

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The historical financial information for the Financial Years Under Review presented below have been derived from the Accountants' Report included in Section 13 of this Prospectus ("Financial Statements"). Our Financial Statements are prepared in accordance with MFRS and IFRS.

The following selected historical financial information should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Section 12.2 of this Prospectus together with the Accountants' Report in Section 13 of this Prospectus.

Selected financial information from the historical statements of comprehensive income

	FYE 30 June		
	Audited		
	2023	2024	2025
	RM'000	RM'000	RM'000
Revenue	1,254,910	1,454,902	1,567,193
Cost of sales	(906,059)	(1,046,357)	(1,116,359)
GP	348,851	408,545	450,834
Other income	9,247	8,223	5,693
Administrative expenses	(168,579)	(212,427)	(237,873)
Other operating expenses	(51,462)	(61,963)	(73,066)
Operating profit	138,057	142,378	145,588
Finance income	1,114	1,455	3,211
Finance costs	(7,924)	(8,126)	(16,687)
PBT	131,247	135,707	132,112
Income tax expense	(32,538)	(34,111)	(35,125)
Profit for the financial year⁽¹⁾	98,709	101,596	96,987
Other selected financial data			
GP margin (%) ⁽²⁾	27.8	28.1	28.8
EBITDA ⁽³⁾	187,797	200,450	212,208
Adjusted EBITDA ⁽³⁾	145,549	155,018	160,735
EBITDA margin (%) ⁽⁴⁾	15.0	13.8	13.5
Adjusted EBITDA margin (%) ⁽⁵⁾	11.6	10.7	10.3
PBT margin (%) ⁽⁶⁾	10.5	9.3	8.4
PAT margin (%) ⁽⁷⁾	7.9	7.0	6.2
Effective tax rate (%) ⁽⁸⁾	24.8	25.1	26.6
Basic and diluted EPS (RM) ⁽⁹⁾	19.2	1.0	0.4

Notes:

- (1) All of our profit for the financial year is wholly attributable to owners of our Group as we do not have any non-controlling interest.
- (2) Computed based on GP divided by revenue.
- (3) EBITDA represents earnings before interest, taxation, depreciation and amortisation. EBITDA is calculated as profit for the relevant financial year plus: (i) tax expense; (ii) finance costs; (iii) depreciation of PPE (iv) depreciation of right-of-use ("ROU") assets; and (v) depreciation of investment properties, less (vi) finance income.

Adjusted EBITDA for the financial year is presented to give effect to our EBITDA before the application of MFRS 16 Leases and is calculated as EBITDA less MFRS16 leases adjustments, comprising: (i) repayment of lease liabilities; and (ii) interest expense on lease liabilities, add (iii) loss on lease modification.

12. FINANCIAL INFORMATION (Cont'd)

	FYE 30 June		
	2023	2024	2025
	RM'000	RM'000	RM'000
Profit for the financial year	98,709	101,596	96,987
<i>Add/(Less):</i>			
<i>Income tax expense</i>	32,538	34,111	35,125
<i>Finance costs</i>	7,924	8,126	16,687
<i>Depreciation of PPE</i>	13,017	16,069	18,568
<i>Depreciation of ROU assets</i>	36,609	41,946	48,052
<i>Depreciation of investment properties</i>	114	57	-
<i>Finance income</i>	<u>(1,114)</u>	<u>(1,455)</u>	<u>(3,211)</u>
EBITDA	<u>187,797</u>	<u>200,450</u>	<u>212,208</u>
<i>Add/(Less):</i>			
<i>Repayment of lease liabilities</i>	(38,135)	(43,134)	(50,734)
<i>Interest expense on lease liabilities</i>	(5,752)	(6,174)	(6,852)
<i>Loss on lease modification</i>	<u>1,639</u>	<u>3,876</u>	<u>6,113</u>
Adjusted EBITDA	<u>145,549</u>	<u>155,018</u>	<u>160,735</u>

- (4) Computed based on EBITDA divided by revenue.
- (5) Computed based on Adjusted EBITDA divided by revenue.
- (6) Computed based on PBT divided by revenue.
- (7) Computed based on profit for the financial year divided by revenue.
- (8) Computed based on income tax expense divided by PBT.
- (9) Computed by dividing the profit for the financial year attributable to owners of our Group by the weighted average number of Shares as adjusted for the basic EPS and includes all potential dilutive impact as described under Note 28 of the Accountants' Report in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)**Selected financial information from the historical statements of financial position**

	As at 30 June		
	Audited		
	2023	2024	2025
	RM'000	RM'000	RM'000
Total non-current assets	250,192	248,170	278,925
Total current assets	354,938	390,386	405,373
Total assets	605,130	638,556	684,298
Total non-current liabilities	132,824	123,951	135,052
Total current liabilities	219,475	252,968	313,122
Total liabilities	352,299	376,919	448,174
Net assets	252,831	261,637	236,124
Net current assets	135,463	137,418	92,251
Invested capital	16,335	246,769	246,769
Reorganisation reserves	-	(230,434)	(230,434)
Retained earnings	236,496	245,302	219,789
Total equity	252,831	261,637	236,124
Other selected financial data			
Total borrowings ⁽¹⁾	55,723	40,411	37,005
Net borrowings/(cash) ⁽²⁾	17,149	(8,500)	(85,838)
Gearing ratio (times) ⁽³⁾	0.2	0.2	0.2
Net gearing ratio (times) ⁽⁴⁾⁽⁵⁾	0.1	*	(0.4)

Notes:

* *Negligible.*

(1) *Excluding lease liabilities and including bank overdraft.*

(2) *Total borrowings less cash and short-term deposits.*

(3) *Computed based on total borrowings divided by total equity as at the end of the financial year.*

(4) *Computed based on net borrowings divided by total equity as at the end of the financial year.*

(5) *Negative net gearing ratio denotes a net cash position.*

12. FINANCIAL INFORMATION *(Cont'd)*

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial condition and results of operations is based on our financial information for the Financial Years Under Review, which have been extracted from the Accountants' Report in Section 13 of this Prospectus.

12.2.1 Overview

We operate the well-known "KK Super Mart" chain of 24-hour convenience marts involved in the retailing of daily necessities, with 996 stores across the states of (1) the Federal Territories (excluding Labuan); (2) Selangor; (3) Negeri Sembilan; (4) Melaka; (5) Johor; (6) Pahang; (7) Perak; (8) Pulau Pinang; (9) Kedah; and (10) Sarawak as at the LPD. The majority of our stores operate 24 hours a day, seven days a week, to maximise convenience for customers, with the exception of 10 stores which are located in buildings such as universities, shopping malls or at transportation hub.

Holding onto traditions while embracing modernity, "KK Super Mart" is known as a modernised mom-and-pop store offering daily essentials 24 hours a day, all year round. "KK Super Mart" is a convenience mart chain focused on providing accessible locations for quick purchases at affordable price points.

Our convenience marts are typically located at high foot traffic retail locations such as high street locations, transportation hubs, shopping malls and commercial spaces within residential developments. These strategically located stores are designed to offer convenience and cater to "on-the-go" and impulse purchases by a diverse range of end consumers.

Additionally, we offer online sales through our own website, complemented by delivery services both via our website and through partnerships with third-party delivery aggregator platforms, namely ShopeeFood and Foodpanda to fulfil customer doorstep requests. KK Super Mart also carries 156 house brand products to build a strong brand identity, fostering customer loyalty and providing more options to customers.

In addition to retail sales, our Group also generates other revenues from suppliers' incentive programmes such as Complementary Income. The Complementary Income is paid by product principals or suppliers and may be in the form of fixed fees per store, fees based on eye-level placement of products on the shelf per store or fees based on the volume or expected volume of products sold through the store. Therefore, with the continued growth in our number of stores, we anticipate a corresponding increase in our Complementary Income.

12.2.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been, and are expected to be affected by a number of factors, including those set out below:

(i) Average transaction value and number of sales transactions

Our revenue is mainly derived from the sales at our stores which is driven by the total number of sales transactions at our stores and the average transaction value of each sales transaction made by our customers. These factors are the primary drivers for our overall financial performance and directly impacts our revenue, financial position and the SSSG of our stores.

Our stores can increase revenue through (i) an increase in the average value of each sales transaction at our stores; and/or (ii) an increase in the number of sales transactions at our stores.

12. FINANCIAL INFORMATION (Cont'd)

Due to the geographical distribution of our stores in areas with varying demographic profiles and level of disposable income, the average value of a sales transaction varies across our stores. This is influenced by a variety of factors such as product mix offered at our stores, pricing structures, and our ability to make data-driven decisions regarding customer behaviour, preferences and prevailing market trends in the area.

The number of sales transactions at a store depends primarily on, among others, the level of footfall in the vicinity of the store, overall customer experience and quality of service provided at our outlets as well as our responsiveness to evolving consumer preferences through our continual effort to refine product assortment and pricing strategies to maintain our competitive advantage in the convenience retail industry.

The following table sets out the number of sales transactions, the average number of sales transactions per store per day, the average value of each sales transaction and the average sales per store per day for the Financial Years Under Review:

	FYE 30 June		
	2023	2024	2025
Number of sales transaction ('000)			
- Merchandising sales	91,254	104,049	110,633
- Commission-based income	21,237	27,279	31,370
Total number of sales transactions ('000)	112,491	131,328	142,003
Average number of sales transactions per store per day from: ⁽¹⁾			
- Merchandising sales	418	398	363
- Commission-based income	97	104	103
Total average number of sales transactions per store per day	515	502	465
Average value of each sales transaction from (RM): ⁽²⁾			
- Merchandising sales	13.07	13.20	13.30
- Commission-based income	0.48	0.46	0.40
Total average value of each sales transaction	10.69	10.56	10.45
Average sales per store per day (RM) ⁽³⁾	5,503	5,304	4,865

Notes:

- (1) Calculated as the aggregate number of sales transactions at our stores during the financial year divided by the aggregate number of stores operating days during the financial year.
- (2) Calculated as the revenue generated by our stores during the financial year divided by the aggregate number of sales transactions at our stores during the financial year.
- (3) Calculated as the aggregate of our stores' sales per day during the financial year divided by the average number of stores operating days during the financial year.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out the SSSG of our stores for the Financial Years Under Review:

	FYE 30 June		
	2023	2024	2025
SSSG (%) ⁽¹⁾	23.1	1.9	(2.7)
Number of stores included in the calculation of SSSG ⁽²⁾	546	646	762

Notes:

- (1) *The SSSG of our stores for a financial year is calculated by dividing (a) the revenue generated by our stores during such financial year after deducting the revenue generated by those same stores during the immediate preceding financial year of the same duration, by (b) the revenue generated by those same stores during the immediate preceding financial year of the same duration.*
- (2) *Calculated based on the number of stores which have been in operation for a minimum of 12 months.*

FYE 30 June 2023

For the FYE 30 June 2023, our stores recorded a SSSG of 23.1%, which was mainly driven by the following factors:

- (a) an increase in the average number of sales transactions per outlet per day to 515 for the FYE 30 June 2023 as compared to 437 for the FYE 30 June 2022; and
- (b) a slight increase in the average value of each sales transaction to RM10.69 for the FYE 30 June 2023 as compared to RM10.62 for the FYE 30 June 2022.

Our strong SSSG reflects the broader recovery in Malaysia's economic conditions and surge in consumer spending, underpinned by a rebound in discretionary spending following the transition to the endemic phase beginning 1 April 2022.

FYE 30 June 2024

For the FYE 30 June 2024, our stores recorded a SSSG of 1.9% despite the following:

- (a) a decline in average number of sales transactions per store per day from 515 for the FYE 30 June 2023 to 502 for the FYE 30 June 2024, representing a decline of 2.5%;
- (b) a decline in average value per sales transaction from RM10.69 for the FYE 30 June 2023 to RM10.56 for the FYE 30 June 2024, representing a decline of 1.2%; and
- (c) the negative customer sentiment following a controversy in March 2024 related to the sale of a product perceived as religiously insensitive.

12. FINANCIAL INFORMATION (Cont'd)

Our SSSG has declined from 23.1% for the FYE 30 June 2023 to 1.9% for the FYE 30 June 2024 as our sales normalised from the post-pandemic surge in the FYE 30 June 2023, supported by Malaysia's economic recovery, our average daily store sales ("**ADSS**") for the FYE 30 June 2023 reached approximately RM5,503, which was 18.5% higher than our ADSS of RM4,644 for the FYE 30 June 2022.

For information purposes only, our SSSG for our stores between the FYE 30 June 2019 (being the financial year prior to the COVID-19 pandemic) and the FYE 30 June 2024 was 26.2%, calculated based on 281 stores over the period.

Additionally, the ADSS of RM5,304 for the FYE 30 June 2024 was 14.3% higher than the ADSS of RM4,642 for the FYE 30 June 2019. The total number of sales transactions also increased from approximately 75.2 million transactions for the FYE 30 June 2019 to approximately 131.3 million transactions for the FYE 30 June 2024, representing a CAGR of 11.8%.

FYE 30 June 2025

For the FYE 30 June 2025, our stores recorded a SSSG of -2.7%, primarily due to the following factors:

- (a) in compliance with the Excise Act 1975, which governs the sale of intoxicating liquors, we ceased liquor sales at our stores that did not possess a valid liquor licence and all stores between 9:00 p.m. and 7:00 a.m. As a result, we experienced a decline in liquor-related sales. As at the LPD, there are 143 liquor licence applications pending approval. For context, liquor sales contributed approximately 5.7%, 4.5%, and 2.8% of our total sales for the FYEs 30 June 2023, 30 June 2024 and 30 June 2025 respectively. Nonetheless, we expect sales momentum to recover, with a positive rebound in SSSG upon the resumption of liquor sales once the necessary licences are obtained.

