

7. BUSINESS OVERVIEW (Cont'd)

- plastic packaging industry to die-cut plastic materials which are then made into plastic packaging boxes; and
- textile and leather industries to die-cut fabrics and leathers which are then made into clothing, shoes, cushions and seat covers for furniture and car seat.

7.2.1 Die-cutting solutions provider

(a) In-house manufacturing of die-cutting solutions

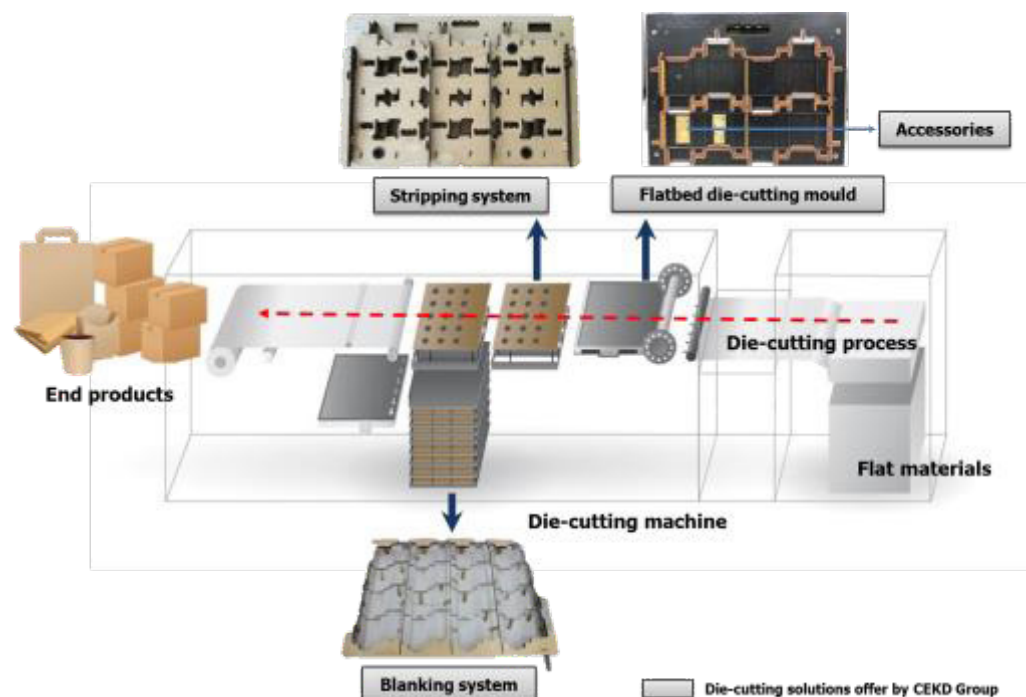
We manufacture and produce different types of die-cutting moulds according to our customers' requirements and needs, while providing other value-added die-cutting solutions to complement our die-cutting moulds manufacturing segment.

Our different types of in-house custom die-cutting moulds are categorised and illustrated as follows:

(i) Flatbed die-cutting moulds

Flatbed die-cutting moulds are affixed on the die-cutting machines to perform cutting and/or creasing of the desired shape, out of numerous materials such as corrugated paperboard, paper, film, plastic, adhesive tape and sheet metal. In a die-cutting machine, die-cutting and creasing operations are usually performed simultaneously. The purpose of creasing is to make well-defined folding lines on the materials to facilitate the folding operation.

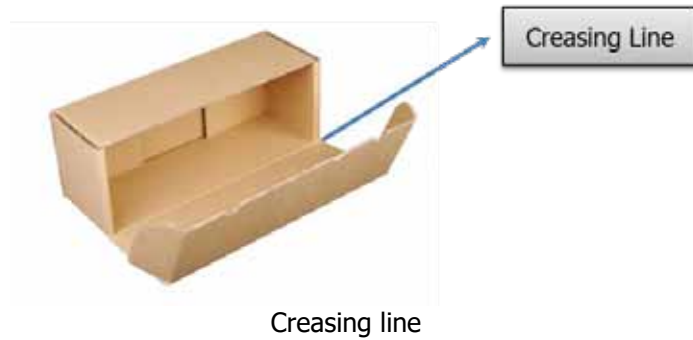
We complement our flatbed die-cutting moulds during the die-cutting process by offering dynamic stripping and blanking system solutions. The dynamic stripping system is used to remove die-cutting wastes, while the blanking system is used to separate and stack the die-cutting products in an orderly manner. They are fixed onto the die-cutting machine and are in an identical shape to the die-cutting moulds to ensure a precise match.



7. BUSINESS OVERVIEW (Cont'd)

In addition, we also produce accessories such as embossing and debossing tools and NC dies that can be assembled onto our die-cutting moulds according to customers' requirements. Embossing and debossing tools are used to create 3D-image on materials, either raised (embossed) or sunken (debossed) on the material.

For illustration, our customers use our tools to produce various packaging products:



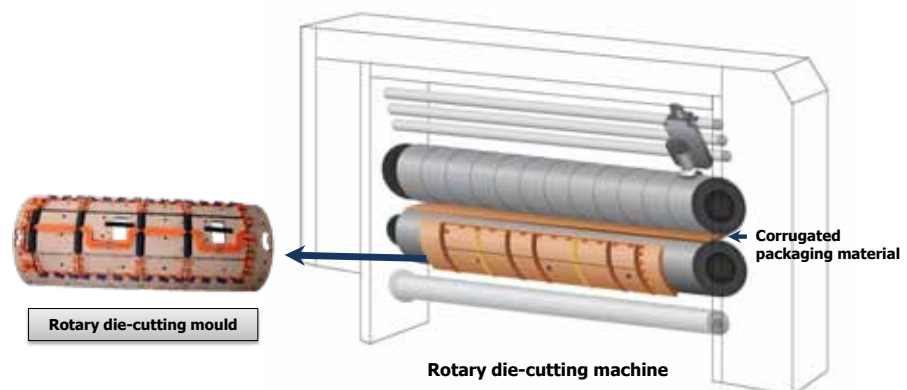
Embossing



Debossing

(ii) Rotary die-cutting moulds

Rotary die-cutting moulds are cylindrical dies used mainly in the cutting and/or creasing for high volumes and/or big sized packaging box die-cutting requirements.



7. BUSINESS OVERVIEW (Cont'd)

For illustration, our customers use the rotary die-cutting moulds to produce various packaging products:



Corrugated & paper packaging box

(iii) Others

We also manufacture other die-cutting tools such as pinnacle dies, progressive stamping dies, NC dies and press cutting dies.

Pinnacle dies

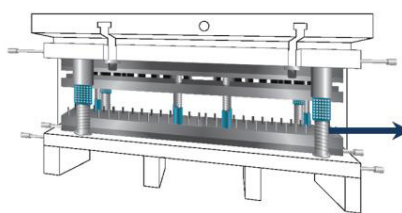


NC dies



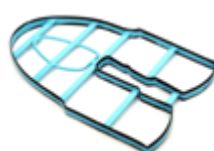
Pinnacle dies and NC dies are used for die-cutting sharp angled and thin sheet base materials such as electronic components that require extremely accurate and fine results.

Progressive stamping dies



Progressive stamping dies are generally suitable for high speed and high volume production.

Press cutting dies



Press cutting dies are generally used for die-cutting textile, leather and fabrics.



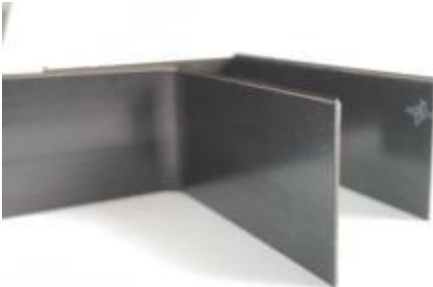
Depending on the complexity of the dies that are required by customers, the entire die-cutting moulds production process, i.e. from CAD designs to production time for a finished product ranges from 3 hours to 1 month.

7. BUSINESS OVERVIEW (Cont'd)

(b) Trading of related consumables, tools and accessories

In addition to manufacturing, our Group is also involved in the trading of related consumables, tools and accessories. This is part of our Group's business strategy to cater to our customers' diverse needs and to allow for further revenue growth.

The main related consumables, tools and accessories traded by our Group are as follows:

Products	Description	Illustrations
Creasing matrix	A consumable tool that is fixed on die-cutting moulds to impart registered crease on paper, paperboard or corrugated paperboard	
Base board	The base part for mounting the steel rule in the die-cutting moulds	
Steel rule	Steel cutting rule, steel perforation rule and steel creasing rule	

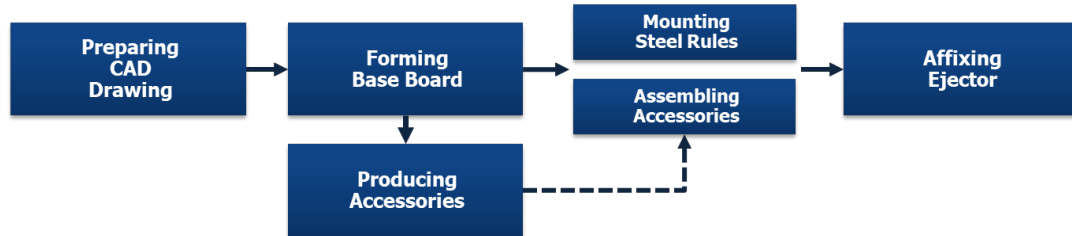
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7. BUSINESS OVERVIEW (Cont'd)

7.3 OPERATING MECHANISMS

7.3.1 Manufacturing of die-cutting moulds

Our process flow for the manufacturing of flatbed and rotary die-cutting moulds is as below:



Preparing CAD Drawing

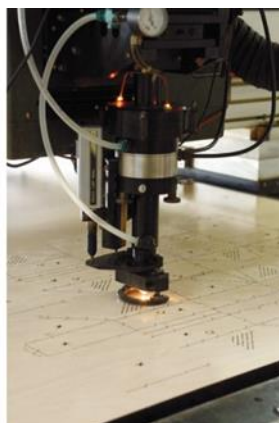
The production process of a die-cutting mould begins with the production of the profiles of 2D CAD drawings in accordance with our customers' requirements. Our CAD drawing team uses CAD software to produce the drawings. A mock up box will be produced by using sample making and plotting machine for internal use for further examination to ensure that our customers' requirements are met.

The final artwork that passes our initial QC inspection are then transferred to a CNC laser cutting machine, whereby the 2D CAD drawings are converted into numeric-control code which controls the movement of the laser cutting machine.

Forming Base Board

A piece of flat (for flatbed die-cutting mould) or semi-cylindrical (for rotary die-cutting mould) laser compatible board is placed and secured on the workbench of the laser cutting machine. The CNC laser cutting machine will cut the base board according to the CAD drawings.

Inspections will then be carried out to examine whether there are any defects.



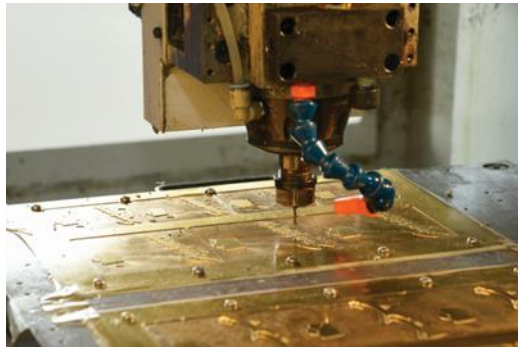
Laser cutting

Producing Accessories

Based on our customer's requirement on the die-cutting mould, accessories such as embossing or debossing tools or NC dies will be produced and assembled on the die-cutting mould as finished products.

7. BUSINESS OVERVIEW (Cont'd)

To manufacture embossing/debossing tools, raw material is placed on the workbench of the CNC milling/engraving machine; the raw material is then engraved in order to achieve the required embossing/debossing images, i.e. raised or sunken surface effects on the metal.



CNC engraving (Embossing/debossing)

For NC dies, steel base material (block and/or sheet) is placed on the workbench of the CNC engraving machine and the desired design and cutting tools are produced and formed to meet the product requirements.



CNC engraving (NC dies)

Mounting Steel Rules

An automatic steel rule processor is used to bend and cut the steel rules based on the specifications from the CAD drawings. Our production workers then mount the steel rules manually using a hammer into the kerfs created during the laser cutting process. Our production workers will further adjust the precision of the steel rules formed by the automatic steel rule processor if needed, before mounting onto the base board.

A QC inspection of the semi-finished product will then be conducted to check the accuracy such as the rule joints and size of cut-out shape.

7. BUSINESS OVERVIEW (Cont'd)



Automatic steel rule processor



Manual steel rule bender



Steel rules mounting (Flatbed die-cutting mould)



Steel rules mounting (Rotary die-cutting mould)

Assembling Accessories

The accessories such as embossing or debossing tools or NC dies will be assembled onto the semi-finished products.

Affixing Ejector

Semi-finished products that passed the QC inspections will then proceed to the final step which is to affix the ejector around the steel rules. Ejectors hold materials (i.e. corrugated paperboard, paper, film, plastic, adhesive tape, and sheet metal) in place during the die-cutting process and subsequently detach the materials away from the mould after the die-cutting process.

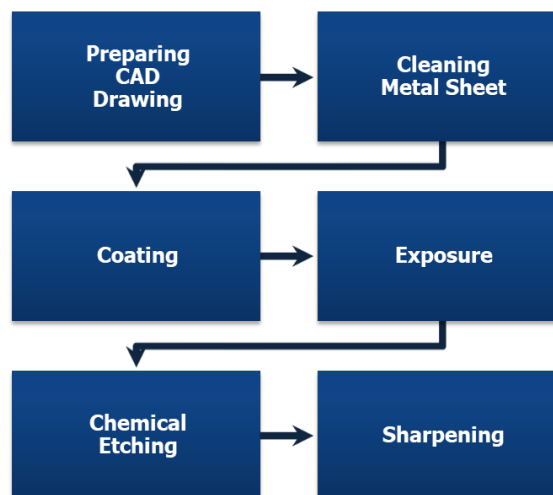
7. BUSINESS OVERVIEW (Cont'd)

Finished die-cutting moulds are then packed for delivery.



