private company must be held by a minimum of three (3) shareholders.

- (c) We acquired the entire issued and paid-up share capital of ISB from AJNA, Goh Leng Kian, Lim Poh Chuan, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi (collectively known as "**Vendors III**") for a purchase consideration of RM4,750,000 to be satisfied via the issuance of 19,000,000 Shares. The purchase consideration of RM4,750,000 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 0.61 times of the NA of ISB for the FYE 2012 of approximately RM7.8 million. We had on 30 November 2012 entered into the ISB SSA with Vendors III for the acquisition of ISB;
- (d) We acquired the entire issued and paid-up share capital of HMSB from CIL for a purchase consideration of RM3,300,000 to be satisfied via the issuance of 13,200,000 Shares. The purchase consideration of RM3,300,000 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 0.50 times of the NA of HMSB for the FYE 2012 of approximately RM6.6 million. We had on 30 November 2012 entered into the HMSB SSA with CIL for the acquisition of HMSB; and

## 6. INFORMATION ON OUR GROUP (Cont'd)

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- (e) We acquired the remaining 40% equity interest in UTSB not already owned by KISB through KISB from Goh Siang, Goh Leng Kian, Chew Cheng Chuan and the Estate of Abdul Rahman bin Rashid (collectively known as "**Vendors IV**") for a purchase consideration of RM1,350,000 to be satisfied via the issuance of 5,400,000 Shares. The purchase consideration of RM1,350,000 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 0.71 times based on 40% of the NA of UTSB for the FYE 2012 of approximately RM1.9 million. We and KISB had on 30 November 2012 entered into the UTSB SSA with Vendors IV for the acquisition of UTSB.

The Acquisitions are interdependent on each other and are satisfied via issuance of Shares. Our consolidated NA upon completion of the Acquisitions will approximate the sum of all individual Subsidiary's NA. The cost of investment in the Subsidiaries will also be based on the respective individual Subsidiary's NA upon completion of the Acquisitions. Therefore, our Company and Subsidiaries will be able to pay dividends out of post-acquisition profits of these Subsidiaries.

The purchase consideration for ITL is higher than its NA, however there will be no impact of impairment of investments in the entity as the cost of investment at our Company level is the same as the NA of ITL as explained in the preceding paragraph.

- (iii) The rationalisation of our Promoters' shareholding structure via the Transfer of Shares which shall comprise:
- (a) the transfer of Shares held by Innolatex Limited pursuant to the Acquisitions to Innolatex Limited's shareholders;
  - (b) the transfer of Shares held by CIL pursuant to the Acquisitions to CIL's shareholders; and
  - (c) the transfer of 13,500,000 Shares each held by Lam Juan Juan, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi pursuant to the Acquisitions to KOL,

after the registration of this Prospectus and would result in KOL holding 94,500,000 Shares, representing 35.0% equity interest in our Group upon our Listing. Please refer to Section 9.1.1 of this Prospectus for details of KOL's shareholders.

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## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.3 Share capital

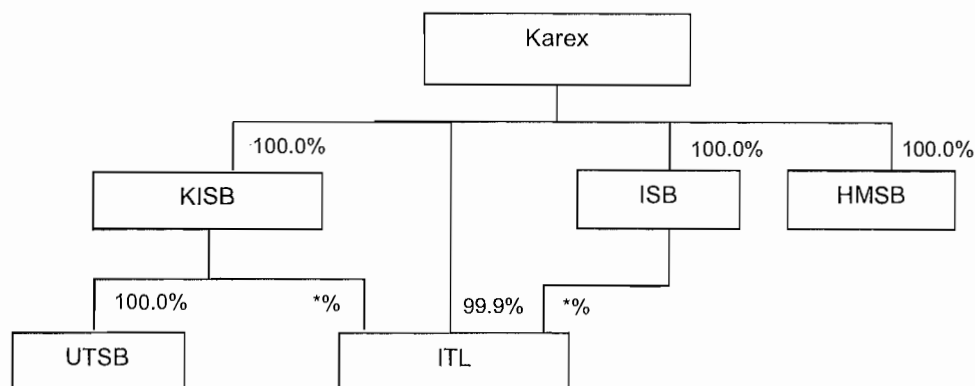
Our authorised share capital upon Listing will be RM500,000,000 comprising 2,000,000,000 Shares whilst our issued and paid-up share capital upon Listing will be RM67,500,000 comprising 270,000,000 Shares.

As at the LPD, our Company does not have any outstanding warrants, options, convertible securities or uncalled capital.

The changes in our issued and paid-up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value	Consideration	Purpose	Cumulative issued and paid-up share capital
		(RM)			(RM)
27 September 2012	4	0.50	Cash, at RM0.50 per share	Subscriber Shares	2
30 November 2012	8	0.25	Other than cash	Subdivision of Shares	2
23 September 2013	141,899,992	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of KISB	35,475,000
23 September 2013	50,000,000	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of ITL	47,975,000
23 September 2013	19,000,000	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of ISB	52,725,000
23 September 2013	13,200,000	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of HMSB	56,025,000
23 September 2013	5,400,000	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of UTSB	57,375,000

Upon Listing, our Group structure is as follows:



Note:

\* KISB and ISB hold one (1) share each in ITL

## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.4 Our subsidiaries and associated companies

As at the LPD, our Subsidiaries are:

<u>Our direct subsidiaries / Company no.</u>	<u>Date / Place of incorporation</u>	<u>Par value</u>	<u>Issued and paid-up share capital</u>	<u>Our effective interest</u> (%)	<u>Principal activities</u>
KISB (170363-X)	4 May 1988 / Malaysia	RM1.00	RM2,500,000	100	Manufacturing and sale of condoms
ITL (0905546001692)	7 August 2003 / Thailand	THB100.00	Registered capital of THB162,000,000 of which THB130,500,000 is paid-up as at the LPD	100	Manufacturing of all types of condoms, rubber finger gloves, hand gloves and/or products from rubber
ISB (500319-M)	2 December 1999 / Malaysia	RM1.00	RM250,000	100	Manufacturing and sale of condoms
HMSB (480951-X)	13 April 1999 / Malaysia	RM1.00	RM1,000,000	100	Manufacturing of condoms, latex probe covers and latex sleeves
<u>Our indirect subsidiary / Company no.</u>	<u>Date / Place of incorporation</u>	<u>Par value</u>	<u>Issued and paid-up share capital</u>	<u>Our effective interest</u> (%)	<u>Principal activities</u>
<u>Subsidiary of KISB</u>				(%)	
UTSB (472154-X)	16 November 1998 / Malaysia	RM1.00	RM500,000	100	Manufacturing of sterile catheters

#### 6.4.1 Our direct subsidiaries

##### (i) KISB

##### (a) History and business

KISB was incorporated in Malaysia under the name of Banrub Sdn Bhd as a private limited company under the Act on 4 May 1988 and commenced operations in 1989. KISB assumed its present name on 5 February 1994 and is principally involved in the manufacturing and sale of condoms.

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

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**(b) Share capital**

As at the LPD, the authorised share capital of KISB is RM5,000,000 comprising 5,000,000 shares in KISB, of which RM2,500,000 comprising 2,500,000 shares in KISB have been issued and fully paid-up.

There were no changes in the issued and paid-up share capital of KISB for the last four (4) years preceding the LPD.

As at the LPD, KISB does not have any outstanding warrants, options, convertible securities or uncalled capital.

**(c) Subsidiary and associated companies**

As at the LPD, KISB has a subsidiary, UTSB. Further details on UTSB are disclosed in Section 6.4.2 of this Prospectus.

KISB does not have any associated companies as at the LPD.

**(ii) ITL**

**(a) History and business**

ITL was incorporated in Thailand as a private company under the Civil and Commercial Code of Thailand on 7 August 2003 and commenced operations in 2006. ITL is principally involved in the manufacturing of all types of condoms, rubber finger gloves, hand gloves and/or products from rubber.

**(b) Share capital**

As at the LPD, the registered share capital of ITL is THB162,000,000 comprising 1,620,000 shares of which THB130,500,000 have been paid-up.

There were no changes in the registered and paid-up share capital of ITL for the last four (4) years preceding the LPD except in the FYE 2013 where ITL's registered and paid-up share capital was increased from THB120,000,000 comprising 1,200,000 shares to a registered capital of THB162,000,000 comprising 1,620,000 shares of which THB130,500,000 have been paid-up.

As at the LPD, ITL does not have any outstanding warrants, options, convertible securities or uncalled capital.

**(c) Subsidiary and associated companies**

As at the LPD, ITL does not have any subsidiary or associated companies.

## 6. INFORMATION ON OUR GROUP (Cont'd)

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(iii) **ISB**

(a) **History and business**

ISB was incorporated in Malaysia as a private limited company under the Act on 2 December 1999 and commenced operations in 2000. ISB is principally involved in the manufacturing and sale of condoms.

(b) **Share capital**

As at the LPD, the authorised share capital of ISB is RM500,000 comprising 500,000 shares in ISB of which RM250,000 comprising 250,000 shares in ISB have been issued and fully paid-up.

There were no changes in the issued and paid-up share capital of ISB for the last four (4) years preceding the LPD.

As at the LPD, ISB does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) **Subsidiary and associated companies**

As at the LPD, ISB does not have any subsidiary or associated companies.

(iv) **HMSB**

(a) **History and business**

HMSB was incorporated in Malaysia as a private limited company under the Act on 13 April 1999 and commenced operations in 2000. HMSB is principally involved in the manufacturing of condoms, latex probe covers and latex sleeves.

(b) **Share capital**

As at the LPD, the authorised and issued and paid-up share capital of HMSB is RM1,000,000 comprising 1,000,000 shares in HMSB.

There were no changes in the issued and paid-up share capital of HMSB for the last four (4) years preceding the LPD.

As at the LPD, HMSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) **Subsidiary and associated companies**

As at the LPD, HMSB does not have any subsidiary or associated companies.



## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.4.2 Our indirect subsidiary company

#### (i) UTSB

##### (a) History and business

UTSB was incorporated in Malaysia as a private limited company under the Act on 16 November 1998 and commenced operations in 1999. UTSB is principally involved in the manufacturing of sterile catheters.

##### (b) Share capital

As at the LPD, the authorised and issued and paid-up share capital of UTSB is RM500,000 comprising 500,000 shares in UTSB.

There were no changes in the issued and paid-up share capital of UTSB for the last four (4) years preceding the LPD.

As at the LPD, UTSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

##### (c) Subsidiary and associated companies

As at the LPD, UTSB does not have any subsidiary or associated companies.

### 6.4.3 Our associated companies

As at the LPD, our Group does not have any associated companies.

## 6.5 Capital expenditures and divestitures

The details of material capital expenditures for the past four (4) FYEs are as follows:

	<u>Method of financing</u>	<u>FYE 2010</u>	<u>FYE 2011</u>	<u>FYE 2012</u>	<u>FYE 2013</u>
		(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b><u>Capital expenditures</u></b>					
<b>Malaysia</b>					
- Machinery	a mix of internally generated funds and bank borrowings	10,141	4,469	3,508	2,276
- Land	a mix of internally generated funds and bank borrowings	-	8,373	1,074	5,500
<b>Thailand</b>					
- Machinery	a mix of internally generated funds and bank borrowings	1,655	256	1,031	1,696

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

	<u>Method of financing</u>	<u>FYE 2010</u>	<u>FYE 2011</u>	<u>FYE 2012</u>	<u>FYE 2013</u>
		(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Thailand</b>					
- Renovations	a mix of internally generated funds and bank borrowings	23	71	18	998
<b>Total capital expenditures</b>		<u>11,819</u>	<u>13,169</u>	<u>5,631</u>	<u>10,470</u>
<b>Capital divestures</b>					
<b>Malaysia</b>					
- Sale of properties		-	-	783	-
<b>Total capital divestures</b>		<u>-</u>	<u>-</u>	<u>783</u>	<u>-</u>

As at the LPD, our Group does not have any material expenditures and divestures currently in progress.

**(i) Malaysia**

Capital expenditure for the FYE 2010 is mainly for installation of two (2) condom dipping lines, 13 manual ET machines and seven (7) foiling machines, upgrades of four (4) condom dipping lines and purchase of six (6) automated ET machines, to increase our manufacturing capacity.

Capital expenditure for the FYE 2011 is mainly for installation of two (2) condom dipping lines, six (6) ET machines and seven (7) foiling machines to increase our manufacturing capacity. Further, our Group has acquired a piece of land measuring approximately 18 acres located in Pontian for the future expansion of our Group.

Capital expenditure for the FYE 2012 is mainly for installation of one (1) condom dipping line and ten (10) foiling machines to increase our manufacturing capacity. In addition, during the same financial year, our Group sold three (3) residential properties to related-parties (disclosed in Section 11.1.1 of this Prospectus) as the said properties are non-core assets of our Group and they are non-revenue generating.

Capital expenditure for the FYE 2013 is mainly for the acquisition of a factory building for ISB in Port Klang and replacement parts for the machineries.

**(ii) Thailand**

Capital expenditure for the FYE 2010 is mainly for installation of two (2) condom dipping lines and six (6) foiling machines to increase our manufacturing capacity.

Capital expenditure for the FYE 2011 is mainly for installation of two (2) foiling machines to increase our foiling capacity.

Capital expenditure for the FYE 2012 is mainly for installation of five (5) manual ET machines to increase our testing capacity.

Capital expenditure for the FYE 2013 is mainly for the upgrade of the existing machineries and renovation work performed.

## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.6 Key milestones and achievements

Our key milestones and achievements since our incorporation are as follows:

Year	Key milestones & achievements
1988	We incorporated Banrub to venture into the condom industry.
1989	We marketed and distributed our brand of condoms in the Malaysian and Singaporean market. This marked our first foray in the OBM market.
1990	KISB registered the trademark "Carex" in Singapore.  We established an R&D team to focus on the design and development of manufacturing machinery starting with our own dipping line.  We secured our first contract to manufacture and supply semi-finished condoms which signified our venture into the commercial market.
1992	We ventured into the probe covers manufacturing business.
1993	Banrub secured an order from Gem Plaza LLC from UAE, to supply them with our Carex condoms to the Middle Eastern countries. Since then, we started to market and distribute our Carex condoms via intermediaries such as distributors and traders.
1994	We successfully secured in our first tender offers by institutional buyers such as international agencies, NGOs and government which mark a significant milestone of venturing into the tender market.
1998	UTSB was incorporated and commenced operations in the manufacturing of sterile catheters.
1999	We started participating and attending international exhibitions and tradeshow to market and promote our products and services.  We received ISO certifications (ISO13485, ISO9001 and Directive93/42/EEC certifications from SGS United Kingdom Ltd.).
2005	We ventured into the business of manufacturing of lubricating jelly.
2006	We expanded our condoms manufacturing business into Thailand.
2009	We succeeded in developing Polyisoprene probe covers.

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## 7. BUSINESS OVERVIEW

### 7.1 Overview

Our Group became the world's largest condom manufacturer in terms of annual manufacturing capacity in the FYE 2012 with an annual manufacturing capacity of approximately three (3) billion pieces. Our global market sales cover more than 110 countries. During the FYE 2013, we manufactured approximately 2.4 billion pieces of condoms. According to the IMR Executive Summary, our leading position is further reflected by our export market share of 60.8% (export volume from Malaysia was approximately 7.6 million kg) amongst condom manufacturers in Malaysia for the year 2012.

In addition to our core business, we also manufacture other rubber-based medical devices and complementary products such as probe covers, catheters and lubricating jelly. In terms of revenue break down, condom sales have contributed approximately 90% to our total revenue for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013. For further details on our Group's products and the segmentation of revenue by product, please refer to Section 13.2.1(i) of this Prospectus.

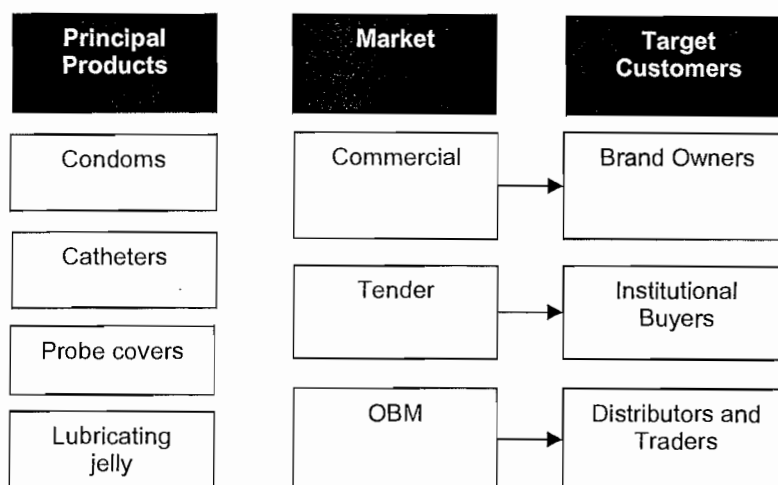
Our products are principally sold in the commercial, tender and OBM markets. For the FYE 2013, commercial, tender and OBM market constituted approximately 59.7%, 36.1% and 4.2%, respectively to our Group's total revenue. For further details on these markets, please refer to Section 7.10(ii) of this Prospectus.

The commercial market is where we manufacture condoms for brand owners. This includes customers such as Ansell Limited (*Lifestyle brand*), Reckitt Benckiser PLC (*Durex brand*), Line One Laboratories Inc (*Trustex brand*) and Global Protection Corp (*One brand*).

The tender market is where we tender to institutional buyers to manufacture condoms for them. Institutional buyers consist of NGOs and government agencies such as UNFPA, USAID, PSI and MSI and may also include international purchasing agents such as JSI and Crown Agents.

Lastly, we also manufacture condoms under our own brands, namely Carex and INNO. These condoms are distributed in countries such as UAE, South Africa, India, Nigeria and Bangladesh.

Our business model is illustrated in the diagram below:



## 7. BUSINESS OVERVIEW (Cont'd)

Our competitive advantages and key strengths provide us with a strong platform to compete against other business operators, as well as to facilitate business sustenance and growth. Our competitive advantages and key strengths are as follows:

- (i) Established market reputation with proven track record;
- (ii) Strong in-house R&D capabilities driven by continuous innovation;
- (iii) Recognition as a pre-qualified manufacturer;
- (iv) Ability to manufacture high quality condoms;
- (v) Ability to handle large volume with minimal interruptions; and
- (vi) Wide market coverage supported by extensive product mix.

Please refer to Section 7.18 of this Prospectus for further details of our Group's competitive advantages and key strengths.

### 7.2 Principal place of business and location of principal assets

Our operational facilities and factories are currently located in Malaysia and Thailand. Please refer to Annexure A of this Prospectus for further details on our Group's properties.

### 7.3 Principal activities and products

Our Group is principally involved in the manufacturing of the following products:






- (i) condoms;
- (ii) catheters;
- (iii) probe covers; and
- (iv) lubricating jelly.

#### (i) Manufacturing of condoms


Our core business is the manufacturing of condoms, which is a protection device most commonly used during sexual intercourse to reduce the possibility of pregnancy as well as the spreading of STIs and HIV. Currently, the manufacturing of condoms is undertaken by KISB, ITL, ISB and HMSB.

Condom sales contribute approximately 90.0% to our Group's total revenue for the FYE 2013.

Our condoms are available in diverse types including:

No.	Types of condoms	Description
1.	Basic shapes	<div style="display: flex; justify-content: space-around; align-items: center;">      </div> <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <span>Baggy</span> <span>Baggy ribbed</span> <span>Contoured / Anatomic</span> <span>Thick head</span> <span>Flared</span> </div>
2.	Basic sizes	<ul style="list-style-type: none"> <li>(a) 49 mm +/- 2 mm;</li> <li>(b) 52 mm +/- 2 mm;</li> <li>(c) 53 mm +/- 2 mm;</li> <li>(d) 54 mm +/- 2 mm;</li> <li>(e) 56 mm +/- 2 mm; and</li> <li>(f) 60 mm +/- 2 mm.</li> </ul>

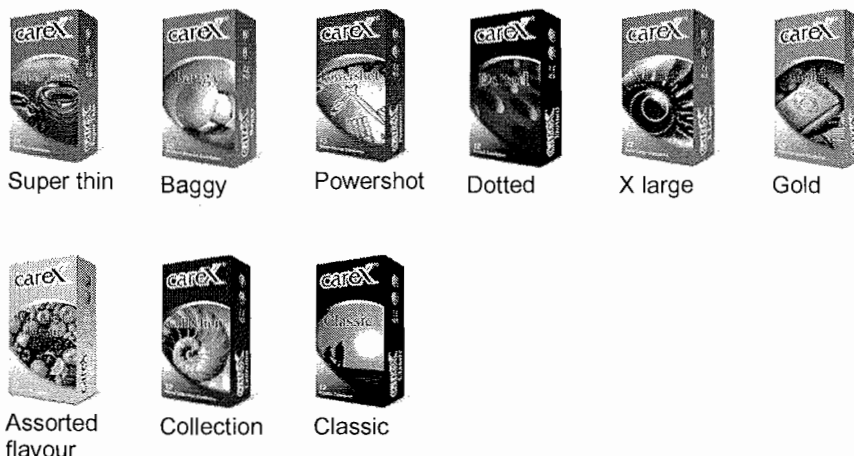
## 7. BUSINESS OVERVIEW (Cont'd)

No.	Types of condoms	Description
3.	Basic colours	(a) black; (b) brown; (c) blue; (d) green; (e) orange; (f) pink; (g) purple; (h) red; (i) gold; (j) silver; (k) yellow; (l) duo-coloured; and (m) tri-coloured.
4.	Basic textures / surfaces	 <p>Dotted / Studded    Ribbed    Contoured ribbed    Contoured, ribbed, dotted (3 in 1)    Super dotted (rough &amp; tough)</p>
5.	Basic flavours / fragrances	(a) durian; (b) lychee; (c) pineapple; (d) apple; (e) lemon; (f) strawberry; (g) chocolate; (h) vanilla; (i) banana; (j) raspberry; (k) coffee; (l) perfume; (m) passion fruit; (n) blackcurrant; (o) grape; and (p) peppermint.
6.	Foil packaging	(a) square; (b) rectangular; (c) round; (d) blister pack; and (e) twin pack including lubricants.
7.	Consumer packaging	(a) box packaging; (b) flow pack; (c) blister pack; (d) tin pack; and (e) wallet pack.

Customisation of other shapes, sizes, colours, textures / surfaces and flavours / fragrances are available upon request from customers.

## 7. BUSINESS OVERVIEW (Cont'd)

Below are examples of condoms manufactured by our Group:



### (ii) Manufacturing of catheters

We are also involved in the manufacturing of urethral catheters, which is a flexible tube commonly made from silicone rubber or natural rubber that can be inserted into the urinary bladder creating a channel for the passage of fluid or for continuous irrigation of the bladder. It is commonly use for the drainage of fluid from the bladder.

Currently, the manufacturing of catheters is being carried out by UTSB. We market our catheters to the tender and OBM markets under three (3) brands:

- (a) CHROMA;
- (b) ProCare; and
- (c) UroCare.

For the FYE 2013, approximately 5.4% of our Group's total revenue were attributed to catheters. Our catheters are available in different sizes, balloon capacities and functions, including:

No.	Types of catheters	Description
1.	Features	(a) seamless; (b) form fitting; (c) flexible and safe; and (d) leakage resistance.
2.	Types	(a) one way; (b) short-term; (c) irrigation; (d) post-operation; and (e) bladder drainage
3.	Tips	(a) Nelaton; (b) Tiemann; (c) Couvelaire (d) Mercier; and (e) Frohmuller.

## 7. BUSINESS OVERVIEW (Cont'd)

No.	Types of catheters	Description
4.	Length	(a) 22 cm; (b) 30 cm; and (c) 40 cm.
5.	Balloon capacity	(a) 3 ml; (b) 5 ml; (c) 10 ml; (d) 30 ml; and (e) 60 ml.

Below is example of catheters manufactured by our Group:



Balloon catheters

### (iii) Manufacturing of probe covers

We are also involved in the manufacturing of probe covers, which is a type of hygienic protection for patients during ultrasonic examinations. Currently, the manufacturing of probe covers is undertaken by KISB and ISB. As at the LPD, we supply probe covers only to the commercial market.

Our probe covers are available in different features and types as follows:









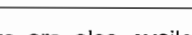
No.	Types of probe covers	Description
1.	Features	(a) seamless; (b) form fitting; (c) flexible and safe; and (d) leakage resistance.



## 7. BUSINESS OVERVIEW (Cont'd)

No.	Types of probe covers	Description
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2.	Types	
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TYPE	DRAWING	LENGTH	DIAMETER
KX01		55 mm	13.5 mm
KX02		200 mm	20 mm
KX03		200 mm	26 mm
KX04		300 mm	26 mm
KX05		200 mm	28 mm
KX06		300 mm	30 mm
KX07		195 mm	33 mm
KX08		285 mm	19 mm
KX09		300 mm	17 mm

Probe covers are also available in natural rubber latex and Polyisoprene.

### (iv) Manufacturing of lubricating jelly

Lubricating jelly is a complementary product to our condoms manufacturing business that is undertaken by KISB, to cater for the commercial, tender and OBM markets.

Lubricating jelly is used to reduce friction between body parts, or between body parts and other objects. Our lubricating jelly is greaseless, non-toxic and water soluble, thus, making them suitable for gynaecological use or when additional lubrication is needed.

No.	Types of lubricating jelly	Description
-----	----------------------------	-------------

1.	Features	(a) water based; (b) long lasting; (c) clear and non-staining; (d) silky smooth; and (e) latex friendly.
2.	Types	(a) regular; (b) flavoured; (c) fragranced; (d) warming gel; and (e) cooling gel.
3.	Flavour	(a) aloe vera; (b) strawberry; (c) cherry; (d) vanilla; (e) chocolate; and (f) tutti frutti.

**7. BUSINESS OVERVIEW (Cont'd)**

<b>No.</b>	<b>Types of lubricating jelly</b>	<b>Description</b>
4.	Packaging	(a) sachet – 3 ml, 4 ml, 5 ml or 10 ml; (b) tube – 20 ml, 50 ml, 60 ml, 100 ml or 120 ml; and (c) pump bottle – 150 ml, 200 ml, 250 ml, 300 ml or 500 ml.

Customisation of other flavours, fragrances and packaging are available upon request from customers.

Below are examples of lubricating jelly manufactured by our Group:



Cooling lubricating jelly    Warming lubricating jelly    Water based lubricating jelly

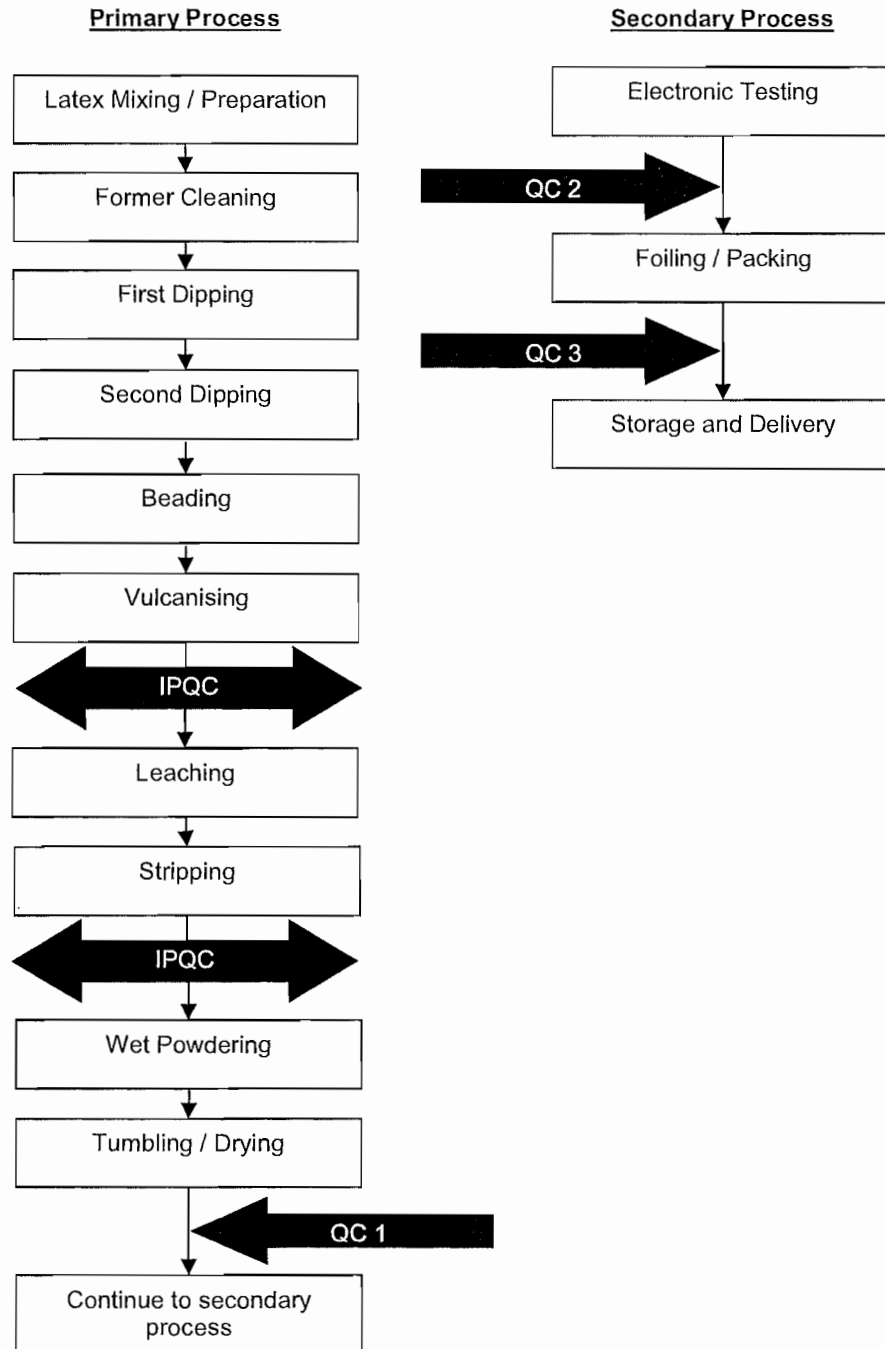
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**7. BUSINESS OVERVIEW (Cont'd)**

**7.4 Process flow**

**(i) Manufacturing of condoms**

In general, the process flow for our manufacture of condoms is illustrated in the diagram below:



## 7. BUSINESS OVERVIEW (Cont'd)

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### Latex mixing and preparation

Majority of our condoms are manufactured using Pre-vulcanised latex. Pre-vulcanised latex is a form of compounded latex supplied ready for use, requiring only dilution with deionised water. We source the Pre-vulcanised latex from our approved suppliers. A series of stringent inspections and testing are conducted prior to the Pre-vulcanised latex being accepted and stored in our storage tanks. All Pre-vulcanised latex are marked and recorded for efficient tracking and monitoring. The purpose of tracking and monitoring the Pre-vulcanised latex is to ensure that the quality of the Pre-vulcanised latex is not compromised and meet the required specification. The said batch of Pre-vulcanised latex will be isolated and recalled if it is found to be compromised and non-conformity of the required specification. The Pre-vulcanised latex are then mixed evenly before being transferred to the dipping machines to commence the dipping process.

