## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

| Transacting parties | | | | | Value of transactions (Expense)/Income | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Related party | Company in our Group | Interested person | Nature of relationship | Nature of transaction | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2021 | | 1 April 2021 up to LPD | |
| | | | | | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| | | Yap Kai Min | Lim Choon Chong is Yap Kai Ning's, Yap Kai Jie's and Yap Kai Min's uncle | | | | | | | | | | | |

**Notes:**

N/A Not applicable.

(1) Computed based on our Group's revenue for each financial year.

(2) Computed based on our Group's cost of sales for each financial year.

(3) As at LPD, Shenway has ceased all trading activities in relation to die-cutting moulds.

(4) We have on 2 October 2018 disposed our entire 36.0% equity interest in Shanyu. Since then, we no longer have any transactions with Shanyu.

(5) Refers to Sharp DCM's factory, which was previously rented to us by Commercial Edge. We have on 1 August 2019 acquired the said property from Commercial Edge. Please refer to Section 11.2 for further details.

(6) Relates to general cleaning of Sharp DCM's factory.

(7) Tenancy agreement dated 30 June 2017 for a duration of 3 years until 30 June 2020 with an option to renew for another 2 years. The tenancy agreement was renewed on 30 June 2020 for another 1 year to 30 June 2021. We served our 3 months termination notice from 1 October 2020 and this rental agreement was subsequently terminated on 31 December 2020.

(8) Relates to 3 tenancy agreements dated 1 January 2019 for a duration of 2 years until 31 December 2020, each at a monthly rental of RM600 per month, with an option to renew for another 1 year. Either the tenant or the landlord may terminate the tenancies prior to their expiration without penalty by giving the other party written notice of not less than 2 months. Upon termination, the landlord shall refund all deposits previously paid by the tenant less such sum as may be due to the landlord (if any) and free from interest. The tenancy agreements were renewed on 1 January 2021 for another 2 years until 31 December 2022, please refer to Section 6.8.2(c) and (d) for further details on the properties. One of the tenancy agreements was subsequently terminated on 30 April 2021.

(9) Tenancy agreement dated 30 July 2013 for a duration of 3 years until 31 July 2016 with an option to renew for another 2 years. A yearly renewal notice was entered into from 1 August 2016 to 31 July 2020. We provided our termination notice on 1 June 2019 and this rental notice was subsequently terminated on 31 August 2019.

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Save for the advances given by /to our related parties and the disposal of apartments to Lim Lee Hong ("**LLH**") and Lim Choon Chong ("**LCC**"), our Directors (save for Yap Tian Tion and Yap Kai Ning, who abstained from deliberation as they were interested in the transactions) are of the view that the related party transactions set out below were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties, based on the following considerations:

(a) The sales and purchases of die-cutting moulds and raw materials were based on comparable selling price to our external customers or purchase costs from our external suppliers;
(b) The acquisition from and disposal of properties to Commercial Edge were based on valuation conducted by an independent valuer dated 8 November 2018 and 21 November 2018 respectively;
(c) The rental expense paid to CEKD Property, Commercial Edge and Lim Lee Hong; and rental income from Commercial Edge were based on the then prevailing market rental rates;
(d) The disposal of motor vehicles to Kam Soon Onn was based on the NBV of the motor vehicle;
(e) The purchases of tools and machineries from Shenway were based on the NBV of the tools and machineries;
(f) The cleaning services charged by Commercial Edge was based on comparable rates charged by third party provider; and
(g) The utilities expenses paid to Commercial Edge in FYE 2018 were based on actual utilities usage by Sharp DCM and actual rate charged by utilities provider.

The transactions which were not conducted on arm's length basis and the justifications for those transactions are as follows:

(a) The residential apartments disposed to LLH and LCC were financed by us on behalf of LLH and LCC between year 2009 to 2012. LLH and LCC had sought financial assistance from us to purchase the apartments. As such, we financed the acquisition of these apartments on the condition that we are able to use it as our worker's accommodation, when required. We paid for the properties and the legal ownerships of the properties were held under LLH and LCC. Trust deeds were entered into between Sharp DCM and LLH / LCC to secure our position in the event that LLH and LCC do not settle their amount owing to us, and we accounted for the said properties as our assets. Hence, instead of a sale and purchase agreement, Sharp DCM entered into settlement agreement with LLH and LCC respectively (whom are the existing legal owners of these properties) to settle the amount owing based on our acquisition costs plus minor refurbishment costs and we accounted the settlement as a disposal of assets. Please refer to Section 6.4 (j) to (m) for details of the settlement agreements.

(b) The advances given by / to our related parties were not conducted on arm's length basis as it was interest free. We drew down a term loan in FYE 2017 which we advanced to Commercial Edge to redeem the factory located at Jalan Kelang Lama, Kuala Lumpur from Malayan Banking Berhad. The advances provided to Commercial Edge by our Group in FYE 2018 were mainly for the loan redemption. Subsequently the payment of loan interest from Commercial Edge in FYE 2018 and FYE 2019 was to service the loan drawn down. The said factory was subsequently pledged to CIMB Bank Berhad for banking facilities extended by CIMB Bank Berhad for Sharp DCM. As such, in FYE 2019, we purchased the said factory from Commercial Edge and the advances from Commercial Edge to us were to finance the said purchase. Interest was not charged on such advances in prior years as it was between private companies with common shareholders. However, all such advances have been fully

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

settled as at the date of this Prospectus. Moving forward, we will not provide advances to our related parties.

Moving forward, in order to ensure related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

**(a) Recurrent related party transactions**

(i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or

(ii) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at general meetings of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

**(b) Other related party transactions**

(i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;

(ii) The rationale for the Group to enter into the related party transaction and the nature of alternative transactions, if any; and

(iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

## 10.2 OTHER TRANSACTIONS

### 10.2.1 Other transactions

**(a) Transactions that are unusual in their nature or conditions**

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during FYE 2018 to 2020 and FPE 2021 and up to LPD.

**(b) Outstanding loans (including guarantees of any kind)**

**<u>Outstanding loans and balances</u>**

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

**<u>Guarantees</u>**

The security for our banking facilities are disclosed in Section 12.4, of which the following are guarantees and security given by our related parties:

(i) CEKD Holding had provided corporate guarantee, Yap Tian Tion and Yap Kai Ning, had jointly and severally provided personal guarantee, for the banking facilities extended by CIMB Bank Berhad to our Group as at LPD. We have received conditional approvals from the above bank to discharge the above guarantees on 2 December 2020. The approval is conditional on the (i) successful Listing and (ii) substituting the same with a corporate guarantee from our Company; and

(ii) Yap Kai Ning had assigned her mortgage reducing term assurance policy ("**MRTA**") to the bank for banking facilities extended by CIMB Bank Berhad to our Group as at LPD. We have received conditional approval from the above bank to release the assignment on 22 April 2021. The approval is conditional on our successful Listing.

**(c) Promotions of any material assets acquired/to be acquired within 3 financial years preceding the date of this Prospectus**

Save as disclosed in Section 10.1, none of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within FYE 2018 to 2020 and FPE 2021, acquired or proposed to be acquired, disposed or proposed to be disposed or leased or proposed to be leased to/by us.

### 10.2.2 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

(a) Agreement dated 11 July 2018 between Sharp DCM and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor and Placement Agent for our Listing; and

(b) Underwriting agreement dated 2 August 2021 between our Company and M&A Securities for the underwriting of 19,458,000 Issue Shares.

**[ The rest of this page is intentionally left blank ]**

## 11. CONFLICT OF INTEREST

### 11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CLIENTS AND SUPPLIERS

As at LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations which are:

(a) carrying on a similar or related trade as our Group; or

(b) customers and/or suppliers of our Group.

Moving forward, our Audit Committee will supervise any actual conflict of interest or potential conflict of interest situations.

In order to mitigate any possible conflict of interest situation, our Directors will declare to our Nominating Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group.

Our Nominating Committee will first then evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating Committee will then:

(a) Immediately inform our Board of the conflict of interest situation;

(b) Make recommendations to our Board to direct the conflicted Director to:

    (i) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and

    (ii) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

## 11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

(a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for our Listing.

(b) Eco Asia Capital Advisory Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Financial Adviser for our Listing. Its scope of work as the Financial Adviser includes the following:

(i) To conceptualise and advise on our Group's restructuring, equity and corporate structure in preparation for our Listing;

(ii) To assist our Group in compiling information and documents for our Listing;

(iii) To assist in reviewing the draft documents prepared by the relevant advisers in relation to our Listing; and

(iv) To assess and advise on any other issues relevant to our Listing.

(c) Teh & Lee has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing.

(d) Ecovis AHL PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.

(e) Protégé has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

**[ The rest of this page is intentionally left blank ]**

# 12. FINANCIAL INFORMATION

## 12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was only incorporated on 27 June 2018 to facilitate the Listing. The historical financial information of our Group for FYE 2018 to 2020 and FPE 2021 is therefore presented based on the historical combined audited financial statements of Sharp DCM Group and Hotstar only. The historical financial information of our Group for FPE 2020 is prepared based on the historical combined unaudited financial statements of our Group.

The audited combined financial statements for FYE 2018 to 2020 and FPE 2021 as well as the unaudited financial statements throughout FPE 2020 were prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

### 12.1.1 Combined Statements of Comprehensive Income

The following table sets out a summary of our combined statements of comprehensive income for FYE 2018 to 2020 and FPE 2020 and 2021, which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.2 and 13 respectively.

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | FYE 2018 | FYE 2019 | FYE 2020 | FPE 2020 | FPE 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 28,732 | 28,363 | 26,355 | 16,020 | 17,705 |
| Less: Cost of sales | (15,118) | (14,990) | (13,066) | (7,878) | (8,456) |
| **GP** | **13,614** | **13,373** | **13,289** | **8,142** | **9,249** |
| Other income | 1,465 | 4,766 | 369 | 182 | 100 |
| Administrative expenses | (4,648) | (5,242) | (4,583) | (2,889) | (3,221) |
| Selling and distribution expenses | (791) | (676) | (531) | (373) | (281) |
| Other operating expenses | (327) | (91) | (25) | - | (105) |
| Net impairment gain on financial assets | 2 | 13 | 3 | - | (1) - |
| **Profit from operations** | **9,315** | **12,143** | **8,522** | **5,062** | **5,742** |
| Finance costs | (275) | (372) | (572) | (335) | (233) |
| Share of result of associates | 357 | - | - | - | - |
| **PBT** | **9,397** | **11,771** | **7,950** | **4,727** | **5,509** |
| Tax expense | (2,098) | (2,072) | (1,912) | (1,192) | (1,491) |
| **PAT** | **7,299** | **9,699** | **6,038** | **3,535** | **4,018** |
| | | | | | |
| PAT attributable to: | | | | | |
| Owners of the Group | 6,801 | 9,699 | 6,038 | 3,535 | 4,018 |
| Non-controlling interest | 498 | - | - | - | - |
| | **7,299** | **9,699** | **6,038** | **3,535** | **4,018** |
| | | | | | |
| EBIT/ Adjusted EBIT (RM'000)(3) | 9,501 | (2)7,731 | 8,424 | 5,002 | 5,689 |
| EBITDA/ Adjusted EBITDA (RM'000)(3) | 11,073 | (2)9,421 | 10,650 | 6,249 | 7,011 |
| GP Margin (%)(4) | 47.4 | 47.1 | 50.4 | 50.8 | 52.2 |
| PBT/ Adjusted PBT Margin (%)(5) | 32.7 | (2)26.4 | 30.2 | 29.5 | 31.1 |
| PAT/ Adjusted PAT Margin (%)(5) | 25.4 | (2)19.1 | 22.9 | 22.1 | 22.7 |
| Basic EPS (sen)(6) | 4.72 | (2)3.76 | 4.19 | 2.46 | 2.79 |
| Diluted EPS (sen)(7) | 3.50 | (2)2.78 | 3.10 | 1.82 | 2.07 |

**Notes:**

(1) Representing less than RM1,000.

(2) Our Group recorded gain on disposal of properties in FYE 2019; our adjusted PBT and PAT excluding the gain on disposal of properties in FYE 2019 are as follows:

| | FYE 2019 |
|---|---|
| | **RM'000** |
| PBT | 11,771 |
| Less: Gain on disposal of investment properties | (1,012) |
| Gain on disposal of assets held for sale | (3,271) |
| Adjusted PBT | 7,488 |
| Tax expenses | (2,072) |
| **Adjusted PAT** | **5,416** |

(3) EBIT and EBITDA are calculated as follows:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | **FYE 2018** | **FYE 2019** | **FYE 2020** | **FPE 2020** | **FPE 2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| PAT / Adjusted PAT | 7,299 | #5,416 | 6,038 | 3,535 | 4,018 |
| Less: Interest income | (171) | (129) | (98) | (60) | (53) |
| Add: | | | | | |
| Finance costs | 275 | 372 | 572 | 335 | 233 |
| Taxation | 2,098 | 2,072 | 1,912 | 1,192 | 1,491 |
| **EBIT** | **9,501** | **7,731** | **8,424** | **5,002** | **5,689** |
| Add: Depreciation and amortisation | 1,572 | 1,690 | 2,226 | 1,247 | 1,322 |
| **EBITDA** | **11,073** | **9,421** | **10,650** | **6,249** | **7,011** |

\# Adjusted to exclude gain on disposal of properties in FYE 2019.

(4) Calculated based on GP over revenue.

(5) Calculated based on PBT/PAT or adjusted PBT/adjusted PAT over revenue.

(6) Calculated based on PAT or adjusted PAT attributable to owners of the Group and share capital of 143,983,000 Shares in issue before IPO.

(7) Calculated based on PAT or adjusted PAT attributable to owners of the Group and enlarged share capital of 194,573,000 Shares after IPO.

### 12.1.2 Combined Statements of Financial Position

The following table sets out the combined statements of financial position of our Group as at 31 August 2018, 2019, 2020 and 31 March 2021 which have been extracted from the Accountants' Report. It should be read with the "Management Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Section 12.2 and 13 respectively.

| | Audited | | | |
|---|---|---|---|---|
| | As at 31 August | | | As at 31 March |
| | 2018 | 2019 | 2020 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Non-current Assets** | | | | |
| Property, plant and equipment | 6,337 | 27,123 | 27,223 | 26,571 |
| Investment properties | 461 | - | - | - |
| Goodwill on consolidation | 454 | 454 | 454 | 454 |
| Other investments | - | 2,947 | 2,860 | 5,975 |
| | 7,252 | 30,524 | 30,537 | 33,000 |
| **Current Assets** | | | | |
| Inventories | 4,236 | 4,347 | 4,796 | 4,126 |
| Trade receivables | 7,418 | 6,464 | 6,486 | 6,111 |
| Other receivables, deposits and prepayment | 1,081 | 2,049 | 719 | 1,835 |
| Amount owing by an associate | 152 | - | - | - |
| Amount owing by related parties | 7,084 | 6 | - | - |
| Tax recoverable | 254 | 671 | - | - |
| Fixed deposits with licensed bank | 3,223 | 3,329 | 3,417 | 3,468 |
| Cash and bank balances | 3,352 | 3,009 | 8,344 | 5,613 |
| | 26,800 | 19,875 | 23,762 | 21,153 |
| Asset classified as held for sale | 2,617 | - | - | - |
| Total current assets | 29,417 | 19,875 | 23,762 | 21,153 |
| **Total Assets** | **36,669** | **50,399** | **54,299** | **54,153** |
| **Equity** | | | | |
| Invested equity | 2,350 | 2,350 | 2,350 | 2,350 |
| Retained earnings | 22,938 | 32,637 | 35,155 | 35,843 |
| Total equity | 25,288 | 34,987 | 37,505 | 38,193 |
| **Non-current Liabilities** | | | | |
| Loans and borrowings | 7,577 | 6,054 | 12,262 | 11,779 |
| Deferred tax liabilities | 454 | 833 | 902 | 1,026 |
| | 8,031 | 6,887 | 13,164 | 12,805 |

| | Audited | | | |
|---|---|---|---|---|
| | As at 31 August | | | As at 31 March |
| | 2018 | 2019 | 2020 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current Liabilities** | | | | |
| Trade payables | 574 | 621 | 205 | 180 |
| Other payables and accruals | 1,628 | 1,452 | 2,048 | 1,297 |
| Amount owing to a Director | - | 21 | 33 | - |
| Loans and borrowings | 641 | 6,416 | 1,084 | 1,113 |
| Tax payable | 507 | 15 | 260 | 565 |
| | 3,350 | 8,525 | 3,630 | 3,155 |
| **Total Liabilities** | 11,381 | 15,412 | 16,794 | 15,960 |
| **Total Equity and Liabilities** | **36,669** | **50,399** | **54,299** | **54,153** |

### 12.1.3 Combined Statements of Cash Flows

The following table sets out the combined statements of cash flows of our Group for FYE 2018 to 2020 and FPE 2021 which have been extracted from the Accountants' Report. It should be read with the "Management Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.2 and 13 respectively.

| | Audited | | | |
|---|---|---|---|---|
| | FYE 2018 | FYE 2019 | FYE 2020 | FPE 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash flows from operating activities** | | | | |
| PBT | 9,397 | 11,771 | 7,950 | 5,509 |
| Adjustments for: | | | | |
| Bad debts written off | 51 | 21 | 21 | - |
| Change in fair value of other investment | - | - | - | 105 |
| Depreciation of investment properties | 36 | 2 | - | - |
| Depreciation of property, plant and equipment | 1,536 | 1,688 | 2,226 | 1,322 |
| Deposit written off | (1)- | - | 2 | - |
| Impairment loss on investment in an associate | 208 | - | - | - |
| Interest expenses | | | | |
| - Bank overdraft | 174 | 158 | 12 | - |
| - Finance lease | 67 | 4 | 79 | 42 |
| - Term loan | 34 | 210 | 481 | 191 |
| Interest income | | | | |
| - Bank interest received | (29) | (18) | (10) | (1) |
| - Fixed deposit | (142) | (111) | (88) | (52) |
| Investment income | - | (47) | (93) | (1) |
| Inventories written down due to slow-moving | 321 | 37 | 61 | - |
| (Gain)/loss on disposal of property, plant and equipment | (462) | 5 | - | (19) |

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2018** | **FYE 2019** | **FYE 2020** | **FPE 2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Cash flows from operating activities (Cont'd)** | | | | |
| Net impact on impairment (gain)/loss of trade receivables | | | | |
| - Lifetime expected credit loss allowance | (1) | (13) | (2) | - |
| - Specific allowance | (1) | (1)- | - | (1)- |
| Property, plant and equipment written off | 32 | 59 | 1 | - |
| Rental rebate | - | - | (32) | - |
| Unrealised (gain)/loss on foreign exchange | (24) | 77 | 66 | 49 |
| Gain on disposal of investment properties | (12) | (1,012) | - | - |
| Gain on disposal of assets held for sale | - | (3,271) | - | - |
| Gain on remeasurement of equity interest in an acquiree, previously accounted for as an associate | (378) | - | - | - |
| Gain on remeasurement of right-of-use assets | - | - | - | (2) |
| Share of result of associates | (357) | - | - | - |
| **Operating profit before working capital changes** | 10,450 | 9,560 | 10,674 | 7,143 |
| Changes in working capital: | | | | |
| (Increase)/decrease in inventories | (814) | (147) | (510) | 670 |
| Decrease/(increase) in trade and other receivables | 40 | (46) | 1,263 | (740) |
| Increase/(decrease) in trade and other payables | 83 | (129) | 180 | (776) |
| **Cash generated from operations** | 9,759 | 9,238 | 11,607 | 6,297 |
| Income tax paid | (2,268) | (2,602) | (1,430) | (1,062) |
| Income tax refund | 7 | - | 503 | (1)- |
| Interest paid | (174) | (158) | (12) | - |
| Interest received | 29 | 18 | 10 | 1 |
| **Net cash generated from operating activities** | **7,353** | **6,496** | **10,678** | **5,236** |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Acquisition of other investments | - | (2,900) | (820) | (6,020) |
| Acquisition of a subsidiary, net of cash acquired | (674) | - | - | - |
| Acquisition of combining entity, net of cash acquired | 1,405 | - | - | - |
| Dividends received from an associate | 36 | - | - | - |
| Net proceeds from disposal of assets held for sale | - | 4,592 | - | - |
| Net proceeds from disposal of investment in associates | - | 1,296 | - | - |
| Net proceeds from disposal of investment properties | 62 | 1,471 | - | - |

## 12. FINANCIAL INFORMATION *(Cont'd)*

| | Audited | | | |
|---|---|---|---|---|
| | FYE 2018 | FYE 2019 | FYE 2020 | FPE 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash flows from investing activities (Cont'd)** | | | | |
| Net proceeds from disposal of property, plant and equipment | 793 | 11 | - | 19 |
| Purchase of property, plant and equipment | (1,975) | (22,510) | (649) | (446) |
| Redemption of other investments | - | - | 1,000 | 2,801 |
| **Net cash used in investing activities** | **(353)** | **(18,040)** | **(469)** | **(3,646)** |
| **Cash flows from financing activities** | | | | |
| (Increase)/decrease in amount owing by an associate | (148) | 152 | - | - |
| (Increase)/decrease in amount owing by/(to) related parties | (1,251) | 7,078 | 6 | - |
| (Decrease)/increase in amount owing by/(to) a Director | (18) | 21 | 12 | (33) |
| Dividend paid | - | - | (3,470) | (3,330) |
| Placement of fixed deposits with licensed bank | (142) | (106) | (88) | (52) |
| Repayment of term loans | (481) | (1,454) | (365) | (407) |
| Drawdown of term loans | - | - | 6,000 | - |
| Repayment of lease liabilities, net | (1,661) | (22) | (405) | (269) |
| Proceeds from issuance of shares | [1]- | [1]- | - | [1]- |
| Interest paid on lease liabilities | (67) | (4) | (79) | (42) |
| Interest paid on term loans | (34) | (210) | (481) | (191) |
| Interest received on fixed deposits | 142 | 111 | 88 | 52 |
| **Net cash (used in)/ generated from financing activities** | **(3,660)** | **5,566** | **1,218** | **(4,272)** |
| **Net increase/(decrease) in cash and cash equivalents** | 3,340 | (5,978) | 11,427 | (2,682) |
| **Effect of exchange rate fluctuations** | (24) | (53) | (42) | (49) |
| **Cash and cash equivalents at beginning of financial year/period** | (326) | 2,990 | (3,041) | 8,344 |
| **Cash and cash equivalents at end of financial year/period** | **2,990** | **(3,041)** | **8,344** | **5,613** |

**Note:**

[1] Representing less than RM1,000.