Affixing ejector

7.3.2 Manufacturing of pinnacle dies



Preparing CAD Drawing

The required die designs are prepared by our drawing team using CAD software.

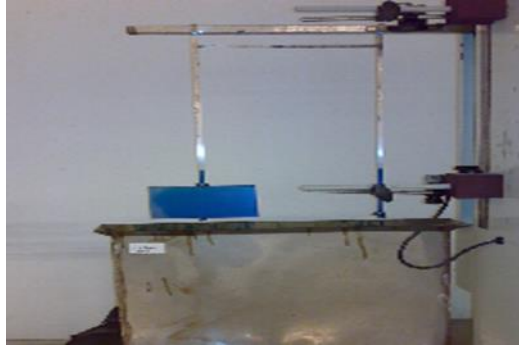
Cleaning Metal Sheet

A sheet of metal will first undergo a chemical cleaning process by either applying a solvent substance to the surface to be etched or immersed in alkaline cleaners or specialised de-oxidising solutions. The metal sheet is blasted and washed with the cleaning solutions to remove potential contaminants such as grease, dust and foreign debris on the surface.

Coating

The cleaned metal sheet is dipped into the coating material to create a layer to protect the areas that will not be etched.

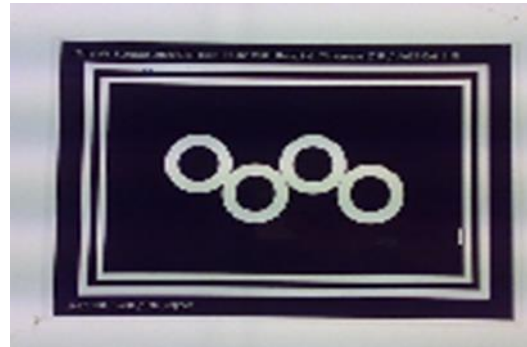
7. BUSINESS OVERVIEW (Cont'd)



Coating

Exposure

The CAD drawing is printed on a film. The film with the CAD drawing is placed on top of the coated metal sheet and is exposed to UV light in a UV exposure machine. This process is to bond together the film with the CAD drawing and the coated metal sheet.



UV exposure

Chemical Etching

Etching chemical is sprayed on the coated metal sheet to create the desired image. The coated metal sheet is then being cleaned after the etching process.



Chemical etching

7. BUSINESS OVERVIEW (Cont'd)

Sharpening

The coated metal sheet is then sent for CNC milling/engraving to mill and sharpen the cutting edge and turned into a pinnacle die.



CNC milling/engraving



Finished product

Finished pinnacle dies are then packed for delivery.

7.3.3 Manufacturing of progressive stamping dies



Preparing CAD Drawing

The required die designs are prepared by our drawing team using CAD software.

Wire-cutting

The CAD drawing is subsequently transmitted into wire-cutting machines to facilitate cutting the steel materials.



Wire-cutting

Producing Accessories

Based on our customer's requirement on the die-cutting mould, accessories such as pinnacle dies and NC dies will be produced and assembled on the die-cutting mould as finished products.

7. BUSINESS OVERVIEW (Cont'd)

Assembling

After the steel materials are wire-cut according to the required designs of the progressive stamping die, the steel materials and accessories will be assembled to form the finished product.



Assembling

7.3.4 Manufacturing of NC dies



Preparing CAD Drawing

The required die designs are prepared by our drawing team using CAD software.

CNC Milling

Steel base material (block and/or sheet) is placed on the workbench of the CNC milling machine to mill and sharpen the cutting edge and turned into a NC die.

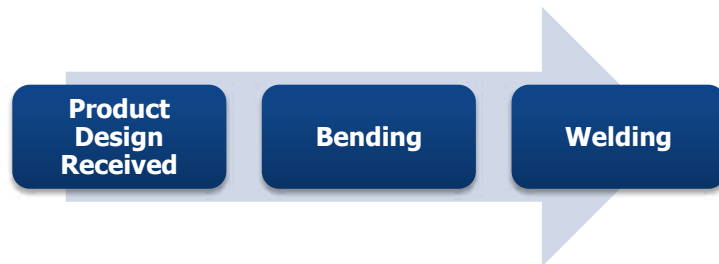


CNC milling

Finished NC dies are then packed for delivery.

7. BUSINESS OVERVIEW (Cont'd)

7.3.5 Manufacturing of press cutting dies



Product Design Received

Upon receipt of design of the press cutting die from our customer, we will proceed for production.

Bending

Our production worker will manually bend the steel rule into the desired shape according to the design.



Bending

Welding

The joints of the steel rule are welded through welding process. During the welding process, an electric arc will generate heat to melt filler metal, which will form a bond between the joints once the molten metal is solidified after cooling.

7. BUSINESS OVERVIEW (Cont'd)

Welding

Finished press cutting dies are then cleaned and packed for delivery.

7.4 PRINCIPAL MARKETS

The breakdown of our Group's revenue for FYE 2018 to 2020 and FPE 2021 is as follows:

	FYE 2018		FYE 2019		FYE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	24,438	85.1	23,775	83.8	22,560	85.6	15,046	85.0
Others ⁽¹⁾	4,294	14.9	4,588	16.2	3,795	14.4	2,659	15.0
Total	28,732	100.0	28,363	100.0	26,355	100.0	17,705	100.0

Note:

⁽¹⁾ Comprising mainly Australia, Vietnam, Thailand, Philippines and United Arab Emirates, each representing not more than 5.0% of our revenue.

Our principal market is Malaysia, which contributed 85.1%, 83.8%, 85.6% and 85.0% of our Group's revenue for FYE 2018 to 2020 and FPE 2021 respectively, with the remaining revenue generated from overseas market. The remaining percentage of our revenue for the financial years under review was mainly derived from the following countries:

	Audited			
	FYE 2018 (%)	FYE 2019 (%)	FYE 2020 (%)	FPE 2021 (%)
Australia	0.1	0.6	0.4	1.2
Vietnam	4.8	4.9	5.0	4.4
Thailand	1.5	1.4	1.9	2.4
Philippines	0.7	1.4	1.2	1.4
United Arab Emirates	1.7	2.1	1.3	1.2
Others ⁽¹⁾	6.1	5.8	4.6	4.4
	14.9	16.2	14.4	15.0

7. BUSINESS OVERVIEW (Cont'd)

Note:

- (1) Comprises Bangladesh, Brunei, Cambodia, Germany, Hong Kong, Japan, Korea, Latvia, Netherlands, Pakistan, Poland, Indonesia, Singapore, Switzerland, Taiwan and USA, each representing not more than 1.0% of our total revenue for FPE 2021.

Further details on our principal markets are set out in Section 12.2.2(i).

7.5 SEASONALITY OF OUR BUSINESS

During festive seasons such as Chinese New Year and Hari Raya Puasa, our Group typically records lower sales due to slower manufacturing activities by our customers.

7.6 BUSINESS INTERRUPTIONS

Save for the interruptions to our business due to the Covid-19 pandemic as disclosed below, our Group has not faced any significant interruptions to our business and operations over the last 12 months preceding LPD.

The Covid-19 was officially declared a health pandemic by the Director General of the World Health Organisation on 11 March 2020. On 16 March 2020, the Malaysian Government announced the MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 effective from 18 March 2020 to 3 May 2020. During the initial MCO period, all government and private premises (saved for those involved in essential services or industries which had special permission) are required to cease all operation. We resumed our operations (up to 30% of our workforce, restricted to 1 shift) after obtaining approval from MITI on 27 March 2020, 5 April 2020 and 17 April 2020 for Sharp DCM, Hotstar and Focuswin respectively, as we were classified under the supply chain of essential goods and services. On 4 May 2020, we resumed full operations as permitted by MITI. Due to the initial and conditional MCO, our normal annual production utilisation rate of approximately 81.0% has decreased by 2.9% to 78.1% in FYE 2020. On 11 January 2021, the Malaysian Government announced a second MCO ("**MCO 2.0**") which was effective on 13 January 2021 and another MCO 3.0 was implemented effective 12 May 2021 for the whole country following increases in the number of Covid-19 cases. As number of infections continues to increase, the Malaysian Government announced a full nationwide lockdown ("**FMCO**") from 1 June 2021 onwards, where only selected industries are allowed to continue operating. On 15 June 2021, the Government announced the National Recovery Plan, which is a 4 phase strategy based on three indicators, (aa) number of symptomatic new hospital admissions; (bb) capability of public healthcare system based on the bed utilisation rate in intensive care unit (ICU) wards; and (cc) percentage of the population protected against Covid-19, based on the number of people that have received two doses of vaccines.

During MCO 2.0 and MCO 3.0, our production department continues to operate but our production hours shortened from finishing at 10pm every day to when our employees finish their tasks for the day, whichever is earlier. Up to 70.0% of our employees for non-production departments such as accounts department, purchasing department and human resources department are working from home on a daily rotational basis during the MCO 2.0. With effect from 25 May 2021 and up till end of the current National Recovery Plan, our production hours will end at 8pm and only 60.0% of our total employees are allowed to be present in the office in accordance with the standard operating procedures prescribed by the Malaysian Government.

7. BUSINESS OVERVIEW (Cont'd)

During the initial MCO period, due to travel restrictions imposed by the authorities, we were unable to deliver finished products to our customers located outside the Klang Valley area. However, such products were subsequently delivered to our customers and there were no claims by our customers for any delayed delivery. In addition, as many of our customers were not able to operate during this period, our sales orders also reduced. However, we were still receiving orders from those customers serving manufacturers operating in essential services such as the food and beverage and pharmaceutical industries. Sales orders from our overseas customers also reduced due to the Covid-19 pandemic and similar movement restrictions imposed by various countries.

After the initial MCO period, our overseas sales reduced by 18.2% from RM1.48 million between May 2019 and August 2019 to RM1.21 million between May 2020 and August 2020. Nevertheless up to LPD, we did not receive any cancellation of purchase orders as a result of the Covid-19 pandemic. As a result of these disruptions on our business, our financial performance was affected throughout the initial MCO period.

(a) Measures to commence and continue our business operations

We have implemented new Covid-19 health and safety instructions and procedures, and social distancing guidelines imposed by the relevant authorities. These measures are to safeguard the health and safety conditions of our employees working at our offices and factories. These new Covid-19 standard operating procedures include the following:

- (i) Requiring all employees to provide declaration of health conditions and travel history prior to returning to our offices and factories;
- (ii) Implementing movement control routing;
- (iii) Ensuring all our employees and visitors wear face masks at all times, regularly sanitising their hands, and practise social distancing;
- (iv) Measuring and recording daily temperature of our employees and visitors;
- (v) Daily sanitisation of our offices and factories;
- (vi) Requiring all employees to visit nearby hospitals for diagnosis and treatment immediately if they develop any Covid-19 symptoms and have not recovered after being in quarantine for three days; and
- (vii) Reminding all employees to be aware of the importance of health protection.

The accumulated costs for the implementation of the Covid-19 standard operating procedures above is approximately RM0.07 million as of 31 March 2021, which is not material to our Group. In addition, we have not breached any laws in relation to Covid-19 restrictions or standard operating procedures which may lead to penalties by relevant authorities.

In the event of an outbreak of Covid-19 at our office and factories, our new Covid-19 standard operating procedures include the following:

- (i) Temporarily suspension of operations and notifying the Ministry of Health of the outbreak;
- (ii) Employees are to be tested for Covid-19 and practise self-quarantine;

7. BUSINESS OVERVIEW (Cont'd)

- (iii) Any infected employees will be quarantined based on instructions from the Ministry of Health; and
- (iv) The infected area will be disinfected.

As at LPD, 6 of Sharp DCM's and 5 of Hotstar's employees were tested positive for Covid-19, of which 9 of them have recovered. The remaining 2 employees have recovered and were fit to resume work on 16 August 2021. Our operations were not significantly impacted as the situation were detected and isolated promptly.

The employees who were tested positive for Covid-19, were required to be home-quarantined and only allowed to return to workplace after they obtained a negative-test result and received clearance of discharge notification from the MySejahtera application. Following this incident, we have also carried out office and plant-wide cleaning and disinfection procedures. In addition, we are conducting weekly mass testing exercise for all our employees since end of July 2021 to safeguard the health and safety conditions of our employees. The cost to conduct the weekly mass testing exercise is approximately RM20,000 per month. From September 2021 onwards, we will conduct bi-weekly mass testing exercise for all our employees, which will expect to cost RM10,000 per month or RM0.12 million per annum. However, the estimated mass testing cost per annum may not be incurred in full as overall vaccination rate has been increasing and we are gradually moving towards Phase 4 of our National Recovery Plan. Nevertheless, the cost of the bi-weekly mass testing is not expected to have any material financial impact to our Group.

(b) Impact of Covid-19 on our supply chain

The majority of the supplies for our Group's business are mainly sourced from overseas. In terms of our raw material inventory, our Group has always practiced at least 4-month inventory level (minimum reorder level) for all our major raw materials. We have also purchased more raw materials during favorable conditions such as strengthening of RM against foreign currencies or when our suppliers offer us bulk purchase discounts as a means to manage our overall production cost.

As such, we have already made our raw material purchases during the first quarter of 2020 prior to the MCO. During the MCO period, the reduction in production output also resulted in a lower raw material usage. As such, the Covid-19 pandemic did not have any material impact on our supply chain and inventory as we still have sufficient level of raw materials upon resuming our manufacturing operations.

During the MCO period as well, some of our foreign workers' work permits had also expired. However, we were able to renew their work permits with the Immigration Department of Malaysia. We do not expect any material impact on our foreign workers.