### Former cleaning

Condom formers are washed thoroughly and brush dried before they are dipped into the first latex tank to begin the condom dipping process.

### Dipping process

The dipped condom formers are then withdrawn slowly so that a thin, smooth and uniformed film is achieved. The first dipped layer on the condom formers is dried in the first oven before it is dipped in the second latex tank.

Our Group's dipping technology utilises a double dipping process (a commonly and widely used technology in the rubber industry) to minimise defects of our condoms. After the second dip, the condom films are dried again in the second oven before being beaded.

### Beading

The condom formers are then moved to the beading station where the open end of the condom is beaded. The condoms are then dried and fully vulcanized in the third (3<sup>rd</sup>) oven.

### Leaching

The condoms are then leached in the leaching tank containing diluted ammonia solution. This leaching process removes excess protein and soluble chemicals from the condoms.

### Stripping

The leached condoms are stripped by water jet before being collected in the collection baskets. Subsequently, the condom formers are rinsed with fresh water before brush dried, thus completing the dipping cycle.

### Wet powdering

Powdering solution is added into the mixer together with the condoms from the collection baskets. It is later drained and transferred to the hydro-extractor to remove excess powder solution.

### Tumbling / drying

The condoms are later placed into a tumble dryer.

## 7. BUSINESS OVERVIEW (Cont'd)

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### Electronic testing

The dried condoms are 100% electronically tested in a high voltage pin-hole testing machine (also referred as ET machines) for pinholes.

The testing principle is based on the following procedures:

- (a) The condoms are loaded either manually or automatically over a stainless steel mandrel and subjected to be tested by a rotating conductive rubber brush;
- (b) A high voltage electrical current is applied between the mandrel and the test brush;
- (c) Condoms with pinholes will allow electricity to pass from the rubber brush to the mandrel and this will divert the condoms to the reject bin; and
- (d) The accepted condoms are rolled automatically and randomly collected for another round of laboratory testing before sending them to be foiled.

### Foiling / Packing

After the condoms passed the sampling and acceptance level tests, they will be sent for foiling. The condoms are placed on the feeding belt, transported and lubricated by an automatic lubricant dispenser before hermetically (airtight and sterile) sealed into foils. A lot number and expiry date will be ink printed onto the foils as the condoms roll out of the foiling machines. Subsequently, the condoms are packed according to the packaging specifications set by the customers.

### Storage and delivery

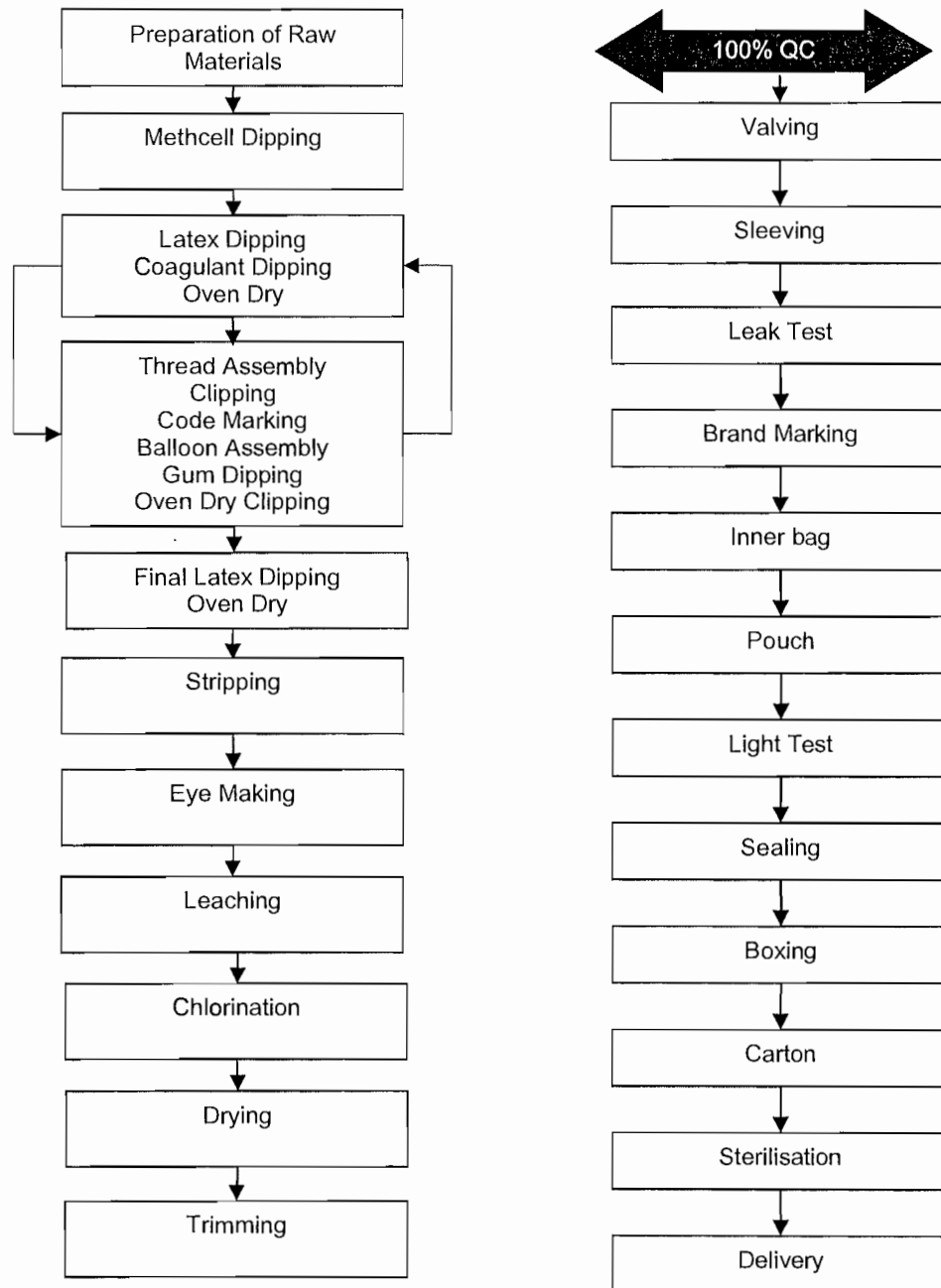
Packed condoms are stored in a cool and dry place and ready for shipment.

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## 7. BUSINESS OVERVIEW (Cont'd)

### (ii) Manufacturing of catheters

The process flow for the manufacturing of catheters is illustrated in the diagram below:



The manufacturing of catheters starts from the collection and preparation of raw materials. Catheters are generally made from either silicone or latex rubber, depending on the use. A catheter can either have two or three outlets. In a two-way catheter, one outlet acts as a urine output and the other inflates the balloon. A three-way catheter has the same function as a two-way catheter, but uses the third (3<sup>rd</sup>) outlet for bladder irrigation. Catheters vary in sizes from 2 mm to 10 mm in diameter. The balloon itself varies in sizes from 5 cc to 60 cc, depending on the intended use. The balloon is normally filled with sterile water. Catheter can also be attached to a drainage bag.

## 7. BUSINESS OVERVIEW (*Cont'd*)

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In the preparation of the raw materials, we will conduct an inspection on the raw materials to ensure the specifications are in accordance with our manufacturing requirement.

The following are the basic catheters manufacturing processes.

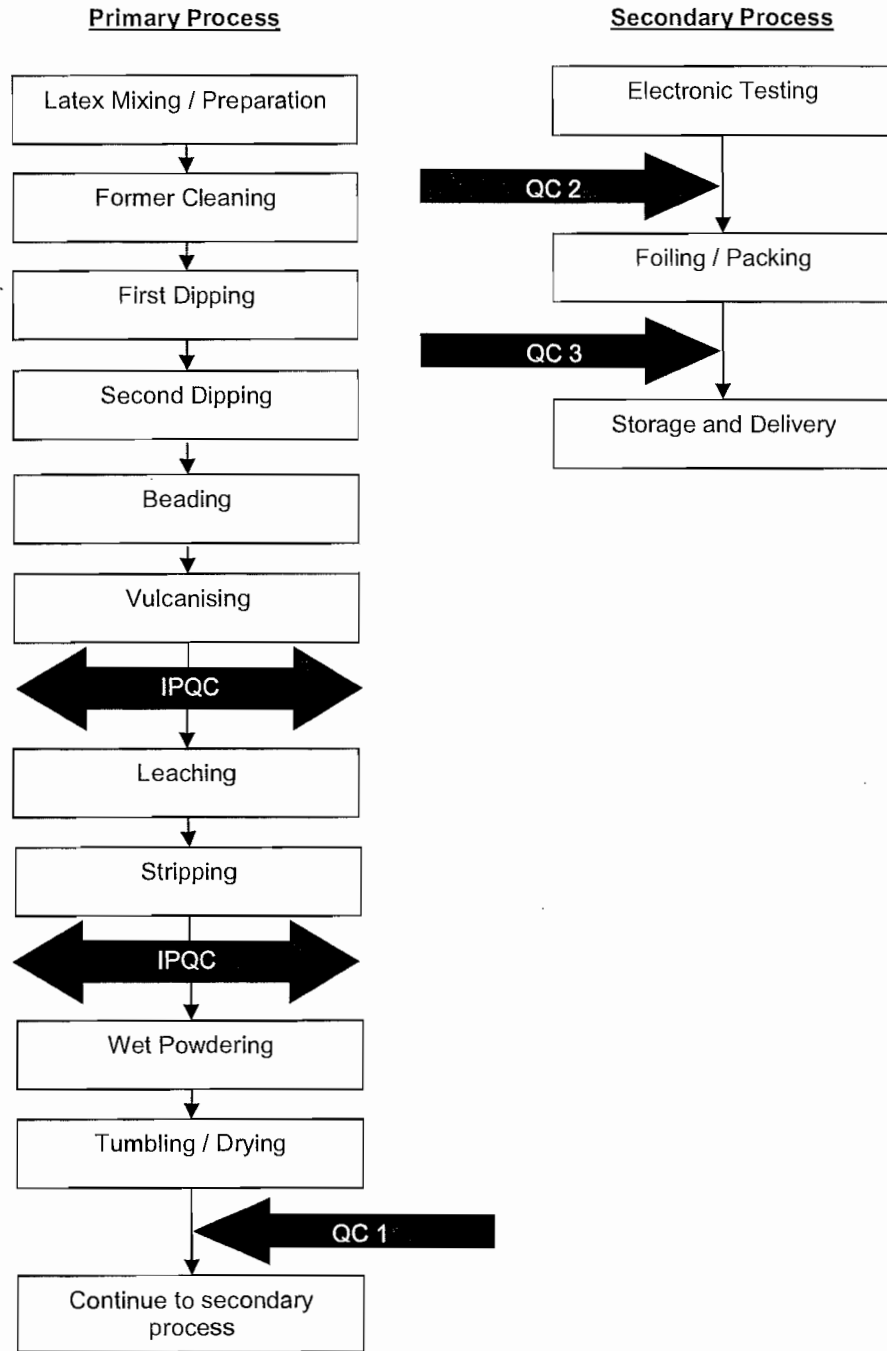
- (a) The first step in the manufacturing of a catheter is the manufacturing of the long, thin tube that will be inserted into the bladder.
- (b) A thin band of cured latex is then slipped over the tube by hand to form a sheath around the tube. It is positioned so that the latex covers the inflation eye that has been punched in the tube.
- (c) The entire length of the tube is dipped in latex, which creates an overcoat layer and bonds the edges of the band to the tube, to form a balloon. This adds to the thickness of the balloon and is used to adjust the outer diameter of the tube to the desired size.
- (d) A small opening is then punched in the distal end of the tube furthest end of the tube to form the drainage eye.
- (e) The catheter is then transported to the packaging centre for 100% functional, visual and size gauge tests.
- (f) Thereafter, we will send the catheters to brand marking followed by packaging into inner bag, pouch, sealing, boxing and cartoning. After completing the packaging process, all packed catheters will be sterilised before delivery.

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7. BUSINESS OVERVIEW (Cont'd)

(iii) Manufacturing of probe covers

The process flow for the manufacture of probe covers is illustrated in the diagram below:



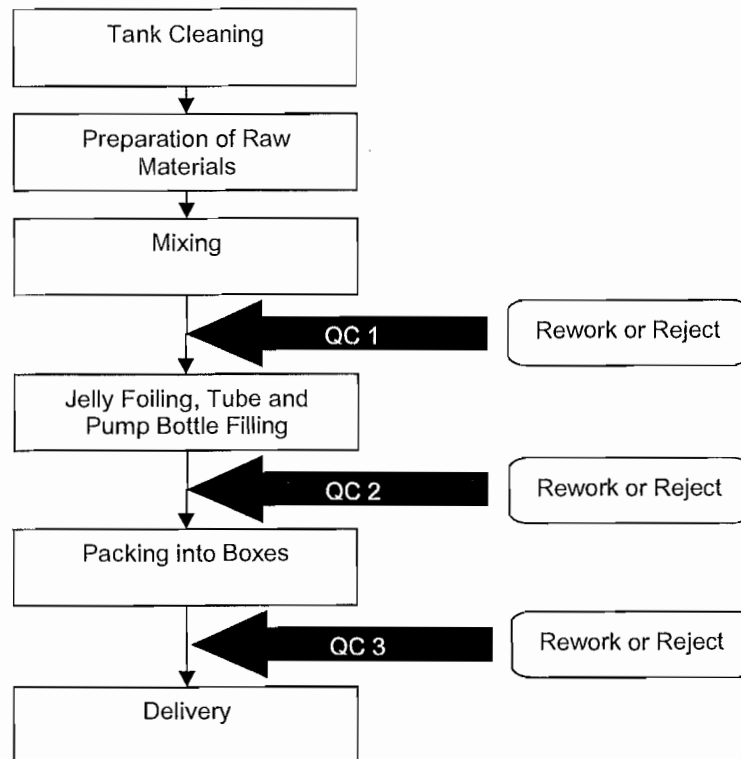
The manufacturing process for probe covers is similar to that of condoms with the exception of different formers being used. Please refer to Section 7.4(i) of this Prospectus for further details of the condoms manufacturing process.



## 7. BUSINESS OVERVIEW (Cont'd)

### (iv) Manufacturing of lubricating jelly

The process flow for the manufacturing of lubricating jelly is illustrated in the diagram below:



#### Tank cleaning

Prior to the manufacturing process, the mixing tank is cleaned thoroughly to remove unwanted residuals which may contaminate the mixing process.

#### Preparation of raw materials

For the preparation of raw materials / ingredients, our manufacturing staff will gather the relevant raw materials / ingredients and weigh them based on a pre-set formula.

#### Mixing

After all the relevant raw materials / ingredients are gathered, it will be mixed in the mixing tank.

#### Jelly foiling, tube and pump bottle filling

A portion of the mixed jellies will be taken from the mixing tank for testing in terms of pH, viscosity and specific gravity. After passing the test, the mixed lubricating jelly will be released for foiling, tube and pump bottle filling.

## 7. BUSINESS OVERVIEW (Cont'd)

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### Packing into boxes

Upon completing the foiling, tube and pump bottle filling processes, we will conduct a second set of QC inspection on the packaging quality. Foil sealing, tube and pump bottle quality, lubricant leakages, labelling and lubricant amount will be checked during this QC inspection. Subsequently, the packed lubricating jelly will be released for final box packaging.

### Delivery

After all the packed lubricating jelly is boxed, it will be stored in the warehouse. Prior to delivery, we will carry out a third (3<sup>rd</sup>) set of QC inspection involving checking of shipment and verifying it against a sales review to ascertain whether all boxes are labelled properly with customer particulars, carton number, quantity, lot number and expiry date.

## 7.5 Technology used

Our key technologies are represented by the condoms dipping machines, ET machines and foil sealing machines.

Our R&D team continuously strives to develop, manufacture, improve and customise our machineries.

As condoms are our Group's core product, the major technologies utilised in our condoms manufacturing operations include the following:

### (i) **Condoms dipping machines**

We have successfully designed, developed and improved efficient condom dipping lines which are able to manufacture more condoms per manufacturing cycle. For example, we have manufactured double-former dipping lines with tighter gap between the condom formers to increase the number of pieces manufactured without compromising the quality of the final products. This system is adopted by all the condom dipping machines in our factories in Port Klang, Johor and Thailand.

In recent years, we have successfully developed new dipping lines with greater flexibility in terms of different length, texture and colour.

As at the LPD, we have 32 dipping lines in various sizes with the capacity to manufacture approximately three (3) billion pieces of condoms annually.

### (ii) **ET machines**

All condoms are electronically tested for pinholes with the ET machines by subjecting them to a high-voltage test that rejects condoms with pinhole(s). As at the LPD, most of our manual ET machines are developed in-house. Through our continuous R&D effort, we managed to develop twin-station ET machines, which saves manufacturing space and energy cost per any given manufacturing area.

Since 2010, we have invested in six (6) automated ET machines in our Pontian factory. Subsequently, we also conduct customisation work on these automated ET machines to improve their efficiency. Currently, our automated ET machines can test up to 300 pieces of condoms per minute as compared to 40 pieces per minute under the manual system. One (1) automated ET machine can reduce the manual labour required to operate a manual ET machine of seven (7) workers, therefore reducing our dependence on labour.

## 7. BUSINESS OVERVIEW (Cont'd)

### (iii) Condom foil sealing machines

We also design and develop our own condom foil sealing machines. By developing our own machines, we can ensure consistency of quality during the manufacturing process. As a result, we have better control on the final product finishing. Overall, we have single lane and double lanes condom foil sealing machines which can manufacture square, rectangular and round shaped foils.

Currently, we have two (2) blister pack foiling machines. Our innovation in designing and developing new styles of packaging gives us a competitive advantage over other players in the industry as attractive packaging enable our products to attract more consumers.

### 7.6 Manufacturing capacity

Our Group's approximate manufacturing output, capacity and utilisation for the FYE 2010 to FYE 2013 are as follows:

Company	FYE 2010			FYE 2011		
	Installed capacity <sup>(1)</sup> (million pieces)	Manufacturing output <sup>(2)</sup> (million pieces)	Utilisation rate (%)	Installed capacity <sup>(1)</sup> (million pieces)	Manufacturing output <sup>(2)</sup> (million pieces)	Utilisation rate (%)
KISB	1,562.6	1,272.7	81.5%	1,867.8	1,613.0	86.4%
ISB	189.0	158.4	83.8%	189.0	159.3	84.31%
HMSB <sup>(3)</sup>	48.3	25.4	52.5%	48.3	23.2	48.0%
ITL	604.8	491.0	81.2%	725.8	603.0	83.1%
<b>Total</b>	<b>2,404.7</b>	<b>1,947.5</b>	<b>81.0%</b>	<b>2,830.9</b>	<b>2,398.5</b>	<b>84.7%</b>

Company	FYE 2012			FYE 2013		
	Installed capacity <sup>(1)</sup> (million pieces)	Manufacturing output <sup>(2)</sup> (million pieces)	Utilisation rate (%)	Installed capacity <sup>(1)</sup> (million pieces)	Manufacturing output <sup>(2)</sup> (million pieces)	Utilisation rate (%)
KISB	1,998.3	1,317.2	65.9%	1,998.3	1,637.0	81.9%
ISB	217.7	151.3	69.5%	217.7	173.8	79.8%
HMSB <sup>(3)</sup>	48.3	14.3	29.6%	48.3	24.2	50.1%
ITL	725.8	464.9	64.1%	725.8	582.7	80.3%
<b>Total</b>	<b>2,990.1</b>	<b>1,947.7</b>	<b>65.1%</b>	<b>2,990.1</b>	<b>2,417.7</b>	<b>80.9%</b>

Notes:

- (1) Annual capacity is calculated based on machinery and equipment installed capacity and operating 15 hours per day for an average of 26 days per month, adjusted for festive and holiday periods.
- (2) Manufacturing output is calculated based on number of lines, average manufacturing capacity per line per day and the number of days operational.
- (3) Lower utilisation rate as this manufacturing line is predominantly used for customised condoms.

## 7. BUSINESS OVERVIEW (Cont'd)

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Due to time needed for maintenance of equipment, changing of formers and latex in the dipping lines to accommodate different orders, our maximum utilisation rate attainable based on our manufacturing mix is around 80% of our installed capacity. There are minimal idle workers as workers are required even during machine downtime for maintenance work, changing of formers, cleaning of latex tanks and other chores.

For the FYE 2011 compared to the previous financial year, our Group's manufacturing output increased by 0.5 billion pieces of condoms, or 23.2%, from 1.9 billion to 2.4 billion pieces of condoms. The increase in manufacturing was mainly due to the increase in sales/demand of condoms in the FYE 2011.

For the FYE 2012 compared to the previous financial year, our Group's manufacturing output decreased by 0.5 billion pieces, or 18.8%, from 2.4 billion to 1.9 billion pieces of condoms. This was attributed to the higher frequency in changing of formers which resulted in our dipping line downtime to increase by 47.6% from the FYE 2011 to FYE 2012 to cater for the unusual sequence of orders received during the financial year. In addition, the suspension of foreign workers application process by the relevant authorities during the 6P programme (process of legalising illegal foreign workers) also affected our capacity utilisation as the replacement of expiring foreign workers was delayed.

For the FYE 2013 compared to the previous financial year, our Group's manufacturing output increased by 0.5 billion pieces, or 24.1%, from 1.9 billion pieces of condoms to approximately 2.4 billion pieces of condoms. Our manufacturing utilisation rate also increased to 80.9% from 65.1%. This was attributed to the increase in sales/demand of condoms and lower frequency in changing of formers due to favourable timing of order sequences received and the types of condoms manufactured during the financial year.

### 7.7 R&D

Our R&D team consisting of nine (9) personnel lead by our Technical and R&D Director, Mr. Goh Leng Kian focuses on optimising the productivity in our manufacturing processes. We continuously identify prospective technology and expedient adaptations to refine our manufacturing processes via the machinery customisation or conversion of manual motions into automated sequences. This enables us to reduce human errors that may impact our product quality. Furthermore, the improved manufacturing processes enhance our cost and efficiency.

In addition to the above, R&D on product development is constantly on-going to ensure that we have the flexibility to cater to our customers' varying demands such as the tattoo condoms, glow in the dark condoms, super thin condoms as well as Polyisoprene condoms. We are in a position to leverage on the amassment of product knowledge over the years and understanding of product usage circumstances, to design and develop products, that increases our product offering and continue to improve product quality that meet international standards.

#### (i) Productivity improvement

Over the years, we have consistently installed advanced machinery in line with the latest technology, as well as machinery modification innovations, to improve our manufacturing processes. In addition, we have also successfully customise our condom dipping machines and condom foiling machines to cater to our customers' demands.

In terms of dipping lines, we have customised our dipping machines to manufacture super thin condoms, custom fit condoms as well as Polyisoprene condoms and probe covers.

## 7. BUSINESS OVERVIEW (Cont'd)

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In terms of foiling machines, we have customised our foiling machines to manufacture round shape condom foils, twin pack condoms (one (1) condom and one (1) lubricant in the same foil) as well as condoms packed in buttercups.

We strive to improve our productivity by leveraging on our accumulated experience throughout the years as well as upgrading our knowledge base by researching and studying relevant technical information and publications.

The combination of the above enables us to make informed decisions to construction, modification and purchase of relevant machineries. Furthermore, we endeavour to understand the machinery mechanisms in order to maximise its practical and optimum usage.

We are currently focusing on introducing further automation in our manufacturing process. A fully automated system will reduce our reliance on manual labour for the same process as well as increasing efficiency.

### **Productivity improvement efforts**

Our past productivity improvement efforts include the following:

- (a) Reduced the gap between the condom formers in our condoms dipping lines to increase condoms output by approximately 16% with the same amount of energy consumption;
- (b) Enhanced our condoms dipping machines to manufacture ultra-thin condoms at a thickness of approximately 0.05 mm as compared to a regular thickness of 0.07 mm;
- (c) Customised ET machines and improved their testing efficiency from a single station to a twin-station ET machine by using the same indexing table. As such, this would enable us to have more ET machines in one (1) place, thus reducing our energy consumption and results in cost saving for us;
- (d) Increased the length of our condoms dipping machines to manufacture additional condoms per cycle. With a longer dipping line, the space between the first and second dipping process is longer, hence allowing the dipping process to run at a faster pace. Consequently, it increases our manufacturing output; and
- (e) Replacement of our low energy consumption heaters with infrared heaters which reduce energy consumption from 2 kW to 1.5 kW per heater, resulting in approximately 25% reduction in power consumption.

### **(ii) Product development**

We are constantly in discussion with our clients in regards to product specifications based on the latest trends and market needs, upon which we rely on our R&D capabilities to develop prototypes, prior to commencement of manufacturing and commercialisation.

The idea of new prototypes may be generated in-house or provided to us by our customers. New prototypes revolve around product enhancements in size, texture, colour, flavour, shapes and lubricant coupled with packaging concept. Based on the combination of material formulation, former specifications, QA assessment and modification of machines, we conceptualise the manufacturing process to determine the optimum method of developing the prototypes.

## 7. BUSINESS OVERVIEW (Cont'd)

Upon the development of these prototypes, we will conduct comprehensive quality assessments and tests as well as stability study on these prototypes to ensure that they meet all regulatory standards.

We will then commercialise the new prototype and conduct full scale manufacturing upon receiving customer confirmation of orders based satisfactory design, quality and pricing.

### Product development efforts

Through our in-house R&D efforts, we have successfully manufactured a range of products including:

No.	Products	Description
1	Condoms	<ul style="list-style-type: none"> <li>• glow in the dark;</li> <li>• duo-coloured;</li> <li>• tri-coloured;</li> <li>• tattoo;</li> <li>• metallic coloured (gold and silver colour);</li> <li>• 95 condom sizes for Theyfit branded condoms;</li> <li>• super-studded; and</li> <li>• ultra-thin and super-thin.</li> </ul>
2	Probe covers	<ul style="list-style-type: none"> <li>• using Polyisoprene as a raw material</li> </ul>
3	Packaging	<ul style="list-style-type: none"> <li>• round foil packaging;</li> <li>• blister pack packaging; and</li> <li>• twin-pack (combination of condoms and lubricating jelly).</li> </ul>

Furthermore, we have successfully compounded our own formulated post-vulcanised latex for the manufacturing of our condoms. This will enable us to control our cost of manufacturing as well as improve the quality of our product.

### (iii) R&D expenditure

Description	FYE 2010	FYE 2011	FYE 2012	FYE 2013
R&D expenditure (RM'000)	1,591	1,862	2,530	2,980
Revenue (RM'000)	157,444	181,753	188,751	231,389
R&D expenditure / Revenue (%)	1.01	1.02	1.34	1.29

## 7.8 Product quality and QA

### QA Activities

Our QA department is an independent department whereby approved procedures and working instructions are being carried out here. Implementation of these procedures is the responsibility of the respective area owners with assistance from trained QA personnel. Specifications are maintained for each product and the raw materials used. QA is responsible to monitor the conformity of the product from raw materials to finished goods.

### Compounded Latex Test

We analyse the quality of the compounded latex in which only good quality latex is used in the manufacturing of our condoms.

**7. BUSINESS OVERVIEW (Cont'd)**

**Pinhole Testing**

In various stages of the manufacturing process, condoms are randomly collected for pinhole test in accordance to various international standards.

**Air Burst Test**

The air burst test is used to determine the overall strength of a condom. Condoms, placed in the air burst chamber, are filled with air at a regulated rate until they burst. The minimum airburst volume and pressure is 18 litres of air and 1kPa.

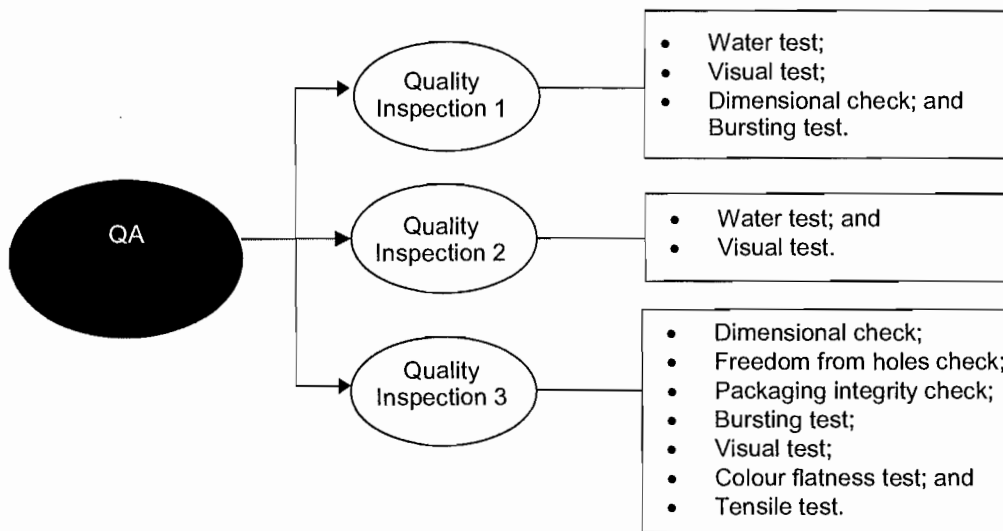
**Packaging Integrity Test**

Foil condoms are randomly sampled for packaged integrity test to ensure that they are hermetically (airtight and sterile) sealed to prevent leakage and cross contamination.