**[ The rest of this page is intentionally left blank ]**

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

The following discussion and segmental analysis of our combined financial statements for FYE 2018 to 2020 and FPE 2021 should be read with the Accountants' Report included in Section 13.

### 12.2.1 Overview of our operations

#### (i) Principal activities

Our Group is principally involved in the manufacturing of die-cutting moulds and trading of related consumables, tools and accessories.

Please refer to Section 7 for our Group's detailed business overview.

#### (ii) Revenue

Revenue is recognised when control of goods has transferred, being when the goods have been delivered to customers and there is no unfulfilled obligation that could affect the customers' acceptance of the goods.

#### (iii) Cost of sales

Our cost of sales mainly comprises materials, direct labour and factory overhead costs, details as follows:

##### (a) Purchases of materials

Our Group's materials mainly consist of steel rules, base boards, other die-cutting mould materials, consumables, tools and accessories.

##### (b) Direct labour

The direct labour costs mainly include salaries and defined contributions plan paid to our production workers.

##### (c) Factory overhead

The factory overhead costs mainly include depreciation for property, plant and equipment, upkeep expenses, rental expenses for factories and store and utilities charges.

#### (iv) Other income

Other income includes gain on disposal of investment properties, gain on disposal of property, plant and equipment, gain on remeasurement, rental income and interest income.

The gain on remeasurement arose from the acquisition of the remaining 50% equity interest of Focuswin in FYE 2018. Focuswin was an associate company of Sharp DCM and upon completion of the said acquisition; Focuswin became a wholly-owned subsidiary of Sharp DCM.

**(v) Administrative expenses**

Administrative expenses comprise mainly overheads incurred to maintain our operations such as remuneration of administrative staff, directors' remuneration, depreciation, professional service charges, upkeep expenses, rental of Hotstar's and Focuswin's offices and utilities charges.

**(vi) Selling and distribution expenses**

Selling and distribution expenses consist of sales and marketing expenses, carriage outward, travelling and accommodation, courier and freight charges.

**(vii) Other operating expenses**

Other operating expenses relate to expenses incurred which are not directly related to our operations such as diminution in value of associate company, property, plant and equipment written off, amortisation of investment properties and bad debts written off.

**(viii) Finance costs**

Finance costs comprise mainly interest expense on our bank borrowings and finance lease.

**(ix) Recent developments**

Save for the Acquisitions and the interruptions in our business due to Covid-19 and MCO as disclosed in Section 7.6, there were no significant events subsequent to our Group's audited combined financial statements for FYE 2020 and FPE 2021.

**(x) Exceptional and extraordinary items and audit qualifications**

There were no exceptional or extraordinary items during FYE 2018 to 2020 and FPE 2021. In addition, our audited combined financial statements for the financial years and 7 months financial period under review were not subject to any audit qualifications.

**(xi) Significant factors affecting our business**

Section 9 details a number of risk factors relating to our business and industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect revenue and profits include but are not limited to the following:

**(a) Dependency on availability, quality and price fluctuation of raw materials**

Our operations are dependent on the consistent supply of raw materials from the suppliers. However, in some circumstances, our suppliers may face shortage or interruptions in supplies. 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.

Our raw materials particularly wood and steel are also price sensitive and we face the risk of fluctuation in pricing. The increase in our raw materials price will increase our cost of sales which may affect our profitability.

**(b) No long-term contracts with our customers**

Our sales are mainly derived from orders placed by customers on weekly or monthly basis. There is no assurance that we will not lose any of our customers, or will the customers continue purchase our products in the future. Therefore, any adverse economic conditions, or slowdown in the industries in which our customer operate in, may negatively affect our sales.

**(c) Competition risk**

Our Group may face increased competition in the future from both local and foreign competitors and also other new entrants to the market. If we are unable to compete with our competitors in terms of quality, timely delivery and competitive pricing, it may result in a loss of business for us.

**[ The rest of this page is intentionally left blank ]**

## 12. FINANCIAL INFORMATION *(Cont'd)*

### 12.2.2 Results of operations

#### (i) Revenue

**Analysis of revenue by business segments**

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Manufacturing activities** | | | | | | | | | | |
| - Die-cutting moulds | 23,207 | 80.8 | 22,220 | 78.3 | 21,315 | 80.9 | 12,980 | 81.0 | 14,049 | 79.3 |
| - Other | 1,760 | 6.1 | 1,438 | 5.1 | 1,348 | 5.1 | 921 | 5.8 | 920 | 5.2 |
| | 24,967 | 86.9 | 23,658 | 83.4 | 22,663 | 86.0 | 13,901 | 86.8 | 14,969 | 84.5 |
| **Trading activities** | 3,765 | 13.1 | 4,705 | 16.6 | 3,692 | 14.0 | 2,119 | 13.2 | 2,736 | 15.5 |
| | **28,732** | **100.0** | **28,363** | **100.0** | **26,355** | **100.0** | **16,020** | **100.0** | **17,705** | **100.0** |

**Commentary on revenue**

**Comparison between FYE 2018 and FYE 2019**

Our Group's revenue decreased marginally by RM0.37 million or 1.3% from RM28.73 million in FYE 2018 to RM28.36 million in FYE 2019. Approximately 83.4% of our Group's revenue in FYE 2019 was derived from manufacturing activities while the remaining 16.6% was derived from trading activities. The overall decrease in revenue was due to lower revenue generated from manufacturing activities by RM1.31 million or by 5.2% during FYE 2019. However, this was offset by the increase in trading revenue by RM0.94 million or 25.0% in FYE 2019.

Manufacturing Activities

Revenue from die-cutting moulds decreased by RM0.99 million or 4.3% from RM23.21 million in FYE 2018 to RM22.22 million in FYE 2019 mainly due to:

(a) Lower quantity of die-cutting moulds sold, which reduced by 1.6% from 110,419 units in FYE 2018 to 108,666 units in FYE 2019 mainly due to lesser orders received from our customers from the paper printing and packaging industry. As our Group's selling price remained relatively consistent during the financial years under review, some of our customers channeled their orders to our competitors who can give a lower price; and

(b) Lower average selling price of die-cutting moulds, which decreased by 2.9% from RM210 per unit in FYE 2018 to RM204 per unit in FYE 2019. The lower average selling price is not due to us reducing our selling price as generally, our Group's selling price remained relatively consistent during the financial years under review. Our selling price is mainly based on the design and complexity of the die-cutting moulds. The decrease in our average selling price in FYE 2019 was mainly due to different product mix and lower complexity of the die-cutting moulds sold during FYE 2019 as compared to FYE 2018.

Revenue from other manufacturing activities decreased by RM0.32 million or 18.2% from RM1.76 million in FYE 2018 to RM1.44 million in FYE 2019 mainly due to:

(a) Lower quantity of pinnacle dies and NC dies sold, which reduced by 18.7% from 2,006 units in FYE 2018 to 1,631 units in FYE 2019; and

(b) Lower revenue generated from press cutting dies due to the reduced orders from our customers in the textile and leather industry in Malaysia. Revenue from press cutting dies decreased by RM0.11 million or 15.9% from RM0.69 million in FYE 2018 to RM0.58 million in FYE 2019.

Trading Activities

Revenue from trading activities increased by RM0.94 million from RM3.77 million in FYE 2018 to RM4.71 million in FYE 2019 due to higher sales to certain existing local customers from the paper printing and packaging industry as they ordered die-cut materials to perform minor repair works on their own die-cutting moulds to prolong the useful life of their die-cutting moulds. In addition, the increase in revenue from trading activities was also due to new overseas customers mainly from Indonesia, Thailand, Australia and Korea which were mainly referred by our existing customers. The increase was mainly due to higher quantity of die-cutting materials sold such as creasing matrix and base boards.

**Comparison between FYE 2019 and FYE 2020**

Our Group's revenue decreased by RM2.00 million or 7.1% from RM28.36 million in FYE 2019 to RM26.36 million in FYE 2020. Approximately 86.0% of our Group's revenue in FYE 2020 was derived from manufacturing activities while the remaining 14.0% was derived from trading activities. Revenue from both our manufacturing and trading activities decreased by RM0.99 million or 4.2% and RM1.01 million or 21.5% respectively.

Manufacturing Activities

Revenue from die-cutting moulds decreased marginally by RM0.90 million or 4.1% from RM22.22 million in FYE 2019 to RM21.32 million in FYE 2020. The decrease in revenue from die-cutting moulds was mainly due to lower quantity of die-cutting moulds sold resulting from the implementation of MCO, effective from 18 March 2020 to 3 May 2020 as most of our customers were unable to operate during this period. Our sales order gradually rebounded after the initial MCO. The overall quantity of die-cutting moulds sold decreased by 3.8% from 108,666 units in FYE 2019 to 104,542 units in FYE 2020.

Revenue from other manufacturing activities decreased by RM0.09 million or 6.3% from RM1.44 million in FYE 2019 to RM1.35 million in FYE 2020. This was mainly due to a further decrease in revenue from press cutting dies by RM0.14 million or 23.5%, due to reduced orders from our customers in the textile and leather industries in Malaysia.

Trading Activities

The Covid-19 pandemic had a larger impact on our trading activities due to lower orders from overseas customers. Revenue from trading activities decreased by RM1.01 million or 21.5% from RM4.70 million in FYE 2019 to RM3.69 million in FYE 2020 mainly due to lower quantity of die-cutting materials sold such as creasing matrix and base boards.

**Comparison between FPE 2020 and FPE 2021**

Our Group's revenue increased by RM1.69 million or 10.5% from RM16.02 million in FPE 2020 to RM17.71 million in FPE 2021. Approximately 84.5% of our Group's revenue in FPE 2021 was derived from manufacturing activities while the remaining 15.5% was derived from trading activities. Revenue from both our manufacturing and trading activities increased by RM1.07 million or 7.7% and RM0.62 million or 29.2% respectively.

Manufacturing Activities

Revenue from die-cutting moulds increased by RM1.07 million or 7.7% from RM13.90 million in FPE 2020 to RM14.97 million in FPE 2021 mainly due to:

(a) Higher quantity of die-cutting moulds sold, which increased by 2,501 units or 4.0% from 62,763 units in FPE 2020 to 65,264 units in FPE 2021. Our revenue in FPE 2020 was generally lower as our customers were more conservative in view of the uncertainty resulting from the initial stage of the Covid-19 pandemic. Overall, we received higher orders from our local customers from the packaging industry, electrical and electronics and automotive industry in FPE 2021 as more businesses are permitted to operate as compared to the initial and conditional MCO during FPE 2020; and

(b) Higher average selling price of die-cutting moulds, which increased by 3.9% from RM207 per unit in FPE 2020 to RM215 per unit in FPE 2021. The increase in average selling price of die-cutting moulds were mainly due to more complex die-cutting moulds manufactured in FPE 2021. We received more orders to manufacture new die-cutting mould designs for our customers from the packaging industry, electrical and electronics and automotive industry as various new products and promotional packaging designs which was delayed in FPE 2020 due to the Covid-19 pandemic has resumed in FPE 2021. The new die-cutting moulds manufactured were also more complex as higher level of automation is required by our customers in order to reduce the dependency on manual labour as some of our customers' workforce has reduced due to the shortage in foreign workers. Most of the new die-cutting moulds are equipped with stripping and blanking system to remove die-cutting waste, separate and stack die-cutting products which are otherwise done manually.

Revenue from other manufacturing activities remains relatively constant at RM0.92 million in both FPE 2020 and FPE 2021.

Trading Activities

Revenue from trading activities increased by RM0.62 million or 29.2% from RM2.12 million in FPE 2020 to RM2.74 million in FPE 2021 mainly due to higher quantity of base boards sold to our overseas customers. The price of base boards has been on an increasing trend and our overseas customers mainly from Australia and Thailand has purchased higher quantity of base boards in FPE 2021 as the price of base boards is expected to increase further. Our suppliers indicated that the prices of base boards are expected to increase due to the shortage in supply.

**Analysis of revenue by geographical locations**

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Malaysia** | 24,438 | 85.1 | 23,775 | 83.8 | 22,560 | 85.6 | 13,574 | 84.7 | 15,046 | 85.0 |
| **Overseas** | | | | | | | | | | |
| • Australia | 24 | 0.1 | 182 | 0.6 | 102 | 0.4 | 102 | 0.6 | 215 | 1.2 |
| • Vietnam | 1,366 | 4.8 | 1,376 | 4.9 | 1,307 | 5.0 | 825 | 5.2 | 780 | 4.4 |
| • Thailand | 427 | 1.5 | 387 | 1.4 | 501 | 1.9 | 302 | 1.9 | 433 | 2.4 |
| • Philippines | 188 | 0.7 | 385 | 1.4 | 304 | 1.2 | 178 | 1.1 | 244 | 1.4 |
| • United Arab Emirates | 488 | 1.7 | 601 | 2.1 | 345 | 1.3 | 233 | 1.5 | 213 | 1.2 |
| • Others[(1)] | 1,801 | 6.1 | 1,657 | 5.8 | 1,236 | 4.6 | 806 | 5.0 | 774 | 4.4 |
| | 4,294 | 14.9 | 4,588 | 16.2 | 3,795 | 14.4 | 2,446 | 15.3 | 2,659 | 15.0 |
| | **28,732** | **100.0** | **28,363** | **100.0** | **26,355** | **100.0** | **16,020** | **100.0** | **17,705** | **100.0** |

**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 in FPE 2021.

**Commentary on revenue**

**Comparison between FYE 2018 and FYE 2019**

Substantial portion of our Group's revenue was derived from local customers. In FYE 2019, approximately 83.8% of our revenue was derived from Malaysia while the remaining 16.2% are derived from overseas customers primarily located in Vietnam and United Arab Emirates, representing approximately 4.9% and 2.1% respectively.

Revenue from Philippines and United Arab Emirate increased by RM0.20 million and RM 0.11 million or 104.87% and 23.2% respectively, mainly due to higher orders of die-cutting moulds. We were in an early stage in building our presence in Philippines in FYE 2018 and as such the increase in revenue from Philippines in FYE 2019 was mainly due to increased confidence in our die-cutting moulds which resulted in our customers increasing their orders. Revenue from other overseas countries in FYE 2019 remained relatively consistent as compared to FYE 2018.

**Comparison between FYE 2019 and FYE 2020**

In FYE 2020, approximately 85.6% of our Group's revenue was derived from Malaysia while the remaining 14.4% was derived from overseas customers primarily located in Vietnam, Thailand and United Arab Emirates, representing approximately 5.0%, 1.9% and 1.3% respectively. Revenue from our overseas customers decreased by RM0.79 million or 17.2% from RM4.59 million in FYE 2019 to RM3.80 million in FYE 2020 mainly due to reduced orders resulting from the Covid-19 pandemic. Sales to our overseas customers were affected by movement restrictions imposed in various countries which affected their ability to operate normally.

**Comparison between FPE 2020 and FPE 2021**

In FPE 2021, approximately 85.0% of our Group's revenue was derived from Malaysia while the remaining 15.0% was derived from overseas customers primarily located in Thailand, Vietnam and Philippines representing approximately 2.4%, 4.4% and 1.4% respectively.

Revenue from our overseas customers increased by RM0.21 million, or 8.6% from RM2.45 million in FPE 2020 to RM2.66 million in FPE 2021 mainly due to higher orders from our customers located in Australia, Thailand and Philippines.

Revenue from Australia and Thailand increased by RM0.11 million and RM0.13 million, or 110.8% and 43.4% respectively mainly due to higher quantity of base board sold. Our customers from these countries have purchased higher quantity of based boards during FPE 2021 as prices of base boards are expected to increase in the future.

Revenue from Philippines also increased by RM0.07 million, or 37.1% mainly due to higher quantity of die-cutting moulds sold to our existing customers from the packing industry and electrical and electronics industry as our customers gain more confidence in our die-cutting moulds.

Nevertheless, the increase in revenue from Australia, Thailand and Philippines were partially offset by the decrease in revenue from other overseas countries which has collectively decreased by RM0.10 million or 5.2%.

## 12. FINANCIAL INFORMATION *(Cont'd)*

### (ii) Cost of sales, GP and GP margin

**Analysis of cost of sales by components**

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Purchase of materials | 5,280 | 34.9 | 5,526 | 36.9 | 4,589 | 35.1 | 2,585 | 32.8 | 3,384 | 40.0 |
| Direct labour cost | 5,032 | 33.3 | 5,237 | 34.9 | 4,640 | 35.5 | 3,018 | 38.3 | 2,995 | 35.4 |
| Depreciation of property, plant and equipment | 1,063 | 7.0 | 1,146 | 7.6 | 1,247 | 9.5 | 687 | 8.7 | 701 | 8.3 |
| Depreciation of right-of-use assets | - | - | - | - | 441 | 3.4 | 250 | 3.2 | 257 | 3.0 |
| Upkeep expenses | 1,044 | 6.9 | 912 | 6.1 | 726 | 5.6 | 523 | 6.6 | 410 | 4.9 |
| Rental | 1,084 | 7.2 | 714 | 4.8 | 5 | <0.1 | 5 | 0.1 | - | - |
| Others [1] | 1,615 | 10.7 | 1,455 | 9.7 | 1,418 | 10.9 | 810 | 10.3 | 709 | 8.4 |
| | **15,118** | **100.0** | **14,990** | **100.0** | **13,066** | **100.0** | **7,878** | **100.0** | **8,456** | **100.0** |

**Note:**

(1) Consist of carriage inwards, water and electricity, inventories written down due to slow-moving, insurance, transportation charges, courier charges and custom duties, each representing not more than 5.0%.

The main components of our cost of sales are purchases of materials and direct labour costs. Collectively, they accounted for 68.2% to 75.4% of our cost of sales for FYE 2018 to 2020 as well as FPE 2020 and FPE 2021.

## 12. FINANCIAL INFORMATION *(Cont'd)*

**Analysis of cost of sales by business segments**

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Manufacturing activities** | | | | | | | | | | |
| - Die-cutting moulds | 10,936 | 72.3 | 10,140 | 67.6 | 9,090 | 69.6 | 5,535 | 70.2 | 5,664 | 67.0 |
| - Others | 1,174 | 7.8 | 1,129 | 7.5 | 955 | 7.3 | 618 | 7.8 | 627 | 7.4 |
| | 12,110 | 80.1 | 11,269 | 75.1 | 10,045 | 76.9 | 6,153 | 78.0 | 6,291 | 74.4 |
| **Trading activities** | 3,008 | 19.9 | 3,721 | 24.9 | 3,021 | 23.1 | 1,725 | 22.0 | 2,165 | 25.6 |
| | **15,118** | **100.0** | **14,990** | **100.0** | **13,066** | **100.0** | **7,878** | **100.0** | **8,456** | **100.0** |

**Comparison between FYE 2018 and FYE 2019**

Our Group's total cost of sales decreased marginally by RM0.13 million or 0.9% from RM15.12 million in FYE 2018 to RM14.99 million in FYE 2019. The decrease was mainly due to:

(a) Lower rental expenses by RM0.37 million as we purchased our existing factory at Jalan Kelang Lama, Kuala Lumpur in FYE 2019 which was previously rented from Commercial Edge; and

(b) Lower inventories written down due to slow-moving, which decreased by RM0.28 million or 87.5% from RM0.32 million in FYE 2018 to RM0.04 million in FYE 2019.

The decrease was partially offset by the following:

(a) Purchase of raw materials, which increased by RM0.25 million or 4.7% despite the marginal decrease in our revenue mainly due to higher raw material prices resulting from the implementation of sales and services tax on 1 September 2018;

(b) Higher direct labour cost, which increased by RM0.21 million or 4.1% mainly due to yearly staff salary increment and bonus; and

(c) Higher depreciation of property, plant and equipment by RM0.08 million or 7.8% mainly due to the purchase of our factory located at Jalan Kelang Lama, Kuala Lumpur and new machineries.

**Comparison between FYE 2019 and FYE 2020**

Our Group's total cost of sales decreased by RM1.92 million or 12.8% from RM14.99 million in FYE 2019 to RM13.07 million in FYE 2020. The decrease was mainly due to the following:

(i) Lower purchases of raw materials in line with the decrease in revenue from both our manufacturing and trading activities. The percentage of decrease in purchases of raw materials outweighs the percentage of decrease in revenue mainly due to:

  (a) Higher revenue from conversion activities in FYE 2020 by RM0.14 million or 26.3% as compared to FYE 2019. Under this arrangement, we charged our customer a labour fee to convert raw materials provided by the customer into semi-finished die-cutting moulds; and

  (b) Revenue of RM0.13 million for the provision of CAD design and programming services.

(ii) Lower direct labour cost by RM0.60 million or 11.4% as we received an one-off wage subsidy from the Malaysian Government amounting to RM0.28 million resulting from the Covid-19 pandemic.