(c) Impact of Covid-19 on our sales performance

During the initial MCO period from March to May 2020, our revenue from sales of die-cutting moulds and tools declined by 30.0% (for local sales) and 34.0% (for overseas sales), as compared to the same period for FYE 2019. The poor sales performance was mainly attributable to customers reducing their orders over this period. Our sales and marketing activities were also impacted, as we were unable to participate in trade event due to border restriction for international travel which is expected to continue for the remainder of the year. Instead, we participated on online seminar as part of our sales and marketing strategy during the MCO period a mean to increase sales.

7. BUSINESS OVERVIEW (Cont'd)

Although our sales revenue had decreased during the initial MCO period, such poor sales performance was only temporary during the said period and there is no material impact in terms of yearly financial revenue generation as a whole. Further, our sales have gradually rebounded from June 2020, as evidenced from our revenue increasing by 6.0% from June 2020 up to September 2020, compared to the same period in FYE 2019 and has remained stable up to May 2021. However, with effect from 25 May 2021, our production capacity to manufacture flatbed die-cutting moulds & rotary die-cutting moulds decreased by approximately 26.3% due to reduced production hours and office capacity. Our total sales from June 2021 to LPD decreased by approximately 14.7% as compared to the same period in FYE 2020 as some of our local customers are operating at a reduced capacity or unable to operate during the FMCO. Nonetheless, based on our experience in 2020, we are likely to see a gradual rebound upon entering Phase 2 of the National Recovery Plan. As such, we do not expect this to have a material adverse impact to the overall operation and financial performance of our Group.

We have received an one-off wage subsidy from the Malaysian Government amounting to RM0.28 million which contributed to the improvement in our GP margin from 47.1% to 50.4% from FYE 2019 to FYE 2020.

7.7 SOURCES AND AVAILABILITY OF RAW MATERIALS

The major types of raw materials purchased by our Group for FYE 2018 to 2020 and FPE 2021 are set out as follows:

	FYE 2018		FYE 2019		FYE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Steel rule	1,684	27.0	949	16.7	1,006	19.7	507	18.7
Base boards	751	12.0	447	7.9	633	12.4	195	7.2
Trading products ⁽¹⁾	2,737	43.9	3,665	64.6	2,823	55.4	1,944	71.6
Others ⁽²⁾	1,064	17.1	611	10.8	637	12.5	68	2.5
Total	6,236	100.0	5,672	100.0	5,099	100.0	2,714	100.0

Notes:

- (1) Comprising mainly creasing matrix, steel rules and base boards.
- (2) Comprising mainly ejectors, punches and pins.

Our raw materials are sourced from various local and foreign suppliers, details are as follows:

	FYE 2018		FYE 2019		FYE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	2,421	38.8	1,140	20.1	1,270	24.9	593	21.8
Foreign ⁽¹⁾	3,815	61.2	4,532	79.9	3,829	75.1	2,121	78.2
Total	6,236	100.0	5,672	100.0	5,099	100.0	2,714	100.0

Note:

- (1) The remaining percentage of our total purchase cost of raw materials for the financial years/period under review was mainly derived from the following countries:

7. BUSINESS OVERVIEW (Cont'd)

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FPE 2021
	(%)	(%)	(%)	(%)
Australia	4.2	9.3	1.7	4.5
China	27.8	20.8	19.4	22.1
Germany	6.9	21.3	20.3	12.6
Japan	0.2	4.4	10.3	6.7
Latvia	2.6	8.7	6.9	18.0
Taiwan	6.3	2.5	3.0	4.6
Others ^(a)	13.1	12.9	13.5	9.7
	61.2	79.9	75.1	78.2

Note:

- (a) Comprising mainly from Italy and Netherlands, each representing not more than 5.0% of our total purchase cost of raw materials.

We have not experienced any major interruption in the supplies of raw materials during FYE 2018 to 2020 and FPE 2021.

Although our main raw materials such as wood and steel are commodity based products, the prices do not fluctuate materially based on the commodity prices as we purchase premium wood and processed steel rules instead of raw wood or raw steel. However, they are subject to inflationary increase in prices and foreign exchange risk. In view of the above, our strategy is to purchase more steel rule and base boards during favorable conditions such as strengthening of RM against foreign currencies or when our suppliers offer us bulk purchase discounts. We have not experienced any volatility in the prices of wood and steel, which have materially affected our business during FYE 2018 to 2020 and FPE 2021.

7.8 QUALITY CONTROL PROCEDURES AND MANAGEMENT**7.8.1 Quality management system policy**

Our Group's QA management policy places significant emphasis on the quality of what we manufacture, with the aim to achieve the highest level of customer satisfaction. Sharp DCM has been assessed and accredited with the ISO9001:2000 on 21 February 2002, which was subsequently updated to ISO9001:2008 and ISO9001:2015 on 15 August 2006 and 8 October 2018 respectively from AJA EQS Certification (M) Sdn Bhd. Although Focuswin and Hotstar are not ISO certified, we ensure that they adopt the same ISO quality standards across their manufacturing process. Focuswin and Hotstar focus on manufacturing less complex die-cutting moulds as compared to Sharp DCM. In view of that and we have been able to adopt the same ISO quality standards in Focuswin and Hotstar's manufacturing process, we have no plans to obtain ISO certification for Focuswin and Hotstar as at LPD.

Our production supervisors ensure proper implementation of QC procedures in our manufacturing operations, as well as inspecting incoming raw materials and outgoing finished products.

Our Group's internal QC procedures are as follows:

- **Incoming quality**

Our Group's production supervisors will conduct a sampling check on all incoming raw materials, in terms of their quality and condition, against the purchase orders. Only raw materials that pass these checks are accepted.

7. BUSINESS OVERVIEW (Cont'd)

- **In-process quality**

Quality checks such as correct raw materials used, rule joints and size of cut-out shape are performed during the production process to ensure that the product quality is within the tolerance level.

- **Outgoing quality**

Prior to the delivery, quality checks will be performed on the finished products and the condition of the packaging.

7.8.2 HSE management policy

Our Group is committed to protect the health and safety of our employees, vendors, contractors and general public, and to protect the environment. We have established HSE policies to provide healthy and safe working conditions and give due consideration to preservation of the environment in accordance with relevant standard and guidelines and complies with the applicable laws, rules and regulations.

Our HSE policies are as follows:

- Provide and maintain a clean and safe working environment for our employees;
- Provide training to our employees to perform their jobs safely;
- Report any unhealthy or unsafe working conditions that may affect themselves and those around them or affect the environment to the management and follow by the corrective measures;
- Plan, evaluate and implement of action that is appropriate to minimize the impact towards environmental aspects as a result of the company's activity; and
- All employees are to adhere to these policies at all times.

All confirmed employees are required to attend our internal HSE training programmes in order to comply with the HSE policy. All employees shall comply with all safety and environmental related rules and regulations. Each employee understands that they are individually responsible for their own safety and the safety of those around them. Violation of this policy will be cause for disciplinary action.

During FYE 2018 to 2020 and FPE 2021, there were no major injuries or accidents in our workplace.

Owing to the ongoing Covid-19 pandemic, we have adopted new standard operating procedures required by the Malaysian Government as measures to ensure a safe operating environment for our employees, as detailed in Section 7.6(a) above.

7. BUSINESS OVERVIEW (Cont'd)

7.9 MACHINERIES AND EQUIPMENT

Details of the material machineries and equipment used by our Group for our operations are as follows:

Machineries and equipment	Description	Unit(s)	Total Purchase Price (RM'000)	Audited NBV as at 31 March 2021 (RM'000)
Automatic steel rule processors	Used for the automatic bending, lipping, cutting, bridging and flat cutting process	29	5,525	1,141
CNC milling/engraving machines	Used for milling, cutting or carving grooves or characters onto a surface	23	4,592	1,343
Laser cutting machines	Uses a laser beam to perform the cutting process	8	7,172	849
Sample making and plotting machines	Makes mock-up boxes	6	1,388	332
Waterjet cutting machines	Uses high-pressure jets of water to perform cutting	1	272	(1)
Wire-cutting machines	Uses heat from electrical sparks to cut through metal	7	806	264
	Total	74	19,755	3,929

Note:

(1) Represents RM1.00 only.

The average economic useful life for our machineries and equipment ranges from 5 to 10 years. We conduct periodic inspections and maintenance of our machineries and equipment and undertake certain repair works when necessary. Our maintenance procedures include oiling, corrosion prevention and cleaning. The machineries and equipment that we own are commonly used in the die-cutting tools manufacturing industry and are generally available in the overseas market.

7.10 OPERATING CAPACITY AND OUTPUT

Our Group presently operates from 6 factories, 4 of which are located in Kuala Lumpur (including one factory which is currently used by Hotstar for storage), and 2 are located in Penang. Our Group's production capacity and utilisation for FYE 2020 and FPE 2021 at our factories are as follows:

7. BUSINESS OVERVIEW (Cont'd)

Types of products	Production capacity (Unit)	Production output (Unit)	Utilisation rates (%)
FYE 2020			
Flatbed die-cutting moulds & rotary die-cutting mould	⁽¹⁾ 133,851	104,542	78.1
Other die-cutting moulds and tools	⁽²⁾ 13,292	6,094	45.8
FPE 2021			
Flatbed die-cutting moulds & rotary die-cutting mould	⁽³⁾ 80,000	65,264	81.6
Other die-cutting moulds and tools	⁽⁴⁾ 7,754	3,225	41.6

Notes:

- (1) Calculated based on 122 production workers and supervisors as at 31 August 2020, 8-hour shift, 2 shifts per day, 20 working days per month for 12 months and the average of 210 minutes (3.50 hours) to produce 1 unit.
- (2) Calculated based on 15 production workers and supervisors as at 31 August 2020, 8-hour shift, 1 shift per day, 20 working days per month for 12 months and the average of 130 minutes (2.17 hours) to produce 1 unit.
- (3) Calculated based on 125 productions workers and supervisors as at 31 March 2021, 8-hour shift, 2 shifts per day, 20 working days per month for 7 months and the average of 210 minutes (3.50 hours) to produce 1 unit.
- (4) Calculated based on 15 productions workers and supervisors as at 31 March 2021, 8-hour shift, 1 shift per day, 20 working days per month for 7 months and the average of 130 minutes (2.17 hours) to produce 1 unit.

Our production utilisation rate for FYE 2020 has been affected by the MCO, which resulted in our operations being temporarily suspended. Please refer to Section 7.6 for further details. Due to the seasonality of our business, our normal annual utilisation rate is approximately 81.0%.

Other die-cutting moulds and tools mainly consist of manufacturing of press cutting die. The production utilisation rate for other die-cutting moulds is only 41.6% for FPE 2021 mainly due to the reduced orders of press cutting die from our customers in the textile and leather industry in Malaysia. Overall, sales for other die-cutting moulds and tools only constitute 5.1% to 6.1% of our Group's revenue for the financial years/period under review.

7. BUSINESS OVERVIEW (Cont'd)

7.11 TECHNOLOGY USED OR TO BE USED

We utilise the following technology in our manufacturing process:

(a) Laser cutting

Laser cutting is a technology used to cut materials using a laser beam. A focused laser beam and compressed gas flows through the nozzle of the laser cutting machine and are directed onto the materials to be cut.

(b) Waterjet cutting

Waterjet cutting is a cold precise cutting process which uses an extremely high-pressure water stream to cut through different type of materials including metal, wood and plastic. A large volume of water is ejected under a very high pressure from a small opening which causes the water to rapidly accelerate and cut the materials.

(c) Wire-cut EDM

Wire-cut EDM uses a taut thin wire electrode to melt or vaporise metal materials to form the desired designs. Wire-cut EDM method is used to cut metal materials that are difficult to cut using other methods.

(d) CNC milling/engraving

CNC milling/engraving is a controlled mechanism process where a series of movement and operations is pre-determined via a computerised programme. CNC milling/engraving can achieve higher accuracy and precision during the machining process in order to produce intricate product designs.

(e) Automatic rule processor

An automatic rule processor is a fully automated machine to perform bending, mitring, notching and cutting of steel rule via a computerised programme.

(f) Sample making and plotting

Sample maker and cutting plotter is a controlled mechanism process where cutting dimensions or designs is pre-determined via a computerised programme and it is used to make a blueprint and/or fine tuning of design ideas before proceeding to final mould production.

7.12 R&D ACTIVITIES

Due to the nature of our business, we are not involved and do not undertake any formal R&D in connection with our business operations. However, as Bobst's certified die maker, Sharp DCM has access to Bobst's latest die-cutting technology through its tooling process specialist team which enables it to respond quickly to Bobst's technological advancement in the die-cutting tools manufacturing industry.

7. BUSINESS OVERVIEW (Cont'd)

In addition, our Group undertakes continuous product development and improvement to improve on our product quality and production efficiency. This involves undertaking feasibility studies on new machineries and choosing high quality raw materials to optimise the production process and result.

7.13 SALES AND MARKETING STRATEGIES

The sales and marketing strategies employed by our Group are as follows:

(a) Customers and suppliers' referrals

Our track record and reliability in providing quality products and services that meets customers' expectations have resulted in long-standing relationship with our customers which translate into continuing business opportunities. In addition, we have established and maintained close business relationship with our major suppliers which translate into referrals to prospective customers.

(b) Official corporate website

Information on our Group along with the products and services offered can be easily accessible via our Group's official corporate website, www.cekd.com.my. In addition, our existing and prospective customers can make enquiries regarding our products and services through the official corporate website.

(c) Trade events/ seminars

Our Group recognises that participation in trade events not only provide valuable insight into the market, but also allow us to identify latest industry developments and competitive trends while reaching prospective customers. In 2017, we showcased our products together with a die-cutting machine manufacturer in an international trade exhibition, Pack Print International 2017, which was held in Bangkok, Thailand.

We have also organised a seminar in 2017 for our existing and potential customers as well as industry stakeholders such as die-cutting machine manufacturers. The seminar has enabled us to maintain good business relationships, gather feedback from our customers to meet their needs and requirements, share our technical knowledge with our customers and increase our brand and product awareness.