**Dimensional Test**

Dimension of condoms, such as thickness, width and length are checked by specific equipment such as thickness gauge, ruler and length gauge respectively.

We carry out sampling inspection to ensure our condoms meet the stringent quality requirements set by our customers, regulatory authorities and accredited bodies. These inspections include, and not limited to the following:



**Quality Inspection 1**

Condom samples are collected from the dipping process right after they are tumble-dried. 130 to 165 samples are collected depending on the characteristic of the condoms, from each batch for the following tests:

- (i) Water test (pinholes) – 80 samples;
- (ii) Visual – 125 samples;
- (iii) Width and Length – 10 samples;
- (iv) Thickness – 5 samples;
- (v) Bursting test – 10 samples; and
- (vi) Tensile test – 5 samples.

## 7. BUSINESS OVERVIEW (Cont'd)

### Quality Inspection 2

All condom batches will be 100% electronically tested after they have passed Quality Inspection I. After the ET process, 200 samples will be collected for visual and water test. If they fail the acceptable quality level, the batch will be put on hold for disposition. Upon passing the tests, the batches will be transferred to the warehouse.

### Quality Inspection 3

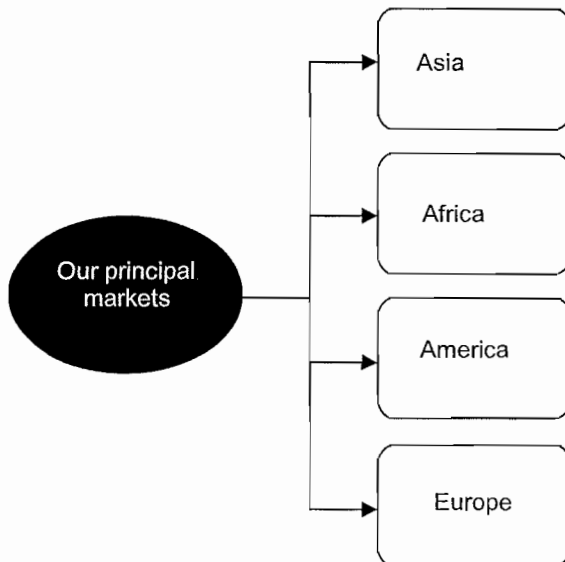
At Quality Inspection 3, samples are taken progressively during foiling and tested as per customers' requirement before product release. Our QC inspector shall take samples according to the required tests for the whole shipment lot.

An additional 200 samples will be retained by our QA department. These samples will be tested if there is any future dispute. They will be kept in a clean and dry location with a temperature of  $30 \pm 5^{\circ}\text{C}$ . The products that failed the test will not be released for shipment and will be on hold pending disposal. There are no incidents whereby entire batches of condoms are disposed of for the financial years under review.

As a result of the aforementioned stringent QA and QC processes, our Group has had a low rate of rejected condoms (i.e. 2% to 3% of our total manufacturing) for the last four (4) FYEs. As at the LPD, we have a team of approximately 183 personnel, led by our QA Director, involved in QA and QC.

### 7.9 Principal markets

As at the LPD, our principal markets are depicted in the diagram below:



For the FYE 2013, the export market contributed approximately 91.2% whilst the local market contributed approximately 8.8% of our Group's total revenue.



## 7. BUSINESS OVERVIEW (Cont'd)

For the FYE 2013, our revenue contributions segmented by countries are as follows:

	Revenue for the FYE 2013	
	RM'000	%
<b>PRINCIPAL MARKETS</b>		
Asia*	85,177	36.8
Africa	71,234	30.8
America	42,210	18.2
Europe	32,768	14.2
<b>TOTAL</b>	<b>231,389</b>	<b>100.0</b>

Note:

\* Includes Malaysia and Thailand

Our largest export market was the Asian region (China, Vietnam, Philippines, Myanmar and Bangladesh) which accounted for approximately 36.8% of our Group's total revenue for the FYE 2013. This was followed by the African region (South Africa, Tanzania, Zimbabwe and Nigeria), which represented approximately 30.8% of our Group's total revenue. The Malaysian market contributed approximately RM19.0 million, 8.2% of our Group's total revenue for the FYE 2013, whereby our products are sold to the commercial market.

The remaining two (2) regions (Brazil, US, Germany and Italy) contributed a total of 32.4% of our Group's total revenue for the FYE 2013.

We continuously strive to have a balance mix between the tender and commercial markets. For the FYE 2010 to FYE 2013, these two (2) markets have been consistently between approximately 40% to 50% each.

For the past four (4) FYEs, the increase of revenue from the commercial market is a reflection of our success in increased marketing efforts and continuous R&D in this segment.

Revenue from the OBM market was maintained at an average 3% to 5% of our total revenue.

Revenue from the tender market decreased marginally by 4% in the FYE 2011 and 5% in the FYE 2012 as a result of timing differences between the new tenders and the deliveries of our tender projects.

For more details, please refer to Section 13.2.1(iii) of this Prospectus.

### 7.10 Marketing and distribution

#### (i) Marketing strategies

Our sales and marketing team adopts the following marketing strategies to sustain and expand our business:

- (a) actively participate in various medical exhibitions and related trade shows;
- (b) expanding our market presence and developing new business opportunities by conducting sales calls and product demonstrations as well as working closely with potential and existing customers to help us plan and allocate sufficient manufacturing capacity to meet their requirements;

## 7. BUSINESS OVERVIEW (Cont'd)

- (c) creating awareness for our Group and products via manufacturing directories such Federation of Malaysian Manufacturers directory which is distributed locally and globally; and
- (d) continuously updating our corporate website and to leverage on our listing on the Malaysian Rubber Export Promotion Council MARKETPLACE website, to provide better access and convenience for existing and potential customers.

As at the LPD, we have a sales and marketing team led by our Chief Executive Officer together with 16 sales and marketing personnel, focusing on sales, marketing and business development functions.

As part of our marketing and promotional methods to create awareness with the aim of increasing sales, we have participated in various medical exhibitions and trade shows including the following:

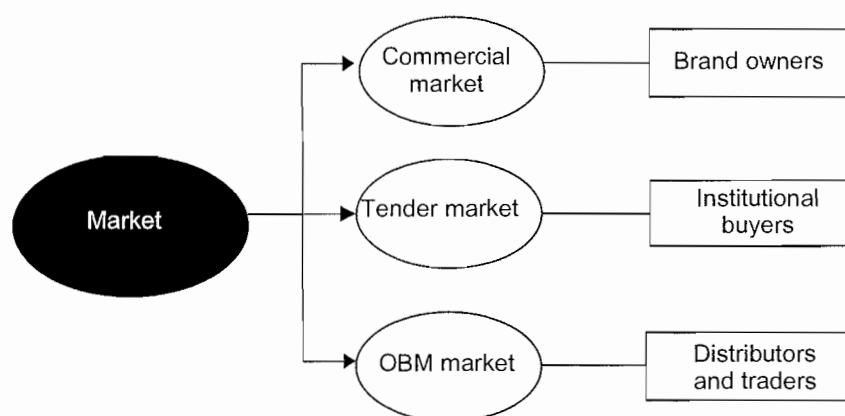
Year	Name of events	Location
2010	(i) Private Label Manufacturer Association ("PLMA") Trade Show 2010	Amsterdam, the Netherlands
	(ii) MEDICA Expo 2010	Dusseldorf, Germany
2011	(i) Arab Health 2011	Dubai, UAE
	(ii) PLMA Trade Show 2011	Amsterdam, the Netherlands
	(iii) FIME International Medical Expo 2011	Florida, US
	(iv) MEDICA Expo 2011	Dusseldorf, Germany
2012	(i) Arab Health 2012	Dubai, UAE
	(ii) PLMA Trade Show 2012	Amsterdam, the Netherlands
	(iii) FIME International Medical Expo 2012	Florida, USA
	(iv) MEDICA Expo 2012	Dusseldorf, Germany
	(v) Malaysian Rubber Glove Manufacturers Association Expo 2012	Kuala Lumpur, Malaysia
	(vi) Expo Medical 2012	Buenos Aires, Argentina
	(vii) Public Health Trade Fair 2012	Kiev, Ukraine
2013	(i) PLMA Trade Show 2013	Amsterdam, the Netherlands
	(ii) Arab Health 2013	Dubai, UAE
	(iii) Women Delivers 2013 Conference	Kuala Lumpur, Malaysia

## 7. BUSINESS OVERVIEW (Cont'd)

### (ii) Distribution channels

We market our products through three (3) distribution channels as depicted below:

- (a) commercial market through brand owners such as multinational corporations which distribute to consumers;
- (b) tender market through institutional buyers such as NGOs, government and procurement agencies (multilateral and bilateral organisation); and
- (c) OBM market through intermediaries such as our distributors and traders.



For the FYE 2013, commercial, tender and OBM markets accounted for 59.7%, 36.1% and 4.2% of our total revenue respectively.

#### (a) Commercial market

Our products are sold to brand owners in the commercial market which is our Group's core revenue contributor. As at the LPD, we manufacture and supply condoms, catheters, probe covers and lubricating jelly to brand owners which are mainly located in the US, UK, Germany, Netherlands and Russia. Under the commercial market segment, we manufacture their products which will then be marketed under their brands. We have long standing relationships with our brand owners, the longest being 19 years.

In the past and including the LPD, we have commercial orders from the respective parties below:

Brand Owners	Products	Country	Notable brand	Length of relationship (years)
Line One Laboratories Inc.	Condoms and lubricating jelly	US	Trustex	19
Global Protection Corp	Condoms and lubricating jelly	US	ONE	11
Ansell Limited	Condoms and lubricating jelly	US	Lifestyles	8
BSN Medical	Catheters	Germany	Norta	8
Bolear Medical Limited	Probe covers	Russia	Viva	7

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Brand Owners</b>	<b>Products</b>	<b>Country</b>	<b>Notable brand</b>	<b>Length of relationship (years)</b>
M.P.I. Pharmaceutica GmbH	Condoms and lubricating jelly	Germany	Masculan	7
Sheating Technology	Probe covers	US	Not available	7
Reckitt Benckiser Group PLC	Condoms and lubricating jelly	UK	Durex	2

**(b) Tender market**

In the tender market segment, we participate in tender projects by international agencies, NGOs and government. As at the LPD, products supplied to this market includes condoms and lubricating jelly only.

It is tougher to secure a customer in the tender market as compared to the commercial market due to its stringent requirements. In order to be able to supply to this market, we have to be a pre-qualified manufacturer. For further details on the criteria of a pre-qualified manufacturer, please refer to Section 7.18(iii) of this Prospectus.

In the past and including the LPD, we have successfully secured orders from the respective parties below:

<b>Institutional buyers</b>	<b>Products</b>	<b>Country</b>	<b>Length of relationship (years)</b>
PSI	Condoms and lubricating jelly	US	19
Crown Agents	Condoms and lubricating jelly	UK	12
UNFPA	Condoms and lubricating jelly	Denmark	10
MSI	Condoms	UK	9
JSI / USAID	Condoms	US	5

**(c) OBM market**

Our products are sold to distributors and traders in the OBM market, whereby these products are marketed under our own brand name. As at the LPD, products supplied to this market includes condoms, catheters and lubricating jelly. Our products are marketed under the brand name "Carex" and "INNO" for condoms, whilst "CHROMA", "UroCare" and "ProCare" for catheters. As at the LPD, we have 75 distributors and traders globally to distribute our products to, amongst others, UAE, Hong Kong, India, Singapore, Bangladesh, South Africa and Nigeria.

## 7. BUSINESS OVERVIEW (Cont'd)

Our major distributors and traders are shown in the table below:

Distributors and traders	Products	Country	Length of relationship (years)
Gem Plaza LLC	Condoms	UAE	21
Life Link International	Condoms	Bangladesh	19
Coral Healthcare Pte Ltd	Condoms	India	12
Coralatex Marketing	Condoms and lubricating jelly	Singapore	10
Pharcomedic S.A.R.L.	Condoms	Morocco	7
Elecare Pharmaceuticals	Condoms	Africa	4

By tapping into our respective distributors' and traders' network, we are able to expand our market coverage without significant investment in marketing and logistics. These distributors and traders would rely on their own distribution networks to sell our Group's products to consumers.

### 7.11 Major customers

Our major customers (being those contributed 10% or more of total our Group's total revenue) for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013 are as follows:

Major customers and our products purchased	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
JSI / USAID (5-year relationship) - condoms	22,711	14.4	35,949 <sup>(1)</sup>	19.8	17,311 <sup>(2)</sup>	9.2	19,775	8.5
Crown Agents <sup>(3)</sup> (12-year relationship) - condoms - lubricating jelly	16,433	10.4	13,417	7.4	3,937	2.1	576	0.2
	<b>39,144</b>	<b>24.9</b>	<b>49,366</b>	<b>27.2</b>	<b>21,248</b>	<b>11.3</b>	<b>20,351</b>	<b>8.7</b>
Others	118,300	75.1	132,387	72.8	167,503	88.7	211,038	91.3
<b>Revenue</b>	<b>157,444</b>	<b>100.0</b>	<b>181,753</b>	<b>100.0</b>	<b>188,751</b>	<b>100.0</b>	<b>231,389</b>	<b>100.0</b>

For the FYE 2013, none of our customers individually contributed more than 10% of our Group's total revenue.

Notes:

- (1) Revenue from JSI/USAID increased was mainly due to an increase in the condom orders by JSI/USAID in the FYE 2011.
- (2) In the FYE 2012, revenue from JSI/USAID decreased was mainly due to the spill-over inventories as a result of large orders placed in the previous year.
- (3) The decrease over the last three (3) FYEs was due to manufacturing schedule mismatch as the timing of requisition of orders/tenders, quantity required as well as condoms' specifications from Crown Agents do not coincide with our overall manufacturing schedule.

## 7. BUSINESS OVERVIEW (Cont'd)

We have enjoyed long-term business relationships with our customers. As at the LPD, 60% of our top 10 customers have established strong relationship with us for over six (6) years. This provides us with a stable customer base to sustain and grow the business.

### 7.12 Raw materials

The major types of raw materials that we purchased for our manufacturing operations for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013 are as follows:

	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Raw material for manufacturing</b>								
– Pre-vulcanised latex	34,240	34.7	65,475	52.1	51,580	48.1	49,305	42.8
– Foil	18,863	19.1	19,047	15.1	19,042	17.8	21,858	19.0
– Inner box, outer box and leaflet	10,170	10.3	10,631	8.5	10,140	9.5	9,775	8.5
– Silicone oil	5,880	6.0	6,059	4.8	5,354	5.0	8,373	7.3
– Others <sup>(1)</sup>	29,498	29.9	24,564	19.5	15,054	19.6	25,850	22.4
<b>Total purchases of raw material</b>	<b>98,652</b>	<b>100.0</b>	<b>125,775</b>	<b>100.0</b>	<b>107,170</b>	<b>100.0</b>	<b>115,161</b>	<b>100.0</b>

Note:

(1) Including ammonia, corn starch, magnesium carbonate, silicone emulsions, flavouring and colour pigments

For the FYE 2013, our purchases of raw materials and other input materials from local sources accounted for 94.3% whilst the remaining 5.7% were sourced directly from imports.

The majority of our raw material costs are made up of Pre-vulcanised latex (also known as compounded latex), foil, packaging materials such as inner box, outer box, leaflets and silicone oil. The price of Pre-vulcanised latex is subject to demand and supply forces and any fluctuation of raw material costs will have an impact on our profit margin. Apart from Pre-vulcanised latex, the prices of other raw materials have remained relatively stable over the last four (4) FYEs.

For more details on the fluctuation of the price of Pre-vulcanised latex, please refer to Section 5.1(i) of this Prospectus. For more details of the historical impact of this fluctuation of raw material cost, please refer to Section 13.2.2(i) of this Prospectus.

As at the LPD, we have not faced any shortages in the availability of raw materials and any other inputs required by our Group in the last 12 months.

Please refer to Section 1.6.2 of the IMR Executive Summary for the reliance and vulnerability of natural rubber latex.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.13 Major suppliers

The table below lists our Group's suppliers that represented 10% or more of total Group purchases over the last four (4) financial years:

Major suppliers	Description of products supplied to our Group	Length of relationship (years)	FYE 2010		FYE 2011	
			(RM'000)	%	(RM'000)	%
Revertex	Pre-vulcanised latex	24	26,597	27.0	44,188	35.1
Getahindus	Pre-vulcanised latex	5	7,643	7.8	21,287	16.9
MPIB	Foil	17	14,169	14.4	12,404	9.9
<b>Total purchases from major suppliers</b>			<b>48,409</b>	<b>49.2</b>	<b>77,879</b>	<b>61.9</b>
<b>Total purchases (RM'000)</b>			<b>98,652</b>		<b>125,775</b>	

Major suppliers	Description of products supplied to our Group	Length of relationship (years)	FYE 2012		FYE 2013	
			(RM'000)	%	(RM'000)	%
Revertex	Pre-vulcanised latex	24	32,269	30.1	29,157	25.3
Getahindus	Pre-vulcanised latex	5	19,311	18.0	20,148	17.5
MPIB	Foil	17	11,209	10.5	15,880	13.8
<b>Total purchases from major suppliers</b>			<b>62,789</b>	<b>58.6</b>	<b>65,185</b>	<b>56.6</b>
<b>Total purchases (RM'000)</b>			<b>107,170</b>		<b>115,160</b>	

Our business is dependent on our major suppliers, Revertex, Getahindus and MPIB from Malaysia, which represented 25.3%, 17.5% and 13.8% respectively of our Group's total purchases for the FYE 2013.

For the FYE 2010, FYE 2011, FYE 2012 and FYE 2013, Revertex represented 27.0%, 35.1%, 30.1% and 25.3% of our Group's total purchases respectively. Revertex is one of our suppliers of Pre-vulcanised latex and we have been dealing with them for approximately 24 years.

Nevertheless, our dependency on Revertex is mitigated by availability of alternative sources for Pre-vulcanised latex that we are currently purchasing from Getahindus, represented 7.8%, 16.9%, 18.0% and 17.5% of our Group's total purchases for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013 respectively. Similar to Revertex, Getahindus has been our supplier of Pre-vulcanised latex for approximately five (5) years.

### 7.14 Approvals, major licenses and permits

For details on our approvals, major licenses and permits, please refer to Annexure B of this Prospectus.






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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.15 Intellectual property rights

We have taken steps to protect our trademarks. As at the LPD, we have registered the following trademarks:

#### Trademarks

No.	Trademark	Registered owner	Country	Class	Trademark no.	Date of registration	Expiry date
1		KISB	Singapore	10	T90/03927E	8 March 2007	30 May 2017
2	Carex 	ISB	Malaysia	10	06013419	31 July 2006	31 July 2016
3	INNO 	ITL	Thailand	10	239610	14 September 2005	13 September 2015
4	Carex 	KISB	Malaysia	10	2010011529	28 June 2010	28 June 2020
5	Carex 	KISB	Malaysia	5	2010011528	28 June 2010	28 June 2020



## 7. BUSINESS OVERVIEW (Cont'd)

Class 5 and 10 classification for the respective countries, Malaysia and Thailand are as follows:

	<b>Class 5</b>	<b>Class 10</b>
Malaysia	Pharmaceutical, veterinary and sanitary preparations; dietetic substances adapted for medical use, food for babies; plasters, material for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides	Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopaedic articles and suture materials
Thailand	-	Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopaedic articles; suture materials

### 7.16 Interruptions to business

There has been no material interruption to our business operations in the past 12 months.

### 7.17 Seasonality

Generally, there are no sharp contrasts in seasonality as our products are for general applications that are not tied to any seasonality factors.

### 7.18 Competitive advantages and key strengths

Our competitive advantages and key strengths provide us with a strong platform to compete against other business operators, as well as to facilitate business sustenance and growth. Our competitive advantages and key strengths are as follows:

#### (i) Established market reputation and proven track record

We have an established market reputation and proven track record in the industry, in particular as a condom manufacturer. This is substantiated as follows:

- (a) we have been in operation since 1988 and this long history gives us a business and market track record to supply our products to internationally recognised brands and institutional buyers;
- (b) we are the world's largest condom manufacturer with an annual manufacturing capacity of approximately three (3) billion pieces for the FYE 2012. For more details, please refer to Section 1.9 of the IMR Executive Summary;
- (c) we have expanded into the commercial, tender and OBM markets throughout the years and the long standing relationships we share with our customers are a testament of customers' satisfaction and loyalty to us. For more details, please refer to Section 7.10(ii) of this Prospectus; and
- (d) our products are exported to more than 110 countries, which cover the Africa, Asia, America and Europe region. For more details, please refer to Section 7.9 of this Prospectus.

## 7. BUSINESS OVERVIEW (Cont'd)

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In addition, our in-house condom brands, both "Carex" and "INNO" are distributed in the Middle Eastern countries. As at the LPD, there are no negative feedback and product liability claims made against our Group.

Our established market reputation and proven track record will continue to provide us with the platform to capitalise on the potential growth of the global condom industry.

According to the IMR Executive Summary, the sales of condoms globally is expected to grow at a CAGR of 7.5% from 22.8 billion pieces in 2012 to 30.4 billion pieces in 2016.

### (ii) Strong in-house R&D capabilities driven by continuous innovation

We have our own in-house expertise to design and develop various types of condoms. Over the years, we have successfully developed a variety of condoms which differ in terms of shapes, sizes, textures / surfaces, colours, flavours and fragrances. One of the more notable efforts of our R&D team was the success of our thinner condoms. Our R&D team's continuous effort in developing thinner condoms paid off as the thinner condoms delivered a better all-round value proposition to our customers as well as consumers. For further details, please refer to Section 7.7 of this Prospectus.

In addition to the development of condoms, our R&D team also develops new packaging concepts, including round condom foils and blister packed condoms.

Our in-house capabilities to develop new products will continue to provide us the platform to expand our product range, which are aligned to latest trends and our customers' product design requirements.

Besides product development, our R&D team has the capability to design, develop, re-engineer and customise machines. We designed and developed majority of our primary manufacturing machines, namely dipping machines, ET machines and foiling machines. This has given us a competitive advantage as we are able to operate more cost effectively.

### (iii) Recognition as a pre-qualified manufacturer

Due to the stringent nature of the tender market, in order to supply to institutional buyers, we have to receive certain certifications from and be registered as a pre-qualified manufacturer with the respective agencies. In order to be a pre-qualified manufacturer, we must have a proven track record supported by a five (5)-year real time stability report to demonstrate our manufacturing capability and product quality that meets international standards as well as customers' specific requirements. Further, we must also furnish three (3)-years of our financial results to our customers for their consideration in addition to the relevant ISO certifications such as ISO 9001, ISO13485 and Directive 93/42/EEC. We have been registered as one of the pre-qualified manufacturers for PSI, UNFPA, JSI / USAID and Crown Agents since 1994.

Being recognised as a pre-qualified manufacturer has enabled our Group to derive consistent stream of income from the tender market.

For more details on certifications, please refer to Annexure C of this Prospectus.

## 7. BUSINESS OVERVIEW (Cont'd)

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### (iv) Ability to manufacture high quality condoms

We have an established QMS and all of our factories have equipped laboratories to monitor and conduct quality inspection on our products as well as our manufacturing processes in a systematic and comprehensive manner.

Since our inception, we have obtained various certifications such as ISO/IEC 17025, CE mark, BSI Kitemark, TISI Standard, FDA 510(k), CMDCAS and SABS mark for our manufactured products. Such certifications, approvals, licenses or permits are required by the relevant authority of the respective countries to where we export our products.

Our compliance with these international standards and requirements demonstrates our ability to continually manufacture products that can meet our customers' differing needs and specifications. Over the last four (4) years, our condoms have passed tests conducted by independent third (3<sup>rd</sup>) party laboratories and achieved a passing rate of over 99%.

In addition, we also place significant emphasis on quality and this is reflected through our accreditation of ISO 9001 quality management system and ISO 13485 medical device-quality management system.

Product quality is not only critical in helping us to maintain customer loyalty through customer satisfaction and continuing business patronage but also serve as a reference site for new customers.

For more details on certifications, please refer to Annexure C of this Prospectus.

### (v) Ability to handle large volumes with minimal interruptions

We manage to achieve economies of scale through our large volumes of manufacturing, which has lowered our average cost per unit. For the FYE 2013, we manufactured approximately 2.4 billion pieces of condoms.

Our ability to undertake large volumes of orders provides us with an additional advantage over other manufacturers that are limited in terms of capacity. This is particularly pertinent when large quantity orders are required in a tender process or over a short period of time.

Moreover, our ability of ensuring uninterrupted supply of condoms is important for our customers as they would have difficulty in searching for new or existing manufacturers to address the shortage of supply.

In order to minimise interruptions, we match our manufacturing forecast to customers' demand schedule. In the last 12 months, our factories in Malaysia and Thailand have not experienced any material business interruption.

### (vi) Wide market coverage supported by extensive product mix

Over the years, we have expanded our market coverage to more than 110 countries. This has allowed us to reduce our reliance on one (1) single market and mitigate single customer risk by having such a diverse market. In addition, the coverage of different markets provides us with the platform to optimise business opportunities in various countries.

## 7. BUSINESS OVERVIEW (Cont'd)

Furthermore, we are capable to manufacture and supply a wide range of condoms which are distinguished in terms of shapes, sizes, colours, textures / surfaces and flavours / fragrances. This will distinguish us from other manufacturers as we are able to cater to our customers' varying demands.

### 7.19 Dependency on patents, licences, industrial, commercial or financial contracts or new manufacturing processes

#### (i) Dependency on registrations, patents and intellectual rights

Our Group is not dependent on any registrations, patents and intellectual rights for our business operations.

#### (ii) Dependency on major licences

Save for the major licences disclosed in Annexure B of this Prospectus, our Group is not dependent on any other major licences.

#### (iii) Dependency on industrial, commercial and financial contracts

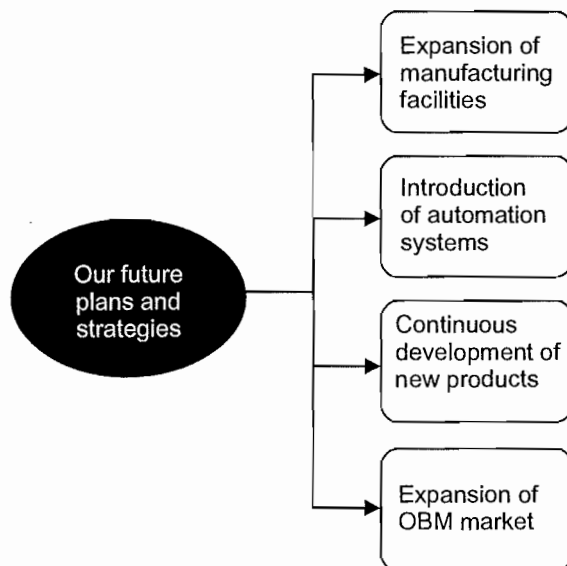
There are no material agreements or contracts (including informal arrangement or understanding or understandings), as at the LPD, which have been entered into by our Group and which our Group is highly dependent upon.

### 7.20 Awards, accreditations and recognition

Please refer to Annexure C for the details of our Group's accreditations and recognition.

### 7.21 Future plans and strategies

Our future plans are focused in four (4) key areas as depicted in the diagram below:



## 7. BUSINESS OVERVIEW (Cont'd)

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### (i) Expansion of manufacturing facilities

Part of our plans includes the expansion of our manufacturing facilities to cater for our business expansion particularly in the manufacturing of condoms.

#### (a) Expansion of manufacturing facilities in Pandamaran, Port Klang

We have acquired a new factory adjacent to our existing Port Klang factory, with a built-up area of 25,038 sq. ft. We have renovated the new factory and will complete installing the additional condom dipping lines, ET machines and foiling machines by the end of 2013. As at the LPD, we have installed four (4) out of the five (5) planned condom dipping lines in our Port Klang factory.

Please refer to Section 12.3 of this Prospectus for further details of the expansion of manufacturing facilities in Pandamaran, Port Klang.

#### (b) Expansion of manufacturing facility in Haadyai, Thailand

We also plan to expand our Thailand's factory manufacturing capacity by adding new condom dipping lines, ET machines and foiling machines which is expected to be completed by the end of 2013. As at the LPD, we have completed building a new warehouse to cater for this expansion.

Please refer to Section 12.3 of this Prospectus for further details of the expansion of manufacturing facility in Haadyai, Thailand.

#### (c) Construction of a new manufacturing facility in Pontian

Currently, our main factory and warehouses are located in Pontian. We intend to move these facilities to a newly constructed manufacturing facility in Pontian. For this purpose, we have acquired a piece of land measuring approximately 18 acres (781,335 sq. ft.) in Pontian.

We intend to construct this new manufacturing facility in the first (1<sup>st</sup>) quarter of 2014 and expect completion by the first (1<sup>st</sup>) quarter of 2015.

Please refer to Section 12.3 of this Prospectus for further details of the construction of a new manufacturing facility in Pontian.

### (ii) Introduction of automation systems

As part of our future plans, we intend to introduce further automation in our manufacturing process. A fully automated system will reduce our reliance on manual labour for the same process as well as increasing efficiency.

