THIS CIRCULAR IS IMPORTANT AND REQUIRES SHAREHOLDERS' IMMEDIATE ATTENTION.

If shareholders are in any doubt as to the course of action to be taken, they should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

Part B of this Circular pertaining to the Proposed Change of Name (as defined herein) is prescribed as an exempt document pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities and does not require the perusal of Bursa Securities prior to issuance. Bursa Securities has not perused the section pertaining to the Proposed Change of Name (as defined herein). Bursa Securities had undertaken limited review on Part C of this Circular pertaining to the Proposed New Shareholders' Mandate (as defined herein).

KTG BERHAD

(Registration No. 200001002113 (504718-U))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PART A

(I) TURNKEY AGREEMENT FOR THE COMMISSIONING OF NITRILE BUTADIENE RUBBER DOUBLE FORMER GLOVE DIPPING PRODUCTION LINES;

(II) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESSES OF KTG AND ITS SUBSIDIARIES ("KTG GROUP") TO INCLUDE MANUFACTURING AND TRADING OF GLOVES AND OTHER PERSONAL PROTECTIVE EQUIPMENT PRODUCTS AND RELATED BUSINESS;

(III) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESSES OF KTG GROUP TO INCLUDE TRANSPORTATION AND LOGISTICS BUSINESS; AND

(IV) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 690,705,280 NEW ORDINARY SHARES IN KTG ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 1 EXISTING KTG SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED, TOGETHER WITH UP TO 690,705,280 FREE DETACHABLE WARRANTS ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED FOR

PART B

PROPOSED CHANGE OF NAME OF THE COMPANY FROM KTG BERHAD TO CSH ALLIANCE BERHAD ("PROPOSED CHANGE OF NAME")

PART C

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser for (II) to (IV) of Part A

TA SECURITIES
AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The extraordinary general meeting ("**EGM**") of KTG will be conducted on a fully virtual basis through live streaming and online remote voting via the remote participation and electronic voting ("**RPEV**") facilities via Vote2U at https://web.vote2u.my (Domain Registration No. with MYNIC - D6A471702) provided by Agmo Digital Solutions Sdn Bhd in Malaysia on Wednesday, 22 September 2021 at 10.00 a.m., or any adjournment thereof. The Notice of EGM together with the Form of Proxy are enclosed in this Circular. Please follow the procedures provided in the Administrative Guide for the EGM (as separately enclosed) in order to register, participate and vote remotely via the RPEV facilities.

Shareholders are encouraged to participate and vote at the EGM using the RPEV facilities. If you are not able to participate and vote in the online EGM, you may complete the Form of Proxy and deposit it at the office of the Company's Share Registrar, Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan or via electronic means through email to mega-sharereg@megacorp.com.my or via facsimile at 03-2732 5388 not less than 48 hours before the time fixed for the EGM or at any adjournment thereof.

Last date and time for lodging the Form of Proxy	:	Monday, 20 September 2021 at 10.00 a.m.
Date and time of the EGM	:	Wednesday, 22 September 2021 at 10.00 a.m.

This Circular is dated 23 August 2021

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

COMPANIES:

"APPI"	:	APPI Sdn Bhd, a wholly-owned subsidiary of the Company
"APSB"	:	Arena Progresif Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"ChipSengHeng"	:	ChipSeng Heng Holdings Sdn Bhd
"ChipSengHeng Enterprise"	:	ChipSeng Heng Enterprise Sdn Bhd
"CSH Priority"	:	CSH Priority Sdn Bhd, a wholly-owned subsidiary of the Company
"CSH Solutions"	:	CSH Solutions Sdn Bhd *(formerly known as Alpine Cube Sdn Bhd)*, a wholly-owned subsidiary of the Company
"Howellcare"	:	Howellcare Industries Sdn Bhd, the Group's turnkey project partner for the Glove Production Plant pursuant to the Turnkey Agreement
"IISB"	:	Instant Initiative Sdn Bhd, a wholly-owned subsidiary of the Company
"KTG" or "Company"	:	KTG Berhad
"KTG Group" or "Group"	:	The Company and its subsidiaries, collectively, (including all future subsidiaries which are acquired/incorporated by KTG before the next AGM of the Company) as defined in the Act
"LCEL"	:	Line Clear Express & Logistics Sdn Bhd
"LCV"	:	Line Clear Ventures Holdings Sdn Bhd *(formerly known as Line Clear Logistics Holdings Sdn Bhd)*
"Line Haul"	:	Line Haul Sdn Bhd, a wholly-owned subsidiary of the Company
"LTS"	:	L.T.S. Haulage Sdn Bhd
"MMAG Capital"	:	MMAG Capital Sdn Bhd, a wholly-owned subsidiary of the Company
"MMAG Group"	:	MMAG Holdings and its subsidiaries, collectively, (including all future subsidiaries which are acquired/incorporated by MMAG Holdings before the next AGM of the company) as defined in the Act
"MMAG Holdings"	:	MMAG Holdings Berhad
"MRDSB"	:	Million Rich Development Sdn Bhd, a wholly-owned subsidiary of the Company
"PROVIDENCE"	:	Providence Strategic Partners Sdn Bhd, the independent market researcher
"PSSB"	:	Profit Sunland Sdn Bhd, a wholly-owned subsidiary of the Company
"Sunthara"	:	Sunthara Orthopaedic Physio Centre Sdn Bhd
"TA Securities"	:	TA Securities Holdings Berhad

"Titanium Hallmark"	:	Titanium Hallmark Sdn Bhd, a wholly-owned subsidiary of the Company

GENERAL:

"5D-VWAP"	:	5-day volume weighted average market price of KTG Shares
"9M FPE"	:	9-month financial period ended
"Act"	:	Companies Act 2016
"AGM"	:	Annual General Meeting
"Announcement LPD"	:	28 April 2021, being the latest practicable date prior to the announcement of the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE, Proposed Diversification into Transportation and Logistics Business and Proposed Rights Issue of Shares with Warrants, amongst others
"Board"	:	Board of Directors of the Company
"Circular"	:	This circular to shareholders dated 23 August 2021
"Contract Price"	:	Contract price of RM39.80 million for the Turnkey Agreement
"Deed Poll"	:	Deed poll constituting the Warrants to be executed by the Company
"Director"	:	A natural person who holds a directorship in the Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of Act and Section 2(1) of the Capital Markets and Services Act 2007
"EGM"	:	Extraordinary general meeting of the Company
"Entitled Shareholders"	:	The Company's shareholders whose names appear in the Company's Record of Depositors on the Entitlement Date
"Entitlement Date"	:	The date (to be determined by the Board and announced later by the Company) as at the close of business on which the names of the shareholders must appear in the Company's Record of Depositors in order to be entitled for the Proposed Rights Issue of Shares with Warrants
"EPS"	:	Earnings per KTG Share
"Existing Businesses"	:	Ceramic, construction, property investment, property development and financial services segments, collectively
"Factory"	:	The Group's existing 3 single storey factory (with a total built-up area of 76,400 square feet), a single storey hostel (with a built-up area of 2,975 square feet) and a double storey office (with a built-up area of 3,000 square feet) erected on 3 plots of leasehold land located at Plot 55, 56 & 57, Jalan Logam 3, Kawasan Perindustrian Kamunting Raya, 34600 Kamunting, Perak measuring approximately 131,482 square feet (with a total built-up area of 82,375 square feet)
"Francis Ho"	:	Francis Ho Chia Yao
"FYE"	:	Financial year ended / ending, as the case may be

"Glove Production Plant"	:	2 NBR double former glove dipping production lines together with 4 lines of utilities support system which are to be commissioned at the Factory
"IMR Report"	:	Independent market research report on the ceramic flower pots and planter industry, transportation and logistics industry and gloves and medical supplies industry in Malaysia dated 30 July 2021, as prepared by PROVIDENCE
"Interested Related Party"	:	A related party with any interest, direct or indirect
"IT"	:	Information technology
"KTG Shares" or "Shares"	:	Ordinary shares in KTG
"Last Mile Logistics"	:	The last leg of supply chain operations of the product's journey from a warehouse to the doorstep of the end-customer
"LAT"	:	Loss after tax attributable to the owners of the Company
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	30 July 2021, being the latest practicable date prior to the printing of this Circular
"LPS"	:	Loss per KTG Share
"Major Shareholder(s)"	:	As defined in the Listing Requirements, and means a person who has an interest or interests in one (1) or more voting shares in the Company and the number or aggregate number of those shares, is: (i) 10% or more of the total number of voting shares in the Company; or (ii) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company. For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in Section 8 of the Act, and a Major Shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company or any other company which is its subsidiary or holding company
"Maximum Scenario"	:	Up to 690,705,280 Rights Shares together with up to 690,705,280 Warrants, after taking into consideration the following: (i) the Company's issued share capital of RM336,906,763.18 comprising 690,705,280 KTG Shares as at the LPD; and (ii) all Entitled Shareholders subscribing in full for their entitlements of Rights Shares with Warrants
"MCO"	:	Movement control order issued by the Malaysian government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
"Middle Mile Logistics"	:	The shipment of goods and parcels from a warehouse or distribution centre to traditional stores, brick and mortar retail outlets and facilities

"Minimum Scenario"	:	84,087,000 Rights Shares with 84,087,000 Warrants, after taking into consideration the following: (i) the Company's issued share capital of RM336,906,763.18 comprising 690,705,280 KTG Shares as at the LPD; and (ii) subscription by ChipSengHeng pursuant to its Undertaking such that the minimum subscription level of the Proposed Rights Issue of Shares with Warrants is 84,087,000 Rights Shares with minimum gross proceeds of RM12,613,050 to be raised, and no other Entitled Shareholders subscribing for their entitlements of Rights Shares with Warrants
"NA"	:	Net assets attributable to the owners of the Company
"NBR"	:	Nitrile butadiene rubber
"Person(s) Connected"	:	Any person (referred to as "said Person") who falls under any one (1) of the following categories: (i) a family member of the said Person; (ii) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary; (iii) a partner of the said Person; (iv) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person; (v) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes of the said Person is accustomed or is under an obligation, whether formal or informal, to act; (vi) a body corporate in which the said Person or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or (vii) a body corporate which is a related corporation of the said Person
"PIPA system"	:	Premier Integrated Parcel Autonomous System
"PPAM"	:	Unit Perumahan Penjawat Awam Malaysia
"PPE"	:	Personal protective equipment
"Private Placement"	:	Private placement of 84,087,000 KTG Shares issued at RM0.2060 each for approximately RM17.32 million which was completed on 17 March 2021
"Proposals"	:	Turnkey Agreement, Proposed Diversifications and Proposed Rights Issue of Shares with Warrants, collectively
"Proposed Change of Name"	:	Proposed change of name of the Company from KTG Berhad to CSH Alliance Berhad

"Proposed Diversifications"	:	Proposed Diversification into Manufacturing and Trading of Gloves and other PPE as well as Proposed Diversification into Transportation and Logistics Business, collectively
"Proposed Diversification into Manufacturing and Trading of Gloves and other PPE"	:	Proposed diversification of the existing businesses of the Group to include manufacturing and trading of gloves and other PPE products and related business
"Proposed Diversification into Transportation and Logistics Business"	:	Proposed diversification of the existing businesses of the Group to include transportation and logistics business
"Proposed New Shareholders' Mandate"	:	Proposed new shareholders' mandate for RRPTs to be entered into by KTG Group from the date of the forthcoming EGM until the next AGM
"Proposed Rights Issue of Shares with Warrants"	:	Proposed renounceable rights issue of up to 690,705,280 Rights Shares on the basis of 1 Rights Share for every 1 existing KTG Share held on the Entitlement Date, together with up to 690,705,280 Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed for
"Related Party(ies)"	:	As defined in the Listing Requirements, a Director, Major Shareholder, or Person Connected with such Director or Major Shareholder
"Related Corporation"	:	As defined in the Listing Requirements, a corporation which is: (i) the holding company of another corporation; (ii) a subsidiary of another corporation; (iii) or a subsidiary of the holding company of another corporation
"Related Party Transactions" or "RPTs"	:	Transactions entered into by the Company or its subsidiaries which involve the interest, direct or indirect, of a Related Party(ies)
"Recurrent Related Party Transactions" or "RRPTs"	:	Related Party Transactions which are recurrent, of a revenue or trading nature, which are necessary for the day-to-day operations of KTG Group and are entered into by KTG Group in its ordinary course of business involving the direct and/or indirect interests of Related Party(ies)
"Rights Shares"	:	Up to 690,705,280 new KTG Shares to be issued pursuant to the Proposed Rights Issue of Shares with Warrants
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"SME(s)"	:	Small and medium-sized enterprise(s)
"TEAP"	:	Theoretical ex-all price of KTG Shares
"Turnkey Agreement"	:	Agreement for the turnkey commissioning of the Glove Production Plant dated 26 March 2021 entered into between APPI and Howellcare

"Undertaking"	:	An unconditional and irrevocable written undertaking dated 30 April 2021 from ChipSengHeng that it: (i) will subscribe in full for its entitlement of the Rights Shares with Warrants; (ii) has sufficient financial resources to fulfil its Undertaking; and (iii) will not transfer, dispose of or reduce its existing shareholding of KTG Shares from the date of the announcement and up to the Entitlement Date
"Warrants"	:	Up to 690,705,280 free detachable warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants

All references to "we", "us", "our" and "ourselves" are to our Company, or where the context requires, are to our Group. All references to "you" in this Circular are references to the shareholders of the Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa.

Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY SERVES TO HIGHLIGHT SALIENT INFORMATION ON THE PROPOSALS, PROPOSED CHANGE OF NAME AND PROPOSED NEW SHAREHOLDERS' MANDATE. PLEASE READ THIS CIRCULAR AND ITS APPENDICES CAREFULLY FOR FURTHER DETAILS ON THE PROPOSALS, PROPOSED CHANGE OF NAME AND PROPOSED NEW SHAREHOLDERS' MANDATE BEFORE VOTING.

The Board recommends that shareholders of KTG to vote **in favour** of the ordinary resolutions in relation to the Proposals and Proposed New Shareholders' Mandate as well as the special resolution in relation to the Proposed Change of Name to be tabled at the forthcoming EGM.

PART A

TURNKEY AGREEMENT	
Purpose	Through the Turnkey Agreement, Howellcare is engaged by KTG Group to plan, design, supply, install and commission the Glove Production Plant, provide services including setting up and providing training to APPI's new operation team to run and manage the day-to-day operation of the Glove Production Plant as well as undertake all marketing and sale of the NBR gloves for the initial stage. The gloves business is expected to increase the Group's future earnings and reduce dependency on its Existing Businesses. **Sections 2** and **5.1** of Part A of this Circular contain further details.
Source of funding	The Contract Price of RM39.80 million will be funded through part of the proceeds from the Proposed Rights Issue of Shares with Warrants (i.e., up to RM35.80 million) and part of the proceeds raised from the Private Placement (i.e., RM4.00 million). Any shortfall will be funded using the Group's existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises. The breakdown of the funding sources will depend on the progressive implementation of the Glove Production Plant and the progressive billing under the Turnkey Agreement. **Section 2.4** of Part A of this Circular contains further details.
Risk factors	The successful implementation of the Turnkey Agreement and operation of the Glove Production Plant will primarily depend on the contractor for the commissioning of the Glove Production Plant. **Section 6** of Part A of this Circular contains further details.

PROPOSED DIVERSIFICATIONS	
Purpose	KTG Group intends to diversify its Existing Businesses to include manufacturing and trading of gloves and other PPE products as well as transportation and logistics business. **Section 3** of Part A of this Circular contain further details.
Rationale	The Board is of the view that the Proposed Diversifications will be part of the Group's future businesses plan to have additional income streams and reduce over-reliance on its Existing Businesses which ultimately will improve the financial performance of the Group. **Section 5.2** of Part A of this Circular contains further details.
Risk factors	KTG Group has no prior experience in the new businesses, the success of which will be determined by the future continued demand for gloves and other PPE products as well as transportation and logistics services. KTG Group will also face competition from other established or new industry participants. The Proposed Diversifications will also depend on the abilities, skills and experiences of Francis Ho, Sim Chiun Wee, Tan Yip Jiun and Peter Yap. **Section 6** of Part A of this Circular contains further details.

PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS	
Details	Up to 690,705,280 Rights Shares at an issue price of RM0.15 each will be issued on the basis of 1 Rights Share for every 1 existing KTG Share held on the Entitlement Date, together with up to 690,705,280 Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed for. At the issue price of RM0.15 for each Rights Share, gross proceeds of approximately RM103.61 million will be raised if the Rights Shares are fully subscribed under the Maximum Scenario. **Section 4** of Part A of this Circular contains further details.
Purpose	The Proposed Rights Issue of Shares with Warrants is intended to raise funds for KTG Group's gloves business, transportation and logistics business as well as working capital. **Sections 3.3 and 5.3** of Part A of this Circular contains further details.
Risk factors	The Proposed Rights Issue of Shares with Warrants may be delayed or not implemented due to force majeure events or circumstances beyond the control of the Company and Principal Adviser, resulting in the funds not successfully raised for KTG Group's use. **Section 6** of Part A of this Circular contains further details.

PART B

PROPOSED CHANGE OF NAME	
Details	The Company proposes to change its name from KTG Berhad to CSH Alliance Berhad. The proposed name carries the acronym "CSH" which stands for "Commitment, Synergy, and Humanity" and reflects the Company's commitment in its undertakings while creating strategic synergies within KTG Group's existing businesses and future businesses with an emphasis on humanity. **Part B** of this Circular contains further details on the Proposed Change of Name.

PART C

PROPOSED NEW SHAREHOLDERS' MANDATE	
Details	The Proposed New Shareholders' Mandate would allow KTG to enter into the RRPTs and the classes of Related Parties, provided that such transactions are necessary for its day-to-day operations in the ordinary course of its business and are carried out on normal commercial terms and are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders. **Part C** of this Circular contains further details on the Proposed New Shareholders' Mandate.

TABLE OF CONTENTS

PAGE

PART A

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS:

PART B

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED CHANGE OF NAME:

PART C

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED NEW SHAREHOLDERS' MANDATE:

APPENDICES

PART A

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS

KTG BERHAD
(Registration No. 200001002113 (504718-U))
(Incorporated in Malaysia)

Registered Office:

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan

23 August 2021

Board of Directors

Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Chairman/ Independent Non-Executive Director)*
Sim Chiun Wee *(Executive Director)*
Tan Yip Jiun *(Executive Director)*
Peter Yap *(Executive Director)*
Chan Pak Keong *(Executive Director)*
Kenny Khow Chuan Wah *(Executive Director)*
Lim Peng Tong *(Independent Non-Executive Director)*
Ng Keok Chai *(Independent Non-Executive Director)*

To: Shareholders of KTG

Dear Shareholders,

(I) TURNKEY AGREEMENT;
(II) PROPOSED DIVERSIFICATION INTO MANUFACTURING AND TRADING OF GLOVES AND OTHER PPE;
(III) PROPOSED DIVERSIFICATION INTO TRANSPORTATION AND LOGISTICS BUSINESS; AND
(IV) PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS

---

1. INTRODUCTION

On 26 March 2021, the Board announced the execution of the Turnkey Agreement.

On 30 April 2021, the Board announced that the Company intends to undertake the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE, Proposed Diversification into Transportation and Logistics Business, proposed diversification into hire purchase business, proposed diversification into information technology business as well as Proposed Rights Issue of Shares with Warrants.

On 11 June 2021, the Board announced the following developments:

(i) after further consideration of the fact that KTG Group will conduct its hire purchase business (through its wholly-owned subsidiary CSH Priority) as part of its financial services business which also includes its moneylending business that KTG Group has already diversified into, the Board has resolved that the Company will not be required to seek its shareholders' approval for the proposed diversification into hire purchase business; and

(ii) in view that the PIPA system is developed to help Last Mile Logistics players in easing their business operation process, the commercialisation of the PIPA system (through its wholly-owned subsidiary CSH Solutions) will be incorporated as an important component of KTG Group's transportation and logistics business. As such, the Board has resolved that the Company will not be required to seek its shareholders' approval for the proposed diversification into information technology business.

Bursa Securities had vide its letter dated 2 August 2021, approved the following:

(i) listing of and quotation for up to 690,705,280 Rights Shares;

(ii) admission to the Official List and listing of and quotation for up to 690,705,280 Warrants; and

(iii) listing of and quotation for up to 690,705,280 new KTG Shares to be issued pursuant to the exercise of the Warrants,

on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 10** of Part A of this Circular.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE SHAREHOLDERS WITH THE RELEVANT INFORMATION ON THE PROPOSALS, TO SET OUT THE BOARD'S RECOMMENDATION ON THE PROPOSALS AND TO SEEK SHAREHOLDERS' APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. TURNKEY AGREEMENT

On 26 March 2021, APPI entered into the Turnkey Agreement with Howellcare for a total contract price of RM39.80 million to appoint Howellcare as a turnkey contractor for the planning, designing, supplying, installing and commissioning of the Glove Production Plant at the Factory as well as providing services as set out in **Section 2 of Appendix I** of this Circular including:

(i) setting up and providing training to APPI's new operation team to run and manage the day-to-day operation of the Glove Production Plant on behalf of APPI; and

(ii) undertaking all marketing and sale of the NBR gloves for APPI for the initial stage of operation during the duration of the Turnkey Agreement until the handover date of the Glove Production Plant (tentatively by November 2022), unless agreed to be further extended between APPI and Howellcare.

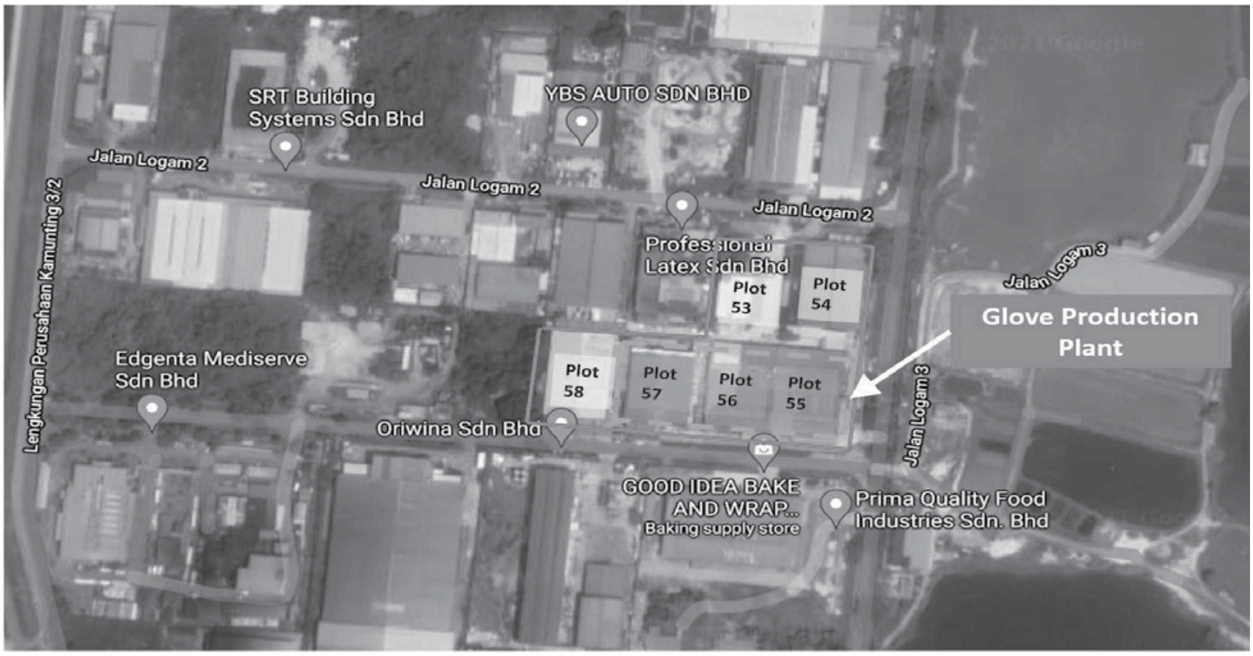
Please refer to **Appendix I** of this Circular for the salient terms of the Turnkey Agreement.

For information purposes, TA Securities is not the Adviser for the Turnkey Agreement as KTG deemed that it has sufficient ability to assess the merits of the Turnkey Agreement with the assistance of its key management personnel and solicitors.

[The rest of this page has been intentionally left blank]

Sunmark Point Sdn Bhd, a wholly-owned subsidiary of the Group, owns a total of 6 factories located at Plot 53 to 58, Jalan Logam 2 & 3, Kawasan Perindustrian Kamunting Raya, 34600 Kamunting, Perak measuring approximately 262,964 square feet. The approximate location of the factories in Kawasan Perindustrian Kamunting Raya, Kamunting, Perak, is shown below:

The Glove Production Plant will be located at the Factory (i.e., Plot 55, 56 & 57), comprising of 3 single storey factories (with a total built-up area of 76,400 square feet), a single storey hostel (with a built-up area of 2,975 square feet) and a double storey office (with a built-up area of 3,000 square feet) erected on 3 plots of leasehold land located at Plot 55, 56 & 57, Jalan Logam 3, Kawasan Perindustrian Kamunting Raya, 34600 Kamunting, Perak measuring approximately 131,482 square feet (with a total built-up area of 82,375 square feet). The approximate location of the Glove Production Plant is shown below:



The Group intends to vacate the space of the Factory which is currently occupied by its ceramic business to accommodate the construction of the Glove Production Plant. The Factory will be partially demolished and remodification works will be carried out on the existing Factory building for the construction of the Glove Production Plant. The ceramic business will be relocated to Plot 53, 54 and 58, Jalan Logam 2 & 3, Kawasan Perindustrian Kamunting Raya, 34600 Kamunting, Perak. KTG Group has allocated up to RM2.0 million from its existing cash balance and internally-generated funds for the relocation of its ceramics business, with the relocation expected to commence by December 2021 and is estimated to be completed in 1 to 2 months.

The total expected production capacity and output for the 2 NBR double former glove dipping production lines commissioned by KTG Group are approximately 483,840,000 pieces per annum (i.e., 241,920,000 pieces per line).

Pursuant to the Turnkey Agreement, Howellcare shall, among others, set up and train APPI's management team and workforce to run and manage the day-to-day operation of the Glove Production Plant. KTG Group intends to hire up to 6 key management personnel (to oversee operation; project and engineering; production and packaging; quality assurance, research and development; as well as supply chain) and up to 120 employees (including technicians, inspectors, quality control operators, compounders, lab assistants, packers and security staff) to support the Glove Production Plant within 1 to 2 months prior to the delivery and commissioning of the 2 production lines tentatively by November 2022.

The Group will increase the workforce for the Glove Production Plant as and when the need arises. In October 2022, Howellcare will provide offsite orientation training to APPI's relevant key management personnel and employees, i.e., 1 month prior to the delivery and commissioning of the 2 production lines followed by onsite operational training and guidance to APPI's relevant key management personnel and employees by the end of October 2022 until the handover of the Glove Production Plant which is expected to be by November 2022. After the handover of the Glove Production Plant, if necessary, APPI may further extend Howellcare's services subject to future agreement between both parties.

For the operation of the Glove Production Plant, APPI shall apply for and obtain the necessary permits, licences and/or approvals from relevant authorities, including but not limited to the local municipal council, Royal Malaysian Customs Department, Malaysian Rubber Board, Ministry of Environment and Water, Ministry of International Trade and Industry of Malaysia, Department of Occupational Safety and Health, and Ministry of Health. APPI intends to submit its first application to the local municipal council for approval of the development order of the Factory and its business licence tentatively by December 2021, after the relaxation of MCO in Malaysia. The submission of other applications to other respective authorities/regulatory bodies will depend on the stages of development of the Glove Production Plant during the period from December 2021 to November 2022.

Subject to obtaining all relevant approvals, APPI expects to handover the Factory to Howellcare for deployment upon completion of its building and civil remodification works in accordance with the requirements of a Glove Production Plant in April 2022, and thereafter APPI expects to commission the 2 production lines and produce NBR gloves by November 2022 which is tentatively 6 months from Howellcare's deployment of work at the Factory's site.