For information purposes, the SSSG for the FYE 30 June 2025 excluding the liquor sales is -1.1%;

- (b) the negative publicity in January 2025 arising from the sale of sandwiches labelled as "Ham and Cheese Sandwich" and were affixed with a Halal logo, which led to customer concerns regarding the authenticity of the labelling; and
- (c) the redistribution of sales to new stores following the aggressive expansion and growth of our store network from 646 stores as at 30 June 2023 to 777 stores as at 30 June 2024 and 890 stores as at 30 June 2025 respectively. This represents a CAGR of 17.4% over the period.

As part of our annual expansion plan to open at least 100 new stores, we closely monitor monthly store performance to identify stores with strong sales and high foot traffic. In areas showing robust demand, we may strategically open additional stores nearby to better serve the catchment area and tap into unmet market potential. This rapid growth likely resulted in diversion of foot traffic from existing stores to the new stores, thus lowering average SSSG. In response, we have begun leveraging advanced technology-driven tools and store-level sales data to better identify underserved "white space" areas, with the objective of enhancing future SSSG.

12. FINANCIAL INFORMATION (Cont'd)

SSSG is not the only metric that we consider when evaluating the performance of our stores. Our strategic focus has been on expanding our store network to secure market leadership, a growth metric that we prioritise over short-term SSSG. While this expansion could lead to a decline in SSSG, it allows us to

- (a) **protect and/or increase our overall market share** - According to the IMR Report, we, through our proprietary brands – KK Super Mart, KK Concept Store and KK Signature Store – are the leading convenience mart operator in Malaysia by store count as at the LPD. We are also the fastest-growing among selected convenience retailers in Malaysia in terms of store count over the period from 2022 to 2025.

This is also evident from the growth in the total number of sales transactions from approximately 112.5 million transactions for the FYE 30 June 2023 to approximately 142.0 million transactions for the FYE 30 June 2025, representing a CAGR of 12.4%.

- (b) **increase our revenue** - Our revenue increased at a CAGR of 11.8% from RM1,254.9 million for the FYE 30 June 2023 to RM1,567.2 million for the FYE 30 June 2025, which partially offset the impact of the SSSG decline.

Additionally, part of this revenue increase was contributed from the Complementary Income from our supplier incentive programmes. Our Complementary Income has increased from RM52.4 million for the FYE 30 June 2023 to RM82.8 million for the FYE 30 June 2025, which has no associated cost and therefore flows directly to our PBT.

Other than total number of sales transactions and growth in revenue, we also consider the following metrics in evaluating our Group's financial performance and sustainability:

- (a) **Average value of each sales transaction** – It is an important indicator of potential sales cannibalisation. Our Group's average value of each sales transaction remained broadly stable at RM10.69, RM10.56, and RM10.45 for the FYEs 30 June 2023, 30 June 2024, and 30 June 2025, respectively despite opening 343 new stores (net of store closures) over this three-year period, demonstrating that store expansion did not lead to meaningful sales cannibalisation. Additionally, the number of sales transactions increased significantly as elaborated above.
- (b) **Payback period** – It is another important metric, as it reflects how quickly capital invested in new stores can be recovered and redeployed into further expansion. Notably, we were able to achieve an average payback period of under two years for new stores opened in the FYE 30 June 2024.
- (c) **GP margin** - It is a key measure of profitability and highlights the Company's ability to manage costs while continuing to grow its store footprint. Our GP margin of 28.8% is above the average reported by retailers as set out in the IMR Report.

Although SSSG is not our primary growth metric, the Group has undertaken following initiatives to improve the sales performance of our existing stores:

- (i) conducted selective store refurbishments and renovations to increase customer footfall;

12. FINANCIAL INFORMATION (Cont'd)

- (ii) introduced new products, including a greater variety of F&B and house brand products, to drive store traffic; and
- (iii) enhanced our “KK Rewards” mobile application with new features and exclusive benefits to elevate customer acquisition, retention, and brand loyalty.

Our management team regularly reviews store performance and takes steps to improve sales at underperforming outlets where revenue is insufficient to cover the cost of products and services as well as key operating expenses, such as rent, utilities, and staff costs. An outlet assessment is conducted in consultation with Store Managers and Supervisors to identify operational issues. Stock levels are optimised by our operations team, while our procurement team engages with suppliers to better align product offerings with local customer preferences. If a store continues to underperform and incur losses after six months despite these improvement efforts, it will be considered for closure.

For information purposes only, our Group’s SSSG for our stores between the FYE 30 June 2019 (being the financial year prior to the COVID-19 pandemic) and the FYE 30 June 2025 was 20.2%, as calculated based on 278 stores over the period. This reflects the continued resilience and improved performance of our stores that were already in operation in the FYE 30 June 2019. Our Group’s ADSS of RM4,865 for the FYE 30 June 2025 was 4.8% higher than the ADSS of RM4,642 for the FYE 30 June 2019.

(ii) Expansion of our store network

We have an extensive store network in Malaysia, where we have presence in every state and Federal Territory in Malaysia. The number of stores that we operate directly affects our sales, costs and profitability. The following table sets out a breakdown of our store network as at 30 June 2023, 30 June 2024, 30 June 2025 and the LPD by region in Malaysia:

Region	As at 30 June			As at the LPD
	2023	2024	2025	
Peninsular Malaysia	636	767	880	986
- Central ⁽¹⁾	508	555	617	679
- East Coast ⁽²⁾	6	17	24	26
- Northern ⁽³⁾	10	44	62	71
- Southern ⁽⁴⁾	112	151	177	210
East Malaysia⁽⁵⁾	10	10	10	10
Total	646	777	890	996

Notes:

- (1) Consists of the state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.
- (2) Consists of the state of Pahang only.
- (3) Consists of the states of Kedah, Pulau Pinang and Perak only.
- (4) Consists of the states of Johor, Melaka and Negeri Sembilan.
- (5) Consists of the state of Sarawak only.

12. FINANCIAL INFORMATION (Cont'd)

Our revenue growth through the expansion of our store network depends primarily on our ability to identify and secure locations with strong commercial potential, particularly in areas characterised by high customer traffic and ease of access. The strategic placement of our stores in close proximity to residential communities with targeted population offers customers a convenient and accessible shopping experience which attracts repeat footfall.

As part of our strategic initiative to capitalise on the growth prospects within Malaysia's convenience retail sector, we plan to continue expanding our store presence across Malaysia by opening at least 100 new stores annually going forward. In the FYEs 30 June 2023, 30 June 2024 and 30 June 2025 and from 1 July 2025 up to the LPD, we opened 99, 131, 113 and 106 new stores (net of store closures), respectively. Our extensive stores network provides our customers with convenient access to our products and strengthens our brand presence, particularly in residential communities in urban, suburban and rural areas.

The expansion of our store network will result in a corresponding increase in our operating expenses and cost of sales including, among others, our cost of inventory, employee benefits expenses, store utilities expenses and insurance expenses, as well as an increase in our lease liabilities. Notwithstanding these cost implications, the enlarged scale of our operation allows us to leverage on economies of scale to improve our margins. Our large scale of operations strengthens our bargaining position with suppliers and service providers, allowing us to secure more advantageous commercial terms.

(iii) Product offering range and value-added consumer services

We offer a curated range of products, comprising, among others, household necessities, consumer staples, other non-discretionary consumables and "on-the-go" convenience products at compelling value. Our merchandising strategy is to offer our customers a comprehensive assortment of products that satisfy their immediate daily and household needs, while maintaining competitive and consistent price points that provide attractive price-to-quality value propositions.

In order to ensure our product selection remains aligned with the preferences of our target consumer group, we regularly monitor sales of our product and refresh our product mix by removing low-demand items and making space for popular and trending products. On average, we introduce 50 new, in-demand products to our stores each month, based on market insights and suppliers' feedback. We also adjust our product range by introducing seasonal products to reflect seasonal demands during Malaysian holidays and the school season.

In addition, we provide value-added services such as bill payments via e-pay, ATM services (including withdrawals and deposits), and top up services in our stores, which complement our retail product offerings by enhancing convenience for customers, allowing them to complete their essential transactions at our stores.

12. FINANCIAL INFORMATION (Cont'd)**(iv) Effective sourcing and distribution of our products**

Our cost of sales associated with procuring product inventory constitute our largest expense, representing approximately 99.9%, 99.9% and 100.2% of our total cost of sales for the FYEs 30 June 2023, 30 June 2024 and 30 June 2025, respectively. Therefore, our operating results are significantly affected by our ability to source and purchase product inventory in sufficient quantities at competitive prices. As part of our product cost management, we source our products directly from the principal brand owners and end suppliers to avoid pricing mark-ups. Leveraging on our large purchasing volume, we are able to secure bulk discounts, rebates and favourable pricing terms from our suppliers.

We operate our centrally managed DC to effectively maintain an integrated supply chain, which optimises our costs associated with inventory storage and product distribution to our stores. Our logistics operation includes a company-owned fleet comprising three delivery vehicles, complemented by partnerships with third-party logistics service providers for the product transportation from our DC to our stores in Peninsular Malaysia. On average, we make one to two deliveries to each store per week. Our centrally managed supply chain infrastructure ensures precise and timely replenishment of stocks while minimising excess inventory. In East Malaysia, we engage third party freight service providers for the distribution to our stocks in order to ensure cost efficiency.

(v) Employee benefits expenses

We operate a labour-intensive business and therefore, our employee benefits expenses will affect our results of operations. As at the LPD, we employ a total of 6,302 employees. Our employee benefits expenses include, among others, salary, wages, allowances, overtime payments and contributions to defined contribution plan. Our employee benefits expenses are accounted for under administrative expenses in our statement of comprehensive income.

The following table sets out the percentage of total employee benefits expense over our revenue for the Financial Years Under Review:

	FYE 30 June		
	2023	2024	2025
	RM'000	RM'000	RM'000
Total employee benefits expenses	108,907	128,326	148,976
Total revenue	1,254,910	1,454,902	1,567,193
Total employee benefits expenses as a percentage of revenue (%)	8.7	8.8	9.5

We determine our employees' salaries based on various factors including the experience, job function and seniority of our employees. We pay our employees in accordance with the applicable Malaysian statutory minimum wage of RM1,700 nationwide, where approximately 90.2% of our total employees are paid the Malaysian minimum wage. Any future changes to our employees' salaries, such as salary increments or increases in the statutory minimum wage of Malaysia, will directly impact our employee benefits expenses. In addition to salaries and incentive based pay, we also incur ancillary expenses relating to, among others, medical fees, staff refreshments, staff welfare, meal allowance as well as the recruitment and training of our employees.

12. FINANCIAL INFORMATION (Cont'd)**(vi) Store rental and maintenance**

We operate under a brick-and-mortar business model, which requires us to establish a physical presence through owning or renting a property. As at the LPD, we operate 987 stores on tenanted properties and nine stores on properties owned by us, representing 99.1% and 0.9% of our stores respectively. For our rented properties, we generally enter into leases which are for initial terms of two to three years, with an option to extend another term of two to three years. Our rental rates may be adjusted depending on prevailing property market conditions in Malaysia at the time of extension or renewal, subject to the applicable maximum increment as agreed under respective tenancy agreements.

In accordance with MFRS 16 Leases, we account for lease in respect of our leases for our stores and DC (save for those with a lease term of 12 months or less) as a ROU asset and a lease liabilities in our statement of financial position and recognise the interest expense on the lease liability under finance costs and the depreciation expenses on the ROU asset under other operating expenses in our statement of comprehensive income. Significant adjustments to our rental rates would affect the repayment of our lease liabilities including the interest on lease liabilities.

Apart from rental considerations, we conduct periodic evaluations of the physical condition of our stores and generally may conduct refurbishment works when deemed necessary, in alignment with our Group's maintenance strategy.

(vii) Consumer spending and economic conditions in Malaysia

As we operate our business in Malaysia, our revenue and financial performance will be directly affected and depend on, among others, the Malaysian consumer spending and general state of the Malaysian economy. Demand for, and prevailing prices of our products relate directly to the strength, purchasing power and growth of the Malaysian economy.

According to the IMR Report, the Malaysian economy grew from 2020 to 2025 at a CAGR of 5.2%. The Malaysian economy has demonstrated resilience in 2025, growing by 5.2% which is supported by various government initiatives. The Malaysian economy is forecasted to grow at a CAGR of 4.0% from 2025 to 2030, reflecting a positive economic outlook. The convenience retail industry in Malaysia, in which we operate, is forecasted to grow at a CAGR of 10.6% over the same period, primarily driven by the strategic expansion of the retailers, which provides convenience through diversified offerings such as a variety of grab-and-go food options and limited edition items, as well as by the changing customer habits favouring convenience.

12.2.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires our Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on our Directors' best knowledge of current events and actions, actual results may differ.

12. FINANCIAL INFORMATION (Cont'd)

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's financial statements within the next financial year are disclosed as follows:

Determining the lease term of contracts with renewal and termination options as lessee

We determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

We apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, we reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate such as the construction of significant leasehold improvements or significant customisation to the leased asset.

For further details, see Note 4 of the Financial Statements included in Section 13 of this Prospectus.

12.2.4 Results of operations

The principal components of our statements of comprehensive income for the Financial Years Under Review are as follows:

(i) Revenue

We generate majority of our revenue from the sales of products and commission earned from electronic payment services rendered at our stores. In addition, we also earn Complementary Income through our supplier incentive programmes.