We have purchased an automatic condom testing machine, fully integrated with ET and foiling functions, with a testing capacity up to 200 pieces of condom per minute. The cost of the capital expenditure will be financed via bank borrowings and internally generated funds. This new machine also has an auto loading system into the foiling machines which further eliminates labour involvement. As at the LPD, the machine is pending delivery to our manufacturing facility in Pontian. This machine will be installed at our Pontian factory by the end of 2013.

## 7. BUSINESS OVERVIEW (Cont'd)

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### (iii) Continuous development of new products

We will continue our emphasis on R&D with the aim of developing new and improved products to widen our existing range of products for our existing customers by focusing on technical areas such as research, formulation, testing and the condom manufacturing processes.

The development of new products will be financed through our Group's annual R&D budget. As part of our future plans, we intend to expand on our existing range of products to cover the following:

- (a) manufacturing thinner condoms;
- (b) manufacturing condoms using synthetic materials;
- (c) introducing newly designed urological catheters; and
- (d) expanding the range of lubricating jelly.

### (iv) Expansion of OBM market

As part of our future plan, we intend to venture into new OBM markets, including South East Asian countries and India. This is because OBM market enables us to enjoy better profitability as compared to contract manufacturing and it reduces our reliance on commercial and tender markets. The cost our OBM market expansion will be financed through our Group's annual marketing budget. As part of our strategy to achieve this, we plan to leverage on the distribution networks of our established and long-term distributors and traders to help us market our products in the new venture countries.

## 7.22 Prospects

We believe the prospects of the Group are favourable based on the following:

### (i) The growing demand for our product

With the growing world population, the demand for condoms is expected to grow in tandem. The global sex ratio is approximately 1.01 males to one (1) female, with 66.0% aged between 15 years old and 64 years old. China, the most populous country in the world, reported that 37.8% of its population or approximately 507.7 million are males between the ages of 15 years old and 64 years old, while India contributes 406.1 million (33.7% of its population) followed by the US 104.2 million (33.2% of its population). Such global demographic naturally presents a huge potential market for our products especially condoms.

*(Source: IMR Executive Summary)*

### (ii) No substitution presently for our products

As discussed in Section 1.1 of the IMR Executive Summary, the condom is a key enabler used in prevention of STI, HIV as well as for family planning purposes. With the rising number of reported STI cases and HIV infections, condoms remain the leading choice to prevent the transmission of both diseases. In both instances, there is no substitute product for prevention other than abstinence.

## 7. BUSINESS OVERVIEW (Cont'd)

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In South Africa, one of the countries with the highest HIV/AIDS infected incidences, survey has shown that awareness and knowledge of HIV prevention method have improved in recent years. Studies have shown that 75% of adults above 15 years of age actually used condoms in 2009 as compared to 27% in 2002. The South African government, via its HIV prevention campaigns is distributing 450 million condoms per annum.

For family planning, while there are several substitute products such as oral contraceptive pills and female condoms, condoms remain a popular choice due to its economical and easy to use nature.

### (iii) Evolution of our product

Over the years, condoms have evolved from a simple family planning product to a generally accepted lifestyle product. This is evident with the introduction of colours, flavours, textures to the condoms as well as various innovative forms of packaging. Condoms are today widely marketed amongst social media and are being marketed together with many forms of lubricating jelly and adult toys. In addition to the safety aspects, consumers today are looking at experiencing enhanced pleasure derived from our products. Therefore, we are focused in launching more products with such features to cater for this growing demand.

### (iv) Our expansion plans

As discussed in Section 12.3, we plan to increase our dipping lines by an additional 30 by the end of 2015. Our expansion programmes are expected to double our annual manufacturing capacity of approximately three (3) billion pieces presently to six (6) billion pieces by the end of 2015. Our growth opportunity will increase significantly with this improved capacity and economies of scale.

### (v) Our favourable industry outlook

*"The global condom market is expected to expand at a healthy rate over the near future. Globally, the condom market is anticipated to increase from 22.8 billion pieces in 2012 to 30.4 billion pieces in 2016, registering a CAGR of 7.5%."*

*(Extracted from the IMR Executive Summary appended in Section 8)*

The increase in demand for condoms is anticipated to drive the global sales of condom manufacturers, including our products, in tandem.

For further details on our industry outlook, please refer to Section 1.10 of the IMR Executive Summary.

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8. INDUSTRY OVERVIEW

# infobusiness

27 SEP 2013

The Board of Directors  
**Karex Berhad**  
10th Floor, Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur

Dear Sirs / Madams,

**EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT  
("EXECUTIVE SUMMARY") FOR KAREX BERHAD ("KAREX" OR THE "COMPANY")**

This Executive Summary has been prepared for inclusion in the Prospectus pursuant to the listing of Karex on the Main Market of Bursa Malaysia Securities Berhad.

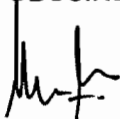
This research is undertaken with the purpose of providing a strategic and competitive analysis of the global condom industry. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and online databases.

The report contains information supplied by and analysis based on public and private sources. To the extent such sources have been cited herein, we hereby confirm that we are allowed to reference such sources. Although we believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information, we have not verified the data for accuracy or completeness, and make no representation with respect to information from any source external to us.

Infobusiness Research & Consulting Sdn Bhd ("Infobusiness Research") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, Infobusiness Research acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then Infobusiness Research has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

for and on behalf of  
**INFOBUSINESS RESEARCH & CONSULTING SDN BHD**



**Mark Lee**  
Director



## 8. INDUSTRY OVERVIEW (Cont'd)

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## EXECUTIVE SUMMARY

This executive summary has been prepared to provide an overview of the global condom industry in which Karex operates in.

### 1.1 INTRODUCTION TO CONDOMS

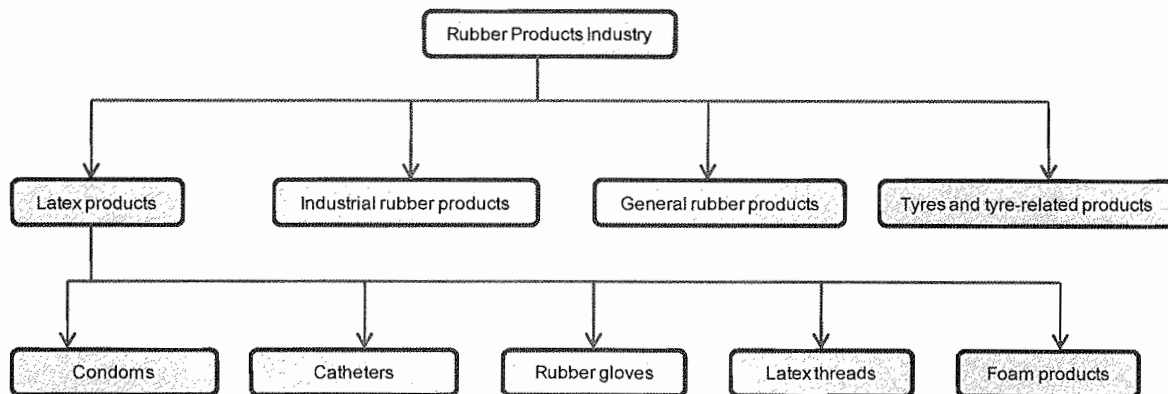
A condom, also known as a prophylactic, is a thin sheath used as a barrier against unwanted pregnancies, STI and HIV. A condom is the single most efficient, available technology in the world to reduce the sexual transmission of STI and HIV, as well as offers dual protection for prevention of unintended pregnancy.

As a contraceptive, the health benefits of condoms are substantial. Contraceptives prevent unintended pregnancies, reduce the number of abortions and lower the incidence of death and disability relating to pregnancy and childbirth complications. The long-term benefits range from better child health to greater family savings and stronger national economies.

A condom is both a rubber product and a medical device, and this is further explained below.

The rubber products industry in Malaysia utilises processes that convert natural rubber (and synthetic rubber) into finished products for intermediate and final consumption. It can be categorised into latex products, industrial rubber products, general rubber products and tyres and tyre-related products. Condoms are classified under the latex products category, as illustrated in the figure below.

**Figure 1: Segmentation of Rubber Products Industry in Malaysia**



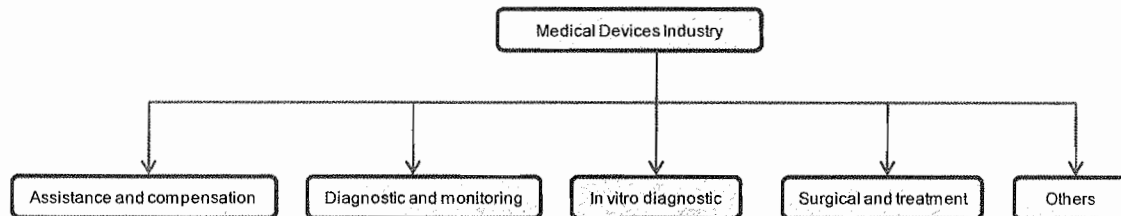
Source: Infobusiness Research

Condoms are also classified as medical devices by the Ministry of Health in Malaysia. By definition, a medical device is an instrument, appliance, implant, machine, material, calibrator, apparatus, in vitro reagent, or other similar or related article which is used to cope with human diseases, care for human injuries, meet human anatomical needs, maintain human physiological functions, support or sustain human life, control human conception, disinfect medical devices and examine specimens taken from human bodies.

## 8. INDUSTRY OVERVIEW (Cont'd)

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Figure 2: Segmentation of Medical Devices Industry



Source: Infobusiness Research

Broadly, the medical devices industry can be further segmented into the following categories:

- Assistance and compensation medical devices such as mobility aids and prosthetic devices;
- Diagnostic and monitoring medical devices such as vital signs monitoring devices and medical imaging devices;
- In vitro diagnostic medical devices such as erythrocyte sedimentation rate analysers and haematology analysers;
- Surgical and treatment medical devices such as catheters, scalpel and dialysis equipment; and
- Other medical devices such as transfusion, injection and collection equipment, first aid and wound care equipment, as well as condoms.

As condoms are classified as medical devices, they are subject to numerous government regulations and international standards which are further described below.

## 1.2 GOVERNMENT REGULATIONS

Condoms are classified as medical devices and as such, are highly regulated by various regulatory authorities around the world. These agencies are empowered to issue licenses for medical devices in a particular country or region. In addition, some carry out or commission factory audits and product testing. They generally have the power to refuse to license manufacturers, to recall products and to close factories in the event of continued non-compliance with their regulations.

As most countries have their own regulatory procedures, it is crucial for the national regulatory authorities to work closely with condom importers and inform them of the procurement procedures and testing protocols that will be used to verify the quality of the condoms before they are shipped to the country. The importers also need to be aware of and comply with any specific local laws and regulations.

The national regulatory authority may order and commission confirmatory testing and in-market compliance testing of the product by a third party laboratory in order to ensure that the quality of the condoms in a particular shipment has not deteriorate during handling, shipping and storage.

## 8. INDUSTRY OVERVIEW (Cont'd)

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Below is a brief discussion of regulatory procedures for the condom industry in selected countries, including Malaysia.

- FDA 510(k) pre-market clearance in the United States ("US"): Prior to marketing a condom in the US, a condom manufacturer must submit documentation to the Food and Drug Administration ("FDA") and obtain a pre-market clearance (510(k)). The documentation has to demonstrate that the product is equivalent to one that is already on the market. A 510(k) pre-market clearance indicates that the manufacturer has submitted acceptable safety data on the product and complies with FDA's requirements for the manufacture and distribution of the product. Factory audits are conducted periodically to monitor compliance.

Conformité Européenne ("CE") marking in the European Union ("EU"): Condoms intended for sale or distribution within the EU must carry the CE mark, which verifies that the product meets the essential requirements of medical device directive 93/42/EEC and 2007/47/EC. Compliance with EN ISO 4074 (European designation for the standard) can be taken as evidence of compliance with the essential requirements of the medical device directive. Manufacturing facilities are required to be certified to International Organization for Standardization ("ISO") 13485.

Under the medical device directive 93/42/EEC which covers EU countries, all medical devices are classified in ascending order of risk, into four (4) categories below:

- Class I: generally regarded as low risk eg. stethoscopes;
- Class IIa: generally regarded as low-medium risk eg. hearing aids;
- Class IIb: generally regarded as medium-high risk eg. condoms; and
- Class III: generally regarded as high risk eg. prosthetic heart valves.

Condoms are classified as Class IIb devices. This is based on the potential risk to the user.

- State Food and Drug Administration of China: All imported medical devices, including condoms, must obtain a registration certificate from the State Food and Drug Administration of China, which has a comprehensive system for medical device registration and inspection, including product testing and factory audits, before being sold in China. In addition, the General Administration of Quality Supervision, Inspection and Quarantine, a state organisation, is tasked with overseeing inspection, quarantine and establishing the technical standards of goods for both imports and exports.
- Thai FDA: Condoms are classified under Licensed Medical Devices (Class 1), which is the most stringent controlled class under the Medical Device Control Division of the Thai FDA. Class 1 medical devices require a licence authorisation from the Thai FDA to be eligible for importing and marketing purposes in the country. The products must also comply with the standards of the Thai Industrial Standards Institute (based on the ISO standards).
- Medical Device Act 2012 in Malaysia: The Medical Device Act 2012 was gazetted on 9 February 2012 and came into force on 30 June 2013. All manufacturers, importers, distributors and authorised representatives of medical devices, including condoms, are required to register their devices with the Medical Device Authority under the Ministry of Health, Malaysia. Medical devices will be sold under strict conditions so as not to jeopardise people's health. Medical devices will be categorised into four (4) groups, namely low risk, medium risk, high medium risk and high risk. Condoms fall under the category of medium risk.

## 8. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

In addition, the following environmental quality regulations are applicable to companies involved in condom manufacturing in Malaysia:

- **ENVIRONMENTAL QUALITY (CLEAN AIR) REGULATIONS 1978**

The manufacturing of condoms is potentially highly polluting due to the use of some hazardous chemicals in the process. Latex concentrate is usually treated by ammonia solution so as to prolong its lifespan. The ammonia solution causes a strong odour, particularly near the centrifugation area of the factory. This may have adverse effects on workers' health, especially the respiratory system.

The Environmental Quality (Clean Air) Regulations 1978 require companies to adopt "a best practicable means" policy in regard to manufacturing processes, operation methods, raw material selection, pollutant removal facilities, among others, in order to render harmless a wide variety of irritating air pollutants. The requirements apply to approximately 40 substances, including ammonia.

- **ENVIRONMENTAL QUALITY (INDUSTRIAL EFFLUENT) REGULATIONS 2009**

Under the Environmental Quality (Industrial Effluent) Regulations 2009, any industrial effluent produced by industrial premises will have to be treated by an industrial effluent treatment system. The owner or occupier of the premise shall operate and maintain the industrial effluent treatment system in accordance with sound engineering practice for the treatment of industrial effluent.

Condom manufacturers consume large volumes of water, use chemicals and produced enormous amounts of wastes and effluent. The discharge of untreated rubber effluent to waterways may cause serious and prolong consequences, and result in water pollution that affects human health. With the global trend towards sustainable development, condom manufacturers need to focus on cleaner manufacturing technology, waste minimisation, resource recovery and water recycling.

A combination of physical, biological and chemical methods is widely used in the treatment of wastewater from rubber processing factories. Under the physical method, the condom factories usually install a rubber trap pond to separate rubber particles prior to discharging it into another wastewater system for a more thorough treatment. The biological method, which is the next stage in wastewater treatment, involves aerobic and / or anaerobic treatment.

Subsequently, under the chemical method, coagulants and flocculants are formulated to assist in the solid / liquid separation of suspended particles in solution. Conditioning a solution to promote the removal of suspended particles requires coagulation and/or flocculation. Coagulants neutralise the repulsive electrical charges surrounding particles, allowing them to "stick together" creating clumps. Flocculants facilitate the agglomeration or aggregation of the coagulated particles to form larger floccules and thereby hasten gravitational settling.

- **ENVIRONMENTAL QUALITY (SCHEDULED WASTES) REGULATIONS 2005**

Sludge refers to any deposits of particulate matter settled from any liquid. At present, all sludge generated from the industrial wastewater treatment system is classified as scheduled wastes in Malaysia. Scheduled wastes generated from the manufacturing of condoms fall under Environmental Quality (Scheduled Wastes) Regulations 2005. The sludge has to be disposed of at the central treatment facilities of Kualiti Alam Sdn Bhd.

## 8. INDUSTRY OVERVIEW (Cont'd)

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### 1.3 INTERNATIONAL STANDARDS

Standards are developed and published by national and international standards bodies to establish the minimum safety, performance and quality requirements for a wide range of products, including medical devices such as condoms. Standards may either be generic or product-specific. Various types of organisations and bodies participate in the development of these standards, including manufacturers, national regulatory authorities, researchers, consumer groups, international agencies and testing laboratories. In many cases, compliance has been made mandatory.

In addition to specifying safety, performance and quality requirements, standards also specify test methods that can be used to verify that the products comply with these requirements. The principal international standards authority is the ISO, the worldwide federation of national standards bodies.

The ISO has created a quality management scheme specifically for medical device manufacturing and this is described in ISO 13485. The ISO 13485 standard is based on the ISO 9001:2008 process model approach and it is a quality management standard specifically developed for the manufacture of medical devices such as condoms. This standard prescribes the documentation, procedures and structures to be followed in all types of establishments to facilitate the manufacturing of medical devices of a consistent standard. It is intended for organisations that design, develop, produce, install or service medical devices, with the primary objective of harmonising medical device regulatory requirements, thereby reducing conflicting and different demands on manufacturers.

Meanwhile, the more specialised ISO 4074, which is an internationally agreed set of standards for condoms, emphasises on product safety, performance and test methods to verify compliance for male latex condoms, as well as the minimum standard requirements. This standard specifies the essential performance requirements that latex condoms are expected to meet and the test methods that are used to assess compliance with these requirements. It is based on extensive research and an ongoing consultation process involving experts from around the world with representations from condom manufacturers, testing bodies, standards institutes, procurement agencies and consumer associations.

Pursuant to ISO 4074, the limits for the maximum percentage of defective condoms are specified in terms of acceptable quality limit ("AQL"). The tests required under ISO 4074 include air inflation test, shelf life studies, water leak test, packaging integrity test and dimensional test. Since the publication of ISO 4074, manufacturers have been required to complete both accelerated and real-time studies to determine the shelf-lives of their condoms.

In addition, there is also the World Health Organization / United Nations Population Fund ("WHO / UNFPA") Specification. It is a model that buyers can use to tell potential suppliers their exact requirement. This includes some "performance requirements" which reiterate the ISO standard requirements, some general requirements and some design requirements. It is intended for use by institutional buyers. For condoms to be effective and safe, they must be manufactured to the highest international standards and quality assurance procedures.

8. INDUSTRY OVERVIEW (Cont'd)

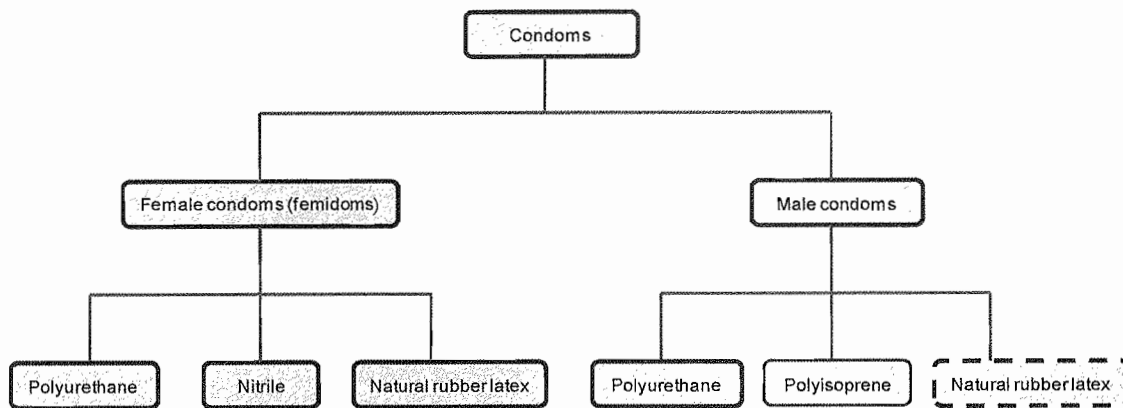
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## 1.4 DIFFERING SEGMENTS

Besides the general classification of condoms into the male and female categories, they can be further subdivided based on the raw materials they are made from. Most condoms are made from natural rubber latex. Polyurethane, polyisoprene and nitrile are different forms of synthetic rubber and condoms made from synthetic rubber are used by persons allergic to natural rubber latex.

The classification is illustrated in the figure below.

Figure 3: Segmentation of Condom Industry



Note:

Karex is involved in the manufacturing of male condoms made from natural rubber latex, as indicated by the dotted box.

Source: Infobusiness Research

As Karex is involved in the manufacturing of male condoms, the discussion in the remaining sections is confined to this segment of the industry.

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## 8. INDUSTRY OVERVIEW (Cont'd)

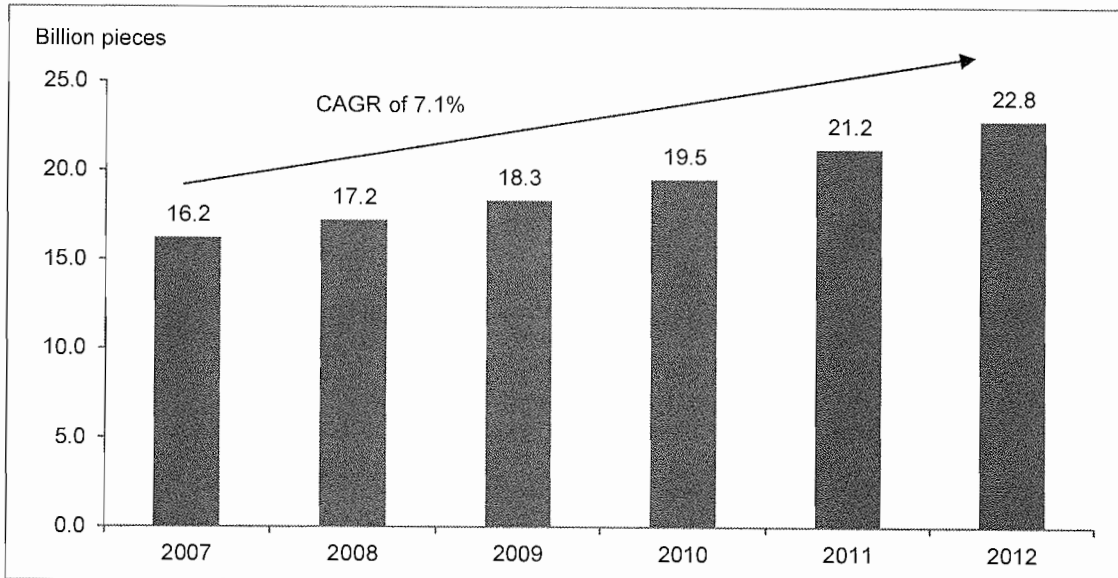
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## 1.5 OVERVIEW OF THE GLOBAL CONDOM MARKET

## 1.5.1 Global Sales

Global sales of condoms increased from 16.2 billion pieces in 2007 to 22.8 billion pieces in 2012, yielding a compounded annual growth rate ("CAGR") of 7.1% during the period.

**Figure 4: Global Sales of Condoms**



Source: Infobusiness Research

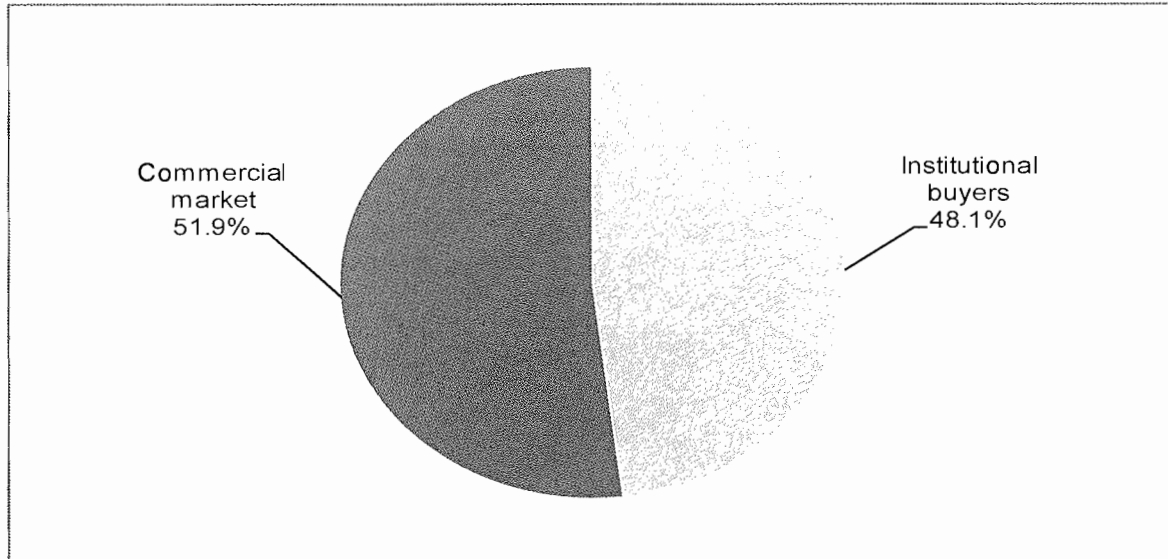
Approximately 48.1% of global sales of condoms are distributed annually to consumers through the tender market to institutional buyers such as governments, NGOs, multilateral and bilateral organisations. The condoms are provided to consumers either free or at subsidised prices. The remaining 51.9% is accounted by the commercial market, which comprises own brand manufacturers ("OBM") and brand owners, which sell the condoms to consumers.

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## 8. INDUSTRY OVERVIEW (Cont'd)

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Figure 5: The Global Condom Market



Source: Infobusiness Research

Condom usage in any country is closely correlated to its population numbers. By inference, countries such as China, India, the US, and Brazil are heavy users of condoms.

The Asia Pacific region was the largest market for condoms in terms of unit shipment, representing approximately 49.9% of global sales of condoms in 2011. Two (2) of the world's most populous countries, China and India, are located in the Asia Pacific region.

The number of condom factories in operation globally is estimated at about 110 manufacturing plants. The majority of these plants manufacture only condoms made from natural rubber latex, while some also manufacture condoms made from synthetic rubber. The majority of these plants reside in locations in close proximity to sources of raw materials, for simplified logistics and speedy delivery, and where labour costs are competitive.

### 1.5.2 Global Exports of Condoms in USD

The global exports of condoms registered a CAGR of 7.3% between 2007 and 2011, from USD362.1 million to USD479.8 million, as shown in the table below. In terms of exports in USD to the rest of the world, Thailand, Malaysia and China registered impressive growths during the corresponding period. Although the Netherlands registered the highest CAGR of 59.5% in exports to the rest of the world during the period; it was relatively low in terms of value.



## 8. INDUSTRY OVERVIEW (Cont'd)

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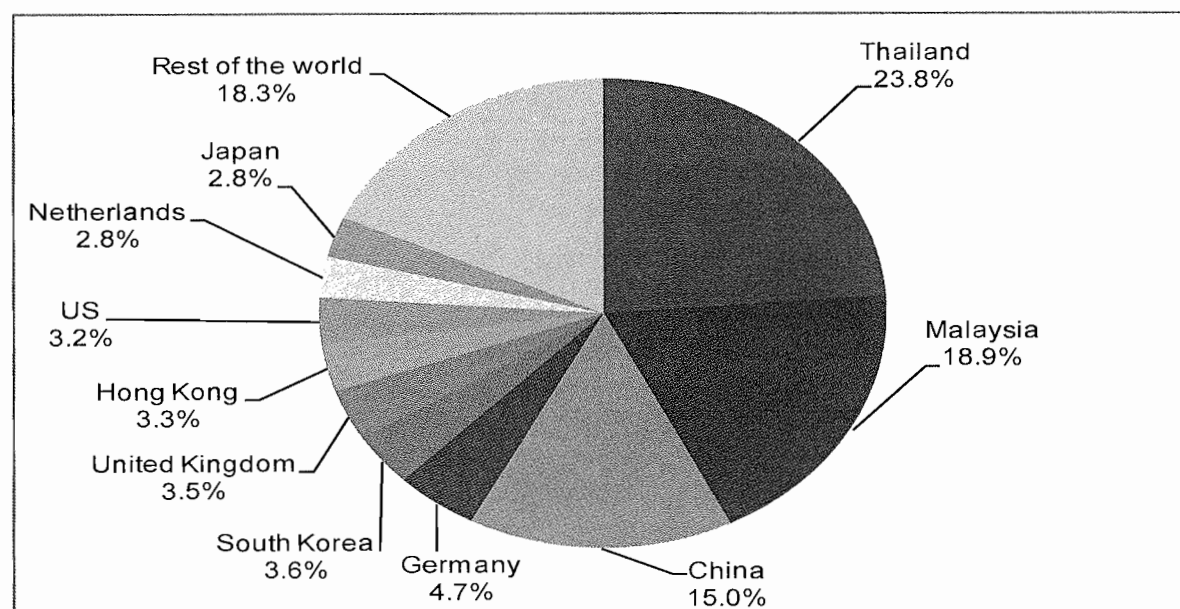
Table 1: Major Global Exporters of Condoms (USD Million)

Country	2007	2008	2009	2010	2011	CAGR
Thailand	64.4	68.5	72.0	87.2	114.2	15.4%
Malaysia	44.1	68.4	66.3	88.1	90.6	19.7%
China	34.3	38.9	38.7	53.5	72.1	20.4%
Germany	16.5	21.6	33.4	26.7	22.7	8.3%
South Korea	14.4	18.0	17.0	15.0	17.4	4.8%
United Kingdom	28.7	31.6	29.6	28.1	17.0	-12.3%
Hong Kong	8.6	8.5	6.5	10.6	15.7	16.2%
US	26.7	24.2	17.9	16.8	15.5	-12.7%
Netherlands	2.1	2.5	1.2	3.4	13.6	59.5%
Japan	9.7	11.7	9.8	11.8	13.4	8.4%
subtotal	249.5	293.9	292.4	341.2	392.2	12.0%
Rest of the world	112.6	124.3	109.4	121.7	87.6	-6.1%
Total	362.1	418.2	401.8	462.9	479.8	7.3%

Source: Infobusiness Research

In terms of USD, the top ten global exporters of condoms accounted for 81.7% of global exports in 2011. Thailand was the largest exporter of condoms in 2011, accounting for 23.8% of global exports. This was followed by Malaysia (18.9%) and China (15.0%) in the same year. However, in terms of quantity in kilograms, Malaysia was the largest exporter of condoms (please refer to section 1.5.4).