(d) Partnership with die-cutting machine manufacturer

We have vide a die-maker certification agreement between Sharp DCM and Bobst been acknowledged as its certified die maker. As at LPD, Sharp DCM is Bobst's sole certified die maker in Southeast Asia, providing die-cutting moulds and tools to Bobst's customers. This enables us to tap on their customer base.

We adopt a direct distribution strategy, undertaken through our technical support and sales team where our products are sold directly to our customers. We do not distribute our products through distributors, agents and/or dealers. This strategy enables our Group to directly attend to customers' inquiries and have better understanding of their objectives and requirements.

7. BUSINESS OVERVIEW (Cont'd)**7.14 MAJOR CUSTOMERS**

Our top 5 major customers for the past FYE 2018 to 2020 and FPE 2021 are as follows:

No.	Major Customers	Total Sales		Length of	Products Sold
		RM'000	%	Relationship Years	
FYE 2018					
1	Company D	2,844	9.9	7	Creasing matrix, base boards, steel rule and die-cutting moulds
2	Company A	1,970	6.9	16	Die-cutting moulds
3	Tien Wah Press Holdings Berhad group of companies	1,446	5.0	15	Creasing matrix and die-cutting moulds
4	Company B	1,078	3.7	8	Creasing matrix and die-cutting moulds
5	Company C	739	2.6	8	Die-cutting moulds
	Total	8,077	28.1		
FYE 2019					
1	Company A	2,308	8.1	17	Die-cutting moulds
2	Company D	2,097	7.4	8	Creasing matrix, base boards, steel rule and die-cutting moulds
3	Tien Wah Press Holdings Berhad group of companies	1,172	4.1	16	Creasing matrix and die-cutting moulds
4	Company B	1,013	3.6	9	Creasing matrix and die-cutting moulds
5	Percetakan Tenaga Sdn Bhd	688	2.4	9	Die-cutting moulds
	Total	7,278	25.6		
FYE 2020					
1	Company A	2,294	8.7	18	Die-cutting moulds
2	Company D	2,033	7.7	9	Creasing matrix, base boards, steel rule and die-cutting moulds
3	Company B	1,296	4.9	10	Creasing matrix and die-cutting moulds
4	Tien Wah Press Holdings Berhad group of companies	1,188	4.5	17	Creasing matrix and die-cutting moulds
5	Percetakan Tenaga Sdn Bhd	709	2.7	10	Die-cutting moulds
	Total	7,520	28.5		

7. BUSINESS OVERVIEW (Cont'd)

No.	Major Customers	Total Sales		Length of Relationship	Products Sold
		RM'000	%	Years	
FPE 2021					
1	Company A	1,475	8.3	19	Die-cutting moulds
2	Company D	1,311	7.4	10	Creasing matrix, base boards, steel rule and die-cutting moulds
3	Company B	820	4.6	11	Creasing matrix and die-cutting moulds
4	Percetakan Tenaga Sdn Bhd	394	2.2	11	Die-cutting moulds
5	Company C	367	2.1	11	Die-cutting moulds
	Total	4,367	24.6		

Our top 5 major customers contributed 28.1%, 25.6%, 28.5% and 24.6% of our Group's revenue for the past FYE 2018 to 2020 and FPE 2021 respectively. Our Group is not dependent on our major customers and there has been no material dispute in the past. Although Company A, Company B and Company D appeared as our top 5 major customers for the past 3 financial years, we are not dependent on them as we have a large and diverse customer base of 1,309 customers as at LPD. Our customers are operating in various industries ranging from paper printing and packaging, E&E, automotive, plastic packaging, textile and leather industries. Given our large customer base and the diverse industries that they are operating in, we are not dependent on any particular customer or industry for our business.

Our Group has maintained good working relationships with our major customers and all 5 of our major customers for FPE 2021, have dealt with us for at least 10 years. Moving forward, we expect our major customers to continue contributing to our Group's revenue.

7.15 MAJOR SUPPLIERS

Our top 5 major suppliers for the past FYE 2018 to 2020 and FPE 2021 are as follows:

No.	Major Supplier	Total Purchased		Length of Relationship	Products Purchased
		RM'000	%	Years	
FYE 2018					
1	Shenway	1,111	17.7	16	Creasing matrix, cutting rules, creasing rules and plywood
2	Shanghai Hansen Global Supply Co Ltd	504	8.0	8	Cutting rules and creasing rules
3	China Great Wall Industry Shanghai Co Ltd	497	7.9	<1	Plywood
4	CITO System GmbH	334	5.3	<1	Creasing matrix and die-cutting accessories

7. BUSINESS OVERVIEW (Cont'd)

No.	Major Supplier	Total Purchased		Length of Relationship Years	Products Purchased
		RM'000	%		
5	Macdermid Graphics Solutions, LLC	272	4.3	<1	Polyurethane resin
	Total	2,718	43.2		
<u>FYE 2019</u>					
1	CITO System GmbH	1,022	18.0	1	Creasing matrix and die-cutting accessories
2	Yihong International Trading (Shanghai) Co Ltd	584	10.3	<1	Plywood
3	Voestalpine Precision Strip GmbH	526	9.3	4	Cutting rules and creasing rules
4	PG Wood Group of Companies ⁽¹⁾	694	12.2	1	Plywood
5	China Great Wall Industry Shanghai Co Ltd	439	7.7	1	Plywood
	Total	3,265	57.5		
<u>FYE 2020</u>					
1	CITO System GmbH	852	16.7	2	Creasing matrix and die-cutting accessories
2	Yihong International Trading (Shanghai) Co Ltd	570	11.2	1	Plywood
3	Tsukatani Harmono Manufacturing Co Ltd	502	9.8	14	Cutting rules, punches
4	Shanghai Hansen Global Supply Co Ltd	406	8.0	10	Cutting rules, creasing rules
5	PG Wood Group of Companies ⁽¹⁾	438	8.6	2	Plywood
	Total	2,768	54.3		
<u>FPE 2021</u>					
1	PG Wood Group of Companies ⁽¹⁾	487	17.9	3	Plywood
2	Yihong International Trading (Shanghai) Co Ltd	435	16.0	2	Plywood
3	Shanghai Hansen Global Supply Co Ltd	190	7.0	11	Cutting rules and creasing rules
4	Essman Schaefer GmbH	185	6.8	6	Cutting rules and creasing rules
5	CITO System GmbH	170	6.3	3	Creasing matrix and die-cutting accessories
	Total	1,467	54.0		

Note:

(1) Includes purchases made from Sia PG Wood and Price-Gourin Wood Imports LLC.

7. BUSINESS OVERVIEW (Cont'd)

Our top 5 major suppliers contributed 43.2%, 57.5%, 54.3% and 54.0% of our Group's purchases for FYE 2018 to 2020 and FPE 2021 respectively. We are not dependent on our major suppliers and there has been no material dispute in the past.

Our Group has maintained good working relationships with our major suppliers. Our suppliers are also selected based on several criteria such as the quality of their products and the reliability of suppliers. In addition, we have not experienced difficulty in sourcing products for the past 3 financial years up to LPD.

7.16 DEPENDENCY ON CONTRACTS, AGREEMENTS OR OTHER ARRANGEMENTS

Our Group is not dependent on any contracts, agreements or other arrangements that could materially affect our business as at LPD.

7.17 COMPETITIVE STRENGTHS

7.17.1 Manufacturer specialising in custom die-cutting solutions

Our Group has built a reputation as a manufacturer specialising in custom die-cutting solutions. We provide various high quality die-cutting moulds and related accessories such as creasing system, embossing and debossing tools, dynamic stripping and blanking systems to suit the different needs of our customers. These moulds are used to die-cutting paper, corrugated paperboard and plastic packaging boxes, adhesive and non-adhesive labels and stickers as well as E&E components.

Our close business relationship with suppliers and die-cutting machine manufacturers also provide us access to the latest technology in the die-cutting tools manufacturing industry from which we can offer products that are compatible with the latest die-cutting machines and provide technical support to our customers.

We have invested in machineries and equipment such as high precision laser cutting machines, CNC milling/engraving machines, automatic steel rule processors, wire-cutting machines and waterjet cutting machines, which produce precise and consistent output.

In addition, we also participate in the early development stage of our customers' product packaging solutions. We are also constantly developing new die-cutting solutions through product improvements and modifications, whilst providing practical and innovative solutions to optimise customers' production capacity and efficiency.

Further as Bobst's certified die maker, Sharp DCM has access to Bobst's latest die-cutting technology through its tooling process specialist team which enables us to respond quickly to Bobst's technological advancement in the die-cutting tools manufacturing industry.

The Bobst certification is a recognition that our products are up to the standards for Bobst's die-cutting machines. As Bobst is an established die-cutting machine manufacturer that has presence in more than 20 countries within the Europe and Southeast Asia regions, a certification from Bobst indicates our die-cutting moulds are of good quality and standards. Apart from quality recognition of our products, being a Bobst-certified die maker helps us to draw business opportunities through Bobst's recommendations to its customers.

7. BUSINESS OVERVIEW (Cont'd)

7.17.2 Commitment to quality assurance

We strongly believe that providing quality products is vital towards ensuring customer satisfaction. Our commitment in quality standards is proven by the accreditation of Sharp DCM's quality management system in compliance with ISO9001:2015 by AJA EQS Certification (M) Sdn Bhd for the provision of manufacturing die-cutting mould, tool and die excluding design and development.

For products that are manufactured in-house, our quality is ensured through QC procedures on the selection and sample testing of incoming raw materials, semi-finished products and finished products. We source our trading products from reputable manufacturers.

7.17.3 Established working relationships with our customers

With over 30 years of experience as a manufacturer of die-cutting moulds, we have established a good track record with our customers. As at LPD, our Group has a customer base of 1,309 customers. For FPE 2021, our top 5 major customers have been dealing with us for 10 years and more. These long-standing customer relationships serve as an endorsement of the quality of our products and services. We have consistently met the stringent demands of our customers by producing high quality and competitive products on time.

7.17.4 Experienced management team

Our Deputy Executive Chairman, Yap Tian Tion, has accumulated more than 30 years' experience in the die-cutting tools manufacturing industry. His visionary leadership thus far has contributed towards the success of our Group. Our Group has also benefited from a competent management team which includes our Managing Director, Yap Kai Ning. She is assisted by our key senior management team which comprises capable and dedicated staff who have experience in related industries.

7.17.5 After-sales services

Our Group believes that maintaining close rapport with our customers will enhance our branding and reputation as a reliable and responsible supplier. Our technical support and sales team regularly visits our customers to gather feedback for product improvement and provide customers with die-cutting solutions that cater to their specific needs. In addition, we also provide our customers with after-sales services such as customised upgrading and modification, product training, repair and maintenance services. The goodwill nurtured with satisfied customers has translated into new business opportunity through their recommendations to other prospective customers.

7.18 BUSINESS STRATEGIES

Our Group aims to improve our long-term growth potential by undertaking the following business strategies over the period of 24 months from the date of our Listing:

7.18.1 Investment in new factory units

We intend to acquire 2 new factories located in Kepong within 24 months from the date of our Listing, to consolidate Hotstar's operations which are currently located in 3 separate factories. The total built-up area of these 3 rented properties is approximately 19,000 sq ft. We have identified a suitable factory unit with built-up of 13,635 sq ft which will consolidate 2 of Hotstar's operations under one roof to centralise and better manage Hotstar's operations at a single location as opposed to managing 2 separate factories in the same

7. BUSINESS OVERVIEW (Cont'd)

area. We have entered into a sale and purchase agreement on 11 May 2021. Upon completion of the acquisition which is expected to be on 10 September 2021 (with option to extend for a month after completion date, provided a late payment interest to be paid by Hotstar), we will commence renovation works of the said factory.

The investment in the new factory is not targeted to increase our production capacity, instead it is aimed at improving and better manage Hotstar's production process. Hotstar's current operations are currently carried out in 3 separate factories which is not efficient as the production needs to be coordinated and managed at separate factories.

The purchase price for the new factory is RM8.80 million, which is expected to be fully financed from the IPO proceeds. Renovation works of the factory will be financed through internally-generated funds.

As at LPD, as the size of the new factory purchased in May 2021 is insufficient to consolidate all 3 rented properties, we are still in the midst of identifying another suitable factory in the same area to house the remaining Hotstar's operations. The consideration for this other factory will be financed through bank borrowings and/or internally generated funds.

7.18.2 Investment in new machineries and upgrade our computer software

In line with our Group's intention on continuous product innovation, we intend to invest in new machineries and software to increase our production capability, automate certain production processes and to cater for future business growth.

We propose to purchase the machineries and software as listed below within 24 months from the date of our Listing, in line with our Group's intention to increase our operational efficiency:

Machineries and software	Description	Quantity	Estimated cost (RM'000)
Automatic steel rule processor	Used for the automatic bending, lipping, cutting, bridging and flat cutting	3	1,200
Laser cutting machine	Used for cutting base board with laser technology	1	1,800
CAD software	Software to design and create drawings for die-cutting solutions	1	300
Upgrade ERP system and computer server	<ul style="list-style-type: none"> • To upgrade Focuswin and Hotstar's computer server • To upgrade our ERP system and integrate with our CAD software 	1 1	500 500
Total			4,300

We intend to enhance our capability to expand our product portfolio to cater to the diverse needs of the paper printing and packaging industries via the acquisitions of new machineries. We also intend to improve our business processes via the investment in new software and systems.

The above machineries and software to be purchased will not directly increase our production capacity. However, the machineries will increase automation, reduce manual labour, enhance precision and consistency of our die-cutting moulds. We currently have 29 units of automatic steel rule processors, which are capable of bending and cutting steel rule

7. BUSINESS OVERVIEW (Cont'd)

of 0.70mm to 1.00mm in thickness and 23.80mm in height. Any bending and cutting of steel rule exceeding such dimensions are presently undertaken manually. The new automatic steel rule processor will automate the bending and cutting of steel rule of 1.00mm to 1.40mm in thickness and 50.00mm in height. This will improve the precision and consistency of our die-cutting moulds.