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Sales of goods	1,192,447	95.0	1,373,773	94.4	1,471,742	93.9
Commission ⁽¹⁾	10,159	0.8	12,478	0.9	12,689	0.8
Gross revenue generated by our stores	1,202,606	95.8	1,386,251	95.3	1,484,431	94.7
Complementary Income ⁽²⁾	52,402	4.2	68,752	4.7	82,837	5.3
Retail revenue	1,255,008	100.0	1,455,003	100.0	1,567,268	100.0
Less: MFRS 15 adjustment in relation to our loyalty programme	(98)	*	(101)	*	(75)	*
Total revenue	1,254,910	100.0	1,454,902	100.0	1,567,193	100.0

12. FINANCIAL INFORMATION (Cont'd)**Notes:**

* *Negligible.*

(1) *Comprises commissions earned from electronic payment services (such as top-up/reloads for mobile service providers, utility bills payment, gaming and entertainment gift card and selected bill payments).*

(2) *Comprises new product listing fee, new store listing fee, display and advertising income, planogram compliance incentives received for adhering to specific product arrangements required by our suppliers, target incentives received for achieving certain sales target set by our suppliers, sales rebate, utility charge, promotion fees and rental of chiller.*

Revenue by geographical location

For the Financial Years Under Review, we generated all our revenue from our stores in Malaysia.

The following table sets out the breakdown of our revenue by geographical location for the Financial Years Under Review:

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Peninsular						
Malaysia	1,192,734	99.2	1,373,317	99.1	1,471,116	99.1
Central ⁽¹⁾	991,144	82.4	1,084,748	78.3	1,115,425	75.2
East Coast ⁽²⁾	15,576	1.3	22,618	1.6	32,783	2.2
Northern ⁽³⁾	5,924	0.5	29,012	2.1	52,317	3.5
Southern ⁽⁴⁾	180,090	15.0	236,939	17.1	270,591	18.2
East Malaysia⁽⁵⁾	9,872	0.8	12,934	0.9	13,315	0.9
Gross revenue generated by our stores	1,202,606	100.0	1,386,251	100.0	1,484,431	100.0

Notes:

(1) *Consists of the state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.*

(2) *Consists of the state of Pahang only.*

(3) *Consists of the states of Kedah, Pulau Pinang and Perak only.*

(4) *Consists of the states of Johor, Melaka and Negeri Sembilan.*

(5) *Consists of the state of Sarawak only.*

Revenue by store format

We operate our stores in two formats, namely (i) KK Super Mart; and (ii) KK Concept Store and KK Signature Store.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out the breakdown of our revenue by store format for the Financial Years Under Review:

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
KK Super Mart	1,188,526	98.8	1,364,814	98.5	1,454,087	98.0
KK Concept Store and KK Signature Store	14,080	1.2	21,437	1.5	30,344	2.0
Gross revenue generated by our stores	1,202,606	100.0	1,386,251	100.0	1,484,431	100.0

Revenue by product category

Our products are broadly categorised across four categories, namely (i) F&B products; (ii) tobacco; (iii) household, personal care and baby products; and (iv) services.

The following table sets out the breakdown of our revenue by product categories for the Financial Years Under Review:

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
F&B products ⁽¹⁾	721,971	60.0	818,983	59.1	834,199	56.2
Tobacco ⁽²⁾	279,226	23.2	313,140	22.6	378,047	25.5
Household, personal care and baby products ⁽³⁾	144,402	12.0	185,228	13.4	203,613	13.7
Services ⁽⁴⁾	11,225	1.0	13,236	1.0	12,870	0.9
Others ⁽⁵⁾	45,782	3.8	55,664	3.9	55,702	3.7
Total	1,202,606	100.0	1,386,251	100.0	1,484,431	100.0

Notes:

- (1) *Comprises groceries, milk and other dairy products, snacks and confectioneries, bread, alcoholic beverages, drinks (including cordials and hot beverages), cooking oil, food seasonings and flavouring products, fresh foods and food spreads.*
- (2) *Comprises cigarettes typically displayed and sold at our front counter.*
- (3) *Comprises household items such as laundry and cleaning products, kitchenware, garbage bags, plastic containers, paper cups and insecticides as well as personal and baby care items such as diapers and baby care products, pharmaceutical items, paper products, bath products and oral care products.*
- (4) *Comprises in-store services such as mobile phone, online gaming and Touch 'n Go reloads and ATM machine services.*
- (5) *Comprises print media, toys, stationery, pet food, home electric hardware and IT accessories.*

12. FINANCIAL INFORMATION (Cont'd)**(ii) Cost of sales**

Our cost of sales comprises (i) the costs of the products purchased directly from our suppliers and trading houses; (ii) freight and logistic costs to deliver our products from our DC to our stores, including fees paid to third-party logistics service providers; (iii) costs associated to inventories written off and losses offset by discount; and (iv) storage costs and consumables offset by the DC charges.

The following table sets out the components of our cost of sales for the Financial Years Under Review:

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Cost of products	904,986	99.9	1,045,767	99.9	1,118,818	100.2
Freight and logistics cost ⁽¹⁾	10,809	1.2	13,113	1.3	11,024	1.0
Inventories written off ⁽²⁾	13,451	1.5	14,795	1.4	17,317	1.6
Store supply and consumables ⁽³⁾	37	*	56	*	200	*
Less: Discount ⁽⁴⁾	(17,947)	(2.0)	(20,358)	(1.9)	(22,959)	(2.1)
Less: DC charges ⁽⁵⁾	(5,277)	(0.6)	(7,016)	(0.7)	(8,041)	(0.7)
Total	<u>906,059</u>	<u>100.0</u>	<u>1,046,357</u>	<u>100.0</u>	<u>1,116,359</u>	<u>100.0</u>

Notes:

* *Negligible.*

(1) *Comprises the costs incurred in delivering products from our DC to retail stores, including fees paid to third-party logistics service providers.*

(2) *Comprises the cost of inventory written off mainly due to damage or losses arising from incidents such as fire or flooding. For information purposes, although most of our products is acquired through outright purchases rather than on a consignment basis, we have secured agreements with the majority of our suppliers allowing for the return of expired or near-expired items to them. Consequently, our exposure to inventory write-offs from expired goods is mitigated.*

(3) *Comprises the cost of miscellaneous items such as cutlery, cups, tablecloths, trays and paper bags provided alongside free meals during store openings.*

(4) *Comprises discounts received from suppliers for prompt payments, promotional items sold at our outlets, product rebates and bulk purchases.*

(5) *Comprises product discounts derived from DC charges applied to suppliers for storing their products in our DC.*

12. FINANCIAL INFORMATION (Cont'd)**(iii) GP and GP margin**

The following table sets out the breakdown of our GP and GP margin by product categories for the Financial Years Under Review:

	F&B products RM'000	Tobacco RM'000	Household personal care and baby products RM'000	Services RM'000	Others RM'000	Total RM'000
FYE 30 June 2023						
Revenue	721,971	279,226	144,402	11,225	45,782	1,202,606
Cost of products/services	(518,986)	(255,818)	(99,911)	(827)	(29,444)	(904,986)
Product GP	202,985	23,408	44,491	10,398	16,338	297,620
GP margin (%) ⁽¹⁾	28.1	8.4	30.8	92.6	35.7	24.7
Others ⁽²⁾						51,231
GP						348,851
FYE 30 June 2024						
Revenue	818,983	313,140	185,228	13,236	55,664	1,386,251
Cost of products/services	(598,134)	(286,235)	(126,372)	(582)	(34,444)	(1,045,767)
Product GP	220,849	26,905	58,856	12,654	21,220	340,484
GP margin (%) ⁽¹⁾	27.0	8.6	31.8	95.6	38.1	24.6
Others ⁽²⁾						68,061
GP						408,545
FYE 30 June 2025						
Revenue	834,199	378,047	203,613	12,870	55,702	1,484,431
Cost of products/services	(603,699)	(342,716)	(138,811)	(134)	(33,458)	(1,118,818)
Product GP	230,500	35,331	64,802	12,736	22,244	365,613
GP margin (%) ⁽¹⁾	27.6	9.3	31.8	99.0	39.9	24.6
Others ⁽²⁾						85,221
GP						450,834

Notes:

- (1) Computed as product GP divided by revenue.
- (2) Comprises Complementary Income and MFRS 15 adjustment in relation to our loyalty programme as well as costs associated with freight and logistics, inventories written off which are offset by discounts from suppliers and DC charges applied to suppliers.

12. FINANCIAL INFORMATION (Cont'd)**(iv) Other income**

Our other income mainly consists of rental income, government incentives, salary reimbursement income, insurance compensation and miscellaneous income.

The following table sets out the breakdown of our other income for the Financial Years Under Review:

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of PPE	123	1.3	-	-	-	-
Contribution income ⁽¹⁾	1,498	16.2	46	0.5	-	-
Government incentive ⁽²⁾	1,272	13.8	2,187	26.6	359	6.3
Insurance compensation ⁽³⁾	256	2.8	57	0.7	21	0.4
Rental income	2,473	26.7	2,435	29.6	2,090	36.7
Reversal of impairment loss	11	0.1	-	-	55	1.0
Salary reimbursement income ⁽⁴⁾	1,820	19.7	1,617	19.7	828	14.5
Miscellaneous income ⁽⁵⁾	1,794	19.4	1,881	22.9	2,340	41.1
Total	9,247	100.0	8,223	100.0	5,693	100.0

Notes:

- (1) *Comprises advertisement and promotion contribution as well as sponsorships from our suppliers for our annual dinner.*
- (2) *Comprises Government financial incentives such as Kerjaya Madani for hiring individuals from certain vulnerable groups.*
- (3) *Comprises compensation for losses due to robberies and pilferages which were received during the Financial Years Under Review.*
- (4) *Comprises the recovery of wages paid in advance by our Group to foreign workers, which are subsequently reimbursed by related parties.*
- (5) *Comprises penalties income imposed on suppliers for listing cancellation or failure to fulfill purchase order, e-vouchers or cash vouchers received from suppliers, discount allowed (e.g. ShopeePay) and business-to-business ("B2B") platform access fees.*

(v) Administrative expenses

Our administrative expenses mainly comprise employee benefits expenses, utilities expenses, rental, upkeep and maintenance expenses as well as travelling expenses.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out the breakdown of our administrative expenses for the Financial Years Under Review:

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Employee benefits expenses ⁽¹⁾	108,907	64.6	128,326	60.4	148,976	62.6
Travelling expenses ⁽²⁾	873	0.5	719	0.3	798	0.3
Outlet space related cost ⁽³⁾	49,748	29.5	61,514	29.0	68,397	28.8
Office general cost ⁽⁴⁾	9,051	5.4	21,868	10.3	19,702	8.3
Total	168,579	100.0	212,427	100.0	237,873	100.0

Notes:

- (1) Employee benefits expenses include, among others, salaries, overtime payments, contributions to defined contribution plans, bonuses as well as directors' fees and remunerations.
- (2) Travelling expenses include, among others, toll, petrol and mileage claims as well as domestic and overseas business travel expenses.
- (3) Outlet-related expenses include, among others, expenses in respect of rental, water and sewerage, advertisement and promotion, insurance, licence fee, upkeep, B2B platform access fees payable to platform vendor and telecommunication.
- (4) Office-related expenses include, among others, rental of premises, printing and stationery, bank charges, utilities, professional fees, donation and upkeep at our headquarters.

(vi) Other operating expenses

Our other operating expenses mainly comprise depreciation of assets including our PPE, ROU assets and investment properties, loss on disposal of PPE, loss on lease modification and PPE written off.

The following table sets out the breakdown of our other operating expenses for the Financial Years Under Review:

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Depreciation of PPE	13,017	25.3	16,069	25.9	18,568	25.4
Depreciation of ROU assets	36,609	71.1	41,946	67.7	48,052	65.8
Depreciation of investment properties	114	0.2	57	0.1	-	-
Loss on disposal of PPE	-	-	15	*	37	*
Loss on lease modification	1,639	3.2	3,876	6.3	6,113	8.4
PPE written off	83	0.2	*	*	296	0.4
Total	51,462	100.0	61,963	100.0	73,066	100.0

12. FINANCIAL INFORMATION (Cont'd)**Note:*** *Negligible.***(vii) Finance income**

Finance income comprises interest income on bank balances as well as advance to related parties.

The following table sets out our finance income for the Financial Years Under Review:

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Interest income on:						
- Fixed deposits	-	-	-	-	1,165	36.3
- Bank balances	625	56.1	1,052	72.3	2,046	63.7
- Advance to related parties	489	43.9	403	27.7	-	-
Total	1,114	100.0	1,455	100.0	3,211	100.0

(viii) Finance costs

Finance costs comprise interest on our bankers' acceptances, term loans, hire purchase payables, lease liabilities arising from our ROU assets and RCPS as well as RCPS dividends.

The following table sets out our finance costs for the Financial Years Under Review:

	FYE 30 June					
	2023		2024		2025	
	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:						
- Bankers' acceptances	13	0.2	-	-	-	-
- Term loans	2,133	26.9	1,923	23.7	1,678	10.1
- Hire purchase payables	26	0.3	29	0.3	20	0.1
- Lease liabilities	5,752	72.6	6,174	76.0	6,852	41.1
- RCPS	-	-	-	-	976	5.8
RCPS dividends	-	-	-	-	7,161	42.9
Total	7,924	100.0	8,126	100.0	16,687	100.0

Income tax expense

Our income tax expenses comprise current and deferred tax. We calculate current tax at the Malaysian statutory tax rate in respect of our profit for the financial year.