Figure 6: Share of Major Global Exporters of Condoms, USD Value, 2011 (%)



Source: Infobusiness Research

## 8. INDUSTRY OVERVIEW (Cont'd)

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## 1.5.3 Top Ten Export Markets from Malaysia

China was the largest export destination for condoms from Malaysia during the period between 2007 and 2011, as shown in the table below. Malaysian exports of condoms to China increased from USD4.9 million to USD12.3 million over the corresponding period, registering a CAGR of 25.9%. After China, Singapore was the second biggest export destination (a large proportion of which is re-exported), followed by the US, Brazil and Iran.

**Table 2: Major Export Destinations of Condoms from Malaysia (USD Million)**

Country	2007	2008	2009	2010	2011	CAGR
China	4.9	7.0	9.6	10.2	12.3	<b>25.9%</b>
Singapore	0.4	0.7	0.7	4.7	11.9	<b>133.5%</b>
US	2.6	5.2	3.8	5.3	4.9	<b>17.2%</b>
Brazil	1.4	3.1	2.2	2.3	3.8	<b>28.4%</b>
Iran	0.9	1.9	2.7	3.1	3.8	<b>43.3%</b>
South Africa	3.0	3.2	3.6	3.8	3.6	<b>4.7%</b>
Japan	1.4	2.9	2.3	3.6	3.5	<b>25.7%</b>
Germany	2.1	2.2	2.6	3.5	3.2	<b>11.1%</b>
Spain	1.3	1.4	1.3	1.3	2.6	<b>18.9%</b>
Argentina	0.04	0.4	0.5	1.4	2.5	<b>181.2%</b>
subtotal	18.0	28.0	29.3	39.2	52.1	<b>30.4%</b>
Rest of the world	26.1	40.2	37.1	49.0	38.5	<b>10.2%</b>
Total	44.1	68.2	66.4	88.2	90.6	<b>19.7%</b>

Source: Infobusiness Research

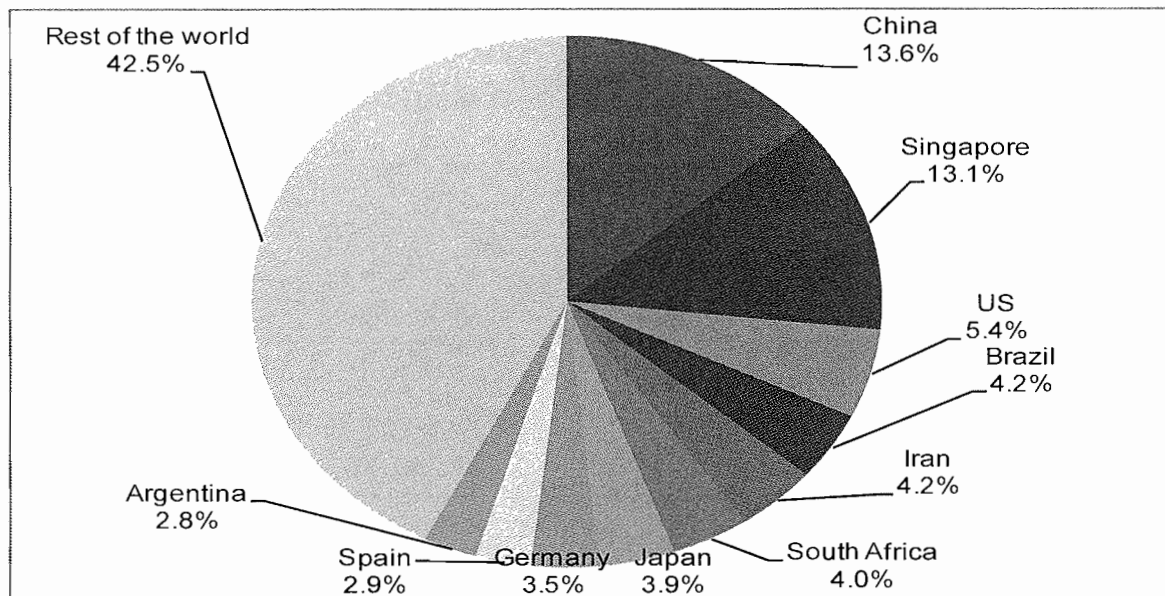
China's share of exports of condoms from Malaysia rose from 11.1% to 13.6% over the corresponding period, indicating its growing importance to the Malaysian condom industry.

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8. INDUSTRY OVERVIEW (Cont'd)

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Figure 7: Export Market Share of Condoms from Malaysia, USD Value, 2011 (%)



Source: Infobusiness Research

### 1.5.4 Exports of Condoms from Malaysia in Kilograms

In terms of export quantity in kilograms, Malaysia was the largest exporter of condoms during the years between 2009 and 2012, as shown in the table below. This was followed by Thailand and China. The key difference in ranking of export countries in terms of USD value (as per section 1.5.2) as opposed to quantity in kilograms, is principally due to the fact that the condom manufacturers in Thailand are OBM, as opposed to contract manufacturers. Condoms produced under OBM command a higher price in the market, as opposed to condoms produced under contract manufacturing, and this is reflected in the export figures in USD from Thailand.

Table 3: Export of Condoms in Kilograms

Country	Quantity in kilograms			
	2009	2010	2011	2012
Malaysia	8,873,312	11,970,185	10,925,319	12,450,643
Thailand	6,858,962	8,185,559	8,789,342	10,610,810
China	5,705,526	6,452,887	7,053,275	7,261,164

Source: Infobusiness Research

## 8. INDUSTRY OVERVIEW (Cont'd)

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### 1.6 DEMAND AND SUPPLY

#### 1.6.1 Demand Drivers

##### Explosion in Global Population

The consumption of condoms is closely correlated with the expanding global population, in particular women married or in a consensual union. Even if marriage is increasingly being postponed, the majority of men and women eventually marry or live in a consensual union. The latter refers to a man or a woman regularly cohabiting in a marriage-like relationship.

The global population is expanding at an exponential rate. At some point around 1800, after untold millennia of human history, global population reached its first billion. The global population is now expanding by one (1) billion about every 12 years. The 20<sup>th</sup> century began with about 1.6 billion and by the end of that century, it had reached 6.1 billion. As the global population is expected to explode to reach 8.1 billion in 2025, it will increase the consumption of contraceptives such as condoms in tandem.

The expansion in population is also straining food supplies, leading to hunger and famine in many parts of the world. There was an estimated 925 million undernourished people in the world in 2010. Evidently, there is a need to form more effective family planning programmes to prevent the situation from worsening, particularly in countries with a high proportion of youths in the sexually-active range.

##### Rising Incidences of STI

Approximately one (1) million cases of STI occur daily worldwide. In the US alone, more than 19 million STI occur annually, with almost half of those transmitted occurring among young persons aged between 14 years old and 24 years old. One (1) in every four (4) women between 14 years old and 19 years old is infected with at least one (1) STI in the US.

Further exacerbating the danger, some STI exist without symptoms. More than 30 types of bacteria, viruses and parasites can be transmitted from person to person as a result of sexual activities, both heterosexual and homosexual, due to fluid exchanges. The most common types are as follows:

- Chlamydia;
- Genital herpes;
- Genital warts;
- Gonorrhoea;
- Hepatitis B;
- Pubic lice;
- Syphilis;
- Trichomoniasis; and
- Yeast infections.

Condoms assist to prevent the transmission of STI by reducing the likelihood of exposure through genital contact or fluid secretions, to the partner. When used consistently and correctly, they are highly effective in reducing STI. They can physically block the fluids, preventing the spread of disease. Condoms made from natural rubber latex do not have pores that can allow micro-organisms to pass through.

## 8. INDUSTRY OVERVIEW (Cont'd)

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### High Number of Infections of HIV

Approximately 30 years after AIDS was first reported, HIV continues to spread. There are principal differences between these two (2) terms, although they are related terms used in medical science:

- HIV is a virus and is the cause of AIDS. Without treatment, the HIV infection is allowed to progress and eventually, it will develop into AIDS in the vast majority of cases.
- AIDS is a medical condition caused by an infection with HIV, which alters the immune system, making people much more vulnerable to infections and diseases. This susceptibility worsens as the disease progresses.

Globally, more than 30 million people have died from AIDS. Existing prevention efforts, although improving, are often insufficiently comprehensive or inadequately tailored to local epidemics. This requires stronger country surveillance systems, especially among specific population subgroups at higher risk of HIV infections, development of new prevention approaches and improved tools to strengthen national responses.

Besides injecting drug users, HIV is also spread through heterosexual and homosexual activities. In particular, HIV prevalence rates have been consistently higher among homosexuals as compared to the general population. Left unchecked, AIDS has the potential to wipe out a significant portion of humanity as it is one of the most devastating diseases in history.

Married women are also at risk for HIV in countries where transmission occurs primarily through heterosexual activities and cultural norms condone male promiscuity and /or patriarchal control of the couple's sexual activities. A time bomb is created when an infected person has multiple partners.

Resistance to AIDS drugs is growing in eastern and southern Africa. Tiny genetic mutations that make AIDS immune to key frontline drugs have been increasing. As bacteria becomes resistant to antibiotics, it is fear that strains of HIV will emerge that will blunt the armoury of antiretrovirals, the medication used in the treatment of infection of retroviruses such as HIV. Over a period of eight (8) years starting from 2003, the prevalence of resistant virus in untreated people soared from around 1% to 7.3% in eastern Africa, and from around 1% to 3.7% in southern Africa. As such, condoms will continue to play an important role in the prevention of transmission of HIV.

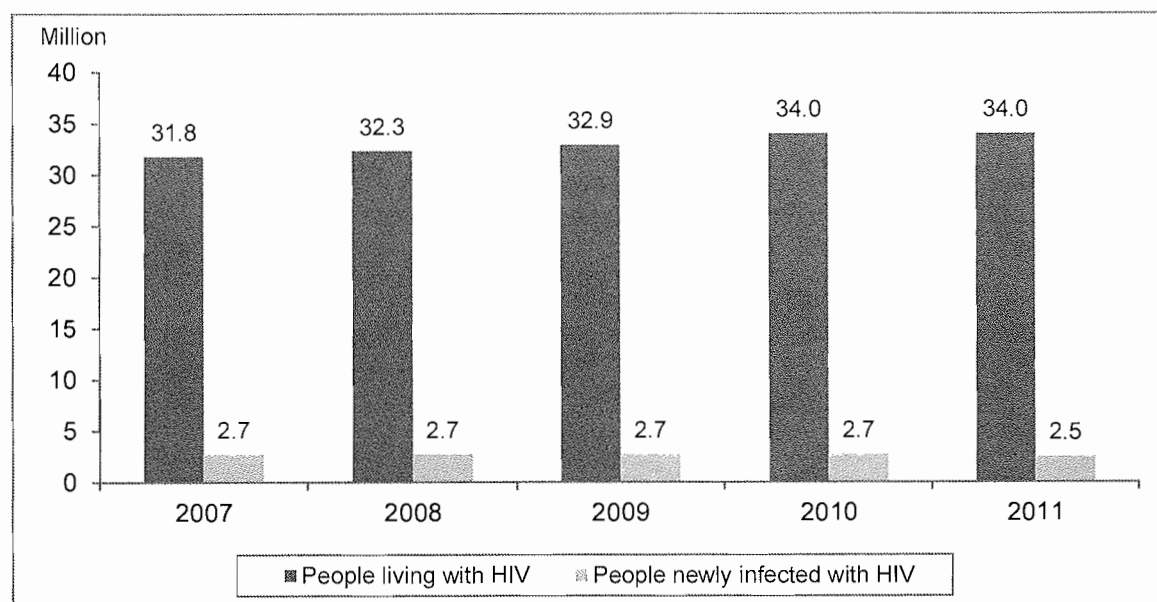
The presence of untreated STI increases the risk of both acquisition and transmission of HIV by a factor of up to 10. In other words, this means that the presence of untreated STI increases the risk of both acquisition and transmission of HIV by up to 10 times. Prompt treatment for STI is thus critical to reduce the risk of HIV infection.

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Figure 8: People Living with HIV and People Newly Infected with HIV



Source: Infobusiness Research

AIDS continues to be a major global health priority. Although progress has been achieved in preventing an increase in HIV infections, the number of people living with HIV continues to increase, from 31.8 million in 2007 to 34 million in 2011, generating a CAGR of 1.7% during the period. An estimated 1.7 million people died of AIDS-related illness in 2011. AIDS-related illnesses remain one of the leading causes of death globally and are projected to continue as a significant global cause of premature mortality in the coming decades.

During the years between 2007 and 2010, the number of HIV infections had remained fairly constant at 2.7 million infections annually. They declined to 2.5 million infections in 2011. This yields a CAGR of -1.9% between 2007 and 2011.

Condoms represent the most cost effective use of resources in combating HIV in the world. The usage of condoms is a critical element in a comprehensive, effective and sustainable approach to HIV prevention. High quality condoms are effective as a barrier to contracting HIV as research has shown that proper and consistent usage of condoms greatly reduces the risk of HIV transmission.

For example, during the early years of the HIV epidemic, sex workers in Thailand were a significant source of infection in the country. A national programme to promote free, easily accessible condoms was instrumental in reversing the tide. As a result, Thailand has received international recognition for its successful interventions to reduce the transmission of HIV through sex workers and is looked upon as a role model for HIV education and awareness campaigns that include the extensive promotion and wide acceptance of condoms as a HIV prevention strategy.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

### Family Planning

The usage of condoms is a key enabler in family planning as the unprecedented explosion in population has become a cause for grave concern all over the world. Family planning saves lives as it reduces both maternal and newborn mortality rates as well as improves the health and well-being of women and their existing children. All sexually active women, from menarche to perimenopause face the risk of pregnancy. Menarche refers to the first menstrual period of a girl, which signals the body's coming readiness for childbearing.

Pregnancy may occur during perimenopause, which refers to the months or years leading up to menopause. In other words, perimenopause is the transition period leading to menopause, when the levels of hormones produced by the aging ovaries fluctuate, leading to irregular menstrual patterns. Although chances of getting pregnant during perimenopause are slim, methods of birth controls such as the usage of condoms are needed to prevent unintended pregnancies. Menopause is defined as the time when there have been no menstrual periods for 12 consecutive months and is the end of childbearing years.

Family planning refers to the decision-making process by couples on the number of children that they would like to have in their lifetime and the age interval between children. Increasing number of couples are making decisions about their family size and spacing and in the process, are using family planning to help achieve their objectives. A woman's ability to space and limit her pregnancies has a direct impact on her health and well-being as well as on the outcome of each pregnancy. Family planning is one of the leading strategies to improve family life and welfare, control unwanted population growth and assist in the development of a country.

Family planning has profound health, economic and social benefits for families and communities through the following:

- Protecting the health of women by reducing high risk pregnancies;
- Protecting the health of children by allowing sufficient time between pregnancies;
- Reducing abortions;
- Supporting women's rights and opportunities for education, employment and full participation in society; and
- Protecting the environment by stabilising population growth.

According to the UN, approximately 220 million women in the developing countries who do not want to get pregnant cannot get reliable access to contraception, resulting in over 75 million unintended pregnancies every year. This puts women and girls at serious risk of death or disability during pregnancy and childbirth. Estimates have indicated that, by preventing pregnancies and unsafe abortions, reliable access to quality family planning services and information can reduce maternal deaths by one third, which equates to saving the lives of between 100,000 and 175,000 women each year.

In India, conservative, patriarchal attitudes and inadequate spending in public health spending meant that only about 40% of the country's women use contraception, while 63,000 women died annually during childbirth due to a lack of reproductive-health services. Government figures indicate that around 20% of pregnancies in India are either unwanted or poorly timed.

On the other hand, impressive progress has been made in family planning programmes in China. Approximately 400 million births had been prevented from being added to the world's most populous population of approximately 1.34 billion, since the national family policy, often referred to as the "one child policy" was introduced in the late seventies to curb pressure on the environment and resources.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

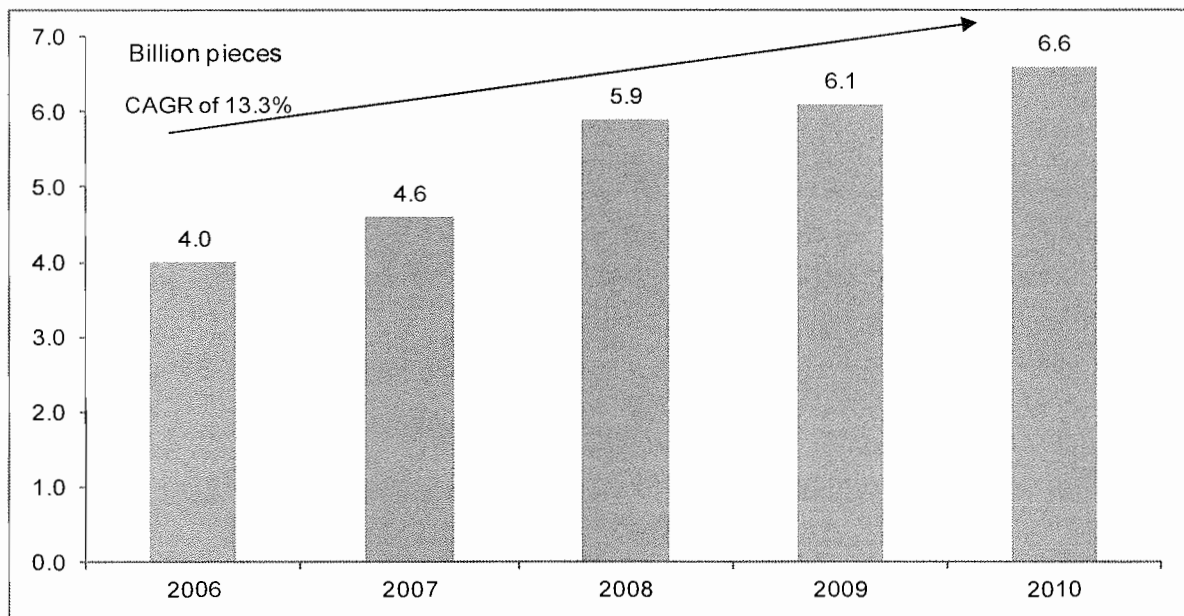
## Procurement of Condoms by Institutional Buyers

Institutional buyers comprise the following:

- Governments;
- Multilateral organisations;
- Bilateral organisations; and
- NGOs.

Many governments around the world are beginning to purchase family planning products as a step towards ensuring contraceptives, including condoms, are available to their citizens. They are taking on increasing responsibility for funding family planning products as the demand for contraception continues to increase. As governments increasingly fund their own contraceptive supplies for public sector programmes, they are taking a more active role in procuring them. Global government procurement of condoms increased from 4.0 billion pieces in 2006 to 6.6 billion pieces in 2010, yielding a CAGR of 13.3%.

Figure 9: Global Procurement of Condoms by Governments



Source: Infobusiness Research

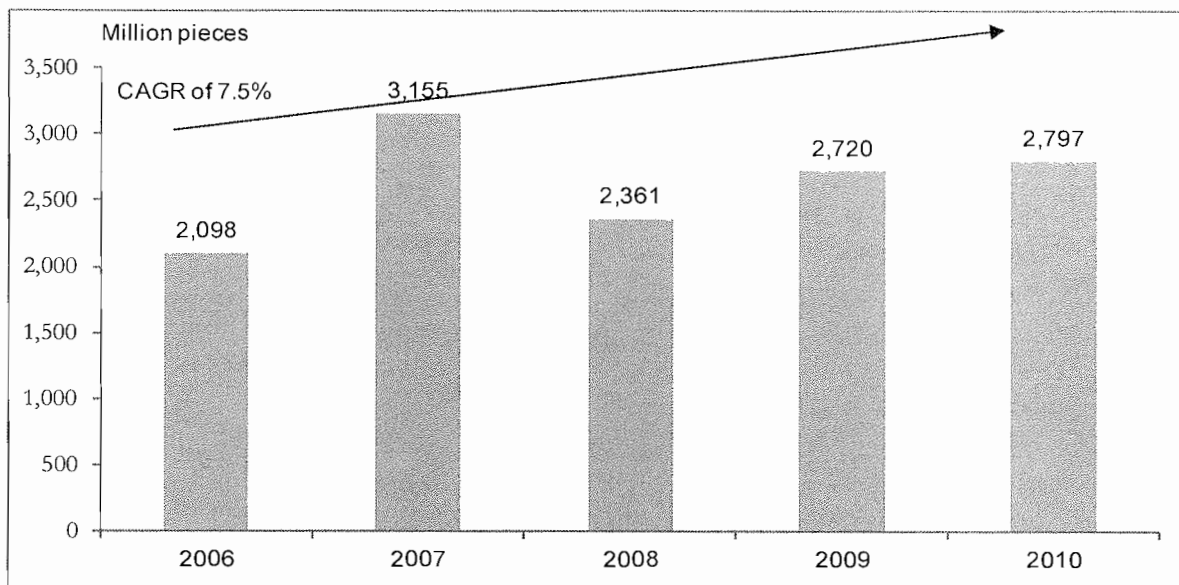
Although condoms are cost-effective products, cost continues to be a barrier to their availability in many developing countries. Due to limited availability of government funding for family planning in these countries, international agencies such as multilateral organisations, bilateral organisations and NGOs are also involved in the distribution of subsidised and/or donated contraceptives, including condoms. Global unit shipment of donated condoms by multilateral organisations, bilateral organisations and NGOs increased from 2.1 billion pieces in 2006 to 2.8 billion pieces in 2010, yielding a CAGR of 7.5% during the period.



## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Figure 10: Global Unit Shipment of Donated Condoms by Multilateral Organisations, Bilateral Organisations and NGOs



Source: Infobusiness Research

Donors comprising UNFPA, which is a multilateral organisation, and bilateral organisations such as the United States Agency for International Development (“USAID”), have embarked on programmes to make condoms available to low income people in these countries. This is supplemented by the NGOs, which provide monetary aid and subsidised condoms at affordable prices.

Besides UNFPA and USAID, other bilateral organisations and NGOs involved in condom donations, distribution of condoms at subsidised prices and monetary aid to support the procurement of condoms, are as follows:

- UK Department for International Development (“DFID”);
- Federal German Ministry for Economic Cooperation and Development (“MBZ/KfW”);
- International Planned Parenthood Federation (“IPPF”);
- Marie Stopes International (“MSI”); and
- Population Services International (“PSI”).

### Condoms are used as a Lifestyle Product

The onset of the AIDS crisis in the 1980s changed the perceptions of condoms, leading to greater social acceptance. In line with growing public health campaigns promoting the concept of safe sex, there is increased and enhanced advertising stressing upon the social acceptance of condoms. Government-subsidised HIV prevention programmes in places such as China, Thailand, South Africa, Uganda and India have also assist to distribute donated condoms free-of-charge through established government health infrastructure. The usage of condoms has become more and more acceptable, even in conservative societies.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Through campaigns such as advertising and promotions, condom manufacturers in the commercial market have managed to project an image of condoms as a lifestyle product. They are able to supply a wide assortment of condoms in terms of textures, flavours, colours, shapes and sizes, so as to attract a wide spectrum of consumers in the market. Through promotions by the condom manufacturers, consumers are becoming more aware of their ability to achieve a healthy lifestyle and sexual wellness via the effective usage of condoms. In turn, this has the effect of boosting the usage and sales of condoms in the market in many countries.

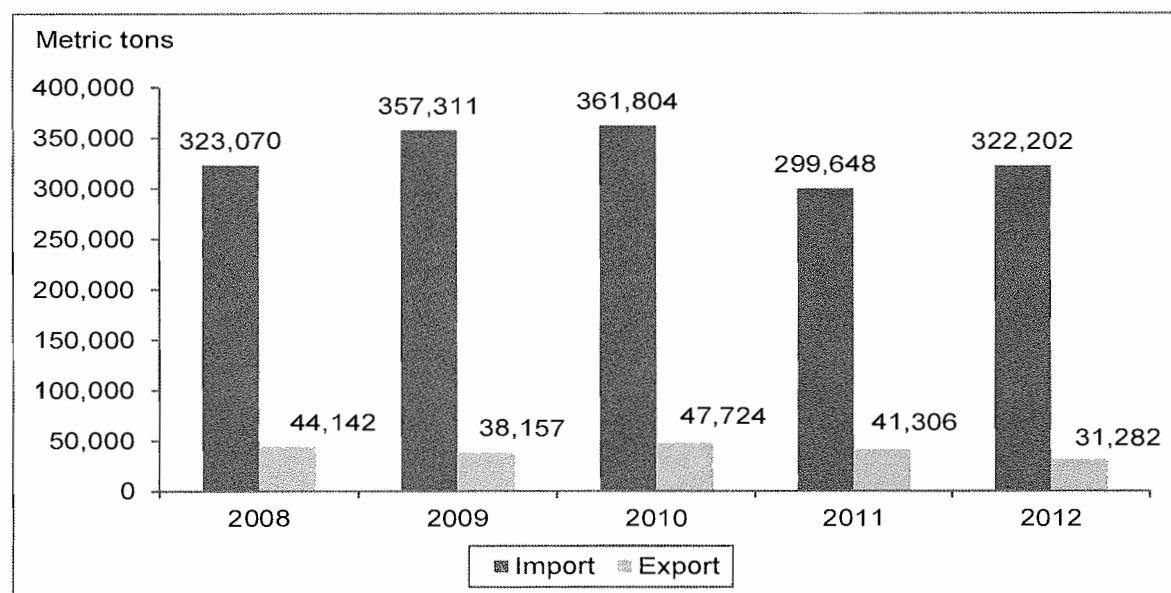
## 1.6.2 Supply Conditions

### Reliance on and Vulnerability to Imports

The condom industry in Malaysia relies on the imports of natural rubber latex. The natural rubber latex required by condom manufacturers in Malaysia is sourced both locally as well as imported from Thailand.

Malaysia is a net importer of natural rubber latex, with imports exceeding exports by a large margin. However, as natural rubber latex is viewed as a commodity, it is easily obtained from suppliers. The import of natural rubber into Malaysia had decreased by a CAGR of 0.1% between 2008 and 2012, from 323,070 metric tons to 322,202 metric tons.

Figure 11: Import and Export of Natural Rubber Latex



Source: Infobusiness Research

### Production of Natural Rubber Latex in Malaysia

The production of natural rubber latex had decreased rapidly by a CAGR of 16.1% from 153,709 metric tons in 2008 to 75,985 metric tons in Malaysian in 2012, as illustrated in the figure below. This was principally due to the conversions of rubber estate into crops such as oil palm plantations as well as property development projects. The adoption of crop diversification and the boom in manufacturing activities catalysed by the various industrial master plans since 1986 have seen the reallocation of resources away from natural rubber cultivation. The transformation of the Malaysian economy into an industrialised one, fuelled by expansion in the manufacturing and services sectors has seen the agricultural sector taken a secondary role.

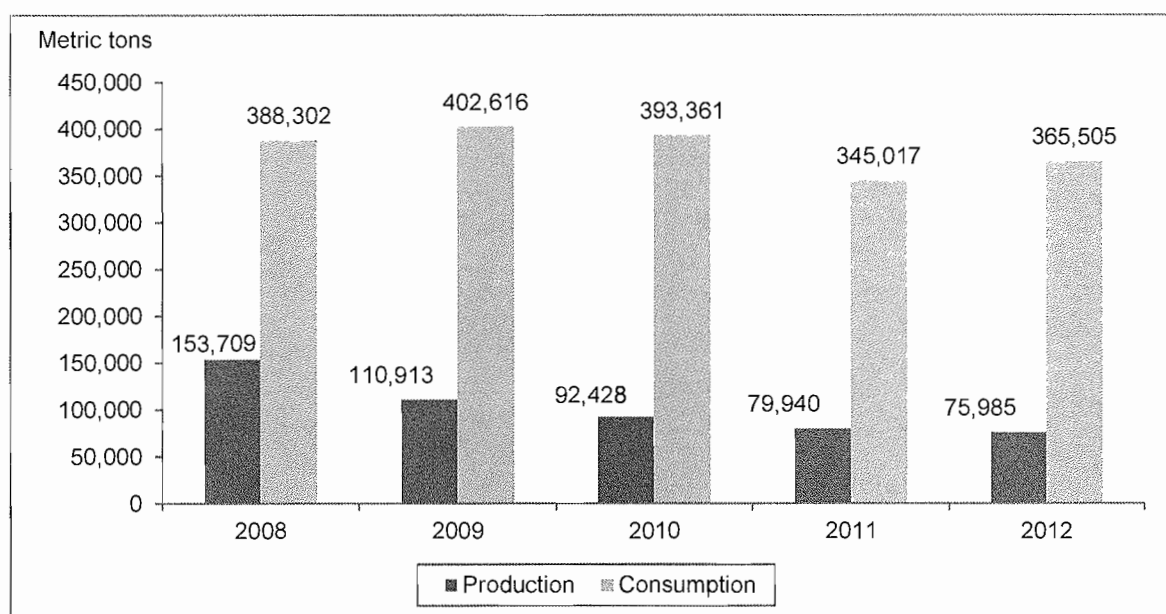
## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Furthermore, rubber trees have a long gestation period and there is also the problem of labour shortage as it is labour-intensive and requires skilled tappers. The younger generation workers prefer to work in factories rather than plantations in rural areas.