Apart from Malaysia, APPI intends to export its NBR gloves to foreign countries such as the United States of America, the United Kingdom, Turkey, Australia, China as well as European and Middle Eastern countries. The Company will require certain permits, licences and/or approvals from the Malaysian Rubber Board, Food and Drug Administration (FDA) (for the United States of America only), Personal Protective Equipment Directives (CE), Therapeutic Goods Administration (TGA) (for Australia only) and Medical Device Directive (MDD), based on the requirements of the respective foreign countries. As at the LPD, APPI has yet to enter into any memorandums of understanding or agreements with any foreign parties or obtain any permits, licences and/or approvals from the relevant authorities for the export of NBR gloves to foreign countries.

Sim Chiun Wee, an Executive Director of the Company who has strong managerial and entrepreneurial experiences, will spearhead and oversee the Group's Glove Production Plant. The Group also intends to leverage on the experience and network of Francis Ho, the founder and Director of Howellcare as the Group's turnkey project partner, who has considerable knowledge and experience in the glove manufacturing industry for more than 20 years and he will be the key person for APPI's turnkey commissioning of the Glove Production Plant.

As mentioned above, prior to the commencement of the Glove Production Plant, KTG Group intends to hire the following key management personnel with relevant experience in the manufacturing of gloves and other PPE, and they will support Sim Chiun Wee to manage the Glove Production Plant:

Positions	Number of positions	Job designation	Expected date of joining
Manager	1	Operation	October 2022
Manager / Assistant Manager	1	Project and engineering	October 2022
Manager / Assistant Manager	1	Production and packaging	October 2022
Manager / Assistant Manager	1	Quality assurance	October 2022
Manager / Assistant Manager	1	Research and development	October 2022
Manager / Assistant Manager	1	Supply Chain	October 2022

The size, structure and the future recruitment process of the key management personnel team has yet to be determined at this juncture as it would depend on the availability of qualified and suitable candidates as well as the perceived need and level of operations of KTG Group's Glove Production Plant.

Profile of Sim Chiun Wee

Sim Chiun Wee, aged 45, Malaysian, was appointed as an Executive Director of the Company on 30 April 2020. He graduated with a Bachelor Degree in Mass Communication majoring in International Journalism from Xiamen University, China in 1999. He began his career at Chung Hua Middle School No. 1 in Kuching, Sarawak as a senior officer in 2000. He was promoted as the deputy principal in 2006 with overall responsibility to assist the school principal in the school's management. Besides administrative and management duties, he also exercised a leadership and motivational role in the school's direction.

In 2014, he became the founder and chief executive officer of Top Three Development Resources, a real estate consultation company specialising in management and investment advisory services. Its clientele includes property development companies, food and beverages companies as well as non-governmental organisations. Notable clients include Bina Puri Holdings Berhad which Top Three Development Resources advised from 2014 until 2016 where Sim Chiun Wee specialised in bilateral relationship and strategic partnership with China. He is currently the President of the Malaysia-China Silk Road Entrepreneurs Association which focuses on bilateral relationship with China. He is also a director of Heritage Classic MM2H Sdn Bhd since 2019, a company providing services to foreigners and expatriates who are interested to set up their second home in Malaysia, and he manages the company's day-to-day operations and business development. He has over 20 years of experience in organisational management as well as extensive knowledge in property development, migration services, food and beverages as well as investment advisory services.

Profile of Francis Ho

Francis Ho, aged 50, Malaysian, is the founder and Director of Howellcare. He completed his Sijil Tinggi Pelajaran Malaysia at Sekolah Menengah Kebangsaan Munshi Abdullah, Melaka in 1989. After graduation from secondary school, he worked in the food and beverage industry and entertainment industry from 1990 until 1999. He commenced his glove manufacturing career in 1999 by joining YTY Industry Sdn Bhd as the company's Factory Manager and was responsible for the daily operations of the company's glove manufacturing plant until 2007. In 2007, he became the Group Factory General Manager of Green Prospect Sdn Bhd (a company associated with YTY Industry Sdn Bhd) and was responsible for managing the daily operations of the company's glove manufacturing plant with more than 2,800 employees and 28 production lines, until 2012.

From 2013 to 2015, he was the Operations Director and Head of Administration of Central Medicare Sdn Bhd and was responsible for operating the company's glove manufacturing plant with more than 1,000 workers and 6 double former glove production lines. Subsequently, he was appointed as the Director of Administration of Encompass Industries Sdn Bhd from 2015 to 2018 where he developed an integrated NBR glove manufacturing plant on a 59-acre piece of land with 8 double former glove production lines and was involved in the design, building and construction of the glove manufacturing plant, obtaining relevant regulatory approvals and permits as well as management of the operation and administration of the company. He left the company and founded Howellcare in 2019.

Francis Ho has over 20 years of experience in the glove manufacturing industry. He has an extensive network and is knowledgeable in virtually all aspects of the gloves and medical supplies industry particularly in setting up the glove manufacturing plant from obtaining relevant permits and approvals, equipment design and manufacturing, project and construction management, water and land studies, testing and commissioning, training of staff, procedural planning and implementation, quality management, occupational health and safety, and managing the operations, sales and marketing of the gloves business.

Francis Ho would be supported by a total of 21 staff which includes the project management team and the accounts, human resources and administrative team. The key project management team comprises 10 members including a project manager, a project electrical and instrument manager, a human resource and administration manager, a supply chain manager, a marketing manager, an account manager, 2 project engineers, a project safety supervisor and a project coordinator, who have vast knowledge, know-how and experience in designing, fabricating, installing, testing and commissioning, refurbishing, operating and managing glove manufacturing plant, facilities, machines, equipment and parts equipped with NBR glove dipping line technology.

2.1 Information on APPI

APPI was incorporated in Malaysia under the Companies Act 1965 on 23 September 2011 (deemed registered under the Act) as a private limited company. The principal activities of APPI are investment holding, provision of management services as well as the manufacture, trade in, import and export of all kinds of clay products. APPI intends to engage in the ceramic glove former manufacturing and glove manufacturing business.

As at the LPD, APPI's issued share capital is RM2 comprising 2 ordinary shares. The directors of APPI are Sim Chiun Wee and Goh Hui Chen.

2.2 Information on Howellcare

Howellcare was incorporated in Malaysia under the Act on 11 February 2019 as a private limited company and had commenced its business since its incorporation. The principal activities of Howellcare are manufacturing and trading all kinds of gloves (synthetic rubber and natural rubber), general trading of articles of all description, training, consultation, manpower recruitment, management, event management and brokerage, construction and engineering works and investment holding.

As at the LPD, Howellcare's issued share capital is RM800,000 comprising 800,000 ordinary shares. The sole director and shareholder of Howellcare is Francis Ho, with over 20 years of experience in the glove manufacturing industry. Howellcare has been providing total solution and consultation on turnkey projects such as design and build services for clients in the glove manufacturing industry, supply of glove industry related equipment and machineries, and trading of latex and nitrile examination gloves. Howellcare has an extensive network in virtually all aspects of the gloves and medical supplies industry particularly in setting up the glove manufacturing plant including obtaining relevant permits and approvals, equipment design and manufacturing, project and construction management, water and land studies, testing and commissioning, training of staff, procedural planning and implementation, quality management, occupational health and safety, and managing the operations, sales and marketing of the gloves business.

Howellcare has a total of 21 staff which include the project management team and the accounts, human resources and administrative team. The key project management team comprises 10 members including a project manager, a project electrical and instrument manager, a human resource and administration manager, a supply chain manager, a marketing manager, an account manager, 2 project engineers, a project safety supervisor and a project coordinator, who have vast knowledge, know-how and experience in designing, fabricating, installing, testing and commissioning, refurbishing, operating and managing glove manufacturing plant, facilities, machines, equipment and parts equipped with NBR glove dipping line technology.

2.3 Basis and justification for the Contract Price

The Contract Price of RM39.80 million was agreed upon after an arm's length contract negotiation between APPI and Howellcare, which took into consideration the planning, designing, supplying, installing and commissioning of the Glove Production Plant and its 2 double former glove dipping production lines, chiller and cooling tower, air compressor, latex tanks, chlorination, racking and packing facilities, set up of laboratory, thermal oil heater boiler, auto stripping and stacking machine, and the turnkey project consultation fee, as well as the provision of services further elaborated in **Section 2** of **Appendix I** of this Circular. Further details on the Contract Price are as set out in **Section 3** of **Appendix I** of this Circular**.**

The Board is of the view that the Contract Price is justified based on current market and supply conditions of the gloves business in view of the anticipated pandemic-driven surge which is outstripping estimated new supply coming in from major glove producers, market demand and supply as well as the price of the key components to install and set up the production lines such as steel and metal prices as well as favourable long-term prospects of gloves and medical supplies industry in Malaysia while making the most out of the opportunities created by the COVID-19 pandemic as detailed in **Section 7.5** of Part A of this Circular.

2.4 Source of funding

The Contract Price will be satisfied wholly in cash based on the payment terms as set out in **Section 3** of **Appendix I** of this Circular. The Contract Price of the Turnkey Agreement will be funded via a combination of part of the proceeds from the Proposed Rights Issue of Shares with Warrants (i.e., up to approximately RM35.80 million) and part of the proceeds raised from the Private Placement (i.e., RM4.00 million). Any shortfall will be funded using the Group's existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises. The breakdown of the funding sources has not been determined by KTG Group as at the LPD as it will depend on the progressive implementation of the Glove Production Plant and the progressive billing under the Turnkey Agreement.

2.5 Liabilities to be assumed by the Group

There are no other liabilities, including contingent liabilities and guarantees, to be assumed by the Group arising from the Turnkey Agreement.

2.6 Additional financial commitment

In addition to the Contract Price, prior to commissioning of the Glove Production Plant at the Factory, the Group estimates that it may incur up to approximately RM15.0 million in respect of costs relating to civil & structural and mechanical & electrical for the Factory's building and remodification works, prior to handover of the Factory to Howellcare. The amount is based on preliminary assessments and will be funded using KTG Group's existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises, with the breakdown of the funding sources to be determined by KTG Group at a later date, after taking into consideration the final architectural design and progressive development of various components for the building and remodification works for the Factory.

For information purposes, the additional financial commitment of up to approximately RM15.0 million relating to civil & structural and mechanical & electrical works for the Factory's building and remodification works for the Glove Production Plant at the Factory as well as an additional 2 NBR double former glove dipping production lines at the Factory was not included in the Contract Price of RM39.80 million as Howellcare does not engage in the business of providing civil & structural and mechanical & electrical works. KTG will engage separate contractors and consultants for the Factory's building and remodification works.

3. PROPOSED DIVERSIFICATIONS

3.1 Proposed Diversification into Manufacturing and Trading of Gloves and other PPE

On 26 March 2021, APPI entered into the Turnkey Agreement with Howellcare which will enable the Group to set up the Glove Production Plant at the Factory for a Contract Price of RM39.80 million. The Turnkey Agreement is intended to provide an initial avenue for the Group to venture into the manufacturing and trading of NBR gloves and related business.

The Group's Proposed Diversification into Manufacturing and Trading of Gloves and other PPE will be spearheaded by Sim Chiun Wee, an Executive Director of the Company (as profiled in **Section 2** of Part A of this Circular) and Francis Ho (as profiled in **Section 2** of Part A of this Circular).

In addition, KTG Group also intends to undertake the manufacturing and/or trading of disposable face masks as part of its PPE business, which is a growing business with sustainable demand given the current healthcare and environmental conditions that enforce the usage of PPE in a global context. The production capacity, production lines and size of the facility have yet to be determined at this juncture and will be finalised at a later date. In addition, prior to manufacturing its own disposable face masks, KTG Group may engage in the business of trading of disposable face masks to be sourced from the third party suppliers. The details of the disposable face masks business will be announced by the Company in due course in accordance with the Listing Requirements. KTG Group intends to fund its PPE business via a combination of KTG Group's existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises, with the breakdown of the funding sources yet to be determined by KTG Group as at the LPD.

The Group's Proposed Diversification into Manufacturing and Trading of Gloves and other PPE and the Contract Price of the Turnkey Agreement will be funded via a combination of part of the proceeds from the Proposed Rights Issue of Shares with Warrants (i.e., up to approximately RM76.10 million), and part of the proceeds raised from the Private Placement (i.e., RM4.00 million), the Group's existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises. The breakdown of the funding sources has not been determined by KTG Group as at the LPD as it will depend on the progressive implementation of the Glove Production Plant, the progressive billing under the Turnkey Agreement and the future expansion of the gloves business.

3.2 Proposed Diversification into Transportation and Logistics Business

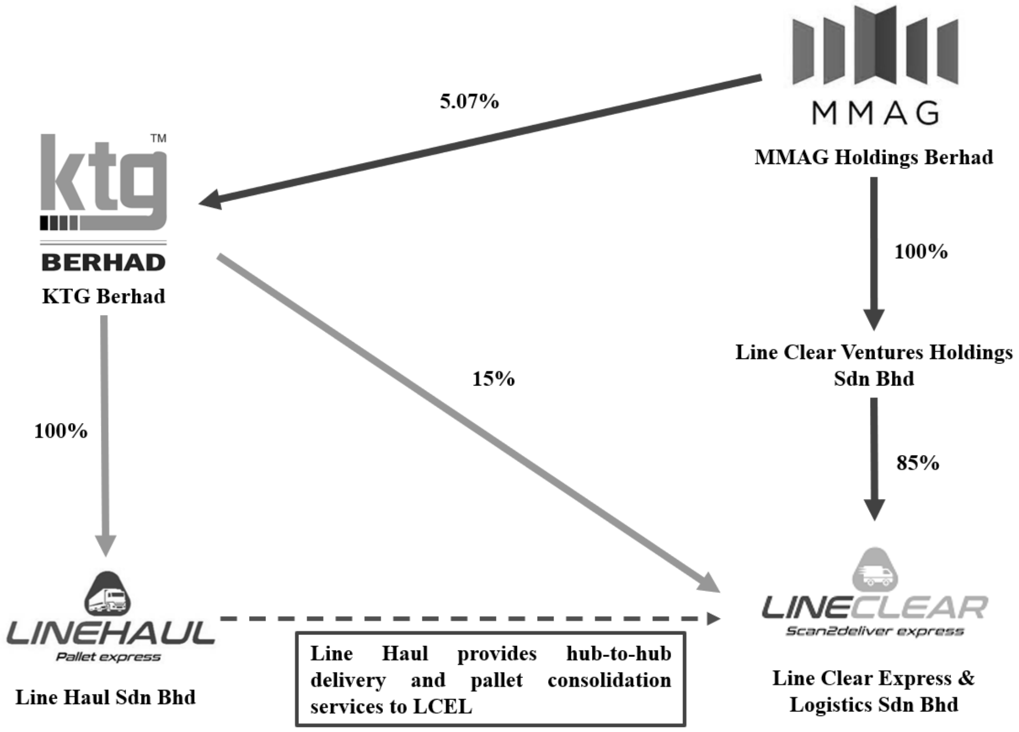
On 18 March 2021, KTG entered into a shares sale agreement with LCV for the acquisition of 500,000 ordinary shares in Line Haul, representing the entire issued share capital of Line Haul for a total cash consideration of RM3.0 million. The acquisition was completed on 26 March 2021. Line Haul is principally engaged in the business of Middle Mile Logistics services providing haulage and hub-to-hub deliveries services. Line Haul commenced its business in October 2020 and has been in a strategic collaboration with a logistics and courier company, LCEL, providing Middle Mile Logistics hub-to-hub delivery services for LCEL by transporting LCEL's goods between its hubs. Line Haul charges LCEL for the trips fulfilled by Line Haul depending on the distance between the hubs, number of trips per day (i.e., single trip or round trip) and capacity of the fleets for the goods transported.

Line Haul's existing business and operations consist of 24 experienced truck drivers as well as a fleet of approximately 28 trucks serving its current customer network of 51 hubs and depots nationwide. In view of the acquisition of Line Haul and the symbiotic relationship between Line Haul and LCEL as well as the growth potential of LCEL, on 22 March 2021, KTG entered into a shares sale agreement with LCV for the acquisition of 14,400,000 ordinary shares in LCEL, representing 15% of the equity interest in LCEL for a total cash consideration of RM22.0 million. The acquisition was completed on 21 April 2021. LCEL is an indirect subsidiary of MMAG Holdings, a company listed on the ACE Market of Bursa Securities, through LCV. LCEL is principally engaged in the courier and logistics business, which provides services such as warehousing, fulfilment, Last Mile Logistics, customs clearance, e-commerce customised services and special/security handling delivery via air, sea and land freight.

LCEL has a manpower size of 818 employees and a network of 125 hubs, depots and stations/branches in Malaysia including Sabah and Sarawak; logistics infrastructure such as fully-equipped warehouses in UEP Subang Jaya (Selangor), Gelang Patah (Johor), Sungai Bakap (Penang) and a fleet size of more than 500 vehicles. LCEL is targeting to set up at least 99 new hubs, depots and stations/branches by December 2021. LCEL intends to expand its network of hubs, depots and stations/branches as well as collaborate with SF Global Express (M) Sdn Bhd (a subsidiary of S.F. Express (Overseas) Limited, a leading integrated express logistics service provider in China), whereby LCEL's pitstop (hub, depot) and stations (branches) will be the sales channel for SF Global Express (M) Sdn Bhd's services, acting as both a pickup and send off point for documents and parcels, to local and international destinations such as United States of America, Europe, Australia and others. This would allow LCEL to further expand international shipments between Malaysia and China.

The domestic and international shipments of LCEL are expected to grow exponentially moving forward. LCEL recorded revenue of approximately RM41.34 million and net losses of approximately RM34.62 million, based on its audited financial statements for the FYE 31 March 2021. On 16 November 2020, MMAG Holdings announced its acquisition of M Jets International Sdn Bhd to expand into the air cargo logistics business. On 8 June 2021, MMAG Holdings announced that M Jets International Sdn Bhd had obtained an Air Operator Certificate from the Civil Aviation Authority of Malaysia for M Jets International Sdn Bhd to operate commercial air transport in Malaysia whereby M Jets International Sdn Bhd had subsequently commence its airline charter flights and air cargo logistics services. The acquisition was completed on 21 July 2021. The availability of air cargo space for MMAG Holdings is anticipated to enhance the delivery services of LCEL and generate earnings for LCEL. Despite its current loss-making position which is a norm among companies in expansion mode as a result of capital investment in technology, network, infrastructure and human resources for business expansion, LCEL is hoping to turn profitable in the next 1 to 2 years should LCEL continue its expansion mode by expanding its network of hubs, depots and stations/branches and expansion into air cargo logistics which will enhance the delivery services of LCEL and generate positive earnings to LCEL within the next 1 to 2 years. Therefore, KTG is of the view that it is timely for it to invest in LCEL through its acquisition of 15% equity interest in LCEL.

As at the LPD, the relationships between KTG, Line Haul, LCEL, LCV and MMAG Holdings, including percentages of equity interests held, are depicted in the following diagram:



KTG Group's transportation and logistics business through Line Haul and LCEL will provide an avenue for KTG Group to venture into the transportation and logistics business. This new business segment is expected to enhance KTG Group's prospects with the range of services provided and capabilities possessed by Line Haul and LCEL. The Proposed Diversification into Transportation and Logistics Business is expected to diversify KTG Group's revenue and earnings base and contribute positively to the earnings and net assets of KTG Group while reducing dependency on the Group's existing businesses of ceramic, construction, property development, property investment and financial services.

Through Line Haul's strategic collaboration with LCEL in the Last Mile Logistics segment in which LCEL engages Line Haul as its haulage service provider, Line Haul will be able to tap into a sizeable customer base to include other heavy industries and logistics players and business customers from various industries such as cold chain, furniture, machinery, equipment, construction materials. As at the LPD, LCEL is the sole customer of Line Haul. KTG Group intends to expand the business of Line Haul to include other heavy industries and logistics players as well as business customers from various industries by expanding its haulage and transportation services for the Middle Mile Logistics segment and adopt a freight sharing services business model for the logistics providers by applying the pallet network concept. The pallet network concept comprises a hub facilitator which brings together local haulage partners to be able to offer, often next-day, pick-up and delivery of goods by pallets. Goods packaged in pallet form are consolidated with other onward shipment of pallets from suppliers in the same area at the hub facilitator and merge with other pallets destined for same area of delivery. This pallet network concept would enable to increase the vehicle fill rates, reduce number of vehicles, and increase productivity. In addition, the sharing of loads, heavy vehicles, trucks and facilities is expected to reduce cost for the logistics services providers in the industry.

For the Group's involvement in the logistics industry, the Board recognises that IT adoption and implementation are crucial because traditional track-and-trace technologies are no longer sufficient to meet the industry's standards. In line with this, the Company entered into a shares sale agreement on 23 April 2021 to acquire the entire issued share capital of CSH Solutions for a total cash consideration of RM100,000. The acquisition was completed on 28 April 2021. CSH Solutions is principally engaged in the business of providing IT solutions and other IT related services. CSH Solutions has joint ownership (through an intellectual property acquisition agreement between CSH Solutions and Bestinet Sdn Bhd ("**Bestinet**") as the developer) of an IT solution/platform known as the PIPA system, since 15 March 2021, for the logistics business process with the developer of the PIPA system, Bestinet. The PIPA system is developed to help Last Mile Logistics players in easing their business operation process which encompasses a more comprehensive solution and end-to-end customisable features such as order management system, nodes management system/partners management system, customer relationship management and administration, core engine, data migration, pallet system, optimisation, commission and payout and customer service. CSH Solutions' PIPA system with its end-to-end customisable features is a comprehensive solution and intended to be a better option compared to those currently available in the market. As a joint owner of the PIPA system, CSH Solutions has the exclusive rights to commercialise the PIPA system in its exclusive territories, namely Indonesia, Vietnam, Thailand, Singapore, Philippines, Malaysia, Laos, Myanmar, Cambodia, Brunei and Timor-Leste.

CSH Solutions had commenced its business on 26 March 2021 after securing its first sub-licensing contract for the PIPA system, with LCEL, for a period of 10 years with the sub-licensing fee based on the number of airway bills per year up to a maximum threshold. CSH Solutions will also seek to secure additional sub-licensing contracts for its PIPA system within Malaysia and an allowed list of exclusive territories. CSH Solutions will have the capacity to customise the solution in accordance with customers' requirement and to continuously stay abreast with latest technological advancements in order to meet prevailing market needs. Moving forward, CSH Solutions may provide other end-to-end IT solutions to various segments within or beyond the logistics industry through further research and developments or partnerships with third party suppliers. Bestinet, as the existing joint owner of the PIPA system with the right to commercialise it outside the exclusive territories of CSH Solutions, will continue to provide support and expertise to maintain and further develop the PIPA system.

KTG Group has no prior experience in providing transportation and logistics services. Tan Yip Jiun, an Executive Director of the Company who has considerable knowledge and experience in the transportation and logistics industry, will spearhead and oversee the Group's transportation and logistics business. The Group also intends to leverage on the experience and network of Peter Yap, an Executive Director of the Company, who has considerable knowledge and experience in the trucks, vehicles and transportation as well as logistics businesses.

Profile of Tan Yip Jiun

Tan Yip Jiun, aged 30, Malaysian, was appointed as an Executive Director of the Company on 16 March 2021. He completed his Sijil Pelajaran Malaysia at Sekolah Menengah Kebangsaan Gunung Rapat, Perak in 2008. After graduation from secondary school, he became a full time badminton player for State of Penang between 2009 and 2010. In 2011, he was selected to join the national badminton team and was based in Kuala Lumpur until 2015. He began his career at ChipSengHeng Enterprise in 2015 as an operation officer based in Klang where he involved in the operation management aspect which handled third party logistics services and a total of 20 units of cargo and tanker lorries, the daily delivery fulfilment based on customer requirement and the overall fleet management. He was promoted as the operation cum safety officer in 2016 whereby he was responsible in implementing safety management and ensuring all workers comply with safety rules in the working area, monitoring the monthly incoming vessel by providing custom clearance services, stock transfer, weigh bridge monitoring, stockpile management, daily monitoring on loading progress and delivery to ensure raw materials in customer plants are above safety levels and the monthly delivery forecast by communicating closely with receiving parties.

He was transferred to the headquarters in Ipoh in 2018 and promoted as general manager to oversee all departments including operations, fleet, workshop, safety, accounts and human resources with totals of 180 fleet units and 220 manpower. During his tenure as the general manager, he provided marketing and sales strategies, improved the internal management of the company, implemented International Organisation for Standards 39001 Road Traffic Safety Management, initiated internal restructuring and encouraged recruitment of younger generations. He was promoted to a director in 2019 to strengthen the company's positions by minimising cost through providing vehicle training to drivers for better understanding on taking care on their fleet, implementing driver management system (merit & demerit), restructuring workshop inventories control by having a proper racking and bar code system, implementing lorry maintenance system to reduce down time, maximise revenue by re-routing trucks operation, increase return goods volume, implementing key performance indicators, provide expansion strategy and financial planning for the managing director's decision-making process for the company's growth strategies.

Profile of Peter Yap

Peter Yap, aged 58, Malaysian, was appointed as an Executive Director of the Company on 5 May 2021. He completed his Sijil Pelajaran Malaysia at Sekolah Menengah Kebangsaan Sultan Abu Bakar, Pahang in 1980. After graduation from secondary school, he began his career at Tan Chong Group in 1981 as a sales consultant where he was involved in the sales of heavy commercial vehicles. He founded Grand Auto, a sole proprietorship company in 1988 which was involved in the business of sales of used trucks and he grew the business to 4 branches nationwide. He eventually sold the used truck business in 1998.

He co-founded Okuan Otomobil Sdn Bhd in 1999 which was involved in the business of used commercial vehicle dealership and extended its business to include new commercial vehicles with the appointment of HINO Motors dealership in 2000 and Volkswagen dealership in 2010. He was appointed as a director of Edaran Riz Sdn Bhd in 2000 whereby the company was involved in the business of sales of spare parts and services for the HINO 3S dealership and Mitsubishi 3S dealership located in Pahang. In 2020, he was appointed as a director of Auto Raya Timur Sdn Bhd, a subsidiary company of Edaran Riz Sdn Bhd which was also involved in the business of sales of spare parts and services. As the director of Edaran Riz Sdn Bhd and Auto Raya Timur Sdn Bhd, he is responsible in leading the companies' overall business direction, business development and day-to-day operations, managing more than 80 employees.

He has more than 40 years of experience in the automotive industry with his expertise primarily in the sales and distribution of heavy commercial vehicles. He was also the key person who has helped and acted as a consultant to various automotive companies in setting up, managing and developing their automotive businesses.

The Group's Proposed Diversification into Transportation and Logistics Business will be funded via a combination of part of the proceeds from the Proposed Rights Issue of Shares with Warrants (i.e., up to approximately RM23.87 million), the Group's existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises. The breakdown of the funding sources has not been determined by KTG Group as at the LPD as it will depend on the services to be rendered and contracts to be secured for the transportation and logistics business.

3.3 Existing businesses

The revenue and loss after tax of KTG Group for the past 3 audited FYEs 30 June 2018 to 30 June 2020 are as follows:

	FYE 30 June 2018 RM	FYE 30 June 2019 RM	FYE 30 June 2020 RM
Revenue			
Ceramic segment	8,608,595	7,538,816	8,261,248
Construction segment	874,185	1,835,000	-
Property investment segment	-	-	-
Property development segment	-	-	-
Financial services segment	-	-	587,016
Total	**9,482,780**	**9,373,816**	**8,848,264**
Loss after tax	**(5,690,377)**	**(6,796,560)**	**(5,024,144)**

For the above financial periods, KTG Group's revenue was derived from its ceramic, construction and financial services segments.

As at the LPD, the Group is principally involved in the following businesses:

(i) **Ceramic segment** – retail, trading, manufacturing, exporting and marketing of pottery, porcelain products and ceramic wares and ornaments and trading in nursery and plant

KTG Group's ceramic segment continues to face challenges in continuing to meet customers' and market demands, as well as competition from other regions and rising costs in determining its pricing policy.

KTG Group intends to revise its marketing strategies and increase research and development initiatives for its ceramic segment to focus on product development with a view to develop high value lightweight planters to compete with synthetic planters. Due to the COVID-19 pandemic, KTG Group has put on hold its initiative to develop new planters and no cost has been incurred as at the LPD. In addition, it is also considering merging with or acquiring other industry players with the intention of consolidating the industry and emerge as a stronger and larger entity to overcome the current issues faced by the industry in meeting customers' and market demands, as well as competition from other regions and rising costs in determining its pricing policy.