Our deferred tax expense primarily arises from temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

For further details on the reconciliation of the income tax expense, see Note 27 of the Financial Statements included in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out the breakdown of our income tax expense for the Financial Years Under Review:

	FYE 30 June		
	2023	2024	2025
	RM'000	RM'000	RM'000
Current tax			
- Current financial year	32,823	32,903	33,268
- Under/(over) provision in prior financial years	241	(10)	1,751
Real property gains tax	-	-	269
	33,064	32,893	35,288
Deferred tax	(526)	1,218	(163)
Income tax expenses	32,538	34,111	35,125

The table below sets out the relationship between PBT and income tax expense for the Financial Years Under Review:

	FYE 30 June		
	2023	2024	2025
	RM'000	RM'000	RM'000
PBT	131,247	135,707	132,112
Tax at Malaysian statutory income tax rate of 24%	31,499	32,570	31,707
Real property gains tax	-	-	269
<u>Adjustments:</u>			
Income not subject to tax	(87)	(350)	(24)
Non-deductible expenses	2,913	2,853	3,416
Adjustment in respect of current income tax of prior years	241	(10)	1,751
Adjustment in respect of deferred tax of prior years	(2,028)	(952)	(1,994)
Income tax expenses	32,538	34,111	35,125

12.2.5 Review of performance for the FYE 30 June 2025 compared to the FYE 30 June 2024

The following table presents selected financial information from our consolidated statements of comprehensive income, in absolute terms, as a percentage of revenue, and the percentage changes for the financial periods indicated:

	FYE 30 June				% change
	2024		2025		
	RM'000	%	RM'000	%	
Revenue	1,454,902	100.0	1,567,193	100.0	7.7
Cost of sales	(1,046,357)	(71.9)	(1,116,359)	(71.2)	6.7
GP	408,545	28.1	450,834	28.8	10.4
Other income	8,223	0.6	5,693	0.4	(30.8)
Administrative expenses	(212,427)	(14.6)	(237,873)	(15.2)	12.0
Other operating expenses	(61,963)	(4.3)	(73,066)	(4.7)	17.9
Operating profit	142,378	9.8	145,588	9.3	2.3
Finance income	1,455	0.1	3,211	0.2	120.7
Finance costs	(8,126)	(0.6)	(16,687)	(1.1)	105.4
PBT	135,707	9.3	132,112	8.4	(2.6)
Income tax expense	(34,111)	(2.3)	(35,125)	(2.2)	3.0
Profit for the financial year	101,596	7.0	96,987	6.2	(4.5)

12. FINANCIAL INFORMATION (Cont'd)**(i) Revenue**

Our revenue increased by RM112.3 million or 7.7% from RM1,454.9 million for the FYE 30 June 2024 to RM1,567.2 million for the FYE 30 June 2025, mainly due to the following:

- (a) an increase in our store network from 777 stores as at 30 June 2024 to 890 stores as at 30 June 2025, which represents an increase of 14.5%. As a result, our Group's sale of goods increased by RM98.0 million or 7.1% from RM1,373.8 million for the FYE 30 June 2024 to RM1,471.7 million for the FYE 30 June 2025; and
- (b) an increase in Complementary Income provided by our suppliers by RM14.1 million or 20.5% from RM68.8 million for the FYE 30 June 2024 to RM82.8 million for the FYE 30 June 2025 arising from increased product purchases in support of our Group's store expansion in the FYE 30 June 2025, in particular, higher sales rebate, new product listing fee, display and advertising income fee and planogram compliance incentives.

(ii) Cost of sales

Our cost of sales increased by RM70.0 million or 6.7% from RM1,046.4 million for the FYE 30 June 2024 to RM1,116.4 million for the FYE 30 June 2025. This was mainly due to higher costs associated with an increase in our store network from 777 stores as at 30 June 2024 to 890 stores as at 30 June 2025, partially offset by higher prompt payment and bulk discounts.

(iii) GP and GP margin

As a result of the foregoing, our GP increased by RM42.3 million or 10.4% from RM408.5 million for the FYE 30 June 2024 to RM450.8 million for the FYE 30 June 2025.

Our GP margin also increased from 28.1% for the FYE 30 June 2024 to 28.8% for the FYE 30 June 2025, mainly due to the lower rate of increase in cost of sales of 6.7% relative to revenue of 7.7%, driven by better negotiated terms with certain suppliers as well as higher prompt payment and bulk discounts, in line with our store expansion and increase in product purchases volume.

(iv) Other income

Our other income decreased by RM2.5 million or 30.8% from RM8.2 million for the FYE 30 June 2024 to RM5.7 million for the FYE 30 June 2025 due to lower government incentive received in the FYE 30 June 2025 and lower rental income following the distribution of investment properties in February 2024.

(v) Administrative expenses

Our administrative expenses increased by RM25.4 million or 12.0% from RM212.4 million for the FYE 30 June 2024 to RM237.9 million for the FYE 30 June 2025 mainly due to increases in store-related employee benefits expenses, utilities expenses as well as upkeep and maintenance costs, which are associated with the expansion of our store network.

12. FINANCIAL INFORMATION (Cont'd)**(vi) Other operating expenses**

Our other operating expenses increased by RM11.1 million or 17.9% from RM62.0 million for the FYE 30 June 2024 to RM73.1 million for the FYE 30 June 2025 mainly due to higher depreciation on PPE and ROU assets and higher loss on lease modification in line with the expansion of our store network.

(vii) Finance income

Our finance income increased by RM1.8 million or 120.7% from RM1.5 million for the FYE 30 June 2024 to RM3.2 million for the FYE 30 June 2025 mainly due to an increase in the interest income on bank balances and fixed deposits with financial institutions.

(viii) Finance costs

Our finance costs increased by RM8.6 million or 105.4% from RM8.1 million for the FYE 30 June 2024 to RM16.7 million for the FYE 30 June 2025 mainly due to an increase in interest expenses on lease liabilities and the RCPS as well as the accrual of RCPS dividends.

(ix) PBT and PBT margin

As a result of the foregoing, our PBT decreased by RM3.6 million or 2.6% from RM135.7 million for the FYE 30 June 2024 to RM132.1 million for the FYE 30 June 2025. Our PBT margin decreased from 9.3% for the FYE 30 June 2024 to 8.4% for the FYE 30 June 2025 as a result of:

- (a) the higher rate of increase in administrative expenses and other operating expenses for the reasons described above; and
- (b) increase in RCPS Interest and Dividend for the FYE 30 June 2025 of RM8.1 million,

which was partially offset by our improved revenue and GP margin.

For information purposes, our PBT and PBT margin would have been RM140.2 million and 8.9% for the FYE 30 June 2025 respectively, if the impact of the RCPS Interest and Dividend was eliminated. Following the RCPS Conversion on 27 March 2026, the RCPS Interest and Dividend are no longer applicable to our Group.

(x) Income tax expense

Our income tax expense increased by RM1.0 million or 3.0% from RM34.1 million for the FYE 30 June 2024 to RM35.1 million for the FYE 30 June 2025, primarily due to the under provision of income tax for the FYE 30 June 2024 and real property gains tax arising from the distribution of investment properties during the FYE 30 June 2024.

(xi) Profit for the financial year

As a result of the foregoing, our profit for the financial year decreased by RM4.6 million or 4.5% from RM101.6 million for the FYE 30 June 2024 to RM97.0 million for the FYE 30 June 2025. Our PAT margin decreased from 7.0% for the FYE 30 June 2024 to 6.2% for the FYE 30 June 2025.

12. FINANCIAL INFORMATION (Cont'd)**12.2.6 Review of performance for the FYE 30 June 2024 compared to FYE 30 June 2023**

The following table presents selected financial information from our statements of comprehensive income, in absolute terms, as a percentage of revenue, and the percentage changes for the financial years indicated:

	FYE 30 June				% change
	2023		2024		
	RM'000	%	RM'000	%	
Revenue	1,254,910	100.0	1,454,902	100.0	15.9
Cost of sales	(906,059)	(72.2)	(1,046,357)	(71.9)	15.5
GP	348,851	27.8	408,545	28.1	17.1
Other income	9,247	0.7	8,223	0.6	(11.1)
Administrative expenses	(168,579)	(13.4)	(212,427)	(14.6)	26.0
Other operating expenses	(51,462)	(4.1)	(61,963)	(4.3)	20.4
Operating profit	138,057	11.0	142,378	9.8	3.1
Finance income	1,114	0.1	1,455	0.1	30.6
Finance costs	(7,924)	(0.6)	(8,126)	(0.6)	2.5
PBT	131,247	10.5	135,707	9.3	3.4
Income tax expense	(32,538)	(2.6)	(34,111)	(2.3)	4.8
Profit for the financial year	98,709	7.9	101,596	7.0	2.9

(i) Revenue

Our revenue increased by RM200.0 million or 15.9% from RM1,254.9 million for the FYE 30 June 2023 to RM1,454.9 million for the FYE 30 June 2024, mainly due to the following:

- (a) an increase in our store network from 646 stores as at 30 June 2023 to 777 stores as at 30 June 2024, which represents an increase of 20.3%. As a result, our Group's sale of goods increased by RM181.3 million or 15.2% from RM1,192.4 million for the FYE 30 June 2023 to RM1,373.8 million for the FYE 30 June 2024; and
- (b) an increase in Complementary Income provided by our suppliers by RM16.4 million or 31.2% from RM52.4 million for the FYE 30 June 2023 to RM68.8 million for the FYE 30 June 2024 arising from increased product purchases in support of our Group's store expansion in the FYE 30 June 2024, in particular, higher sales rebate, new product listing fee, new store listing fee and display and advertising income.

(ii) Cost of sales

Our cost of sales increased by RM140.3 million or 15.5% from RM906.1 million for the FYE 30 June 2023 to RM1,046.4 million for the FYE 30 June 2024. This was mainly due to higher costs associated with an increase in our store network from 646 stores as at 30 June 2023 to 777 stores as at 30 June 2024, partially offset by higher prompt payment and bulk discounts.

(iii) GP and GP margin

As a result of the foregoing, our GP increased by RM59.7 million or 17.1% from RM348.9 million for the FYE 30 June 2023 to RM408.5 million for the FYE 30 June 2024.

12. FINANCIAL INFORMATION (Cont'd)

Our GP margin also increased from 27.8% for the FYE 30 June 2023 to 28.1% for the FYE 30 June 2024, mainly due to the lower rate of increase in cost of sales of 15.5% relative to revenue of 15.9%, driven by better negotiated terms with certain suppliers as well as higher prompt payment and bulk discounts, in line with the store expansion and increase in product purchases volume.

(iv) Other income

Our other income decreased by RM1.1 million or 11.1% from RM9.2 million for the FYE 30 June 2023 to RM8.2 million for the FYE 30 June 2024 due to a decrease in our suppliers' sponsorship income for the Company's event received in the FYE 30 June 2023.

(v) Administrative expenses

Our administrative expenses increased by RM43.8 million or 26.0% from RM168.6 million for the FYE 30 June 2023 to RM212.4 million for the FYE 30 June 2024 mainly due to increases in store-related employee benefits expenses, utilities expenses as well as upkeep and maintenance expenses, which are associated with the expansion of our store network.

(vi) Other operating expenses

Our other operating expenses increased by RM10.5 million 20.4% from RM51.5 million for the FYE 30 June 2023 to RM62.0 million for the FYE 30 June 2024 mainly due to higher depreciation on PPE and ROU assets and higher loss on lease modification in line with the expansion of our store network.

(vii) Finance income

Our finance income increased by RM0.3 million or 30.6% from RM1.1 million for the FYE 30 June 2023 to RM1.5 million for the FYE 30 June 2024 mainly due to an increase in interest income on bank balances.

(viii) Finance costs

Our finance costs increased by RM0.2 million or 2.5% from RM7.9 million for the FYE 30 June 2023 to RM8.1 million for the FYE 30 June 2024 mainly due to an increase in interest expenses on lease liabilities.

(ix) PBT and PBT margin

As a result of the foregoing, our PBT increased by RM4.5 million or 3.4% from RM131.2 million for the FYE 30 June 2023 to RM135.7 million for the FYE 30 June 2024. Our PBT margin decreased from 10.5% for the FYE 30 June 2023 to 9.3% for the FYE 30 June 2024 as a result of the higher rate of increase in administrative expenses and other operating expenses for the reasons described above.

(x) Income tax expense

Our income tax expense increased by RM1.6 million or 4.8% from RM32.5 million for the FYE 30 June 2023 to RM34.1 million for the FYE 30 June 2024 due to an increase in deferred tax expenses arising from a net increase in origination of temporary differences for deferred tax.

12. FINANCIAL INFORMATION (Cont'd)**(xi) Profit for the financial year**

As a result of the foregoing, our profit for the financial year increased by RM2.9 million or 2.9% from RM98.7 million for the FYE 30 June 2023 to RM101.6 million for the FYE 30 June 2024. Our PAT margin decreased from 7.9% for the FYE 30 June 2023 to 7.0% for the FYE 30 June 2024.

12.2.7 Liquidity and capital resources**(i) Working capital**

Our working capital is funded through cash generated from our operating activities, our cash and cash equivalents as well as loans and borrowings from financial institutions.

As at 30 June 2025, we had cash and cash equivalents of RM122.8 million and loans and borrowings of RM37.0 million. As at the LPD, our Group has unutilised credit facilities amounting to RM73.5 million. See Section 12.2.8 of this Prospectus for further details on our Group's unutilised credit facilities

As at 30 June 2025, our working capital, calculated as current assets of RM405.4 million minus current liabilities of RM313.1 million was RM92.3 million.