We currently outsource the cutting process for metal sheet base material (for producing accessories) to third party suppliers. Moving forward, with the new laser cutting machine, we will have in-house capability to cut metal sheet base material. This will enable us to have better QC, lower our production cost, faster turnaround time and added flexibility to accommodate any abrupt change in requirements by our customers in a timely manner.

Other than upgrading our current CAD software, we also intend to increase our production efficiency by integrating our ERP system with our CAD software. This ERP-CAD integration will create an itemised list of raw materials needed for our die-cutting mould production based on the CAD drawings and eliminate human errors that arise from manual data record entry. Furthermore, the ERP-CAD integration will also increase operational efficiency between inventory, procurement and production departments, as the system tracks inventories movement as well as accelerating raw materials ordering and procurement on a timely basis. We also plan to set up a barcode inventory system to automate our inventory tracking process which will provide more accurate inventory records.

We have allocated RM4.30 million from the IPO proceeds to fund the above capital expenditure.

7.18.3 Increase export revenue

As part of our Group's intention to increase our export revenue, we intend to target opportunities in Southeast Asia such as Vietnam and Thailand in order to broaden our customer base in the said markets, as well as to cover a wider geographical reach. We target to increase our reach in these markets by leveraging on our existing customers who have business operations in these geographical areas. In addition, we will participate in trade exhibitions such as Pack Print International and provide technical sharing sessions via conferences and seminars to conduct product demonstration with our existing and prospective customers. Through our active participation in these exhibitions and technical sharing sessions, we will be able to enhance our product awareness and raise our profile in export markets.

We have advertised our products in these international trade magazines such as Folding Carton and International Paperboard to showcase our product offerings to potential customers internationally. Moving forward, we intend to leverage on these publications to promote our Group and our products in the international market.

We target to increase our export revenue progressively in the next 2 years. We have allocated RM1.50 million for the marketing activities mentioned above to enhance our product awareness throughout Southeast Asia which will be funded from the IPO proceeds.

7.19 PROSPECTS OF OUR GROUP

According to the IMR report, in 2019, the market size of the die-cutting tools manufacturing industry was valued at RM216.52 million. Going forward, the die-cutting tools manufacturing industry in Malaysia is projected to undergo cyclical growth in tandem with a fluctuation in global economic growth and uncertainties in the foreign currency exchange.

7. BUSINESS OVERVIEW (Cont'd)

In 2020, the die-cutting tools manufacturing industry registered a contraction of 8.7% from RM216.52 million in 2019 to RM197.68 million in 2020, due to global economic slowdown amid the Covid-19 pandemic. Demand from end-user markets have been hampered by weak consumer sentiment during the year. The Covid-19 pandemic and the subsequent MCOs had rendered manufacturers unable to / partially proceed with manufacturing works leading in substantial drops in revenue and profit, which had in turn impacted business sustainability. This has affected the global supply chain with delays in deliveries from suppliers, increases in logistics and shipping costs, increases in raw materials prices as well as shortages in supply.

As the end-user markets of the die-cutting tools manufacturing industry in Malaysia are sensitive to economic cycles and are affected by the conditions in the global economy, any impact on the global economy is likely to affect the die-cutting tools manufacturing industry in Malaysia. The die-cutting tools manufacturing industry in Malaysia is supported by technological advancement arising from the invention of new technologies that spur demand from the end-user markets particularly in E&E and paper and paper products industries. Malaysia remains one of the key E&E manufacturing countries in the Association of Southeast Asian Nations region, and the continued growth of the local E&E industry has been supported by continuing inflows of foreign investment. Meanwhile, the 2 key drivers that are catalysing the growth of paper and paper products industry are the growth in e-commerce and the increasing awareness and preference for environmental friendly packaging. Other growth impetuses for demand are expected to come from broad range end-user markets, a strong government support towards the end-user markets, and a growing population.

From the supply side, strong government support is expected to boost the growth of the local die-cutting tools manufacturing industry, whereby supportive government incentives including the Industry4WRD related financial facility support and incentives are expected to provide impetus for growth. Additionally, technological advancements such as enhanced automation, greater versatility and better reliability are also expected to support the growth of the Malaysian die-cutting tools manufacturing industry. Industry players are increasingly expanding their technical capabilities to further strengthen their competitive edges. However, as part of the manufacturing industry, the die-cutting may be hindered by labour issues such as shortage of manpower and government policies which may increase the cost of hiring foreign labour. As at LPD, only approximately 17.8% of our Group's employees are foreign workers. We do not expect the impact of foreign labour shortage to be material on our Group's operations as we can incentivise our local workers to work overtime to cover the shortage in foreign workers (if any). To date, we have not experienced any shortage in foreign labour which had materially affected our operations.

Protégé Associates has projected the die-cutting tools manufacturing industry in Malaysia to expand by a CAGR of 3.2% from RM216.52 million in 2019 to RM261.04 million in 2025.

We believe that our competitive strengths and future plans and strategies as set out in Sections 7.17 and 7.18 would enable us to obtain growth opportunities within die-cutting tools manufacturing industry in Malaysia.

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8. INDEPENDENT MARKET RESEARCH REPORT

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Protégé
ASSOCIATES

BRAND | FINANCE | MARKET

The information in this Section 8 is based on the market research conducted by Protégé Associates commissioned by CEKD for the purpose of the IPO.

Date: 6 August 2021

The Board of Directors
CEKD Berhad
No. 10, Jalan 1/137B
Resource Industrial Centre
Batu 5, Jalan Kelang Lama
58200 Kuala Lumpur

Dear Sirs,

Strategic Analysis of the Die-cutting Tools Manufacturing Industry in Malaysia

Protégé Associates Sdn Bhd ("**Protégé Associates**") has prepared this 'Strategic Analysis of the Die-cutting Tools Manufacturing Industry in Malaysia' for inclusion in the prospectus of CEKD Berhad ("**CEKD**" or the "**Company**") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 21 years of experience in market research starting his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.
Yours sincerely,



SEOW CHEOW SENG
Managing Director

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**1.0 Economic Overview of Malaysia**

The Malaysian economy contracted by 5.6% in its real gross domestic product ("GDP") in 2020 due to the Coronavirus Disease 2019 ("COVID-19") pandemic which began in December 2019 and has caused a significant economic slowdown in many countries including Malaysia. In the first quarter of 2021, the Malaysian economy contracted by 0.5% compared to -3.4% in the fourth quarter of 2020. The growth performance was mainly supported by improvement in domestic demand and robust exports performance, particularly for electrical and electronic products. In terms of sectoral performance, all economic sectors registered improvement, in line with the continued recovery of the economy from relaxation of containment measures, improving external demand condition as well as supported by continued policy measures.

The Government has introduced counter-cyclical policy measures such as the PRIHATIN Rakyat Economic Stimulus Package ("PRIHATIN"), PENJANA short-term economic recovery plan ("PENJANA ERP"), the Malaysian Economic and Rakyat Protection Assistance Package ("PERMAI"), the Rakyat and Economic Strategic Empowerment Programme ("PEMERKASA"), and the National People's Well-Being and Economic Recovery Package ("PEMULIH") to relieve economic pressures from COVID-19 as well as to stimulate the economy. Among the measures undertaken include flexibility for monthly cash withdrawal from the Employees' Provident Fund for a year and deferment in repayment of education loans to increase household disposable income, moratorium on loan payments and loan guarantees as well as measures to facilitate the restructuring of loan and credit facilities, particularly for individuals and small and medium enterprises ("SMEs") as well as tax breaks and incentives and cash aid. In addition to the policy measures, the Overnight Policy Rate was reduced by a total of 125 basis points to its current level of 1.75% in order to cushion the economic impact of COVID-19 to businesses and households.

The Malaysian economy is on the recovery path supported by better external and domestic demand. Despite the recent re-imposition of containment measures, the impact on growth would be less severe than 2020 as most economic sectors are allowed to operate. The Malaysian economy is projected to register growth of 6.0% to 7.5% in 2021, supported by policy measures to cushion the impact of COVID-19 pandemic, improvements in external conditions, as well as gradual recovery in economic activities and labour market conditions. Nonetheless, the downside risks to the growth outlook stem from the uncertainties in developments related to the pandemic and continued challenges that affect the roll-out of vaccines both globally and domestically.

2.0 Introduction to Engineering Supporting Industry

Engineering supporting industry ("ESI") is an industry involved in the production of intermediate metal products that are used to produce various finished products in the end-user markets, including but not limited to the electrical and electronics ("E&E"), computer and computer peripherals, automotive, aerospace, telecommunication, construction as well as oil and gas. The ESI also produce intermediate metal products to the machinery and equipment ("M&E") industry.

In terms of segmentation, the ESI in Malaysia comprises 6 different segments, namely moulds and dies, machining, metal casting, surface engineering, heat treatment, forging and metal fabrication. CEKD and its subsidiaries ("CEKD Group") are involved in the moulds and dies segment of the ESI.

The moulds and dies segment produce moulds and dies that are required for use in the manufacturing industry. A mould is a container for liquid substance and molten metal to be poured into it and form the metal products in the same shape as the mould when the substance solidifies. On the other hand, a die is a block of metal of specific shape or pattern cut and is used for shaping workpiece through mechanical forces. Moulds and dies come in various sizes depending on the requirements of the end-users. Moulds and dies are necessary tools for the mass production of various components, parts and equipment in the manufacturing sector.

CEKD Group is principally involved in the manufacturing of die-cutting moulds and trading of related consumables, tools and accessories. As such, Protégé Associates provide a strategic analysis of the die-cutting tools manufacturing industry in the following sections.

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



3.0 Die-cutting Tools Manufacturing Industry

Die-cutting is a manufacturing process in which a die is used to create shapes, designs and patterns in materials such as paper and paperboard, corrugated fibreboard, foam, rubber, plastic, textile and leather. There are 2 types of die-cutting methods; the flatbed die-cutting and the rotary die-cutting. The flatbed die-cutting, also referred to as steel rule die-cutting is a fabrication process which employs a flatbed die-cutting press in either mechanical, hydraulic, and electrical models with system configurations that is attached to a custom flatbed die-cutting mould to cut out a customer shapes and designs. Rotary die-cutting on the other hand, uses a cylindrical die called rotary die that is mounted on a rotary press. A long sheet or web of material will pass through the press into an area known as a "station" which holds the rotary die that will cut out the required shapes. There are 3 types of dies; flatbed die-cutting moulds, rotary die-cutting moulds, and matched metal dies.

Figure 1: Type of Dies

Type of Die	Description
Flatbed die-cutting moulds	<ul style="list-style-type: none"> Uses plywood or synthetic material as a base. Desired shape is cut out of the plywood or synthetic material, with slits that mirror the exact thickness of the sharp metal strips being used.
Rotary die-cutting moulds	<ul style="list-style-type: none"> Cylinders that can be made with materials such as steel and plywood as base, with design etched on the face of the cylinder.
Matched metal dies	<ul style="list-style-type: none"> Also called male-female die that has a female base, in which the top male portion forces material into the base and then released cut-out shape via springs and bushings.

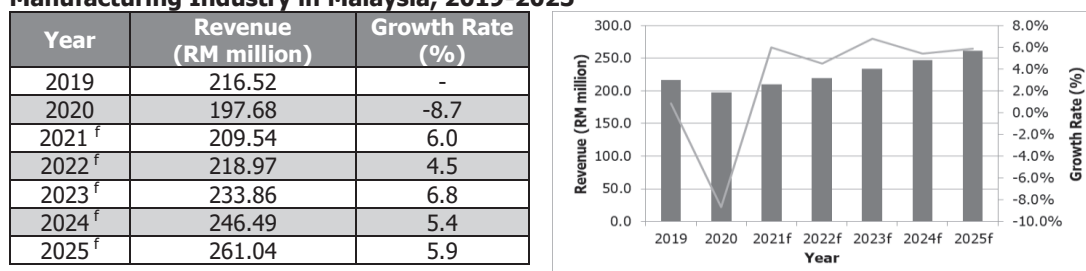
Note: CEKD Group is mainly involved in the manufacturing of flatbed die-cutting moulds and rotary die-cutting moulds.

Source: Protégé Associates

3.1 Historical Performance and Growth Forecast

The historical performance and growth forecast of the die-cutting tools manufacturing industry in Malaysia based on a combination of resources, including the data from the Department of Statistics Malaysia and Ministry of International and Trade Industry. The market size of the die-cutting tools manufacturing industry is derived from the sales revenue reported by the manufacturers in Malaysia. Data is also gathered from further secondary and primary research works conducted. Searches on private companies are also conducted with the Companies Commission of Malaysia to gather more disclosures on their business performance. Primary research works are conducted with stakeholders in the local die-cutting tools manufacturing industry such as suppliers and customers to gather their insights on the industry. All the findings are collated, analysed and/or computed to ascertain the outlook of the die-cutting tools manufacturing industry in Malaysia.

Figure 2: Historical Performance and Growth Forecast of the Die-cutting Tools Manufacturing Industry in Malaysia, 2019-2025



Compounded annual growth rate ("CAGR") (2020-2025) (base year of 2019): 3.2%

Note: figures are rounded, f denotes forecast

Source: Protégé Associates

In 2019, the die-cutting tools manufacturing industry in Malaysia grew by 0.8%, in tandem with a lower global economic growth of 2.7% (2018: 3.6%) that softened consumer sentiments, leading to lower

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



demand from end-user markets. The die-cutting tools manufacturing industry in Malaysia was valued at RM216.52 million in 2019.

In 2020, the die-cutting tools manufacturing industry registered a contraction of 8.7% from RM216.52 million in 2019 to RM197.68 million in 2020, due to global economic slowdown amid the COVID-19 pandemic. Demand from end-user markets have been hampered by weak consumer sentiment during the year. COVID-19 pandemic and the subsequent Movement Control Orders ("MCO") had rendered manufacturers unable to/ partially proceed with manufacturing works which have led to decreased revenue and profit and in turn impacted business sustainability. This has affected the global supply chain with delays in deliveries from suppliers, increases in logistics and shipping costs, increases in raw materials prices as well as shortages in supply.