**Comparison between FPE 2020 and FPE 2021**

Our Group's total cost of sales increased by RM0.58 million or 7.4% from RM7.88 million in FPE 2020 to RM8.46 million in FPE 2021 mainly due to higher materials utilised in line with the overall increase in revenue from both our manufacturing and trading activities.

The percentage of increase in purchases of materials outweighs the percentage of increase in revenue mainly due to higher raw material prices. During FPE 2021, the average price of base boards, steel rules and creasing matrix has increased by approximately 14.0%, 6.0% and 5.0% respectively as compared to FPE 2020.

The overall increase in cost of sales was partially offset by the following:

(a) Upkeep expenses, which decreased by RM0.11 million or 21.6% as repair and maintenance work on our machineries which was previously done by our overseas suppliers had to be done by local technicians due to the travel restrictions; and

(b) Other cost of sales, which decreased by RM0.10 million or 12.5% mainly due to lesser carriage inwards incurred as we have engaged a forwarding agent to directly deliver trading products purchased from our overseas suppliers to our overseas customers.

**Analysis of GP and GP margin by activities**

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | GP | GP margin | GP | GP margin | GP | GP margin | GP | GP margin | GP | GP margin |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Manufacturing activities** | | | | | | | | | | |
| - Die-cutting moulds | 12,271 | 52.9 | 12,080 | 54.4 | 12,225 | 57.4 | 7,445 | 57.4 | 8,385 | 59.7 |
| - Others | 586 | 33.3 | 309 | 21.5 | 393 | 29.2 | 303 | 32.9 | 293 | 31.8 |
| | 12,857 | 51.5 | 12,389 | 52.4 | 12,618 | 55.7 | 7,748 | 55.7 | 8,678 | 58.0 |
| **Trading activities** | 757 | 20.1 | 984 | 20.9 | 671 | 18.2 | 394 | 18.6 | 571 | 20.9 |
| | **13,614** | **47.4** | **13,373** | **47.1** | **13,289** | **50.4** | **8,142** | **50.8** | **9,249** | **52.2** |

**Commentary on GP and GP margin**

**Comparison between FYE 2018 and FYE 2019**

Our GP decreased marginally by RM0.24 million or 1.8% from RM13.61 million in FYE 2018 to RM13.37 million in FYE 2019.

Manufacturing Activities

GP from manufacturing activities decreased by RM0.46 million or 3.6% as compared to FYE 2018 in line with the marginal decrease in revenue during FYE 2019. Despite the decrease in revenue, overall GP margin from manufacturing activities improved from 51.5% in FYE 2018 to 52.4% in FYE 2019 mainly due to lower rental expenses as we acquired our factory at Jalan Kelang Lama, Kuala Lumpur which was previously rented.

Nevertheless, our GP margin from other manufacturing activities decreased from 33.3% to 21.5% as we continued to incur the same amount of fixed cost such as rental and staff cost despite the decrease in revenue from the sales of our press cutting dies.

Trading Activities

GP from trading activities increased by RM0.22 million from RM0.76 million in FYE 2018 to RM0.98 million in FYE 2019 in line with the increase in trading revenue.

Our GP margin from trading activities remained relatively stable at 20.9% in FYE 2019 as compared to 20.1% in FYE 2018.

**Comparison between FYE 2019 and FYE 2020**

Our Group's GP decreased marginally by RM0.08 million or 0.6% from RM13.37 million in FYE 2019 to RM13.29 million in FYE 2020 mainly due to the overall decrease in revenue. Nevertheless, the increase in our GP margin from 47.1% in FYE 2019 to 50.4% in FYE 2020 was mainly due to higher profitability recorded from our manufacturing activities.

Manufacturing Activities

Our GP from manufacturing activities increased by RM0.23 million or 1.8% as compared to FYE 2019. Our GP margin also improved from 52.4% in FYE 2019 to 55.7% in FYE 2020 mainly due to:

(a) Lower direct labour cost resulting from the one-off wage subsidy from the Malaysian Government amounting to RM0.28 million; and

(b) Lower material usage due to higher revenue from our conversion activities as well as revenue for the provision of CAD design and programming services. Under this conversion activity arrangement, our customers will provide us with raw materials and we assist them to convert their raw materials into semi-finished die-cutting moulds. In view of that, our materials usage decreased as we do not need to use our own raw materials.

Trading Activities

Our GP from trading activities decreased by RM0.31 million or 31.6% from RM0.98 million in FYE 2019 to RM0.67 million in FYE 2020 in line with the decrease in trading revenue.

Our GP margin from trading activities also decreased from 20.9% in FYE 2019 to 18.2% in FYE 2020 mainly due to the increase in our die-cutting material costs. Despite the increase in our die-cutting material costs, we did not increase our selling price to remain competitive.

**Comparison between FPE 2020 and FPE 2021**

Our Group's GP increased by RM1.11 million or 13.6% from RM8.14 million in FPE 2020 to RM9.25 million in FPE 2021 while our overall GP margin has also improved from 50.8% in FPE 2020 to 52.2% in FPE 2021 mainly due to the overall increase in revenue as well as higher profitability recorded from both our manufacturing and trading activities.

<u>Manufacturing Activities</u>

Our GP from manufacturing activities increased by RM0.93 million or 12.0% as compared to FPE 2020. Our GP margin also improved from 55.7% in FPE 2020 to 58.0% in FPE 2021 mainly due to:

(a) Higher average selling price of die-cutting moulds by 3.9% due to more complex die-cutting moulds manufactured during FPE 2021; and

(b) Lower machinery upkeep expenses by RM0.11 million as repair and maintenance work was done by local technicians.

<u>Trading Activities</u>

Our GP from trading activities increased by RM0.17 million or 42.5% from RM0.40 million in FPE 2020 to RM0.57 million in FPE 2021 in line with the increase in trading revenue.

Our GP margin from trading activities also increased from 18.6% in FPE 2020 to 20.9% in FPE 2021 mainly due to lower carriage inwards expenses as our forwarding agent directly deliver trading products purchased from our overseas suppliers to our overseas customers.

**[ The rest of this page is intentionally left blank ]**

## 12. FINANCIAL INFORMATION *(Cont'd)*

### (iii) Other income

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Gain on disposal of investment properties | 12 | 0.8 | 1,012 | 21.2 | - | - | - | - | - | - |
| Gain on disposal of assets held for sale | - | - | 3,271 | 68.6 | - | - | - | - | - | - |
| Gain on disposal of property, plant and equipment | 462 | 31.5 | 3 | 0.1 | - | - | - | - | 19 | 19.0 |
| Gain on foreign exchange | | | | | | | | | | |
| - realised | 25 | 1.7 | 139 | 2.9 | 139 | 37.7 | 60 | 33.0 | 12 | 12.0 |
| - unrealised | 24 | 1.6 | - | - | - | - | - | - | - | - |
| Gain on remeasurement of equity interest (1) | 378 | 25.8 | - | - | - | - | - | - | - | - |
| Gain on remeasurement of right-of-use assets | - | - | - | - | - | - | - | - | 2 | 2.0 |
| Interest income | 171 | 11.7 | 129 | 2.7 | 98 | 26.6 | 60 | 33.0 | 53 | 53.0 |
| Investment income | - | - | 47 | 1.0 | 93 | 25.2 | 59 | 32.4 | 1 | 1.0 |
| Rental income | 278 | 19.0 | 153 | 3.2 | - | - | - | - | - | - |
| Rental rebate (2) | - | - | - | - | 32 | 8.7 | - | - | - | - |
| Others (3) | 115 | 7.9 | 12 | 0.3 | 7 | 1.8 | 3 | 1.6 | 13 | 13.0 |
| | **1,465** | **100.0** | **4,766** | **100.0** | **369** | **100.0** | **182** | **100.0** | **100** | **100.0** |

**Notes:**

(1) Relates to gain on remeasurement of equity interest in Focuswin, previously accounted for as an associate company.

(2) Rental discount granted by our landlord during MCO.

(3) Mainly consist of deposits recovered and insurance claim for damage and accident of machineries and motor vehicles.

**Comparison between FYE 2018 and FYE 2019**

Other income increased by RM3.30 million from RM1.47 million in FYE 2018 to RM4.77 million in FYE 2019. This was mainly attributable to the gain on disposal of 8 properties located at OUG Industrial Park and KL Industrial Park, Kuala Lumpur as well as Mukim Senai, Johor amounting to RM4.28 million.

However, the overall increase in other income was partially offset by the following:

(a) Decrease in gain on disposal of property, plant and equipment by RM0.46 million;

(b) One-off gain on remeasurement of equity interest in Focuswin of RM0.38 million which did not recur in FYE 2019; and

(c) Decrease in rental income by RM0.13 million after the disposal of investment properties.

**Comparison between FYE 2019 and FYE 2020**

Other income in FYE 2020 mainly consist of interest income, gain from foreign exchange and investment income on unit trusts.

Other income decreased by RM4.40 million from RM4.77 million in FYE 2019 to RM0.37 million in FYE 2020 as the one-off gain on disposal of properties did not recur in FYE 2020.

**Comparison between FPE 2020 and FPE 2021**

Other income decreased by RM0.08 million from RM0.18 million in FPE 2020 to RM0.10 million in FPE 2021. This was mainly due to:

(a) Decrease in investment income by RM0.06 million as the new unit trust invested during FPE 2021 has yet to contribute any return as at 31 March 2021; and

(b) Decrease in realised gain on foreign exchange by RM0.05 million arising from the weakening of RM against EUR for trade purchases.

However, the overall decrease in other income was partially offset by the gain on disposal of 2 units of motor vehicles and 1 unit of measuring machine amounting to RM0.02 million.

## 12. FINANCIAL INFORMATION *(Cont'd)*

### (iv) Administrative expenses

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Auditors' remuneration | 98 | 2.1 | 68 | 1.3 | 81 | 1.8 | 47 | 1.6 | 58 | 1.8 |
| Directors' remuneration | 1,054 | 22.7 | 1,052 | 20.1 | 1,049 | 22.9 | 525 | 18.2 | 538 | 16.7 |
| Depreciation of property, plant and equipment | 473 | 10.2 | 542 | 10.3 | 492 | 10.7 | 300 | 10.4 | 319 | 9.9 |
| Depreciation of right-of-use assets | - | - | - | - | 46 | 1.0 | 10 | 0.3 | 45 | 1.4 |
| Entertainment | 67 | 1.4 | 67 | 1.3 | 54 | 1.2 | 37 | 1.3 | 22 | 0.7 |
| Petrol, parking and toll | 57 | 1.2 | 77 | 1.5 | 60 | 1.3 | 41 | 1.4 | 36 | 1.1 |
| Printing and stationaries | 58 | 1.3 | 61 | 1.2 | 57 | 1.2 | 38 | 1.3 | 36 | 1.1 |
| Professional fee | 11 | 0.2 | 211 | 4.0 | 47 | 1.0 | 33 | 1.1 | 613 | 19.0 |
| Rental expenses | 214 | 4.6 | 91 | 1.7 | - | - | - | - | - | - |
| Security charges | 52 | 1.1 | 109 | 2.1 | 112 | 2.5 | 64 | 2.2 | 69 | 2.2 |
| Staff costs | 1,767 | 38.0 | 2,072 | 39.5 | 1,739 | 37.9 | 1,256 | 43.5 | 1,001 | 31.1 |
| Stamp duty | 6 | 0.1 | 52 | 1.0 | 1 | 0.0 | 1 | 0.0 | 1 | 0.0 |
| Utilities | 250 | 5.4 | 163 | 3.1 | 127 | 2.8 | 75 | 2.6 | 77 | 2.4 |
| Unrealised loss on foreign exchange | - | - | 77 | 1.5 | 66 | 1.4 | 39 | 1.4 | 49 | 1.5 |
| Upkeep expenses | 299 | 6.5 | 280 | 5.3 | 296 | 6.5 | 213 | 7.4 | 208 | 6.5 |
| Others [(1)] | 242 | 5.2 | 320 | 6.1 | 356 | 7.8 | 210 | 7.3 | 149 | 4.6 |
| | **4,648** | **100.0** | **5,242** | **100.0** | **4,583** | **100.0** | **2,889** | **100.0** | **3,221** | **100.0** |

**Note:**

(1) Mainly consists of assessment and quit rent, tax consultation fee, bank charges, gift and donations, sundry expenses, secretary fees, insurance, staff refreshment, maintenance fee and postage, each representing not more than 1.5%.

## 12. FINANCIAL INFORMATION *(Cont'd)*

**Comparison between FYE 2018 and FYE 2019**

Administrative expenses increased by RM0.59 million or 12.7% from RM4.65 million in FYE 2018 to RM5.24 million in FYE 2019. The increase was mainly attributable to:

(a) Increase in staff costs by RM0.31 million mainly due to yearly increment and bonus for our existing staff; and

(b) Increase in professional fee by RM0.20 million mainly for the valuation fees of our factory at Jalan Kelang Lama, Kuala Lumpur and preparation of sale and purchase agreements for the disposal of properties.

However, the overall increase in administrative expenses was partially offset by a decrease in rental expenses of RM0.12 million after we purchased our existing factory located in Jalan Kelang Lama, Kuala Lumpur.

**Comparison between FYE 2019 and FYE 2020**

Administrative expenses decreased by RM0.66 million or 12.6% from RM5.24 million in FYE 2019 to RM4.58 million in FYE 2020. The decrease was mainly attributable to:

(a) Decrease in staff costs by RM0.33 million mainly due to decrease in administrative headcount from 37 employees in FYE 2019 to 28 employees in FYE 2020. During the year, we centralised our purchasing, accounts, administration and human resource functions, resulting in resignations and reduced administrative headcount; and

(b) Decrease in professional fee by RM0.16 million as the valuation fees of our factory at Jalan Kelang Lama, Kuala Lumpur and preparation of sale and purchase agreements for the disposal of properties in FYE 2019 did not recur in FYE 2020.

**Comparison between FPE 2020 and FPE 2021**

Administrative expenses increased by RM0.33 million or 11.4% from RM2.89 million in FPE 2020 to RM3.22 million in FPE 2021. The increase was mainly attributable to increase in professional fees by RM0.58 million for our Listing.

However, the overall increase in administrative expenses was partially offset by a decrease in staff costs by RM0.26 million mainly due to lesser administrative headcount from 28 employees in FPE 2020 to 22 employees in FPE 2021 as well as reduction in staff welfare such as refreshment and festive celebration expenses due to Covid-19 pandemic.

## 12. FINANCIAL INFORMATION *(Cont'd)*

### (v) Selling and distribution expenses

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Freight charges | 65 | 8.2 | 70 | 10.4 | 68 | 12.8 | 57 | 15.3 | 37 | 13.2 |
| Insurance | 67 | 8.5 | 61 | 9.0 | 78 | 14.7 | 38 | 10.2 | 63 | 22.4 |
| Motor vehicles maintenance | 58 | 7.3 | 48 | 7.1 | 46 | 8.7 | 27 | 7.2 | 33 | 11.7 |
| Sales commission | 10 | 1.3 | 7 | 1.0 | 3 | 0.5 | 3 | 0.8 | - | - |
| Transportation cost | 446 | 56.4 | 338 | 50.0 | 240 | 45.2 | 171 | 45.9 | 126 | 44.8 |
| Travelling and accommodation | 85 | 10.7 | 110 | 16.3 | 62 | 11.7 | 60 | 16.1 | 1 | 0.4 |
| Upkeep of office | 16 | 2.0 | 31 | 4.6 | 18 | 3.4 | 8 | 2.1 | 12 | 4.3 |
| Others [(1)] | 44 | 5.6 | 11 | 1.6 | 16 | 3.0 | 9 | 2.4 | 9 | 3.2 |
| | **791** | **100.0** | **676** | **100.0** | **531** | **100.0** | **373** | **100.0** | **281** | **100.0** |

**Note:**

(1) Mainly consist of advertisement and promotion expenses and road tax.

**Comparison between FYE 2018 and FYE 2019**

Selling and distribution expenses decreased by RM0.11 million or 13.9% from RM0.79 million in FYE 2018 to RM0.68 million in FYE 2019. This was mainly due to lower transportation cost incurred in line with the decrease in revenue. In addition, the frequency of our overseas deliveries also decreased as our customers ordered in larger volume.

**Comparison between FYE 2019 and FYE 2020**

Selling and distribution expenses decreased by RM0.15 million or 22.1% from RM0.68 million in FYE 2019 to RM0.53 million in FYE 2020 mainly due to the overall decrease in revenue. Transportation cost further decreased by RM0.10 million or 29.4% from RM0.34 million in FYE 2019 to RM0.24 million in FYE 2020 as overseas orders for our trading products decreased due to the Covid-19 pandemic.

**Comparison between FPE 2020 and FPE 2021**

Selling and distribution expenses decreased by RM0.09 million or 24.3% from RM0.37 million in FPE 2020 to RM0.28 million in FPE 2021 mainly attributable to:

(a) Decrease in transportation cost by RM0.05 million as our subsidiary, Hotstar has terminated the third party dispatch and delivery service provider. In FPE 2021, all deliveries to Hotstar's customers were done by our in-house logistics department; and

(b) Decrease in travelling and accommodation by RM0.06 million due to the travel restrictions and border control imposed as a result of the Covid-19 pandemic.

**(vi) Other operating expenses**

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Property, plant and equipment written off | 32 | 9.8 | 59 | 64.8 | 1 | 4.0 | - | - | - | - |
| Bad debts written off | 51 | 15.6 | 21 | 23.1 | 21 | 84.0 | - | - | - | - |
| Loss on disposal of property, plant and equipment | - | - | 9 | 9.9 | - | - | - | - | - | - |
| Amortisation of investment property | 36 | 11.0 | 2 | 2.2 | - | - | - | - | - | - |
| Change in fair value of other investment | - | - | - | - | - | - | - | - | 105 | 100.0 |
| Diminution in value of associate | 208 | 63.6 | - | - | - | - | - | - | - | - |
| Deposit written off | - | - | - | - | 3 | 12.0 | - | - | - | - |
| Realised loss on foreign exchange | [1]- | - | [1]- | - | - | - | - | - | - | - |
| | **327** | **100.0** | **91** | **100.0** | **25** | **100.0** | **-** | **-** | **105** | **100.0** |

**Note:**

[1] Representing less than RM1,000.

**Comparison between FYE 2018 and FYE 2019**

Other operating expenses decreased by RM0.24 million or 72.7% from RM0.33 million in FYE 2018 to RM0.09 million in FYE 2019. This was mainly due to the one-off diminution in value of an associate company, Shanyu of RM0.21 million which did not recur in FYE 2019. We completed the disposal of Shanyu in FYE 2019.

**Comparison between FYE 2019 and FYE 2020**

Other operating expenses during FYE 2020 mainly consist of bad debts written off. Other operating expenses decreased by RM0.07 million or 72.5% as the one-off expenses relating to property, plant and equipment written off amounting to RM0.06 million in FYE 2019 did not recur in FYE 2020.

**Comparison between FPE 2020 and FPE 2021**

Other operating expenses during FPE 2021 consist of changes in fair value of our investment in unit trust.

**(vii) Finance costs**

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2018 | | FYE 2019 | | FYE 2020 | | FPE 2020 | | FPE 2021 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Term loan | 34 | 12.4 | 210 | 56.4 | 481 | 84.1 | 288 | 86.0 | 191 | 82.0 |
| Bank overdraft | 174 | 63.3 | 158 | 42.5 | 12 | 2.1 | - | - | - | - |
| Finance lease | 67 | 24.3 | 4 | 1.1 | 3 | 0.5 | 2 | 0.6 | 4 | 1.7 |
| Interest on rights-of-use assets | - | - | - | - | 76 | 13.3 | 45 | 13.4 | 38 | 16.3 |
| | **275** | **100.0** | **372** | **100.0** | **572** | **100.0** | **335** | **100.0** | **233** | **100.0** |

## 12. FINANCIAL INFORMATION *(Cont'd)*

**Comparison between FYE 2018 and FYE 2019**

Finance cost increased by RM0.09 million or 32.1% from RM0.28 million in FYE 2018 to RM0.37 million in FYE 2019 mainly due to higher term loan interest.

We drew down a term loan amounting to RM8.00 million in FYE 2017 which we advanced to Commercial Edge to redeem the factory located at Jalan Kelang Lama, Kuala Lumpur from Malayan Banking Berhad. The interest cost of the said loan was serviced by Commercial Edge until we acquired the above factory in January 2019.

**Comparison between FYE 2019 and FYE 2020**

Finance cost increased by RM0.20 million or 54.1% from RM0.37 million in FYE 2019 to RM0.57 million in FYE 2020. The increase was mainly attributable to the following:

(a) Increase in term loan interest by RM0.27 million mainly due to a new RM6.00 million term loan drawndown in FYE 2020; and

(b) Recognition of interest on rights-of-use assets of RM0.08 million arising from the adoption of MFRS 16 Leases.

However, the overall increase in finance cost was partially offset by the decrease in bank overdraft interest of RM0.15 million due to lower utilisation of bank overdraft during FYE 2020.

**Comparison between FPE 2020 and FPE 2021**

Finance cost decreased by RM0.11 million or 32.4% from RM0.34 million in FPE 2020 to RM0.23 million in FPE 2021 mainly due to lower term loan interest, resulting from lower outstanding balances.

## 12. FINANCIAL INFORMATION *(Cont'd)*

### (viii) PBT and PBT margin

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | FYE 2018 | FYE 2019 | FYE 2020 | FPE 2020 | FPE 2021 |
| PBT/ Adjusted PBT (RM'000) | 9,397 | (1)7,488 | 7,950 | 4,727 | 5,509 |
| PBT/ Adjusted PBT margin (%) | 32.7 | (1)26.4 | 30.2 | 29.5 | 31.1 |

**Note:**

(1) Adjusted to exclude gain on disposal of properties in FYE 2019.