Based on the above and taking into consideration our funding requirements for our committed capital expenditure, expected cash flows from operations, our existing level of cash and cash equivalents and credit sources, our Board believes that we have sufficient working capital for at least 12 months from the date of this Prospectus.

(ii) Cash flows

The following table summarises our statements of cash flows for the Financial Years Under Review:

	FYE 30 June		
	Audited		
	2023	2024	2025
	RM'000	RM'000	RM'000
Net cash from operating activities	154,738	181,212	279,516
Net cash used in investing activities	(28,783)	(33,267)	(30,358)
Net cash used in financing activities	(112,258)	(132,519)	(175,226)
Net increase in cash and cash equivalents	13,697	15,426	73,932
Cash and cash equivalents at beginning of the financial year	19,788	33,485	48,911
Cash and cash equivalents at end of the financial year	33,485	48,911	122,843

All of our cash and cash equivalents are held in RM. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

12. FINANCIAL INFORMATION (Cont'd)***Net cash from operating activities*****FYE 30 June 2025**

Our net cash generated from operating activities was RM279.5 million for the FYE 30 June 2025. This was calculated based on our PBT of RM132.1 million, which was then adjusted for non-cash and other items of RM103.8 million mainly comprising depreciation of ROU assets and PPE, inventories written off and finance costs as well as further adjustment for working capital changes of RM76.8 million which mainly comprised:

- (a) an increase in inventories of RM50.1 million due to the expansion of our store network from 777 stores as at 30 June 2024 to 890 stores as at 30 June 2025;
- (b) a decrease in trade and other receivables of RM99.0 million mainly due to settlement of outstanding balances from related parties;
- (c) an increase in trade and other payables of RM35.1 million due to higher purchase volume to support the expansion of our store network ; and
- (d) an increase in contract assets of RM7.2 million due to the timing difference in billing of Complementary Income receivable from our suppliers. Following the issuance of such billings, the contract assets were subsequently recognised as trade receivables.

Our Group received RM3.2 million in interest and paid RM36.4 million in income tax for the FYE 30 June 2025.

FYE 30 June 2024

Our net cash from operating activities was RM181.2 million for the FYE 30 June 2024. This was calculated based on our PBT of RM135.7 million, which was then adjusted for non-cash and other items of RM83.5 million mainly comprising depreciation of ROU assets and PPE, inventories written off and finance costs as well as further adjustment for working capital changes of RM3.7 million which mainly comprised:

- (a) an increase in inventories of RM62.0 million due to the expansion of our store network from 646 stores as at 30 June 2023 to 777 stores as at 30 June 2024;
- (b) a decrease in trade and other receivables of RM19.7 million primarily due to the decreases in related parties balances and other receivables following the repayment from the related parties and other receivables, which are partially offset by an increase in trade receivables;
- (c) an increase in trade and other payables of RM36.1 million due to higher purchase volume to support the expansion of our store network;
- (d) a decrease in contract assets of RM2.3 million due to the timing difference in billing of Complementary Income receivable from our suppliers. Following the issuance of such billings, the contract assets were subsequently recognised as trade receivables; and
- (e) an increase in contract liabilities of RM0.2 million due to the issuance of our KK Super Mart cash vouchers and increase in the number of KK coins balance.

12. FINANCIAL INFORMATION (Cont'd)

Our Group received RM1.5 million in interest and paid RM35.7 million in income tax in the FYE 30 June 2024.

FYE 30 June 2023

Our net cash from operating activities was RM154.7 million for the FYE 30 June 2023. This was calculated based on our PBT of RM131.2 million, which was then adjusted for non-cash and other items of RM71.7 million mainly comprising depreciation of investment properties, ROU assets and PPE, inventories written off and finance costs as well as further adjustment for working capital changes of RM21.3 million which mainly comprised:

- (a) an increase in inventories of RM56.5 million due to the expansion of our store network from 547 stores as at 30 June 2022 to 646 stores as at 30 June 2023;
- (b) a decrease in trade and other receivables of RM10.6 million primarily due to the repayment from a director and other receivables;
- (c) an increase in trade and other payables of RM23.1 million due to higher purchase volume to support the expansion of our store network;
- (d) a decrease in contract assets of RM1.4 million due to the timing difference in billing of Complementary Income receivable from our suppliers] Following the issuance of such billings, the contract assets were subsequently recognised as trade receivables; and
- (e) an increase in contract liabilities of RM0.1 million due to the issuance of our KK Super Mart cash vouchers and increase in the number of KK coins balance.

Our Group received RM1.1 million in interest and paid RM28.1 million in income tax for the FYE 30 June 2023.

Net cash used in investing activitiesFYE 30 June 2025

Our net cash used in investing activities was RM30.4 million for the FYE 30 June 2025, which comprised purchase of PPE for the opening of our new stores amounting to RM30.5 million, which was partially offset by proceed from disposal of PPE of RM0.1 million.

FYE 30 June 2024

Our net cash used in investing activities was RM33.3 million for the FYE 30 June 2024, which comprised purchase of PPE for the opening of our new stores amounting to RM33.4 million; which was partially offset by proceed from disposal of PPE of RM0.1 million.

FYE 30 June 2023

Our net cash used in investing activities was RM28.8 million for the FYE 30 June 2023, which comprised:

- (a) purchase of PPE for the opening of our new stores amounting to RM29.9 million; and
- (b) purchase of ROU assets relating to a tenanted store amounting to RM0.3 million,

12. FINANCIAL INFORMATION (Cont'd)

which was partially offset by:

- (a) proceed from disposal of PPE of RM0.1 million; and
- (b) the withdrawal of pledged deposits amounting to RM1.3 million following the termination of a trade facility.

Net cash used in financing activities**FYE 30 June 2025**

Our net cash used in financing activities was RM175.2 million for the FYE 30 June 2025, which mainly comprised:

- (a) payment of dividends to our shareholders amounting to RM122.5 million;
- (b) repayment of lease liabilities, which mainly arose from rental of stores, amounting to RM50.7 million;
- (c) payment of interest on term loans, hire purchases and lease liabilities amounting to RM8.6 million; and
- (d) repayment of term loans and hire purchases of RM3.4 million,

which was partially offset by proceeds received from the issuance of RCPS of RM10.0 million.

FYE 30 June 2024

Our net cash used in financing activities was RM132.5 million for the FYE 30 June 2024, which mainly comprised:

- (a) payment of dividends to our shareholders amounting to RM71.0 million;
- (b) repayment of lease liabilities, which mainly arose from rental of stores, amounting to RM43.1 million;
- (c) repayment of term loans and hire purchases of RM10.3 million; and
- (d) payment of interest on term loans, hire purchases and lease liabilities of RM8.1 million

FYE 30 June 2023

Our net cash used in financing activities was RM112.3 million for the FYE 30 June 2023, which mainly comprised:

- (a) payment of dividends to our shareholders amounting to RM59.0 million;
- (b) repayment of lease liabilities, which mainly arose from rental of stores, amounting to RM38.1 million;
- (c) repayment of term loans and hire purchases of RM9.0 million; and
- (d) payment of interest on term loans, hire purchases and lease liabilities RM7.9 million,

which was partially offset by drawdown of term loans of RM1.8 million which were mainly used to purchase a leasehold building.

12. FINANCIAL INFORMATION (Cont'd)**12.2.8 Borrowings****Loans and borrowings**

As at 30 June 2025, we had loans and borrowings from financial institutions amounted to RM37.0 million comprising term loans and hire purchase payables as set out in the table below:

	<u>Average effective interest rates</u>	<u>RM'000</u>
Non-current		
<u>Secured</u>		
Term loans	4.32% - 5.20%	34,796
Hire purchase payables	4.42% - 7.04%	171
Current		
<u>Secured</u>		
Term loans	4.32% - 5.20%	1,928
Hire purchase payables	4.42% - 7.04%	110
Total loans and borrowings		<u><u>37,005</u></u>

The maturity profile of our loans and borrowings as at 30 June 2025 is set out below:

	<u>Within one year</u>	<u>One to five years</u>	<u>Over five years</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Floating rate borrowings				
Term loans	1,928	8,679	26,117	36,724
Fixed rate borrowings				
Hire purchase payables	110	171	-	281
	<u>2,038</u>	<u>8,850</u>	<u>26,117</u>	<u>37,005</u>

As at 30 June 2025, all of our term loans are denominated in RM and secured by way of legal charges over certain properties and ROU assets belonging to our Group as well as personal guarantees provided by certain directors of our Group. We have obtained consent from the respective financial institutions to fully discharge these guarantees upon our Listing.

In addition to the above, the table below sets out the credit facilities granted to our Group as at the LPD:

	As at the LPD		
	<u>Facilities granted</u>	<u>Utilised</u>	<u>Unutilised</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Term loans	32,828	32,828	-
Trade financing	61,500	-	61,500
Revolving credit	8,000	2	7,998
Overdraft	4,000	-	4,000
Total	<u><u>106,328</u></u>	<u><u>32,830</u></u>	<u><u>73,498</u></u>

We have not defaulted on either the interest or principal sums for any of our term loans during the Financial Years Under Review and up to the LPD. As at the LPD, we are not in breach of the terms and conditions or covenants associated with our borrowings which could materially affect our financial position and results of operations or the investment in our Shares.

12. FINANCIAL INFORMATION (Cont'd)

For more information on our term loans, see Note 15 of the Financial Statements included in Section 13 of this Prospectus.

Lease liabilities

As at 30 June 2025, our total lease liabilities amounted to RM144.2 million as set out in the table below:

	<u>Incremental borrowing rate</u>	<u>RM'000</u>
Non-current lease liabilities	4.75%	93,074
Current lease liabilities	4.75%	51,094
Total lease liabilities		<u>144,168</u>

The maturity profile of our lease liabilities as at 30 June 2025 is set out below:

	<u>Within one year RM'000</u>	<u>One to five years RM'000</u>	<u>Over five years RM'000</u>	<u>Total RM'000</u>
Lease liabilities	51,094	88,864	4,210	144,168

We lease our stores for the sale of our products and services and DC to be used for the distribution of products to our stores. Rental contracts for our stores are typically for an initial term of three years with renewal options of three years while the rental contract for our DC is usually for a period of three years. The terms and conditions of our leases are negotiated on an individual basis.

For more information on our lease liabilities, see Note 16 of the Financial Statements included in Section 13 of this Prospectus.

12.2.9 Key financial ratios

The following table sets out certain of our key financial ratios for the Financial Years Under Review.

	<u>FYE 30 June</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Average trade receivables turnover (days) ⁽¹⁾	*	1	1
Average trade payables turnover (days) ⁽²⁾	50	51	58
Average inventory turnover (days) ⁽³⁾	61	69	77
Current ratio (times) ⁽⁴⁾	1.6	1.5	1.3
Gearing ratio (times) ⁽⁵⁾	0.2	0.2	0.2
Net gearing ratio (times) ⁽⁶⁾⁽⁷⁾	0.1	*	(0.4)

Notes:

* *Negligible.*

(1) *Computed based on the average trade receivables as at the beginning and end of the financial year divided by revenue for such financial year, multiplied by number of days in the financial year.*

(2) *Computed based on the average trade payables as at the beginning and end of the financial year divided by cost of sales for such financial year, multiplied by number of days in the financial year.*

(3) *Computed based on the average inventories as at the beginning and end of the financial year divided by cost of sales for such financial year, multiplied by number of days in the financial year.*

12. FINANCIAL INFORMATION (Cont'd)

- (4) Computed based on current assets over current liabilities as at the end of the financial year.
- (5) Computed based on total borrowings (excluding lease liabilities and including bank overdraft) over total equity as at the end of the financial year.
- (6) Computed based on total borrowings (excluding lease liabilities and including bank overdraft) less cash and short-term deposits divided by total equity as at the end of the financial year.
- (7) Negative net gearing ratio denotes a net cash position.

(i) Average trade receivables turnover period

Due to the nature of our convenience retail industry business operations, we generate almost all of our revenue from our stores where transactions with customers are mainly settled immediately on a cash basis, third party online service payment channel service providers, for e.g. Touch 'n Go eWallet, Boost, GrabPay, MAE Pay, ShopeePay, Alipay and etcetera, or through financial institutions providing retail debit and credit card services. Our trade receivables from financial institutions which provide retail credit services typically release payment to us within two working days from the point of sale while third-party online payment channel service providers typically release payment within the range of one to 10 working days.

Our trade receivables turnover period for the Financial Years Under Review has been consistently maintained at or below one day for the FYEs 30 June 2023, 30 June 2024 and 30 June 2025, which primarily comprised third party online service payment channel service providers related to customer's payment made through e-wallet and credit card.

As at 30 June 2025, our total outstanding trade receivables amounted to approximately RM1.4 million mainly in relation to outstanding Complementary Income receivable from our suppliers.

The following table sets out the ageing analysis for our trade receivables as at 30 June 2025:

	Current	Past due				Total
		1-30 days	31-90 days	91-120 days	>120 days	
As at 30 June 2025:						
Trade receivables (RM'000)	1,432	-	-	-	-	1,432
% of total trade receivables	100.0	-	-	-	-	100.0
As at the LPD:						
Trade receivables collected (RM'000)	1,432	-	-	-	-	1,432
Trade receivables settled (% of total trade receivables)	100.0	-	-	-	-	100.0
Trade receivables outstanding (RM'000)	-	-	-	-	-	-

We do not have any significant exposure to any individual customer which we believe is not recoverable.

12. FINANCIAL INFORMATION (Cont'd)**(ii) Average trade payables turnover period**

The normal trade credit period under our trade payables is 30 to 60 days and our average trade payables turnover period for the Financial Years Under Review have remained in the lower range of the normal credit period that our trade creditors have extended to us.