In view of the COVID-19 pandemic which has resulted in the rising demand for glove formers, KTG Group has recently started its plan to expand its ceramic products selection to include manufacturing of ceramic hand moulds, also known as ceramic glove hand formers, for use in gloves production. The ceramic glove hand formers are a vital tool for the glove manufacturing process. KTG Group has allocated approximately RM2.0 million from its existing cash balance and internally-generated funds for the initial costs of the manufacturing of ceramic hand moulds, which has yet to commence as at the LPD.

(ii) **Construction segment** – property construction and other related businesses

As at the LPD, KTG Group does not have any ongoing construction project. It is exploring for viable opportunities, of which there is none as at the LPD, to revive its construction segment and to broaden its construction segment to include infrastructure construction projects.

KTG Group's construction segment experienced challenges in view of the following:

(a) mutual rescission and revocation of a managing contractor agreement between PSSB and Prinsip Nusantara Sdn Bhd ("**PNSB**") on 5 July 2017 for the development project in Johor Bahru, Johore due to the delay in the construction works which had deferred PSSB's management period over the agreement.

PSSB had on 5 October 2017 entered into a debt settlement agreement with PNSB for the settlement of debt owing by PNSB to PSSB of RM15,297,320 via the transfer of 16 units of residential condominium, all located at Altitude 236 Condominium, Jalan Alam Damai, Alam Damai, 56000 Cheras, Kuala Lumpur based on a consideration value of RM13,234,500 to PSSB and cash payment of RM2,062,820.

In FYE 30 June 2020, no revenue was generated from the construction segment as a result of the absence of the sales of completed residential condominium units; and

(b) mutual rescission and revocation of a managing contractor agreement between PSSB and JV Muhibbah Sdn Bhd on 25 August 2017 for the development project in Kemaman, Terengganu due to soft demand in the property market.

(iii) **Property investment segment** – property investment

On 2 November 2016, IISB entered into a sale and purchase agreement with New Tech Development Sdn Bhd for the acquisition of Kolej Poly-Tech Mara Campus in Batu Pahat, Johore for a purchase consideration of RM19.0 million. The acquisition was to have marked KTG Group's entry into the property investment segment with future rental income and capital appreciation in view of the tenancy agreement and option offered to Majlis Amanah Rakyat (MARA) to purchase the property at a later date. The acquisition was terminated on 30 November 2017 due to non-fulfillment of conditions precedent within the conditional period of the agreement by New Tech Development Sdn Bhd.

On 27 November 2018, IISB entered into a letter of intent with Sunthara for the purchase of a commercial complex known as "Lanai Complex" erected on a piece of freehold land held under H.S. (D) No. 6776, PT No. 2303, Presint 10, Bandar Putrajaya, Daerah Putrajaya, Wilayah Persekutuan Putrajaya measuring an area of approximately 3,478 square metres, for a total consideration of RM10,300,000 for investment purposes with expected rental income and capital appreciation. IISB had paid an earnest deposit of RM206,000 to Sunthara and Sunthara was required to continue with the sale of the commercial complex to IISB by entering into a sale and purchase agreement with IISB. Subsequent to the execution of the letter of intent and the payment of the earnest deposit, Sunthara did not enter into a sale and purchase agreement for the sale of the commercial complex to IISB.

On 9 July 2020, IISB entered into a settlement letter with Sunthara whereby Sunthara had refunded the earnest deposit sum of RM206,000 to IISB and IISB had withdrawn the Kuala Lumpur High Court's originating summons with no order as to cost and withdraw the private caveat lodged on the title.

Despite the above, KTG Group will continue to explore various other investment opportunities which include acquisition of investment properties and/or land banks to revive its property investment segment. Announcements will be made by the Company and approvals will be sought from KTG's shareholders for any future acquisitions or investments, in accordance with the Listing Requirements.

(iv) **Property development segment** – property development and other related services

KTG Group was previously in the final stages of a development agreement with the Ministry of Housing and Local Government through its then wholly-owned subsidiary, Klasik Ikhtiar Sdn Bhd for a PPAM project, which is a government-initiated housing development initiative to enable government servants to own houses. The progress of the PPAM project has been delayed beyond the Group's control as the initial development plans have been pending approval from the Ministry of Housing and Local Government since 2018. On 9 April 2021, KTG entered into a shares sale agreement with Green On Hill Sdn Bhd for the disposal of the entire issued share capital of Klasik Ikhtiar Sdn Bhd, comprising 1,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM100.

The disposal was undertaken as the potential benefits from the PPAM project may not have materialised, based on the initial planned timeframe with further delays as well as further potential losses and/or any unwanted business risks and financing risks to the KTG Group as well as to refocus its resources to expand its existing businesses including ceramic, financial services, gloves, transportation and logistics segments which have shorter gestation period (as compared to the PPAM project which is expected to have longer gestation period and earnings recognition is subject to the status of completion of the PPAM Project as well as progress billings to the buyers). The disposal was completed on 22 April 2021.

KTG Group through MRDSB entered into a concept masterplan agreement dated 4 July 2017 with APSB (supplemented by a supplemental agreement dated 15 December 2017) whereby KTG Group was given the rights to carry out a concept masterplan on 2 pieces of development land held by APSB measuring approximately 822,017 square feet in Klebang, Melaka. The term of the agreement with APSB has commenced since 12 June 2019 upon fulfilment of conditions precedent by APSB.

Meanwhile, Titanium Hallmark owns an additional 2 pieces of development land measuring approximately 497,335 square feet in Klebang, Melaka. KTG Group had combined the abovementioned 4 pieces of development land with a total land area of approximately 1,319,352 square feet for the purpose of a large scale commercial development under a concept masterplan to source for viable options such as joint venture arrangement for the commercial development of the lands or dispose the lands together with the concept masterplan.

On 9 April 2021, MRDSB entered into a deed of mutual rescission and revocation with APSB to mutually terminate the concept masterplan agreement dated 4 July 2017 (as supplemented by the supplemental agreement dated 15 December 2017) due to uncertainty in the property market as a result of the COVID-19 pandemic and to minimise the business and financial risk of KTG Group. In addition, MRDSB was able to recover the deposits previously paid to APSB which can be re-allocated to KTG Group's working capital as well as its on-going and/or future projects.

Subsequent to the disposal of Klasik Ikhtiar Sdn Bhd and termination of the concept masterplan agreement with APSB, KTG Group does not have any ongoing property development project as at the LPD and will continue to explore other viable opportunities to revive its property development segment via a smaller scale concept master plan based on the 2 pieces of vacant development land measuring approximately 497,335 square feet in Klebang, Melaka owned by Titanium Hallmark.

(v) **Financial services segment** – provision of flexible financing schemes to a diverse range of customers

The Company had on 24 July 2020 obtained its shareholders' approval to diversify its business to include the moneylending business through MMAG Capital. The Board believes that KTG Group is able to grow its moneylending business after considering the demand from individuals and businesses for financing from non-bank financial service providers for various purposes such as personal financing, business start-up and expansion, project financing and others. KTG Group intends to gradually develop its customer base through methods such as providing flexible financing schemes to cater for a broader range of customers and offering moneylending services to those with limited access to banks and financial institutions. As at 30 June 2021, MMAG Capital has an existing loan base of approximately RM82.73 million.

On 25 March 2021, CSH Priority, a wholly-owned subsidiary of KTG was incorporated and is intended to engage in the business of providing hire purchase financing for commercial vehicles and machineries. The hire purchase business is part of KTG Group's efforts to expand its financial services segment. As at the LPD, CSH Priority has yet to commence its hire purchase business and will do so after obtaining membership from the Association of Hire Purchase Companies Malaysia, whereby the application was submitted on 12 May 2021 and is now pending approval. The hire purchase financing services of KTG Group targets to finance purchases of commercial vehicles and machineries for companies in logistics, trading or e-commerce, transportation, manufacturing, construction, engineering as well as food and beverages industries. KTG Group's hire purchase financing is typically secured with collaterals of customers, and this will enable KTG Group to provide its customers with additional loan options with lower interest rates. The risks and profiles of KTG Group's customers for moneylending and hire purchases services are assessed separately on a case-to-case basis as and when the applications are received from customers.

In addition, KTG Group also plans to provide financial solutions to transportation and logistics entrepreneurs/companies to fund the purchases of trucks and/or working capital, thereby strengthening the Group's capability with enhanced infrastructure such as transport vehicles for pick-up and delivery facilities and in return, these companies are expected to give favourable term and pricing for the transportation and logistics services to support the Group's transportation and logistics business through the aforesaid inter-dependent business relationship.

Moneylending transactions are governed by the Moneylenders Act 1951 ("**MLA**") and involves the lending of money with interest, either with or without security, by a moneylender to a borrower. The maximum interest chargeable under the MLA for a secured loan is 12% per annum and for an unsecured loan is 18% per annum. The borrowings can be used for different purposes and can be secured with a collateral or be unsecured. Hire purchase transactions are governed under the Hire-Purchase Act 1967 ("**HPA**") and involves the hiring of goods by the hirer from the owner with the option to purchase the goods by payment instalments. The ownership of the goods will only be transferred to the hirer once the hire purchase loan has been fully settled. The maximum interest rate chargeable under the HPA is 10%. Under the provisions of the HPA, hire purchase transactions are only limited to the purchase of consumer goods (i.e., goods purchased for personal, family or household purposes) and motor vehicles.

The hire purchase financing of commercial vehicles (weighing below 2,450 kg) by CSH Priority will require compliance with the HPA and the hire purchase financing of commercial vehicles (weighing above 2,450 kg) and industrial machineries and equipment will not require compliance with the HPA as they do not fall under the purchase of consumer goods (i.e., goods purchased for personal, family or household purposes) and motor vehicles within the purview of the HPA.

The pervasiveness of the e-commerce landscape in Malaysia, in particular after the MCO was implemented by the Malaysian government, has led to flourishing demand for logistics services in particular those for last-mile delivery. This has generated growth for the domestic transportation and logistics industry, particularly for suppliers of vehicles to last-mile delivery service providers as well as demand for loans to automotive for commercial vehicles.

The Board believes that despite the current challenging economic environment in view of the COVID-19 pandemic and the outlook for the financial services market in Malaysia, KTG Group will have opportunities to grow its financial services segment which is expected to contribute positively to KTG Group's future earnings due to increase in demand for flexible financing by individuals and businesses as well as offering financial services to those with limited access to banks and financial institutions.

KTG Group intends to maintain its Existing Businesses even with the Proposed Diversifications.

In view of the positive outlook of the gloves and medical supplies industry as well as transportation and logistics industry in Malaysia as set out in **Sections 7.5** and **7.6** of Part A of this Circular, the Board expects the Group's Proposed Diversifications to contribute positively to the Group's future earnings after the commencement of the businesses, which will potentially be 25% or more of the Group's net profits and/or result in a diversion of 25% or more of the net assets of the Group to its operations for the manufacturing and trading of gloves and other PPE businesses as well as the transportation and logistics business, respectively. As such, in accordance with Paragraph 10.13(1) of the Listing Requirements, the Company is required to obtain its shareholders' approval for the Proposed Diversifications at the forthcoming EGM of the Company.

4. PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS

The Company proposes to issue up to 690,705,280 Rights Shares on the basis of 1 Rights Share for every 1 existing KTG Share held by the Entitled Shareholders on the Entitlement Date, together with up to 690,705,280 Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed for by the Entitled Shareholders.

The basis of 1 Rights Share for every 1 existing KTG Share was arrived at after taking into consideration, among others, the following:

(i) the rationale for the Proposed Rights Issue of Shares with Warrants as set out in **Section 5.2** of Part A of this Circular;

(ii) the issue price of the Rights Shares at RM0.15 each; and

(iii) the amount of proceeds that KTG wishes to raise, as detailed in **Section 4.5** of Part A of this Circular.

The basis of 1 Warrant for every 1 Rights Share was arrived at after taking into consideration, among others, the following:

(i) the rationale for the Proposed Rights Issue of Shares with Warrants as set out in **Section 5.2** of Part A of this Circular; and

(ii) Paragraph 6.50 of the Listing Requirements whereby the number of new shares which will be issued from all outstanding convertible equity securities, when exercised, does not exceed 50% of the total number of issued shares of the listed corporation (excluding treasury shares and before the exercise of the convertible equity securities) at all times.

The entitlements for the Rights Shares with Warrants are renounceable in full or in part. However, the Rights Shares and the Warrants cannot be renounced separately. If the Entitled Shareholders renounce all of their Rights Shares entitlements, they will not be entitled to any Warrants. If the Entitled Shareholders accept only part of their Rights Shares entitlements, they will be entitled to the Warrants in proportion to their acceptances of their Rights Shares entitlements. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Proposed Rights Issue of Shares with Warrants.

In determining the shareholders' entitlements to the Rights Shares and the Warrants, any fractional entitlements arising from the Proposed Rights Issue of Shares with Warrants, if any, will be disregarded and dealt with by the Board in such manner and on such terms and conditions as the Board in its absolute discretion may deem fit or expedient and in the best interests of the Company.

Any Rights Shares with Warrants which are not subscribed shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable). The Board intends to allocate any excess Rights Shares with Warrants in a fair and equitable manner on a basis to be determined by the Board and announced by the Company.

The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded from the Rights Shares on the Main Market of Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll to be executed by the Company.

Pursuant to Paragraph 6.51 of the Listing Requirements, the listing of and quotation for Warrants on the Main Market of Bursa Securities is subject to a minimum of 100 Warrant holders holding not less than 1 board lot of Warrants.

4.1 Basis of determining and justification for the issue price of the Rights Shares and exercise price of the Warrants

(i) Issue price of the Rights Shares

The Board has fixed the issue price of the Rights Shares at RM0.15 each after taking into consideration the following:

(i) the rationale for the Proposed Rights Issue of Shares with Warrants as set out in **Section 5.2** of Part A of this Circular;

(ii) the amount of proceeds that KTG wishes to raise as detailed in **Section 4.5** of Part A of this Circular; and

(iii) the TEAP of RM0.1845, calculated based on the 5D-VWAP up to and including the Announcement LPD of RM0.2534. The issue price of RM0.15 per Rights Share is at a discount of RM0.0345 or 18.70% to the TEAP of RM0.1845.

The Board is of the opinion that the discount is reasonably attractive to encourage the Entitled Shareholders to subscribe for their respective entitlements of Rights Shares.

(ii) Exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who successfully subscribe for the Rights Shares.

The Board has fixed the exercise price of the Warrants at RM0.15 each after taking into consideration the following:

(i) the rationale for the Proposed Rights Issue of Shares with Warrants as set out in **Section 5.2** of Part A of this Circular; and

(ii) the TEAP of RM0.1845, calculated based on the 5D-VWAP up to and including the Announcement LPD of RM0.2534. The exercise price of RM0.15 per Warrant is at a discount of RM0.0345 or 18.70% to the TEAP of RM0.1845.

The Board is of the opinion that the discount is reasonably attractive for the purpose of enhancing subscription level of the Rights Shares with Warrants and increase the likelihood of the Warrants to be exercised into new KTG Shares.

4.2 Minimum Scenario

The Company intends to raise minimum gross proceeds of RM12,613,050 from the issuance of 84,087,000 Rights Shares under the Minimum Scenario based on an issue price of RM0.15 each after taking into consideration the funding requirements of KTG Group as set out in **Section 4.5** of Part A of this Circular.

In order to meet the Minimum Scenario, the Company has obtained the Undertaking from ChipSengHeng and it has confirmed it has sufficient financial resources to fulfil its Undertaking. TA Securities, being the Principal Adviser for the Proposed Rights Issue of Shares with Warrants, has verified that ChipSengHeng has sufficient financial resources to fulfil its Undertaking.

The number of Rights Shares pursuant to the Undertaking is as follows:

	Shareholding as at the LPD		No. of Rights Shares				Total undertaking		Amount
Undertaking Shareholder	**No. of Shares**	**%**	**Entitlement[(1)]**	**%[(2)]**	**Via excess application**	**%**	**No. of Rights Shares**	**%[(2)]**	**RM**
ChipSengHeng	84,087,000	12.17	84,087,000	100.00	-	-	84,087,000	100.00	12,613,050

Notes:
(1) Based on its shareholding as at the LPD.
(2) Based on 84,087,000 Rights Shares to be issued under the Minimum Scenario.

For illustrative purpose, if the Entitled Shareholders (other than ChipSengHeng) do not subscribe for their entitlements under the Minimum Scenario, their shareholdings in KTG will be diluted as follows:

	As at the LPD		After the Proposed Rights Issue of Shares with Warrants	
	No. of Shares	**%**	**No. of Shares**	**%**
ChipSengHeng	84,087,000	12.17	168,174,000	21.71
Other Entitled Shareholders	606,618,280	87.83	606,618,280	78.29
Total	**690,705,280**	**100.00**	**774,792,280**	**100.00**

As the Proposed Rights Issue of Shares with Warrants will be implemented based on the Minimum Scenario, no underwriting will be arranged for the Rights Shares.

The fulfilment of the Undertaking is not expected to result in any breach of the public shareholding spread requirement by the Company under Paragraph 8.02(1) of the Listing Requirements, which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding any treasury shares) are in the hands of public shareholders. As at the LPD, the Company does not have any treasury shares.

In the event the Undertaking is not fulfilled, resulting in the Minimum Scenario not being achieved, the Proposed Rights Issue of Shares with Warrants shall be aborted and all application monies received by the Company pursuant to the Proposed Rights Issue of Shares with Warrants will be refunded without interest to the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who has/have subscribed for the Rights Shares with Warrants in accordance with Section 243 of the Capital Markets and Services Act 2007.

4.3 Ranking of the Rights Shares and new KTG Shares to be issued arising from the exercise of the Warrants

The Warrant holders will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in the Company until and unless they exercise their Warrants into new KTG Shares.

The Rights Shares and new KTG Shares to be issued from the exercise of Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing KTG Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distributions, the entitlement date of which is prior to the dates of allotment and issuance of the Rights Shares and the new KTG Shares to be issued arising from the exercise of Warrants.

4.4 Indicative salient terms of the Warrants

The indicative salient terms of the Warrants are set out in **Appendix II** of this Circular.

4.5 Utilisation of proceeds

At the issue price of RM0.15 per Rights Share, the Proposed Rights Issue of Shares with Warrants will raise total gross proceeds of approximately RM12.61 million and up to approximately RM103.61 million under the Minimum Scenario and Maximum Scenario, respectively, as follows:

Usage purposes	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected time frame for the usage of proceeds (from the date of listing of the Rights Shares)
Gloves business	(1)	10,046	76,100	Within 30 months
Transportation and logistics business	(2)	1,853	23,869	Within 36 months
Working capital	(3)	-	2,923	Within 18 months
Expenses for the Proposals	(4)	714	714	Immediately
Total proceeds		**12,613**	**103,606**	

Notes:

(1) KTG Group intends to allocate up to RM76.10 million for its Glove Production Plant pursuant to the Turnkey Agreement and Proposed Diversification into Manufacturing and Trading of Gloves and other PPE

[The rest of this page has been intentionally left blank]

(2) The breakdown of the intended utilisation for the gloves business are as follows:

Purposes	***Minimum Scenario (RM'000)***	***Maximum Scenario (RM'000)***
*- Costs to plan, design, supply, install and commission an initial 2 NBR double former glove dipping production lines with 4 lines of utilities support system for the Glove Production Plant at the Factory (excluding costs relating to civil & structural and mechanical & electrical works for the Factory's building and remodification works), with works expected to commence by April 2022 upon the completion of Factory's building and remodification works and to be completed tentatively by October 2022 ("**Initial Lines**)".*	*10,046*	*35,800*
*- Costs to plan, design, supply, install and commission an additional 2 NBR double former glove dipping production lines at the Factory (excluding costs relating to civil & structural and mechanical & electrical works for the Factory's building and remodification works), with works expected to commence within 3 months after the Initial Lines are operational i.e., tentatively by January 2023 and to be completed tentatively by February 2023 ("**Additional Lines**").*	*-*	*15,000*
*- Costs for expansion of the glove production plant including to plan, design, supply, install and commissioning of 2 NBR double former glove dipping production line with 2 lines of utilities support system at the Group's existing factories in Sungai Siput, Perak or other suitable location to be identified by KTG Group (excluding costs relating to civil & structural and mechanical & electrical works for the factories' building and remodification works), with works expected to commence within 9 months after the Initial Lines and the Additional Lines are operational i.e., tentatively by November 2023 and to be completed tentatively by May 2024 ("**Plant Expansion**"). The definitive agreement for the expansion of the glove production plant has yet to be entered into, and will be announced (if required) by the Company in due course.*	*-*	*25,300*
Total	***10,046***	***76,100***

APPI has engaged Howellcare as its contractor to construct 2 NBR double former glove dipping production lines with 4 lines of utilities support system at the Factory for a total contract price of RM39.80 million (which includes the costs for, among others, the 2 double former glove dipping production lines, chiller and cooling tower, air compressor latex tanks, chlorination, racking and packing facilities, set up of laboratory, thermal oil heater boiler, auto stripping and stacking machine and the turnkey project consultation fee). As at the LPD, the Group has made payment of RM4.0 million to part finance the deposit payment for the Turnkey Agreement from the proceeds of the Private Placement and the remaining amount of RM35.80 million will be funded from the proceeds of the Proposed Rights Issue of Shares with Warrants.

Howellcare's scope of work includes the planning, designing, supplying, installing and commissioning of the Glove Production Plant based on the technical, capacity, functionality, performance and specifications as agreed between APPI and Howellcare in the Turnkey Agreement. Howellcare will also at its own cost assist APPI to obtain certain governmental and regulatory permits, licences, and approvals for the Glove Production Plant.

At the initial stage of operation of the Glove Production Plant, Howellcare will set up and provide training to APPI's new operation team and to run and manage the business of Glove Production Plant on behalf of APPI as well as undertake marketing and sale of the NBR gloves for APPI. Subject to obtaining all the relevant approvals, the Group expects to commission 2 production lines and produce NBR gloves by November 2022 which is tentatively 6 months from Howellcare's deployment of preliminary works in April 2022.

Any surplus or shortfall for any category under the gloves business will be adjusted against one or more other categories under the gloves business.

(3) *KTG Group intends to allocate up to approximately RM23.87 million for its transportation and logistics business.*

KTG Group had on 26 March 2021 completed the acquisition of the entire issued share capital of Line Haul, for a total cash consideration of RM3.0 million. In view of the acquisition of Line Haul and the growth potential of LCEL, on 21 April 2021, KTG completed the acquisition of 15% equity interest in LCEL for a total cash consideration of RM22.0 million.

KTG Group's transportation and logistics business will provide Middle Mile Logistics services as well as haulage and hub-to-hub deliveries services and other logistics related business. KTG Group through Line Haul will be able to tap into a sizeable customer base to include other heavy industries and logistics players and business customers from various industries such as cold chain, furniture, machinery, equipment and construction materials.

KTG Group intends to expand its haulage and transportation services for the Middle Mile Logistics segment and adopt a freight sharing services business model for logistics providers by applying the pallet network concept and to grow the resources and manpower of its vehicle fleet, with the breakdown as follows:

Purposes	***Minimum Scenario (RM'000)***	***Maximum Scenario (RM'000)***
- *Purchase of 3 to 35 units of 39-ton prime movers.*	*870*	*10,150*
- *Purchase of 2 to 15 units of 19-ton rigid trucks.*	*443*	*3,319*
- *Staff costs for up to 100 additional new drivers for the fleet vehicles.*	*540*	*5,400*
- *Costs of potential collaboration/partnership with and/or acquisition of other logistics companies for the pallet sharing business to increase the vehicle fill rates.*	-	*5,000*
Total	***1,853***	***23,869***

Any surplus or shortfall for any category under the transportation and logistics business will be adjusted against one or more other categories under the transportation and logistics business.

(4) *KTG Group's working capital requirements are expected to increase within the next 18 months due to ongoing business development and expansion initiatives for the Proposed Diversifications as well as to support the operations of the Existing Businesses. The working capital for KTG Group under the Minimum Scenario will be funded via the remaining proceeds raised from the Private Placement as set out in* ***Section 4.6*** *of Part A of this Circular.*

Under the Maximum Scenario, KTG Group intends to allocate up to approximately RM2.92 million as its working capital for operating and administrative expenses, such as staff related costs (comprising employees' salaries and allowances, wages, overtime and Employees' Provident Fund (EPF) and Social Security Organisation (SOCSO) statutory contributions and payments), procurement of raw materials and inventories for gloves and PPE related business (i.e., latex, chemical, packaging materials etc), factory operation cost, sales and marketing expenses, utilities expenses, rental expenses, office and factory overheads and general upkeep of KTG Group's office and existing factories and any other expenses required to support all on-going business operations, any future business expansions and/or any future prospective business, project and/or acquisition to be undertaken or identified by KTG Group. The breakdown of these expenses cannot be determined at the present time as it will depend on the actual expenses to be incurred at the relevant time in the future.

(5) *The expenses in relation to the Proposals consist of professional fees as well as fees payable to the relevant authorities, expenses to convene the EGM for the Proposals and other ancillary expenses.*

Any surplus or shortfall of proceeds to be used for the expenses in relation to the Proposals will be adjusted to/from the proceeds allocated for the working capital of KTG Group.

The actual proceeds to be raised from the Proposed Rights Issue of Shares with Warrants will depend on the subscription level for the Rights Shares. Any additional proceeds raised in excess of approximately RM12.61 million under the Minimum Scenario will be allocated up to its respective maximum allocation in the following order of priority:

(i) expenses for the Proposals;

(ii) gloves business (up to RM35.80 million for the Initial Lines);

(iii) transportation and logistics business;

(iv) gloves business (up to RM40.30 million for the Additional Lines and Plant Expansion); and

(v) working capital.

Any shortfall in proceeds raised between the Minimum Scenario and the Maximum Scenario will be funded via the Group's existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises.

Pending usage of the proceeds from the Proposed Rights Issue of Shares with Warrants for the abovementioned purposes, the proceeds will be placed in deposits with financial institution or short-term money market instruments as the Board may deem fit. The interest to be derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used as working capital of the Group, of which the breakdown for the usage cannot be determined at this juncture.

The exact amount of proceeds that may be raised by the Company pursuant to the exercise of the Warrants (RM12,613,050 under the Minimum Scenario and RM103,605,792 under the Maximum Scenario) will depend on the actual number of Warrants exercised during the tenure of the Warrants. The proceeds to be raised from the exercise of the Warrants expected to be utilised within a period of 24 months after they are received for KTG Group's working capital to support all on-going business operations, any future business expansions and/or any future prospective business, project and/or acquisition to be undertaken or identified by KTG Group. Any unused proceeds will be placed as deposits with financial institutions to earn interest income.

4.6 Previous fund-raising exercises

In the past 12 months preceding the LPD, the Company has not undertaken any fundraising exercise except for the Private Placement which raised approximately RM17.32 million and was completed on 17 March 2021.

The status of the usage of the proceeds from the Private Placement as at the LPD are as follows:

Usage purposes	**Note**	**Intended time frame for usage from the listing date**	**Proposed usage (RM'000)**	**Actual usage as at the LPD (RM'000)**	**Balance to be used (RM'000)**
Moneylending business	(1)	Within 24 months	6,000	(6,000)	-
Gloves business	(2)	Within 15 months	4,000	(4,000)	-
Working capital	(3)	Within 15 months	7,177	(1,309)	5,868
Expenses for the Proposed Private Placement	(4)	Immediately	145	(145)	-
Total proceeds			**17,322**	**(11,454)**	**5,868**

Notes:

(1) As at the LPD, KTG Group has fully utilised the amount of RM6.0 million allocated for KTG Group's moneylending business which is conducted through MMAG Capital, to provide flexible financing schemes to cater for a range of customers including investment holding companies, SME(s) as well as start-up entrepreneurs for various purposes such as personal financing, seed capital for working capital, investment, new business and expansion of business as well as project financing.