**Comparison between FYE 2018 and FYE 2019**

The drop in the PBT margin for FYE 2019 was mainly due to the increase in administrative expenses by 12.8% and increase in finance costs by 35.3% in FYE 2019.

**Comparison between FYE 2019 and FYE 2020**

Our PBT margin improved to 30.2% for FYE 2020. This was mainly due to the higher GP margin from our manufacturing activities in FYE 2020.

**Comparison between FPE 2020 and FPE 2021**

Our PBT margin improved from 29.5% in FPE 2020 to 31.1% in FPE 2021 due to higher GP margin generated from both manufacturing and trading activities.

### (ix) Taxation

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | FYE 2018 | FYE 2019 | FYE 2020 | FPE 2020 | FPE 2021 |
| Taxation (RM'000) | 2,098 | 2,072 | 1,912 | 1,192 | 1,491 |
| Statutory tax rate (%) | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| Effective tax rate (%) | 22.3 | 17.6 | 24.1 | 25.2 | 27.1 |

## 12. FINANCIAL INFORMATION *(Cont'd)*

Effective tax rate is calculated by dividing tax expense for the financial year over PBT for the corresponding financial year.

In FYE 2018, Focuswin and Hotstar were taxed at the statutory rate of 18% on the first RM500,000 and 24% on the balance of chargeable income, whilst Sharp DCM was taxed at the statutory rate of 24%. In FYE 2019 and FYE 2020, all companies within our Group were taxed at the statutory rate of 24%.

Sharp DCM and Hotstar are entitled to claim reinvestment allowances for a duration of 15 years for the purchase of machineries, commencing from year 2005 and 2016 respectively.

In FYE 2019, Sharp DCM was also entitled to claim industrial building allowance for the purchase of our factory at Jalan Kelang Lama, Kuala Lumpur. This reduced our Group's effective tax rate to 17.6%.

Our Group's effective tax rate increased to 24.1% in FYE 2020 as the reinvestment allowance claimed by Sharp DCM has ended in FYE 2020.

During FPE 2021, our Group's effective tax rate was higher than the statutory rate mainly due to non-deductible expenses such as professional fees.

**[ The rest of this page is intentionally left blank ]**

### 12.2.3 Review of financial position

#### (i) Assets

| | Audited | | | |
|---|---|---|---|---|
| | As at 31 August | | | As at 31 March |
| | 2018 | 2019 | 2020 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Non-current Assets** | | | | |
| Property, plant and equipment | 6,337 | 27,123 | 27,223 | 26,571 |
| Investment properties | 461 | - | - | - |
| Goodwill on consolidation | 454 | 454 | 454 | 454 |
| Other investments | - | 2,947 | 2,860 | 5,975 |
| | 7,252 | 30,524 | 30,537 | 33,000 |
| **Current Assets** | | | | |
| Inventories | 4,236 | 4,347 | 4,796 | 4,126 |
| Trade receivables | 7,418 | 6,464 | 6,486 | 6,111 |
| Other receivables, deposits and prepayment | 1,081 | 2,049 | 719 | 1,835 |
| Amount owing by an associate | 152 | - | - | - |
| Amount owing by related parties | 7,084 | 6 | - | - |
| Tax recoverable | 254 | 671 | - | - |
| Fixed deposits with licensed bank | 3,223 | 3,329 | 3,417 | 3,468 |
| Cash and bank balances | 3,352 | 3,009 | 8,344 | 5,613 |
| | 26,800 | 19,875 | 23,762 | 21,153 |
| Asset classified as held for sale | 2,617 | - | - | - |
| Total current assets | 29,417 | 19,875 | 23,762 | 21,153 |
| **Total Assets** | **36,669** | **50,399** | **54,299** | **54,153** |

**Comparison between 31 August 2018 and 31 August 2019**

Our total assets increased by RM13.73 million or 37.4% from RM36.67 million as at 31 August 2018 to RM50.40 million as at 31 August 2019. This was mainly due to an increase in non-current assets by RM23.27 million mainly arising from:

(a) Purchase of our factory located in Jalan Kelang Lama, Kuala Lumpur for a consideration of RM20.00 million; and

(b) Investment in unit trusts of RM2.90 million.

However, the overall increase in non-current assets was partially offset by the decrease in amount owing from our related party, Commercial Edge amounting to RM7.08 million.

**Comparison between 31 August 2019 and 31 August 2020**

Our total assets increased by RM3.90 million or 7.7% from RM50.40 million as at 31 August 2019 to RM54.30 million as at 31 August 2020. This was mainly due to the increase in our cash and bank balances by RM5.34 million arising from higher net cash generated from operating activities.

**Comparison between 31 August 2020 and 31 March 2021**

Our total assets decreased by RM0.15 million or 0.3% from RM54.30 million as at 31 August 2020 to RM54.15 million as at 31 March 2021 mainly due to:

(a) Decrease in cash and bank balances by RM2.73 million mainly due to cash utilised to purchase unit trust;

(b) Decrease in inventories by RM0.67 million due to lower amount of purchases;

(c) Decrease in trade receivables by RM0.38 million mainly due to faster collections from customers; and

(d) Decrease in property, plant and equipment by RM0.65 million mainly due to deprecation charged.

However, the overall decrease was partially offset by the increase in investment in unit trusts of RM3.12 million and increased in other receivables by RM1.12 million due to advance payment made to suppliers for the purchases of raw materials.

**(ii) Liabilities**

| | Audited | | | |
|---|---|---|---|---|
| | As at 31 August | | | As at 31 March |
| | 2018 | 2019 | 2020 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Non-current Liabilities** | | | | |
| Loans and borrowings | 7,577 | 6,054 | 12,262 | 11,779 |
| Deferred tax liabilities | 454 | 833 | 902 | 1,026 |
| | 8,031 | 6,887 | 13,164 | 12,805 |
| **Current Liabilities** | | | | |
| Trade payables | 574 | 621 | 205 | 180 |
| Other payables and accruals | 1,628 | 1,452 | 2,048 | 1,297 |
| Amount owing to a Director | - | 21 | 33 | - |
| Loans and borrowings | 641 | 6,416 | 1,084 | 1,113 |
| Tax payable | 507 | 15 | 260 | 565 |
| | 3,350 | 8,525 | 3,630 | 3,155 |
| **Total Liabilities** | **11,381** | **15,412** | **16,794** | **15,960** |

**Comparison between 31 August 2018 and 31 August 2019**

Our total liabilities increased by RM4.03 million or 35.4% from RM11.38 million as at 31 August 2018 to RM15.41 million as at 31 August 2019. This was mainly due to the increase in current liabilities by RM5.18 million as we utilised a bank overdraft facility amounting to RM6.00 million to partially finance the acquisition of our factory located at Jalan Kelang Lama, Kuala Lumpur during FYE 2019.

**Comparison between 31 August 2019 and 31 August 2020**

Our total liabilities increased by RM1.38 million or 9.0% from RM15.41 million as at 31 August 2019 to RM16.79 million as at 31 August 2020. This was mainly due to the increase in non-current liabilities by RM6.28 million as we drew down a new term loan facility amounting to RM6.00 million.

The increase in non-current liabilities was offset by the decrease in our current liabilities by RM4.90 million mainly due to the repayment of our overdraft facility.

**Comparison between 31 August 2020 and 31 March 2021**

Our total liabilities decreased by RM0.83 million or 4.9% from RM16.79 million as at 31 August 2020 to RM15.96 million as at 31 March 2021 mainly due to:

(a) Decrease in other payables and accruals by RM0.75 million due to payment made for the purchase of a new server system for Sharp DCM. This is in addition to the computer server which we intend to purchase using our IPO proceeds which are for Hotstar's and Focuswin's operations; and

(b) Decrease in bank borrowings by RM0.45 million due to repayments made during FPE 2021.

**[ The rest of this page is intentionally left blank ]**

### 12.2.4 Review of cash flow

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2018** | **FYE 2019** | **FYE 2020** | **FPE 2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Net cash from operating activities | 7,353 | 6,496 | 10,678 | 5,236 |
| Net cash used in investing activities | (353) | (18,040) | (469) | (3,646) |
| Net cash (used in)/from financing activities | (3,660) | 5,566 | 1,218 | (4,272) |
| **Net increase/(decrease) in cash and cash equivalents** | **3,340** | **(5,978)** | **11,427** | **(2,682)** |
| Effect of exchange rate fluctuations | (24) | (53) | (42) | (49) |
| Cash and cash equivalents at beginning of the financial year/period | (326) | 2,990 | (3,041) | 8,344 |
| **Cash and cash equivalents at end of the financial year/period** | **2,990** | **(3,041)** | **8,344** | **5,613** |
| **Cash and cash equivalents at end of the financial year/period comprise:** | | | | |
| Cash and bank balances | 3,352 | 3,009 | 8,344 | 5,613 |
| Fixed deposits with licensed bank | 3,223 | 3,329 | 3,417 | 3,468 |
| | 6,575 | 6,338 | 11,761 | 9,081 |
| Less: Fixed deposits pledged | (3,223) | (3,329) | (3,417) | (3,468) |
| Less: Bank overdraft | (362) | (6,050) | - | - |
| | **2,990** | **(3,041)** | **8,344** | **5,613** |

**FYE 2018**

**Net cash from operating activities**

In FYE 2018, our net cash generated from operating activities amounted to RM7.35 million. Our Group's collection of RM25.73 million was offset by payments of RM18.38 million. Such payments were for:

(i) Payment to suppliers of RM6.79 million;

(ii) Staff costs and directors' remuneration of RM7.85 million;

(iii) Rental expenses of RM1.30 million;

(iv) Income tax paid of RM2.27 million; and

(v) Bank overdraft interest paid of RM0.17 million.

**Net cash for investing activities**

In FYE 2018, our net cash outflow for investing activities amounted to RM0.35 million, mainly due to the acquisition of the remaining 50% equity interest in Focuswin of RM0.67 million, purchase of plant and machineries such as laser cutting machine, automatic steel rule processor and CNC milling/engraving machine for our business operations of RM0.97 million, purchase of motor vehicles of RM0.63 million and purchase of furniture, fittings and office equipment of RM0.29 million.

Net cash used in investing activities was partially offset by the consolidation of cash balances available in Hotstar amounting to RM1.40 million at the date of acquisition and proceeds from disposal of plant and machineries and motor vehicles of RM0.79 million.

**Net cash for financing activities**

In FYE 2018, the net cash outflow for financing activities amounted to RM3.66 million, mainly attributable to the repayment of finance lease liabilities of RM1.66 million, advances paid to related party, mainly to Commercial Edge of RM1.25 million to partially finance the redemption of the factory located in Jalan Kelang Lama, Kuala Lumpur from Malayan Banking Berhad, increase in amount owing from associate company, Shanyu of RM0.15 million arising from the sale of die-cutting moulds and materials to Shanyu, and repayment of term loans of RM0.48 million.

**FYE 2019**

**Net cash from operating activities**

In FYE 2019, our net cash generated from operating activities amounted to RM6.50 million. Our Group's collection of RM29.47 million was offset by payments of RM22.97 million. Such payments were for:

(i) Payment to suppliers of RM11.04 million;

(ii) Staff costs and directors' remuneration of RM8.36 million;

(iii) Rental expenses of RM0.81 million;

(iv) Income tax paid of RM2.60 million; and

(v) Bank overdraft interest paid of RM0.16 million.

**Net cash for investing activities**

In FYE 2019, our net cash outflow for investing activities amounted to RM18.04 million, mainly attributable to the purchase of our factory located at Jalan Kelang Lama, Kuala Lumpur amounting to RM20.00 million, investment in unit trusts of RM2.90 million and purchase of plant and machineries such as automatic steel rule processor, CNC milling/engraving machine and wire cutting machine for our business operations of RM2.35 million.

Net cash used in investing activities was partially offset by the proceeds from disposal of 8 properties located at OUG Industrial Park and KL Industrial Park, Kuala Lumpur as well as Mukim Senai, Johor of RM6.06 million and proceeds from disposal of investment in associate company, Shanyu of RM1.30 million.

**Net cash for financing activities**

In FYE 2019, our net cash inflow from financing activities amounted to RM5.57 million, mainly attributable to repayment of advances from related party, Commercial Edge of RM7.08 million which was previously provided mainly to partially finance the redemption of the factory located in Jalan Kelang Lama, Kuala Lumpur from Malayan Banking Berhad and decrease in amount owing from our associate company, Shanyu of RM0.15 million due to repayment by Shanyu.

Net cash from financing activities was partially offset by repayment of term loans of RM1.45 million and interest paid of RM0.21 million mainly in relation to the term loan facility drawn down by Sharp DCM to partially finance the acquisition of our factory located in Jalan Kelang Lama, Kuala Lumpur.

**FYE 2020**

**Net cash from operating activities**

In FYE 2020, our net cash generated from operating activities amounted to RM10.68 million. Our Group's collection of RM26.33 million was offset by payments of RM15.65 million. Such payments were mainly for:

(i) Payment to suppliers of RM6.33 million;

(ii) Staff costs and directors' remuneration of RM7.43 million;

(iii) Rental expenses of RM0.46 million; and

(iv) Income tax paid of RM1.43 million.

**Net cash for investing activities**

In FYE 2020, our net cash outflow for investing activities amounted to RM0.47 million, mainly attributable to investment in unit trusts of RM0.82 million and purchase of furniture and fittings and office equipment of RM0.61 million.

Net cash used in investing activities was partially offset by redemption of investment in unit trusts of RM1.00 million.

**Net cash for financing activities**

In FYE 2020, our net cash inflow from financing activities amounted to RM1.22 million, mainly attributable to additional drawdown of term loans of RM6.00 million.

Net cash from financing activities was partially offset by dividend paid of RM3.47 million relating to the financial performance of FYE 2019, interest paid of RM0.56 million mainly in relation to the term loan facility drawn down to partially finance the acquisition of our factory located in Jalan Kelang Lama, Kuala Lumpur, repayment of finance lease liabilities of RM0.41 million and repayment of term loan of RM0.37 million.

**FPE 2021**

**Net cash from operating activities**

In FPE 2021, our net cash generated from operating activities amounted to RM5.24 million. Our Group's collection of RM18.01 million was offset by payments of RM12.84 million. Such payments were for:

(i) Payment to suppliers of RM6.99 million;

(ii) Staff costs and directors' remuneration of RM4.53 million;

(iii) Rental expenses of RM0.26 million; and

(iv) Income tax paid of RM1.06 million.

**Net cash for investing activities**

In FPE 2021, our net cash outflow for investing activities amounted to RM3.65 million, mainly attributable to investment in unit trusts of RM6.02 million and purchase of motor vehicles of RM0.45 million.

Net cash used in investing activities was partially offset by the redemption of investment in unit trusts of RM2.80 million and proceeds from disposal of motor vehicles and machine of RM0.02 million.

**Net cash for financing activities**

In FPE 2021, the net cash outflow for financing activities amounted to RM4.27 million, mainly attributable to the dividend paid of RM3.33 million relating to the financial performance of FYE 2021, repayment of term loans and finance lease liabilities amounting to RM0.68 million collectively and interest paid for term loans and lease liabilities of RM0.23 million collectively.

**[ The rest of this page is intentionally left blank ]**

## 12.3 LIQUIDITY AND CAPITAL RESOURCES

### 12.3.1 Working capital

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. The facilities from financial institutions comprise term loans, overdrafts and finance lease.

Our Board confirms that we have sufficient working capital for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus after taking into account the following:

(i) Expected cash flows to be generated from the operations of our Group;

(ii) Cash and bank balances as at LPD of RM5.68 million (excluding pledged fixed deposits with licensed bank);

(iii) RM34.53 million in total banking facilities (excluding finance lease), of which RM12.38 million have been utilised as at LPD. There is still RM22.15 million which have not been utilised and is available for drawdown, if required; and

(iv) Proceeds from the Public Issue.

Based on the pro forma consolidated statements of financial position of our Group as at 31 March 2021 (after the Acquisitions but before Public Issue), our NA position stood at RM38.19 million and our gearing level is 0.31 times. Our NA position after the Acquisitions, Public Issue and utilisation of proceeds is RM59.99 million and our gearing level is 0.13 times.

**[ The rest of this page is intentionally left blank ]**

## 12. FINANCIAL INFORMATION *(Cont'd)*

### 12.4 BORROWINGS

We utilise credit facilities such as overdrafts and term loans to partially finance our working capital. In addition, we also utilise term loans and finance lease to finance the purchase of our property, plant and equipment. All these facilities are interest bearing and denominated in RM. Details of the outstanding borrowings and finance lease as at 31 March 2021 are set out below:

| Type of borrowing | Purpose | Security | Tenure | Interest Rate | As at 31 March 2021 |
|---|---|---|---|---|---|
| | | | | % | RM'000 |
| **Interest bearing short-term borrowings, payable within 1 year:** | | | | | |
| Term loans | Purchase of property | (a) Assignment of Mortgage Reducing Term Assurance ("**MRTA**") issued by Sun Life Malaysia Assurance Berhad under a Director for the sum insured of RM10.0 million;<br>(b) First party first legal charge over a leasehold land and factory;<br>(c) Memorandum of charge over fixed deposit of not less than RM3.0 million together with all interest accruing from time to time;<br>(d) Corporate guarantee by CEKD Holding; and<br>(e) Joint and several guarantees by our Directors | 240 months from drawdown date | 3.20 – 3.40 | 655 |
| Finance lease payables | Purchase of motor vehicles | (a) Motor vehicles under the finance lease; and<br>(b) Guarantee by our Director | 60 months from drawdown date | 2.23 – 2.99 | 56 |

## 12. FINANCIAL INFORMATION *(Cont'd)*

| Type of borrowing | Purpose | Security | Tenure | Interest Rate | As at 31 March 2021 |
|---|---|---|---|---|---|
| | | | | **%** | **RM'000** |
| **Interest bearing long-term borrowings, payable after 1 year:** | | | | | |
| Term loans | Purchase of property | (a) Assignment of MRTA issued by Sun Life Malaysia Assurance Berhad under a Director for the sum insured of RM10.0 million;<br>(b) First party first legal charge over a leasehold land and factory;<br>(c) Memorandum of charge over fixed deposit of not less than RM3.0 million together with all interest accruing from time to time;<br>(d) Corporate guarantee by CEKD Holding; and<br>(e) Joint and several guarantees by our Directors | 240 months from drawdown date | 3.20 – 3.40 | 10,895 |
| Finance lease payables | Purchase of motor vehicles | (a) Motor vehicles under the finance lease; and<br>(b) Guarantee by our Director | 60 months from drawdown date | 2.23 – 2.99 | 171 |
| **Total borrowings** | | | | | **11,777** |
| **Gearing (times)** | | | | | 0.3 |

## 12. FINANCIAL INFORMATION *(Cont'd)*

Separately, we have also recognised the following lease liabilities on the right-of-use assets which are denominated in RM:

| | **Purpose** | **Tenure** | **As at 31 August 2020 RM'000** |
|---|---|---|---|
| Lease liabilities payable within 1 year | Rental of factory and workers' accommodation | Initial lease of 1 to 5 years with option to renew for another 1 to 3 years | 402 |
| Lease liabilities payable after 1 year | Rental of factory and workers' accommodation | Initial lease of 1 to 5 years with option to renew for another 1 to 3 years | 713 |
| | | | **1,115** |

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout FYE 2018 to 2020, FPE 2021 as well as the subsequent financial period up to LPD.

As at LPD, neither our Company nor our subsidiaries are in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and operations.

Over FYE 2018 to 2020 and FPE 2021, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

**[ The rest of this page is intentionally left blank ]**

## 12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Save as disclosed in Section 12.4 above and our bank overdraft facility, we do not have nor utilise any other financial instruments or have any treasury policies. All our financial instruments are used for the purchase of property and motor vehicles as well as to conduct our business. As at 31 March 2021, save for finance lease liabilities which are based on fixed rates, all our other credit facilities with licensed financial institutions are based on base rate plus or minus a rate which varies depending on the type of facility.

## 12.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITIES

### 12.6.1 Material capital commitments

As at LPD, save as disclosed below and the utilisation of proceeds as disclosed in Section 4.9, we do not have any other material capital commitments.

| | **RM'000** |
|---|---|
| Approved and contracted for: | |
| New factory located in Kepong | 8,800 |

### 12.6.2 Material litigation and contingent liability

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at LPD.

As at LPD, our Directors confirm that there are no contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect our Group's business, financial results or position.

**[ The rest of this page is intentionally left blank ]**

## 12.7 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2018 to 2020 and FPE 2021 are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2018** | **FYE 2019** | **FYE 2020** | **FPE 2021** |
| Trade receivables turnover (days) (1) | 73 | 89 | 90 | 75 |
| Trade payables turnover (days) (2) | 84 | 106 | 102 | 24 |
| Inventory turnover (days) (3) | 261 | 283 | 364 | 279 |
| Current ratio (times) (4) | 8.8 | 2.3 | 6.5 | 6.7 |
| Gearing ratio (times) (5) | 0.3 | 0.4 | 0.3 | 0.3 |

**Notes:**

(1) Computed based on average opening and closing trade receivables (net of allowances for impairment loss) over revenue for the year/period multiplied by 365 days for FYE 2018 to 2020 and 212 days for FPE 2021.

(2) Computed based on average opening and closing trade payables over credit purchases for the year/period (FYE 2018: RM2.57 million, FYE 2019: RM2.07 million, FYE 2020: RM1.47 million and FPE 2021: RM1.70 million) multiplied by 365 days for FYE 2018 to 2020 and 212 days for FPE 2021.