Our trade payables turnover period remained relatively constant at 50 days and 51 days for the FYEs 30 June 2023 and 30 June 2024 respectively.

Our trade payables turnover period increased from 51 days for the FYE 30 June 2024 to 58 days primarily due to increase in purchases in line with the store expansion for the FYE 30 June 2025.

The following table sets out the ageing analysis for our trade payables as at 30 June 2025:

	Current	Past due				Total
		1-30 days	31-90 days	91-120 days	>120 days	
As at 30 June 2025:						
Trade payables (RM'000)	161,104	17,657	9,795	2,012	3,085	193,653
% of total trade payables	83.2	9.1	5.1	1.0	1.6	100.0
As at the LPD:						
Trade payables settled (RM'000)	160,666	17,655	9,777	1,976	2,725	192,799
Trade payables settled (% of total trade payables)	83.0	9.1	5.0	1.0	1.4	99.6
Trade payables outstanding (RM'000)	438	2	18	36	360	854

We endeavour to pay our suppliers within credit period granted to us to ensure our supplies are not disrupted. As at the LPD, we do not have any material disputes or legal proceedings for outstanding payment that have been initiated by our suppliers against us.

(iii) Inventory turnover

The table below sets out a summary breakdown of our inventories for the Financial Years Under Review:

	FYE 30 June		
	2023 RM'000	2024 RM'000	2025 RM'000
Opening inventory	129,942	172,962	220,130
Closing inventory	172,962	220,130	252,896
Average inventory	151,452	196,546	236,513
Cost of sales	906,059	1,046,357	1,116,359
Average inventory turnover (days) ⁽¹⁾	61	69	77

Note:

(1) Computed as an average of the opening and closing inventory for the financial year divided by cost of sales for such financial year, multiplied by number of days in the financial year.

12. FINANCIAL INFORMATION (Cont'd)

Our average inventory turnover period increased from 61 days for the FYE 30 June 2023 to 69 days for the FYE 30 June 2024, primarily due to strategic inventory purchases aimed at capitalising on better terms with certain suppliers and maintaining higher inventory level to support our store expansion.

Our average inventory turnover period increased from 69 days for the FYE 30 June 2024 to 77 days for the FYE 30 June 2025, primarily due to our Group's ongoing commitment to maintain higher inventory levels to support both current and expanding business operations as well as anticipated sales moving forward.

(iv) Current ratio

Our current ratio decreased from 1.62 times as at 30 June 2023 to 1.54 times as at 30 June 2024 primarily due to (i) an increase in trade payables in line with higher purchase volume to support our store expansion; (ii) a decrease in other receivables; and (iii) an increase in lease liabilities attributable to our new store openings.

Our current ratio decreased from 1.54 times as at 30 June 2024 to 1.29 times as at 30 June 2025 primarily due to (i) an increase in trade payables in line with higher purchase volume to support our store expansion; (ii) an increase in other accruals; (iii) the issuance of RCPS; and (iv) an increase in lease liabilities attributable to our new store openings.

(v) Gearing ratio

Our gearing ratios remained constant at 0.2 times as at 30 June 2023, 30 June 2024 and 30 June 2025.

Our net gearing ratios remained relatively constant at 0.1, negligible and (0.4) times as at 30 June 2023, 30 June 2024 and 30 June 2025 respectively.

12.2.10 Capital expenditure

The following table sets out our capital expenditure for the Financial Years Under Review:

	FYE 30 June		
	2023	2024	2025
	RM'000	RM'000	RM'000
Computers	2,647	2,446	2,761
Furniture and fittings	680	2,364	842
Motor vehicles	183	85	339
Office equipment	180	57	54
Renovation	8,711	9,634	9,787
Shop equipment	16,832	18,017	15,939
Signboards	835	830	784
Total	30,068	33,433	30,506

The majority of our capital expenditures were incurred in conjunction with setting up and renovation of our stores.

12. FINANCIAL INFORMATION (Cont'd)

Our capital expenditure increased by 11.2% from RM30.1 million for the FYE 30 June 2023 to RM33.4 million for the FYE 30 June 2024 mainly due to setting up of our new stores.

Our capital expenditure decreased by 8.8% from RM33.4 million for the FYE 30 June 2024 to RM30.5 million for the FYE 30 June 2025 mainly due to a lower number of new store opening of 113 in the FYE 30 June 2025 as compared to 131 new store opening in the FYE 30 June 2024.

For the Financial Years Under Review, we have mainly funded our capital expenditure via a mixture of internally generated funds and term loans.

12.2.11 Material investments and divestitures

Saved as disclosed in Sections 12.2.10 and 14.6 of this Prospectus, we have not undertaken any material investments or divestitures during the Financial Years Under Review and up to the LPD.

12.2.12 Capital commitments and contractual obligations

Our capital commitments (being our contracted capital expenditures) as at 30 June 2025 and the LPD are as follows:

	<u>As at 30 June 2025</u>	<u>As at the LPD</u>
	RM'000	RM'000
Approved but not contracted for:		
Acquisition of property and equipment	52,500	63,702
Construction of property	-	-
Approved and contracted for		
Acquisition of ROU assets	169	-
Total	<u>52,669</u>	<u>63,702</u>

Our capital commitments as at the LPD primarily comprise capital expenditure in respect of existing stores and new store openings for the 12 months from the LPD, details of which are as follows:

	<u>RM'000</u>
Capital expenditure commitments in relation to:	
- New stores opening	52,164
- Refurbishment of our stores	4,039
- IT infrastructure and system enhancement	6,691
- Others	808
Total	<u>63,702</u>

We plan to meet our capital commitments through the proceeds raised from our Public Issue, internally generated funds and/or borrowings.

Save as disclosed above, as at the LPD, we do not have any other material capital commitments incurred or known to be incurred or known to be incurred by us which may have a material impact on our financial results.

Other contractual obligations

Our contractual cash obligations (excluding capital expenditure commitments) as at 30 June 2025 comprise primarily of repayment obligations for our loans and borrowings, trade and other payables, lease liabilities and RCPS.

12. FINANCIAL INFORMATION (Cont'd)

The maturity profile of our undiscounted contractual cash repayment obligations as at 30 June 2025 is as follows:

	Within one year	One year to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000
Payments due by period				
Term loans	3,528	14,114	31,795	49,437
Hire purchase payables	123	182	-	305
Lease liabilities	56,575	95,359	4,272	156,206
Trade and other payables	238,991	-	-	238,991
RCPS	23,018	-	-	23,018
	<u>322,235</u>	<u>109,655</u>	<u>36,067</u>	<u>467,957</u>

We plan to meet our contractual cash obligations through our cash and cash equivalents on hand, as well as cash generated from future operations, proceeds from our IPO and funding from other financing activities (if required).

12.2.13 Contingent liabilities

As at the LPD, we do not have any contingent liabilities that, upon becoming enforceable, may have a material adverse effect on our results of operations or financial position.

12.2.14 Off-balance sheet arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a material effect on our business, financial performance and financial position.

12.2.15 Financial risk management

We are exposed to market risk arising from our operations and use of financial instruments. Our overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

(i) Credit risk

Credit risk is the risk of financial loss to us that may arise on outstanding financial instruments should a counterparty default on its obligations. We are exposed to credit risk arises primarily from trade and other receivables. We have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

As at 30 June 2025, our trade receivables are primarily the outstanding Complementary Income receivable from our suppliers. Based on our low historical observed default rates (adjusted for forward-looking estimates), the expected credits losses are not material and therefore is not recognised.

As at 30 June 2025, we have not incurred and do not expect to incur material credit losses on our financial assets or other financial instruments.

12. FINANCIAL INFORMATION (Cont'd)**(ii) Liquidity risk**

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations when they fall due. Our exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. Our exposure to liquidity risk arises principally from trade and other payables and loans and borrowings.

In managing our exposures to liquidity risk, we maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. We maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. We use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. Our finance department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

For a summary of the maturity profile of our borrowings as well as lease liabilities as at the end of the Financial Years Under Review based on undiscounted contractual payments, see Note 30(b)(ii) of the Financial Statements included in Section 13 of this Prospectus.

(iii) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of our financial instruments as a result of changes in market interest rates. Our exposure to interest rate risk arises primarily from our loans and borrowings with floating interest rates.

Our interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose us to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial years.

		FYE 30 June		
		2023	2024	2025
		RM'000	RM'000	RM'000
Floating	rate			
	instruments			
Increase	in 50			
basis point		(209)	(152)	(140)
Decrease	in 50			
basis point		209	152	140

For more information in relation to interest rate risk, see Note 30(b)(iii) of the Financial Statements included in Section 13 of this Prospectus.

12.2.16 Inflation

There has not been a material impact from inflation on our Group's financial condition and results of operations for the Financial Years Under Review. Nonetheless, inflation may affect our financial performance by increasing certain of our expenses, such as expenses relating to employee benefits. Any increase in inflation rate beyond levels experienced in the past may affect our future operations and financial performance if we are unable to fully offset higher costs through increased revenue.

12. FINANCIAL INFORMATION (Cont'd)

12.2.17 Order book

Due to the nature of our business, we do not maintain an order book.

12.2.18 Trends information

Save as disclosed in Sections 5, 7 and 8 of this Prospectus, and to the best of our Board's knowledge and belief, there are no other known factors, trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our business, financial condition and results of operations.

12.2.19 Significant changes

Save as disclosed, no significant changes have occurred since 30 June 2025 which may have a material effect on our financial condition and results of operation.

12.2.20 Government / economic / fiscal / monetary policies

Our Group is subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business operations, financial performance and prospects.

For the Financial Years Under Review and up to the LPD, our results have not been materially and adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies. For further information on government, economic, fiscal or monetary policies or factors which could materially affect our Group's operations, see Section 5 of this Prospectus.

12.2.21 Accounting standards issued but not yet effective and not early adopted

For a description of accounting standards issued but not yet effective and not early adopted, see Note 2.3 of the Financial Statements included in Section 13 of this Prospectus.

12.2.22 Treasury policies and objectives

Our principal sources of funds for day-to-day operations and growth mainly comprise a combination of cash and cash equivalents, cash generated from our operations as well as loans and borrowings. One of the primary responsibilities of our finance function is to ensure that we maintain sufficient working capital to meet our obligations as they fall due as well as our anticipated commitments. Using appropriate governance and policies, our Group's finance is tasked with the responsibility to identify, quantify, monitor and control the risks (liquidity, interest, credit, legal and regulatory) associated with these activities, using appropriate mitigation techniques.

Adhering to our SOP, sales proceeds from each of our stores are banked-in daily and monitored by our Store Supervisor, Store Managers and our corporate headquarters. We rely on our daily sales proceeds to enable us to make timely payments to our creditors where the normal credit period given to our Group is generally 30 to 60 days.

The overarching goal of our capital management is to ensure sustainability of shareholders' equity, thereby fortifying our capacity to support and expand our business to maximise shareholders' value.

12. FINANCIAL INFORMATION (Cont'd)

12.3 CAPITALISATION AND INDEBTEDNESS

The table below sets out our capitalisation and indebtedness as at 31 January 2026 and on the assumption that our IPO, our Listing and the use of proceeds from our Public Issue and as set out in Section 4 of this Prospectus had occurred on 31 January 2026. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 January 2026 and is provided for illustrative purposes only.

	Unaudited as at 31 January 2026	After adjusting event	Pro Forma I After adjusting event, Bonus Issue, Public Issue and Offer for Sale	Pro Forma II After Pro Forma I and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Indebtedness				
Current				
<u>Secured and guaranteed</u>				
Term loans	1,790	1,790	1,790	⁽⁵⁾ [•]
Hire purchase payables	79	79	79	79
	<u>1,869</u>	<u>1,869</u>	<u>1,869</u>	<u>[•]</u>
<u>Unsecured and unguaranteed</u>				
Lease liabilities	58,872	58,872	58,872	58,872
RCPS	11,683	⁽¹⁾ -	-	-
	<u>70,555</u>	<u>58,782</u>	<u>58,782</u>	<u>58,782</u>
Non-current				
<u>Secured and guaranteed</u>				
Term loans	31,237	31,237	31,237	⁽⁵⁾ [•]
Hire purchase payables	83	83	83	83
	<u>31,320</u>	<u>31,320</u>	<u>31,320</u>	<u>[•]</u>
<u>Unsecured and unguaranteed</u>				
Lease liabilities	108,351	108,351	108,351	108,351
Total indebtedness	<u>212,095</u>	<u>200,412</u>	<u>200,412</u>	<u>[•]</u>
Capitalisation				
Share capital	246,619	⁽¹⁾ 256,619	⁽³⁾ [•]	⁽⁴⁾ [•]
Reorganisation reserve	(230,357)	(230,357)	(230,357)	(230,357)
Retained earnings	281,843	⁽²⁾ 182,621	182,621	⁽⁴⁾ [•]
Total capitalisation	<u>298,105</u>	<u>208,883</u>	<u>[•]</u>	<u>[•]</u>
Total capitalisation and indebtedness	<u>510,200</u>	<u>409,295</u>	<u>[•]</u>	<u>[•]</u>

Notes:

- (1) Calculated after taking into account the conversion of RCPS into 12,844,733 Shares.
- (2) Calculated after taking into account the payments of interim dividend and RCPS dividends of RM100.0 million and RM3.3 million in respect of the FYE 30 June 2026 respectively.
- (3) Calculated after taking into account our Public Issue based on the Retail Price.
- (4) Calculated after taking into account the estimated listing expenses directly attributable to the new issuance of Shares.
- (5) Calculated after taking into account repayment of borrowings of RM[•] million using the proceeds from our Public Issue.