(2) As at the LPD, KTG Group has fully utilised the amount of RM4.0 million allocated for the gloves business to part finance the deposit payment for the Turnkey Agreement. In addition to the proceeds from the Proposed Rights Issue of Shares with Warrants as set out in ***Section 3.1*** *of Part A of this Circular, the remaining commitment by KTG Group pursuant to the Glove Production Plant pursuant to the Turnkey Agreement will be sourced through a combination of KTG Group's existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises, with the breakdown to be decided at a later stage depending on the funding required under the progressive implementation of the Glove Production Plant and the progressive billing under the Turnkey Agreement.*

(3) KTG Group intends to use the proceeds as working capital for operating and administrative expenses, such as staff related costs (comprising employees' salaries and allowances, wages, overtime and other statutory contributions and payments), procurement of raw materials and inventories, sales and marketing expenses, utilities expenses, rental expenses, office and factory overheads and general upkeep of KTG Group's office and existing factories and any other expenses required to support all on-going business operations and any future business expansions to be undertaken by KTG Group.

(4) *The expenses mainly consist of professional fees, placement fees as well as fees payable to the relevant authorities.*

4.7 Take-over implications

The subscription of the Rights Shares by ChipSengHeng pursuant to the Undertaking will not give rise to any mandatory general offer obligations pursuant to the Malaysian Code on Take-overs and Mergers 2016 ("**Code**") and the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia ("**Rules**"). ChipSengHeng has undertaken to observe and comply at all times with the provisions of the Code and the Rules and will seek from the Securities Commission Malaysia the necessary exemptions from undertaking such mandatory take-over offer, if required.

5. RATIONALE FOR THE PROPOSALS

5.1 Turnkey Agreement

The Turnkey Agreement will enable the Group to set up the Glove Production Plant at the Factory and provide an initial avenue for the Group to venture into manufacturing and trading of NBR gloves.

Over the years, Malaysia's major rubber glove producers have been continuously increasing their production capacity to meet the rising global shortages in gloves supply. According to the World Health Organisation, 76 million pieces of examination gloves are estimated to be required for the COVID-19 response each month. Hence, the need for medical gloves as PPE during the COVID-19 pandemic will boost the demand for rubber gloves, especially in countries that are severely affected.

Therefore, the Board believes that it is still timely for the Group to enter into glove manufacturing business as it is expected to generate positive income once the business commences. As populations around the world has embraced the new norm in hygiene standard due to the outbreak, the global gloves demand is still expected to remain strong even with the rollout of the COVID-19 vaccines.

Upon commencement of the manufacturing and trading of gloves by APPI, the Board believes that it would contribute positively to the Group's future earnings and improve the Group's financial position while reducing dependency on the Group's existing businesses, after taking into consideration the outlook and overview of the glove and medical supplies industry in Malaysia as detailed in **Section 7.5** of Part A of this Circular.

5.2 Proposed Diversifications

The Group currently derives most of its revenue from its ceramic segment which has been facing challenges due to lower demand amidst the competitive market environment.

In view of the COVID-19 pandemic as well as the prevailing market and social health conditions, there has been continuous surge in demand for PPE (such as rubber gloves and masks). Besides, there is an increasing demand for transportation and logistics services as a result of increase in online shopping due to the COVID-19 pandemic.

The Board believes that it is a timely opportunity for KTG Group to venture into the supply of PPE (such as rubber gloves) as well as transportation and logistics business, to improve KTG Group's future earnings and financial position in near future.

In view of the positive outlook of the gloves and medical supplies industry, transportation and logistics industry in Malaysia as set out in **Sections 7.5 and 7.6** of Part A of this Circular, in order to improve the Group's financial performance and to enhance the Group's prospect, the Group proposes to have additional income streams by diversifying its Existing Businesses to include manufacturing and trading of gloves and other PPE as well as transportation and logistics services.

The Proposed Diversification into Manufacturing and Trading of Gloves and other PPE would enable the Group to venture into the supply of PPE (such as gloves and masks), which is a growing industry with foreseeable sustainable demand given the current healthcare situation that enforces the usage of PPE in a global context. With the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE, the Group will venture into the manufacturing and trading of NBR gloves by way of the Turnkey Agreement. The COVID-19 pandemic has led to a higher demand and a global shortage of gloves in the medical supplies industry as well as the public in general.

The Board expects that the demand for gloves will continue in Malaysia and other countries and will continue to be sustainable even after recovery from the COVID-19 pandemic due to the constant demand in the medical supplies industry as well as the prevailing public awareness on the need for self-protection and hygienic practices. In view of the above, the Board deems the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE as timely for the Group to take advantage of the rising demand for NBR gloves and gain market presence amidst the prevailing health crisis.

Besides, the pervasiveness of the e-commerce landscape in Malaysia, in particular after the MCO implemented by the Malaysian government, has led to flourishing demand for logistics services in particular the last-mile delivery. This has generated growth for the domestic transportation and logistics industry, particularly for those who supply vehicles to last-mile delivery service providers. The Board is of the view that the Proposed Diversification into Transportation and Logistics Business will therefore be an opportunity to the Group to provide transportation and logistics services to customers.

The Board is of the view that the Proposed Diversifications will be part of the Group's future businesses plan to have additional income streams and reduce over-reliance on its Existing Businesses which ultimately will improve the financial performance of the Group.

5.3 Proposed Rights Issue of Shares with Warrants

After due consideration of various methods of fund raising, the Board is of the opinion that the Proposed Rights Issue of Shares with Warrants will enable the Group to raise the funds primarily for the Group's entry into the gloves business as well as transportation and logistics business besides obtaining required working capital without incurring interest costs associated with bank borrowings or the issuance of debt instruments, thereby minimising any potential cash outflow arising from interest servicing costs.

The Proposed Rights Issue of Shares with Warrants would enable all Entitled Shareholders of the Company to participate in the fundraising exercise at an issue price of RM0.15 per Rights Share, which the Board deemed as attractive and would encourage higher subscription for the Proposed Rights Issue of Shares with Warrants nearer to the Maximum Scenario.

The Board also considered the following:

(i) the proceeds from the issuance of Rights Shares will improve the cash flow of the Group and their usage are expected to contribute positively to the Group's future earnings and improve its financial performance;

(ii) the issuance of new KTG Shares via the Proposed Rights Issue of Shares with Warrants will not dilute the existing shareholders' equity interests, assuming all Entitled Shareholders fully subscribe for their respective entitlements;

(iii) subscription to the Rights Shares provides an opportunity for the existing shareholders of KTG to increase their equity participation in the Company;

(iv) The Undertaking will enable the Company to raise the minimum required funds without incurring additional cost in the form of underwriting commission; and

(v) the Warrants to be issued will provide the shareholders of the Company with an attractive option to increase their equity participation in the Company at a pre-determined price during the tenure of the Warrants. In addition, proceeds from the exercise of the Warrants in the future will provide an additional source of funds to be used by the Group to fulfill its working capital requirements.

6. RISK FACTORS

The main risk factors relating to the Proposals include the following:

6.1 Business risks

The Proposed Diversifications would result in the diversification of the Group's core business to include manufacturing and trading of gloves and other PPE products as well as transportation and logistics services whereby the Group may face new challenges and risks arising from the new businesses in which the Group currently have no exposure in.

As the demand for gloves and certain PPE products are currently dependent on factors such as the severity of the COVID-19 pandemic and the commercial viability to make such a vaccine to the masses, the demand for gloves is still expected to be sustainable as demonstrated by the growth in demand pre-COVID-19. Moving forward, the demand for rubber gloves is expected to continue to be driven by the growth in the global and domestic healthcare industry, growth in the global economy and demand for gloves from emerging markets due to changes in healthcare requirements.

The Group may also be exposed to risks inherent to the gloves and medical supplies industry as well as transportation and logistics industry, in which the Group has no prior experience. These may include, among others, general economic downturn in the global and regional economies, competition from existing players, socio-political instability, changes in the legal and environmental framework within which the industry the respective business operates and changes in demand for the services and products as well as technological advancement which allows competitors that have more advanced technology to consistently deliver better services and products offerings.

The Group seeks to mitigate these risks by leveraging on the experience of its key management personnel. The Group will recruit personnel with relevant skills and experience to complement the existing management team when the need arises. However, there can be no assurance that the Proposed Diversifications will be successfully or for the anticipated benefits of the Proposed Diversifications to be realised.

6.2 No prior experience in the new business ventures

At present, the Group is principally involved in the ceramic, construction, property investment, property development and financial services segments. Given that the Group does not possess any prior experience in the gloves and PPE business as well as transportation and logistics business, the Group may be subjected to challenges and the risks arising therefrom.

In view thereof, the Group will tap into the knowledge and experience of Francis Ho to operate the Glove Production Plant at the initial stage as well the Executive Directors of the Company namely, Sim Chiun Wee, Tan Yip Jiun and Peter Yap to oversee the Group's gloves and other PPE business, as well as transportation and logistics business. However, there can be no assurance that the Group's new business ventures will be successful.

6.3 Dependence on contractor for commissioning of the Glove Production Plant

The Group's commissioning of the Glove Production Plant as well as the initial stage of its operation will depend largely on the abilities, skills, competency and network of Francis Ho (the Group's turnkey project partner). Any loss of his services will disrupt the Group's Glove Production Plant, unless replaced in a timely manner by another contractor with comparable experience and capabilities to undertake the scope of work similar to Howellcare to complete and commission the Glove Production Plant.

6.4 Competition risk

Being a new entrant into the glove and medical supplies industry as well as transportation and logistics industry, the Group will face competition from, among others, existing companies in the respective industries. The Group may also be disadvantaged as a new entrant as it lacks the relevant track record compared to the existing companies which may enjoy the privilege of their established brand names and entrenched reputation in the industries as well as wider range of products compared to the Group. Other existing companies in the industries may have longer operating histories, larger customer base, greater economies of scale and greater financial, advancement in technological equipment, marketing capabilities and industry network.

In order to remain competitive, the Board intends to develop the Group's customer base through its partners, namely Howellcare, LCEL and the network of its Executive Directors and will monitor the latest developments and opportunities in the Group's new business ventures. However, there is no assurance that the Group will be able to compete against current and future competitors or that competitive pressure will not materially and adversely affect the business, operations, results or financial condition of the Group.

6.5 Delay or termination of contract

The Proposed Diversification into Manufacturing and Trading of Gloves and other PPE is dependent on the Turnkey Agreement for its initial operations. As with any other agreements, the Turnkey Agreement is subject to termination as set out in the agreement in the event of breach or default of the parties. The performance of the obligations may also be delayed by its counterparts due to reasons beyond the control of the Group such as delay in obtaining the necessary approvals from the relevant authorities, unavailability of labour, unavailability of machines, parts and raw materials in adequate amounts for the Glove Production Plant.

The Group intends to closely monitor the implementation of the Turnkey Agreement, seeks to limit such risk and take all reasonable steps to comply with the relevant terms and conditions so as to ensure that the potential benefits arising therefrom will materialise.

6.6 Risk of obsolescence of Glove Production Plant

The Group's Glove Production Plant and its equipment may become obsolete due to the development of more advanced equipment or enhanced technologies that increase productivity as well as enhance reliability and efficiency. The cost of replacing equipment and systems with new technologies may be significant and the Group may not be able to upgrade its Glove Production Plant on a cost-effective basis and in a timely manner due to, among others, increased expenses to the Group that cannot be passed on to its customers or insufficient resources to fund the necessary capital expenditures.

Any obsolescence of the Group's Glove Production Plant and its equipment or its inability to upgrade the equipment and system would likely reduce its competitiveness and affect its revenues from glove manufacturing and trading business segment, which could have a material adverse effect on the Group.

The Group will keep abreast with latest technology developments and assess the economic viability of adopting the latest technology in phases based on business growth and the requirements of its customers. The Group will also adopt a repair and preventive maintenance program to maintain system reliability and availability over the long term.

6.7 Fluctuations in raw material prices

The primary raw material used in the manufacturing of gloves is latex. The price of latex may fluctuate according to, amongst others, market supply and demand conditions. The supply of raw materials may be affected by external factors such as the COVID-19 pandemic, shortage of labor supply, delivery delays or other disruptions on a significant scale. The Group may not be able to fully pass the higher cost of raw materials to its customers as this could affect the Group's margins or alternatively, if the increase in cost is passed on the customers, the Group's price competitiveness may suffer. As such, no assurance can be given that any significant changes to the prices of raw materials will not adversely affect future profitability of the Group.

The Group may source for raw materials from alternative sources to ensure timely supply at competitive prices. However, manufacturers with strong financial stability are able to hold stocks of raw materials to cushion against price fluctuations.

6.8 Disruptions to manufacturing facilities

The Group's present and future business operations in the manufacturing of ceramic pots and planters as well as gloves and other PPE, are dependent on its manufacturing facilities running smoothly and efficiently. These glove and other PPE manufacturing activities will be supported by automated production lines and equipment. While there will be regular maintenance and routine servicing of the production lines, these machineries and equipment may, on occasion, be out of service as a result of unanticipated failures or damages sustained during operations. In addition, the Group's present and future business operations and/or its customers' operations may be subject to interruption and/or suspension pursuant to MCO and restriction imposed by the Government for containment measures of the COVID-19 pandemic. Any prolonged interruptions to the Group's business operations will affect its production schedules and may affect the timely delivery of its products to its customers, which would have an adverse impact on the Group's business, financial performance and conditions, as well as future prospects.

6.9 Unexpected fleet breakdown and accidents

The breakdown of its fleet and the occurrence of accidents may result in down-time and substantial cost being incurred. Although the Group have insured its fleet for damage repair works caused by accidents and certain unforeseeable events, earnings may still be affected should there be prolonged delays in repair works.

However, as the Group's existing fleet owned by Line Haul is reasonably well maintained and managed, such unexpected repair costs and downtime should be minimal. In addition, continuous preventive maintenance conducted on the fleet with addition attention to performance and safety will assist the Group in reducing the occurrence of unexpected repair costs due to breakdown or accidents.

6.10 Fluctuation in shipping rates

The transportation and logistics industry has traditionally experienced fluctuations in cost for the line-haul, pickup and delivery and terminal-handling which are in turn dependent on the demand for and supply of shipping capacity. These fluctuations may contribute to the volatility of the Group's financial performance where a decrease in demand for shipping services or an increase in supply of shipping capacity may result in adverse impact on the financial performance of the Group.

The demand for shipping services would depend on factors such as consumption of goods and services, spending patterns, trade activities, seasonal and weather conditions and political uncertainties. The supply factors would include the total number of fleet units in operating condition.

The Group seek to limit this risk through implementation of prudent business strategies and maintaining good working relationships with customers. However, there can be no assurance that fluctuations in shipping rates would not have any material adverse impact on the Group's business.

6.11 Credit risk

Credit risks arising from adverse changes in the credit quality and recoverability of loan and amounts due from counterparties are inherent in the Group's financial services segment.

Credit risks could arise from deterioration in the credit quality of specific counterparties of the Group, from a general deterioration in local or global economic conditions or from systemic risks within the financial systems, all of which could affect the recoverability and value of the business' assets and require an increase in the business' provisions for impairment of the assets and other credit exposures. The Group's financial services segment has in place, risk management policies including a risk of financial exposure of its business as well as vetting through prospective clients.

The Group controls credit risk by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to clients with high credit worthiness. However, there can be no assurance that Group's efforts and risks managing policies will be sufficient in mitigating credit risks that may arise.

6.12 Financing risk

The Group may require further funding for its trading of gloves and other PPE businesses as well as transportation and logistics business and such further funding may be derived from internally-generated funds and/or future equity or debt fundraising exercises as well as the Group's existing cash balance. If the Group raises funds from the debt market, it will be subject to interest rate fluctuation and incur fixed interest expense, and the Group shall be obligated to repay investors as and when the repayment is due. No assurance can be given that the Group will be able to repay all of its borrowings and service all its finance cost in the future, as the Group's ability to make such payments depends on its ability to generate sufficient cash in the future, which is subject to many factors beyond the control of the Group. The Group will actively review its debt position taking into consideration the level and nature of borrowings and seek to adopt appropriate cost-effective financing options.

6.13 Dependence on key personnel

The Group's involvement in the new business segments is highly dependent on the abilities, skills and experiences of Sim Chiun Wee, Tan Yip Jiun and Peter Yap as set out in **Sections 2 and 3.2** of Part A of this Circular, respectively. If any of the key personnel decides to leave the Group without suitable and timely replacement, or the Group is unable to attract other qualified personnel to spearhead and/or oversee the Group's new business segments, this could adversely affect the Group's new business segments and consequently, the Group's revenue and profitability. The Group will use its best endeavour to reduce dependency on particular key personnel by attracting qualified and experienced employees and addressing succession planning by grooming junior employees to complement the management team as well as to ensure continuity and competency of the management team.

6.14 Dependence on permits, licences and/or approvals

Prior to the commencement of the operation of the Glove Production Plant, the Group requires the following approvals:

Item	Authorities/government agencies	Approvals
(a)	Local municipal council	(1) Business licence (to manufacture) (2) Development order (3) Certificate of completion and compliance (CCC)
(b)	Royal Malaysian Customs Department	Sales and service tax (SST) (to sell)
(c)	Malaysian Rubber Board	Manufacturing, storing and export licence (to manufacture and sell)
(d)	Ministry of International Trade and Industry of Malaysia	Manufacturing licence (to manufacture and sell)
(e)	Ministry of Environment and Water / Department of Environment (DOE)	(1) Waste water treatment plant approval (to manufacture) (2) Chlorination scrubber system approval (3) Term of reference
(f)	Department of Occupational Safety and Health (DOSH)	(1) Boiler certificate and approval (2) Air compressor approval (3) Permit to install (4) Permit to operate (5) Equipment & machinery registration (JKJ105 & JKJ106)
(g)	Ministry of Health	Poison licence
(h)	Fire and Rescue Department	Approval letter/ certificate/ supporting letter (where applicable)

APPI intends to submit its first application to the local municipal council for approval of the development order of the Factory and its business licence tentatively by December 2021, after the relaxation of MCO in Malaysia. The submission of other applications to other respective authorities/regulatory bodies will depend on the stages of development of the Glove Production Plant during the period from December 2021 to November 2022.

Save as disclosed above, the Group does not anticipate requiring any other permits, licences and/or approvals from relevant authorities for the businesses relating to the Proposed Diversifications. In future, the Group may be required to obtain certain permits, licences and/or approvals if there are any changes in regulations.

The Group will seek to carefully plan and monitor developments with respect to regulations as well as to obtain all the necessary permits, licences, and/or approvals required from the relevant authorities. Failure to obtain relevant licences, permits and/or approvals, may have a material impact on the Group's ability to commence and continue operations in its business ventures and hence, may affect its profitability.

6.15 Regulatory, political, social and economic risks

The revenue contribution from the Group's new business ventures may also be affected by risks on the occurrence of force majeure events or circumstances which are beyond the control of the Group, for instances, natural disasters, lockdown, closure of international borders, economic risks (such as an economic downturn, slower global and domestic growth and inflation), ongoing trade and geopolitical tensions, commodity-related crisis, adverse developments in political and government policies in Malaysia and foreign markets, acts of war or terrorism, riots, expropriations and changes in political leadership.

The Group will continue to review its business development strategies in response to changes in political, social, economic and regulatory conditions but there can be no assurance that any of these changes will not materially affect the performance of the Group.

6.16 Investment and capital market risk

The market prices of the Rights Shares and Warrants are influenced by, among others, the prevailing market sentiments, the volatility of equity markets, the liquidity of KTG Shares, the outlook of the industries in which KTG Group operates, changes in regulatory requirements or market conditions, as well as the financial performance and fluctuations in KTG Group's operating results. In addition, the performance of the Malaysian share market (where KTG Shares are listed) is dependent on the economic and political conditions in Malaysia and overseas as well as external factors such as the performance of the world bourses and flows of foreign funds. In view of this, there can be no assurance that the Rights Shares and the Warrants will trade above their respective issue prices subsequent to their listings on the Main Market of Bursa Securities.

The Group will endeavour to improve its revenue and earnings thereby increasing the likelihood of a positive reflection in the market price of KTG Shares and Warrants.

6.17 Delay or failure to implement the Proposed Rights Issue of Shares with Warrants

The Proposed Rights Issue of Shares with Warrants is exposed to the risk that it may be delayed or not implemented due to the occurrence of force majeure events or circumstances which are beyond the control of the Company and Principal Adviser arising prior to the implementation of the Proposed Rights Issue of Shares with Warrants. Such events or circumstances include, epidemics or pandemics, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations and changes in political leadership. There can be no assurance that the abovementioned events will not occur and cause a delay or failure to implement the Proposed Rights Issue of Shares with Warrants.

Furthermore, KTG is required to have at least 100 Warrants holders holding not less than 100 Warrants each, pursuant to Paragraph 6.51 of the Listing Requirements. There is a risk that this requirement may not be met, resulting in the Warrants not being listed on the Main Market of Bursa Securities. If not implemented, all monies received from the Proposed Rights Issue of Shares with Warrants will be refunded without interest to the Entitled Shareholders/subscribers and/or their renouncee(s)/transferee(s) (if applicable).

If such monies are not repaid within 14 days after the Company becomes liable, the Company will repay such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the Securities Commission Malaysia in accordance with Section 243(2) of the Capital Markets and Services Act 2007.

In the event that the Rights Shares and/or new KTG Shares to be issued pursuant to the exercise of the Warrants have been allotted to the successful Entitled Shareholders/subscribers and/or their renouncee(s)/transferee(s) (if applicable) and the Proposed Rights Issue of Shares with Warrants is subsequently cancelled or terminated, a return of monies to the shareholders can only be achieved by way of cancellation of KTG's share capital as provided under the Act.

Such cancellation requires the approval of the shareholders of the Company by way of special resolution in a general meeting, consent of the creditors of the Company (where applicable) and may require the confirmation of the High Court of Malaya (where applicable). There can be no assurance that such monies can be returned within a short period of time or at all under such circumstances.

The Company has procured the Undertaking from ChipSengHeng in order to meet the Minimum Scenario. The successful implementation of the Proposed Rights Issue of Shares with Warrants is dependent on the fulfilment of the Undertaking from ChipSengHeng. In addition, the Company will endeavour to obtain the requisite approvals and take all reasonable and necessary steps to ensure completion of the Proposed Rights Issue of Shares with Warrants.

6.18 Potential dilution of existing shareholders' shareholdings

Entitled Shareholders who do not subscribe for their entitlements under the Proposed Rights Issue of Shares with Warrants will experience further such reductions as a result of the issuance of the Rights Shares and exercise of Warrants into new KTG Shares. Consequently, their proportionate entitlements to any dividends, rights, allotments and/or other distributions that the Company may declare, make or pay after completion of the Proposed Rights Issue of Shares with Warrants will correspondingly be diluted.

In order to attract the Entitled Shareholders to subscribe for the Proposed Rights Issue of Shares with Warrants and mitigate the risk of potential dilution of their shareholdings, the Board had fixed the issue price for the Rights Shares and exercise price of the Warrants at a discount to the TEAP as set out in **Section 4.1** of Part A of this Circular.

7. INDUSTRY OUTLOOK AND PROSPECTS

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the second quarter of 2020. Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (FMCO). For the second quarter as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.

On the sectoral front, double-digit growth was recorded across most economic sectors in the second quarter of 2021. The services sector expanded by 13.4% (1Q 2020: -2.3%). Growth was supported by a nascent recovery in consumerrelated activities in April and May 2021. This was, however, partially reversed by the re-imposition of restrictions on non-essential retail activities, dine-ins and inter-district and inter-state travel. Meanwhile, the information and communication subsector continued to benefit from rising demand for e-commerce and e-payment activity, as well as remote working and learning arrangements. Additionally, strong double-digit growth was recorded in the finance and insurance subsector, attributed to higher fee income, sustained loan and deposit growth, and higher net insurance premiums less claims.

Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the second quarter of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia's exports, particularly for electrical and electronics products, continued to remain robust.

Against this backdrop, for 2021, the Malaysian economy is projected to expand within the range of 3.0 – 4.0%, although the pace of recovery will be uneven across sectors. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spillovers from continued improvement in external demand. However, Malaysia's growth is expected to remain on a recovery path, supported by stronger external demand, faster progress in vaccination rate and the continued targeted policy support for households and businesses.

(Source: Quarterly Bulletin for the 2nd Quarter of 2021, Bank Negara Malaysia)

The Malaysian economy experienced the full impact of the COVID-19 pandemic in the second quarter of 2020, with the real gross domestic product ("**GDP**") contracting by 17.1%. The contraction was mainly attributed to the imposition of the movement control order to contain the pandemic. Though affecting all sectors in the economy, the move was necessary to flatten the COVID-19 curve and save lives. Hence, the Government has announced several stimulus packages totalling RM305 billion to support both households and businesses.

Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia's GDP is expected to contract by 4.5% in 2020 (2019: 4.3%), before rebounding between 6.5% – 7.5% in 2021. With the bold and swift measures undertaken, Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Although domestic demand is expected to remain soft throughout 2020, there are signs of recovery in the second half of the year, particularly in private consumption. On the supply side, all sectors are expected to contract, affected by the unprecedented crisis. Nevertheless, the pace of improvement gathered momentum in the third quarter, especially in the services and manufacturing sectors, with the resumption of economic activities.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

7.2 Overview and outlook of the ceramic flower pots and planter industry in Malaysia

The ceramic flower pots and planter industry in Malaysia, as indicated by the industry revenue of ceramic and porcelain products, grew from RM437.4 million in 2016 to RM979.8 million in 2019, registering a robust compound annual growth rate ("**CAGR**") of 30.8%. However, in 2020, the ceramic flower pots and planter industry in Malaysia saw a significant fall of 24.0%, from RM979.8 million in 2019 to RM745.0 million in 2020. This was largely due to the MCO that was implemented in the year to curb the spreading of the COVID-19 pandemic, which restricted many businesses from operating, including the manufacturing of ceramic flower pots and planters.

Nevertheless, the ceramic flower pots and planter industry is expected to recover in 2021 and the following years as businesses, including ceramic flower pot and planter manufacturers, resume their business activities. Moving forward, PROVIDENCE estimates that the ceramic flower pots and planter industry in Malaysia will grow to RM878.2 million in 2021, and reach RM1.3 billion in 2023, registering a CAGR of 21.7% between 2021 and 2023.

The industry has been, and will continue to be, driven by the following factors:

(i) Increase in demand of residential and commercial properties which indicates new homes and offices that could require ceramic flower pots and planters

Ceramic flower pots and planters are typically used as decorative items in households as well as offices. As such, an increase in number of new residential and commercial properties will indicate growing demand for these products. New home owners and business owners would look for flower pots and planters to plant their plants in their newly purchased or rented property. Meanwhile, there is also a growing trend of ecological landscaping in new residential and commercial developments where plants and flowers are used to enhance architecture designs as it provides a multitude of benefits including providing cooling effects, increasing overall air quality and enhancing overall attractiveness. The rising ecological landscaping trend is also expected to create demand for ceramic flower pots and planters.

Overall, the residential property market in Malaysia have been increasing, as indicated by the number of transactions for residential properties, from 203,064 transactions in 2016 to 209,295 transactions in 2019. Meanwhile, the commercial property market in Malaysia, as indicated by number of transactions for commercial properties, also rose from 23,745 transactions in 2016 to 25,654 transactions in 2019. The number of transactions for residential and commercial properties fell in 2020 to 191,354 transactions and 20,255 transactions, respectively.

This was largely due to the COVID-19 pandemic which led to more cautious spending behaviour for property buyers and investors during the period. Nevertheless, the demand for residential and commercial properties is expected to recover in 2021 and the following years as it is expected to be supported by the various government initiatives that were announced such as lower overnight policy rates and the Home Ownership Campaign which increases affordability of residential properties as well as improves ability to obtain financing.

(ii) Growing trend of using household plants as interior decoration will support demand for ceramic flower pots and planters

Increasingly, home owners are beginning to adopt the use of household plants as interior decorations. This is because plants provide a multitude of benefits as it is not only visually attractive but also provides cooling effects and increases overall air quality. In addition, with the increasing property price per square foot in Malaysia, apartment sizes in Malaysia are becoming smaller in size so as to be able to be sold at prices that are affordable to the mass market. As residential properties are becoming smaller and there is no outdoor garden with soil to plant, home owners are beginning to create miniature indoor gardens or herb gardens in apartments, which are usually planted in pots. Therefore, the growing trend of using household plants as interior decoration will support the demand of ceramic flower pots and planters.