(3) Computed based on average opening and closing inventories over total purchases recognised as cost of sales for the year/period (FYE 2018: RM5.28 million, FYE 2019: RM5.53 million, FYE 2020: RM4.59 million and FPE 2021: RM3.38 million) multiplied by 365 days for each financial year and 212 days for FPE 2021.

(4) Computed based on currents assets over current liabilities as at each year/period end.

(5) Computed based on total loans and borrowings (excluding lease liabilities on the right-of-use assets of RM1.31 million for FYE 2020 and RM1.12 million for FPE 2021) over total equity attributable to owners of the Company as at each year/period end.

**[ The rest of this page is intentionally left blank ]**

### 12.7.1 Trade receivables turnover

The normal credit period granted by us to our customers is between 30 to 120 days from the date of invoice.

Our trade receivables turnover days for FYE 2018 to 2020 and FPE 2021 were between 73 to 90 days which is within our credit period.

The ageing analysis of our trade receivables as at 31 March 2021 is as follows:

| | **Trade receivables as at 31 March 2021** | | **Amount collected from 1 April 2021 to LPD** | | **Trade receivables net of subsequent collections** | |
|---|---|---|---|---|---|---|
| | **RM'000** | **Percentage of trade receivables** | **RM'000** | **Percentage collected** | **RM'000** | **Percentage of trade receivables net of subsequent collections** |
| | **(a)** | **(a)/ total of (a)** | **(b)** | **(b) /(a)** | **(c) = (a)-(b)** | **(c)/ total of (c)** |
| Neither past due nor impaired | 3,985 | 65.1 | 3,655 | 59.7 | 330 | 72.1 |
| Past due but not impaired: | | | | | | |
| • 1 to 30 days | 1,120 | 18.3 | 1,056 | 17.2 | 64 | 14.0 |
| • 31 to 60 days | 632 | 10.3 | 606 | 9.9 | 26 | 5.7 |
| • 61 to 90 days | 194 | 3.2 | 184 | 3.0 | 10 | 2.2 |
| • More than 91 days | 180 | 2.9 | 165 | 2.7 | 15 | 3.2 |
| | 2,126 | 34.7 | 2,011 | 32.8 | 115 | 25.1 |
| | 6,111 | 99.8 | 5,666 | 92.5 | 445 | 97.2 |
| Impaired and provided for | 13 | 0.2 | - | - | 13 | 2.8 |
| **Total** | **6,124** | **100.0** | **5,666** | **92.5** | **458** | **100.0** |

Our Group's total net trade receivables past due as at 31 March 2021 is RM2.13 million, representing 34.7% of its total trade receivables. Subsequent to 31 March 2021 and up to LPD, we have collected RM5.67 million, representing 92.5% of the trade receivables as at 31 March 2021.

We have not encountered any major disputes with our debtors. With respect to overdue debts, we have generally been able to collect payment eventually. As such, our management is of view that the overdue trade receivables are recoverable. We closely monitor the recoverability of our overdue trade receivables on a regular basis, and when required, provide for impairment of these trade receivables.

Generally, we will review the impairment of overdue trade receivables. We will also assess the adequacy of impairment loss allowance on overall trade receivables balance at every reporting period based on our historical collection experience.

Our allowance for impairment gain on trade receivables for the financial years/period under review are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2018** | **FYE 2019** | **FYE 2020** | **FPE 2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Impairment gain on trade receivables | 2 | 13 | 2 | (1)- |

**Note:**

(1) Representing less than RM1,000.

The impairment gain for FYE 2018 to 2020 and FPE 2021 was mainly due to reversal of impairment loss resulting from the calculation of the yearly expected credit loss on our trade receivables.

### 12.7.2 Trade payables turnover

Trade payables are recognised at their original invoice amounts which represent their fair value on initial recognition. Most of our suppliers require upfront payment or cash on delivery, while other suppliers grant us credit terms ranging from 30 to 180 days from the date of invoice.

Approximately 43.4% to 61.1% of our total purchases for the financial years/period under review are cash purchases. Our Group's trade payables turnover days were computed based on credit purchases.

Our Group's trade payables turnover days increased from 84 days in FYE 2018 to 106 days in FYE 2019 and decreased to 102 days in FYE 2020. The increase in trade payables turnover days in FYE 2019 was mainly due to working capital management to match the timing of our payment to our suppliers in view of the slower collection trend from our customers. Our Group's trade payables turnover days further decreased from 102 days in FYE 2020 to 24 days in FPE 2021 mainly due to:

(i) Prompt payment made to our suppliers during FPE 2021. Total payments made in FPE 2021 of RM0.175 million was marginally higher than the total amount of credit purchases of RM0.170 million. Hence, reducing our outstanding trade payable balances as at FPE 2021; and

(ii) Trade payables turnover days are computed based on average opening and closing trade payables balances over credit purchases for the year/period, multiplied by the numbers of days in the year/period. As such, the higher outstanding trade payable balances in FYE 2019 (RM0.62 million) and the outstanding trade payable balances in FYE 2020 (RM0.21 millon) resulted in higher average trade payable balances for FYE 2020 of RM0.41 million. The average trade payables balance for FPE 2021 was only RM0.19 million, which resulted in the lower trade payables turnover days for FPE 2021.

The ageing analysis of our trade payables as at 31 March 2021 is as follows:

| | Trade payables as at 31 March 2021 | | Amount paid from 1 April 2021 to LPD | Balance trade payables unpaid as at LPD |
|---|---|---|---|---|
| | RM'000 | Percentage of trade payables | RM'000 | RM'000 |
| | (a) | (a)/total of (a) | (b) | (c) = (a)-(b) |
| Within credit period | 113 | 62.8 | 112 | 1 |
| Exceeding credit period: | | | | |
| • 1 to 30 days | 48 | 26.7 | 44 | 4 |
| • 31 to 60 days | 6 | 3.3 | 3 | 3 |
| • more than 60 days | 13 | 7.2 | 11 | 2 |
| | 67 | 37.2 | 58 | 9 |
| **Total** | **180** | **100.0** | **170** | **10** |

As at LPD, we have settled RM0.17 million, representing 94.4% the total outstanding trade payables as at 31 March 2021. There are no disputes in respect of trade payables and no legal action has been initiated by our suppliers to demand for payment.

### 12.7.3 Inventory turnover

Our Group's inventories mainly consist of raw materials used for the manufacturing of our die-cutting moulds representing 85.5%, 89.7%, 87.8% and 93.2% of our total inventories for FYE 2018, 2019, 2020 and FPE 2021 respectively; and our trading products representing 14.5%, 10.3%, 12.2% and 6.8% for FYE 2018, 2019, 2020 and FPE 2021 respectively.

Our inventory turnover days increased from 261 days as at 31 August 2018 to 364 days as at 31 August 2020 mainly due to higher amount of raw materials purchased. We purchase 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. We are able to maintain a high stockholding level as our raw materials are non-perishable in nature.

Our inventory turnover days decreased from 364 days as at 31 August 2020 to 279 days as at 31 March 2021 due to lower amount of raw materials purchased and higher amount of materials utilised during FPE 2021.

The ageing analysis of our inventories as at 31 March 2021 is as follows:

| | Audited |
|---|---|
| | RM'000 |
| **Purchased materials** | |
| • 12 months or less | 1,993 |
| • Between 13 months and 24 months | 1,363 |
| • Between 25 months and 36 months | 770 |
| | **4,126** |

Materials which are more than 12 months mainly consist of steel rules and base board which are still usable.

We assess whether inventories should be impaired by identifying damaged and slow-moving inventories during periodic stock count. Slow-moving inventories are those more than 36 months from the date of purchase. Damaged inventories will be written off while slow-moving inventories will be written down to their net realisable value. Our inventories written down due to slow-moving for the financial years under review is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2018** | **FYE 2019** | **FYE 2020** | **FPE 2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Inventories written down due to slow-moving[(1)] | 321 | 37 | 61 | - |

**Note:**

(1) Written down due to aged more than 36 months from date of purchase.

### 12.7.4 Current ratio

Our current ratio throughout the financial years/period is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **31 August 2018** | **31 August 2019** | **31 August 2020** | **31 March 2021** |
| | **RM'000** | **RM'000** | **RM'000** | |
| Current assets | 29,417 | 19,875 | 23,762 | 21,153 |
| Current liabilities | (3,350) | (8,525) | (3,630) | (3,155) |
| **Net current assets** | 26,067 | 11,350 | 20,132 | 17,998 |
| Current ratio (times) | 8.8 | 2.3 | 6.5 | 6.7 |

Our current ratio decreased to 2.3 times as at 31 August 2019 mainly due to the purchase of our factory located at Jalan Kelang Lama, Kuala Lumpur amounting to RM20.00 million where we have partially paid RM10.50 million in cash and utilised overdraft facility of RM6.00 million as at 31 August 2019. This resulted in a decrease in our current asset as well as an increase in our current liabilities.

Our current ratio improved to 6.5 times as at 31 August 2020 as the overdraft facility utilised for acquisition of the said factory in FYE 2019 was repaid and we drew down a new term loan of RM6.00 million, which was mainly captured under non-current liabilities.

Our current ratio further improved to 6.7 times as at 31 March 2021 mainly due to decrease in other payables and accruals due to payment made for our new server system.

The current ratios above indicate that we are capable of meeting short term obligations as our current assets such as trade receivables and inventories, which can be readily converted to cash, together with our cash in bank are enough to meet our current liabilities.

### 12.7.5 Gearing ratio

Our gearing ratio throughout the financial years/period under review is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **31 August 2018** | **31 August 2019** | **31 August 2020** | **31 March 2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Total loans and borrowings | 8,218 | 12,470 | 12,037 | 11,777 |
| Total equity | 25,288 | 34,987 | 37,505 | 38,193 |
| Gearing ratio (times) | 0.3 | 0.4 | 0.3 | 0.3 |

Our gearing ratio remains stable between 0.3 to 0.4 times for the financial years/period under review.

## 12.8 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during the financial years/period under review.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9.

## 12.9 IMPACT OF INFLATION

Our financial performance during the financial years/period under review was not significantly affected by the impact of inflation. However, there is no assurance that our business will not be adversely affected by the impact of inflation in the future.

**[ The rest of this page is intentionally left blank ]**

## 12.10 IMPACT OF FOREIGN EXCHANGE RATE, INTEREST RATES AND/OR COMMODITY PRICES

### 12.10.1 Impact of foreign exchange rate

Impact of foreign exchange rate to our Group as at 31 March 2021 is as follows:

| | RM'000 equivalent of balances denominated | | | | | | Total |
|---|---|---|---|---|---|---|---|
| | **USD** | **EUR** | **SGD** | **JPY** | **HKD** | **TWD** | **RM'000** |
| **Financial assets** | | | | | | | |
| Cash and bank balances | 822 | 96 | - | - | - | - | 918 |
| Trade receivables | 741 | 33 | 9 | - | - | - | 783 |
| | 1,563 | 129 | 9 | - | - | - | 1,701 |
| **Financial liabilities** | | | | | | | |
| Trade payables | 49 | [(1)]- | 6 | - | - | 1 | 56 |
| | 49 | - | 6 | - | - | 1 | 56 |
| **Purchases** | | | | | | | |
| Materials | 757 | 1,160 | - | 182 | 16 | 7 | 2,122 |
| | 757 | 1,160 | - | 182 | 16 | 7 | 2,122 |

**Note:**

(1) Representing less than RM1,000.

Based on the tables above:

(i) Our foreign currency trade and other receivables represent only 9.8% of our total trade and other receivables of RM7.95 million as at 31 March 2021;

(ii) Our foreign currency cash and short-term deposits represent only 10.1% of our total cash and short-term deposits of RM9.08 million as at 31 March 2021;

(iii) Our foreign currency trade and other payables represent 3.8% of our total trade and other payables of RM1.48 million as at 31 March 2021; and

(iv) Our foreign currency purchases represent 78.2% of our total purchases of RM2.71 million as at 31 March 2021.

As at LPD, we do not enter into forward exchange contracts to hedge foreign currency risks. However, we monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

### 12.10.2 Impact of interest rates

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2018** | **FYE 2019** | **FYE 2020** | **FPE 2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| EBIT | 9,501 | (2)7,731 | 8,424 | 5,689 |
| Finance costs | 275 | 372 | 572 | 233 |
| Interest coverage ratio (times) (1) | 34.5 | 20.8 | 14.7 | 24.4 |

**Notes:**

(1) Computed based on EBIT over finance costs for the financial years/period under review.

(2) Adjusted to exclude gain on disposal of properties in FYE 2019.

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT.

The interest coverage ratio of our Group was between 14.7 to 34.5 times for FYE 2018 to 2020 and FPE 2021, indicating that we have been able to generate sufficient profits from operations to meet our interest serving obligations.

Our Group's financial results for the financial years/period under review were not materially affected by fluctuations in interest rates. However, major increase in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

### 12.10.3 Impact of commodity prices

We were not directly affected by fluctuations in commodity prices for FYE 2018 to 2020 and FPE 2021. Nevertheless, our raw materials such as wood and processed steel rules are subject to inflationary increase in prices. Our financial performance during the financial years/period under review was not significantly affected by such impact of inflation. However, there is no assurance that our business will not be adversely affected by the impact of inflation in the future.

## 12.11 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(i) Our revenue will remain sustainable with an upward growth trend, in line with the growth in the die-cutting tools manufacturing industry as set out in the IMR Report;

(ii) Our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for us to carry out our business strategies as stated in Section 7.18; and

(iii) Our capital resources will strengthen, considering the proceeds to be raised from the IPO as well as internally generated funds. We may consider debt funding for our business expansion should the need arises.

In addition to the above, our Board is not aware of any circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

## 12.12 TREND INFORMATION

Based on our track record for the financial years under review, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

(i) 83.4% to 86.9% of our revenue was derived from manufacturing activities. We expect this segment to continue contributing significantly to our revenue in the future;

(ii) The main components of our cost of sales are purchases of materials and direct labour cost. Moving forward, our cost of sales is expected to fluctuate in tandem with our revenue segmentation. Our cost of sales is dependent on amongst others, the availability and price fluctuation of raw material and labour costs; and

(iii) We achieved a GP margin of 47.4%, 47.1%, 50.8% and 52.2% for FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively. We hope to maintain our GP margin within the same range in the future. This would depend on, amongst others, our continued ability to manage our costs efficiently and our revenue segmentation in the future.

As at LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

(i) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in Sections 7.6, 12.2.1(xi), 12.2.2, 12.8, 12.9 and 12.10;

(ii) Material commitments for capital expenditure other than those disclosed in Section 12.6.1;

(iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations save as discussed in Sections 7.6, 12.2.1(xi), 12.2.2, 12.8, 12.9 and 12.10;

(iv) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue save for those that had been discussed in Sections 7.6, 12.2.1(xi), 12.2.2, 12.8, 12.9 and 12.10; and

(v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 7.6, 12.2.1(xi), 12.2.2, 12.8, 12.9 and 12.10.

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. Subsequently, we have not experienced any material impact in our sales performance despite the Covid-19 pandemic.

In view of the above, our Board is optimistic about the future prospects of our Group given our competitive strengths and business strategies as set out in Sections 7.17 and 7.18 respectively.

We do not maintain an order book as we generate sales of our products by way of receipt of purchase orders from our customers on an ongoing basis.

## 12.13 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from our financiers as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from the financiers of our Group as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our Group to transfer funds in the form of cash dividends, loans or advances to us.

The dividends paid for the financial years/period under review are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **FYE 2018** | **FYE 2019** | **FYE 2020** | **FPE 2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Dividend paid | - | - | (3,470) | (3,330) |

## 12.14 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

(i) Based on the latest financial information as at 31 July 2021; and

(ii) After adjusting for the effects of the Acquisitions and Public Issue including utilisation of proceeds from the Public Issue.

| | **CEKD** | **I** | **II** | **III** |
|---|---|---|---|---|
| | **As at 31 July 2021** | **After Acquisitions** | **After I and Public Issue** | **After II and utilisation of proceeds** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Capitalisation** | | | | |
| Shareholders' equity | (643) | 40,329 | 64,612 | 62,121 |
| **Total capitalisation** | **(643)** | **40,329** | **64,612** | **62,121** |
| **Indebtedness[1]** | | | | |
| ***Current*** | | | | |
| Loans and borrowings | - | 1,026 | 1,026 | 562 |
| Lease liabilities | - | 65 | 65 | 65 |
| ***Non-current*** | | | | |
| Loans and borrowings | - | 10,312 | 10,312 | 6,776 |
| Lease liabilities | - | 142 | 142 | 142 |
| **Total indebtedness** | **-** | **11,545** | **11,545** | **7,545** |
| **Total capitalisation and indebtedness** | **(643)** | **51,874** | **76,157** | **69,666** |
| **Gearing ratio [2] (times)** | N/A | 0.29 | 0.18 | 0.12 |

**Notes:**

[1] All of our indebtedness are secured and guaranteed.

[2] Calculated based on the total indebtedness divided by the total capitalisation.

ECOVIS®

# CEKD BERHAD

**(Incorporated in Malaysia)**
**201801023077 (1285096-M)**

# ACCOUNTANTS' REPORT ON COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021 AND 31 MARCH 2020 AND FINANCIAL YEAR ENDED 31 AUGUST 2020, 31 AUGUST 2019 AND 31 AUGUST 2018

ECOVIS MALAYSIA PLT
201404001750 (LLP0003185-LCA) & AF 001825
Chartered Accountants

12 August 2021

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

Dear Sirs

**REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF CEKD BERHAD**

*Opinion*

We have audited the financial statements of **CEKD Berhad** (the "Company") and its combining entities (collectively the "Group"), which comprises the combined statements of financial position as at 31 March 2021, 31 August 2020, 31 August 2019 and 31 August 2018, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flow for the financial period ended 31 March 2021 and for each of the financial years ended 31 August 2020, 31 August 2019 and 31 August 2018, and a summary of significant accounting policies and other explanatory notes as set out on page 8 to 107.

This historical combined financial statements of the Company have been prepared solely for inclusion in the prospectus to be issued in relation to the proposed initial public offering and listing of and quotation for the entire enlarged issued and paid – up ordinary shares of the Company on the ACE Market of Bursa Malaysia Securities Berhad (the "Prospectus").

In our opinion, the accompanying combined financial statements of the Company gives a true and fair view of the financial positions of the Group as at 31 March 2021, 31 August 2020, 31 August 2019 and 31 August 2018, and of their financial performance and their cash flows for the financial period ended 31 March 2021 and for each of the financial years ended 31 August 2020, 31 August 2019 and 31 August 2018, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

*Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**ECOVIS MALAYSIA PLT** 201404001750 (LLP0003185-LCA) & AF 001825 Chartered Accountants, No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia **Phone:** +60(3) 7981 1799 **Fax:** +60(3) 7980 4796 **E-Mail:** kuala-lumpur@ecovis.com.my

*Independence and Other Ethical Responsibilities*

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

*Directors' Responsibilities for the Combined Financial Statements*

The Directors of the Company are responsible for the preparation of combined financial statements of the Company that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Company, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements*

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Company as a whole is free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of these combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the combined financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

*Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (cont'd)*

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (cont'd)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on of the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the combined financial statements of the Company, including the disclosures, and whether the combined financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Other Reporting Responsibility*

The comparative information in respect of the combined statements of comprehensive income, combined statements of changes in equity, combined statements of cash flows and related notes to the combined financial statements for the financial period ended 31 March 2020 has not been audited.

In accordance with paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia, we report that the significant and subsequent events identified by the Group since 31 March 2021, the reporting date of the most recent audited combined financial statements to the date of this report, are as disclosed in Note 41 to the combined financial statements.