Growth in the short term (2021-2022) is likely to be affected by the global economic growth outlook for 2021 and 2022. According to the World Economic Outlook April 2021 released by the International Monetary Fund, the global economy is projected to register a growth of 6.0% in 2021 and 4.4% in 2022. As the end-user markets of the die-cutting tools manufacturing industry in Malaysia are sensitive to economic cycles and are affected by the conditions in the global economy, any adverse impact on the global economy is likely to adversely affect the die-cutting tools manufacturing industry in Malaysia. Barring any further marked increases in infection rates, COVID-19 related restrictions are due to ease further, which should further facilitate the recovery of the die-cutting tools manufacturing industry.

In the medium to long term (2023-2025), the die-cutting tools manufacturing industry in Malaysia is likely to experience cyclical growth as the industry continues to be exposed to the fluctuation of global economic growth and foreign currency exchange. The die-cutting tools manufacturing industry in Malaysia is also projected to remain resilient in the long term and register a CAGR of 3.2% from RM216.52 million in 2019 to RM261.04 million in 2025.

3.2 Competitive Analysis

The die-cutting tool manufacturing industry in Malaysia is competitive with around 40 players comprising domestic players as well as foreign players establishing their manufacturing facilities in Malaysia. In addition, these players possess different manufacturing capabilities depending on their production facilities. Another differentiation factor within the die-cutting tools manufacturing industry attributes to their target end-users market, ranging from paper and paper products, E&E computer and computer peripherals, automotive, aerospace, telecommunication to construction as well as oil and gas industries. Regardless of the differentiation factors mentioned above, several key competitive trends within the industry are:

- Expansion in target end-user markets – Market participants are increasingly diversifying their end-user markets to expand into other growth areas. Such move allows them to mitigate the risk of over-reliance on a single end-user industry and cushion the volatility in financials arising from the over-reliance.
- Continuous investment in providing new and improved die-cutting solutions and capabilities – Market players continue to set aside capital expenditure to adopt new technologies with improved sophistication to produce products with higher quality at a faster speed. This measure is essential for the industry players in meeting the ever-changing needs from the end-user markets, as well as to support them in the move to diversify their customer base.

The die-cutting tools manufacturing industry has relatively high barriers to entry. Factors attributing to the high entry barriers are high capital outlay including initial capital and continuous investment in technical competency. Another challenge for the potential entrants into the die-cutting tools manufacturing industry comes from the competition against the already established market players.

3.3 Industry Players Analysis

CEKD was incorporated in Malaysia on 27 June 2018 under the Act as a public limited company under the name Print & Pack Solution Group Berhad. On 4 February 2020, the company adopted its present name. CEKD incorporated to facilitate the Listing and its principal activity is that of investment holding. CEKD and its subsidiaries, Sharp Die Cutting Mould Sdn Bhd, Focuswin Die Cutting Mould Sdn Bhd and Hotstar (M) Sdn Bhd (collectively "CEKD Group") are principally involved in the manufacturing of die-cutting moulds and trading of related consumables, tools and accessories.

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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For the purpose of this report, Protégé Associates has selected comparable industry players based on criteria namely registered an annual turnover of over RM2 million (based on the latest publicly available financial information) and produces wood based flatbed and rotary for cutting moulds primarily serving the paper printing and packaging industry. After taking into consideration of the above criteria, Protégé Associates has selected 5 industry players namely Kentway Design (M) Sdn Bhd, Marbach Asia Pacific Sdn Bhd, Shanyu Die Cutting Mould Sdn Bhd, Worldwide Die Cutting Mould Sdn Bhd and Yip Lian Mould Manufacturing Sdn Bhd for comparison purposes. It needs to be highlighted that the list of companies used for comparison purposes is not exhaustive and only serves as a reference for readers.

Figure 3: Selected Industry Players in the Die-cutting Tool Manufacturing Industry in Malaysia

Company	Company Information
Kentway Design (M) Sdn Bhd (" Kentway ")	<ul style="list-style-type: none"> Kentway was registered as a private limited company on 8 March 2001 with the Companies Commission of Malaysia. The company is principally involved in the manufacturing of various kinds of die-cutting moulds. Kentway operates out of its headquarters in Seri Kembangan, Selangor. For the financial year ended 31 March 2019, Kentway registered revenue of RM2.73 million
Marbach Asia Pacific Sdn Bhd (" Marbach ")	<ul style="list-style-type: none"> Marbach was registered as a private limited company on 17 December 2012 with the Companies Commission of Malaysia. The company is principally involved in the manufacturing and trading of die-cutting tools and equipment for the packaging industry. Marbach is located in Shah Alam, Selangor and is a subsidiary company of the Marbach Group which is based in Germany For the financial year ended 31 December 2019, Marbach registered revenue of RM8.44 million.
Shanyu Die Cutting Mould Sdn Bhd (" Shanyu ")	<ul style="list-style-type: none"> Shanyu was registered as a private limited company on 5 January 2004 with the Companies Commission of Malaysia. The company is principally engaged in the manufacturing of die-cutting moulds and related products. Shanyu is based in Seri Kembangan, Selangor. For the financial year ended 31 August 2020, Shanyu registered revenue of RM2.89 million.
Worldwide Die Cutting Mould Sdn Bhd (" Worldwide ")	<ul style="list-style-type: none"> Worldwide was registered as a private limited company on 20 April 2011 with the Companies Commission of Malaysia. The company is principally involved in manufacturing of all kinds and types of mould, tools and dies and other related activities. Worldwide is based in Seri Kembangan, Selangor. Worldwide is an exempt private company and as such, its financial information is not publicly available.
Yip Lian Mould Manufacturing Sdn Bhd (" Yip Lian ")	<ul style="list-style-type: none"> Yip Lian was registered as a private limited company on 2 August 1994 with the Companies Commission of Malaysia. The company is principally involved in the manufacturing and repairing of various types of die-cutting moulds. Yip Lian operates from Johor Bahru, Johor. For the financial year ended 31 December 2019, Yip Lian registered revenue of RM4.19 million.

Note: The information above is updated as of 18 June 2021.

Source: Companies Commission of Malaysia

Figure 4: Financial Comparison between CEKD Group and Selected Industry Players in the Die-cutting Tool Manufacturing Industry in Malaysia

Indicator	CEKD Group*	Kentway	Marbach	Shanyu	Yip Lian
Information from FYE	31-08-2020	31-03-2019	31-12-2019	31-08-2020	31-12-2019
Revenue (RM'000)	26,355	2,734	8,436	2,886	4,196
Gross Profit (RM'000)	13,289	2,034	4,058	1,320	NA
Profit before Tax (RM'000)	7,950	7.5	1,527	584	587
Profit after Tax (RM'000)	6,038	3	1,119	447	471
Non-current Assets (RM'000)	30,537	1,123	2,718	6,559	2,426
Current Assets (RM'000)	23,762	1,596	5,546	2,911	4,457
Non-current Liabilities (RM'000)	13,163	1,089	3,974	3,554	790
Current Liabilities (RM'000)	3,631	1,048	2,399	435	2,330

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

Indicator	CEKD Group*	Kentway	Marbach	Shanyu	Yip Lian
Working Capital ¹ (RM'000)	20,131	548	3,147	2,476	2,127
Gross Profit Margin ² (%)	50.4	74.4	48.1	45.7	NA
Profit before Tax Margin ³ (%)	30.2	0.3	18.1	20.2	14.0
Profit after Tax Margin ⁴ (%)	22.9	0.1	13.3	15.5	11.2
Current Ratio ⁵ (times)	6.5	1.5	2.3	6.7	1.9

* Consist of revenue from the Sharp Die Cutting Mould Sdn Bhd of RM16.23 million, Focuswin Die Cutting Mould Sdn Bhd of RM2.02 million and Hotstar (M) Sdn Bhd of RM8.12 million.

Notes:

The above figures only provide an indication and are not considered directly comparable as not all companies carry out activities which are completely similar to each other or in the same geographical area

NA denotes not available

¹ Working Capital = Current Assets – Current Liabilities

² Gross Profit Margin = Gross Profit / Revenue

³ Profit before Tax Margin = Profit before Tax / Revenue

⁴ Profit after Tax Margin = Profit after Tax / Revenue

⁵ Current Ratio = Current Assets / Current Liabilities

Sources: CEKD, Companies Commission of Malaysia and Protégé Associates

3.3.1 CEKD's Estimated Market Share

For the financial year ended 31 August and 2020, CEKD Group registered revenue of RM28.37 million and RM26.37 million respectively, which are equivalent to 13.1% and 13.4% share of the die-cutting tools manufacturing industry in Malaysia during the year 2019 and 2020. This is based on CEKD Group's revenue of RM28.36 million and RM26.37 million against the market size of (in terms of revenue) of the die-cutting tools manufacturing industry in Malaysia of RM216.52 million and RM197.68 million in 2019 and 2020 respectively.

3.4 Demand Conditions

CEKD Group caters its services mainly to the paper printing and packaging industry as well as E&E industry. As such, Protégé Associates presents the following demand factors with a focus on the paper and paper products industry as well as the E&E industry.

Figure 5: Demand Conditions Affecting the Die-cutting Tool Manufacturing Industry in Malaysia, 2021-2025

Impact	Demand Condition	Short-Term	Medium-Term	Long-Term
		2021-2022	2023-2024	2025
+	Broad Range of End-User Markets	High	High	High
+	Derived Demand from the Paper and Paper Products Industry	High	High	High
+	Derived Demand from the E&E Industry	High	High	High
+	Steady Population Growth	Medium	Medium	Medium

Source: Protégé Associates

Broad Range of End-User Markets

The demand for die-cutting tools is reliant on its end-user markets. The end-user markets consist of industries that ultimately use the intermediate metal products produced by the die-cutting tools manufacturing industry. These end-users are primarily manufacturers of various products, ranging from E&E, food and beverage packaging to products of automotive, aerospace, telecommunication, construction as well as oil and gas.

With a multitude of end-user markets to service, the die-cutting tool manufacturing industry can look forward to growing demand from these markets. In Malaysia, the growth in demand for the various end-products is supported by the growing affluence of Malaysians, whereby the gross national income per capita has increased from RM27,819 in 2010 to reach RM42,503 in 2020. The higher disposable income among Malaysians is likely to lead to greater consumption of various types of products, and in turn, spur demand for die-cutting tools.

In addition, by having a broad range of end-user markets, the die-cutting tools manufacturing industry is able to mitigate or reduce the risk of over-reliance on a particular end-user market which leaves more room for market expansion.

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**Derived Demand from the Paper and Paper Product Industry**

The Malaysian paper and paper products industry includes the manufacture of pulp, paper and converted paper products (e.g. packaging paper, corrugated boards and paperboard boxes that are made from paper and other materials by various cutting and shaping techniques, including coating and laminating activities). The sales value of local manufactured corrugated paper, paperboard and containers of paper and paperboard grew at a CAGR of 7.0% over the period from 2015 to 2020, to reach RM9.37 billion in 2020. For the first quarter of 2021, the sales value of local manufactured corrugated paper, paperboard and containers of paper and paperboard amounted to RM2.57 billion, a 21.2% from RM2.12 billion registered in the first quarter of 2020.

The 2 key drivers that are catalysing the growth of paper and paper products industry are the growth in e-commerce and the increasing awareness and preference for environmental friendly packaging.

- **Growth in E-commerce** – the e-commerce market in Malaysia contributed RM115.5 billion to the country's GDP in 2018 from RM89.1 billion in 2010, showing an average annual growth rate of 9.0%, which has fuelled the demand for packaging materials. According to the Malaysian Communications and Multimedia Commission, 105.29 million domestic parcels were transported by courier companies in the first half of 2020, an increase of 2.9% from 102.31 million domestic parcels transported in first half of 2019. In 2019, 114.99 million domestic parcels were transported by courier companies compared to 79.25 million parcels in 2018 and 35.23 million parcels in 2017. This represented an increase of 45.1% in 2019 and an increase of 125% in 2018, supporting the view that e-commerce is growing at a fast pace.

More recently, the COVID-19 pandemic has disrupted consumer space in Malaysia as consumers are gradually switching from offline to online purchases. The closure of physical stores during the MCOs as well as the new norm of social distancing measures have led consumers to turn to online shopping, which in turn accelerated the e-commerce market growth in Malaysia. The Government launched the PENJANA E-commerce Initiatives, Micro and SMEs E-Commerce Campaign, as well as the SME Digitalisation Grant to assist and drive e-commerce adoption among small and SME merchants to help widen their reach across the country.

The rapid growth of e-commerce including online shopping has fuelled the demand for packaging materials especially paperboards and corrugated boxes. It has also provided opportunities for innovation in the packaging industry to enhance packaging design, product safety, improve the unboxing experience and optimise packaging for last-mile delivery. This development is expected to drive demands for die-cutting tools throughout the forecast period in line with expected continuing growth of e-commerce.

- **Increasing Awareness and Preference for More Environmental Friendly Packaging** – a recent trend impacting the packaging industry involves the environment. Consumer awareness and preference for more environmentally friendly products are growing worldwide including in developing countries such as Malaysia. The awareness of environmental issues has not only increased consumer demand for greener products but has also led to a greater acceptance of green packaging regardless of the products themselves. The Government has also played a role in promoting the use of sustainable and environmentally friendly packaging products. For example, the use of polystyrene has been banned in states such as Selangor, the Federal Territories and Penang. The use of plastic bags has also been reduced in these states.

Towards this end, paper and paperboard products have an excellent image as a packaging material that is renewable, recyclable and biodegradable, yet is versatile and cost efficient for product manufacturers, retailers and consumers. In addition, packaging design is an important aspect for communication and branding. An innovative packaging design helps to attract customers. Lee & Man Paper Manufacturing Limited, Hong Kong listed paper manufacturer has set up a packaging paper mill in Sepang. Meanwhile, Nine Dragons Paper (Holdings) Limited, a Chinese paper manufacturer have acquired a recycled pulp company in Malaysia. These investments are expected to help promote Malaysia made paper products and increase the export to China. The focus on sustainability and demand for a more environmentally friendly packaging is expected to increase and the die-cutting tools manufacturing industry is likely to

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

experience growth in tandem with the expected demand for a more sustainable packaging material.