(iii) Gardening as a hobby will lead to an increase in demand for ceramic flower pots and planters

There is a rising trend of organically growing fruits and vegetables in homes, even in Malaysia. Consumers are increasingly sceptical of the planting methods of fruits and vegetables used by farmers and in line with increasing health awareness, the population is beginning to adopt gardening as a hobby as they can control the source of their fruits and vegetables. In addition, the COVID-19 pandemic resulted in the population spending an increased number of hours at their homes in light of the restrictions put in place by the Government of Malaysia to curb the spreading of the pandemic. These restrictions resulted in most companies adopting a work-from-home approach and educational facilities offering virtual classes to students.

The increased time spent at home has thus been expected to lead to more people indulging in gardening as a hobby to occupy their time and enhance their living spaces. As gardening becomes a more popular hobby, the ceramic flower pot and planter industry in Malaysia is expected to benefit as more flower pots and planters are required as vessels for plants.

(Source: IMR Report)

7.3 Overview and outlook of the loan market in Malaysia

In second quarter of 2021, net financing expanded by 4.4% on an annual basis (1Q 2021: 4.7%). Outstanding loan growth moderated to 3.6% (1Q 2021: 4.3%), while outstanding corporate bond growth increased to 6.9% (1Q 2021: 5.9%). Outstanding business loans recorded an annual growth of 1.3% as at end-2Q 2021 (1Q 2021: 1.6%) amid slower outstanding investment-related loan growth (2Q 2021: 0.4%, 1Q 2021: 1.1%). Meanwhile, outstanding working capital loan growth increased (2Q 2021: 1.6%, 1Q 2021: 1.4%) in line with higher working capital loan disbursements growth (2Q 2021: 31.1%, 1Q 2021: 18.1%) during the quarter. Total business loan disbursements increased from the previous quarter (2Q 2021: RM234.4 bn, 1Q 2021: RM228.1 bn).

Demand for business loans also increased but remained below 2017-19 average (RM82.2 bn, 1Q 2021: RM73.5 bn, 2017-19 quarterly average: RM87.8 bn), with the increase coming mainly from the SME segment. For households, outstanding loan growth moderated to 5.3% (1Q 2021: 6.0%) as repayments growth outpaced that of disbursements. The moderation in outstanding loan growth was observed across most loan purposes, with the exception of loans for the purchase of passenger cars. However, demand for household loans continued to be forthcoming (RM151.8 bn, 1Q 2021: RM139.9 bn; 2017-19 quarterly average: RM119.2 bn), particularly for the purchase of residential property.

(Source: Quarterly Bulletin for the 2nd Quarter of 2021, Bank Negara Malaysia)

In June 2021, net financing growth moderated to 4.3% (May: 4.8%), reflecting the decline in both outstanding loan growth (June: 3.4%, May: 3.9%) and outstanding corporate bond growth (June: 6.9%, May: 7.2%). Outstanding household loan growth moderated to 5.2% (May: 6.1%) as loan disbursements declined, mainly for the purchase of passenger cars, residential property and credit cards. However, outstanding business loan growth increased to 0.9% (May: 0.4%) reflecting stronger working capital loan growth (June: 1.6%, May: 0.4%).

(Source: Monthly Highlights and Statistics, June 2021, Bank Negara Malaysia)

7.4 Overview and outlook of the construction and property industry in Malaysia

In the second quarter of 2021, the construction sector registered a strong positive growth of 40.3% (1Q 2021: -10.4%). Growth was supported by the continuation of construction works in large infrastructure projects and on-going implementation of small-scale projects under the 2021 Budget, PEMERKASA and PEMERKASA+ stimulus packages. However, on a seasonally adjusted, quarter-on-quarter basis, construction growth declined by 3.2%. Activity was disrupted by the restrictions under Phase 1 of the Full Movement Control Order, where only essential construction projects were allowed to operate, albeit at a reduced capacity.

(Source: Quarterly Bulletin for the 2nd Quarter of 2021, Bank Negara Malaysia)

The construction sector contracted by 25.9% in the first half of 2020 and is expected to shrink by 11.8% in the second half of 2020 with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. However, civil engineering and specialised construction activities subsectors are expected to improve gradually, cushioned by various measures under the economic stimulus packages. Overall, for the year 2020, the sector is projected to contract by 18.7%.

The construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector will continue to be the main driver of the construction sector. Among the major infrastructure projects include Mass Rapid Transit 2 (MRT2), Light Rail Transit 3 (LRT3), West Coast Expressway (WCE) and Bayan Lepas Light Rail Transit (LRT) as well as Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase 1).

The residential subsector is anticipated to improve, supported by various measures taken by the Government to address the property overhang situation. Among the measures include the extension of Home Ownership Campaign (HOC), exemption of Real Property Gains Tax (RPGT), the introduction of Rent-to-Own (RTO) scheme as well as reduction of foreign ownership threshold. The performance of the non-residential subsector is expected to recover marginally, supported by on-going commercial projects, including Bukit Bintang City Centre, Cyberjaya City Centre, Forest City and Malaysia Vision Valley 2.0.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

7.5 Overview and outlook of the gloves and medical supplies industry in Malaysia

In Malaysia, the gloves and medical supplies industry can be measured in terms of sales of medical products. The gloves and medical supplies industry size grew from RM5.5 billion in 2015 to RM7.9 billion in 2019, registering a CAGR of 9.5%. Moving forward, PROVIDENCE forecasts the medical products industry to reach RM11.6 billion by 2022, registering a CAGR of 10.5% between 2020 and 2022.

The gloves and medical supplies industry in Malaysia is expected to continue growing in light of:

(i) Growing demand for gloves and medical supplies

The growing demand for healthcare products and services, including gloves and medical supplies, is attributed to chronic lifestyle diseases, a rapidly ageing population as well as outbreaks of infectious diseases.

The COVID-19 pandemic which began in December 2019 and is still ongoing, has created a surge in demand for critical medical products for diagnosis, treatment and prevention of the disease, such as diagnostic tests, hospital beds, ventilators, sterilisers and personal protective equipment such as surgical masks, gloves, goggles, face shields and gowns. Due to this pandemic, medical products manufacturers have had to ramp up manufacturing activities to meet the global shortage.

Malaysia is the world's largest producer and exporter of rubber gloves, contributing over 60.0% of the global supply. Rubber glove exports were valued at RM13.1 billion in 2015, increasing to RM17.4 billion in 2019. In 2020, the value of the rubber glove exports more than doubled its value in 2019 to RM35.3 billion in 2020, registering an annual growth of 102.87%. The significant increase in exports of rubber gloves in 2020 was primarily due to the COVID-19 pandemic, which has led to countries ramping up their usage of gloves and medical supplies as a measure to protect themselves from contracting the virus.

(ii) Favourable Government initiatives to boost the gloves and medical supplies industry

Malaysia is home to over 200 medical products manufacturers employing over 70,000 people. Various foreign companies have set up manufacturing facilities in Malaysia, due to the availability of supporting infrastructure and industries such as sterilisation services, sterile medical packaging, precision engineering, tool and die making, contract moulding and assembly, machinery fabrication, electronics manufacturing services, universities, research and training institutes as well as testing and accreditation bodies. Malaysian Investment Development Authority (MIDA) continues to promote foreign and domestic investments in the medical products industry. As at 2019, a total of 31 medical products projects with investments worth RM3.98 billion were implemented in Malaysia, creating more than 7,074 jobs. As the industry continues successfully attracting investments, this will positively affect the growth of the industry.

The Malaysian budget 2021 also entails the strengthening of the Ministry of Health's off-take agreement programme to enable Malaysia to become an investment destination for locally produced vaccines, medicines and medical devices. The increase in production of vaccines, medicines and medical devices will also give rise to demand for gloves and medical supplies, thus benefitting the industry.

(Source: IMR Report)

External demand for rubber gloves to remain favourable due to the continuous global spread of COVID-19, making it one of Malaysia's top three export products in October 2020. More than 70 per cent of the natural rubber was used by the rubber gloves industry at 76.1 per cent (36,901 tonnes). The highest exports of rubber gloves by Malaysian companies were to the United States of America with 28,000 tonnes, followed by Germany (6,523 tonnes) and United Kingdom (5,359 tonnes). Exports value increased by 17.2 per cent to RM4.43 billion as compared to RM3.78 billion in September 2020.

(Source: Malaysian Economic Statistics Review Vol. 8/ 2020)

7.6 Overview and outlook of the transportation and logistics industry in Malaysia

Between 2015 and 2019, the transportation and logistics industry in Malaysia, based on the revenue of local third-party logistics industry players, increased from RM98.1 billion to RM123.7 billion at a CAGR of 6.0%. In 2020, the transport and logistics industry in Malaysia was adversely impacted by the implementation of the MCO by the Government of Malaysia to curb the spreading of the COVID-19 pandemic in the country. As a result, the transport and logistics industry size fell by 26.4% to RM91.5 billion in 2020. PROVIDENCE projects the transport and logistics industry in Malaysia to recover in 2021 and record an estimated revenue of RM98.0 billion in 2021. PROVIDENCE forecasts that the transport and logistics industry in the country will reach RM116.7 billion in 2023, growing at a CAGR of 9.1% between 2021 and 2023.

The industry has been, and will continue to be, driven by the following factors:

(i) Growth of demand from the manufacturing sector will drive the demand for transport and logistics services

Transport and logistics are crucial to the manufacturing sector for the delivery and storage of various products, such as the food and beverages and pharmaceutical products.

To ensure food and pharmaceutical product safety and quality, all players in the supply chain, including transport and logistics service providers, need to adhere to strict operational practices. This minimises the risk of delivering expired or contaminated food and beverage, and pharmaceutical products to consumers. The manufacturing industry size increased, in terms of sales value, from RM664.3 billion in 2015 to RM1.3 trillion in 2020, at a CAGR of 18.3%. In 2020, some of the key products manufactured in Malaysia include food and beverages, petroleum and chemical based products as well as electrical and electronics products. The growth of demand from the manufacturing sector is expected to drive the demand for transport and logistics services in Malaysia.

(ii) The implementation of free trade agreements in Malaysia will have a positive effect on the country's transport and logistics services

International trade is an important contributor to Malaysia's economic growth and development, and as such, Malaysia's trade policy is to pursue efforts towards creating a more liberalising and fair global trading environment. While Malaysia continues to accord high priority to the rule-based multilateral trading system under the World Trade Organisation, Malaysia is also pursuing regional and bilateral trading arrangements to complement the multilateral approach to trade liberalisation.

Free trade agreements ("**FTA**") are generally aimed at providing the means to achieve quicker and higher levels of liberalisation that would create effective market access between the participants of the FTA. Traditionally confined to trade in goods, with the establishment of the World Trade Organisation, trade in services has been included in many FTAs. Malaysia's total export value stood at RM981.0 billion in 2020.

To date, Malaysia has implemented seven bilateral FTAs and seven regional FTAs. The seven bilateral FTAs are the Malaysia-Japan Economic Partnership Agreement, Malaysia-Pakistan Closer Economic Partnership Agreement, Malaysia-New Zealand Free Trade Agreement, Malaysia-India Comprehensive Economic Cooperation Agreement, Malaysia-Chile Free Trade Agreement, Malaysia-Australia Free Trade Agreement, and the Malaysia-Turkey Free Trade Agreement. The regional FTAs that have been implemented are the ASEAN-China FTA, ASEAN-Korea FTA, ASEAN-Japan Comprehensive Economic Partnership, ASEAN-Australia-New Zealand FTA, ASEAN-India FTA, ASEAN Trade in Goods Agreement and the Regional Comprehensive Economic Partnership.

Malaysia is still continuing efforts to increase trade through the implementation of additional FTAs. Further, Malaysia is also currently undertaking a FTA negotiation, namely Malaysia-European Free Trade Association Economic Partnership Agreement. These FTAs provide exporters in Malaysia with market access, cost savings from elimination or reduction of customs duties and from mutual recognition agreements, trade facilitating customs procedures and removal of onerous regulations. This will result in increased trade facilitation, which provides opportunities for exporters in Malaysia to increase the trading of goods, and thus, will have a positive effect on the transport and logistics services industry in Malaysia.

(iii) Rising number of e-commerce transactions resulting in a growing need for online delivery services

The e-commerce market size in Malaysia has been growing from RM195.1 billion in 2015 to an estimated RM409.6 billion in 2020 at a CAGR of 16.0%. E-commerce activities have been driven by the growing broadband penetration and proliferation of mobile devices, consumer lifestyle trends, rising income levels as well as favourable government initiatives. In February 2021, the Government launched MyDIGITAL, a national initiative which aims to transform Malaysia into a digitally-driven, high income and a regional leader in digital economy.

The Malaysia Digital Economy Blueprint maps out the strategies which will be undertaken in 3 phases (2021-2022, 2023-2025 and 2026-2030) to achieve the targeted outcomes of MyDIGITAL. The key thrusts in the Malaysia Digital Economy Blueprint pertaining to the cybersecurity and networking industries are:

(a) Build enabling digital infrastructure – providing access to extensive and high-quality digital infrastructure (such as broadband, data centres and cable landing stations) to better enable people, businesses and the Government to participate in the digital economy; and

(b) Build trusted, secure and ethical digital environment – creating a conducive environment for businesses and society to reap the benefits of digital services without compromising safety, data security, privacy, reliability and ethical standards.

The growing number of e-commerce transactions will contribute to the demand for transport and delivery services to ship these products to consumers, thus benefiting the transport and logistics industry in Malaysia.

(Source: IMR Report)

7.7 Future prospects of KTG Group

As at the LPD, KTG Group is principally involved in the ceramic, construction, property investment, property development and financial services segments. The Company had on 24 July 2020 obtained its shareholders' approval to diversify its business to include the moneylending business. The Board believes that KTG Group is able to grow its financial services business after considering the demand from individuals and businesses for financing from non-bank financial service providers for various purposes such as personal financing, business start-up and expansion, project financing and others. KTG Group intends to gradually develop its customer base through methods such as providing flexible financing schemes to cater for a broader range of customers and offering moneylending services to those with limited access to banks and financial institutions. As at 30 June 2021, MMAG Capital (the moneylending arm of KTG Group) has an existing loan base of approximately RM82.73 million. The Board believes that despite the current challenging economic environment in view of the COVID-19 pandemic and the outlook for the loan market in Malaysia, KTG Group will have opportunities to grow its financial services business which is expected to contribute positively to KTG Group's future earnings due to increase in demand for flexible financing by individuals and businesses from licensed moneylenders.

CSH Priority was incorporated on 25 March 2021 to engage in the business of providing hire purchase financing for commercial vehicles and machineries. The hire purchase business is part of KTG Group's efforts to expand its financial services segment. As at the LPD, CSH Priority has yet to commence its hire purchase business and will do so after obtaining membership from the Association of Hire Purchase Companies Malaysia, whereby the application was submitted on 12 May 2021 and is now pending approval. The hire purchase business will complement KTG Group's existing financial services with focus on extending its hire purchase facilities for commercial vehicles as well as industrial machineries and equipment. There are legitimate borrowers who may not have access to the types of loan facilities made available to those with collaterals recognised by licensed banks and other financial institutions due to stringent lending requirements imposed by such banks or other financial institutions. The hire purchase financing services of KTG Group targets to finance purchases of commercial vehicles and machineries for companies in logistics, trading or e-commerce, transportation, manufacturing, construction, engineering as well as food and beverages industries.

Looking at the increase in demand for gloves, in particular after the COVID-19 pandemic, Malaysia's glove companies are in a strong position and are expected to experience one of their best phases in terms of revenue growth. Over the years, Malaysia's major glove producers have been continuously enhancing production capacity to meet the rising global demand in gloves. Thus, the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE will allow KTG Group to venture into the industry as there is increasing demand for gloves and other PPE post COVID-19. If the global COVID-19 infection rates remain high, the global demand for gloves is expected to continue rising in the near term. Even after recovery from the COVID-19 pandemic, KTG Group anticipates that global demand for gloves will continue to be driven by growth in the global healthcare services industry, the global industrial production activities and other non-healthcare industries such as the food and beverages, transport, tourism and hospitality sectors.

Through the 2 NBR double former glove dipping production lines and the complementary ceramic hand former manufacturing business, KTG Group aims to reduce the cost of its glove manufacturing since KTG Group will also be producing its own ceramic glove hand formers. With the competitive pricing and quality end products, the Board envisages that the gloves business will be beneficial to KTG Group and the future expansion cost for the glove production lines will be lower. In addition, there are also many other players in other countries which are now venturing into glove manufacturing business and they will need to source for glove hand formers, the market for which KTG Group has the ability to tap into. KTG Group is optimistic that the additional revenue stream from the gloves business will be able to contribute positively to KTG Group's future earnings. Subject to the extent of demand for the gloves, KTG Group may from time to time re-assess the manufacturing capacity of its gloves business and expand its glove production lines.

The Proposed Diversification into Transportation and Logistics Business will provide an avenue for KTG Group to venture into the transportation and logistics business. This new business segment will further enhance KTG Group's prospects with the range of services provided and capabilities possessed by Line Haul. The Proposed Diversification into Transport and Logistics Business is expected to diversify KTG Group's revenue and earnings base and contribute positively to the earnings and net assets of KTG Group while reducing dependency on KTG Group's Existing Businesses. Besides, the pervasiveness of the e-commerce landscape in Malaysia, in particular after the MCO implemented by the Malaysian government, has led to flourishing demand for logistics services in particular the last-mile delivery. This has generated growth for the domestic transportation and logistics industry, particularly for those who supply vehicles to last-mile delivery service providers as well as demand for loans to automotive for commercial vehicles.

As the COVID-19 pandemic is still evolving, KTG Group will closely monitor the developments arising from the COVID-19 pandemic to ascertain the magnitude of the impact and has taken proactive measures to mitigate the impact such as adopting stricter cost control measures, improving asset utilisation and aligning KTG Group's cost structure with current production levels. KTG Group is confident that it will be able to navigate through these headwinds through the support of its ongoing initiatives.

After taking into consideration the outlook of the Malaysian economy, ceramic flower pots and planter industry, loan market, construction and property market, gloves and medical supplies industry as well as transportation and logistics industries in Malaysia as set out in **Sections 7.1 to 7.6** of Part A of this Circular, the favourable outlook for industries in which KTG Group intends to operate will provide opportunities to improve KTG Group's operations and financial performances in the future while reducing dependency on KTG Group's Existing Businesses.

(Source: The management of KTG)

7.8 Historical Financial Information of KTG Group

The summary of key financial information of KTG Group for FYEs 30 June 2018 to 30 June 2020, as well as the 9M FPE 31 March 2020 and 9M FPE 31 March 2021 are as follows:

	Audited			Unaudited	
	FYE 30 June 2018 (RM'000)	**FYE 30 June 2019 (RM'000)**	**FYE 30 June 2020 (RM'000)**	**9M FPE 31 March 2020 (RM'000)**	**9M FPE 31 March 2021 (RM'000)**
Revenue	9,483	9,374	8,848	5,656	8,473
Loss before tax	(5,851)	(6,778)	(4,957)	(5,311)	(1,943)
LAT	(5,690)	(6,797)	(5,024)	(5,322)	(2,107)
Shareholders' funds / NA	102,313	104,140	109,372	109,072	247,211
Share capital	77,247	108,581	118,841	118,841	259,014
Weighted average number of Shares in issue ('000)	188,996	200,400	230,570	229,817	274,003
No. of Shares in issue ('000)	198,607	213,845	232,845	232,845	544,577
NA per Share (RM)	0.52	0.49	0.47	0.47	0.45
Loss per KTG Share (sen)	(3.01)	(3.39)	(2.18)	(2.32)	(0.77)
Total borrowings	298	163	73	85	48
Gearing ratio (times)	Negligible	Negligible	Negligible	Negligible	Negligible
Current ratio (times)	21.22	6.19	5.33	5.94	6.66

(Source: KTG's annual reports and quarterly unaudited consolidated results for the financial years and periods under review)

Commentaries:

(I) FYE 30 June 2018 vs FYE 30 June 2017

KTG Group's revenue for the FYE 30 June 2018 decreased by RM4.36 million (or 31.50%) to RM9.48 million (FYE 30 June 2017: RM13.84 million) due to lower revenue derived from its construction segment by RM5.53 million (or 86.41%) to RM0.87 million (FYE 30 June 2017: RM6.40 million) as a result of the termination of the Johore and Kemaman projects in 2017 because of soft demand in the property market.

However, the decrease in revenue from its construction segment was partially offset by an increase in revenue from its ceramic segment by RM1.17 million (or 15.73%) to RM8.61 million (FYE 30 June 2017: RM7.44 million) as a result of higher orders from new customers.

KTG Group's LAT for the FYE 30 June 2018 improved by RM1.24 million (or 17.89%) to RM5.69 million (FYE 30 June 2017: LAT of RM6.93 million) mainly due to total operating expenses which decreased by RM2.86 million (or 22.29%) to RM9.97 million (FYE 30 June 2017: RM12.83 million). This is due to the absence of the previous year's professional fee of RM1.40 million as well as waiver of debts owing by a contract customer of RM2.19 million in FYE 30 June 2017, which was partially offset by stamp duty incurred for the transfer of property ownership of RM0.56 million in the FYE 30 June 2018.

(II) FYE 30 June 2019 vs FYE 30 June 2018

KTG Group's revenue for the FYE 30 June 2019 decreased by RM0.11 million (or 1.16%) to RM9.37 million (FYE 30 June 2018: RM9.48 million) due to lower revenue from its ceramic segment by RM1.07 million (or 12.43%) to RM7.54 million (FYE 30 June 2018: RM8.61 million) because of less orders from major customers.

However, the lower revenue from its ceramic segment was partially offset by higher revenue from its construction segment by RM0.96 million (or 110.34%) to RM1.83 million (FYE 30 June 2018: RM0.87 million) as a result of sales of inventory of completed properties.

KTG Group's LAT for the FYE 30 June 2019 increased by RM1.11 million (or 19.51%) to RM6.80 million (FYE 30 June 2018: LAT of RM5.69 million) mainly due to:

(i) lower revenue from its ceramic segment, as explained above;

(ii) higher total operating expenses by RM0.45 million (or 4.51%) to RM10.42 million (FYE 30 June 2018: RM9.97 million) mainly caused by higher staff costs and consultancy fee incurred for tendering of construction projects and infrastructure construction projects, with the expectation that successful tenders will improve its construction projects order book. However, KTG Group did not manage to secure any of the construction projects or infrastructure construction projects tendered for in the FYE 30 June 2019; and

(iii) higher finance costs by RM0.22 million (or 1,100.00%) to RM0.24 million (FYE 30 June 2018: RM0.02 million) due to interest implicit on financial assets measured at amortised costs of other receivables.

(III) FYE 30 June 2020 vs FYE 30 June 2019

KTG Group's revenue for the FYE 30 June 2020 decreased by RM0.52 million (or 5.55%) to RM8.85 million (FYE 30 June 2019: RM9.37 million) due to no revenue generated from its construction segment for the FYE 30 June 2020 (FYE 30 June 2019: RM1.83 million) as a result of absence of sales of inventory of completed properties. This was partially offset by:

(i) higher revenue from ceramic segment by RM0.72 million (or 9.55%) to RM8.26 million in FYE 30 June 2020 (FYE 30 June 2019: RM7.54 million) due to reclassification of revenue generated from packaging and transportation activities of RM1.16 million from other income to revenue; and

(ii) revenue generated from its financial services segment of RM0.59 million as KTG Group has commenced its moneylending business since 17 March 2020.

KTG Group's LAT for the FYE 30 June 2020 decreased by RM1.78 million (or 26.18%) to RM5.02 million (FYE 30 June 2019: LAT of RM6.80 million) mainly due to:

(i) higher revenue from its ceramic segment and revenue generated from its financial services segment, as explained above;

(ii) higher other income by RM0.69 million (31.80%) to RM2.86 million (FYE 30 June 2019: RM2.17 million), which mainly comprised of gain of RM0.50 million arising from the forfeiture of deposit paid resulting from the termination of shares sale agreement in relation to the disposal of the then wholly-owned subsidiary of KTG, Profit Sunland Sdn Bhd on 11 March 2020 and a gain of RM1.27 million arising from the termination of a lease-to-own agreement on 10 April 2020 between KTG and Smart Goldyear Sdn Bhd; and

(iii) lower finance cost by RM0.23 million (or 95.83%) to RM0.01 million (FYE 30 June 2019: RM0.24 million) mainly due to the absence of recognition of the previous year's interest expenses on long term receivables arising from the disposal of the then indirect wholly-owned subsidiary of KTG, Sama Restu Sdn Bhd on 28 June 2019.

(IV) 9M FPE 31 March 2021 vs 9M FPE 31 March 2020

KTG Group's revenue for the 9M FPE 31 March 2021 increased by RM2.81 million (or 49.65%) to RM8.47 million (9M FPE 31 March 2020: RM5.66 million) mainly due to:

(i) higher revenue contributed by its ceramic segment by RM1.29 million (or 22.91%) to RM6.92 million (9M FPE 31 March 2020: RM5.63 million) as a result of increased orders from major customers;

(ii) higher revenue contributed by its financial services segment by RM1.29 million (or 4,300%) to RM1.32 million (9M FPE 31 March 2020: RM0.03 million) as a result of higher interest income from the loans to the borrowers; and

(iii) revenue contributed from its transportation and logistics segment of RM0.23 million as KTG Group has commenced its transportation and logistics business since 26 March 2021.

KTG Group's LAT for the 9M FPE 31 March 2021 improved by RM3.21 million (or 60.34%) to RM2.11 million (9M FPE 31 March 2020: LAT of RM5.32 million) mainly due to:

(i) higher revenue from the ceramic segment, financial services segment and revenue from the transportation and logistics segment as explained above; and

(ii) lower total operating expenses by RM2.67 million (or 32.84%) to RM5.46 million (9M FPE 31 March 2020: RM8.13 million) mainly due to lower staff costs by RM1.85 million (or 41.86%) to RM2.57 million (9M FPE 31 March 2020: RM4.42 million) and absence of consultancy fees of RM0.80 million incurred in the 9M FPE 31 March 2020 for tendering of construction projects and infrastructure construction projects. KTG Group did not manage to secure any of the construction projects or infrastructure construction projects tendered for in the 9M FPE 31 March 2020.

7.9 Impact and value creation of the Proposals to KTG Group and its shareholders

The Board is of the view that the Proposed Diversifications are expected to contribute positively to the future earnings of KTG Group after considering the rationale for the Proposed Diversifications as well as having taken into account the outlook of the gloves and medical supplies industry, as well as transportation and logistics industry in Malaysia, as set out in **Sections 7.5 and 7.6** of Part A of this Circular.

The intended usage of proceeds of up to approximately RM99.97 million from the Proposed Rights Issue of Shares with Warrants to finance the gloves business (i.e., RM76.10 million) as well as transportation and logistics business (i.e., RM23.87 million) is expected to strengthen the Group's financial and operational viability. This should give rise to an expected improvement on the Group's financial performance, which in turn is expected to create value for the shareholders.

The Proposed Rights Issue of Shares with Warrants will enable existing shareholders to increase their equity participation in the Company on a pro-rata basis and based on pre-determined prices. The Proposed Rights Issue of Shares with Warrants will enable the Company to tap into the equity market to raise funds without incurring interest cost associated with bank borrowings. The increase in the number of KTG Shares may have a dilutive impact on the Group's EPS and shareholdings of the existing shareholders. However, such dilutive effect is expected to be mitigated as the proceeds from the Proposed Rights Issue of Shares with Warrants are expected to be used to fund the implementation of the Turnkey Agreement, the Proposed Diversifications as well as working capital for the Group to support its on-going business operations, any future business expansions and/or any future prospective business, project and/or acquisition to be undertaken or identified by KTG Group.

The Board believes that the use of proceeds from the Proposed Rights Issue of Shares with Warrants would improve the Group's operations, thereby having a positive impact on the earnings of the Group.

7.10 Adequacy of the Proposals in addressing KTG Group's financial concerns

Approval by the Company's shareholders for the KTG Group to undertake the Proposed Diversifications will enable KTG Group to grow its gloves and other PPE business as well as transportation and logistics business in accordance with the expectation that they can be significant contributors to its revenues and profits, to levels sufficient to reverse KTG Group's recent losses. The expectation is based on KTG Group's positive view of its prospects (as set out in **Section 7.7** of Part A of this Circular).