*Restriction on Distribution and Use*

This report is made solely to the Company and for inclusion in the prospectus in relation to the proposed initial public offering and listing of and quotation for the entire enlarged issued and paid-up ordinary shares of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

| | |
|---|---|
| **ECOVIS MALAYSIA PLT** | **CHUA KAH CHUN** |
| AF 001825 | 02696/09/2021 J |
| Chartered Accountants | Chartered Accountant |

Kuala Lumpur
12 August 2021

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT

### ABBREVIATIONS

Unless the context otherwise requires, the following definitions shall apply throughout this report:

**Companies within our group:**

| | |
|---|---|
| Focuswin | Focuswin Diecutting Mould Sdn. Bhd. (Registration No.: 199401032898 (318581-U)) |
| Hotstar | Hotstar (M) Sdn. Bhd. (Registration No.: 199401000129 (285807-K)) |
| CEKD or Company | CEKD Berhad (Registration No.: 201801023077 (1285096-M)) |
| CEKD Group or Group | CEKD and its combining entities, collectively |
| Sharp DCM | Sharp Die Cutting Mould Sdn. Bhd. (Registration No.: 198901010422 (187724-P)) |
| Sharp DCM Group | Sharp DCM and its subsidiary, collectively |

**General**

| | |
|---|---|
| Acquisitions | Collectively, Acquisition of Sharp DCM Group and Acquisition of Hotstar |
| Acquisition of Hotstar | Acquisition by CEKD of the entire equity interest of Hotstar for a purchase consideration of RM5,633,500, wholly satisfied by the issuance of 23,670,168 new Shares at an issue price of RM0.238 each, which was completed on 21 June 2021 |
| Acquisition of Sharp DCM | Acquisition by CEKD of the entire equity interest of Sharp DCM for a purchase consideration of RM28,634,400, wholly satisfied by the issuance of 120,312,605 new Shares at an issue price of RM0.238 each, which was completed on 21 June 2021 |
| Act | Companies Act 2016 |
| Bursa Securities | Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W)) |
| CEKD Holding | CEKD Holding Sdn. Bhd. (Registration No.: 201401020683 (1096769-M)) |
| CEKD Property | CEKD Property Sdn. Bhd. (Registration No.: 201301041990 (1071815-K)) |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

**ABBREVIATIONS (CONT'D)**

Unless the context otherwise requires, the following definitions shall apply throughout this report: (cont'd)

**General (cont'd)**

| | |
|---|---|
| COVID-19 | Coronavirus disease 2019, an infectious disease which affects the respiratory system, and it is a global pandemic |
| CGU | Cash-generating units |
| Commercial Edge | Commercial Edge Kiln Dry Sdn. Bhd. (Registration No.: 199701023216 (438713-M)) |
| Director(s) | An executive director or non-executive director of the Company within the meaning of Section 2 of the Act |
| ECL | Expected credit loss |
| EPF | Employees Provident Fund |
| EPS | Earnings per share |
| FVTPL | Fair value through profit or loss |
| FVTOCI | Fair value through other comprehensive income |
| FPE | Financial period ended/ending 31 March, as the case may be |
| FYE | Financial years ended/ending 31 August, as the case may be |
| GST/SST | Goods and Services Tax/ Sales and Service Tax |
| IC | Interpretation Committee |
| IC Int | IC Interpretation |
| IFRS | International Financial Reporting Standards |
| MASB | Malaysian Accounting Standards Board |
| MCO | The 2020 Malaysia movement control order, commonly referred to as the MCO, implemented as a preventive measure by the Government of Malaysia in response to the Covid-19 pandemic in the country. The MCO began on 18 March 2020 and unless otherwise specified, includes all its subsequent phases |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

**ABBREVIATIONS (CONT'D)**

Unless the context otherwise requires, the following definitions shall apply throughout this report: (cont'd)

**General (cont'd)**

| | |
|---|---|
| MFRS | Malaysian Financial Reporting Standards |
| Proposed Listing | Proposed Listing on the ACE Market of Bursa Malaysia Securities Berhad |
| Shanyu | Shanyu Die Cutting Mould Sdn. Bhd. (Registration No.: 200401000158 (638661-K)) |
| Share Isuance | Share issuance and allotment of 127 new Shares to shareholders of CEKD for a total consideration of RM13, which was completed on 25 November 2020 |
| Share(s) or CEKD share(s) | Ordinary share(s) in CEKD |
| Shenway | Shenway Sdn. Bhd. (Registration No.: 198401018682 (131239-W)) |

**Currencies**

| | |
|---|---|
| EUR | Euro |
| GBP | British Pound Sterling |
| HKD | Hong Kong Dollar |
| JPY | Japanese Yen |
| RM | Ringgit Malaysia |
| RMB | China Renminbi |
| SGD | Singapore Dollar |
| TWD | New Taiwan Dollar |
| USD | United States Dollar |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF FINANCIAL POSITION

| | Note | Audited 31.03.2021 RM | 31.08.2020 RM | 31.08.2019 RM | 31.08.2018 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 7 | 26,571,308 | 27,223,831 | 27,123,241 | 6,336,983 |
| Investment properties | 8 | - | - | - | 460,924 |
| Investment in an associate | 9 | - | - | - | - |
| Goodwill on consolidation | 10 | 453,570 | 453,570 | 453,570 | 453,570 |
| Other investments | 11 | 5,975,726 | 2,859,980 | 2,947,358 | - |
| | | 33,000,604 | 30,537,381 | 30,524,169 | 7,251,477 |
| **Current assets** | | | | | |
| Inventories | 12 | 4,126,001 | 4,796,039 | 4,346,686 | 4,236,147 |
| Trade receivables | 13 | 6,110,776 | 6,486,313 | 6,463,955 | 7,418,117 |
| Other receivables, deposits and prepayments | 14 | 1,834,847 | 719,081 | 2,048,668 | 1,081,158 |
| Amount owing by an associate | 15 | - | - | - | 151,770 |
| Amount owing by related parties | 16 | - | - | 6,000 | 7,083,777 |
| Tax recoverable | | - | - | 670,642 | 254,234 |
| Fixed deposits with licensed bank | 17 | 3,468,416 | 3,416,816 | 3,328,800 | 3,223,324 |
| Cash and bank balances | | 5,612,914 | 8,344,115 | 3,008,935 | 3,351,611 |
| | | 21,152,954 | 23,762,364 | 19,873,686 | 26,800,138 |
| Assets classified as held for sale | 18 | - | - | - | 2,617,078 |
| | | 21,152,954 | 23,762,364 | 19,873,686 | 29,417,216 |
| **Total assets** | | 54,153,558 | 54,299,745 | 50,397,855 | 36,668,693 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

| | | Audited | | | |
|---|---|---|---|---|---|
| | **Note** | **31.03.2021** | **31.08.2020** | **31.08.2019** | **31.08.2018** |
| | | **RM** | **RM** | **RM** | **RM** |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Invested equity | 19 | 2,350,023 | 2,350,010 | 2,350,010 | 2,350,002 |
| Retained earnings | 20 | 35,843,282 | 35,155,373 | 32,636,887 | 22,938,037 |
| **Total equity** | | 38,193,305 | 37,505,383 | 34,986,897 | 25,288,039 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 21 | 11,778,689 | 12,261,325 | 6,053,449 | 7,576,115 |
| Deferred tax liabilities | 22 | 1,026,346 | 902,184 | 833,018 | 454,112 |
| | | 12,805,035 | 13,163,509 | 6,886,467 | 8,030,227 |
| **Current liabilities** | | | | | |
| Trade payables | 23 | 180,082 | 205,235 | 620,882 | 573,823 |
| Other payables and accruals | 24 | 1,296,926 | 2,047,920 | 1,452,312 | 1,628,384 |
| Amount owing to a Director | 25 | - | 32,508 | 20,508 | - |
| Loans and borrowings | 21 | 1,112,842 | 1,084,889 | 6,415,464 | 640,757 |
| Tax payable | | 565,368 | 260,301 | 15,325 | 507,463 |
| | | 3,155,218 | 3,630,853 | 8,524,491 | 3,350,427 |
| **Total liabilities** | | 15,960,253 | 16,794,362 | 15,410,958 | 11,380,654 |
| **Total equity and liabilities** | | 54,153,558 | 54,299,745 | 50,397,855 | 36,668,693 |

The accompanying notes form an integral part of these combined financial statements.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | Audited 01.09.2020 to 31.03.2021 RM | Unaudited 01.09.2019 to 31.03.2020 RM | Audited 01.09.2019 to 31.08.2020 RM | Audited 01.09.2018 to 31.08.2019 RM | Audited 01.09.2017 to 31.08.2018 RM |
|---|---|---|---|---|---|---|
| Revenue | 26 | 17,704,578 | 16,020,440 | 26,354,900 | 28,362,798 | 28,732,389 |
| Cost of sales | | (8,455,986) | (7,878,604) | (13,066,334) | (14,989,884) | (15,117,715) |
| Gross profit | | 9,248,592 | 8,141,836 | 13,288,566 | 13,372,914 | 13,614,674 |
| Other income | 27 | 99,851 | 181,586 | 368,552 | 4,765,991 | 1,465,280 |
| Administrative expenses | | (3,220,955) | (2,888,606) | (4,582,933) | (5,241,922) | (4,648,876) |
| Selling and distribution expenses | | (280,443) | (373,247) | (530,545) | (675,800) | (791,260) |
| Other operating expenses | | (104,702) | - | (24,632) | (90,936) | (326,703) |
| Net impairment gain on financial assets | | 108 | - | 2,682 | 12,762 | 1,872 |
| | | 5,742,451 | 5,061,569 | 8,521,690 | 12,143,009 | 9,314,987 |
| Finance costs | 28 | (233,329) | (335,098) | (571,684) | (371,720) | (275,262) |
| Share of result of associates | | - | - | - | - | 357,386 |
| Profit before tax | 29 | 5,509,122 | 4,726,471 | 7,950,006 | 11,771,289 | 9,397,111 |
| Tax expenses | 30 | (1,491,213) | (1,191,841) | (1,912,091) | (2,072,439) | (2,097,850) |
| Net profit/Total comprehensive income for the financial period/year | | 4,017,909 | 3,534,630 | 6,037,915 | 9,698,850 | 7,299,261 |
| Net profit/Total comprehensive income for the financial period/year attributable to: | | | | | | |
| - Owners of the Group | | 4,017,909 | 3,534,630 | 6,037,915 | 9,698,850 | 6,800,982 |
| - Non-controlling interests | | - | - | - | - | 498,279 |
| | | 4,017,909 | 3,534,630 | 6,037,915 | 9,698,850 | 7,299,261 |
| **EPS attributable to owners of the Group** | | | | | | |
| **- Basic and diluted** | 31 | 1.71 | 1.50 | 2.57 | 4.13 | 3.18 |

The accompanying notes form an integral part of these combined financial statements.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CHANGES IN EQUITY

| | Note | ← Attributable to owners of the Group → | | | | |
|---|---|---|---|---|---|---|
| | | Non-distributable | Distributable | | | |
| | | Invested equity | Retained earnings | Total | Non-controlling interests | Total equity |
| | | RM | RM | RM | RM | RM |
| **Audited** | | | | | | |
| **At 1 September 2017** | | 1,346,667 | 11,148,839 | 12,495,506 | 1,405,957 | 13,901,463 |
| Issuance of shares | 19 | 2 | - | 2 | - | 2 |
| Net profit/Total comprehensive income for the financial year | | - | 6,800,982 | 6,800,982 | 498,279 | 7,299,261 |
| Acquisition of a combining entity | | 850,000 | 3,237,313 | 4,087,313 | - | 4,087,313 |
| Changes in ownership interest | | 153,333 | 1,750,903 | 1,904,236 | (1,904,236) | - |
| **At 31 August 2018/1 September 2018** | | 2,350,002 | 22,938,037 | 25,288,039 | - | 25,288,039 |
| Issuance of shares | 19 | 8 | - | 8 | - | 8 |
| Net profit/Total comprehensive income for the financial year | | - | 9,698,850 | 9,698,850 | - | 9,698,850 |
| **At 31 August 2019/1 September 2019** | | 2,350,010 | 32,636,887 | 34,986,897 | - | 34,986,897 |
| Effects of adoption of MFRS 16 | | - | (49,429) | (49,429) | - | (49,429) |
| Net profit/Total comprehensive income for the financial year | | - | 6,037,915 | 6,037,915 | - | 6,037,915 |
| Dividend paid | 32 | - | (3,470,000) | (3,470,000) | - | (3,470,000) |
| **At 31 August 2020/1 September 2020** | | 2,350,010 | 35,155,373 | 37,505,383 | - | 37,505,383 |
| Issuance of shares | 19 | 13 | - | 13 | - | 13 |
| Net profit/Total comprehensive income for the financial period | | - | 4,017,909 | 4,017,909 | - | 4,017,909 |
| Dividend paid | 32 | - | (3,330,000) | (3,330,000) | - | (3,330,000) |
| **At 31 March 2021** | | 2,350,023 | 35,843,282 | 38,193,305 | - | 38,193,305 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

| | Note | ← Attributable to owners of the Group | | → | | |
|---|---|---|---|---|---|---|
| | | Non-distributable | Distributable | | | |
| | | Invested equity | Retained earnings | Total | Non-controlling interests | Total equity |
| | | RM | RM | RM | RM | RM |
| **Unaudited** | | | | | | |
| **At 1 September 2019** | | 2,350,010 | 32,636,887 | 34,986,897 | - | 34,986,897 |
| Effects of adoption of MFRS 16 | | - | (49,429) | (49,429) | - | (49,429) |
| Net profit/Total comprehensive income for the financial period | | - | 3,534,630 | 3,534,630 | - | 3,534,630 |
| Dividend paid | 32 | - | (2,720,000) | (2,720,000) | - | (2,720,000) |
| **At 31 March 2020** | | 2,350,010 | 33,402,088 | 35,752,098 | - | 35,752,098 |

The accompanying notes form an integral part of these combined financial statements.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CASH FLOWS

| | Note | Audited 01.09.2020 to 31.03.2021 RM | Unaudited 01.09.2019 to 31.03.2020 RM | Audited 01.09.2019 to 31.08.2020 RM | Audited 01.09.2018 to 31.08.2019 RM | Audited 01.09.2017 to 31.08.2018 RM |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Profit before tax | | 5,509,122 | 4,726,471 | 7,950,006 | 11,771,289 | 9,397,111 |
| Adjustments for: | | | | | | |
| Bad debts written off | | - | - | 20,857 | 21,103 | 50,792 |
| Deposit written off | | - | - | 2,400 | - | 210 |
| Depreciation of investment properties | 8 | - | - | - | 1,739 | 36,193 |
| Depreciation of property, plant and equipment | 7 | 1,321,902 | 1,246,242 | 2,226,360 | 1,687,553 | 1,536,373 |
| Change in fair value of other investment | | 104,702 | - | - | - | - |
| Gain on disposal of assets held for sale | | - | - | - | (3,270,827) | - |
| Gain on disposal of investment properties | | - | - | - | (1,012,126) | (12,196) |
| Gain on remeasurement of equity interest in an acquiree, previously accounted for as an associate | | - | - | - | - | (378,343) |
| Gain on remeasurement of right of use assets | | (2,085) | - | - | - | - |
| Impairment loss on investment in an associate | 9 | - | - | - | - | 207,635 |
| Interest expenses | | | | | | |
| - Bank overdraft interest | 28 | - | - | 11,747 | 157,883 | 173,796 |
| - Finance lease interest | 28 | 41,712 | 46,486 | 79,267 | 4,307 | 67,224 |
| - Term loan interest | 28 | 191,617 | 288,612 | 480,670 | 209,530 | 34,242 |
| Interest income | | | | | | |
| - Bank interest | 27 | (595) | (8,944) | (10,334) | (17,698) | (28,555) |
| - Fixed deposit | 27 | (51,600) | (51,000) | (88,016) | (111,426) | (142,477) |
| Investment income | 27 | (1,213) | (58,605) | (92,992) | (47,358) | - |
| Inventories written down due to slow-moving | | - | - | 60,517 | 36,544 | 320,883 |
| **Carried forward** | | 7,113,562 | 6,189,262 | 10,640,482 | 9,430,513 | 11,262,888 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

| | Note | Audited 01.09.2020 to 31.03.2021 RM | Unaudited 01.09.2019 to 31.03.2020 RM | Audited 01.09.2019 to 31.08.2020 RM | Audited 01.09.2018 to 31.08.2019 RM | Audited 01.09.2017 to 31.08.2018 RM |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities (cont'd)** | | | | | | |
| Adjustments for: (cont'd) | | | | | | |
| **Brought forward** | | 7,113,562 | 6,189,262 | 10,640,482 | 9,430,513 | 11,262,888 |
| (Gain)/loss on disposal of property, plant and equipment | | (18,997) | - | - | 5,449 | (462,058) |
| Net impairment (gain)/loss on trade receivables | | | | | | |
| - Lifetime ECL allowance | 13 | - | - | (2,682) | (12,964) | (1,040) |
| - Specific allowance | 13 | (108) | - | - | 202 | (832) |
| Property, plant and equipment written off | 7 | - | - | 1,375 | 59,447 | 32,083 |
| Rental rebate | | - | - | (31,595) | - | - |
| Share of result of associates | | - | - | - | - | (357,386) |
| Unrealised loss/(gain) on foreign exchange, net | | 49,231 | 38,629 | 66,064 | 76,656 | (24,023) |
| **Operating profit before working capital changes** | | 7,143,688 | 6,227,891 | 10,673,644 | 9,559,303 | 10,449,632 |
| Changes in working capital: | | | | | | |
| Decrease/(increase) in inventories | | 670,038 | (233,518) | (509,870) | (147,083) | (814,350) |
| (Increase)/decrease in trade and other receivables | | (740,121) | 1,483,983 | 1,262,965 | (45,624) | 40,511 |
| (Decrease)/increase in trade and other payables | | (776,147) | (211,028) | 179,961 | (129,013) | 83,068 |
| **Cash generated from operations** | | 6,297,458 | 7,267,328 | 11,606,700 | 9,237,583 | 9,758,861 |
| Income tax paid | | (1,062,184) | (1,072,915) | (1,429,862) | (2,602,079) | (2,267,453) |
| Income tax refunded | | 200 | 345,657 | 502,555 | - | 6,953 |
| Interest paid | | - | - | (11,747) | (157,883) | (173,796) |
| Interest received | | 595 | 8,944 | 10,334 | 17,698 | 28,555 |
| **Net cash generated from operating activities** | | 5,236,069 | 6,549,014 | 10,677,980 | 6,495,319 | 7,353,120 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

| | Note | Audited 01.09.2020 to 31.03.2021 RM | Unaudited 01.09.2019 to 31.03.2020 RM | Audited 01.09.2019 to 31.08.2020 RM | Audited 01.09.2018 to 31.08.2019 RM | Audited 01.09.2017 to 31.08.2018 RM |
|---|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | | |
| Acquisition of a subsidiary, net of cash acquired | | - | - | - | - | (674,298) |
| Acquisition of other investments | | (6,019,802) | (720,000) | (820,000) | (2,900,000) | - |
| Acquisition of combining entity, net of cash acquired | | - | - | - | - | 1,404,961 |
| Dividends received from an associate | | - | - | - | - | 36,000 |
| Net proceeds from disposal of assets held for sale | | - | - | - | 4,591,905 | - |
| Net proceeds from disposal of investment in an associate | | - | - | - | 1,296,000 | - |
| Net proceeds from disposal of investment properties | | - | - | - | 1,471,311 | 62,000 |
| Net proceeds from disposal of property, plant and equipment | | 19,000 | - | - | 11,283 | 792,900 |
| Purchase of property, plant and equipment | (a) | (446,050) | (160,489) | (648,984) | (22,509,990) | (1,974,350) |
| Redemption of other investments | | 2,800,567 | 1,000,370 | 1,000,370 | - | - |
| **Net cash (used in)/ generated from investing activities** | | (3,646,285) | 119,881 | (468,614) | (18,039,491) | (352,787) |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

| | Note | Audited 01.09.2020 to 31.03.2021 RM | Unaudited 01.09.2019 to 31.03.2020 RM | ← Audited 01.09.2019 to 31.08.2020 RM | Audited 01.09.2018 to 31.08.2019 RM | Audited → 01.09.2017 to 31.08.2018 RM |
|---|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | | |
| Decrease/(increase) in amount owing by an associate | | - | - | - | 151,770 | (147,899) |
| Dividends paid | | (3,330,000) | (2,720,000) | (3,470,000) | - | - |
| Drawdown of term loans | | - | 6,000,000 | 6,000,000 | - | - |
| Decrease/(increase) in amount owing by/(to) related parties | | - | 6,000 | 6,000 | 7,077,777 | (1,251,224) |
| (Decrease)/increase in amount owing by/(to) a Director | | (32,508) | 4,211 | 12,000 | 20,508 | (17,873) |
| Interest paid on lease liabilities | | (41,712) | (46,486) | (79,267) | (4,307) | (67,224) |
| Interest paid on term loans | | (191,617) | (288,612) | (480,670) | (209,530) | (34,242) |
| Interest received on fixed deposits | | 51,600 | 51,000 | 88,016 | 111,426 | 142,477 |
| Proceeds from issuance of shares | | 13 | - | - | 8 | 2 |
| Placement of fixed deposits with licensed bank | | (51,600) | (51,000) | (88,016) | (105,476) | (142,477) |
| Repayment of term loans | | (406,758) | (306,913) | (364,972) | (1,454,427) | (480,964) |
| Repayment of lease liabilities, net | | (269,172) | (254,725) | (404,626) | (22,023) | (1,660,454) |
| **Net cash (used in)/ generated from financing activities** | | (4,271,754) | 2,393,475 | 1,218,465 | 5,565,726 | (3,659,878) |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

| | Note | Audited 01.09.2020 to 31.03.2021 RM | Unaudited 01.09.2019 to 31.03.2020 RM | Audited 01.09.2019 to 31.08.2020 RM | Audited 01.09.2018 to 31.08.2019 RM | Audited 01.09.2017 to 31.08.2018 RM |
|---|---|---|---|---|---|---|
| **Net (decrease)/increase in cash and cash equivalents** | | (2,681,970) | 9,062,370 | 11,427,831 | (5,978,446) | 3,340,455 |
| **Effect of exchange rate fluctuations** | | (49,231) | (14,940) | (42,375) | (52,721) | (24,213) |
| **Cash and cash equivalents at beginning of financial period/year** | | 8,344,115 | (3,041,341) | (3,041,341) | 2,989,826 | (326,416) |
| **Cash and cash equivalents at end of financial period/year** | 33 | 5,612,914 | 6,006,089 | 8,344,115 | (3,041,341) | 2,989,826 |

(a) Purchase of property, plant and equipment

The Group made the following cash payments to purchase property, plant and equipment:

| | Audited 01.09.2020 to 31.03.2021 RM | Unaudited 01.09.2019 to 31.03.2020 RM | Audited 01.09.2019 to 31.08.2020 RM | Audited 01.09.2018 to 31.08.2019 RM | Audited 01.09.2017 to 31.08.2018 RM |
|---|---|---|---|---|---|
| Purchase of property, plant and equipment | 615,050 | 472,161 | 960,656 | 22,549,990 | 2,054,350 |
| Amount acquired as lease liabilities | (169,000) | (311,672) | (311,672) | (40,000) | (80,000) |
| Cash payments | 446,050 | 160,489 | 648,984 | 22,509,990 | 1,974,350 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