The robust growth of the paper and paper products industry, which is one of end-user markets of die-cutting tools manufacturing industry will bodes well for growth of the industry.

Derived Demand from the E&E Industry

Malaysia remains one of the key E&E manufacturing countries in the Association of Southeast Asian Nations ("ASEAN") region, and the continued growth of the local E&E industry has been supported by continuing inflows of foreign investment. According to the MIDA, the E&E industry attracted investment totalled RM15.64 billion in 2020 compared to RM25.66 billion in 2019. Despite a slowdown in the growth of the global economy, the E&E industry continues to perform relatively well.

The production of E&E products in Malaysia declined by a marginal 0.5% in 2020, mainly due to the ongoing COVID-19 pandemic and the various level of lockdown measures taken that have disrupted economic activities and the E&E manufacturing supply chain. Nonetheless, external trade for E&E products improved in 2020. Total exports of E&E products increased by 3.5% from RM373.12 billion in 2019 to RM386.11 billion in 2020. At the same time, total imports of E&E products grew by 3.0% from RM245.54 billion in 2019 to RM252.78 billion in 2020. Malaysia was able to increase the exports of E&E products to major trading partners particularly China and the United States of America ("USA") with notable increase in the exports of ICs, apparatus for transmission or reception of voice, image and data as well as parts for ICs to support work-from-home practices.

It is also important note that the local manufacturers recognise the need to embrace the fourth industrial revolution ("**Industry 4.0**") and they have been investing in digitisation to propel and sustain their competitiveness in the E&E industry. The Government also encourages the adoption of smart manufacturing to ensure economic growth and high-value activities through the launch of Malaysia's Industry4WRD policy. At the forefront of Malaysia's E&E industry is the semiconductor sub-sector, which has long-standing experience and expertise in manufacturing components of electronic circuits that are found in electronic devices from computers and smartphones to medical devices.

The development of local semiconductor capabilities is recognised as part of the growth node of the E&E industry in Malaysia. As outlined in the Third Industrial Master Plan, the development of the entire semiconductor value chain is set to be strengthened. This includes the core activities of designing integrated circuits and fables, slicing and polishing of silicon wafers, photo masking, wafer fabrication and assembly, testing and packaging. The continuous demand for digitisation, mobility, connectivity, energy efficiency and miniaturisation by the consumers spurs the semiconductor companies to invest heavily in their research and development ("**R&D**") activities to come out with more efficient semiconductor chips in order to compete in the global marketplace.

With strong government support, the E&E industry are likely to experience expansion in terms of products offerings and improvement in technical capabilities in tandem with more R&D and design and development activities. As such, the die-cutting tools manufacturing in Malaysia may anticipate growth in local demand from this user industry moving forward.

Steady Population Growth

The Malaysian population is expected to continue growing at a steady pace. According to the publication of Current Population Estimate, Malaysia 2020 released by the Department of Statistics Malaysia, the total population of Malaysia was 32.65 million in 2020. The total population of Malaysia was 28.58 million in 2010, representing an increase of 14.2% over a 10-year period. This figure is projected to grow steadily to reach 41.50 million in 2040. Consumption trends positively correlate with the size of its population. As the population grows, consumption of end-user products such as food, clothing and household items will increase as well. This will lead to an increase in demand for die-cutting tools.

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



3.5 Supply Conditions

Figure 6: Supply Conditions Affecting the Die-cutting Tools Manufacturing Industry in Malaysia, 2021-2025

Impact	Supply Condition	Short-Term	Medium-Term	Long-Term
		2021-2022	2023-2024	2025
+	Expansion within the Die-cutting Tools Manufacturing Industry through Technological Innovations	High	High	High
+	Strong Support from the Malaysian Government	High	High	High
-	Dependency on Foreign Workers	Medium	Medium	Medium

Source: Protégé Associates

Expansion within the Die-cutting Tools Manufacturing Industry through Technological Innovation

The die-cutting tools manufacturers have been investing in upgrading facilities and acquiring latest manufacturing technologies in order to meet the expectation of their end-user clients. In the die-cutting tools manufacturing industry, advancement in manufacturing technology is expected to be a strong growth factor throughout the forecast period. This growth will result from the new generation of features which will bring enhanced automation, greater versatility and reliability to the manufactured die-cutting tools.

Innovative manufacturing technology covering both hardware technology and software application results in machineries that are faster, intelligent and versatile. At present, manufacturing technology is very much shaped by digitalisation transformation, driven by connected technologies. It is described as the Industry 4.0, smart manufacturing or digital factories.

For example, the advancement in technology facilities and resources include the various state-of-the-art machine tools, the use of computer system along with advanced computer-aided design ("CAD") and other related design and engineering software, R&D facilities, quality control facilities, etc. The introduction of CNC machines together with the introduction of CAD and computer-aided manufacturing software has reduced the need for manual labour in making complicated mathematical calculation to produce complex shapes. Expansion within the die-cutting tools manufacturing industry to move up the value chain allows industry players to move from low cost production to provision of high value-added , engineering support services including provision of die-cutting tools.

Support from the Malaysian Government

The Malaysian Government has been mindful of the economic contributions of the manufacturing sector including the die-cutting manufacturing industry, as illustrated by the presence of various tax incentives that are relevant for manufacturing companies. These include but is not limited to:

- **Reinvestment Allowance**
Given to existing companies engaged in manufacturing activities that reinvest for the purposes of expansion, automation, modernisation or diversification of its existing business. The reinvestment allowance will be given for 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim the reinvestment allowance upon the completion of the qualifying project, for example, after the building is completed or when the plant or machinery becomes operational.
- **Group Relief**
Group relief is provided under the Income Tax Act 1967 to all locally incorporated resident companies. Effective from the Year of Assessment 2009, group relief is increased from 50% to 70% of the current year's unabsorbed losses to be offset against the income of another company within the same group upon fulfilling specific conditions.
- **Industrial Building Allowance**
An Industrial Building Allowance is given to companies with capital expenditure on the construction or purchase of a building that is used for specific purposes, including manufacturing, agriculture, mining, infrastructure facilities, research, Approved Service Projects and hotels that are registered with the Ministry of Tourism. Such companies are eligible for an

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



initial allowance of 10% and an annual allowance of 3%. The expenditure can be written off in 30 years.

- **Deduction of Audit Fees**
Expenses incurred on audit fees by companies are considered allowable expenses for deduction in the computation of income tax to reduce the cost of doing business and enhance corporate compliance.

In addition, the Government launched various Industry4WRD related financial facility supports and incentives to help SMEs to drive digital transformation in their manufacturing businesses. These include but is not limited to:

- **Industry4WRD Intervention Fund**
Eligible SMEs that have completed the government funded Industry4WRD Readiness Assessment programme are provided a grant of up to RM500,000, whereby 70% of the total grant will be provided upfront to the companies, while the balance grant will be on a reimbursement basis.
- **Domestic Investment Strategic Fund**
Eligible SMEs that have completed the government-funded Industry4WRD Readiness Assessment programme are provided a grant, whereby 50% of the total grant will be provided upfront to the companies, while the balance grant will be on a reimbursement basis to cater for expenditure on R&D activities, training, upgrading of equipment, licensing and purchasing of new technology and international certification.
- **Automation Capital Allowance**
An automation capital allowance of 200% on the first RM4 million expenditure and RM2 million expenditure incurred within 5 years for labour intensive industries and other industries respectively.

Dependency on Foreign Workers

The manufacturing sector in Malaysia has continuously grappled with labour shortage partly due to poor participation from Malaysians. Therefore, the manufacturing sector which includes the die-cutting manufacturing industry has been relying on foreign workers. It does not help that policies on foreign workers have been constantly under close scrutiny and are vulnerable to frequent changes particularly on levy rates and number of foreign workers allowed to work in Malaysia. Due to the COVID-19 pandemic and lockdown measures, local manufacturing industry players already incurred costs, losses and expenses for not being able to proceed with manufacturing works during the MCO periods. For those that are allowed to operate, they incur additional costs for executing strict health and safety regulations, enhanced sanitisation at the workplace and/or urgent COVID-19 testing for their foreign workers. In addition, the Government has put a freeze on the recruitment of foreign workers since last year and is expected to prolong the freeze with the renewed waves of COVID-19 positive cases and reimposition of containment measures since the start of 2021.

The impact of this supply condition is expected to reduce slightly in the long term as manufacturers are forecasted to be less dependent on labour by implementing automation through the introduction of new technologies that need less manual intervention during the manufacturing processes.

3.6 Relevant policies, laws and regulations

Relevant policies, laws and regulations that relate to the die-cutting tools manufacturing industry in Malaysia include the following:

- **Industrial Co-ordination Act 1975**
The Industrial Co-ordination Act 1975 ("ICA") was introduced with the aim to maintain an orderly development and growth in the country's manufacturing sector. The ICA requires manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees to apply for a manufacturing license for approval by the Ministry of International Trade and Industry. Applications for manufacturing licences are to be submitted to the MIDA, an agency under the Ministry of International Trade and Industry in charge of the promotion and coordination of industrial development in Malaysia.

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

- Environmental Quality Act 1974 and its Related Regulations
Die-cutting tools may adversely impact the environment during manufacture, use and post-use based on the types of materials that are used. Hence, manufacturing companies need to comply with the Environmental Quality Act ("EQA") 1974 and other relevant environmental-protection related legislations such as the Solid Waste and Public Cleansing Management Act, 2007. The EQA 1974 and its sub-regulations notably Environmental Quality (Scheduled Wastes) Regulations 2005 are of particular importance as they set out regulations regarding waste management, waste prevention, pollution control and hazardous waste disposal.
- Occupational Safety and Health Act 1994
The Occupational Safety and Health Act ("OSHA") 1994 provides the legislative framework to promote, stimulate and encourage high standards of health and safe working culture among all Malaysian employers and employees through self-regulation schemes designed to suit the particular industry of organisation. Under OSHA 1994, employers must safeguard so far as is practicable, the health, safety and welfare of the people who work for them. This applies in particular to the provision and maintenance of a safe plant and system of work.
- Factories and Machinery Act 1967
The Factories and Machinery Act 1967 was enacted to provide for the control of factories on matters relating to the safety, health and welfare of persons, and the registration and inspection of machinery.

3.7 Prospects and Outlook of the Die-cutting Tools Manufacturing Industry in Malaysia

In 2019, the market size of the die-cutting tools manufacturing industry was valued at RM216.52 million. Going forward, the die-cutting tools manufacturing industry in Malaysia is projected to undergo cyclical growth in tandem with a fluctuation in global economic growth and uncertainties in the foreign currency exchange.

In 2020, the die-cutting tools manufacturing industry registered a contraction of 8.7% from RM216.52 million in 2019 to RM197.68 million in 2020, due to global economic slowdown amid the COVID-19 pandemic. Demand from end-user markets have been hampered by weak consumer sentiment during the year. The COVID-19 pandemic and the subsequent MCOs had rendered manufacturers unable to partially proceed with manufacturing works leading in substantial drops in revenue and profit, which had in turn impacted business sustainability. This has affected the global supply chain with delays in deliveries from suppliers, increases in logistics and shipping costs, increases in raw materials prices as well as shortages in supply.

As the end-user markets of the die-cutting tools manufacturing industry in Malaysia are sensitive to economic cycles and are affected by the conditions in the global economy, any impact on the global economy is likely to affect the die-cutting tools manufacturing industry in Malaysia. The die-cutting tools manufacturing industry in Malaysia is supported by technological advancement arising from the invention of new technologies that spur demand from the end-user markets particularly in E&E and paper and paper products industries. Malaysia remains one of the key E&E manufacturing countries in the ASEAN region, and the continued growth of the local E&E industry has been supported by continuing inflows of foreign investment. Meanwhile, the 2 key drivers that are catalysing the growth of paper and paper products industry are the growth in e-commerce and the increasing awareness and preference for environmentally friendly packaging. Other growth impetuses for demand are expected to come from broad range end-user markets, a strong government support towards the end-user markets, and a growing population.

From the supply side, strong government support is expected to boost the growth of the local die-cutting tools manufacturing industry, whereby supportive government incentives including the Industry4WRD related financial facility support and incentives are expected to provide impetus for growth. Additionally, technological advancements such as enhanced automation, greater versatility and better reliability are also expected to support the growth of the Malaysian die-cutting tools manufacturing industry. Industry players are increasingly expanding their technical capabilities to further strengthen their competitive edges. However, as part of the manufacturing industry, the die-cutting may be hindered by labour issues such as shortage of manpower and government policies which may increase the cost of hiring foreign labour. Protégé Associates has projected the die-cutting tools manufacturing industry in Malaysia to expand by a CAGR of 3.2% from RM216.52 million in 2019 to RM261.04 million in 2025.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS**9.1.1 The ongoing Covid-19 pandemic and possible similar future outbreaks may have a significant adverse effect on our Group**

From time to time, different regions in the world have experienced outbreaks of various viruses. At this time, a global pandemic known as Covid-19 is taking place and on 11 March 2020, the World Health Organisation declared the Covid-19 outbreak as a pandemic due to its rapid spread across the world. As the virus is relatively new, effective cure and vaccines have yet to be developed.

While Covid-19 is still spreading and its final implications are difficult to estimate at this stage, it is clear that the pandemic will affect a large portion of the global population and bring about significant economic uncertainties globally. At this time, the pandemic has caused varying level of precautionary measures being declared in various cities and countries around the world, travel restrictions and border control being imposed, quarantine or movement control being established and various business being closed or operating under strict operating procedures, Malaysia included.