As a result of these factors, the consumption of natural rubber latex had exceeded the production of natural rubber latex by a wide margin in the country in the years between 2008 and 2012, as illustrated in the figure below.

Figure 12: Production and Consumption of Natural Rubber Latex in Malaysia



Source: Infobusiness Research

### Supply of Packaging Materials

Packaging materials such as foils and boxes comprise a large proportion of the inputs associated with condom manufacturing. As a consumer product, packaging constitutes an important element in boosting sales as eye-catching attractive colours and convenient packaging spur consumers to purchase on impulse. Packaging also assists to differentiate the products of different manufacturers in the market. It also serves as regulatory requirements on labelling such as brand name, manufacture date, expiry date and instructions of use. In other words, packaging is part and parcel of a consumer product such as condoms as it serves to communicate the attributes of the product to consumers.

### Availability of Labour

As condom manufacturing is relatively labour-intensive, the supply of labour is critical to the smooth operations of a condom factory. This also extends to human capital in the form of skilled labour such as technicians, rubber technologists and engineers. Insufficient labour availability may give rise to interruptions in manufacturing operations, affecting shipment schedules as well as impacting on contractual agreements on timely deliveries of condoms to customers. Due to the relatively high cost of automation in plant and machinery and therefore their cost-effectiveness, condom manufacturers still need to rely on a sufficient supply of labour for their manufacturing operations to a certain extent.

## 8. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

### 1.7 SUBSTITUTES

There are no substitutes to condoms in the prevention of STI and HIV, except for abstinence. Condoms are the single most efficient available technology in reducing STI and HIV. For consumers suffering from natural rubber latex allergy, there are alternative condoms made from polyurethane and polyisoprene.

For family planning purposes, there are a number of substitutes to the male latex condoms. They vary in their degree of effectiveness in birth control and are as follows:

- Female condoms;
- Intra-uterine devices;
- Oral contraceptives;
- Emergency contraceptive pills;
- Injectable contraceptives;
- Sub-dermal implants;
- Diaphragm or cervical cap; and
- Spermicides.

### 1.8 INDUSTRY PLAYERS AND COMPETITION

#### 1.8.1 Condom Companies in Malaysia

Karex is principally involved in the manufacturing of condoms and other rubber-based medical devices and complementary products such as probe covers, catheters and lubricating jelly for the global market. It is involved in supplying condoms to both the commercial market and institutional buyers such as governments, multilateral organisations, bilateral organisations and NGOs. In addition to manufacturing its own in-house brands as an OBM, its condoms are also manufactured and sold to institutional buyers such as UNFPA and USAID, and brand owners such as Ansell Ltd. and Reckitt Benckiser PLC.

For the purpose of comparison, the selected closest comparable companies to Karex in Malaysia are based on locally incorporated companies that are also involved in condom manufacturing. There are eight (8) other comparable companies in Malaysia and their principal activities are shown in the table below.

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Table 4: Closest Comparable Condom Companies in Malaysia

Company	Principal Activities
Karex.	It is principally involved in the manufacturing of condoms and other rubber-based medical devices and complementary products such as probe covers, catheters and lubricating jelly for the global market.
Dongkuk Techco Rubber Industries Sdn Bhd.	It is principally involved in the manufacturing of condoms and finger cots. Finger cots are used in handling electronic components and food as well as other non-medical uses.
Medical-Latex (DUA) Sdn Bhd.	It is a subsidiary of the Beiersdorf Group, Germany. Medical-Latex (DUA) Sdn Bhd is involved in the manufacturing of condoms while the Beiersdorf Group is involved in the manufacturing of skin care products and self-adhesive systems and product solutions.
Nulutex Sdn Bhd.	It is principally involved in the manufacturing of latex dipped products such as condoms, probe covers and latex gloves.
Pleasure Latex Products Sdn Bhd.	It is principally involved in the manufacturing of condoms, as well as toys.
Richter Rubber Technology Sdn Bhd.	It is involved in the manufacturing of machinery which produce and test condoms, as well as the manufacturing of condoms itself.
Sagami Manufacturers Sdn Bhd.	It is a subsidiary of Sagami Rubber Industries Co. Ltd. in Japan and it is involved in the manufacturing of condoms.
SSN Medical Products Sdn Bhd.	It is principally involved in the manufacturing of condoms.
Takaso Rubber Products Sdn Bhd.	It is a subsidiary of Takaso Resources Bhd. Takaso Rubber Products Sdn Bhd is involved in the manufacturing of rubber and baby products, as well as trading in baby apparels, infant milk and toiletries.

Source: Infobusiness Research

The manufacturing activities of the closest comparable companies in Malaysia are shown in the table below. Most of the closest comparable companies in Malaysia are involved in condom manufacturing using natural rubber latex, as well as being involved in both contract manufacturing and OBM.

Table 5: Manufacturing Activities of Closest Comparable Condom Companies in Malaysia

Company	Natural rubber latex	Polyurethane	Polyisoprene	Contract manufacturing	OBM
Karex.	√			√	√
Dongkuk Techco Rubber Industries Sdn Bhd.	√			√	√
Medical-Latex (DUA) Sdn Bhd.	√			√	√
Nulutex Sdn Bhd.	√			√	√
Pleasure Latex Products Sdn Bhd.	√			√	√
Richter Rubber Technology Sdn Bhd.	√			√	√
Sagami Manufacturers Sdn Bhd.	√	√			√
SSN Medical Products Sdn Bhd.	√			√	√
Takaso Rubber Products Sdn Bhd.	√				√

Source: Infobusiness Research

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Based on the latest publicly available financial statements, Karex is ranked number one (1) in terms of gross profit margin, as compared to the eight (8) closest comparable companies in Malaysia. It is also ranked number one (1) in terms of profit before tax margin, as shown in the table below.

**Table 6: Financial Comparisons of Closest Comparable Condom Companies in Malaysia**

Company	Financial year ended	Revenue (RM Million)	Gross profit (RM Million)	Gross profit margin (%)	Profit before tax (RM Million)	Profit before tax margin (%)
Karex <sup>1</sup>	30/06/13	231.39	59.92	25.9	36.14	15.6
Nulutex Sdn Bhd.	31/12/11	7.47	1.32	17.7	0.16	2.1
Takaso Rubber Products Sdn Bhd. <sup>2</sup>	31/07/12	13.19	2.26	17.1	-1.47	N. A.
Sagami Manufacturers Sdn Bhd.	31/12/12	43.71	7.39	16.9	4.28	9.8
SSN Medical Products Sdn Bhd.	31/12/11	26.36	4.16	15.8	1.53	5.8
Richter Rubber Technology Sdn Bhd.	31/12/11	23.82	2.88	12.1	0.74	3.1
Medical-Latex (DUA) Sdn Bhd.	31/12/11	19.48	1.56	8.0	-2.61	N. A.
Pleasure Latex Products Sdn Bhd.	31/12/11	44.95	N. A.	N. A.	1.54	3.4
Dongkuk Techco Rubber Industries Sdn Bhd.	31/12/11	3.05	-0.69	N. A.	-3.25	N. A.

**Notes:**

N. A. = Not Applicable / Not Available

1. Includes revenue from Innolatex (Thailand) Limited.

2. Takaso Rubber Products Sdn Bhd is a subsidiary of Takaso Resources Bhd

Source: Infobusiness Research and management of Karex

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

## 1.8.2 Public Listed Condom Companies

Globally, there are a handful of public listed companies involved in condom manufacturing. They are very diversified in their operations and are involved in the manufacturing of a wide range of rubber-related and non-rubber related products, as shown in the table below. The products are marketed and sold in various countries around the world.

Table 7: Profile on Public Listed Condom Companies

Company	Country of Origin	Principal Activities	FYE	Revenue (USD Million)	Revenue (RM Million)
Reckitt Benckiser PLC.	United Kingdom	It is involved in the manufacturing and marketing of household products (eg. harpic), health products (eg. strepsils) and personal care products, including condoms (eg. Durex brand).	31/12/12	14,446.1	44,753.6
Church & Dwight Co. Inc.	US	It is involved in the development, manufacturing and marketing of a broad range of household (eg. baking soda), personal care and speciality products, including condoms (eg. Trojan brand). The products are used in both consumer and industrial applications.	31/12/12	2,921.9	9,051.9
Ansell Ltd.	Australia	It is involved in protection solutions. It designs, develops and manufactures a wide range of hand and arm protection solutions, clothing and condoms (eg. SKYN brand). Its operations are organised into four (4) global business units: industrial, medical, sexual wellness, and specialty markets.	30/06/12	1,255.0	3,887.9
Okamoto Industries Ltd.	Japan	It is involved in the manufacturing of a wide range of products, including condoms, flexible plastic packaging, gloves, adhesive tapes, rubber bands, medical devices, heating pads, dehumidifiers, humidity absorbers, sports gear, wall coverings, automotive interiors and others.	31/03/13	698.1	2,162.7
Fuji Latex Co. Ltd.	Japan	It is involved in the manufacturing and sale of condoms and probe covers, as well as industrial shock absorbers, rotary dampers and others.	31/03/13	61.9	191.8
Sagami Rubber Industries Co. Ltd.	Japan	It is involved in the manufacturing of condoms, catheters, probe covers and plastic films, as well as various healthcare products and services.	31/03/13	40.3	124.9
Cupid Ltd.	India	It is involved in the manufacturing of male and female condoms, as well as lubricants, latex dental dams and probe covers.	31/03/13	5.3	16.4

Note:

The exchange rate is 1USD = RM3.09797

Source: Infobusiness Research

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

All the public listed condom companies aforementioned are involved in the manufacturing of condoms made from natural rubber latex while some of them also manufacture condoms made from polyurethane and polyisoprene, as shown in the table below.

**Table 8: Types of Condoms Manufactured by the Public Listed Companies**

Company	Natural rubber latex	Polyurethane	Polyisoprene
Reckitt Benckiser PLC.	√	√	√
Church & Dwight Co. Inc.	√	√	
Ansell Ltd.	√		√
Okamoto Industries, Inc.	√	√	
Fuji Latex Co. Ltd.	√		
Sagami Rubber Industries Co. Ltd.	√	√	
Cupid Ltd.	√		

Source: Infobusiness Research

## 1.9 MARKET SHARE

Karex (Malaysian operations) exported 7.6 million kilograms of condoms in 2012. As Malaysia exported around 12.5 million kilograms of condoms in 2012, Karex (Malaysian operations) accounted for an export market share of 60.8% in 2012. This makes it the largest exporter of condoms from Malaysia.

Karex is the biggest condom manufacturer in the world, in terms of annual manufacturing capacity, as shown in the ensuing table. The possession of a large manufacturing capacity enables it to absorb sudden surges in demand from customers and to ramp-up its production.

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Table 9: Estimated Annual Manufacturing Capacities of Selected Condom Companies

Name of Company	Location	Estimated Annual Manufacturing Capacity (pieces)
Karex.	Malaysia and Thailand	3.0 billion
Thai Nippon Rubber Industry Co. Ltd.	Thailand	2.0 billion
TTK-LIG Ltd.	India	1.5 billion – 2.0 billion
HLL Lifecare Ltd.	India	1.6 billion
Suretex Ltd. <sup>1</sup>	Thailand	1.2 billion
Qingdao London Durex Co. Ltd. <sup>2</sup>	China	1.0 billion
Guilin Latex Factory.	China	0.95 billion
Unidus Corp. <sup>3</sup>	China and South Korea	0.92 billion
Guangzhou Guangxiang Enterprises Group Co. Ltd. Doubleone Latex Factory.	China	0.75 billion
Pleasure Latex Products Sdn Bhd.	Malaysia	0.70 billion
SSL Manufacturing (Thailand) Ltd. <sup>2</sup>	Thailand	0.70 billion
Suretex Prophylactics (India) Ltd. <sup>1</sup>	India	0.40 billion
Church & Dwight Co. Inc.	US	0.37 billion
Nulatex Sdn Bhd.	Malaysia	0.36 billion
J.K. Ansell Ltd. <sup>1</sup>	India	0.35 billion

## Notes:

1. Part of Ansell Ltd.

2. Part of Reckitt Benckiser PLC

3. Unidus Corp. is a South Korean company

Source: Infobusiness Research

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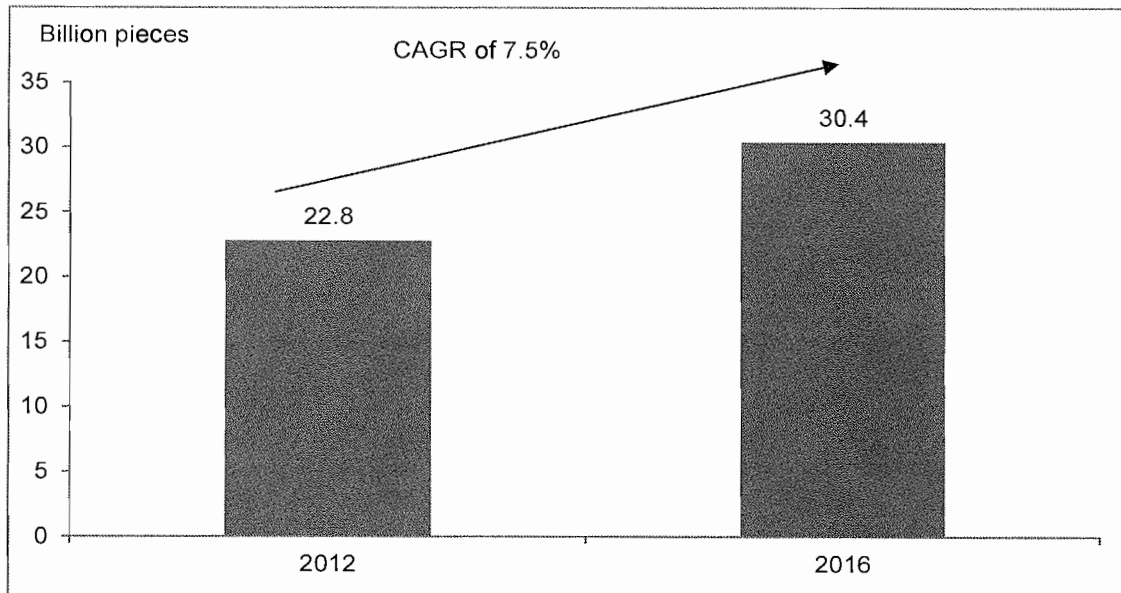
## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

## 1.10 OUTLOOK AND PROSPECTS

The global condom market is expected to expand at a healthy rate over the near future. Globally, the condom market is anticipated to increase from 22.8 billion pieces in 2012 to 30.4 billion pieces in 2016, registering a CAGR of 7.5%.

Figure 13: Forecasted Global Condom Market



Source: Infobusiness Research

This is due to a combination of factors such as population growth, prevalence of use and increasing awareness. As a relatively inexpensive form of birth control as families seek to limit household size in an era of rising inflation, the market potential for condoms holds promises primarily in the developing countries. Given limited condom usage in these countries, there are ample opportunities for further growth. The other main driver of growth continues to be the prevention of STI and HIV.

Besides rising health awareness as well as cheap and easy to use, UN health programmes and advertisements on sexual health are pushing up condom sales globally. The resolution adopted by the UN General Assembly on HIV and AIDS in 2011 shows the recognition by the world body on the challenges posed by the disease to the development, progress and stability of the world at large. As a result, there is a commitment by member nations of the UN to achieve universal access to HIV prevention, care, treatment and support by 2015, in the resolution. This is anticipated to further drive the demand for condoms, among others.

With the expanding world population, the demand for condoms is expected to grow in tandem. The global sex ratio is approximately 1.01 males to one (1) female, with 66.0% of the males aged between 15 years old and 64 years old. China, the most populous country in the world, reported that 37.8% of its population or approximately 507.7 million are males between the ages of 15 years old and 64 years old, while India contributes 406.1 million (33.7% of its population), followed by the US at 104.2 million (33.2% of its population). Such global demographic naturally presents a huge potential market for condoms.

## 8. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

With the global population projected to increase to 8.1 billion in 2025 from 7 billion in 2012, basic necessities such as food and water are under more strain than ever. As a result, the role of contraceptives such as condoms in family planning is becoming more crucial.

### 1.11 THE GLOBAL ECONOMY

In 2012, the international economic landscape became more challenging relative to the preceding year. Global growth experienced a synchronised moderation as weakening economic conditions in several key economies affected international trade and subsequently generated adverse spillover effects on domestic activities in the emerging economies.

The global growth outlook is expected to improve in 2013. Financial and policy risks have receded compared to the situation over the recent two (2) years. Policy measures introduced in the latter half of 2012 have reduced policy uncertainties and stress in the financial markets. In the advanced economies, the pace of recovery is likely to be weak, with the differential in national growth rates reflecting the degree of economic and financial stress in the individual economies.

The outlook for the emerging economies is relatively more favourable in 2013, despite their vulnerability to external developments. For most of these economies, domestic demand remains the key driver of growth. Overall, the pace of global growth would be contingent on the strength of the revival in private sector activities in the United States ("US"), the commitment towards a credible and comprehensive set of crisis resolution policies in the euro area, and the sustainability of domestic demand in the emerging economies.

The US economy is expected to register modest growth, supported by an improvement in private demand which is expected to partially offset the ongoing fiscal consolidation. Consumption activities will remain a key driver of the private sector-led growth, supported by a recovery in the housing and labour markets. Economic activities in the euro area are expected to remain weak due to structural constraints and the continued fiscal consolidation. While tensions in the financial markets have receded, fragile growth still persists particularly in the crisis-affected economies due to the ongoing fiscal austerity measures and structural adjustments.

In Japan, economic growth is expected to moderate, reflecting the diminishing effects from reconstruction-related demand over the recent two (2) years, amid protracted weakness in domestic activities. The economic expansion in China is expected to remain robust, with domestic economic activities set to become stronger during the year.

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Table 10: Global Real Gross Domestic Product ("GDP"), 2009-2013<sup>f</sup>

Growth (%)	2009	2010	2011	2012 <sup>e</sup>	2013 <sup>f</sup>
World GDP	-0.6	5.2	3.9	3.2	3.5
US	-3.1	2.4	1.8	2.2	2.0
Japan	-5.5	4.7	-0.6	2.0	1.2
euro area *	-4.4	2.0	1.4	-0.6	-0.2
China	8.8	10.4	9.3	7.8	8.2

Notes:

\* = Indicates member countries of the Euro area (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain)

e = estimate

f = forecast

Source: Bank Negara Malaysia

## 1.12 THE MALAYSIAN ECONOMY

The Malaysian economy performed better than expected in 2012, with a growth of 5.6%. The strong growth was supported by resilient domestic demand, which cushioned the negative impact of the weak external environment. Domestic demand recorded its highest rate of expansion for the decade, supported by stronger consumption and investment spending. Continued resilience in domestic demand was underpinned largely by sound macroeconomic fundamentals, the more diversified and balanced economic structure, the stronger and more developed financial system, and greater macroeconomic policy flexibility.

The Malaysian economy is expected to remain on a steady growth path with an expansion of between 5% and 6% in 2013. Economic activities will be anchored by the continued resilience of domestic demand, and supported by a gradual improvement in the external sector.

The services and manufacturing sectors are expected to be the key contributors to overall growth, driven by the continued resilience of domestic demand and supported by the gradual improvement in the global economic environment, which is projected to augur well for international trade activities. The services and manufacturing sectors are projected to increase at 5.5% and 4.9%, respectively.

The domestic-oriented industries within the manufacturing sector, in particular, the consumer-related cluster such as food and motor vehicles, are likely to benefit from the continued growth in private consumption. The construction-related manufacturing cluster is also expected to perform well. The export-oriented industries such as electrical and electronics are projected to be supported by demand for products in the consumer and telecommunications segments. In the primary-related cluster, growth is anticipated to be supported by firm demand for resource-based products, such as refined petroleum products, chemicals and chemical products, and rubber products.

Consumption-related activities in the services sector such as retail trade, accommodation and restaurants are anticipated to continue to be supported by private sector spending. Growth in the finance and insurance sub-sector is projected to be sustained, reflecting robust demand for financing, particularly by businesses.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Growth in the construction sector is anticipated to expand by 15.9%, driven by the civil engineering sub-sector as the momentum of construction activities in oil and gas, transportation and utilities is expected to remain strong. The agriculture sector is expected to grow by 4% in 2013, supported by higher output of crude palm oil and food commodities, especially livestock and vegetables. The mining sector is projected to increase by 5% in 2013, on higher production of natural gas, crude oil and condensates.

**Table 11: Annual Change in Real GDP by Sector, 2009-2013<sup>f</sup> (2005 prices)**

Growth (%)	2009	2010	2011	2012 <sup>p</sup>	2013 <sup>f</sup>
GDP	-1.5	7.2	5.1	5.6	5.0-6.0
Agriculture	0.1	2.4	5.9	0.8	4.0
Manufacturing	-9.0	11.9	4.7	4.8	4.9
Mining	-6.5	-0.4	-5.7	1.4	5.0
Construction	6.2	6.0	4.6	18.5	15.9
Services	2.9	7.2	7.0	6.4	5.5

Notes:

*p* = preliminary

*f* = forecast

Source: Bank Negara Malaysia

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

### 9.1 Promoters and substantial shareholders

Our Promoters and substantial shareholders are as follows. We confirm that there is no any other person who, directly or indirectly, jointly or severally, has control over our Company. Our Promoters who are individuals are also our Selling Shareholders.

Name	Country of incorporation/ Nationality	Age	Designation	Before Listing*				Upon completion of Listing**			
				Direct		Indirect		Direct		Indirect	
				No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
KOL	British Virgin Islands	-	• Promoter	94,500,000	41.18	-	-	94,500,000	35.00	-	-
AJNA	British Virgin Islands	-	• Promoter	3,800,000	1.66	-	-	3,800,000	1.41	-	-
Goh Siang	Malaysian	63	• Promoter; and • Senior Executive Director.	10,280,586	4.48	94,500,000 <sup>(1)</sup>	41.18	7,005,586	2.59	94,500,000 <sup>(1)</sup>	35.00
Goh Leng Kian	Malaysian	58	• Promoter; and • Executive Director, Technical and R&D.	14,080,590	6.14	94,500,000 <sup>(1)</sup>	41.18	10,805,590	4.00	94,500,000 <sup>(1)</sup>	35.00
Goh Yen Yen	Malaysian	70	• Promoter; and • Executive Director, Administration.	10,830,543	4.72	94,500,000 <sup>(1)</sup>	41.18	7,555,543	2.80	94,500,000 <sup>(1)</sup>	35.00

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

Name	Country of incorporation/ Nationality	Age	Designation	Before Listing*			Upon completion of Listing**				
				No. of Shares	%	No. of Shares	%	No. of Shares	%		
Goh Yin	Malaysian	65	<ul style="list-style-type: none"> <li>• Promoter, and</li> <li>• QA Director.</li> </ul>	10,830,547	4.72	94,500,000 <sup>(1)</sup>	41.18	7,555,547	2.80	94,500,000 <sup>(1)</sup>	35.00
Lam Jiu Juan	Australian	61	<ul style="list-style-type: none"> <li>• Promoter, and</li> <li>• Non-Independent Non-Executive Director.</li> </ul>	8,930,543	3.89	98,300,000 <sup>(2)</sup>	42.83	5,655,543	2.09	98,300,000 <sup>(2)</sup>	36.41
Goh Miah Kiat	Malaysian	35	<ul style="list-style-type: none"> <li>• Promoter, and</li> <li>• Chief Executive Officer.</li> </ul>	10,830,585	4.72	94,500,000 <sup>(1)</sup>	41.18	7,555,585	2.80	94,500,000 <sup>(1)</sup>	35.00
Lam Yiu Pang Albert	Australian	66	<ul style="list-style-type: none"> <li>• Promoter</li> </ul>	22,430,543	9.77	3,800,000 <sup>(3)</sup>	1.66	19,055,543	7.06	3,800,000 <sup>(3)</sup>	1.41
Goh Ai Noi	Malaysian	57	<ul style="list-style-type: none"> <li>• Promoter</li> </ul>	10,830,543	4.72	94,500,000 <sup>(1)</sup>	41.18	7,455,543	2.76	94,500,000 <sup>(1)</sup>	35.00

## Notes:

\* Incorporates effects of the Acquisitions and Transfer of Shares

\*\* Incorporates effects of the Acquisitions, Transfer of Shares, the IPO and assuming full subscription of the Issue Shares made available to eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)

(1) Deemed interested by virtue of his/her interest in KOL

(2) Deemed interested by virtue of her interest in KOL and AJNA

(3) Deemed interested by virtue of his equity interest in AJNA

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

### 9.1.1 Profile

#### (i) KOL

*Our Promoter and substantial shareholder*

KOL was incorporated in the British Virgin Islands under the BVI Business Companies Act as a company limited by shares on 20 October 2010. The issued and paid-up share capital of KOL is 7 ordinary shares. KOL's principal activity is investment holding company.

The sole Director of KOL is Lam Jiuan Jiu.

The shareholdings of KOL as at the LPD and upon completion of our Listing is below:

Name	As at the LPD and upon completion of our Listing			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Lam Jiuan Jiu	7*	100.00	-	-
Goh Siang	-	-	1*	14.29
Goh Leng Kian	-	-	1*	14.29
Goh Yen Yen	-	-	1*	14.29
Goh Yin	-	-	1*	14.29
Goh Miah Kiat	-	-	1*	14.29
Goh Ai Noi	-	-	1*	14.29

Note:

\* Lam Jiuan Jiu is holding one (1) share on trust for each of Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi, and one (1) share for herself.

#### (ii) AJNA

*Our Promoter*

AJNA was incorporated in the British Virgin Islands under the International Business Companies Act as a company limited by shares on 4 October 1995. The issued and paid-up share capital of AJNA is 1,000 ordinary shares. AJNA's principal activity is asset and investment holding.

The Directors of AJNA are Lam Jiuan Jiu and Lam Yiu Pang Albert.

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

The shareholdings of AJNA as at the LPD and upon completion of our Listing:

Name	As at the LPD and upon completion of our Listing			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Lam Juan Juan	500	50.0	-	-
Lam Yiu Pang Albert	500	50.0	-	-

**(iii) Goh Siang**  
*Senior Executive Director*

Goh Siang is our Senior Executive Director with over 35 years of experience in the rubber and latex industry.

Goh Siang has gained substantial amount of experience since 1976 via his engagement with the General Rubber Goods Division in Dunlop Ltd, Manchester, UK, for two (2) years. After his stint in the UK, Goh Siang joined Ban Seng Hong Sdn Bhd as a General Manager in 1978, where he was in charge of overseeing the production of "Standard Malaysian Rubber" and marketing function of the company.

Since 1990, Goh Siang has been with our Group. He is involved in the planning, organising and charting our Group's direction in the manufacturing, sales and marketing of condoms and other medical disposable products worldwide; the marketing and logistic of international business transactions; and the planning and organising of latex condom and catheter manufacturing plants.

Goh Siang graduated with a Bachelor of Science Degree with Honours in Chemical Engineering and a Master of Science in Polymer Technology from the Loughborough University of Technology, UK in 1975.

**(iv) Goh Leng Kian**  
*Executive Director, Technical and R&D*

Goh Leng Kian is our Executive Director in Technical and R&D. His specialist experience in the condom and latex dipping industries spans over 20 years.

Goh Leng Kian's experience includes the establishment of the condom and catheter manufacturing plants, exposing him to a wide spectrum of roles including the supervision and management for the detail design, construction, installation, commissioning and testing of all related equipment, systems as well as the facilities of the projects. He also has over 30 years of experience in the rubber and latex industry.

Goh Leng Kian's career started in 1980 with Ban Seng Hong Sdn Bhd as a Mechanical Engineer, where he is in charge of the engineering unit for the company's rubber processing facilities. He joined our Group in 1988. He is currently responsible for overseeing our Group's manufacturing facilities, including production and technical matters. This includes the construction and development of our condom dipping lines, ET and foiling machines, R&D activities such as improving the dipping process, new automation to improve production efficiency and product quality and overall yield of the factories as well as sourcing of new packaging machinery.

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

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Goh Leng Kian graduated with a Bachelor of Science Degree with Honours in Mechanical Engineering from the Loughborough University of Technology, UK in 1979.

**(v) Goh Yen Yen**  
*Executive Director, Administration*

Goh Yen Yen is our Executive Director in Administration with over 20 years of experience in handling human resource, finance and administration system, internal quality auditing and also hands-on experience in budget, control and overhead cost and capital expenditure.

She graduated with a Bachelor Degree of Art in Geography with Honours from the University of Malaya in 1969. Prior to joining Karex in 1996, she was a teacher in various secondary schools in Johor for 26 years.

**(vi) Goh Yin**  
*QA Director*

Goh Yin is our QA Director with more than 10 years of experience in managing the QA and QC department in our Group. She is also a qualified Lead Auditor responsible for carrying out System Audits for our Group as well as the quality management representative for our Group.

Goh Yin graduated with a Bachelor of Science Degree majoring in Chemistry and a Diploma in Education from the University of Otago, New Zealand in 1975. She started teaching in various secondary schools in Johor since 1976 before joining our Group in 1998.

**(vii) Goh Miah Kiat**  
*Chief Executive Officer*

Goh Miah Kiat is our Chief Executive Officer. Goh Miah Kiat became an integral part of our Group in 1999. For over 10 years he has been overseeing the marketing and logistics of our international business transactions, brand development and coordination activities of our Group.

Goh Miah Kiat has been acting as a representative of Malaysia in TC 157 (the technical committee for the standardisation of non-systemic contraceptives and STI barrier prophylactics) since year 2000.