(b) Changes in liabilities arising from financing activities:

| | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|
| **Audited** | **At 1 September RM** | **Remeasurement RM** | **Acquisition of new lease RM** | **Finance charges recognised in profit or loss RM** | **Net cash flows RM** | **At 31 March RM** |
| **FPE 2021** | | | | | | |
| Amount owing to a Director | 32,508 | - | - | - | (32,508) | - |
| Lease liabilities | 1,390,211 | 52,247 | 169,000 | 41,712 | (310,884) | 1,342,286 |
| Term loans | 11,956,003 | - | - | 191,617 | (598,375) | 11,549,245 |
| | 13,378,722 | 52,247 | 169,000 | 233,329 | (941,767) | 12,891,531 |

| | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|
| **Unaudited** | **At 1 September RM** | **Effects of adoption of MFRS 16 RM** | **Acquisition of new lease RM** | **Finance charges and rental rebate recognised in profit or loss RM** | **Net cash flows RM** | **At 31 March RM** |
| **FPE 2020** | | | | | | |
| Amount owing to a Director | 20,508 | - | - | - | 4,211 | 24,719 |
| Lease liabilities | 97,662 | 1,417,098 | 311,672 | 46,486 | (301,211) | 1,571,707 |
| Term loans | 6,320,975 | - | - | 288,612 | 5,404,475 | 12,014,062 |
| | 6,439,145 | 1,417,098 | 311,672 | 335,098 | 5,107,475 | 13,610,488 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

(b) Changes in liabilities arising from financing activities: (cont'd)

| | | ← | Non-cash changes | → | | |
|---|---|---|---|---|---|---|
| **Audited** | **At 1 September RM** | **Effects of adoption of MFRS 16 RM** | **Acquisition of new lease RM** | **Finance charges and rental rebate recognised in profit or loss RM** | **Net cash flows RM** | **At 31 August RM** |
| **FYE 2020** | | | | | | |
| Amount owing to a Director | 20,508 | - | - | - | 12,000 | 32,508 |
| Lease liabilities | 97,662 | 1,417,098 | 311,672 | 47,672 | (483,893) | 1,390,211 |
| Term loans | 6,320,975 | - | - | 480,670 | 5,154,358 | 11,956,003 |
| | 6,439,145 | 1,417,098 | 311,672 | 528,342 | 4,682,465 | 13,378,722 |
| **FYE 2019** | | | | | | |
| Amount owing to a Director | - | - | - | - | 20,508 | 20,508 |
| Lease liabilities | 79,685 | - | 40,000 | 4,307 | (26,330) | 97,662 |
| Term loans | 7,775,402 | - | - | 209,530 | (1,663,957) | 6,320,975 |
| | 7,855,087 | - | 40,000 | 213,837 | (1,669,779) | 6,439,145 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

(b) Changes in liabilities arising from financing activities: (cont'd)

| | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|
| | At 1 September RM | Acquisition of subsidiary/ combining entities RM | Acquisition of new lease RM | Finance charges recognised in profit or loss RM | Net cash flow RM | At 31 August RM |
| **FYE 2018** | | | | | | |
| Amount owing to related parties | 24,168 | - | - | - | (24,168) | - |
| Amount owing to a Director | 17,873 | - | - | - | (17,873) | - |
| Lease liabilities | 57,042 | 1,603,097 | 80,000 | 67,224 | (1,727,678) | 79,685 |
| Term loans | 7,977,172 | 279,194 | - | 34,242 | (515,206) | 7,775,402 |
| | 8,076,255 | 1,882,291 | 80,000 | 101,466 | (2,284,925) | 7,855,087 |

The accompanying notes form an integral part of these combined financial statements.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 1. GENERAL INFORMATION

CEKD Berhad (the "Company") was incorporated on 27 June 2018 under the Companies Act 2016 as a public limited liability company. The Company is domiciled in Malaysia.

The registered office of the Company is located at No.7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur. The principal place of business is located at No.10, Jalan 1/137B, Resource Industrial Centre, Batu 5, Jalan Kelang Lama, 58200 Kuala Lumpur.

The principal activity of the Company is investment holding. The Company was incorporated to be the holding company for the restructured group pursuant to the internal restructuring exercise as disclosed in Note 2 to this report.

### 2. RESTRUCTURING EXERCISE

For the purpose of its Proposed Listing on the ACE Market of Bursa Securities ("Proposed Listing"), the Company undertook a restructuring exercise via the acquisition of Sharp DCM Group and Hotstar (collectively known as "Group').

The Company was incorporated as a special purpose investment holding vehicle to hold the combining entities pursuant to an internal restructuring.

On 7 December 2020, CEKD entered into a conditional share sale agreement with CEKD Holding to acquire the entire equity interest in Sharp DCM for a total purchase consideration of RM28,634,400 to be satisfied by issuance of 120,312,605 new ordinary shares in CEKD at an issue price of RM0.238 per share ("Acquisition of Sharp DCM").

On 7 December 2020, CEKD entered into a conditional share sale agreement with CEKD Holding to acquire the entire equity interest in Hotstar for a total purchase consideration of RM5,633,500 to be satisfied by issuance of 23,670,168 new ordinary shares in CEKD at an issue price of RM0.238 per share ("Acquisition of Hotstar").

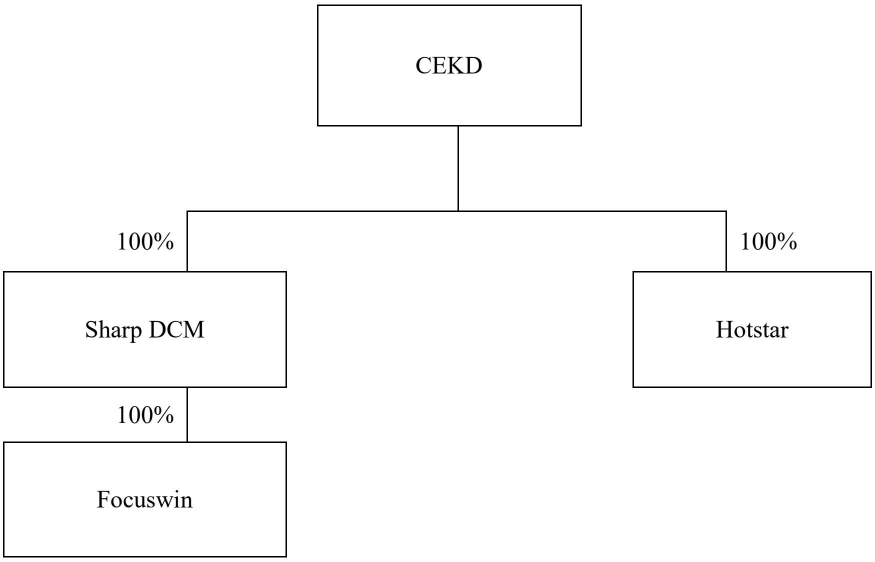
On 21 June 2021, pursuant to the share sale agreement, the Company issued and allotted 143,982,773 new ordinary shares of RM0.238 each to CEKD Holding to acquire the entire equity interest in Sharp DCM and Hotstar. The new Shares issued under the Acquisition of Sharp DCM and Acquisition of Hotstar rank equally in all respects with existing CEKD Shares. Thereafter, Sharp DCM and Hotstar become wholly-owned subsidiaries of the Company.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 2. RESTRUCTURING EXERCISE (CONT'D)

The corporate structure following completion of the Acquisitions is as follows:




CEKD and its combining entities are collectively known as "Group" in the combined financial statements contained in this Accountants' Report.

### 3. AUDITED COMBINED FINANCIAL STATEMENTS

This Report comprises solely the audited combined financial statements of the combining entities for the FPE 31 March 2021, 31 March 2020 and FYE 31 August 2020, 31 August 2019 and 31 August 2018.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 4. RELEVANT FINANCIAL PERIODS/YEARS

The relevant financial periods/years of the audited financial statements presented for the purpose of this report ("Relevant Financial Periods/Years") and the statutory auditors of the respective companies within the Group are as follows:

| Company | Relevant Financial Periods/Years | Auditor |
|---|---|---|
| CEKD | Financial period from 27 June 2018 (date of incorporation) to 31 August 2018 | Ecovis Malaysia PLT |
| | FYE 2019 | Ecovis Malaysia PLT |
| | FYE 2020 | Ecovis Malaysia PLT |
| | FPE 2021 | Ecovis Malaysia PLT |
| Sharp DCM | FYE 2018 | Ecovis Malaysia PLT |
| | FYE 2019 | Ecovis Malaysia PLT |
| | FYE 2020 | Ecovis Malaysia PLT |
| | FPE 2021 | Ecovis Malaysia PLT |
| Hotstar | FYE 2018 | Ecovis Malaysia PLT |
| | FYE 2019 | Ecovis Malaysia PLT |
| | FYE 2020 | Ecovis Malaysia PLT |
| | FPE 2021 | Ecovis Malaysia PLT |
| Focuswin | FYE 2018 | Ecovis Malaysia PLT |
| | FYE 2019 | Ecovis Malaysia PLT |
| | FYE 2020 | Ecovis Malaysia PLT |
| | FPE 2021 | Ecovis Malaysia PLT |

The audited financial statements of combining entities within the Group for the Relevant Financial Periods/Years reported above were not subject to any qualification or modification. The combined financial statements for FPE 2020 is unaudited and included for comparison purpose only.

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the financial statements from the day that control commences until the date that control ceases.

The combined financial statements of the Group for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period from the days the control commences, if later. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant periods/years.

The combined financial statements consist of the financial statements of the Group as disclosed in page 8 to 107 of this report, which were under common control throughout the reporting periods by virtue of common controlling shareholder, which is CEKD Holding.

CEKD Holding controlled Sharp DCM since FYE 2015. During FYE 2018, Focuswin becomes a wholly-owned subsidiary of Sharp DCM. In the same FYE, CEKD Holding completed the acquisition of Hotstar.

The audited combined financial statements of the Group have been prepared as if the Group has operated as a single economic entity throughout financial period ended 31 March 2021 and financial year ended 31 August 2020, 31 August 2019 and 31 August 2018 and have been prepared from the books and records maintained by each entity. The combined financial statements of the Group have been audited by Ecovis Malaysia PLT.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of CEKD Holding, as the combined financial statements reflect business combinations under common control for the purpose of the Proposed Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting periods.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies set out in Note 5.3 of this report have been applied in preparing the combined financial statements for the financial period ended 31 March 2021 and financial year ended 31 August 2020, 31 August 2019 and 31 August 2018.

The combined financial statements are presented in RM, which is also the functional currency of the Group.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.1 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group has adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for FYE 2020 and FPE 2021:

- MFRS 16, 'Leases'
- Amendments to MFRS 3, 'Business Combinations' and MFRS 11, 'Joint Arrangements' – Previously Held Interest in a Joint Operation
- Amendments to MFRS 9, 'Financial Instruments' – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, 'Joint Arrangements' – Previously Held Interest in a Joint Operation
- Amendments to MFRS 112, 'Income Taxes' – Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- Amendments to MFRS 119, 'Employee Benefits' – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, 'Borrowing Costs' – Borrowing Costs Eligible for Capitalisation
- Amendments to MFRS 128, 'Investments in Associates and Joint Ventures' – Long Term Interests in Associates and Joint Ventures
- IC Interpretation 23, 'Uncertainty over Income Tax Treatments'
- Amendments to MFRS 3, 'Business Combinations' – Definition of a Business
- Amendments to MFRS 9, 'Financial Instruments', MFRS 139 'Financial Instruments: Recognition and Measurement' and MFRS 7, 'Financial Instruments: Disclosures' – Interest Rate Benchmark Reform
- Amendments to MFRS 101, 'Presentation of Financial Statements' and MFRS 108, 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 4, 'Insurance Contracts' – Extension of the Temporary Exemption from Applying MFRS 9

The Group has early adopted the Amendments to MFRS 16: COVID-19 – Related Rent Concessions, which is effective for annual periods beginning on or after 1 June 2020.

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the combined financial statements of the Group and did not result in significant changes to the Group's existing accounting policies, except for those as discussed below:

**(i) MFRS 16, 'Leases'**

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. MFRS 16 eliminates the distinction between the finance and operating leases for lessees. All leases will be brought onto the statement of financial position except for short-term and low-value asset leases. Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group adopted MFRS 16 retrospectively from 1 September 2019 using the modified retrospective approach and has not restated the comparative information as permitted under the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance of combined statements of financial position as at 1 September 2019.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.1 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)**

**(i) MFRS 16, 'Leases' (cont'd)**

The following is a reconciliation of total operating lease commitments as at 31 August 2019 to the lease liabilities recognised at 1 September 2019:

| | RM |
|---|---|
| Operating lease commitment as at 31 August 2019 | 605,000 |
| Recognition exemption for short-term leases | (4,200) |
| Extension options reasonably certain to be exercised | 989,400 |
| | 1,590,200 |
| Incremental borrowing rates | 5.1% - 5.5% |
| Discounted using the incremental borrowing rate as at date of initial application | 1,417,098 |
| Finance lease liabilities recognised in the previous year | 97,662 |
| Total lease liabilities recognised under MFRS 16 as at 1 September 2019 | 1,514,760 |

The incremental borrowing rate and interest rate implicit in lease applied by the Group to loans and borrowings as at 1 September 2019 ranges from 5.1% to 5.5% and 2.46% to 2.99%.

The following table presents the impact of changes to the combined statements of financial position of the Group resulting from the adoption of MFRS 16 as at 1 September 2019:

| | As at 31 August 2019 RM | Effects of adoption of MFRS 16 RM | As at 1 September 2019 RM |
|---|---|---|---|
| **Group** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 27,123,241 | 1,367,669 | 28,490,910 |
| **Equity** | | | |
| Retained earnings | 32,636,887 | (49,429) | 32,587,458 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 6,053,449 | 1,050,603 | 7,104,052 |
| **Current liabilities** | | | |
| Loans and borrowings | 6,415,464 | 366,495 | 6,781,959 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.1 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

### (i) MFRS 16, 'Leases' (cont'd)

(a) Right-of-use assets comprise leased buildings and motor vehicles under finance lease agreement. Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.
(b) Motor vehicles under finance lease which were previously classified as plant and equipment are now recognised as part of right-of-use assets.
(c) Lease liabilities are recognised and measured applying interest rate implicit in the lease. Subsequent to the initial recognition, the Group measures lease liabilities by increasing the carrying amounts to reflect interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amounts to reflect any reassessment or lease modification.

Other than the above, the lease payment for plant and equipment expiring within 12 months from date of transition and those of low value underlying assets are recognised as an expense on a straight line basis over the remaining lease term during the current financial period.

On the adoption of the Amendments to MFRS 16, the Group applies the practical expedients not to treat a COVID-19 related rent concession from a lessor as a lease modification if all of the following conditions are met:

(i) The change in lease payments results in revised consideration for the lease that is substantially the same as or less than the consideration for the lease immediately preceding the change;
(ii) The reduction in lease payments affects only payments due on or before 30 June 2021; and
(iii) There is no substantive change to other terms and conditions of the lease.

The Group accounts for such COVID-19 related rent concession as a variable lease payment in the year in which the event or condition that triggers the reduced payment occurs and accordingly recognised in profit or loss.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.2 New MFRS, amendments/improvements to MFRSs and new IC Interpretations that have been issued, but not yet adopted**

The following are new MFRSs, amendments, improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group. The Group intend to adopt these standards, amendments to published standards and IC Int, if applicable, when they become effective for the following financial period:

**(i) Effective for annual periods beginning on or after 1 January 2021**

- Amendments to MFRS 9, 'Financial Instruments', MFRS 139 'Financial Instruments: Recognition and Measurement', MFRS 7, 'Financial Instruments, MFRS 4, 'Insurance Contracts' and MFRS 16, 'Leases' – Interest Rate Benchmark Reform (Phase 2)

**(ii) Effective for annual periods beginning on or after 1 April 2021**

- Amendments to MFRS 16, 'Leases', – Covid-19-Related Rent Concessions beyond 30 June 2021

**(iii) Effective for annual periods beginning on or after 1 January 2022**

- Amendments to MFRS 1, 'First-time Adoption of Malaysian Financial Reporting Standards' – Subsidiary as a First-time Adopter
- Amendments to MFRS 3, 'Business Combinations' – Reference to the Conceptual Framework
- Amendments to MFRS 9, 'Financial Instruments' – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendments to MFRS 116, 'Property, Plant and Equipment' – Proceeds before Intended Use
- Amendments to MFRS 137, 'Provisions, Contingent Liabilities and Contingent Assets' – Onerous Contracts - Cost of Fulfilling a Contract
- Amendments to MFRS 141, 'Agriculture' – Taxation in Fair Value Measurements

**(iv) Effective for annual periods beginning on or after 1 January 2023**

- MFRS 17, 'Insurance Contracts' and Amendments to MFRS 17, 'Insurance Contracts'
- Amendments to MFRS 101, 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101, 'Presentation of Financial Statements' – Disclosure of Accounting Policies
- Amendments to MFRS 108, 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates

**(v) Deferred to a date to be determined by the MASB**

- Amendments to MFRS 10, 'Consolidated Financial Statements' and MFRS 128, 'Investments in Associates and Joint Ventures' – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the abovementioned new MFRS, amendments/improvements to MFRSs and new IC Int, where applicable, are not expected to have any material financial impact to the financial statements of the Group.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.3 Significant accounting policies

#### (a) Basis of combination

Common control business combination outside the scope of MFRS 3, 'Business Combinations' ("MFRS 3")

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, are outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

The Group is regarded as a continuing entity as mentioned in Note 36 of this report since the management of all the combining entities which took part were managed by the common shareholders before and immediately after the restructuring exercise in Note 2. Accordingly, the financial information have been prepared on the basis of merger accounting.

In applying merger accounting, financial statement line items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combining entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combining entities. Therefore, the assets, liabilities and equity of the combining entities or businesses are recognised at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined financial statements had been prepared by the controlling party, including adjustments required for conforming to the Company's accounting policies and applying those policies to all periods/years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combining entity.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the combining entity are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.3 Significant accounting policies (cont'd)

**(a) Basis of combination (cont'd)**

Common control business combination outside the scope of MFRS 3, 'Business Combinations' ("MFRS 3") (cont'd)

The combined financial statements were prepared based on the audited financial statements of combining entities which were prepared in accordance with MFRS and IFRS for the purpose of combination. The combining entities maintain their accounting records and prepare the relevant statutory financial statements in accordance with MFRS, IFRS and the requirements of the Act in Malaysia.

The Group resulting from the restructuring exercise as disclosed in Note 2, is made up by two entities under common control. Accordingly, the combined financial statements have been accounted for using the principles of merger accounting where financial statements line items of the merged entities for the reporting periods in which the common control combination occur are included in the combined financial statements of the Group as if the combination had occurred from the date when the merged entities first came under the control of the same shareholders.

**(b) Basis of consolidation**

**(i) Investment in subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affects the investee's return. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(b) Basis of consolidation (cont'd)**

**(i) Investment in subsidiaries (cont'd)**

Investments in subsidiaries are measured in the Company's separate financial statements at cost less any impairment losses, unless the investment is held for sale (accounted for in accordance with MFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations') or distribution. The cost of investment includes transaction costs.

The policy for the recognition and measurement of impairment losses is in accordance with Note 5.3(h) to this report. On disposal, the difference between the net disposal proceeds and its carrying amount is recognised as gain or loss on disposal in profit or loss.

**(ii) Business combinations**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, 'Financial Instruments' ("MFRS 9") is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

**(iii) Acquisitions of non-controlling interests**

Changes in the Company's ownership interest in a combining entity that do not result in a loss of control are accounted for as equity transactions between the Group and its non-controlling interest holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributable to the equity holders of the Company.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**5.3 Significant accounting policies (cont'd)**

**(b) Basis of consolidation (cont'd)**

**(iv) Loss of control**

Upon the loss of control of a combining entity, the Group derecognises the assets and liabilities of the former combining entity, any non-controlling interests and the other components of equity related to the former combining entity from the consolidated statements of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former combining entity, then such interest is measured at fair value at the date the control ceases. Subsequently it is accounted for as an equity-accounted investee or as an equity instrument at fair value through other comprehensive income ("FVTOCI") depending on the level of influence retained.

**(v) Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a combining entity not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statements of changes in equity, separately from equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statements of comprehensive income as an allocation of the profit or loss and the comprehensive income for the period/year between non-controlling interests and the equity holders of the Company.

Losses applicable to non-controlling interests in a combining entity are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and carrying amount of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

**(vi) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements.

**(c) Goodwill**

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period. The policy for the recognition and measurement of impairment losses is in accordance with Note 5.3(h) to this report.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**5.3 Significant accounting policies (cont'd)**

**(c) Goodwill (cont'd)**

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

Goodwill acquired in a business combination is from the acquisition date, allocated to each of the cash-generating units ("CGU") or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

**(d) Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land is not depreciated as it has indefinite useful life. All property, plant and equipment is computed on the straight-line basis over the estimated useful lives of the assets, at the following annual rates:

| | |
|---|---|
| Freehold building | 5% |
| Leasehold land | 46 years |
| Leasehold building | 2% |
| Furniture and fittings, office equipment and signboard | 10% - 25% |
| Electrical installation and renovation | 10% - 33.33% |
| Plant and machinery, workshop equipment, tools and utensils | 10% - 20% |
| Motor vehicles | 20% |

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The policy for the recognition and measurement of impairment losses is in accordance with Note 5.3(h) to this report.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**5.3 Significant accounting policies (cont'd)**

**(d) Property, plant and equipment (cont'd)**

The residual values, useful lives and depreciation method are reviewed at each financial period/year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

**(e) Investment properties**

Investment properties are freehold and leasehold land and building which are held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the productivity or supply of goods or services or for administrative purposes. Such properties are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Subsequent to the initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 5.3(h) to this report.

No depreciation is provided on the freehold land as it has indefinite useful life. Depreciation of freehold and leasehold investment properties are provided on the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties.