The Board is of the view that the Group's cash reserves would need to be supported by the proceeds to be raised from the Proposed Rights Issue of Shares with Warrants to fund the implementation of the Turnkey Agreement and Proposed Diversifications, its current operations and to meet its on-going cash flow obligations.

The successful implementation of the Proposed Rights Issue of Shares with Warrants will enable the Group to improve its financial position towards enhancing its financial performance as well as its shareholders' value. The Board will continuously evaluate the viability of other measures to ensure the sustainability of KTG Group's financial performance as well as various fund-raising avenues to meet its cash flow requirements in the medium to long term. The Board has also been taking various steps to improve the Group's financial conditions, as set out in **Section 7.11** of Part A of this Circular. Premised on the efforts to improve the financial position of the Group as set out above, the Board is of the view that the Proposals are in the best interest of the Group after considering all of the aspects of the Proposals and the Group's current financial requirements. The Board is of the view that the Proposals would adequately address the Group's financial concerns.

7.11 Steps taken or to be undertaken by the Group to improve its financial situation

Considering current economic and property market sentiments, KTG Group has been facing challenges in its Existing Businesses especially in the ceramic and construction segments. KTG Group has the following plans, some of which have been implemented, to improve its financial condition:

(i) KTG Group has taken asset rationalisation and business optimisation measures via the disposal and potential disposal of non-core or non-profit making assets (i.e., those which are not primary revenue or profit generating for KTG Group) to minimise its business risk and financial risk. One of these measures include the disposal of the entire equity interest of its wholly-owned subsidiary, Sama Restu Sdn Bhd, for a cash consideration of RM750,000 and settlement of principal indebtedness of Sama Restu Sdn Bhd (by purchasers) to KTG of RM6,500,000 which was completed on 28 June 2019.

KTG Group was previously in the final stages of a development agreement with the Ministry of Housing and Local Government through its then wholly-owned subsidiary, Klasik Ikhtiar Sdn Bhd for a PPAM project, which is a government-initiated housing development initiative to enable government servants to own houses. The progress of the PPAM project has been delayed beyond the Group's control as the initial development plans have been pending approval from the Ministry of Housing and Local Government since 2018. On 9 April 2021, KTG entered into a shares sale agreement with Green On Hill Sdn Bhd for the disposal of the entire issued share capital of Klasik Ikhtiar Sdn Bhd, comprising 1,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM100.

The disposal was undertaken as the potential benefits from the PPAM project may not materialise based on the initial planned timeframe with further delays as well as stemming further potential losses and/or any unwanted business risks and financing risks to the KTG Group as well as to refocus its resources to expand its Existing Businesses including ceramic, financial services, gloves, transportation and logistics segments which have shorter gestation period (as compared to the PPAM project which is expected to have longer gestation period and earnings recognition is subject to the status of completion of the PPAM project as well as progress billings to the buyers). The disposal was completed on 22 April 2021. KTG Group will seek to realise the values of its non-core assets and non-profit making assets, if necessary;

(ii) KTG Group intends to revise its marketing strategies and increase research and development initiatives for its ceramic segment to focus on product development with a view to develop high value lightweight planters to compete with synthetic planters. Due to the COVID-19 pandemic, KTG Group has put on hold its initiative to develop new planters and no cost has been incurred as at the LPD. In addition, it is also considering merging with or acquiring other industry players with the intention of consolidating the industry and emerge as a stronger and larger entity to overcome the current issues faced by the industry in meeting customers' and market demands, as well as competition from other regions and rising costs in determining its pricing policy. In view of the COVID-19 pandemic which has resulted in the rising demand for glove formers, KTG Group has recently started its plan to expand its ceramic products selection to include manufacturing of ceramic hand moulds, also known as ceramic glove hand formers, for use in gloves production. The ceramic glove hand formers are vital for the glove manufacturing process. KTG Group has allocated approximately RM2.0 million from its existing cash balance and internally-generated funds as initial cost for the manufacturing of ceramic hand moulds, which has yet to commence as at the LPD;

(iii) Even though KTG Group presently does not have any ongoing construction and property development projects, it will continue to explore other viable opportunities via joint venture or bidding for a suitable project to revive its construction and property development segments and to broaden its construction business to include infrastructure construction projects and/or undertaking a scaled down concept master plan based on the KTG Group's 2 pieces of vacant development land measuring approximately 497,335 square feet in Klebang, Melaka owned by Titanium Hallmark to source for viable options such as joint venture arrangement for the commercial development of the lands or dispose the lands together with the concept masterplan;

(iv) KTG Group is constantly seeking for new business opportunities to obtain additional income streams and to minimise KTG Group's dependency on its Existing Businesses. As part of its on-going efforts towards this end, KTG had on 24 July 2020 obtained its shareholders' approval to diversify its business to include the moneylending business which is expected to contribute positively to KTG Group's income stream. KTG Group intends to gradually develop its customer base through methods such as providing flexible financing schemes to cater for a broader range of customers and offering hire purchase to complement its financial services by offering financing to those with limited access to banks and financial institutions.

For its financial services, KTG Group plans to extend its moneylending services to, among others, investment holding companies, SMEs and start-up entrepreneurs of all business segments (without limitation to any specific industry) which it perceives to be under-served by licensed financial institutions and co-operatives for various purposes such as personal financing, working capital, investment, business start-up and expansion, project financing and others. The hire purchase business will complement KTG Group's existing financial services with focus on extending its hire purchase facilities to finance purchases of commercial vehicles and machineries for companies in logistics, trading or e-commerce, transportation, manufacturing, construction, engineering as well as food and beverages industries. As at the LPD, CSH Priority (the hire purchase arm of KTG Group) has yet to commence its hire purchase business and will do so after obtaining membership from the Association of Hire Purchase Companies Malaysia, whereby the application was submitted on 12 May 2021 and is now pending approval.

As at 30 June 2021, MMAG Capital (the moneylending arm of KTG Group) has an existing loan base of approximately RM82.73 million;

(v) On 17 March 2021, the Company completed the Private Placement of 84,087,000 placement shares and raised approximately RM17.32 million in proceeds mainly for the moneylending business, gloves business and working capital for KTG Group. The details of the proceeds raised are as disclosed in **Section 4.6** of Part A of this Circular;

(vi) On 18 March 2021, KTG entered into a shares sale agreement with LCV for the acquisition of 500,000 ordinary shares in Line Haul, representing the entire issued share capital of Line Haul for a total cash consideration of RM3.0 million. The acquisition was completed on 26 March 2021. Line Haul is principally engaged in the business of Middle Mile Logistics services providing and hub-to-hub deliveries services. Line Haul has commenced its business since October 2020 and currently it is in a strategic collaboration with a logistic and courier company, LCEL to provide hub-to-hub delivery services to LCEL;

(vii) On 22 March 2021, KTG entered into a shares sale agreement with LCV for the acquisition of 14,400,000 ordinary shares in LCEL, representing 15% of the equity interest in LCEL for a total cash consideration of RM22.0 million. The acquisition was completed on 21 April 2021. LCEL is principally engaged in the courier and logistic business, which provides services such as warehousing, fulfilment, Last Mile Logistics, customs clearance, e-commerce customised services and special/security handling delivery via air, sea and land freight;

(viii) On 26 March 2021, APPI entered into the Turnkey Agreement with Howellcare for Howellcare to plan, design, supply, install and commission the Glove Production Plant as well as provide services such as setting up and provide training to APPI's new operation team to run and manage the operation of Glove Production Plant as well as undertaking all the marketing and sale of the NBR gloves on behalf of APPI, for a contract price of RM39.80 million. The Board believes that the timely venture into the glove manufacturing business is expected to contribute positively to KTG Group's future earnings and improve KTG Group's financial position in near future; and

(ix) On 23 April 2021, the Company entered into a shares sale agreement with Nur Athirah Elany Binti Abdul Rahman to acquire 100,000 ordinary shares in CSH Solutions, representing the entire issued share capital of CSH Solutions for a total cash consideration of RM100,000. CSH Solutions is a joint owner of the PIPA system which have the exclusive rights to commercialise the PIPA system in the exclusive territories, namely Indonesia, Vietnam, Thailand, Singapore, Philippines, Malaysia, Laos, Myanmar, Cambodia, Brunei and Timor-Leste. The acquisition was completed on 28 April 2021.

In terms of the abovementioned steps, the Group will proactively assess current market conditions in light of the COVID-19 pandemic and to pursue more business leads for its business activities. The Board is of the opinion that KTG Group's efforts in expanding its business activities are expected to improve the financial position of KTG Group.

8. EFFECTS OF THE PROPOSALS

The Turnkey Agreement and the Proposed Diversifications will not have any effect on the issued share capital and substantial shareholders' shareholdings of KTG.

8.1 Share capital

The pro forma effects of the Proposed Rights Issue of Shares with Warrants on the share capital of the Company are as follows:

	Minimum Scenario		Maximum Scenario	
Share capital	**No. of Shares**	**RM**	**No. of Shares**	**RM**
Issued share capital as at the LPD	690,705,280	336,906,763	690,705,280	336,906,763
Issuance of Rights Shares	84,087,000	12,613,050*(1)*	690,705,280	103,605,792*(1)*
	774,792,280	349,519,813	1,381,410,560	440,512,555
Full exercise of Warrants	84,087,000	12,613,050*(2)*	690,705,280	103,605,792*(2)*
Enlarged share capital	**858,879,280**	**362,132,863**	**2,072,115,840**	**544,118,347**

Notes:
(1) Based on the issue price of RM0.15 per Rights Share.
(2) Based on the exercise price of RM0.15 per Warrant.

[The rest of this page has been intentionally left blank]

8.2 NA and gearing

The Turnkey Agreement and the Proposed Diversifications will not have any immediate material effect on the NA and gearing of the KTG Group for the FYE 30 June 2021. However, the expected profit contributions from the Turnkey Agreement, the gloves and other PPE business as well as transportation and logistics business will have a positive impact on KTG Group's NA once the potential benefits from such businesses materialise. Further, KTG Group's gearing may increase in the event that KTG Group obtains debt funding to finance the working capital for the said businesses. The pro forma effects of the Proposed Rights Issue of Shares with Warrants on the NA and gearing of the Group, based on its audited financial statements as at 30 June 2020, are as follows:

Minimum Scenario	**(Audited) As at 30 June 2020 (RM)**	**(I) After subsequent events up to the LPD (RM)**	**(II) After (I) and Proposed Rights Issue of Shares with Warrants (RM)**	**(III) After (II) and assuming full exercise of Warrants (RM)**
Share capital:				
- Ordinary shares	106,499,700	336,906,763(1)(2)(3)(4)(5)	349,519,813(8)	362,132,863(11)
- ICPS*	12,340,818	-(1)(2)(3)	-	-
Warrant reserve	1,003,710	-(4)(6)	9,754,092(9)	-(11)
Other reserve	-	-	(9,754,092)(9)	-(11)
Exchange translation reserve	227,684	227,684	227,684	227,684
Accumulated losses	(10,699,944)	(9,840,845)(6)(7)	(10,554,845)(10)	(10,554,845)
Shareholders' funds/ NA	**109,371,968**	**327,293,602**	**339,192,652**	**351,805,702**
No. of KTG Shares	232,844,600	690,705,280	774,792,280	858,879,280
NA per KTG Share (RM)	0.47	0.47	0.44	0.41
Total borrowings (RM)	72,797	72,797	72,797	72,797
Gearing (times)	Negligible	Negligible	Negligible	Negligible

Notes:

* *Irredeemable convertible preference shares ("**ICPS**").*

(1) *After the conversion of 371,748,400 ICPS into 371,748,400 KTG Shares at the conversion ratio of 1 ICPS together with RM0.54 cash, for every 1 KTG Share at RM0.60 each between 4 January 2021 and 6 April 2021, and after crediting ordinary share capital for the corresponding reversal of ICPS.*

(2) *After the conversion of 1,430,000 ICPS into 143,000 KTG Shares at the conversion ratio of 10 ICPS for every 1 KTG Share at RM0.60 each between 24 March 2021 and 30 March 2021, and after crediting ordinary share capital for the corresponding reversal of ICPS.*

(3) *After the conversion of 18,819,800 ICPS into 1,881,980 KTG Shares at the conversion ratio of 10 ICPS for every 1 KTG Share at RM0.60 each upon maturity of the ICPS on 7 April 2021, and after crediting ordinary share capital for the corresponding reversal of ICPS.*

(4) *After the exercise of 300 warrants into 300 KTG Shares at the exercise price of RM0.60 each on 6 April 2021, and after crediting ordinary share capital for the corresponding reversal of warrant reserve.*

(5) *After the issuance of 84,087,000 KTG Shares at an issue price of RM0.2060 each pursuant to the Private Placement on 15 March 2021.*

(6) *After the reversal of warrant reserve due to maturity of warrants on 7 April 2021.*

(7) *After deducting actual expenses of RM144,604 in relation to the Private Placement.*

(8) *Based on the issue price of RM0.15 per Rights Share.*

(9) *Computed based on the issuance of 84,087,000 Warrants with each Warrant assumed to have a fair value of RM0.1160 based on the Black-Scholes Options Pricing Model.*

(10) *After deducting estimated expenses of RM714,000 for the Proposals.*

(11) *Based on the exercise price of RM0.15 per Warrant.*

<u>Maximum Scenario</u>	**(Audited) As at 30 June 2020 (RM)**	**(I) After subsequent events up to the LPD (RM)**	**(II) After (I) and Proposed Rights Issue of Shares with Warrants (RM)**	**(III) After (II) and assuming full exercise of Warrants (RM)**
Share capital:				
- Ordinary shares	106,499,700	336,906,763(1)(2)(3)(4)(5)	440,512,555(8)	544,118,347(11)
- ICPS	12,340,818	-(1)(2)(3)	-	-
Warrant reserve	1,003,710	-(4)(6)	79,016,684(9)	-(11)
Other reserve	-	-	(79,016,684)(9)	-(11)
Exchange translation reserve	227,684	227,684	227,684	227,684
Accumulated losses	(10,699,944)	(9,840,845)(6)(7)	(10,554,845)(10)	(10,554,845)
Shareholders' funds/ NA	**109,371,968**	**327,293,602**	**430,185,394**	**533,791,186**
No. of KTG Shares	232,844,600	690,705,280	1,381,410,560	2,072,115,840
NA per KTG Share (RM)	0.47	0.47	0.31	0.26
Total borrowings (RM)	72,797	72,797	72,797	72,797
Gearing (times)	Negligible	Negligible	Negligible	Negligible

Notes:

(1) *After the conversion of 371,748,400 ICPS into 371,748,400 KTG Shares at the conversion ratio of 1 ICPS together with RM0.54 cash, for every 1 KTG Share at RM0.60 each between 4 January 2021 and 6 April 2021, and after crediting ordinary share capital for the corresponding reversal of ICPS.*

(2) *After the conversion of 1,430,000 ICPS into 143,000 KTG Shares at the conversion ratio of 10 ICPS for every 1 KTG Share at RM0.60 each between 24 March 2021 and 30 March 2021, and after crediting ordinary share capital for the corresponding reversal of ICPS.*

(3) *After the conversion of 18,819,800 ICPS into 1,881,980 KTG Shares at the conversion ratio of 10 ICPS for every 1 KTG Share at RM0.60 each upon maturity of the ICPS on 7 April 2021, and after crediting ordinary share capital for the corresponding reversal of ICPS.*

(4) *After the exercise of 300 warrants into 300 KTG Shares at the exercise price of RM0.60 each on 6 April 2021, and after crediting ordinary share capital for the corresponding reversal of warrant reserve.*

(5) *After the issuance of 84,087,000 KTG Shares at an issue price of RM0.2060 each pursuant to the Private Placement on 15 March 2021.*

(6) *After the reversal of warrant reserve due to maturity of warrants on 7 April 2021.*

(7) *After deducting actual expenses of RM144,604 in relation to the Private Placement.*

(8) *Based on the issue price of RM0.15 per Rights Share.*

(9) *Computed based on the issuance of 690,705,280 Warrants with each Warrant assumed to have a fair value of RM0.1144 based on the Black-Scholes Options Pricing Model.*

(10) *After deducting estimated expenses of RM714,000 for the Proposals.*

(11) *Based on the exercise price of RM0.15 per Warrant.*

8.3 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Rights Issue of Shares with Warrants on the Company's substantial shareholders' shareholdings in KTG as at the LPD are as follows:

Minimum Scenario	**As at the LPD**				**(I) After Proposed Rights Issue of Shares with Warrants**				**(II) Assuming full exercise of Warrants**			
	Direct		**Indirect**		**Direct**		**Indirect**		**Direct**		**Indirect**	
	No. of Shares	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
ChipSengHeng	84,087,000	12.17	-	-	168,174,000	21.71	-	-	252,261,000	29.37	-	-
Tan Yip Jiun(1)	-	-	84,087,000	12.17	-	-	168,174,000	21.71	-	-	252,261,000	29.37
Tan Yow Hua(1)	-	-	84,087,000	12.17	-	-	168,174,000	21.71	-	-	252,261,000	29.37
MMAG Holdings	35,000,000	5.07	-	-	35,000,000	4.52	-	-	35,000,000	4.08	-	-
Chan Swee Ying(2)	-	-	35,000,000	5.07	-	-	35,000,000	4.52	-	-	35,000,000	4.08

Notes:
(1) Deemed interested by virtue of their shareholding in ChipSengHeng pursuant to Section 8 of the Act.
(2) Deemed interested by virtue of her shareholding in MMAG Holdings pursuant to Section 8 of the Act.

Maximum Scenario	**As at the LPD**				**(I) After Proposed Rights Issue of Shares with Warrants**				**(II) Assuming full exercise of Warrants**			
	Direct		**Indirect**		**Direct**		**Indirect**		**Direct**		**Indirect**	
	No. of Shares	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
ChipSengHeng	84,087,000	12.17	-	-	168,174,000	12.17	-	-	252,261,000	12.17	-	-
Tan Yip Jiun(1)	-	-	84,087,000	12.17	-	-	168,174,000	12.17	-	-	252,261,000	12.17
Tan Yow Hua(1)	-	-	84,087,000	12.17	-	-	168,174,000	12.17	-	-	252,261,000	12.17
MMAG Holdings	35,000,000	5.07	-	-	70,000,000	5.07	-	-	105,000,000	5.07	-	-
Chan Swee Ying(2)	-	-	35,000,000	5.07	-	-	70,000,000	5.07	-	-	105,000,000	5.07

Notes:
(1) Deemed interested by virtue of their shareholding in ChipSengHeng pursuant to Section 8 of the Act.
(2) Deemed interested by virtue of her shareholding in MMAG Holdings pursuant to Section 8 of the Act.

8.4 Earnings and EPS

The Turnkey Agreement and Proposed Diversifications will not have any immediate material effect on the earnings and EPS of KTG. However, the gloves and other PPE business as well as transportation and logistics business are expected to contribute positively to the Group's future earnings.

The Proposed Rights Issue of Shares with Warrants is not expected to have an immediate material effect on the consolidated earnings and EPS of KTG Group for the financial year ending 30 June 2021 as the proceeds to be raised are expected to be used over a period of 36 months from the date of the listing of the Rights Shares and Warrants. The usage of proceeds to be raised from the Proposed Rights Issue of Shares with Warrants is expected to contribute positively to the future earnings of the Group.

The EPS of the Group will be diluted as a result of the increase in the number of issued KTG Shares arising from the issuance of the Rights Shares and exercise of the Warrants in the future. The effects of any exercise of Warrants on the consolidated EPS of the Group would depend on number of Warrants exercised as well as the returns generated by the Group from the use of proceeds arising from the exercise of Warrants.

8.5 Convertible securities

On 7 April 2021, the following convertible securities of the Company have expired and/or matured:

(i) 5-year warrants 2016/2021, with an exercise price of RM0.60 each, as constituted by a deed poll dated 7 March 2016; and

(ii) irredeemable convertible preference shares ("**ICPS**") convertible into KTG Shares at the conversion ratio of (a) 1 ICPS together with RM0.54 cash, for every 1 new KTG Share or (b) 10 ICPS, for every 1 new KTG Share.

As at the LPD, the Company does not have any outstanding convertible securities.

9. HISTORICAL PRICES OF KTG SHARES

The monthly highest and lowest transacted prices of KTG Shares for the past 12 months are as follows:

	Highest (RM)	**Lowest (RM)**
2020		
August	0.355	0.205
September	0.395	0.250
October	0.315	0.240
November	0.315	0.245
December	0.340	0.280
2021		
January	0.305	0.205
February	0.250	0.200
March	0.325	0.200
April	0.290	0.230
May	0.235	0.170
June	0.195	0.150
July	0.175	0.145

The last transacted market price of KTG Shares on 28 April 2021 (being the last trading date prior to the announcement of the Proposed Rights Issue of Shares With Warrants) was RM0.245.

The last transacted market price of KTG Shares on 30 July 2021 (being the LPD) was RM0.150.

(Source: Bloomberg Finance L.P.)

10. APPROVALS REQUIRED

The Proposals require approvals from:

(i) Bursa Securities, for the following:

(a) listing of and quotation for up to 690,705,280 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares with Warrants;

(b) admission to the Official List and the listing of and quotation for up to 690,705,280 Warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants; and

(c) listing of and quotation for up to 690,705,280 new KTG Shares to be issued pursuant to the exercise of the Warrants;

on the Main Market of Bursa Securities;

(ii) the shareholders of the Company, for the Proposals at an EGM to be convened. The highest percentage ratio applicable for the Turnkey Agreement is 36.39%, pursuant to Paragraph 10.02(g) of the Listing Requirements, derived from the Contract Price of RM39.80 million compared against the audited NA of the Group for the FYE 30 June 2020 of approximately RM109.37 million; and

(iii) Securities Commission Malaysia, for the registration of the abridged prospectus in relation to the Proposed Rights Issue of Shares with Warrants.

The approval of Bursa Securities, which was obtained on 2 August 2021, is subject to the following conditions:

	Conditions imposed	**Status of compliance**
(a)	KTG and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue of Shares with Warrants.	To be complied
(b)	KTG and TA Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue of Shares with Warrants.	To be complied
(c)	KTG and TA Securities to furnish Bursa Securities with a written confirmation of KTG's compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue of Shares with Warrants is completed.	To be complied
(d)	KTG is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants under the Proposed Rights Issue of Shares with Warrants as at the end of each quarter.	To be complied

11. CONDITIONALITY OF THE PROPOSALS

There is no inter-conditionality between the Proposals save for the following:

(i) The Turnkey Agreement and the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE are inter-conditional; and

(ii) The Proposed Rights Issue of Shares with Warrants is conditional upon the Turnkey Agreement and the Proposed Diversifications, but not vice versa.

For information purposes, KTG Group will finance the Turnkey Agreement, its gloves business as well as its transportation and logistics businesses through a combination of its existing cash balance, internally-generated funds, bank borrowings and/or future fundraising exercises in the event that the Proposed Rights Issue with Warrants is not approved by the shareholders of KTG at the forthcoming EGM.

The Board confirms that there is no corporate proposal which the Company has announced but not yet completed prior to the printing of this Circular, other than the Proposals.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED

None of KTG's Directors, major shareholders, chief executive and persons connected with them has any interest, direct or indirect, in the Proposals, save for their respective entitlements as the shareholders of the Company under the Proposed Rights Issue of Shares with Warrants, for which all the existing shareholders of the Company are entitled to, including the right to apply for additional Rights Shares with Warrants as excess application.

13. RECOMMENDATION AND BASIS OF RECOMMENDATION

After having considered all aspects of the Proposals including their rationale, risks and effects, the Board is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board recommends that shareholders vote **in favour** of the resolutions in respect of the Proposals to be tabled at the forthcoming EGM.

14. TIMEFRAME FOR COMPLETION / IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Rights Issue of Shares with Warrants to be completed in the 1st quarter of 2022.

Tentative date	**Events**
22 September 2021	EGM.
End November 2021	Announcement of Entitlement Date for the Proposed Rights Issue of Shares with Warrants.
Mid December 2021	Books closure date for the Proposed Rights Issue of Shares with Warrants.
Mid December 2021	Despatch of abridged prospectus, notices of provisional allotment and rights subscription forms.
Early January 2022	Closing date of acceptance of the Rights Shares with Warrants as well as applications for excess Rights Shares with Warrants pursuant to the Proposed Rights Issue of Shares with Warrants.
End January 2022	Listing of and quotation for the Rights Shares with Warrants.
	Completion of the Proposed Rights Issue of Shares with Warrants.

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Turnkey Agreement to be completed by November 2022.

15. EGM

The EGM, the notice of which is set out in this Circular, will be conducted on a fully virtual basis through live streaming and online remote voting via the remote participation and electronic voting ("**RPEV**") facilities via Vote2U at https://web.vote2u.my (Domain Registration No. with MYNIC - D6A471702) provided by Agmo Digital Solutions Sdn Bhd in Malaysia on Wednesday, 22 September 2021 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions to give effect to the Proposals. Please follow the procedures provided in the Administrative Guide for the EGM in order to register, participate and vote remotely via the RPEV facilities.

Shareholders are encouraged to participate and vote at the EGM using RPEV facilities. If shareholders are not able to participate and vote in the online EGM, shareholders may complete the Form of Proxy and deposit it at the office of the Company's Share Registrar, Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, or via electronic means through email to mega-sharereg@megacorp.com.my or via facsimile at 03-2732 5388 not less than 48 hours before the time fixed for the EGM or at any adjournment thereof.

The lodging of the Form of Proxy will not preclude shareholders from attending and voting via RPEV at the EGM should shareholders subsequently wish to do so.

16. FURTHER INFORMATION

The shareholders of KTG are advised to refer to the Appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
KTG BERHAD

TAN YIP JIUN
EXECUTIVE DIRECTOR

PART B

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED CHANGE OF NAME

KTG BERHAD
(Registration No. 200001002113 (504718-U))
(Incorporated in Malaysia)

Registered Office:

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan

23 August 2021

Board of Directors

Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Chairman/ Independent Non-Executive Director)*
Sim Chiun Wee *(Executive Director)*
Tan Yip Jiun *(Executive Director)*
Peter Yap *(Executive Director)*
Chan Pak Keong *(Executive Director)*
Kenny Khow Chuan Wah *(Executive Director)*
Lim Peng Tong *(Independent Non-Executive Director)*
Ng Keok Chai *(Independent Non-Executive Director)*

To: Shareholders of KTG

Dear Shareholders,

PROPOSED CHANGE OF NAME

---

1. INTRODUCTION

The Board had on 18 August 2021 announced that the Company proposed to change its name from "KTG Berhad" to "CSH Alliance Berhad".

The purpose of Part B of this Circular is to provide the shareholders of KTG with the details of the Proposed Change of Name, and to seek shareholders' approval in respect of the Special Resolution pertaining to the Proposed Change of Name to be tabled at the forthcoming EGM of the Company, or any adjournment thereof. The Notice of EGM, together with the Form of Proxy, are enclosed herewith in this Circular.

ACCORDINGLY, SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF PART B OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED CHANGE OF NAME AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED CHANGE OF NAME

The proposed name "CSH Alliance Berhad" was approved and reserved by the Companies Commission of Malaysia ("**CCM**") on 18 August 2021 for a period of thirty (30) days from 18 August 2021. The reservation of the proposed name was extended to 14 February 2022.

The Proposed Change of Name, if approved by the shareholders, will be effective from the date of issuance of the Notice of Registration of New Name to be issued by the CCM to the Company.

3. RATIONALE FOR THE PROPOSED CHANGE OF NAME

The acronym "CSH" stands for "Commitment, Synergy, and Humanity" and reflects the Company's commitment in its undertakings while creating strategic synergies within the Group's existing businesses and future businesses with an emphasis on humanity.

The Proposed Change of Name will better reflect the Group's pivotal direction to realign and focus on businesses with sustainable long-term prospects, to enhance the Company's corporate image and to expand the Group's product and service offerings.

4. EFFECTS OF THE PROPOSED CHANGE OF NAME

The Proposed Change of Name will not have any effect on the issued share capital, net assets, earnings per share, gearing, and substantial shareholders' shareholdings of the Company.

5. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED

None of the Directors, major shareholders of the Company, Chief Executive and persons connected with them has any interest, direct or indirect, in the Proposed Change of Name.

6. APPROVAL REQUIRED

The Proposed Change of Name is subject to and conditional upon approval being obtained from the Company's shareholders at the forthcoming EGM to be convened and any other relevant authorities and/or parties, if required.

7. RECOMMENDATION AND BASIS OF RECOMMENDATION

The Board, having considered all aspects of the Proposed Change of Name, including but not limited to the rationale and effects of the Proposed Change of Name, is of the opinion that the Proposed Change of Name is in the best interest of the Company.

Accordingly, the Board recommends that the shareholders to vote **in favour** of the Special Resolution in respect of the Proposed Change of Name to be tabled at the forthcoming EGM.

8. EGM

The EGM, the notice of which is set out in this Circular, will be conducted on a fully virtual basis through live streaming and online remote voting via the remote participation and electronic voting ("**RPEV**") facilities via Vote2U at https://web.vote2u.my (Domain Registration No. with MYNIC - D6A471702) provided by Agmo Digital Solutions Sdn Bhd in Malaysia on Wednesday, 22 September 2021 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed Change of Name. Please follow the procedures provided in the Administrative Guide for the EGM in order to register, participate and vote remotely via the RPEV facilities.

Shareholders are encouraged to participate and vote at the EGM using RPEV facilities. If shareholders are not able to participate and vote in the online EGM, shareholders may complete the Form of Proxy and deposit it at the office of the Company's Share Registrar, Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, or via electronic means through email to mega-sharereg@megacorp.com.my or via facsimile at 03-2732 5388 not less than 48 hours before the time fixed for the EGM or at any adjournment thereof.

The lodging of the Form of Proxy will not preclude shareholders from attending and voting via RPEV at the EGM should shareholders subsequently wish to do so.

9. FURTHER INFORMATION

The shareholders of KTG are advised to refer to the Appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
KTG BERHAD

TAN YIP JIUN
EXECUTIVE DIRECTOR

PART C

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED NEW SHAREHOLDERS' MANDATE

KTG BERHAD
(Registration No. 200001002113 (504718-U))
(Incorporated in Malaysia)

Registered Office:

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan

23 August 2021

Board of Directors

Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Chairman/ Independent Non-Executive Director)*
Sim Chiun Wee *(Executive Director)*
Tan Yip Jiun *(Executive Director)*
Peter Yap *(Executive Director)*
Chan Pak Keong *(Executive Director)*
Kenny Khow Chuan Wah *(Executive Director)*
Lim Peng Tong *(Independent Non-Executive Director)*
Ng Keok Chai *(Independent Non-Executive Director)*

To: Shareholders of KTG

Dear Shareholders,

PROPOSED NEW SHAREHOLDERS' MANDATE

1. INTRODUCTION

The Board had on 28 May 2021 announced that the Company proposed to seek shareholders' approval for the Proposed New Shareholders' Mandate at the forthcoming EGM.

The purpose of Part C of this Circular is to provide the shareholders of KTG with the details of the Proposed New Shareholders' Mandate and to seek shareholders' approval in respect of the Ordinary Resolution pertaining to the Proposed New Shareholders' Mandate to be tabled at the forthcoming EGM of the Company, or any adjournment thereof. The Notice of EGM, together with the Form of Proxy, are enclosed herewith in this Circular.

ACCORDINGLY, SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF PART C OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED NEW SHAREHOLDERS' MANDATE AT THE FORTHCOMING EGM TO BE CONVENED.

2. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

2.1 Background

Paragraph 10.09(2) of the Listing Requirements allows a listed issuer to seek its shareholders' mandate in respect of RRPT subject to, inter-alia, the following:

(i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

(ii) the shareholder mandate is subject to annual renewal, and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Listing Requirements;

(iii) the issuance of a circular to shareholders by the listed issuer, which includes the information as may be prescribed by Bursa Securities, together with a checklist showing compliance with such information;

(iv) in a meeting to obtain the shareholder mandate, the interested director, interested major shareholder, or interested person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder must not vote on the resolution to approve the RRPT. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution to seek the shareholders' mandate; and

(v) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are as follows:

Name of Direct Subsidiary	Place of Incorporation	Effective equity interest	Principal activities
APPI	Malaysia	100%	Investment holding, provision of management services and manufacture, trade-in, import and export of all kinds of clay products
Asian Earthernware Sdn Bhd	Malaysia	100%	Manufacture other porcelain and ceramic products
Asian Porcelain Sdn Bhd	Malaysia	100%	Manufacture other porcelain and ceramic products
Asian Pottery (Penang) Sdn Bhd	Malaysia	100%	Marketing of pottery and porcelain products, ceramic wares, and ornaments

Name of Direct Subsidiary	Place of Incorporation	Effective equity interest	Principal activities
Asian Pottery Home & Garden Sdn Bhd	Malaysia	100%	Retail, trading, and wholesale of all kinds of clay products such as pottery, ceramics, and porcelain products
Asian Pottery Manufacturers Sdn Bhd ("**APMSB**")	Malaysia	100%	Manufacture other porcelain and ceramic products
Asiarise Holdings Sdn Bhd	Malaysia	100%	Retail, trading and wholesale of all kinds of day products and landscaping services
Bio Beacon Supply Sdn Bhd	Malaysia	100%	Manufacturing and trading in mask and other related products
CSH Priority	Malaysia	100%	Providing hire purchase financing
CSH Solutions	Malaysia	100%	Providing information technology ("**IT**") solutions and other IT-related services
IISB	Malaysia	100%	Property investment
KTG Marine (M) Sdn Bhd	Malaysia	100%	Marine construction and coastal reclamation works
Line Haul	Malaysia	100%	Transportation and logistics services
MMAG Capital	Malaysia	100%	Moneylending business
MRDSB	Malaysia	100%	Property development and other related services
Omnipack Sdn Bhd	Malaysia	100%	Manufacturing and trading in styrofoam box and other packing business
Oriwina Sdn Bhd	Malaysia	100%	Manufacturing and trading of ceramic wares
PSSB	Malaysia	100%	Property construction and related businesses
Sunmark Point Sdn Bhd	Malaysia	100%	Investment holding
Titanium Hallmark	Malaysia	100%	Property development and other related services
Metro Craft Sdn Bhd (Held by APMSB)	Malaysia	100%	Investment holding

It is anticipated that the KTG Group would in the ordinary course of its business enter into RRPTs, which are necessary for the day-to-day operations with the class of Related Parties, which is disclosed in **Section 2.2** of Part C of this Circular. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

In the interest of time and in view of the confidential and frequent nature of such RRPTs, the Board is seeking for the shareholders' approval for the Proposed New Shareholders' Mandate, which would allow KTG to enter into the RRPTs with the classes of Related Parties as set out in **Section 2.2** of Part C of this Circular,

provided that such transactions are necessary for its day-to-day operations, in the ordinary course of its business and are carried out on normal commercial terms and are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

The Proposed New Shareholders' Mandate is subject to annual renewal and will take effect from the date the Ordinary Resolution is passed by the shareholders at the forthcoming EGM to be convened and shall continue to be in force until:-

(i) the conclusion of the next AGM of KTG following the general meeting at which such mandate was passed, at which time it will lapse unless by a resolution passed at the next AGM, the authority is renewed;

(ii) the expiration of the period within which the next AGM of KTG after that date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of KTG in a general meeting,

whichever is the earlier.

If the Board decides that the Proposed New Shareholders' Mandate sought herein is desirable, shareholders' approval for the renewal of such will be sought at each subsequent AGM of the Company.

2.2 Class of Related Parties

Details of the RRPTs, including the classes of Related Parties with whom the RRPTs will be carried out and the nature of such transactions contemplated shall include those described below:

(a) RRPTs entered into between ChipSengHeng Enterprise and KTG Group

Transacting Parties	**Interested Related Parties**	**Nature of Transactions**	**Estimated value (during the Proposed New Shareholders' Mandate Period) @**	
			Receivable by KTG Group (RM'000)	**Payable by KTG Group (RM'000)**
ChipSeng Heng Enterprise and KTG Group	Tan Yip Jiun, Tan Yow Hua, and ChipSengHeng	Renting of trucks	-	5,000

Notes:

@ *The Proposed New Shareholders' Mandate period shall be from the date of EGM to the next AGM of the Company in year 2021. The estimated values as set up above are based on Management estimates and the value of the transactions may vary and be subject to changes.*

Nature of relationships:

(a) *Tan Yip Jiun, being an Executive Director and a Major Shareholder of the Company via his indirect shareholdings in the Company through ChipSengHeng (a major shareholder of the Company), is also a Director and Major Shareholder of ChipSengHeng Enterprise.*

(b) *Tan Yow Hua, who is the father of Tan Yip Jiun and a Major Shareholder of the Company via his indirect shareholdings in the Company through ChipSengHeng (a major shareholder of the Company), is also a Director and Major Shareholder of ChipSengHeng Enterprise.*

(b) RRPTs entered into between MMAG Group and KTG Group

No.	**Transacting Parties**	**Interested Related Parties**	**Nature of Transactions**	**Estimated value (during the Proposed New Shareholders' Mandate Period) @**	
				Receivable by KTG Group (RM'000)	**Payable by KTG Group (RM'000)**
(a)	LCEL and KTG Group	Kenny Khow Chuan Wah, Chan Swee Ying, and MMAG Holdings	Renting of trucks	-	4,000
(b)	CSH Solutions and MMAG Group	Kenny Khow Chuan Wah, Chan Swee Ying, and MMAG Holdings	Provision of IT solutions/platform, known as "Premier Integrated Parcel Autonomous' System related to logistics business process as well as other IT related services to MMAG Group	4,200	-
(c)	KTG Group and MMAG Group	Kenny Khow Chuan Wah, Chan Swee Ying, and MMAG Holdings	Provision of haulage and transportation services as well as other related logistics services to MMAG Group	45,000	-

Notes:

@ *The Proposed New Shareholders' Mandate period shall be from the date of EGM to the next AGM of the Company in year 2021. The estimated values as set up above are based on Management estimates and the value of the transactions may vary and be subject to changes.*

Nature of relationships:

(a) *MMAG Holdings and Chan Swee Ying (who has substantial interest in MMAG Holdings), are substantial shareholders of the Company.*

(b) *Kenny Khow Chuan Wah, an Executive Director of the Company, is also an Executive Director and a substantial shareholder of MMAG Holdings.*

(c) RRPTs entered into between LTS and KTG Group

Transacting Parties	Interested Related Parties	Nature of Transactions	Estimated value (during the Proposed New Shareholders' Mandate Period) @	
			Receivable by KTG Group (RM'000)	Payable by KTG Group (RM'000)
KTG Group and LTS	Chan Pak Keong	Provision of haulage and transportation services as well as other related logistics services to KTG Group	-	4,000

Notes:

@ *The Proposed New Shareholders' Mandate period shall be from the date of EGM to the next AGM of the Company in year 2021. The estimated values as set up above are based on Management estimates and the value of the transactions may vary and be subject to changes.*

Nature of relationships:

(a) Chan Pak Keong, an Executive Director of the Company, is also a Director and a Major Shareholder of LTS.

2.3 Rationale

As set out in **Section 3.2** of Part A of this Circular, KTG intends to seek its shareholders' approval at the forthcoming EGM for the Proposed Diversification into Transportation and Logistics Business. KTG Group has started to engage in the transportation and logistics business as well as IT related services as described in **Section 2.2** of Part C of this Circular.

The RRPTs to be entered into by the Group are all in the ordinary course of business and which would contribute to the generation of revenue for KTG Group.

They are recurring transactions of revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time. Some of these RRPTs may be time-sensitive and it may be impractical to seek shareholders' approval on a case-to-case basis before entering into such RRPTs.

The Proposed New Shareholders' Mandate and the renewal thereof, on an annual basis, would eliminate the need to announce and/or to convene separate general meetings from time to time to seek shareholders' approval as and when potential RRPTs value is equal to or exceeds the percentage ratio (as prescribed in Chapter 10 of the Listing Requirements). This would substantially reduce administrative time, inconvenience, and expenses associated with convening such meetings on an ad-hoc basis and allow manpower resources and time to be channelled towards attaining other corporate objectives.

2.4 Methods or procedures of determining the terms of RRPTs

The Company has implemented the review and disclosure procedures for the RRPTs to ensure that the RRPTs are conducted on arm's length basis and undertaken on transaction prices and are based on normal commercial terms consistent with the Company's usual business practices and are on terms that are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

To monitor the RRPTs, the following review and disclosure procedures have been implemented:

(i) All companies within the Group are informed of the review procedures applicable to RRPTs;

(ii) Management of KTG will ensure that the RRPTs will only be entered into after taking into account the pricing, expertise, and other related factors. The transaction prices will be determined by market forces, similar to those prices for transactions with the unrelated third party, and references will be made to surveys and/or valuations to be undertaken to gather information on market prices;

(iii) There is no specific threshold for approval of RRPTs. All RRPTs are reviewed and approved by authorised personnel, i.e., the Board and members of the Audit Committee, who has no interest in the transaction;

(iv) At least two (2) other contemporaneous transactions with unrelated third party for similar products/ services and/or quantities will be used as comparison, wherever practicable and/or possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third party for the same or substantially similar type of products/services and/ or quantities. In the event that quotation or comparative pricing from unrelated third party cannot be obtained, Management shall review the transaction price based on their usual business practice to ensure that the RRPTs are not detrimental to the Company or the Group;

(v) A register will be maintained by the Company to record all RRPTs and will be made available to the Audit Committee for its quarterly review;

(vi) The Audit Committee will undertake a periodic review of the RRPTs to ensure that such transactions are undertaken at arm's length, on normal commercial terms, on terms not more favourable to the Related Parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company. In its review and approval of such transactions, the Audit Committee may, as it deems fit, request for additional information pertaining to the transactions from independent sources or professionals;

(vii) All RPTs in excess of RM500,000 to be entered by the Group shall be subject to the review and approval of the Audit Committee or Board of Directors of the Company before the transactions are carried out;

(viii) All RPTs of RM500,000 and below shall be approved by the Executive Director of the Company provided that the Executive Director is not an interested party to the transaction and table to the Audit Committee every quarter for information. For RPTs where the Executive Director is an interested party, such RPTs shall be approved by the Board of Directors (with all interested parties abstaining from voting);

(ix) KTG will make disclosures in its annual report of the breakdown of an aggregate value of transactions made pursuant to the shareholders' mandate during the financial year and for the subsequent financial years in which the mandate remains in force based on the type of RRPTs made and the nature of relationship of the Related Parties and the Group; and

(x) In the case of RRPTs, where any of the Directors has a direct or indirect interest, he shall abstain from all deliberations and voting in respect of the said transaction. In addition, where any member of the Audit Committee is interested in any transaction, that member shall abstain from voting in any matter relating to any decision to be taken by the Audit Committee with respect to such transaction.

2.5 Amount due and owing by the Related Parties

There is no amount due and owing to the KTG Group by the Related Parties pursuant to the RRPTs, which has exceeded the credit term as at the LPD.

2.6 Conditions and disclosure of the Proposed New Shareholders' Mandate

The Proposed New Shareholders' Mandate is subject to annual renewal and shall only continue to be in force until the next AGM of the Company at which the Proposed New Shareholders' Mandate will be tabled annually or revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever shall first occur. The breakdown of the aggregate value of the RRPTs entered into pursuant to the Proposed New Shareholders' Mandate will be disclosed in the annual report of the Company based on the type of the RRPTs, and the name of the Related Parties involved in each type of the RRPTs entered into and their relationship with the Company.

In addition, pursuant to Paragraph 2.5 of Practice Note No. 12 of the Listing Requirements, if the actual value of the RRPTs entered into by KTG Group exceeds the estimated value of RRPTs disclosed in the circular by 10% or more, KTG would make an immediate announcement to Bursa Securities.

2.7 Statement by the Audit Committee

The Audit Committee of KTG has reviewed the procedures as mentioned in **Section 2.4** of Part C of this Circular and is of the view that the existing guidelines and procedures for the RRPTs are sufficient to ensure that such transactions will be carried out at arm's length, on normal commercial terms, which are not prejudicial to the interests of minority shareholders of the Company, on terms no more favourable to the Related Parties than those generally available to the public and on terms not to the detriment of minority shareholders.

In addition, the Audit Committee is of the opinion that KTG Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner. The Audit Committee reviews the RRPTs' procedures and processes periodically.

[The rest of this page has been intentionally left blank]

2.8 Interests of the Directors, Major Shareholders, Chief Executive and Persons Connected

Save as disclosed in Part C of this Circular and below, none of the other Directors, Major Shareholders, Chief Executive and Persons Connected to them has any interest, direct or indirect, in the Proposed New Shareholders' Mandate for the following RRPTs:

(a) RRPTs entered into between ChipSengHeng Enterprise and KTG Group

Interested Directors/Major Shareholders/ Persons Connected to Interested Directors and/or Major Shareholders	Shareholdings as at LPD			
	Direct		Indirect	
	No. of Shares	Percentage of shareholdings (%)	No. of Shares	Percentage of shareholdings (%)
Interested Director#				
- Tan Yip Jiun(1)	-	-	84,087,000	12.17
Interested Major Shareholders##				
− ChipSengHeng	84,087,000	12.17	-	-
− Tan Yip Jiun(1)	-	-	84,087,000	12.17
− Tan Yow Hua(1)	-	-	84,087,000	12.17
Persons Connected to Interested Director and/or Major Shareholder				
- ChipSengHeng Enterprise(2)	-	-	-	-

Notes:

\# *Shareholding as per the Register of Directors' Shareholdings as at LPD.*

\## *Shareholding as per the Register of Substantial Shareholders' Shareholdings as at LPD.*

(1) *Deemed interested by virtue of their interests in ChipSengHeng pursuant to section 8 of the Act.*

(2) *Tan Yip Jiun and Tan Yow Hua are directors and major shareholders of ChipSengHeng Enterprise. As such, ChipSengHeng Enterprise is regarded as person connected to Tan Yip Jiun and Tan Yow Hua.*

[The rest of this page has been intentionally left blank]

(b) RRPTs entered into between MMAG Group and KTG Group

Interested Directors/Major Shareholders/ Persons Connected to Interested Directors and/or Major Shareholders	Shareholdings as at LPD			
	Direct		Indirect	
	No. of Shares	Percentage of shareholdings (%)	No. of Shares	Percentage of shareholdings (%)
Interested Director#				
- Kenny Khow Chuan Wah	-	-	-	-
Interested Major Shareholders##				
− MMAG Holdings	35,000,000	5.07	-	-
− Chan Swee Ying(1)	-	-	35,000,000	5.07

Notes:

\# *Shareholding as per the Register of Directors' Shareholdings as at LPD.*

\## *Shareholding as per the Register of Substantial Shareholders' Shareholdings as at LPD.*

(1) *Deemed interested by virtue of her interest in MMAG Holdings pursuant to section 8 of the Act.*

(c) RRPTs entered into between LTS and KTG Group

Interested Directors/Major Shareholders/ Persons Connected to Interested Directors and/or Major Shareholders	Shareholdings as at LPD			
	Direct		Indirect	
	No. of Shares	Percentage of shareholdings (%)	No. of Shares	Percentage of shareholdings (%)
Interested Director#				
- Chan Pak Keong	360,000	0.05	-	-
Persons Connected to Interested Director and/or Major Shareholder				
- LTS(1)	-	-	-	-

Notes:

\# *Shareholding as per the Register of Directors' Shareholdings as at LPD.*

(1) *Chan Pak Keong is a director and major shareholder of LTS. As such, LTS is regarded as a person connected to Chan Pak Keong.*

The interested Directors of KTG have accordingly abstained and/or will continue to abstain from all Board deliberations and voting in relation to the RRPTs in which they are interested under the Proposed New Shareholders' Mandate.

The interested Directors, interested Major Shareholders and/or Persons Connected to them will abstain from voting and deliberating in respect of their direct and/or indirect shareholdings in KTG on the Ordinary Resolution relating to the Proposed New Shareholders' Mandate in which they are interested to be tabled at the forthcoming EGM or at any adjournment thereof.

In addition, the interested Directors and/or interested Major Shareholders, have undertaken that they will ensure that Persons Connected to them abstain from voting in respect of their direct and/or indirect shareholdings on the Proposed New Shareholders' Mandate in which they are interested at the EGM or at any adjournment thereof.

3. EFFECTS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

The Proposed New Shareholders' Mandate will have no effect on the issued share capital and substantial shareholders' shareholdings of the Company and is not expected to have any material impact on the gearing of the Group.

However, the Proposed New Shareholders' Mandate is expected to contribute positively to the Group's future earnings and net assets as and when the benefits of the RRPTs are realised.

4. APPROVAL REQUIRED

The Proposed New Shareholders' Mandate is subject to the approval of the shareholders of KTG at the forthcoming EGM to be convened.

5. RECOMMENDATION AND BASIS OF RECOMMENDATION

The Board of Directors (save for the interested Directors), having considered all aspects of the Proposed New Shareholders' Mandate, is of the opinion that the Proposed New Shareholders' Mandate is in the best interests of KTG Group.

Accordingly, the Board (save for the interested Directors) recommends that shareholders vote **in favour** of the ordinary resolution pertaining to the Proposed New Shareholders' Mandate to be tabled at the forthcoming EGM to be convened.

6. EGM

The EGM, the notice of which is set out in this Circular, will be conducted on a fully virtual basis through live streaming and online remote voting via the remote participation and electronic voting ("**RPEV**") facilities via Vote2U at https://web.vote2u.my (Domain Registration No. with MYNIC - D6A471702) provided by Agmo Digital Solutions Sdn Bhd in Malaysia on Wednesday, 22 September 2021 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed New Shareholders' Mandate. Please follow the procedures provided in the Administrative Guide for the EGM in order to register, participate and vote remotely via the RPEV facilities.

Shareholders are encouraged to participate and vote at the EGM using RPEV facilities. If shareholders are not able to participate and vote in the online EGM, shareholders may complete the Form of Proxy and deposit it at the office of the Company's Share Registrar, Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, or via electronic means through email to mega-sharereg@megacorp.com.my or via facsimile at 03-2732 5388 not less than 48 hours before the time fixed for the EGM or at any adjournment thereof.

The lodging of the Form of Proxy will not preclude shareholders from attending and voting via RPEV at the EGM should shareholders subsequently wish to do so.

7. FURTHER INFORMATION

The shareholders of KTG are advised to refer to the Appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
KTG BERHAD

LIM PENG TONG
INDEPENDENT NON-EXECUTIVE DIRECTOR
AUDIT COMMITTEE CHAIRMAN

SALIENT TERMS OF THE TURNKEY AGREEMENT

The salient terms of the Turnkey Agreement are as follows:

1. Duration of the Turnkey Agreement

The Turnkey Agreement shall commence on the date of the Turnkey Agreement ("**Commencement Date**") and shall continue in effect until the Actual Completion Date (as defined in **Section 4(i)** of this **Appendix I**), subject to further extension as agreed between the parties and the right of either party to terminate the Turnkey Agreement prior to its completion in accordance with the terms of the Turnkey Agreement.

The Turnkey Agreement is subject to the approvals being obtained from the shareholders of KTG for the Turnkey Agreement and for the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE ("**Approvals**").

In the event APPI ("**Customer**") has in good faith taken all the necessary steps to comply and has complied with the terms and conditions of the Turnkey Agreement and the said Approvals cannot be obtained within the period stipulated hereinabove or such further extension of time as shall be mutually agreed between the parties, the Customer may terminate the Turnkey Agreement by notice in writing to Howellcare ("**Contractor**") and thereafter this Turnkey Agreement shall absolutely cease and terminate and shall be of no further force and effect.

2. Scope of work

2.1 During the term of the Turnkey Agreement, the Contractor shall perform the planning, designing, supplying, installing and commissioning of the Glove Production Plant and the provision of services in accordance with the terms and conditions of the Turnkey Agreement as set out below:

(i) to co-ordinate with all the contractors employed by the Customer, towards the civil and structural works of the site for deployment;

(ii) setting up of workforce and providing training to management and operations team to undertake production and day-to-day operation and to furnish and provide all other technical expertise, knowledge necessary for the business.

Prior to 1 month before the delivery and commissioning of the production line, the Contractor shall provide offsite orientation training to the Customer's operations team. Upon commencement of the production line, the Contractor will provide onsite operational training and guidance to the Customer's operations team until the Actual Completion Date (as defined in **Section 4(i)** of this **Appendix I**) of the Turnkey Agreement (i.e., handover of the Glove Production Plant to the Customer) unless further extended as agreed between the parties;

(iii) to set up proper quality management system and waste management system to ensure the production and manufacturing of gloves complies with the applicable regulations and/or standards; and

(iv) to undertake all marketing and sale activities on behalf of the Customer for the purposes of sourcing business opportunities.

SALIENT TERMS OF THE TURNKEY AGREEMENT *(CONT'D)*

2.2 Without limiting the generality of item 2.1 above:

(i) In respect of the planning, designing, supplying, installing and commissioning of the Glove Production Plant, the Contractor agrees and undertakes, at no additional charge other than the Contract Price to:

(a) deliver the Glove Production Plant on time in accordance with the implementation schedule;

(b) provide documentation that shall conform in all respects with the technical, capacity, functionality, performance and specifications set out and contain all the features as described in the specifications as provided in the Turnkey Agreement; and

(c) plan, design, supply, install and commissioning of the Glove Production Plant in accordance with the technical and functional specifications and otherwise in accordance with the Turnkey Agreement. All the Glove Production Plant and documentation provided shall conform in all respects with the technical, capacity, functionality, performance and specifications set out, and contain all of the features as described in the technical and functional specifications.

(ii) In respect of the commissioning of the Glove Production Plant, the Contractor agrees and undertakes, at no additional charge other than the Contract Price to:

(a) design, develop, manufacture, interwork, interface, integrate, interconnect and test the Glove Production Plant in accordance with the implementation schedule, the specifications and otherwise in accordance with the Turnkey Agreement. All the Glove Production Plant and documentation provided shall conform in all respects with the technical, capacity, functionality, performance and specifications set out and contain all of the features described in the specifications;

(b) provide documentation that shall conform in all respects with the technical, capacity, functionality, performance and specifications set out and contain all the features as described in the specifications as provided in the Turnkey Agreement;

(c) carry out the works under the Turnkey Agreement in a good and workmanlike manner, using materials necessary for the completion of the said works which are of the quality and standards specified in the specifications and which shall not in any event be less than industry standards; and

(d) be solely responsible for the correct design, quality and adequacy of the work.

(iii) In respect of the provision of services, the Contractor agrees and undertakes to;

(a) provide and perform such services in a professional manner, consistent with industry standards and otherwise in accordance with the Turnkey Agreement;

(b) use all reasonable skill, care and diligence in the performance of the services; and

(c) to perform the services in a timely manner.

3. Contract Price and payment terms

The price for the planning, designing supplying, installing and commissioning of the Glove Production Plant and the provision of services is RM39.80 million. The Contractor shall invoice the Customer in accordance with the milestones as below:

(i) 15% upon execution of the Turnkey Agreement;

(ii) 25% within 4 months from the date of the Turnkey Agreement;

(iii) 5% upon delivery of materials at site;

(iv) 40% upon installation at site (invoiced progressively based on progress claim);

(v) 10% before commencement of production line commissioning; and

(vi) 5% after 1 month from production line commissioning.

Each milestone is payable upon the Customer's acceptance of the deliverables. The first invoice shall be paid within fourteen (14) days of the date of receipt of the invoice by the Customer. All subsequent invoices are payable within fourteen (14) days of the date of receipt of the invoices by the Customer.

4. Implementation and actual completion date

(i) The actual completion date for the delivery and commissioning of the Glove Production Plant, shall be the date when the Glove Production Plant is deemed delivered to the Customer and the Customer's issuance of a certificate of handover to the Contractor ("**Actual Completion Date**");

(ii) The Actual Completion Date for the provisions of the services shall be the Actual Completion Date for the delivery and commissioning of the Glove Production Plant or such further extension of time as shall be mutually agreed between the parties; and

(iii) The scheduled completion date for the delivery and commissioning of the Glove Production Plant shall be the scheduled date for the issuance of the certificate of handover for the Glove Production Plant in accordance with the implementation schedule.