12. FINANCIAL INFORMATION (Cont'd)

12.4 DIVIDEND POLICY

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to consider various factors including:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our expected financial performance;
- (iii) our projected levels of capital expenditure and other growth/investment plans;
- (iv) applicable restrictive covenants under our financing documents;
- (v) our working capital requirements; and
- (vi) the general economic and business conditions and other factors deemed relevant by our Board.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries. Distributions by our subsidiaries will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors.

We target a payout ratio of approximately 40% to 60% of our PAT for each financial year on a consolidated basis after taking into account the working capital, maintenance capital and committed capital requirements of our Group. The declaration and payment of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

As at the LPD, there are no dividend restrictions imposed on our subsidiaries, save for the restrictive covenants to seek consent from the relevant financial institutions.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. There can be no assurance that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 5 of this Prospectus for the factors which may affect or restrict our ability to pay dividends

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out our dividends declared and paid for the Financial Years Under Review:

	FYE 30 June		
	2023	2024	2025
	RM'000	RM'000	RM'000
Ordinary shares			
Total dividends declared in respect of the financial year	60,000	81,790	113,500
Total dividends paid	59,000	⁽²⁾ 92,790	122,500
PAT	98,709	101,596	96,987
Dividend payout ratio (%) ⁽¹⁾	60.8	80.5	117.0

Notes:

- (1) Computed based on dividends declared divided by the PAT for the financial year.
- (2) Comprising a dividend-in-specie amounting to RM16,529,203 by way of distribution of KKSMSST's entire equity interests in K8 Superstore and Supergold Development (representing 100,000 shares and 250,000 shares, respectively) for a consideration of RM760,879 and RM15,668,324 respectively to DSKK and DSL on 2 February 2024 and RM5,361,059 by way of transfer of investment properties to DSKK in the FYE 30 June 2024.

In addition to the above, we had on 30 March 2026 declared and paid the Pre-IPO Dividends of RM100.0 million. The Pre-IPO Dividends are funded from our cash from operations and are not expected to have any material adverse impact on the execution and implementation of our future plans and strategies.

Save as mentioned above, we have not declared or paid any other dividends to our shareholders. All the dividends mentioned above were funded by internal funds generated from our operations. The dividends paid as described above will not affect the execution and implementation of our future plans and strategies as mentioned in this Prospectus.

For more information on our dividends, see Note 29 of the Financial Statements included in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)**12.5 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

30 March 2026

The Board of Directors
KK Mart Retail Berhad
 Menara KK
 T6-01-03, Tower 6, Maju Link
 Jalan Lingkaran Tengah 2
 Bandar Tasik Selatan
 57000 Kuala Lumpur

Baker Tilly Monteiro Heng PLT
 20190600600
 Chartered Accountants (AF 0117)
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 Bangsar South City
 59200 Kuala Lumpur, Malaysia

T : +603 2297 1000
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info@bakertilly.my
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Dear Sirs,

KK MART RETAIL BERHAD (“KK MART” or the “COMPANY”) AND ITS COMBINING ENTITIES
REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2025 INCLUDED IN THE PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma combined statements of financial position of KK Mart and its combining entities, namely KK Supermart & Superstore Sdn. Bhd., KK Supermart Sdn. Bhd., KK Megamart Sdn. Bhd., and KK Mega Hugo Sdn. Bhd. (collectively referred to as the “Group”) for which the Board of Directors of KK Mart (“Board”) is solely responsible. The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 30 June 2025 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Board has compiled the pro forma combined statements of financial position are as described in Note 3 to the pro forma combined statements of financial position and in accordance with the requirements of the *Chapter 9 Part II Division I: Equity of the Prospectus Guidelines* issued by the Securities Commission Malaysia (“Applicable Criteria”).

The pro forma combined statements of financial position of the Group have been compiled by the Board, for illustrative purposes only, for inclusion in the prospectus of KK Mart (“Prospectus”) in connection with the initial public offering (“IPO”) in conjunction with the listing of and quotation for the entire enlarged issued shares in KK Mart on the Main Market of Bursa Malaysia Securities Berhad, after making certain assumptions and such adjustments to show the effects on the pro forma combined financial position of the Group as at 30 June 2025 adjusted for the transactions and events as described in Notes 1.2, 1.4, 2, and 4.2.2 to the pro forma combined statements of financial position.

12. FINANCIAL INFORMATION (Cont'd)**KK MART RETAIL BERHAD**

Reporting Accountants' Report on the Compilation of the
Pro Forma Combined Statements of Financial Position
as at 30 June 2025 Included in a Prospectus

As part of this process, information about the Group's pro forma combined financial position has been extracted by the Board from the audited combined financial statements of the Group for the financial year ended ("FYE") 30 June 2025, on which a reporting accountants' report dated 30 March 2026 has been issued.

The audited combined financial statements of the Group for the FYE 30 June 2025 were reported by us to the Board without any modifications.

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The Board is responsible for compiling the pro forma combined statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We are independent in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies *International Standard on Quality Management 1 (ISQM 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma combined statements of financial position has been compiled, in all material respects, by the Board based on the Applicable Criteria and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro forma Financial Information.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board has compiled, in all material respects, the pro forma combined statements of financial position based on the Applicable Criteria.

12. FINANCIAL INFORMATION (Cont'd)

**KK MART RETAIL BERHAD**

Reporting Accountants' Report on the Compilation of the
Pro Forma Combined Statements of Financial Position
as at 30 June 2025 Included in a Prospectus

Reporting Accountants' Responsibilities (Continued)

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

The purpose of the pro forma combined statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position have been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Board in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- (a) the related pro forma adjustments give appropriate effect to those criteria; and
- (b) the pro forma combined statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma combined statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

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

12. FINANCIAL INFORMATION (Cont'd)

**KK MART RETAIL BERHAD**

Reporting Accountants' Report on the Compilation of the
Pro Forma Combined Statements of Financial Position
as at 30 June 2025 Included in a Prospectus

Opinion

In our opinion:

- (a) the pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited combined financial statements of the Group for the FYE 30 June 2025, and in a manner consistent with both the format of the combined financial statements and the accounting policies adopted by the Group in the preparation of its audited combined financial statements for the FYE 30 June 2025; and
- (b) each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

Other Matter

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

Yours faithfully,

A stylized signature of "Baker Tilly" in a cursive font.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

A stylized signature of "Paul Tan Hong" in a cursive font.

Paul Tan Hong
No. 03459/11/2027 J
Chartered Accountant

12. FINANCIAL INFORMATION (Cont'd)**KK MART RETAIL BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****1. INTRODUCTION**

The pro forma combined statements of financial position of KK Mart Retail Berhad (“KK Mart” or the “Company”) and its combining entities, namely KK Supermart & Superstore Sdn. Bhd., KK Supermart Sdn. Bhd. (“KKSM”), KK Megamart Sdn. Bhd. (“KKMM”), and KK Mega Hugo Sdn. Bhd. (“KKMH”) (hereinafter collectively referred to as the “Group”) have been compiled by the Board of Directors of KK Mart (“Board”), for illustrative purposes only, for inclusion in the prospectus of KK Mart in conjunction with initial public offering, offer for sale and listing of and quotation for the entire enlarged issued shares in KK Mart (“Share(s)”) on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”).

1.1 In conjunction with the admission of Shares to the Official List of the Main Market of Bursa Securities and the Listing, KK Mart had undertaken the following transactions:

1.2 Listing Scheme**1.2.1 Bonus Issue**

The bonus issue entails the issuance of 3,030,536,385 new Shares (“Bonus Shares”) on the basis of approximately 12 Bonus Shares for every one existing Share held by the entitled shareholders of the Company (“Bonus Issue”).

Upon the completion of the Bonus Issue, the total issued Shares will increase from 259,463,615 Shares to 3,290,000,000 Shares.

1.2.2 Public Issue

The public issue of 210,000,000 new Shares at the issue price of RM[●] per Share, representing 6.00% of the enlarged issued Shares, will be allocated in the following manner:

- (i) 70,000,000 new Shares, representing 2.00% of enlarged issued Shares, will be made available for application by the Malaysian public;
- (ii) 35,000,000 new Shares, representing 1.00% of enlarged issued Shares, will be made available for application by the eligible Directors and employees of the Group as well as persons who have contributed to the success of the Group; and
- (iii) 105,000,000 new Shares, representing 3.00% of enlarged issued Shares, will be made available for application by way of private placement to institutional and selected investors.

(Collectively hereinafter referred to as “Public Issue”).



12. FINANCIAL INFORMATION (Cont'd)**KK MART RETAIL BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

1. (Continued)

1.2 (Continued)

1.2.3 Offer for Sale

Offer for sale of 630,000,000 existing Shares at an offer price of RM[●] per Share, representing 18.00% of the enlarged issued Shares, will be allocated in the following manner:

- (i) 437,500,000 existing Shares, representing 12.50% of enlarged issued Shares, will be made available for application by way of private placement to selected Bumiputera investors approved by the Ministry of Investment, Trade and Industry; and
- (ii) 192,500,000 existing Shares, representing 5.50% of enlarged issued Shares, will be made available for application by way of private placement to institutional and selected investors.

(Collectively hereinafter referred to as “Offer for Sale”).

1.3 Listing

The admission of KK Mart to the Official List of Bursa Securities and the listing of and quotation for its entire enlarged issued Share of 3,500,000,000 on the Main Market of Bursa Securities.

1.4 Employees’ Share Option Scheme (“ESOS”)

In conjunction with the Listing, the Company will establish the ESOS which entails the granting of ESOS options to the eligible executive directors and employees of the Group (excluding dormant subsidiaries).

The ESOS will be administered by the ESOS committee and governed by the Bylaws. The total number of Shares which may be made available under the ESOS shall not exceed in aggregate 1.0% of the total issued Shares (excluding treasury shares, if any) at any point of time during the duration of the ESOS. The ESOS shall be in force for a period of five years from the effective date.

The ESOS does not have an impact on the audited combined statements of financial position of the Group as at 30 June 2025 as the details of granting including the terms and vesting conditions have not yet been determined as at the date of this report, thus the financial impact cannot be illustrated as this stage.



12. FINANCIAL INFORMATION (Cont'd)**KK MART RETAIL BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)****2. ADJUSTED FOR ADJUSTING EVENTS****2.1 Issuance of Ordinary Shares by KKSM**

On 8 August 2025, KKSM issued 29,900 ordinary shares at RM1.00 per ordinary share to capitalise amount owing to directors of RM29,900.

2.2 Acquisition of Subsidiaries

On 2 September 2025, KK Mart acquired the entire equity interest (comprising 150,000 shares) in KKMM from its shareholders for a consideration of RM103,270 which was fully satisfied by cash.

On 2 September 2025, KK Mart acquired the entire equity interest (comprising 30,000 shares) in KKSM from its shareholders for a consideration of RM206 which was fully satisfied by cash.

2.3 Conversion of Redeemable Convertible Preference Shares (“RCPS”)

On 27 March 2026, 10,000,000 RCPS of the Company were converted into 12,844,733 Shares at the conversion ratio of approximately 1.28 new Shares for one RCPS held.

Following the conversion of RCPS, the total issued Shares has increased from 246,618,882 Shares to 259,463,615 Shares and the ordinary share capital has increased from RM246,618,882 to RM256,618,882.

2.4 Declaration of Dividends

On 2 September 2025, the Company declared a preferential dividend of 88% per annum for the RCPS, amounting to RM8,800,000 in respect of the period from 6 September 2024 to 5 September 2025, which was paid on 4 September 2025.

On 26 March 2026, the Company declared a preferential dividend of 60% per annum for the RCPS, amounting to RM3,320,548 in respect of the period from 6 September 2025 to 27 March 2026, which was paid on 27 March 2026.

On 30 March 2026, the Company declared and paid single-tier interim dividend of approximately RM0.39 per Share, amounting to RM100,000,000 in respect of the financial year ending 30 June 2026.

(The issuance of ordinary shares by KKSM, acquisition of subsidiaries, conversion of RCPS and declaration of dividends are collectively hereinafter referred to as “Adjusting Events”).



12. FINANCIAL INFORMATION (Cont'd)

KK MART RETAIL BERHAD

3. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

- 3.1 The pro forma combined statements of financial position have been prepared to illustrate the pro forma combined financial position of the Group as at 30 June 2025, adjusted for the Adjusting Events, Bonus Issue, Public Issue, Offer for Sale, Utilisation of Proceeds (as defined below) and ESOS as described in Notes 2, 1.2.1, 1.2.2, 1.2.3, 4.2.2 and 1.4 respectively.
- 3.2 The pro forma combined statements of financial position have been prepared based on the audited combined financial statements of the Group for the FYE 30 June 2025.
- 3.3 The audited combined financial statements of the Group for the FYE 30 June 2025 were reported by the auditors to the members without any modifications.
- 3.4 The pro forma combined statements of financial position of the Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and do not purport to predict the future financial position and results of the Group.
- 3.5 The pro forma combined statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma combined statements of financial position based on the audited combined financial statements of the Group for FYE 30 June 2025, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.