Throughout his career, Goh Miah Kiat has actively contributed to the development and promotion of condoms in Malaysia. He played a part in the development of the following:

- (a) Global Condom Standard, ISO 4074;
- (b) MS ISO 16037:2010 in association with SIRIM, Malaysia; and
- (c) ISCR/TC 8 - Non Systemic Contraceptives and STI Barrier Prophylactics that contributed the development of the Malaysian Condom Standard

Goh Miah Kiat graduated with a Bachelor's Degree in Economics and Management from the University of Sydney in 1999. He is currently a member of the Board of Trustee, member of the Marketing Committee and member of the Scholarship Committee in the Malaysian Rubber Export Promotional Council.

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

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(viii) **Lam Jiuan Jiu**  
*Non-Independent Non-Executive Director*

Lam Jiuan Jiu is our Non-Independent Non-Executive Director. She brings with her, her vast 30 years of experience from the financial and corporate management industry.

Lam Jiuan Jiu started out in 1976, where she joined the Commercial Banking Company of Sydney, as a management trainee, where she gained a wide spectrum of retail banking experience before moving on to join Tricontinental Australia Limited in 1978. In 1979, she moved to Hong Kong and joined Toronto Dominion Bank in its Asia and Australasia Division as a Regional Credit Manager, responsible for credit approvals of banks/corporate and monitoring country limits. In 1986, she joined the Canadian Imperial Bank of Commerce for three (3) years as the Corporate Marketing Manager in charge of major public listed companies and as well as corporate company accounts. In 1989, she joined Barclays Bank PLC and she is currently a senior banker within Wealth and Investment Management Division based out of Hong Kong.

She graduated with a Bachelor of Economics majoring in Accounting and Commercial Laws from the University of Sydney, Australia in 1976. She is also a Fellow of Certified Public Accountant ("CPA"), Australia as well as a member of the Hong Kong Registered Financial Planners.

(ix) **Lam Yiu Pang Albert**  
*Our Promoter and substantial shareholder*

Albert Lam has been serving as an Independent Non-Executive Director of Mexan Limited, a company listed on the board of the Hong Kong Stock Exchange since April 2007. His experience includes senior positions in the big four international audit firms and being the Chief Accountant in a public listed banking group. Albert currently owns an auditing practice and is involved in some trading business.

Albert Lam graduated with a Bachelor's Degree in Economics from the University of Tasmania, Australia 1971. He is an associated member of the Institute of Chartered Accountants in Australia since 1975 as well as a certified public accountant of the Hong Kong Institute of Certified Public Accountants with a Practising Certificate since 1979.

(x) **Goh Ai Noi**  
*Our Promoter and substantial shareholder*

Goh Ai Noi is one of the pioneers of our Group. She started her career in 1988 when she joined the Banrub production department. She was then appointed as the Head of Probe Covers division when Banrub started the manufacturing of probe covers. She remained as the Head of Probe Covers division until her retirement in 2006.

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

### 9.1.2 Changes in our Promoters' and substantial shareholders' shareholdings

The changes in our Promoters' and substantial shareholders' shareholdings since our incorporation and as at the date of Prospectus are as follows:

Name	As at 27 September 2012 (date of incorporation)				As at the date of this Prospectus (after the Acquisitions)			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of Shares	%	No. of Shares	%
KOL	-	-	-	-	-	-	-	-
AJNA <sup>(1)</sup>	-	-	-	-	3,800,000	1.66	-	-
Goh Siang	-	-	-	-	15,880,601	6.92	-	-
Goh Leng Kian	2 <sup>(2)</sup>	50.00	-	-	19,680,605	8.58	-	-
Goh Yen Yen	-	-	-	-	16,430,559	7.16	-	-
Goh Yin	2 <sup>(2)</sup>	50.00	-	-	16,430,563	7.16	-	-
Lam Jiuang Jiuang	-	-	-	-	14,530,559	6.33	3,800,000 <sup>(3)</sup>	1.66
Goh Miah Kiat	-	-	-	-	16,430,601	7.16	-	-
Lam Yiu Pang Albert	-	-	-	-	14,530,559	6.33	3,800,000 <sup>(3)</sup>	1.66
Goh Ai Noi	-	-	-	-	16,430,559	7.16	-	-
<b>Total</b>	<b>4</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>134,144,606</b>	<b>58.46</b>	<b>3,800,000</b>	<b>1.66</b>

Notes:

- (1) AJNA is our Promoter but not considered our substantial shareholder
- (2) Ordinary shares of RM0.50 each (where each share was subsequently subdivided into 2 shares of RM0.25 each on 30 November 2012)
- (3) Deemed interested by virtue of his/her equity interest in AJNA

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

### 9.2 Directors

Our Directors are as follows:

Name	Nationality	Age	Designation
Tan Sri Dato' Seri Arshad Bin Ayub	Malaysian	85	Chairman, Independent Non-Executive Director
Goh Siang	Malaysian	63	Senior Executive Director
Goh Leng Kian	Malaysian	58	Executive Director, Technical and R&D
Goh Yen Yen	Malaysian	70	Executive Director, Administration
Lam Jiuan Jiuan	Australian	61	Non-Independent Non-Executive Director
Wong Yien Kim	Malaysian	59	Independent Non-Executive Director
Jonathan Law Ngee Song	Malaysian	47	Independent Non-Executive Director
Dato' Dr. Ong Eng Long	Malaysian	69	Independent Non-Executive Director

#### 9.2.1 Profiles

Please refer to Section 9.1.1 of this Prospectus for the profiles of:

- (i) **Goh Siang (*Senior Executive Director*)**;
- (ii) **Goh Leng Kian (*Executive Director, Technical and R&D*)**;
- (iii) **Goh Yen Yen (*Executive Director, Administration*)**; and
- (iv) **Lam Jiuan Jiuan (*Non-Independent Non-Executive Director*)**.

The profiles of our four (4) other directors are as follows:

- (i) **Tan Sri Dato' Seri Arshad Bin Ayub**  
*Chairman, Independent Non-Executive Director*

Tan Sri Dato' Seri Arshad is our Chairman, Independent Non-Executive Director with a distinguished career in the Malaysian Civil Service, where he have held various senior positions in various Ministries in the Malaysian Government from 1958 till 1983, including serving as Deputy Governor of Bank Negara Malaysia (1975 – 1977), Deputy Director General in the Economics Planning Unit of the Prime Minister's Department (1977 – 1978) and as Secretary General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979 – 1981) and Ministry of Land and Regional Development (1981 – 1983). He was also a Member of Justice Harun's Salaries Commission for statutory bodies.

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

Presently, Tan Sri Dato' Seri Arshad sits on the Board of Directors of the various public listed companies such as Malayan Flour Mills Berhad, Tomypak Holdings Berhad, KULIM (M) Berhad and Top Glove Corporation Berhad. He is also a member of the Board of several private limited companies such as PFM Capital Sdn Bhd, Ladang MOCCIS Sdn Bhd, Zalaraz Sdn Bhd (a family company), Land Rover (M) Sdn Bhd, Bata (M) Sdn Bhd and Nakagawa Rubber Industries Sdn Bhd.

Tan Sri Dato' Seri Arshad is currently serving as President of the Malaysian Rubber Products Manufactures Association (MRPMA). He is also Chairman of Board Directors of University Malaya, Pro Chancellor of Universiti Teknologi MARA (UiTM), Chancellor of KPJ Healthcare University College (KPJUC) and Chancellor of INTI International University (INTI IU). He is a Governor of Tuanku Jaafar College, Chairman of PINTAR Foundation, Trustee of AmanahRaya Berhad Foundation, Chairman of Bistari Johor Berhad, Chairman of Lembaga Bersekutu Pemegang Amanah Pengajian Tinggi Islam Malaysia, Director of Lion Education Foundation, Patron of Arshad Ayub Foundation, Advisor of Yayasan Budiman (YBUiTM) and a member of Tun Razak Foundation, Pak Rashid Foundation, Lung Foundation of Malaysia and Advisor of Malaysian Malay Businessman And Industrialists Association (PERDASAMA).

Tan Sri Dato' Seri Arshad graduated with a Diploma in Agriculture from College of Agriculture, Serdang, Selangor in 1954 and later obtained a Bachelor of Science (Honours) Economics and Statistics from University of Wales, Aberystwyth, United Kingdom in 1958. In 1964, he obtained a postgraduate Diploma in Business Administration from Management Development Institute, Lausanne, Switzerland.

**(ii) Wong Yien Kim**  
*Independent Non-Executive Director*

Wong Yien Kim is our Independent Non-Executive Director. He is also the Senior General Manager Finance of Kumpulan Perangsang Selangor Berhad ("KPS"). In addition, he has been on the board of directors of Taliworks Corporation Bhd since 2007 serves as a member of the audit committee and investment committee of Taliworks Corporation Bhd.

Wong Yien Kim joined KPS in 1983 as an Accountant and was appointed Chief Accountant for several of KPS' subsidiaries. Prior to joining KPS, he was attached to SAP Holdings Berhad for seven (7) years and held the position of Head of Division, Finance. He was also the Vice President, Finance of Kumpulan Darul Ehsan Berhad from 1 January 2000 to 9 May 2011.

Wong Yien Kim has been a member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants England and Wales since 1982.

**(iii) Jonathan Law Ngee Song**  
*Independent Non-Executive Director*

Jonathan Law graduated from Australia National University with a Bachelor of Commerce degree and Bachelor of Laws degree in 1987 and 1989 respectively. He was admitted as Advocate and Solicitor, High Court of Malaya in 1991.

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

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Jonathan Law practiced as a legal assistant in Allen & Gledhill from 1991 to 1995 and was subsequently promoted to partner of the firm in 1995. He joined Nik, Saghir & Ismail in 1996 and has been a partner since.

Jonathan Law has been on the board of directors of Evergreen Fibreboard Berhad since 2007 and has been serving as the chairman of the board since 2010. He is also a non-executive independent director of Anglo-Eastern Plantations PLC, a company listed on the London Stock Exchange.

**(iv) Dato' Dr. Ong Eng Long**  
*Independent Non-Executive Director*

Dato' Dr. Ong Eng Long graduated from University of Malaya with a Bachelor of Science (Hons) Degree in 1969 and obtained a PhD from Queen Mary College, London in 1973.

He started off at the Rubber Research Institute of Malaysia ("RRIM") as a Senior Research Officer in 1973. He has held different positions in RRIM up to 1998 when it merged with two (2) other organisations to form the Malaysian Rubber Board.

He was the former Deputy Director General of the Malaysian Rubber Board from 1998 to May 2001 and the former Deputy Chief Executive Officer of the Malaysian Rubber Export Promotion Council from 2001 to 2008.

Dato' Dr. Ong Eng Long has been the Technical Adviser for Kossan Rubber Industries Bhd since July 2008, the Chairman of ISO/TC 157 Non-Systemic Contraceptives and STI Barrier Prophylactics since 2007 and the Chairman of ISO/TC 45 SC4 Rubber Products Other Than Hoses since 2005. ISO/TC 157 is the technical committee that is responsible for, amongst others, the international condom standards while ISO/TC 45 is responsible for, also amongst others, international rubber glove standards. He has been involved with standards development for the past two (2) decades. Dato' Dr. Ong has more than 150 publications in areas of rubber physics and latex dipped products.

Dato' Dr. Ong Eng Long is a council member of the Institute of Chemistry, Malaysia since 2001. He is also a member of the advisory group to the Moody International Certification (Malaysia) Sdn. Bhd. Dato' Dr. Ong Eng Long is also the President of the Malaysian Rubber Product Manufacturers' Association.

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

### 9.2.2 Directors' shareholdings in our Company

Our Board and their respective shareholdings in our Company before and after Listing are as follows:

Name	Before Listing*			After Listing**		
	No. of Shares	%	Indirect	No. of Shares	%	Indirect
Tan Sri Dato' Seri Arshad Bin Ayub	-	-	-	100,000	0.04	-
Goh Siang	10,280,586	4.48	94,500,000 <sup>(1)</sup>	7,005,586	2.59	94,500,000 <sup>(1)</sup>
Goh Leng Kian	14,080,590	6.14	94,500,000 <sup>(1)</sup>	10,805,590	4.00	94,500,000 <sup>(1)</sup>
Goh Yen Yen	10,830,543	4.72	94,500,000 <sup>(1)</sup>	7,555,543	2.80	94,500,000 <sup>(1)</sup>
Lam Jiu Juan Jiu Juan	8,930,543	3.89	98,300,000 <sup>(2)</sup>	5,655,543	2.09	98,300,000 <sup>(2)</sup>
Wong Yien Kim	-	-	-	100,000	0.04	-
Jonathan Law Ngee Song	-	-	-	100,000	0.04	-
Dato' Dr. Ong Eng Long	-	-	-	100,000	0.04	-

Notes:

\* Incorporates effects of the Acquisitions and Transfer of Shares

\*\* Incorporates effects of the Acquisitions, Transfer of Shares, the IPO and assuming full subscription of the Issue Shares made available to eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)

(1) Deemed interested by virtue of his/her equity interest in KOL

(2) Deemed interested by virtue of her equity interest in AJNA and KOL



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

**9.2.3 Representative of corporate shareholders**

None of our Directors represent any corporate shareholders.

**9.2.4 Principal business activities outside our Group and principal directorships**

The following table sets out information on our Directors of:

- (i) their directorships held within past five (5) years; and
- (ii) principal business activities performed outside our Group as at the LPD.

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
Tan Sri Dato' Seri Arshad Bin Ayub	<i>Directorships as at the LPD:</i> <ul style="list-style-type: none"> <li>• Yayasan Dewan Perniagaan Melayu Johor</li> <li>• Pintar Foundation</li> <li>• Kumpulan Pendidikan YPJ Sdn Bhd</li> <li>• Permata Photo Scan Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>• 1 August 1994</li> <li>• 8 July 2010</li> <li>• 21 November 1997</li> <li>• 23 August 1995</li> </ul>	<ul style="list-style-type: none"> <li>• -</li> <li>• -</li> <li>• -</li> <li>• -</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>• Association</li> <li>• Association</li> <li>• Provision of education programme to SPM holders</li> <li>• Provision of printing services</li> </ul>	<ul style="list-style-type: none"> <li>• President of the Malaysian Rubber Products Manufactures Association (MRPMA)</li> <li>• Chairman of Board Directors of University Malaya</li> <li>• Pro Chancellor of Universiti Teknologi MARA (UITM)</li> </ul>

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Pembangunan Pantai Lido Sdn Bhd	• 21 April 1995	• -	• Non-Executive Director	• Property development	• Chancellor of KPJ Healthcare University College (KPJUC)
	• Bistari Johor Berhad	• 1 October 1991	• -	• Non-Executive Director	• Provision of education and training services	• Chancellor of INTI International University (INTI IU)
	• Nakagawa Rubber Industries Sdn Bhd	• 5 March 1991	• -	• Non-Executive Director	• A subsidiary of Daishin Industries Co. specialising in the crafting of original equipment manufacturer automotive mats	• Governor of Tuanku Jaafar College
	• CD Initiative (M) Sdn Bhd	• 3 April 1990	• -	• Non-Executive Director	• Design management and marketing consultancy general trading	• Chairman of PINTAR Foundation
	• Land Rover (Malaysia) Sdn Bhd	• 9 March 1989	• -	• Non-Executive Director	• Authorised distributor of Land Rover	• Trustee of AmanahRaya Berhad Foundation
	• Kulim (Malaysia) Berhad	• 31 January 1987	• -	• Non-Executive Director	• Investment holding company (oil palm plantations)	• Chairman of Bistari Johor Berhad

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Ladang MOCCIS Sdn Bhd	• Not available	• -	• Director	• Investment holding company (oil palm plantations)	• Chairman of Lembaga Bersekutu Pemegang Amanah Pengajian Tinggi Islam Malaysia
	• Persekutuan Badan Pendidikan dan Pembangunan Melayu	• 5 July 2004	• -	• Non-Executive Director	• Association	
	• Top Glove Corporation Bhd	• 4 September 2000	• -	• Non-Executive Director	• Manufacturing of rubber gloves	• Director of Lion Education Foundation
	• Tomypak Holdings Berhad	• 10 March 1996	• -	• Non-Executive Director	• Manufacture and sale of packaging materials, polyethylene, polypropylene films and sheets	• Patron of Arshad Ayub Foundation
	• MOCCIS Development Sdn Bhd	• 15 February 1994	• -	• Non-Executive Director	• Property development and property management	• Advisor of Yayasan Budiman (YBUJTM)
	• Johmewah Maju Paper Mill Sdn Bhd	• 9 July 1998	• -	• Non-Executive Director	• Paper mills	• Member of: Tun Razak Foundation - Pak Rashid Foundation

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Bata (Malaysia) Sdn Bhd	• 9 September 1994	• -	• Non-Executive Director	• Manufacturing and marketing of shoes	• Lung Foundation of Malaysia
	• Pembinaan Zaleha Sdn Bhd	• 14 March 1987	• -	• Non-Executive Director	• Dormant (ceased operations)	• Advisor of Malaysian Malay Businessman And Industrialists Association (PERDASAMA)
	• Zalaraz Sdn Bhd	• 17 July 1984	• -	• Non-Executive Director	• Investment holding company (property development and investment holding)	
	• Sato Amoy Construction (Malaysia) Sdn Bhd	• 9 February 1993	• -	• Non-Executive Director	• Contracting and engineering company	
	• Malayan Flour Mills Bhd	• 22 December 1987	• -	• Non-Executive Director	• Flour milling and poultry operations	
	• Lung Foundation of Malaysia	• 19 April 2006	• -	• Non-Executive Director	• Association	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<i>Previous directorship held within the five (5) years:</i>					
	• Amanahraya-JMF Capital Sdn Bhd	• 20 August 1997	• 8 October 2012	• Non-Executive Director	• Fund management and investment company	
	• Amanahraya Investment Management Sdn Bhd	• 11 October 1995	• 8 October 2012	• Non-Executive Director	• Fund management and investment company	
	• LBI Capital Bhd	• 1 March 2005	• 15 June 2012	• Non-Executive Director	• Investment holding, management and property investment (property development and manufacturing of footwear products)	
	• Pelaburan Johor Berhad	• 1 April 1999	• 2 June 2011	• Non-Executive Director	• Investment corporation for the state of Johor and the Federal Government	
	• Sanichi Technology Berhad	• 2 April 2010	• 21 March 2011	• Non-Executive Director	• Design and fabrication of precision moulds and tooling	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Sindora Berhad	• 7 July 1995	• 16 January 2011	• Non-Executive Director	• Investment holding company (timber industry, oil palm industry property development)	
	• KPJ Healthcare Berhad	• 1 September 1994	• 16 June 2011	• Non-Executive Director	• Provision of healthcare services	
	• Amanahraya Capital Group Sdn Bhd	• 1 November 2010	• 8 October 2010	• Non-Executive Director	• Fund management and investment company	
	• Malaysian Rubber Export Promotion Council	• 14 April 2000	• 31 December 2009	• Non-Executive Director	• Company limited by guarantee to undertake the promotion of rubber and rubber products in the world markets, particularly in support of the small and medium enterprise	
	• Rockwool Trading (M) Sdn Bhd	• 15 March 1993	• 19 November 2009	• Non-Executive Director	• Trading of stone wool insulation	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Saint-Gobain AAC Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>15 November 1989</li> </ul>	<ul style="list-style-type: none"> <li>19 November 2009</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading of ceiling contractors, plaster products, ceiling boards, ceiling supplies, gypsum boards, plasterboard partition, aluminium ceilings, metal ceiling, ceiling constructor, plasterglass ceiling, fibrous plaster ceilings and aluminium partitions</li> </ul>	
	<ul style="list-style-type: none"> <li>MCCM Resources Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>17 August 2004</li> </ul>	<ul style="list-style-type: none"> <li>21 October 2009</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading of electronic goods</li> </ul>	
	<ul style="list-style-type: none"> <li>MOCCIS Trading Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>18 March 1995</li> </ul>	<ul style="list-style-type: none"> <li>9 June 2008</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading of electronic goods</li> </ul>	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Greenfield Berhad</li> </ul>	<ul style="list-style-type: none"> <li>28 July 2006</li> </ul>	<ul style="list-style-type: none"> <li>14 March 2008</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (manufacturing, marketing and distributing of agricultural related systems and products)</li> </ul>	
	<ul style="list-style-type: none"> <li>Asia Brands Corporation Berhad</li> </ul>	<ul style="list-style-type: none"> <li>30 May 1996</li> </ul>	<ul style="list-style-type: none"> <li>19 February 2008</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (apparel, footwear, design and lease of properties)</li> </ul>	
Goh Siang	<p><i>Directorships as at the LPD:</i></p> <ul style="list-style-type: none"> <li>Omni Star Co. Ltd.</li> <li>Hevealatex Industries Sdn Bhd</li> <li>Formulatex Industries Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>16 January 2008</li> <li>30 August 2005</li> <li>8 September 2005</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Director</li> <li>Director</li> <li>Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading company (natural rubber latex)</li> <li>Trading company (natural rubber latex)</li> <li>Dormant (no commencement of operations)</li> </ul>	Nil.



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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Hevea Engineering Sdn Bhd</li> <li>Ultra Distributions Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>29 June 2002</li> <li>5 June 2000</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Director</li> <li>Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant commencement of operations)</li> <li>Dormant (ceased operations)</li> </ul>	
	<p><i>Previous directorship held within the five (5) years:</i></p> <ul style="list-style-type: none"> <li>Bigel Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>18 March 2005</li> </ul>	<ul style="list-style-type: none"> <li>5 July 2012</li> </ul>	<ul style="list-style-type: none"> <li>Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading company (rubber products)</li> </ul>	
Goh Leng Kian	<p><i>Directorships as at the LPD:</i></p> <ul style="list-style-type: none"> <li>Hevea Engineering Sdn Bhd</li> <li>Ultra Distributions Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>29 June 2002</li> <li>5 June 2000</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Director</li> <li>Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant commencement of operations)</li> <li>Dormant (ceased operations)</li> </ul>	Nil.
	<p><i>Previous directorship held within the five (5) years:</i></p> <p>Nil.</p>					

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
Lam Jiu-an	<i>Directorships as at the LPD:</i>					
Jiu-an	• AJNA	• 4 October 1995	• -	• Non-Executive Director	• Investment holding company (equity and property)	• Director in Private Banking, Barclays Bank PLC (Hong Kong)
	• Top Dragon Resources Sdn Bhd	• 16 December 2010	• -	• Non-Executive Director	• Investment holding company (Malaysian properties)	
	• KOL	• 20 October 2010	• -	• Non-Executive Director	• Investment holding company (equity)	
	• CIL	• 10 December 1998	• -	• Non-Executive Director	• Investment holding and trading company (equity and trading of Foley balloon catheters)	
	• Innolax Limited	• 10 August 2004	• -	• Non-Executive Director	• Investment holding and trading company (equity and trading of machineries)	
	• Maharani Limited	• 20 October 2010	• -	• Non-Executive Director	• Investment holding company (equity)	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<i>Previous directorship held within the five (5) years:</i> Nil.					
Wong Yien Kim	<i>Directorships as at the LPD:</i> <ul style="list-style-type: none"> <li>Taiworks Corporation Berhad</li> </ul>	<ul style="list-style-type: none"> <li>1 October 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding, provision of contracting and project management services</li> <li>(management, operation and maintenance of water treatment plants in Malaysia)</li> </ul>	<ul style="list-style-type: none"> <li>Acting as corporate representative for KPS or Kumpulan Darul Ehsan Berhad</li> <li>Senior General Manager Finance of KPS</li> </ul>
	<ul style="list-style-type: none"> <li>Syarikat Pengeluar Air Selangor Holdings Berhad</li> <li>Cash Band (M) Berhad</li> </ul>	<ul style="list-style-type: none"> <li>28 June 2002</li> <li>11 September 2006</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (water concessionaire)</li> <li>Investment holding company and management / own of a golf club (hospitality business)</li> </ul>	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>KDE Recreation Berhad</li> </ul>	<ul style="list-style-type: none"> <li>15 November 2006</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Country and golf club management</li> </ul>	
	<ul style="list-style-type: none"> <li>Syarikat Pengeluar Air Sungai Selangor Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>28 June 2002</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Operation, maintaining, constructing and undertaking of rehabilitation and refurbishment of dam and water</li> </ul>	
	<ul style="list-style-type: none"> <li>Darul Ehsan Multimedia Corporation Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>24 August 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	
	<ul style="list-style-type: none"> <li>KDEB Anzagain Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>27 August 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	
	<ul style="list-style-type: none"> <li>Application Service Provider Enterprise Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>24 August 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	
	<ul style="list-style-type: none"> <li>Success Spectre Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>27 August 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>KDEB Waste Management Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>23 April 2008</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (equity and waste management)</li> </ul>	
	<ul style="list-style-type: none"> <li>Hebat Abadi Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>23 April 2008</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Collection and transportation of solid waste</li> </ul>	
	<ul style="list-style-type: none"> <li>Usaha Mutlak Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>24 August 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	
	<ul style="list-style-type: none"> <li>Rangkai Aman Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>24 August 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	
	<ul style="list-style-type: none"> <li>Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>1 March 2001</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Designing, constructing, operating and management of toll operations and highway maintenance</li> </ul>	
	<ul style="list-style-type: none"> <li>Sistem Penyuraian Trafik KL Barat Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>1 March 2001</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding and provision of management services (toll road concessions)</li> </ul>	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Perangsang Water Management Sdn Bhd	• 1 April 2002	• -	• Non-Executive Director	• Operation and management of water related projects	
	• KHSB Properties Sdn Bhd	• 24 December 2009	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Viable Chip (M) Sdn Bhd	• 24 August 2007	• -	• Non-Executive Director	• Investment holding company (water management)	
	• Brisdale International Hotel Sdn Bhd	• 17 November 2010	• -	• Non-Executive Director	• Operation of hotels and investment of property	
	• JAKS-KDEB Consortium Sdn Bhd	• 10 October 2007	• -	• Non-Executive Director	• Supply of full range fittings to water supply industry	
	• Waicemerlang Sdn Bhd*	• 9 March 1994	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Vision Eight Eight Sdn Bhd*	• 17 September 1991	• -	• Non-Executive Director	• Dormant (ceased operations)	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Astran Enterprises Sdn Bhd*	• 10 October 1991	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Long Jingong Berhad*	• 28 December 1991	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• KL Rivercity Sdn Bhd	• 19 July 2000	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Kuala Langat Mining Sdn Bhd	• 15 March 2011	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Konsortium Jaringan Selangor Sdn Bhd	• 18 March 2011	• -	• Non-Executive Director	• Lead coordinator in respect of planning, implementation and maintenance of telecommunication towers and telecommunication related services	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<i>Previous directorship held within the five (5) years:</i>					
	• Cyberview Sdn Bhd	• 20 May 2008	• 19 March 2012	• Alternate Director	• Development of Cyberjaya	
	• Konsortium Air Selangor Sdn Bhd	• 12 February 2008	• 14 January 2012	• Non-Executive Director	• Water main and line construction	
	• Segar Prima Sdn Bhd	• 23 April 2008	• 23 December 2011	• Non-Executive Director	• Marketing for company various types of environmental products that include garbage bin, litter bins and equipment for solid waste collection and cleansing	



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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
• Alam Flora Sdn Bhd		• 24 April 2008	• 21 October 2011	• Alternate Director	• Provision of solid waste management services in Malaysia, including waste collection and cleansing, disposal and minimization, recycling, and storage	
• Mantapmurni Sdn Bhd		• 6 May 2000	• 5 August 2011	• Non-Executive Director	• Operation and management of water related projects	
• Titisan Modal (M) Sdn Bhd		• 12 October 2005	• 10 June 2011	• Non-Executive Director	• Infrastructure and utilities – water	
• Konsortium Abass Sdn Bhd		• 2 May 2006	• 10 June 2011	• Non-Executive Director	• Infrastructure and utilities – water	
• Syarikat Bekalan Air Selangor Sdn Bhd		• 18 March 2011	• 10 June 2011	• Non-Executive Director	• Infrastructure and utilities – water	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Kumpulan Perangsang Selangor Berhad</li> </ul>	<ul style="list-style-type: none"> <li>18 September 2007</li> </ul>	<ul style="list-style-type: none"> <li>20 April 2011</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure and property development company</li> </ul>	
	<ul style="list-style-type: none"> <li>Kumpulan Hartanah Selangor Berhad</li> </ul>	<ul style="list-style-type: none"> <li>22 April 2008</li> </ul>	<ul style="list-style-type: none"> <li>20 April 2011</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure and property development company</li> </ul>	
	<ul style="list-style-type: none"> <li>Nippon Paint (Malaysia) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>6 May 2000 / 8 April 2002</li> </ul>	<ul style="list-style-type: none"> <li>15 January 2009</li> </ul>	<ul style="list-style-type: none"> <li>Alternate Director / Director</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing and sale of paint and related products</li> </ul>	
	<ul style="list-style-type: none"> <li>Nipsea Hardware (M) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>15 July 2002</li> </ul>	<ul style="list-style-type: none"> <li>15 January 2009</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Property investment company</li> </ul>	
	<p>Note: * Not acting as corporate representative</p>					
Jonathan Law Ngee Song	<p>Directorships as at the LPD:</p> <ul style="list-style-type: none"> <li>Evergreen Fibreboard Berhad</li> </ul>	<ul style="list-style-type: none"> <li>8 January 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing of medium density board</li> </ul>	<ul style="list-style-type: none"> <li>Partner of Messrs. Nik, Saghir &amp; Ismail</li> </ul>

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Jasa Wibawa Sdn Bhd	• 15 March 2012	• -	• Non-Executive Director	• Reforestation concession	
	• Upeca Technologies Sdn Bhd	• 7 April 2011	• -	• Non-Executive Director	• Holding companies for precision machines and components	
	• Bionis Sdn Bhd	• 30 April 2008	• -	• Non-Executive Director	• Properties holding company	
	• Maple Success Sdn Bhd	• 18 May 2009	• -	• Non-Executive Director	• Properties holding company	
	• Jasdani Enterprise Sdn Bhd	• 28 August 2008	• -	• Non-Executive Director	• Properties holding company	
	• Gerbang Kapital Sdn Bhd	• 17 July 2009	• -	• Non-Executive Director	• Properties holding company	
	• Chateau Network Sdn Bhd	• 4 May 2009	• -	• Non-Executive Director	• Dormant (ceased operations)	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Acromaju Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>4 May 2009</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	
	<ul style="list-style-type: none"> <li>Anglo-Eastern Plantations Plc</li> </ul>	<ul style="list-style-type: none"> <li>4 July 2013</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Operating and development of plantations in Indonesia and Malaysia</li> </ul>	
	<i>Previous directorship held within the five (5) years:</i>					
	<ul style="list-style-type: none"> <li>Village Roadshow Distribution (M) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>8 September 1997</li> </ul>	<ul style="list-style-type: none"> <li>6 September 2012</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Entertainment company</li> </ul>	
	<ul style="list-style-type: none"> <li>Sovereign Paradise Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>20 August 2009</li> </ul>	<ul style="list-style-type: none"> <li>9 January 2011</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Food distributor</li> </ul>	
	<ul style="list-style-type: none"> <li>JEK Food Specialists Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>27 July 2009</li> </ul>	<ul style="list-style-type: none"> <li>31 May 2010</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (food franchising business)</li> </ul>	

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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
Dato' Dr. Ong Eng Long	<i>Directorships as at the LPD: Nil.</i>					Nil.
	<i>Previous directorship held within the five (5) years: Nil.</i>					

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

Our Directors are of the view that their involvement in other business activities outside our Company do not affect their contributions to our Group and are not expected to affect the operations of our Group as they are all non-executive directors in other companies and are not involved in the day-to-day operations of other companies.