5. Project management and Contractor's personnel

(i) During the term of the Turnkey Agreement, the Contractor shall appoint a full-time Contractor's Project Manager who shall:

(a) be acceptable to the Customer;

(b) be fully conversant with the background, progress and implementation of the works;

(c) have sufficient delegated authority to make day to day decisions during the progress of the works in addition to having full control of the Contractor's personnel; and

(d) remain unchanged for the duration of the works under the Turnkey Agreement except by mutual agreement between the parties.

(ii) The Contractor's Project Manager shall remain the same and in charge (unless otherwise agreed between the parties) until the issue of a certificate of handover under the Turnkey Agreement, or such further period as may be agreed between the parties and be contactable during working hours on working days during the period from the commencement of works until Actual Completion Date;

(iii) The Customer will appoint the Customer's designated representative with whom the Contractor's Project Manager shall maintain the closest possible cooperation at all times and comply with any written instructions issued by the Customer's designated representative; and

(iv) The Contractor shall ensure that the personnel it provides are suited in skill and are experienced and competent in the provision of the services and that at least one member of such staff can converse fluently and competently discuss technical matters in the English language. The Contractor shall where requested produce to the Customer a full curriculum vitae in respect of each of its personnel for the approval of the Customer.

6. Delivery and certificate of handover

The Contractor shall be responsible for delivery of the Glove Production Plant in accordance with the implementation schedule.

Following successful completion of the handover tests, the Glove Production Plant shall be deemed delivered and/or handover to the Customer and the Customer shall issue to the Contractor a certificate of handover for acceptance of the Glove Production Plant within ten (10) business days from the receipt of the written notification of handover from the Contractor enclosing the tests result of the Glove Production Plant by the Customer in accordance with the terms and conditions as provided in the Turnkey Agreement together with the relevant documentation.

If the Customer has not signed a certificate of handover within ten (10) business days from the date of such notification and fails to notify the Contractor within such period that the Glove Production Plant has materially failed to perform in accordance with the specifications, the certificate of handover shall be deemed to have been issued.

7. Default and termination

(i) If either party is in material breach of any of its obligations under the Turnkey Agreement, which failure is not capable of cure, or if can be cured, if the defaulting party does not cure such failure within fourteen (14) days after written notice thereof from the non-defaulting party, then the non-defaulting party shall have the right, at its election and without prejudice to other rights and remedies as provided in the Turnkey Agreement or at law or in equity, to terminate the Turnkey Agreement and recover direct damages from the defaulting party.

(ii) Notwithstanding the above and in avoidance of doubt, the parties hereby mutually agree that in the event of any termination of agreement that is not due to the fault and/or default of the Contractor, any monies that has been paid by the Customer to the Contractor pursuant the Turnkey Agreement shall not be refundable by the Contractor to the Customer.

8. Government Licences, Approvals and Permits

(a) The Contractor shall be responsible, at its sole cost, for obtaining chlorination scrubber system approval and air compressor receiver tank approval for the delivery and commission of the Glove Production Plant and provision of services under the Turnkey Agreement.

(b) The Customer shall be responsible, at its sole cost, for obtaining the following governmental and regulatory permits, licences, and approvals for the delivery and commission of the Glove Production Plant and provision of services under the Turnkey Agreement, as advised by Howellcare:

(i) manufacturing licence;

(ii) Ministry of Environment and Water / Department of Environment (DOE) notification;

(iii) Department of Occupational Safety and Health (DOSH) notification;

(iv) Malaysian Rubber Board (MRB) licence;

(v) poison licence;

(vi) certificate of completion and compliance (CCC) / certificate of fitness for occupation (CF);

(vii) ISO Quality System Management, Personal Protective Equipment Directives (CE), Food and Drug Administration (FDA) and any other bodies certification;

(viii) Municipal council business licence;

(ix) Waste water treatment plant approval; and

(x) Biomass boiler system approval.

(c) The scheduled completion date shall be extended for a period corresponding to the duration of any delay in the parties obtaining the governmental and regulatory permits, licences and approvals.

(d) The Contractor shall be liable for and shall indemnify, defend and hold harmless the Customer against any and all claims incurred by the Customer as a result of the Contractor's failure to obtain chlorination scrubber system approval and air compressor receiver tank approval, including, without limitation, any fines, fees or other penalties incurred or suffered by the Customer.

[The rest of this page has been intentionally left blank]

INDICATIVE SALIENT TERMS OF THE WARRANTS

The indicative salient terms of the Warrants are as follows:

Terms		**Details**
Issue size	:	Up to 690,705,280 Warrants.
Issue price	:	The Warrants will be issued at no cost to the Entitled Shareholders who successfully subscribe for the Rights Shares
Form and denomination	:	The Warrants which are to be issued together with the Rights Shares on the same issue date ("**Issue Date of the Warrants**"), will be immediately detached from the Rights Shares upon issuance and will be separately traded on the Main Market of Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll.
Tenure	:	5 years commencing from and including the Issue Date of the Warrants.
Expiry date	:	At 5.00 p.m. on the day falling immediately before the 5th anniversary of the Issue Date of the Warrants.
Exercise rights	:	Each Warrant entitles the registered Warrant holder to subscribe for 1 new KTG Share at any time during the exercise period at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll.
Exercise period	:	The Warrants may be exercised at any time within a period of 5 years commencing on and including the Issue Date of the Warrants and ending on the close of business at 5.00 p.m. on the expiry date, provided that if such date falls on a day which is not a market day, then it shall be the market day immediately preceding the said non-market day. Any Warrant which is not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
Exercise price	:	RM0.15 per Warrant payable in respect of each new KTG Share or such other exercise price that may be adjusted in accordance with the provisions of the Deed Poll.
Mode of exercise	:	The registered Warrant holders are required to deliver and lodge a duly completed, signed and stamped exercise notice, as set out in the Deed Poll, with the Company's registrar together with payment of the exercise price by way of bankers' draft or cashier's order drawn on a bank operating in Malaysia in accordance with the provisions of the Deed Poll.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of the Warrants shall comprise 100 units of Warrants carrying the rights to subscribe for 100 new KTG Shares at the exercise price at any time during the exercise period, unless otherwise revised by the relevant authorities.

INDICATIVE SALIENT TERMS OF THE WARRANTS *(CONT'D)*

Terms		Details
Rights of the Warrant holders	:	The Warrant holders are not entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the new KTG Shares to be issued arising from the exercise of the Warrants. The Warrant holders are not entitled to any voting rights in any general meeting of the Company or participation in any form of distribution and/or offer of further securities in the Company until and unless the holders of the Warrants exercise their Warrants and the new KTG Shares have been allotted and issued to such holders.
Rights in the event of winding up, liquidation, compromise and/ or arrangement	:	Where a resolution has been passed for a members' voluntary winding up of the Company or liquidation or where there is a compromise or scheme of arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company with one or more companies, then: (i) the Company will give notice to the holders of the Warrants within 7 market days of such a resolution or the court order approving the windings up, liquidation, compromise or scheme of arrangement (as the case may be); (ii) for the purpose of such winding up, liquidation, compromise or scheme of arrangement (other than consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holder of the Warrants (or some other person designated by them for such purposes by special resolution) shall be a party, the terms of such winding up, liquidation, compromise or scheme of arrangement shall be binding on all the holders of the Warrants; or (iii) in any other case, every holder of the Warrants shall be entitled to exercise the Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks from the granting of the court order approving the winding up, liquidation, compromise or scheme of arrangement, as the case may be, to elect to be treated as if he had immediately prior to the commencement of such winding up, liquidation, compromise or scheme of arrangement, exercised the exercise rights represented by the Warrants to the extent specified in the exercise notice(s) and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the new KTG Shares to which he would have become entitled pursuant to such exercise. All exercise rights which have not been exercised within the 6 weeks of either the passing of such resolution for the members' voluntary winding up or the granting of the court order for the approval of such winding-up, liquidation, compromise or scheme of arrangement, as the case may be, will lapse and all the unexercised Warrants will cease to be valid for any purpose.
Ranking of new KTG Shares to be issued pursuant to the exercise of the Warrants	:	All new KTG Shares to be issued pursuant to the exercise of Warrants shall, upon allotment and issuance, rank equally in all respects with the existing KTG Shares except that such new KTG Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the new KTG Shares arising from the exercise of Warrants.

INDICATIVE SALIENT TERMS OF THE WARRANTS *(CONT'D)*

Terms		Details
Adjustments to the exercise price and/or number of Warrants	:	The exercise price and/or the number of unexercised Warrants in issue may be subject to adjustments from time to time by the Board in consultation with an approved adviser and/or auditors and certified by the auditors in the event of alteration to the share capital by reason of, among others, rights issue, bonus issue, consolidation or subdivision of shares or issuance of securities convertible into shares, in accordance with the provisions of the Deed Poll.
Modifications	:	Subject to the approval of Bursa Securities (if required) and save as otherwise provided in the Deed Poll, a special resolution of the Warrant holders is required to sanction any modifications, amendments, deletions or additions in respect of the rights of the holders of the Warrants. Save as expressly provided in the Deed Poll and in particular Condition 6 of the Conditions of the Deed Poll, no modification, amendment, deletion or addition may be made to the provisions of the Deed Poll or the Warrant certificate, without the sanction of a Special Resolution unless the modifications, amendments, deletions or additions: (a) are required to correct any typographical errors; or (b) are relating to purely administrative matters; or (c) are required to comply with any prevailing laws of Malaysia, Rules of Bursa Malaysia Depository Sdn Bhd, Listing Requirements issued by Bursa Securities or any regulations issued by any relevant authority; or (d) in the opinion of the Company, will not be materially prejudicial to the interests of Warrant holders.
Listing status	:	The Warrants will be listed and traded on the Main Market of Bursa Securities. Approval has been obtained from Bursa Securities for the admission of the Warrants to the Official List as well as for the listing of and quotation for the Warrants and the new KTG Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.
Governing law and jurisdiction	:	Laws of Malaysia.

[The rest of this page has been intentionally left blank]

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board. The Board members collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts and information the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS

2.1 Principal Adviser

TA Securities, as the Principal Adviser for the Proposed Diversifications and Proposed Rights Issue of Shares with Warrants, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

2.2 Independent market researcher

PROVIDENCE, as the independent market researcher for the report on the ceramic flower pots and planter industry, transportation and logistics industry and gloves and medical supplies industry in Malaysia, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, extracts of its IMR Report and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATIONS OF CONFLICT OF INTERESTS

3.1 Principal Adviser

TA Securities has confirmed that there is no conflict of interests which exists or is likely to exist in its role as the Principal Adviser for the Proposed Diversifications and Proposed Rights Issue of Shares with Warrants.

3.2 Independent market researcher

PROVIDENCE has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the independent market researcher for the report on the ceramic flower pots and planter industry, transportation and logistics industry and gloves and medical supplies industry in Malaysia.

4. MATERIAL CONTRACTS

As at the LPD, the Group has not entered into any material contracts (not being contracts entered into in the Group's ordinary course of business) during the 2 years immediately preceding the date of this Circular, except for the following:

(i) On 22 January 2020, the Company entered into a shares sale agreement with Wan Fuhua and Tai Pick Kheong for the acquisition of the entire equity interest in Four Seasons Seafood Sdn Bhd for a total cash consideration of RM98,209.15 and the principal indebtedness of RM4,280,696.26 of Four Seasons Seafood Sdn Bhd (to be paid by the Company) to the vendors. On 26 April 2021, the parties entered into a termination letter to terminate the agreement;

(ii) On 25 February 2020, the Company entered into a shares sale agreement with Ahmadi Syd Mustapha Bin Muhamad Mustapha for the acquisition of the entire equity interest in Prima Paradigm Sdn Bhd comprising 1,300,000 ordinary shares for a total cash consideration of RM250,000. On 4 June 2020, the parties entered into a deed of mutual termination to terminate the agreement;

(iii) On 13 March 2020, the Company entered into a shares sale agreement with MMAG Holdings for the acquisition of the entire equity interest in MMAG Capital for a cash consideration of RM2,050,000. The acquisition of MMAG Capital was completed on 17 March 2020;

(iv) On 18 March 2021, the Company entered into a shares sale agreement with LCV for the acquisition of the entire equity interest in Line Haul for a cash consideration of RM3.0 million. The acquisition was completed on 26 March 2021;

(v) On 22 March 2021, the Company entered into a shares sale agreement with LCV for the acquisition of 14,400,000 ordinary shares in LCEL, representing 15% of the equity interest in LCEL for a cash consideration of RM22.0 million. The acquisition was completed on 21 April 2021;

(vi) On 26 March 2021, APPI entered into the Turnkey Agreement with Howellcare for Howellcare to plan, design, supply, install and commission the Glove Production Plant as well as provide services such as setting up and provide training to APPI's new operation team to run and manage the operation of Glove Production Plant as well as undertaking all the marketing and sale of the NBR gloves on behalf of APPI, for a contract price of RM39.80 million. The Turnkey Agreement has yet to be completed as at the LPD;

(vii) On 9 April 2021, MRDSB entered into a deed of mutual rescission and revocation with APSB and both parties mutually agreed to terminate the concept masterplan agreement dated 4 July 2017 (amended by a supplemental agreement dated 15 December 2017) ("**CMPA**"). Pursuant to the termination, APSB shall refund the deposit of RM7,398,164.78 to MRDSB within two months from the date of the deed of mutual recission and revocation or within such other period as may be extended by MRDSB whereby MRDSB reserves the right to charge interest on any of the unpaid sums. Prior to such refund, MRDSB shall continue to retain the share charge on APSB's ordinary shares and the power of attorney on APSB's development land which were given previously by APSB to MRDSB pursuant to the CMPA as security for the repayment of the deposit and late refund interest, if any. As at the LPD, the deposit refund has yet to be fully paid as MRDSB had agreed to extend the duration for the refund vide a letter dated 4 June 2021 subject to APSB's acceptance to the terms and conditions contained in the letter and accordingly, the same has been accepted by APSB; and

(viii) On 23 April 2021, the Company entered into a shares sale agreement with Nur Athirah Elany Binti Abdul Rahman for the acquisition of the entire equity interest in CSH Solutions for a total cash consideration of RM100,000. The acquisition was completed on 28 April 2021.

5. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company and the Group and the Board confirms that there is no proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of the Group.

6. MATERIAL COMMITMENT

As at the LPD, the Board confirms that there is no material commitment incurred or known to be incurred by the Company or the Group, which upon becoming enforceable, may have material impact on the financial position of the Group except for the following:

Description	**Group level (RM'000)**	**Company level (RM'000)**
Capital commitment pursuant to the Turnkey Agreement	35,800	-

7. CONTINGENT LIABILITIES

As at the LPD, the Board confirms that there is no contingent liability incurred or known to be incurred by the Company or the Group, which upon becoming enforceable, may have a material impact on the financial position of the Company and/or the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan during normal business hours from 9.00 a.m. to 5.00 p.m. from Mondays to Fridays (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of the forthcoming EGM:

(i) the Turnkey Agreement;

(ii) the Constitution of the Company;

(iii) the Group's audited financial statements for the past 2 FYEs 30 June 2019 and 30 June 2020 and unaudited financial results for the 9M FPE 31 March 2021;

(iv) the letters of consent and declarations of conflict of interest referred to in **Sections 2** and **3** of this Appendix, respectively;

(v) IMR Report;

(vi) Draft Deed Poll; and

(vii) the material contracts referred to in **Section 4** of this Appendix.

[The rest of this page has been intentionally left blank]

KTG BERHAD
(Registration No. 200001002113 (504718-U))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting ("**EGM**") of KTG Berhad ("**KTG**" or "**Company**") will be conducted on a fully virtual basis through live streaming and online remote voting via the remote participation and electronic voting ("**RPEV**") facilities via Vote2U at https://web.vote2u.my (Domain Registration No. with MYNIC - D6A471702) provided by Agmo Digital Solutions Sdn Bhd in Malaysia on Wednesday, 22 September 2021 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

TURNKEY AGREEMENT FOR THE COMMISSIONING OF NITRILE BUTADIENE RUBBER DOUBLE FORMER GLOVE DIPPING PRODUCTION LINES

"THAT subject to the passing of Ordinary Resolution 2, approval be and is hereby granted to the Company to proceed with the turnkey agreement for the commissioning of nitrile butadiene rubber double former glove dipping production lines dated 26 March 2021 entered into between APPI Sdn Bhd, a wholly-owned subsdiary of the Company and Howellcare Industries Sdn Bhd ("**Turnkey Agreement**");

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Turnkey Agreement with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Turnkey Agreement."

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESSES OF THE COMPANY AND ITS SUBSIDIARIES ("KTG GROUP" OR "GROUP") TO INCLUDE MANUFACTURING AND TRADING OF GLOVES AND OTHER PERSONAL PROTECTIVE EQUIPMENT PRODUCTS AND RELATED BUSINESS

"THAT subject to the passing of Ordinary Resolution 1, approval be and is hereby granted to the Company to diversify the existing businesses of the Group to include manufacturing and trading of gloves and other personal protective equipment ("**PPE**") products and related business ("**Proposed Diversification into Manufacturing and Trading of Gloves and other PPE**");

AND THAT the Board be and is hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE."

ORDINARY RESOLUTION 3

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESSES OF THE GROUP TO INCLUDE TRANSPORTATION AND LOGISTICS BUSINESS

"THAT approval be and is hereby granted to the Company to diversify the existing businesses of the Group to include transportation and logistics business ("**Proposed Diversification into Transportation and Logistics Business**");

AND THAT the Board be and is hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Proposed Diversification into Transportation and Logistics Business with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Diversification into Transportation and Logistics Business."

ORDINARY RESOLUTION 4

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 690,705,280 NEW ORDINARY SHARES IN KTG ("KTG SHARES") ("RIGHTS SHARES") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 1 EXISTING KTG SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED ("ENTITLEMENT DATE"), TOGETHER WITH UP TO 690,705,280 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED FOR ("PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS")

"THAT subject to the passing of Ordinary Resolutions 1, 2 and 3 and subject to the approvals of the relevant authorities and/or parties having been obtained (if required), approval be and is hereby granted to the Board to:

(i) provisionally allot and issue by way of a renounceable rights issue of up to 690,705,280 Rights Shares on the basis of 1 Rights Share for every 1 existing KTG Share held on the Entitlement Date at an issue price of RM0.15 each, to the shareholders of KTG whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date ("**Entitled Shareholders**") with a minimum subscription level of 84,087,000 Rights Shares with 84,087,000 Warrants to raise minimum gross proceeds of RM12,613,050;

(ii) enter into and execute the deed poll in relation to the Warrants ("**Deed Poll**") and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give full effect to the aforesaid Deed Poll; and

(iii) use the proceeds to be derived from the Proposed Rights Issue of Shares with Warrants in the manner as set out in the circular to shareholders dated 23 August 2021 ("**Circular**") and vary the manner and/or purpose of usage of such proceeds as they may deem fit and in the best interest of the Company, subject to the approval of the relevant authorities (where required);

THAT approval be and is hereby given to the Board to create and issue the Warrants and such additional Warrants ("**Additional Warrants**") as may be required or permitted to be issued as a consequence of the adjustments based on the indicative salient terms of the Warrants as set out in the Circular and the terms and conditions of the Deed Poll;

THAT approval be and is hereby given to the Board to allot and issue such Additional Warrants as may be required or permitted to be issued as a result of any adjustments under the provisions of the Deed Poll;

THAT approval be and is hereby given to the Board to allot and issue such number of KTG Shares arising from the exercise of the Warrants or Additional Warrants during the exercise period of the Warrants in accordance with the terms of the Deed Poll, including such appropriate number of new KTG Shares arising from the exercise of subscription rights represented by any Additional Warrants;

THAT the shareholders' fractional entitlements, if any, will be disregarded and dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of the Company;

THAT the Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable). It is the intention of the Board to allocate the excess Rights Shares and Warrants in a fair and equitable manner on a basis to be determined by the Board and announced thereupon by the Company;

THAT the Rights Shares and new KTG Shares to be issued from the exercise of Warrants and/or Additional Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing KTG Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distributions, the entitlement date of which is prior to the dates of allotment and issuance of the Rights Shares and the new KTG Shares to be issued arising from the exercise of Warrants and/or Additional Warrants;

AND THAT the Board be and is hereby authorised to take all such necessary steps to give full effect to the Proposed Rights Issue of Shares with Warrants with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue of Shares with Warrants."

ORDINARY RESOLUTION 5

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT") ENTERED INTO BETWEEN CHIPSENG HENG ENTERPRISE SDN BHD ("CHIPSENGHENG ENTERPRISE") AND KTG GROUP

"THAT subject to the provisions of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a shareholders' mandate be and is hereby granted to KTG Group to enter into RRPTs with ChipSengHeng Enterprise as described in Section 2.2(a) of Part C of the Circular, PROVIDED THAT:

(i) the RRPTs are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and

(ii) disclosure is made in the annual report with a breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year necessary for the Company's day-to-day operations;

AND THAT the authority conferred by such mandate shall commence immediately upon the passing of this ordinary resolution and continue to be in force until:

(i) the conclusion of the next annual general meeting ("**AGM**") of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution."

ORDINARY RESOLUTION 6

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RRPT ENTERED INTO BETWEEN MMAG HOLDINGS BERHAD AND ITS SUBSIDIARIES ("MMAG GROUP") AND KTG GROUP

"THAT subject to the provisions of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a shareholders' mandate be and is hereby granted to KTG Group to enter into RRPTs with MMAG Group as described in Section 2.2(b) of Part C of the Circular, PROVIDED THAT:

(i) the RRPTs are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and

(ii) disclosure is made in the annual report with a breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year necessary for the Company's day-to-day operations;

AND THAT the authority conferred by such mandate shall commence immediately upon the passing of this ordinary resolution and continue to be in force until:

(i) the conclusion of the next AGM of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution."

ORDINARY RESOLUTION 7

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RRPT ENTERED INTO BETWEEN L.T.S. HAULAGE SDN BHD ("LTS") AND KTG GROUP

"THAT subject to the provisions of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a shareholders' mandate be and is hereby granted to KTG Group to enter into RRPTs with LTS as described in Section 2.2(c) of Part C of the Circular, PROVIDED THAT:

(i) the RRPTs are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and

(ii) disclosure is made in the annual report with a breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year necessary for the Company's day-to-day operations;

AND THAT the authority conferred by such mandate shall commence immediately upon the passing of this ordinary resolution and continue to be in force until:

(i) the conclusion of the next AGM of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution."

SPECIAL RESOLUTION

PROPOSED CHANGE OF NAME FROM KTG BERHAD TO CSH ALLIANCE BERHAD ("PROPOSED CHANGE OF NAME")

"THAT the name of the Company be changed from "KTG Berhad" to "CSH Alliance Berhad" effective from the date of issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia to the Company;

AND THAT the Directors and/or the Secretaries of the Company be and are hereby authorised and empowered to carry out all the necessary steps and formalities in effecting the Proposed Change of Name."

By Order of the Board

Chua Siew Chuan (SSM PC NO. 201908002648) (MAICSA 0777689)
Yeow Sze Min (SSM PC NO. 201908003120) (MAICSA 7065735)
Company Secretaries
Kuala Lumpur

Date: 23 August 2021

Notes:

1. *In view of the COVID-19 pandemic and as part of the Company's measures to curb the spread of COVID-19, the EGM will be conducted on a fully virtual basis through live streaming and online remote voting via the remote participation and electronic voting ("**RPEV**") facilities via Vote2U at https://web.vote2u.my (Domain Registration No. with MYNIC - D6A471702) provided by Agmo Digital Solutions Sdn Bhd in Malaysia. Please read and follow the procedures as set out in the Administrative Guide of the EGM in order to register, participate and vote remotely via the RPEV facilities.*
2. *In respect of deposited securities, only shareholders whose names appear in the Record of Depositors on 14 September 2021 shall be eligible to attend the Meeting.*
3. *The shareholder of the Company shall be entitled to appoint not more than two (2) person as his proxies to exercise all or any of his rights to attend, participate, speak and vote at a meeting of members of the Company. There shall be no restriction as to the qualification of the proxy.*
4. *Where the shareholder appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy appointed to attend the Meeting of the Company shall have the same rights as the shareholder.*
5. *The instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporation shall be executed under its common seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.*
6. *Where the shareholder is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy.*
7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Company's Share Registrar at Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, or via electronic means through email to mega-sharereg@megacorp.com.my or via facsimile at 03-2732 5388 at least forty-eight (48) hours before the time set for holding the meeting, i.e., on or before 10.00 a.m., on Monday, 20 September 2021 or at any adjournment thereof at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for taking of the poll, and in default the instrument of proxy shall not be treated as valid. All the resolutions set out in this Notice are to be voted by poll.*

KTG BERHAD
(Registration No. 200001002113 (504718-U))
(Incorporated in Malaysia)

CDS Account No.

No. of ordinary shares held

FORM OF PROXY

*I/We (full name in block), ____________________

bearing *NRIC No./Passport No./Company Registration No. ____________________

of (full address) ____________________

____

being shareholder(s) of KTG Berhad ("**the Company**") hereby appoint :-

First Proxy "A"

Full Name (in block)	NRIC/ Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Full Address			

and/or failing *him/her,

Second Proxy "B"

Full Name (in block)	NRIC/ Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Full Address			

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via the remote participation and electronic voting (RPEV) facilities via Vote2U at https://web.vote2u.my (Domain Registration No. with MYNIC - D6A471702) provided by Agmo Digital Solutions Sdn Bhd in Malaysia on Wednesday, 22 September 2021 at 10.00 a.m., or at any adjournment thereof.

Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Ordinary Resolutions		**For**	**Against**
1.	Turnkey Agreement		
2.	Proposed Diversification into Manufacturing and Trading of Gloves and other PPE		
3.	Proposed Diversification into Transportation and Logistics Business		
4.	Proposed Rights Issue of Shares with Warrants		
5.	Proposed New Shareholders' Mandate for RRPTs entered into between ChipSeng Heng Enterprise Sdn Bhd and KTG Group		
6.	Proposed New Shareholders' Mandate for RRPTs entered into between MMAG Holdings Berhad and its subsidiaries and KTG Group		
7.	Proposed New Shareholders' Mandate for RRPTs entered into between L.T.S. Haulage Sdn Bhd and KTG Group		
Special Resolution		**For**	**Against**
1.	Proposed Change of Name		

As witness my/our hand(s) this day __________ of ____________ 2021.

____

**Signature/Common Seal of the Shareholder(s)*

**Strike out whichever not applicable*

Fold this flap for sealing

Notes:

1. *In view of the COVID-19 pandemic and as part of the Company's measures to curb the spread of COVID-19, the EGM will be conducted on a fully virtual basis through live streaming and online remote voting via the remote participation and electronic voting ("**RPEV**") facilities via Vote2U at https://web.vote2u.my (Domain Registration No. with MYNIC - D6A471702) provided by Agmo Digital Solutions Sdn Bhd in Malaysia. Please read and follow the procedures as set out in the Administrative Guide of the EGM in order to register, participate and vote remotely via the RPEV facilities.*
2. *In respect of deposited securities, only shareholders whose names appear in the Record of Depositors on 14 September 2021 shall be eligible to attend the Meeting.*
3. *The shareholder of the Company shall be entitled to appoint not more than two (2) person as his proxies to exercise all or any of his rights to attend, participate, speak and vote at a meeting of members of the Company. There shall be no restriction as to the qualification of the proxy.*
4. *Where the shareholder appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy appointed to attend the Meeting of the Company shall have the same rights as the shareholder.*
5. *The instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporation shall be executed under its common seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.*
6. *Where the shareholder is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy.*
7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Company's Share Registrar at Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, or via electronic means through email to mega-sharereg@megacorp.com.my or via facsimile at 03-2732 5388 at least forty-eight (48) hours before the time set for holding the meeting, i.e., on or before 10.00 a.m., on Monday, 20 September 2021 or at any adjournment thereof at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for taking of the poll, and in default the instrument of proxy shall not be treated as valid. All the resolutions set out in this Notice are to be voted by poll.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

SHARE REGISTRAR OF KTG BERHAD
Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Wilayah Persekutuan

1st fold here