12. FINANCIAL INFORMATION (Cont'd)

KK MART RETAIL BERHAD

4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

- 4.1 The pro forma combined statements of financial position of the Group as set out below, for which the Board is solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited combined statement of financial position of KK Mart as at 30 June 2025, had the Adjusting Events, Bonus Issue, Public Issue, Offer for Sale, Utilisation of Proceeds (as defined below) and ESOS as described in Notes 2, 1.2.1, 1.2.2, 1.2.3, 4.2.2 and 1.4 respectively been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Combined Statements of Financial Position as at 30 June 2025[#] RM'000	After Adjusting Events RM'000	Pro Forma I After Adjusting Events, Bonus Issue, Public Issue and Offer for Sale RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds RM'000
ASSETS				
Non-current asset				
Property, plant and equipment	114,776	114,776	114,776	114,776
Right-of-use assets	164,149	164,149	164,149	164,149
Total non-current assets	278,925	278,925	278,925	278,925
Current assets				
Inventories	252,896	252,896	252,896	252,896
Trade and other receivables	21,910	21,910	21,910	[●]
Contract assets	7,724	7,724	7,724	7,724
Cash and short-term deposits	122,843	10,619	[●]	[●]
Total current assets	405,373	293,149	[●]	[●]
TOTAL ASSETS	684,298	572,074	[●]	[●]



12. FINANCIAL INFORMATION (Cont'd)

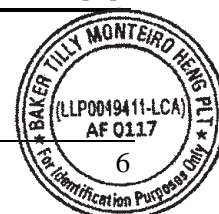
KK MART RETAIL BERHAD

4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

4.1 (Continued)

	Audited Combined Statements of Financial Position as at 30 June 2025 [#] RM'000	After Adjusting Events RM'000	Pro Forma I After Adjusting Events, Bonus Issue, Public Issue and Offer for Sale RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Invested equity	246,769	-	-	-
Share capital	-	256,619	[●]	[●]
Reorganisation reserve	(230,434)	(230,357)	(230,357)	(230,357)
Retained earnings	219,789	115,805	115,805	[●]
TOTAL EQUITY	236,124	142,067	[●]	[●]
Non-current liabilities				
Loans and borrowings	34,967	34,967	34,967	[●]
Lease liabilities	93,074	93,074	93,074	93,074
Deferred tax liabilities	5,828	5,828	5,828	5,828
Provision	1,183	1,183	1,183	1,183
Total non-current liabilities	135,052	135,052	135,052	[●]
Current liabilities				
RCPS	10,976	-	-	-
Loans and borrowings	2,038	2,038	2,038	[●]
Lease liabilities	51,094	51,094	51,094	51,094
Trade and other payables	238,991	231,800	231,800	231,800
Contract liabilities	295	295	295	295
Current tax liabilities	9,728	9,728	9,728	9,728
Total current liabilities	313,122	294,955	294,955	[●]
TOTAL LIABILITIES	448,174	430,007	430,007	[●]
TOTAL EQUITY AND LIABILITIES	684,298	572,074	[●]	[●]

Pro Forma Combined Statements of Financial Position



12. FINANCIAL INFORMATION (Cont'd)

KK MART RETAIL BERHAD

4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

4.1 (Continued)

	Audited Combined Statements of Financial Position as at 30 June 2025 [#]	After Adjusting Events	Pro Forma I After Adjusting Events, Bonus Issue, Public Issue and Offer for Sale	Pro Forma II After Pro Forma I and Utilisation of Proceeds
Number of ordinary shares assumed to be in issue ('000)	246,769	259,464	3,500,000	3,500,000
Net assets ("NA") attributable to the owners of the Company (RM'000)	236,124	142,067	[●]	[●]
NA per ordinary share attributable to the owners of the Company (RM)	0.96	0.55	[●]	[●]
Interest-bearing borrowings (RM'000) [@]	37,005	37,005	37,005	[●]
Gearing (times) ^{>}	0.16	0.26	[●]	[●]

[#] Extracted from the Group's audited combined financial statements for the FYE 30 June 2025.

[@] Computed based on total borrowings excluding lease liabilities.

[>] Computed based on total interest-bearing borrowings divided by total equity of the Group.



12. FINANCIAL INFORMATION (Cont'd)**KK MART RETAIL BERHAD****4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

4.2 Notes to the pro forma combined statements of financial position are as follows:

4.2.1 The pro forma combined statements of financial position of the Group, for which the Board is solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited combined statement of financial position of KK Mart as at 30 June 2025, had the Adjusting Events, Bonus Issue, Public Issue, Offer for Sale, Utilisation of Proceeds (as defined below) and ESOS as described in Notes 2, 1.2.1, 1.2.2, 1.2.3, 4.2.2 and 1.4 respectively been effected on that date, and should be read in conjunction with the notes accompanying thereto.

4.2.2 The proceeds from the Public Issue would be used in the following manner:

Details of utilisation	RM'000	%	Estimated timeframe for utilisation from the date of listing
Not reflected in pro forma combined statements of financial position			
Expansion of new stores in Malaysia ⁽¹⁾	[●]	[●]	Within 24 months
Distribution centre expansion plan ⁽¹⁾	[●]	[●]	Within 36 months
Investment in digital, Information technology ("IT") hardware and software ⁽¹⁾	[●]	[●]	Within 36 months
Reflected in pro forma combined statements of financial position			
Repayment of bank borrowings	[●]	[●]	Within 6 months
Estimated listing expenses	[●]	[●]	Within 3 months
Gross proceeds	[●]	[●]	

(Collectively hereinafter referred to as "Utilisation of Proceeds").

⁽¹⁾ As at the latest practicable date of 28 February 2026, the Group has yet to enter into any agreement or issue any purchase order in relation to the utilisation of proceeds earmarked for the expansion of new stores in Malaysia, distribution centre expansion plan, investment in digital, IT hardware and software. Accordingly, the utilisation of proceeds earmarked for the abovementioned purposes are not reflected in the pro forma combined statements of financial position.



12. FINANCIAL INFORMATION (Cont'd)**KK MART RETAIL BERHAD****4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

4.2 (Continued)

4.2.3 The audited combined statements of financial position of the Group as at 30 June 2025 had been adjusted for the following significant transaction prior to the Bonus Issue:

(a) Adjusting Events

The adjustments for the Adjusting Events incorporate the effect of the issuance of ordinary shares by KKSM, acquisition of subsidiaries, conversion of RCPS, and declaration of dividends as described in Note 2 on the audited combined statements of financial statements of the Group for the FYE 30 June 2025.

(i) Issuance of ordinary shares by KKSM

	Increase/ (Decrease) Effects on Total Equity /Liabilities RM'000
Invested equity	30
Trade and other payables	(30)
	<u>-</u>

(ii) Acquisition of subsidiaries**Acquisition of KKMM**

The reorganisation reserve arising from the acquisition of KKMM is as below:

	RM'000
Purchase consideration	103
Less: Share capital of KKMM	(150)
Reorganisation reserve	<u>(47)</u>



12. FINANCIAL INFORMATION (Cont'd)

KK MART RETAIL BERHAD

4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

4.2 (Continued)

4.2.3 (Continued)

(a) Adjusting Events (continued)

(ii) Acquisition of subsidiaries (continued)

Acquisition of KKSM

The reorganisation reserve arising from the acquisition of KKSM is as below:

	RM'000
Purchase consideration	*
Less: Share capital of KKSM	(30)
Reorganisation reserve	(30)

* Denotes less than RM1,000

Total impact of acquisition of subsidiaries:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and short-term deposits	(103)	-
Invested equity	-	(180)
Reorganisation reserve	-	77
	(103)	(103)

(iii) Conversion of RCPS

	Increase/ (Decrease) Effects on Total Equity RM'000
Share capital	10,000
Retained earnings	976
RCPS	(10,976)

Pro Forma Combined Statements of Financial Position

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12. FINANCIAL INFORMATION (Cont'd)**KK MART RETAIL BERHAD****4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

4.2 (Continued)

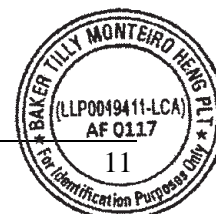
4.2.3 (Continued)

(a) Adjusting Events (continued)**(iv) Declaration of dividends**

	Decrease	
	Effects on Total Assets RM'000	Effects on Total Equity /Liabilities RM'000
Cash and short-term deposits	(112,121)	-
Retained earnings	-	(104,960)
Trade and other payables	-	(7,161)
	(112,121)	(112,121)

The Adjusting Events have the following impact on the audited combined statements of financial position of the Group as at 30 June 2025:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity /Liabilities RM'000
Cash and short-term deposits	(112,224)	-
Invested equity	-	(246,769)
Share capital	-	256,619
Reorganisation reserve	-	77
Retained earnings	-	(103,984)
RCPS	-	(10,976)
Trade and other payables	-	(7,191)
	(112,224)	(112,224)



12. FINANCIAL INFORMATION (Cont'd)

KK MART RETAIL BERHAD

4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

4.2 (Continued)

4.2.3 (Continued)

(b) Pro Forma I

Pro Forma I incorporates the cumulative effects from the Adjusting Events and the Bonus Issue, Public Issue and Offer for Sale as described in Notes 2, 1.2.1, 1.2.2 and 1.2.3 respectively on the audited combined statements of financial position of the Group as at 30 June 2025.

The Public Issue will have the following impact on the audited combined statements of financial position of the Group as at 30 June 2025:

	Increase	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and short-term deposits	[●]	-
Share capital	-	[●]
	[●]	[●]

Upon the completion of the Bonus Issue, the total issued Shares will increase from 259,463,615 Shares to 3,290,000,000 Shares.

Upon the completion of the Public Issue of 210,000,000 new Shares, KK Mart's entire enlarged issued share capital would amount to RM[●] comprising 3,500,000,000 Shares.

Offer for Sale does not have an impact on the audited combined statements of financial position of the Group as at 30 June 2025.

(c) Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I and Utilisation of Proceeds from the Public Issue of RM[●] after netting off RM[●] of estimated listing expenses.

The utilisation of proceeds arising from the Public Issue earmarked for repayment of bank borrowings of RM[●] is reflected in the pro forma combined statements of financial position of the Group.

12. FINANCIAL INFORMATION (Cont'd)

KK MART RETAIL BERHAD

4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

4.2 (Continued)

4.2.3 (Continued)

(c) Pro Forma II (Continued)

The utilisation of proceeds arising from the Public Issue earmarked for the expansion of new stores in Malaysia, distribution centre expansion plan, investment in digital, IT hardware and software of RM[●] will be debited to cash and short-term deposits account as the Group has yet to enter into any contractual binding agreements or issue any purchase orders in relation to these items.

As at 30 June 2025, out of the RM[●] estimated listing expenses, RM[●] has already been incurred of which RM[●] was charged to retained earnings account and RM[●] has been recognised in prepayment account.

Out of the remaining estimated listing expenses to be incurred of RM[●], RM[●] will be charged to the retained earnings account and RM[●] will be debited against the share capital account as these are directly attributable expenses relating to the issuance of new Shares. Together with the amount previously recorded as prepayment of RM[●], a total of RM[●] will be debited against the share capital account as directly attributable expenses relating to the issuance of new Shares.

The Utilisation of Proceeds will have the following impact on the audited combined statements of financial position of the Group as at 30 June 2025:

	Decrease	
	Effects on Total Assets RM'000	Effects on Total Equity /Liabilities RM'000
Trade and other receivables	[●]	-
Cash and short-term deposits	[●]	-
Share capital	-	[●]
Retained earnings	-	[●]
Loans and borrowings		
- Non-current liabilities	-	[●]
- Current liabilities	-	[●]
	[●]	[●]



12. FINANCIAL INFORMATION (Cont'd)**KK MART RETAIL BERHAD****4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

4.2 (Continued)

4.2.4 Movements in share capital and reserves are as follows:

	Number of Ordinary Shares '000 units	Invested Equity RM'000	Share Capital RM'000	Reorganisation Reserve RM'000	Retained Earnings RM'000	Total RM'000
Audited Combined Statements of Financial Position as at 30 June 2025	246,769	246,769	-	(230,434)	219,789	236,124
Arising from Adjusting Events	12,695	(246,769)	256,619	77	(103,984)	(94,057)
After Adjusting Events	259,464	-	256,619	(230,357)	115,805	142,067
Arising from Bonus Issue, Public Issue and Offer for Sale	3,240,536	-	[●]	-	-	[●]
As per Pro Forma I	3,500,000	-	[●]	(230,357)	115,805	[●]
Arising from Utilisation of Proceeds	-	-	[●]	-	[●]	[●]
As per Pro Forma II	3,500,000	-	[●]	(230,357)	[●]	[●]

Pro Forma Combined Statements of Financial Position



12. FINANCIAL INFORMATION (Cont'd)**KK MART RETAIL BERHAD****4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

4.2 (Continued)

4.2.5 Movements in cash and short-term deposits are as follows:

	RM'000
Audited Combined Statements of Financial Position as at 30 June 2025	122,843
Arising from Adjusting Events	(112,224)
After Adjusting Events	10,619
Arising from Bonus Issue, Public Issue and Offer for Sale	[●]
As per Pro Forma I	[●]
Arising from Utilisation of Proceeds	[●]
As per Pro Forma II	[●]

4.2.6 Movements in loans and borrowings are as follows:


	RM'000
Audited Combined Statements of Financial Position as at 30 June 2025	37,005
Arising from Adjusting Events	-
After Adjusting Events	37,005
Arising from Bonus Issue, Public Issue and Offer for Sale	-
As per Pro Forma I	37,005
Arising from Utilisation of Proceeds	[●]
As per Pro Forma II	[●]


12. FINANCIAL INFORMATION (Cont'd)

KK MART RETAIL BERHAD

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of KK Mart Retail Berhad in accordance with a resolution dated 30 MAR 2026


.....
Datuk Seri Dr. Chai Kee Kan
Director


.....
Chai Oi Cheng
Director