Transactions between our Group and our Directors in their personal capacity or the abovementioned companies and businesses in which they have interests as directors or substantial shareholders, if any, are carried out on arm's length basis and on usual business terms.

Any involvement of Directors in business activities outside our Company may give rise to a conflict of interest situation with our businesses. Our Directors have fiduciary duties, under Malaysian law, to act in the best interests of our Company and are required to declare any conflicts of interests. On matters or transactions requiring the approval of our Board, Directors who are deemed interested or conflicted in such matters shall abstain from deliberations and voting on the related resolutions.

### 9.2.5 Directors' remuneration, fees and material benefits-in-kind

The remuneration, fees and material benefits-in-kind (including any contingent or deferred compensation accrued for the year) paid or payable to our Directors for their services to our Group are as follows:

Directors	Remuneration, fees and material benefits-in-kind band (RM'000)	
	FYE 2013	FYE 2014
	Actual	Proposed
Tan Sri Dato' Seri Arshad bin Ayub	-	50 – 100
Goh Siang	400 – 500	400 – 500
Goh Leng Kian	400 – 500	400 – 500
Goh Yen Yen	200 – 300	200 – 300
Lam Jiuan Jiuan	-	100 – 200
Wong Yien Kim	-	50 – 100
Jonathan Law Ngee Song	-	50 – 100
Dato' Dr. Ong Eng Long	-	50 – 100

The remuneration of our Directors, which includes salaries, bonuses, fees and allowances as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any change in Directors' fees, as set out in our Company's M&A, must be approved by our shareholders pursuant to a resolution in a general meeting where notice of any proposed increase shall be given. Please refer to Section 16.2 of this Prospectus for further details on our M&A.

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

### 9.2.6 Board practices

#### (i) Directors' term in office

The details of the date of expiration of the current term of office for each of our Directors and the period for which our Directors have served in that office as at the LPD are as follows:

<u>Directors</u>	<u>Date of appointment</u>	<u>Expiration of the current term of office</u>	<u>Years of service in our Group</u>
Tan Sri Dato' Seri Arshad bin Ayub	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	1
Lam Jiuan Juan	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	1
Goh Siang	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	25
Goh Leng Kian	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	25
Goh Yen Yen	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	20
Wong Yien Kim	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	1
Jonathan Law Ngee Song	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	1
Dato' Dr. Ong Eng Long	29 July 2013	At the annual general meeting after our Listing in accordance with M&A	1

#### (ii) Audit Committee

Our Audit Committee, established on 30 November 2012 and appointed by our Board, comprises the following members:

<u>Audit Committee members</u>	<u>Designation</u>
Wong Yien Kim	Chairman
Tan Sri Dato' Seri Arshad bin Ayub	Member
Jonathan Law Ngee Song	Member

Our Audit Committee is responsible for the recommendations to our Board regarding the selection of the external auditors, review of the results and scope of the audit and other services provided by our Group's external auditors and review and evaluation of our Group's internal audit and control functions. Our Audit Committee is also responsible for the assessment of financial risk and matters relating to related party transactions and conflict of interests. Our Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

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

### (iii) Remuneration Committee

Our Remuneration Committee, established on 30 November 2012 and appointed by our Board comprises the following members:

<u>Remuneration Committee members</u>	<u>Designation</u>
Tan Sri Dato' Seri Arshad bin Ayub	Chairman
Jonathan Law Ngee Song	Member
Goh Yen Yen	Member

Our Remuneration Committee is primarily responsible for recommending to our Board the policy and framework for our Directors' remuneration including remuneration and terms of service of our Executive Directors in all its forms, drawing from external advice, if necessary.

The determination of remuneration of our Executive and Non-Executive Directors shall be a matter to be determined by our Board as a whole after taking into consideration our Remuneration Committee's recommendations.

### (iv) Nomination Committee

Our Nomination Committee, established on 30 November 2012 and appointed by our Board comprises the following members:

<u>Nomination Committee members</u>	<u>Designation</u>
Jonathan Law Ngee Song	Chairman
Wong Yien Kim	Member
Lam Juan Jiuan	Member

Our Nomination Committee is primarily responsible for proposing new nominees for our Board as well as our Directors to fill the seats on board committees, and assessing our Directors on an on-going basis.

In particular, our Board through our Nomination Committee would review on an annual basis the required mix of skills and experience and other core qualities, including core competencies, which our Non-Executive Directors should bring to our Board.

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

### 9.3 Key management

The management of our Group is headed by our Chief Executive Officer, Goh Miah Kiat and assisted by a team of key management as follows:

<u>Name</u>	<u>Nationality</u>	<u>Age</u>	<u>Designation</u>
Goh Miah Kiat	Malaysian	35	Chief Executive Officer
Goh Yin	Malaysian	65	QA Director
Goh Chok Siang	Malaysian	42	Financial Controller of Karex
Boong Siew Choon	Malaysian	47	Administration and Purchasing Manager of KISB
Goh Mui Gek	Malaysian	39	Client Service Manager of KISB
Mohd Asri bin Che Me	Malaysian	46	Primary Production Manager of KISB
Leng Fook Peng	Malaysian	59	Technical Manager of KISB
Ng Leong Fock	Malaysian	44	R&D Manager of KISB
Lim Lai Peng	Malaysian	34	QA Manager of KISB
Ooi Chong Beng	Malaysian	35	Finance Manager of KISB
Chew Cheng Chuan	Malaysian	62	General Manager of UTSB
Zaihan bin Adam @ Mohamad Sam	Malaysian	52	Production Manager of UTSB
Tee Poh Suan	Malaysian	47	Operations Manager of ISB
Wong Chee Ling	Malaysian	37	Marketing Manager of ISB
Thirumal Senthilkumar	Indian	44	General Manager of ITL
Yothin Chirong	Thai	41	Production Manager of ITL

#### 9.3.1 Profiles

Please refer to Section 9.1.1 of this Prospectus for the profiles of:

- (i) **Goh Miah Kiat (*Chief Executive Officer*); and**
- (ii) **Goh Yin (*QA Director*).**

The profiles of our Company's other key management personnel are set out below:

- (i) **Goh Chok Siang**  
*Financial Controller of Karex*

Goh Chok Siang was appointed as our Group Financial Controller on 1 April 2013. He is responsible for overseeing the entire finance functions as well as the accounts department of our Group. He holds a Diploma in Accounting from London Chamber of Commerce and Industry and obtained his professional qualification from the Association of Chartered Certified Accountants in 1999. He is a Chartered Accountant with the Malaysian Institute of Accountants since 1999.

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

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He started his career in 1995 as an audit assistant in Leslie Yap & Co and subsequently in 1996, he joined Kassim Chan & Co as an audit assistant. In 1997, he joined the Lion Group as an accountant. Thereafter, he left the Lion Group and joined ATIS Corporation Berhad ("ATIS"), an investment holding company involved in industrial supply and consumer products, as a Group Accountant in 2002. During his tenure as Group Accountant in ATIS, he was involved in the listing of ATIS' subsidiary, Genetec Technology Berhad on the MESDAQ Market of Bursa Securities (now known as the ACE Market). He was promoted as ATIS' Regional Accountant three (3) years later, whereby he supervised and assisted in the setting up of the finance departments of ATIS' foreign subsidiaries and quarterly reporting functions. In 2007, he served as the Lion Group's Chief Accountant whereby he was responsible for, amongst others, ad hoc corporate exercises (merger and acquisition and debt restructuring), preparation of consolidated financial statements for public listed companies as well as quarterly financial results for announcement purpose on Bursa Securities. He held the position of Director in Wong Chau Hwa & Co, a public accounting firm where he was involved in the business development and strategising functions of the firm from 2010 before joining our Group in 2013.

**(ii) Boong Siew Choon**

*Administration and Purchasing Manager of KISB*

Boong Siew Choon holds a Bachelor of Science in Business and Management Studies and a Postgraduate Diploma in Management from the University of Sheffield, England. She started her career back in 1993, when she joined MCL Corp Berhad as a trainer officer and subsequently Amalan Tepat Sdn Bhd as a marketing executive in 1994. In 1995, she joined General Labels and Labelling (M) Sdn Bhd, a subsidiary company of KomarkCorp Berhad, specialising in the printing of label and manufacturing of automatic labelling machines, as its Assistant Marketing Manager. She was responsible for the business development, process of sales orders and collection.

In 1998, Boong Siew Choon joined our Group as Administration and Purchasing Manager, responsible for overseeing general operation and purchasing. She is also responsible for coordinating with the marketing and production divisions and to supervise and carry out our Group's daily administrative duties.

**(iii) Goh Mui Gek**

*Client Service Manager of KISB*

Goh Mui Gek holds a Diploma in Customer Management majoring in Mass Communication from Ilham Institute of Communication. She started her career in 1993 when she joined Meridian Advertising as an Account Executive and subsequently Spencer Azizul Advertising as an Account Manager in 1994 where she was responsible for managing the full operations of the Bank Bumiputera and Mobikom accounts. In 1998, she joined Naga DDB Sdn Bhd as an Account Director and was responsible for the management and strategic planning for advertising and promotion for Ministry of Tourism, UOB Bank and Exxon Mobil Lubricant. In 2003, she joined KISB as Client Service Manager. She is responsible for KISB's overall customer service, delivery management and suppliers coordination.

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

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**(iv) Mohd Asri bin Che Me**  
*Primary Production Manager of KISB*

Mohd Asri bin Che Me graduated from Sekolah Kebangsaan Muatzam, Kedah in 1986. He was a primary school temporary teacher for three (3) years prior to joining Ampri Rubber Product Sdn Bhd in 1989. He was the Head of the production department responsible in the supervision of the company's gloves manufacturing and regulate schedule. In 1997, he joined KISB as a Primary Production Manager and is responsible for overseeing the entire production planning and operation. He possesses over 20 years of experience in the rubber-based products manufacturing industry.

**(v) Leng Fook Peng**  
*Technical Manager of KISB*

Leng Fook Peng graduated from Kluang High School in 1972 and started his career in the same year when he joined Revertex, a polymers supplier, as its Technologist. He was with Revertex for 39 years before he joined KISB in 2011. Currently, he is our Technical Manager and is responsible for the production support, raw materials evaluation and new product development. He has many years of experience in the rubber processing industry.

**(vi) Ng Leong Fock**  
*R&D Manager of KISB*

Ng Leong Fock graduated in 1994 with a Bachelor of Science degree majoring in Chemistry (Science & Natural Resources) from University Kebangsaan Malaysia, Sabah. He joined Revertex in 1994 as a R&D and Technical Service Chemist. He was responsible for the R&D and technical services for Revertex. In 1996, he joined Getahindus as a Technical Manager and was in-charge of R&D and Technical activities. Ng Leong Fock possesses 18 years of experience in the rubber processing business, in the areas of R&D and technical activities and supports. In 2002, he joined KISB as a R&D Manager and is responsible R&D of new products and management of KISB's IETS and purity and recycled water system.

**(vii) Lim Lai Peng**  
*QA Manager of KISB*

Lim Lai Peng graduated in 2003 with a Bachelor of Science (Honours) degree in Chemistry from University of Putra Malaysia. She joined Regent Hospital Products Sdn Bhd in 2004 as a QA Chemist responsible for the supervision on all QA-related functions including calibration, in process QC and final product QC. In 2005, she joined Revertex as a Technical Service Chemist responsible for new product development, trouble shooting on customers' factories and production floors as well as raw materials evaluation.

Lim Lai Peng possesses eight (8) years of experience in the chemistry field. She joined our Group in 2011 as a QA Manager who is responsible for our Group's regulatory affairs, machinery and equipment calibration in the laboratories and production floors as well as overseeing the entire QC division of our Group and to co-ordinate with the R&D and production divisions.

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

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(viii) **Ooi Chong Beng**  
*Finance Manager of KISB*

Ooi Chong Beng is registered as a chartered accountant with the Malaysian Institute of Accountants and is also a member of CPA Australia. He graduated with a Degree in Bachelor of Commerce, majoring in Accounting and Management from the University of Sydney, Australia in 1999. In 2000, he joined Public Investment Bank Berhad. He was a Dealer's Representative handling investment trade orders, financial enquiries on trade, entitlements and new issue of shares.

In 2010, he joined our Group as our Finance Manager who is responsible for our Group's finance related matters, including financial analysis of latex pricing and foreign exchange movements to support our Group's financial management decision making.

(ix) **Chew Cheng Chuan**  
*General Manager of UTSB*

Chew Cheng Chuan graduated with a Bachelor of Applied Science (Honours) degree from University of Science Malaysia in 1975. He possesses over 36 years of experience in consumer electronics, semiconductor and medical device industries. Over the years, he has worked with various large manufacturing corporations such as Motorola Malaysia Sdn Bhd as an engineer, Siemens Semiconductor Sdn Bhd as a senior quality and reliability engineer, and an assistant quality manager, European Malaysia Electronic Sdn Bhd as a process control manager and Production manager, and Beiersdorf Malaysia Sdn Bhd as a quality & regulatory affairs manager. He joined UTSB in 1999 as QA/QMS Manager. In 2007, he was promoted to General Manager of UTSB where he is responsible for the overall operation of UTSB's catheters manufacturing business.

(x) **Zaihan bin Adam @ Mohamad Sam**  
*Production Manager of UTSB*

Zaihan bin Adam @ Mohamad Sam graduated with a Vocational Certificate of Education Examination in 1978. He has almost 30 years' experience in the rubber-based medical devices manufacturing industry, specialising in the manufacturing of catheters. In 1983, he joined Medical-Latex Sdn Bhd as a production supervisor and was responsible for overseeing the production activities of the company. In 1994, he joined Rusch Sdn Bhd as a production manager to oversee the clean room production activities. In 1998, he joined Maersk Medical Sdn Bhd as a planning, purchasing, and production executive and was in charge of planning, procurement as well as the monitoring of production activities. In 2001, he became a latex Foley catheter consultant whereby he provides consultancy services to catheter manufacturing on manufacturing matters. In 2007, he joined UTSB as Production Manager and is responsible for UTSB's overall manufacturing planning and activities.

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

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**(xi) Tee Poh Suan**  
*Operations Manager of ISB*

Tee Poh Suan graduated in 1991 with a Bachelor of Engineering degree with Honours Class II (Upper Division) Chemical from University of Malaya. She has over 21 years of working experience in manufacturing, QA and purchasing management when she worked for various manufacturing companies in ceramic tiles, concrete piles, Styrofoam and condoms. Upon graduation, she joined Guocera Tile Industries Sdn Bhd as a production executive whereby she was in charge of production planning and process improvements. In 1995, she joined Industrial Concrete Products Sdn Bhd as a production engineer and was responsible for monitoring the production activities of the Company. She joined Amrich Foam Sdn Bhd as a QA Executive in 1998. In 1999, she joined Pleasure Latex Products Sdn Bhd as a QA Manager. In 2000, she joined ISB as a QA Manager and was later promoted to Operations Manager in 2008. She has been with ISB for over 12 years and her responsibilities include overall management and operation of the production department, handling of purchasing activities, factory operation management, production planning, process improvement, manufacturing optimisation and implementation of company QMS.

**(xii) Wong Chee Ling**  
*Marketing Manager of ISB*

Wong Chee Ling graduated in 1998 with a Bachelor of Business Administration degree majoring in Marketing & Management Information Systems from University of Oklahoma, US. She started her career when she joined Pleasure Latex Products Sdn Bhd as their Marketing Executive in 1998. She was later promoted to Marketing Manager. Her responsibilities were brand development and marketing of condoms in the local and international markets. In 2003, she joined ISB as Marketing Manager. She has been actively involved marketing and tendering of our ISB's products such as condoms, lubricating jelly and probe covers; attending exhibitions; and brand development. Presently, she possesses over 13 years of working experiences in sales and marketing and brand development for the condom industry.

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

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(xiii) **Thirumal Senthilkumar**  
*General Manager of ITL*

Thirumal Senthilkumar holds a Master of Science in Organic Chemistry from Annamalai University, India, graduating in 1993. He started his career in condom business in 1994 when he joined TTK-LIG Limited as the Production Supervisor. TTK-LIG Limited is a condom manufacturer in India manufacturing Durex and Kohinoor brands condom. In 1998, he joined Indus Medicare Limited, a condom manufacturer, as its Manufacturing Manager to operate its manufacturing plant.

In 2002, he joined a protection solutions provider specialising in condom manufacturing and reselling, Ansell Limited, as its QA and Technical Manager. He was responsible for its condom manufacturing activities, especially in the technical supports, quality controls and regulatory planning and management.

In 2006, he joined Biogreen Medical Sdn Bhd as its General Manager and was responsible to oversee the entire company's condom manufacturing operations. He joined ITL as General Manager in 2010. He is responsible for the overall production operation of the condom manufacturing operations in Thailand factory. He possesses 18 years of experience in the condom manufacturing business. From his experience and knowledge in the condom industry, he has provided us with a great overview and the improvement in our operations so as to meet the highest quality standard and specifications set by condom resellers globally.

(xiv) **Yothin Chirong**  
*Production Manager of ITL*

Yothin Chirong graduated with a Bachelor of Science degree majoring in Rubber Technology from Prince of Songkla University, Thailand in 1995. He started his career in the rubber industry in 1996 when he joined Inoue Rubber (Thailand) Public Co., Ltd, specialising in the manufacturing of rubber and elastomer products for the automotive parts and industrial parts industries as an Assistant Mixing Chief. He is responsible for the planning of rubber compound mixing used in the manufacturing of the company's rubber and elastomer products.

Yothin Chirong later joined Hycare International Co., Ltd, a glove manufacturing company in Thailand, as a Laboratory and Compound Manager. He was responsible for laboratory activities, including testing of raw materials and manufactured products, as well as raw material preparation such as mixing and formulation of compound latex used in the dipping process.

In 2009, Yothin Chirong joined ITL as a Production Manager. He is responsible in assisting ITL's General Manager to operate, manage and monitor the manufacturing activities in the Thailand factory.

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

### 9.3.2 Key management's shareholdings in our Company

The shareholdings of our key management in our Company as at the LPD and after our Listing are as follows:

Name	Before Listing*			After Listing**		
	Direct No. of Shares	%	Indirect No. of Shares	Direct No. of Shares	%	Indirect No. of Shares
Goh Miah Kiat	10,830,585	4.72	94,500,000 <sup>(1)</sup>	7,555,585	2.80	94,500,000 <sup>(1)</sup>
Goh Yin	10,830,547	4.72	94,500,000 <sup>(1)</sup>	7,555,547	2.80	94,500,000 <sup>(1)</sup>
Goh Chok Siang	-	-	-	50,000	0.02	-
Boong Siew Choon	-	-	-	70,000	0.03	-
Goh Mui Gek	-	-	-	60,000	0.02	-
Mohd Asri bin Che Me	-	-	-	60,000	0.02	-
Leng Fook Peng	-	-	-	40,000	0.01	-
Ng Leong Fook	-	-	-	50,000	0.02	-
Lim Lai Peng	-	-	-	30,000	0.01	-
Ooi Chong Beng	-	-	-	30,000	0.01	-
Chew Cheng Chuan	1,350,000	0.59	-	1,440,000	0.53	-
Zaihan bin Adam @ Mohamad Sam	-	-	-	40,000	0.01	-
Tee Poh Suan	-	-	-	50,000	0.02	-
Wong Chee Ling	-	-	-	50,000	0.02	-
Thirumal Senthikumar	-	-	-	60,000	0.02	-

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

Name	Before Listing*				After Listing**			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Yothin Chirong	-	-	-	-	30,000	0.01	-	-

Notes:

\* Incorporates effects of the Acquisitions and Transfer of Shares

\*\* Incorporates effects of the Acquisitions, Transfer of Shares, the IPO and Offer for Sale and assuming full subscription of the Issue Shares made available to eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)

(1) Deemed interested by virtue of his/her equity interest in KOL

### 9.3.3 Involvement of key management and Executive Directors in other business and corporations

As at the LPD, save as disclosed in Section 9.2.4 and below, all of our key management and Executive Directors are not involved in the operations of other businesses and/or corporations.

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
Goh Miah Kiat	Directorships as at the LPD:					
	• Top Dragon Resources Sdn Bhd	• 16 December 2010	• -	• Non-Executive Director	• Investment holding company (Malaysian properties)	• Member of Malaysian Rubber Export Promotional Council's Board of Trustee, Marketing Committee and Scholarship Committee
	• Gohstar Industries Sdn Bhd	• 18 February 1997	• -	• Non-Executive Director	• Investment holding company (equity)	



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

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Malaysian Rubber Export Promotion Council</li> </ul>	<ul style="list-style-type: none"> <li>20 June 2012</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Company limited by guarantee to undertake the promotion of rubber and rubber products in the world markets, particularly in support of the small and medium enterprise</li> </ul>	

Previous directorship held within the five (5) years:  
Nil.

We confirm that the involvement by our key management and Executive Directors in other business and corporations, if any, will not affect their contribution to our Company.

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT (*Cont'd*)

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### 9.3.4 Management succession planning

We recognise the need to ensure continuity in our management in order to maintain our competitive edge over our competitors. We believe that the continued success of our Group depends, amongst others, on the support and dedication of our management personnel. Our Group has put in place human resource strategies, which include competitive compensation packages, reward schemes and succession plan.

We are aware that the loss of any of our key management could materially and adversely affect our Group. In view thereof, our Group has made efforts to motivate and retain our staff through performance-based incentives, and to enhance their skills and competencies by providing training.

To this end, our employees undergo continuous training to enable them to acquire and enhance relevant skills and competencies in line with our business objectives and also as part of our employees' career advancement programme. On-the-job training is another significant approach of transferring knowledge from specialists to new or junior employees. Hence, the investment in human capital increases the competency of our existing employees. In addition, these development activities serve to groom the lower and middle management staff to progressively assume the responsibilities of senior management.

Further, our Group's middle management team is constantly exposed to various aspects of our Group's business activities in order to ensure that they have a full understanding of our Group's businesses to be adequately equipped with the knowledge necessary for them to assume the senior management position.

Notwithstanding the above, our Group has also documented all technical and standard operating procedures for our operations. These include all detailed work instructions, quality control procedures, testing methods and other reference documents, where it will serve as a reference guide for new employees.

Please refer to Section 9.3.1 of this Prospectus on the profiles and working experience of our key management.

### 9.4 Declarations from our Promoters, Directors and key management

As at the LPD, none of our Promoters, Directors, key management are or have been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key 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 was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

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

### 9.5 Family relationships and associations

Save as disclosed below and the family relationship between our Promoters who are individuals and their shareholdings in the Promoters who are corporates, as at the LPD, there are no family relationship and/or associates between/amongst our Promoters / substantial shareholders, Selling Shareholders, Directors and key management:

- (i) Lam Jiuan Jiu, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin and Goh Ai Noi are siblings;
- (ii) Goh Miah Kiat is the nephew to Lam Jiuan Jiu, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin and Goh Ai Noi;
- (iii) Lam Yiu Pang Albert is the spouse of Lam Jiuan Jiu;
- (iv) Boong Siew Choon is the spouse of Goh Leng Kian; and
- (v) Goh Mui Gek is the sister of Goh Miah Kiat and niece to Lam Jiuan Jiu, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin and Goh Ai Noi.

### 9.6 Service agreements

There are no existing or proposed service agreements between our Directors and key management with our Group.

### 9.7 Benefits paid or intended to be paid

Save for the remuneration, fees and material benefits-in-kind paid and payable to our Directors as set out in Section 9.2.5 of this Prospectus, no amount has been paid or benefits given within the two (2) years preceding the date of this Prospectus, nor is it intended to be so paid or given, to our Promoters, Directors and substantial shareholders.

### 9.8 Employees

The breakdown of our employees for the past four (4) FYE 2010 to FYE 2013 is as follows:

Category of employees	Total employees							
	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	Malaysia	Thailand	Malaysia	Thailand	Malaysia	Thailand	Malaysia	Thailand
Directors / General Manager	7	3	7	4	7	4	8	4
Engineering / R&D	9	2	15	3	14	3	15	3
Sales and marketing	10	4	11	4	12	4	12	5
Technician / Supervisory	58	18	54	21	50	23	52	27

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

Category of employees	Total employees							
	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	Malaysia	Thailand	Malaysia	Thailand	Malaysia	Thailand	Malaysia	Thailand
Admin and clerical	69	5	67	5	62	5	65	7
Manufacturing workers	1,108	700	936	417	1,003	470	1,076	555
General workers	15	34	14	19	14	43	15	50
<b>Total</b>	<b>1,276</b>	<b>766</b>	<b>1,104</b>	<b>473</b>	<b>1,162</b>	<b>552</b>	<b>1,243</b>	<b>651</b>

The average number of our contractual/temporary employees for the FYE 2013 is 64 in Malaysia and 14 in Thailand. In the FYE 2011, there was a realignment of workforce to optimise ITL's worker's performance. This has resulted in the change from three (3) shifts per day to two (2) shifts per day. In order to ensure that the manufacturing output of ITL was not affected by the realignment of workforce, the workers are allowed to work eight (8) hour shift plus four (4) hours of overtime per day.

Our employees are presently not members of any labour union. There has been no industrial dispute between our employees and our Group over the past five (5) years.

### 9.9 Training

We believe our employees are key assets that play an important role toward our continuous growth and we recognise the importance of retraining quality employees. It is our policy to encourage the development and training of our employees for the improvement of overall skills set for the enhancement of productivity. We believe professional development is an on-going process and encourage our employees to improve their skills and knowledge through hands-on training and field experience.

Each of our manufacturing facilities provides technical training programmes for our employees that allow them to gain technical knowledge and skills to effectively operate our manufacturing processes. There are two (2) general categories to our Group's training programmes namely the mandatory training and selective intermediate and advance training.

#### (i) Mandatory Training

##### (a) On-the-Job Training

All operators are required to undertake on-the-job training for a minimum span of three (3) months for their respective operating processes. These training programmes are conducted in-house by the respective operation process supervisors. Below is the list of compulsory training programmes for the operators:

##### **Primary Production**

- (i) Latex handling;
- (ii) Operating of dipping machines; and
- (iii) Powdering, washing, spin dry and tumbler drying.

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

### Secondary Production

- (i) Operating of ET machines;
- (ii) Operating of foiling machines; and
- (iii) Operating of packing machines.

### (b) ISO Certification training

In relation to the ISO certification, selected employees are required to attend ISO 9001 and ISO 13485 Awareness Training programmes to ensure full compliance to the QMS. Usually, the department heads will identify the personnel for these training programmes which are conducted in-house. Details of the training programmes are as follows:

- (i) overview of the key management principles in ISO9001;
- (ii) overview of the additional technical requirements in ISO13485;
- (iii) quality management system;
- (iv) resource management;
- (v) product realisation; and
- (vi) measurement, analysis and improvement.

### (ii) Selective Intermediate and Advance Training

We arrange for employees at the supervisory level and above to attend various public training programmes in technical areas pertaining to our operations to further enhance their skill and knowledge on the job from time to time. Below is the list of trainings completed in the past:

<u>Trainings</u>	<u>Organiser</u>
International Conference on Rubber Latex Technology, Latex Dipped Products Manufacturing Optimisation and Troubleshooting	Rubber Industry Academy, TechnoBiz Communications Co. Ltd.
Latex and Synthetic Polymer Dispersion	Smithers Rapra Technology Limited, UK
Malaysia FRS Update and IFRS Convergence Seminar	KPMG
Micrometer and vernier caliper calibration	National Institute of Metrology (Thailand)
Weighing Machine Calibration	Industry Development Center for Export
US FDA Quality Regulation (21 CFR part 820) Medical Device Reporting (21 CFR Part 803) Pre-Market Notification 510(K) (21 CFR Part 807) Training	TUV SUD PSB (Thailand) Limited
Total Quality Management	Department of Industrial Promotion
First Aid Training	St. John Ambulans Malaysia
Fire Prevention Awareness Seminar	Jabatan Bomba & Penyelamat Malaysia
Training/Briefing Safe Handling of Ammonia Solution	Technogas (M) Sdn. Bhd.
Industrial Effluent Treatment System Operation	Jabatan Alam Sekitar Malaysia
FDA, QSR, Awareness Training	Mr. Senthilkumar of ITL