The ongoing Covid-19 pandemic and any possible future outbreaks of viruses may have a significant adverse effect on our Group. Firstly, a spread of such diseases amongst our employees, as well as any quarantines affecting our factories, offices and employees, may affect our ability to carry out our business. Secondly, strict operating procedures imposed by the regulatory authorities will also increase our operating costs. Finally, the current pandemic and any possible future outbreaks of viruses may also have an adverse effect on our business partners be it our customers or suppliers, resulting in lower demand for our products or shortage of or delay in raw materials necessary for us to carry out our business.

During initial MCO period from March to May 2020, our revenue from sales of die-cut moulds and tools declined by 30.0% (for local sales) and 34.0% (for overseas sales), as compared to the same period for FYE 2019. Our sales gradually rebounded by 6.0% from June 2020 up to September 2020, as compared to the same period for FYE 2019 and has remained stable up to May 2021. However, with effect from 25 May 2021, our production capacity to manufacture flatbed die-cutting moulds & rotary die-cutting moulds decreased by approximately 26.3% due to reduced production hours and office capacity. Our total sales from June 2021 to LPD decreased by approximately 14.7% as compared to the same period in FYE 2020 as some of our local customers are operating at a reduced capacity or unable to operate during the FMCO. Based on the foregoing, the final effects of the Covid-19 pandemic are difficult to assess at this stage. Nevertheless, any negative effect on the economies and markets where we operate in may decrease the demand for our products and have a material adverse effect on our Group.

9.1.2 We are dependent on the availability and quality of raw materials

Our operations are dependent on consistent supply of raw materials that meet our quality requirements. We must obtain raw materials on a timely basis in order for our customers in the paper printing and packaging industry to deliver speedy printing and packaging services which in turn are mainly serving manufacturers of consumer products. Our suppliers may not be able to provide us with consistent raw materials due to reasons such as shortages or interruptions in supplies. We may also face shipment delay for certain imported raw materials due to vessel delay, port congestion and delay in customs inspection and clearance. Any prolonged disruption in the supplies of these raw materials and/or raw materials that do not meet our quality requirements will disrupt our business operations.

9. RISK FACTORS (Cont'd)

Our raw materials such as wood and processed steel rules are subject to inflationary increase in prices. In FPE 2021, our purchases of wood and processed steel rules accounted for 23.4% of our costs of sales. Although we can pass on such risks by increasing the selling price of our products to maintain our profit margin, such action would result in our products becoming less competitive in the market and this in turn may affect our sales volume.

9.1.3 We do not have long-term contracts with our customers

Our customers typically do not enter into long-term purchase commitments with us, but would instead purchase from us on a weekly or monthly basis. As such, there can be no assurance that we will not lose any of our customers, or that our customers will continue to purchase our products in the future. Although we have maintained a long term and good working relationship with our customers, there can be no assurance that there will be no termination of business relationship or reduced orders from any of our major customers which will have a material and adverse effect on us.

9.1.4 Disruptions to our factories or unplanned shutdowns could materially and adversely affect us

Our business activities are dependent on the continued operation of our factories. Any unanticipated failures or sub-standard performance or damages of our machineries and equipment may cause interruption or prolonged suspension of part and/or all of our manufacturing activities. Further, any unplanned shutdowns of our factories such as fire, power failure, floods or interruptions in water supply or accidents will materially and adversely affect us.

Although we have taken up insurances to ensure that our factories and assets are adequately covered, there is no assurance that our coverage is adequate to compensate for any financial losses arising from fire, theft and accidents. There are also other risks such as natural disasters, riots and general strikes that cannot be reasonable insured against, which may materially and adversely affect us.

9.1.5 We may fail to protect the confidential information of our customers, which may expose us to claims, litigation or other legal proceedings

We receive and maintain certain confidential information of our customers when they place their purchase orders for die-cutting moulds. Such confidential information mainly relates to the design of our customers' paper and packaging products. If our security network is breached and such information is stolen or obtained by unauthorised persons, we may then be subject to claims, litigation or other legal proceedings brought by our customers. In such cases, our reputation may be negatively affected. As at LPD, we have not encounter any incident where we have failed to protect the confidential information of our customers.

9.1.6 Our continued success is dependent on our Executive Directors and key senior management

Our business performance and future prospects depend significantly on the abilities, skills, experience, competency and continuous efforts of our Executive Directors and key senior management. Our Promoters who are also our Executive Directors has valuable experience and extensive knowledge in the die-cutting tools manufacturing industry. Together with our key senior management, they have built good business relationships with our customers and suppliers.

9. RISK FACTORS (Cont'd)

The loss of any of our Executive Directors could materially and adversely affect us. The loss of any of our key senior management simultaneously or within a short span of time without suitable and timely replacement, or our inability to attract and retain qualified and competent personnel or our inability to integrate new personnel, could materially and adversely affect us.

9.1.7 Our financial performance may be affected by fluctuations in foreign exchange rates

A significant proportion of our sales and purchases are transacted in foreign currencies such as the USD, EUR, SGD and JPY. As such, our financial results will be affected by foreign currency exchange rates fluctuation. For FPE 2021, approximately 14.1% (equivalent to RM2.50 million) and 78.2% (equivalent to RM2.12 million) of our total sales and purchases respectively were transacted in foreign currencies.

At present, we do not use any financial instruments to hedge our exposure against transactions in foreign currencies. We coordinate our foreign currency sales and purchases to be in the same currency as much as possible to minimise our foreign exchange exposure as a form of natural hedging. Nonetheless, a depreciation of RM against foreign currencies can affect our cost of sales and reduce our profit margin. On the other hand, an appreciation of RM against foreign currencies will render our products less price competitive.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 Our business may be adversely affected if there is an increase in competition**

Our Group faces competition from both local and foreign companies. Foreign multinational companies may have greater resources than we do in terms of financial, marketing and product development. These companies may enjoy superior reputation recognition and cost-efficient structure in the market, locally, regionally and globally. Added to that, we also face the risk of new market entrants.

Our ability to compete depends on our quality, timely delivery and competitive pricing. Failure to compete effectively could materially and adversely affect us.

9.2.2 General market downturn may result in reduced demand in the end-user markets of our customers

We are dependent on the performance of the end-user markets in Malaysia (in particular, consumer products) in which our customers or their end-customers are operating in.

During economic downturn, consumption spending is generally lower, which may result in reduced demand in consumer products. Such fall in demand may in turn reduce the demand of die-cutting moulds and paper printing and packaging products by our customers, who are operating in the paper printing and packaging industry and serving manufacturers of consumer products. Under such circumstances, our business may be materially and adversely affected.

9.2.3 Our business may be adversely affected if major manufacturers of consumer products decide to relocate overseas

Our die-cutting solutions are mainly used in the manufacturing process of paper printing and packaging industry and E&E industry in Malaysia. Our customers are in turn suppliers to manufacturers of consumer products in Malaysia.

9. RISK FACTORS *(Cont'd)*

If major manufacturers of consumer products decide to relocate outside of Malaysia and cease to purchase from our customers, our business may in turn be materially and adversely affected.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There has been no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

- (a) The selected investors fail to subscribe for their portion of our IPO Shares;
- (b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 The trading price and volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

9. RISK FACTORS (Cont'd)

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold 74.0% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, there was no transaction, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders, and/or persons connected with them during FYE 2018 to 2020 and FPE 2021 and up to LPD:

Related party	Transacting parties Company in our Group	Interested person	Nature of relationship	Nature of transaction	Value of transactions (Expense)/Income										
					FYE 2018 RM'000	%	FYE 2019 RM'000	%	FYE 2020 RM'000	%	FPE 2021 RM'000	%	1 April 2021 up to LPD RM'000	%	
Shenway	Sharp DCM Hotstar Focuswin	CEKD Holding Yap Tian Tion Lim Bee Eng Yap Kai Ning Yap Kai Jie Yap Kai Min	<ul style="list-style-type: none"> CEKD Holding is our substantial shareholder and the holding company of Shenway Yap Tian Tion, Lim Bee Eng, Yap Kai Ning, Yap Kai Jie and Yap Kai Min are substantial shareholders of our Company and CEKD Holding 	<ul style="list-style-type: none"> Sales of die-cutting moulds and raw materials to Shenway⁽³⁾ Purchases of raw materials from Shenway⁽³⁾ Purchases of tools and machinery from Shenway⁽³⁾ 	368	⁽¹⁾ 1.3	-	-	-	-	-	-	-	-	
Shanyu ⁽⁴⁾	Sharp DCM	Yap Tian Tion	<ul style="list-style-type: none"> Yap Tian Tion, Lim Bee Eng and Yap Kai Min are directors of Shenway. Yap Tian Tion and Yap Kai Ning are also our Directors. Yap Kai Min is our Chief Operation Officer Yap Tian Tion was a director of Shanyu. He is also our substantial shareholder and Director 	<ul style="list-style-type: none"> Sales of die-cutting mould and raw materials to Shanyu Purchases of die-cutting moulds and raw materials from Shanyu 	231	⁽¹⁾ 0.8	4	⁽¹⁾ <0.1	-	-	-	-	-	-	-
					(26)	⁽²⁾ 0.2	(10)	⁽²⁾ 0.1	-	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Company in our Group	Interested person	Nature of relationship	Nature of transaction	Value of transactions (Expense)/Income									
					FYE 2018	FYE 2019	FYE 2020	FPE 2021	1 April 2021 up to LPD					
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Commercial Edge	Sharp DCM	CEKD Holding Yap Tian Tion Lim Bee Eng Yap Kai Ning Yap Kai Jie Yap Kai Min	<ul style="list-style-type: none"> CEKD Holding is our substantial shareholder and the holding company of Commercial Edge 	<ul style="list-style-type: none"> Rental expense paid to Commercial Edge⁽⁵⁾ 	(960)	N/A	(348)	N/A	-	-	-	-	-	-
		Yap Tian Tion, Lim Bee Eng, Yap Kai Ning, Yap Kai Jie and Yap Kai Min are substantial shareholders of our Company and Commercial Edge	<ul style="list-style-type: none"> Rental income received from Commercial Edge⁽⁹⁾ 	<ul style="list-style-type: none"> Rental income received from Commercial Edge⁽⁹⁾ 	72	N/A	72	N/A	-	-	-	-	-	-
		Yap Tian Tion and Yap Kai Jie are directors of Commercial Edge	<ul style="list-style-type: none"> Disposal of properties to Commercial Edge 	<ul style="list-style-type: none"> Disposal of properties to Commercial Edge 	-	-	(4,740)	N/A	-	-	-	-	-	-
		Yap Tian Tion is also our Director	<ul style="list-style-type: none"> Advances from Commercial Edge 	<ul style="list-style-type: none"> Advances from Commercial Edge 	-	-	8,500	N/A	-	-	-	-	-	-
			<ul style="list-style-type: none"> Repayment of advances to Commercial Edge 	<ul style="list-style-type: none"> Repayment of advances to Commercial Edge 	-	-	(8,500)	N/A	-	-	-	-	-	-
			<ul style="list-style-type: none"> Cleaning services⁽⁶⁾ 	<ul style="list-style-type: none"> Cleaning services⁽⁶⁾ 	-	-	(41)	N/A	(41)	N/A	(24)	N/A	(17)	N/A
			<ul style="list-style-type: none"> Advances to Commercial Edge 	<ul style="list-style-type: none"> Advances to Commercial Edge 	(2,017)	N/A	-	-	-	-	-	-	-	-
			<ul style="list-style-type: none"> Repayment of advances from Commercial Edge 	<ul style="list-style-type: none"> Repayment of advances from Commercial Edge 	885	N/A	7,115	N/A	-	-	-	-	-	-
			<ul style="list-style-type: none"> Payment of loan interest from Commercial Edge 	<ul style="list-style-type: none"> Payment of loan interest from Commercial Edge 	320	N/A	100	N/A	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting parties Company in our Group	Interested person	Nature of relationship	Nature of transaction	Value of transactions (Expense)/Income									
					FYE 2018 RM'000	%	FYE 2019 RM'000	%	FYE 2020 RM'000	%	FPE 2021 RM'000	%	1 April 2021 up to LPD RM'000	%
CEKD Property Sdn Bhd ("CEKD Property")	Sharp DCM	CEKD Holding Yap Tian Tion Lim Bee Eng Yap Kai Ning Yap Kai Jie Yap Kai Min	<ul style="list-style-type: none"> CEKD Holding is our substantial shareholder and the holding company of CEKD Property 	<ul style="list-style-type: none"> Utility expenses paid to Commercial Edge Rental expense paid to CEKD Property⁽⁷⁾ 	(318)	N/A	(5)	N/A	(5)	N/A	(2)	N/A	-	-
Kam Soon Onn	Hotstar	Kam Soon Onn	<ul style="list-style-type: none"> Yap Tian Tion, Lim Bee Eng, Yap Kai Ning, Yap Kai Jie and Yap Kai Min are substantial shareholders of our Company and CEKD Property Lim Bee Eng, Yap Kai Jie and Yap Kai Min are directors of CEKD Property 	Disposal of motor vehicle to Kam Soon Onn	124	N/A	-	-	-	-	-	-	-	-
Lim Lee Hong	Sharp DCM	Yap Tian Tion Lim Bee Eng Yap Kai Ning Yap Kai Jie Yap Kai Min	<ul style="list-style-type: none"> Lim Lee Hong is Lim Bee Eng's sister and Yap Tian Tion's sister-in-law Lim Lee Hong is Yap Kai Ning's, Yap Kai Jie's and Yap Kai Min's aunty 	<ul style="list-style-type: none"> Disposal of properties to Lim Lee Hong Rental expenses paid to Lim Lee Hong⁽⁸⁾ 	195	N/A	-	-	-	-	-	-	-	-
Lim Choon Chong	Sharp DCM	Yap Tian Tion Lim Bee Eng Yap Kai Ning Yap Kai Jie	<ul style="list-style-type: none"> Lim Choon Chong is Lim Bee Eng's brother and Yap Tian Tion's brother-in-law 	Disposal of property to Lim Choon Chong	62	N/A	-	-	-	-	-	-	-	-
							(14)	N/A	(22)	N/A	(13)	N/A	(7)	N/A