The annual rate used to depreciate the freehold factory is 5%.

Leasehold flat and factory are depreciated evenly over their remaining lease periods of Nil (31.08.2020: Nil, 31.08.2019: 43; 31.08.2018: 44) years.

Investment properties are derecognised when they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. The gain or loss arising from the retirement or disposal of an investment properties are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.3 Significant accounting policies (cont'd)

#### (f) Investment in associates

Associates are entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in associates is accounted for using the equity method. The associates are equity accounted for from the date the Group gains significant influence or joint control until the date the Group ceases to have significant influence over the associates.

Under the equity method, the investment in associates is initially recognised at cost. The carrying amount of the investment is adjusted for changes in the Group's share of net assets of the associates since the acquisition date.

The combined statement of profit or loss and other comprehensive income reflects the Group's share of the results of operation of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's combined statement of profit or loss and other comprehensive income. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes and discloses this, when applicable, in the statement on changes in equity. Unrealised gains and losses resulting from the transactions between Group and the associates are eliminated to the extent of the investment in associates. The aggregate of the Group's share of profit or loss in associates is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit. The Group's share of profit or loss in associates represents profit or loss after tax and non-controlling interest in the associates.

When the Group's share of losses in associates equals or exceeds its investment in associates, including any long term interests that, in substance, form part of the Group's net investment in associate, the Group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associates.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between recoverable amount of the associates and its carrying amount, then recognises the amount in the 'share of result of associates' on the face of the combined statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associates, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposals is recognised in the statement of profit or loss and other comprehensive income.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(g) Foreign currency transactions and balances**

Transactions in foreign currencies are measured in the functional currency of the Group and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit or loss for the financial period/year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity.

**(h) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset (except for inventories and tax recoverable) may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful lives or that are not available for use, the recoverable amount is estimated each period at the same time.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from continuing use CGU. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. Where the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount, the asset is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.3 Significant accounting policies (cont'd)

**(h) Impairment of non-financial assets (cont'd)**

Impairment losses are recognised in profit or loss except for assets that have been previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rated basis.

An impairment loss in respect of goodwill is not reversed. In respect of assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is credited to profit or loss in the financial period/year in which the reversal is recognised.

**(i) Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average cost formula. The cost includes cost of purchase and other incidental expenses in binging the items into its present location and condition, if any.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

**(j) Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the combining entities become a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets under MFRS 9 are as below:

**(i) Financial assets measured at amortised cost**

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objectives are to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.3 Significant accounting policies (cont'd)

**(j) Financial assets (cont'd)**

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets under MFRS 9 are as below: (cont'd)

**(i) Financial assets measured at amortised cost (cont'd)**

Subsequent to initial recognition, financial assets measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

**(ii) Financial assets measured at fair value**

**a. At FVTOCI**

Financial assets that are debt instruments are measured at FVTOCI if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

**b. At FVTPL**

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group does not have any financial assets measured at FVTOCI or FVTPL, except as disclosed in Note 39(i)(b) to this report.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group does not have any financial assets that are equity instruments.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group' right to receive payment is established.

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(j) Financial assets (cont'd)**

**(iii) Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group.

**(iv) Impairment of financial assets**

The Group assesses at each financial period/year whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses historical experience and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group measures the impairment loss on financial assets other than trade receivables based on the two-step approach. If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime ECL to 12-months ECL.

For trade receivables, the Group measures impairment loss based on lifetime ECL at each reporting date until the financial assets are derecognised.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(k) Financial liabilities**

**(i) Initial recognition and subsequent measurement**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

**a. Financial liabilities at FVTPL**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group does not have any financial liabilities at FVTPL in the current financial period/year and previous financial periods/years.

**b. Other financial liabilities**

The Group's other financial liabilities consist of payables and borrowings.

Payables and borrowings are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

**(ii) Derecognition**

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.3 Significant accounting policies (cont'd)

**(l) Provisions for liabilities**

Provisions for liabilities are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(m) Cash and cash equivalents**

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

**(n) Non-current assets (or disposal groups) held for sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investments properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with MFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

**(o) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the report are authorised for issue, is not recognised as liability at the reporting date.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(p) Leases**

The Group has recognised and measured its leases in accordance MFRS 16 effective from 1 September 2019. The financial impact to the combined financial statements on initial application of this Standard is disclosed in Note 5.1(i) in this report

***Recognition and measurement in financial year ended 31 August 2020***

- **As lessee**

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets or lease term whichever is earlier. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The policy for the recognition and measurement of impairment losses is in accordance with Note 5.3(h) to this report.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If rate cannot be readily determined, the Group's incremental borrowing rate is used. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(p) Leases (cont'd)**

***Recognition and measurement in financial year ended 31 August 2020 (cont'd)***

- **As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

***Recognition and measurement in financial year ended 31 August 2019***

- **As lessee in finance and operating lease**

**(i) Finance lease**

Finance leases are leases which transfer to the Group substantially all the risk and rewards incidental to ownership of the leased item. Upon initial recognition, lease assets are capitalised at the inception of the lease at their fair value or, if lower, the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. The liability is included in the statements of financial position as finance lease liabilities.

Minimum lease payments made are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

**(ii) Operating lease**

Operating leases are leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Operating lease payments are recognised as an expense in profit or loss on the straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(p) Leases (cont'd)**

***Recognition and measurement in financial year ended 31 August 2019 (cont'd)***

- **As lessor in operating lease**

  Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 5.3(r) to the report.

**(q) Revenue recognition**

The Group recognises revenue from contracts with customers based on the five-step model as set out in MFRS 15:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the combining entities expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

(i) Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; or

(ii) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.3 Significant accounting policies (cont'd)

**(q) Revenue recognition (cont'd)**

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligation in contracts with customers:

**Sales of die cutting mould and related products**

The Group manufactures die cutting mould based on the specification and customisation from customers. Revenue arising from sales of die cutting mould and related products is recognised when control of die cutting mould and related products have been transferred, being when the die cutting mould has been delivered to customer and there is no unfulfilled obligation that could affect the customers' acceptance of the die cutting mould. Delivery occurs when the die cutting mould has been delivered to customers' specific location.

**(r) Other income**

- Interest income is recognised on an accrual basis that reflects the effective yield of the asset.
- Rental income generated from investment properties is recognised on a straight-line basis over the term of the rental agreement.

**(s) Borrowing costs**

All borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

**(t) Employee benefits**

**(i) Short-term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued for in the period in which the associated services are rendered by employees of the Group.

**(ii) Post-employment benefits**

The Group makes statutory contributions to an approved provident fund and such contributions are charged to profit or loss in the period to which the said contributions relate. Once the contributions have been paid, the Group has no further payment obligations. The post-employment benefit scheme is in accordance with the local conditions and practices in which it operates and is a defined contribution retirement plan.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(u) Taxes**

**(i) Current tax**

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date, and adjustment of tax payable in respect of the previous financial period/year.

**(ii) Deferred tax**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is charged or credited in other comprehensive income or directly in equity.

**(iii) Goods and service tax ("GST") and Sales and Service Tax ("SST")**

Revenue, expenses and assets are recognised net of GST or SST except:

- where the GST or SST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST or SST is recognised as part of cost of acquisition of asset or as part of the expense item as applicable; and

- receivables and payables that stated with GST or SST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(u) Taxes (cont'd)**

**(iii) Goods and service tax ("GST") and Sales and Service Tax ("SST") (cont'd)**

The Malaysian Government has zero rated the GST effective from 1 June 2018. The GST has been replaced with SST which came into effect on 1 September 2018. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

**(v) Fair value measurement**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within 1 level that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

**(w) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**5.3 Significant accounting policies (cont'd)**

**(w) Contingent liabilities and contingent assets (cont'd)**

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations not under common control, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

**(x) Related parties**

A related party is a person or an entity that is related to the Group under the following conditions:

(i) A person or a close member of that person's family:

(a) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
(b) has control or joint control over the reporting entity; or
(c) has significant influence over the reporting entity.

(ii) Any one of the following condition applies:

(a) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(b) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
(c) both entities are joint ventures of a third entity.
(d) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(e) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(f) the entity is controlled or jointly controlled by a person identified in (i).
(g) a person identified in (i)(b) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.
(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(iii) Directly, or indirectly through one or more intermediaries, the party:

(a) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries, fellow subsidiaries and fellow associates and joint ventures);
(b) has an interest in the entity that gives it significant influence over the entity; or
(c) has joint control over the entity.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.3 Significant accounting policies (cont'd)

**(x) Related parties (cont'd)**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependants of that person or that person's spouse or domestic partner.

**(y) Earnings per share**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the periods, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

**(z) Operating segment**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decision about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with MFRS requires management to exercise their judgement in the process of applying the Group's accounting policies and the use of accounting estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date and which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below:

### (a) Areas with most significant uses of judgement and estimates

#### (i) Measurement of right-of-use assets and lease liabilities

The right-of-use assets are depreciated on the straight-line basis over the assets' useful lives or lease term, whichever is earlier. Management estimates the useful lives of these assets based on expected usage level and current conditions of the assets with proper maintenance schedule, therefore future depreciation charges could be revised.

The lease term has been determined based on the non-cancellable period of lease in term and conditions of the arrangements together with both:

i. periods covered by an option to extend the leases; and
ii. periods covered by an option to terminate the lease.

In determining whether it is reasonably certain that an option to extend the lease or not to exercise an option to terminate the lease will be exercised, management has considered all relevant factors and circumstances that have created the economic incentives to exercise such option when exercising its judgement in the assessment.

The lease terms and incremental borrowing rates have been determined using appropriate assumptions as necessary including management's estimation of the application internal costs.

#### (ii) Measurement of revenue from sales of die cutting mould and related products

Revenue arising from sales of goods is recognised when control of goods has transferred, being when the goods was delivered to customer and there is no unfulfilled obligation that could affect the customers' acceptance of the goods.

**6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (CONT'D)**

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below: (cont'd)

**(a) Areas with most significant uses of judgement and estimates (cont'd)**

**(iii) Impairment of goodwill on consolidation**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill is allocated. Estimating value-in-use amount requires management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

**(iv) Measurement of income taxes**

Liability for taxation is recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice of whether additional taxes will be payable. When the final outcome of the tax payable is determined with the tax authority, the amount might be different from the initial estimate of the tax payable. Such difference may impact the income tax in the period when such determination is made. The Group will adjust for the differences as over- or under- provision of income tax in the period in which those differences arise.

**(v) Expected credit losses of receivables**

The Group assesses the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risks, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors.

Where there is a significant increase in credit risk, the Group determines the lifetime expected credit losses by considering the loss given default and the probability of default assigned to each customer. The financial assets are written off either partially or in full when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

**6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (CONT'D)**

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below: (cont'd)

**(a) Areas with most significant uses of judgement and estimates (cont'd)**

**(vi) Useful lives of property, plant and equipment**

MFRS 116, 'Property, Plant and Equipment' requires the review of the residual value and remaining useful life of an item of property, plant and equipment at each financial period/year. The Group reviewed the residual values and remaining useful lives of its property, plant and equipment and found that no revisions to the residual values and remaining useful lives of these assets were necessary.

**(vii) Classification of non-current bank borrowings**

Bank facilities agreements entered into by the Group include clauses for repayment on demand at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of loans at reporting date have been classified between current and non-current liabilities based on their repayment period.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 7. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM | Freehold building RM | Leasehold land RM | Leasehold building RM | Right-of-use assets RM |
|---|---|---|---|---|---|
| **Audited** | | | | | |
| **At Cost** | | | | | |
| At 1 September 2017 | 160,000 | 429,384 | - | - | - |
| Acquisition of a combining entity | - | - | - | - | - |
| Acquisition of a subsidiary | 313,809 | 431,549 | - | - | - |
| Additions | - | - | - | - | - |
| Transferred to investment properties | (160,000) | (252,210) | - | - | - |
| Disposals | - | (177,174) | - | - | - |
| Written-off | - | - | - | - | - |
| At 31 August 2018/1 September 2018 | 313,809 | 431,549 | - | - | - |
| Additions | - | - | 10,400,000 | 9,600,000 | - |
| Disposals | - | - | - | - | - |
| Written-off | - | - | - | - | - |
| At 31 August 2019/1 September 2019 | 313,809 | 431,549 | 10,400,000 | 9,600,000 | - |
| Effects of adoption of MFRS 16 | - | - | - | - | 2,052,733 |
| Additions | - | - | - | - | 311,672 |
| Disposals | - | - | - | - | - |
| Written-off | - | - | - | - | - |
| At 31 August 2020/1 September 2020 | 313,809 | 431,549 | 10,400,000 | 9,600,000 | 2,364,405 |
| Additions | - | - | - | - | 206,062 |
| Disposals | - | - | - | - | - |
| Remeasurement | - | - | - | - | (42,615) |
| Reversal | - | - | - | - | (113,913) |
| At 31 March 2021 | 313,809 | 431,549 | 10,400,000 | 9,600,000 | 2,413,939 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| | Furniture and fittings, office equipment and signboard RM | Electrical installation and renovation RM | Plant and machinery, workshop equipment, tools and utensils RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|
| **Audited** | | | | | |
| **At Cost (Cont'd)** | | | | | |
| At 1 September 2017 | 1,780,436 | 450,104 | 12,900,872 | 1,104,325 | 16,825,121 |
| Acquisition of a combining entity | 454,494 | 288,238 | 7,995,006 | 471,427 | 9,209,165 |
| Acquisition of a subsidiary | 160,762 | 84,726 | 1,718,875 | 379,190 | 3,088,911 |
| Additions | 292,210 | 167,807 | 966,304 | 628,029 | 2,054,350 |
| Transferred to investment properties | - | - | - | - | (412,210) |
| Disposals | - | - | (1,018,781) | (1,017,240) | (2,213,195) |
| Written-off | - | - | - | (35,000) | (35,000) |
| At 31 August 2018/1 September 2018 | 2,687,902 | 990,875 | 22,562,276 | 1,530,731 | 28,517,142 |
| Additions | 86,320 | 62,020 | 2,351,100 | 50,550 | 22,549,990 |
| Disposals | - | - | (301,311) | (81,883) | (383,194) |
| Written-off | (27,940) | (144,883) | - | - | (172,823) |
| At 31 August 2019/1 September 2019 | 2,746,282 | 908,012 | 24,612,065 | 1,499,398 | 50,511,115 |
| Effects of adoption of MFRS 16 | - | - | - | (146,835) | 1,905,898 |
| Additions | 605,337 | - | 43,647 | - | 960,656 |
| Disposals | - | - | - | - | - |
| Written-off | (1,301) | - | (22,964) | - | (24,265) |
| At 31 August 2020/1 September 2020 | 3,350,318 | 908,012 | 24,632,748 | 1,352,563 | 53,353,404 |
| Additions | 53,058 | - | 355,930 | - | 615,050 |
| Disposals | - | - | (45,001) | (133,511) | (178,512) |
| Remeasurement | - | - | - | - | (42,615) |
| Reversal | - | - | - | - | (113,913) |
| At 31 March 2021 | 3,403,376 | 908,012 | 24,943,677 | 1,219,052 | 53,633,414 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| | Freehold land RM | Freehold building RM | Leasehold land RM | Leasehold building RM | Right-of-use assets RM |
|---|---|---|---|---|---|
| **Audited** | | | | | |
| **Accumulated Depreciation** | | | | | |
| At 1 September 2017 | - | 134,589 | - | - | - |
| Acquisition of a combining entity | - | - | - | - | - |
| Acquisition of a subsidiary | - | 102,146 | - | - | - |
| Depreciation charge for the year | - | 18,766 | - | - | - |
| Transferred to investment properties | - | (72,510) | - | - | - |
| Disposals | - | (70,199) | - | - | - |
| Written-off | - | - | - | - | - |
| At 31 August 2018/1 September 2018 | - | 112,792 | - | - | - |
| Depreciation charge for the year | - | 26,445 | 142,947 | 131,951 | - |
| Disposals | - | - | - | - | - |
| Written-off | - | - | - | - | - |
| At 31 August 2019/1 September 2019 | - | 139,237 | 142,947 | 131,951 | - |
| Effects of adoption of MFRS 16 | - | - | - | - | 570,563 |
| Depreciation charge for the year | - | 21,577 | 224,959 | 192,000 | 486,332 |
| Written-off | - | - | - | - | - |
| At 31 August 2020/1 September 2020 | - | 160,814 | 367,906 | 323,951 | 1,056,895 |
| Depreciation charge for the period | - | 12,587 | 131,192 | 112,000 | 302,230 |
| Disposals | - | - | - | - | - |
| Remeasurement | - | - | - | - | (96,947) |
| Reversal | - | - | - | - | (113,913) |
| At 31 March 2021 | - | 173,401 | 499,098 | 435,951 | 1,148,265 |
| **Net Carrying Amount** | | | | | |
| At 31 March 2021 | 313,809 | 258,148 | 9,900,902 | 9,164,049 | 1,265,674 |
| At 31 August 2020 | 313,809 | 270,735 | 10,032,094 | 9,276,049 | 1,307,510 |
| At 31 August 2019 | 313,809 | 292,312 | 10,257,053 | 9,468,049 | - |
| At 31 August 2018 | 313,809 | 318,757 | - | - | - |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| | Furniture and fittings, office equipment and signboard RM | Electrical installation and renovation RM | Plant and machinery, workshop equipment, tools and utensils RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|
| **Audited** | | | | | |
| **Accumulated Depreciation (Cont'd)** | | | | | |
| At 1 September 2017 | 1,180,485 | 278,419 | 11,712,783 | 957,950 | 14,264,226 |
| Acquisition of a combining entity | 313,394 | 279,771 | 5,129,147 | 282,844 | 6,005,156 |
| Acquisition of a subsidiary | 142,471 | 56,296 | 1,711,747 | 319,524 | 2,332,184 |
| Depreciation charge for the year | 261,431 | 85,109 | 1,043,406 | 127,661 | 1,536,373 |
| Transferred to investment properties | - | - | - | - | (72,510) |
| Disposals | - | - | (967,627) | (844,527) | (1,882,353) |
| Written-off | - | - | - | (2,917) | (2,917) |
| At 31 August 2018/1 September 2018 | 1,897,781 | 699,595 | 18,629,456 | 840,535 | 22,180,159 |
| Depreciation charge for the year | 260,468 | 60,807 | 886,018 | 178,917 | 1,687,553 |
| Disposals | - | - | (284,581) | (81,881) | (366,462) |
| Written-off | (27,518) | (85,858) | - | - | (113,376) |
| At 31 August 2019/1 September 2019 | 2,130,731 | 674,544 | 19,230,893 | 937,571 | 23,387,874 |
| Effects of adoption of MFRS 16 | - | - | - | (32,334) | 538,229 |
| Depreciation charge for the year | 227,894 | 59,775 | 877,240 | 136,583 | 2,226,360 |
| Written-off | (673) | - | (22,217) | - | (22,890) |
| At 31 August 2020/1 September 2020 | 2,357,952 | 734,319 | 20,085,916 | 1,041,820 | 26,129,573 |
| Depreciation charge for the period | 184,074 | 17,713 | 485,416 | 76,690 | 1,321,902 |
| Disposals | - | - | (45,000) | (133,509) | (178,509) |
| Remeasurement | - | - | - | - | (96,947) |
| Reversal | - | - | - | - | (113,913) |
| At 31 March 2021 | 2,542,026 | 752,032 | 20,526,332 | 985,001 | 27,062,106 |
| **Net Carrying Amount (Cont'd)** | | | | | |
| At 31 March 2021 | 861,350 | 155,980 | 4,417,345 | 234,051 | 26,571,308 |
| At 31 August 2020 | 992,366 | 173,693 | 4,546,832 | 310,743 | 27,223,831 |
| At 31 August 2019 | 615,551 | 233,468 | 5,381,172 | 561,827 | 27,123,241 |
| At 31 August 2018 | 790,121 | 291,280 | 3,932,820 | 690,196 | 6,336,983 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

**(a) Right-of-use assets**

The right-of-use assets represent operating lease agreements entered into by the Group for the use of factory, warehouse and staff hostel. The leases are mainly for an initial lease of one (1) to five (5) years with option to renew for another one (1) to three (3) years.

The Group also has leased motor vehicles with lease term of five (5) years.

Additional information on the right-of-use assets is as follow: -

| | Leased Buildings RM | Motor vehicles RM | Total RM |
|---|---|---|---|
| **Audited** | | | |
| **At Cost** | | | |
| At 1 September 2019 | - | - | - |
| Effects of adoption of MFRS 16 | 1,905,898 | 146,835 | 2,052,733 |
| Additions | 311,672 | - | 311,672 |
| At 31 August 2020/1 September 2020 | 2,217,570 | 146,835 | 2,364,405 |
| Additions | - | 206,062 | 206,062 |
| Remeasurement | (42,615) | - | (42,615) |
| Reversal | (113,913) | - | (113,913) |
| At 31 March 2021 | 2,061,042 | 352,897 | 2,413,939 |
| **Accumulated Depreciation** | | | |
| At 1 September 2019 | - | - | - |
| Effects of adoption of MFRS 16 | 538,229 | 32,334 | 570,563 |
| Depreciation charge for the year | 456,965 | 29,367 | 486,332 |
| At 31 August 2020/1 September 2020 | 995,194 | 61,701 | 1,056,895 |
| Depreciation charge for the period | 266,520 | 35,710 | 302,230 |
| Remeasurement | (96,947) | - | (96,947) |
| Reversal | (113,913) | - | (113,913) |
| At 31 March 2021 | 1,050,854 | 97,411 | 1,148,265 |
| **Net Carrying Amount** | | | |
| At 31 March 2021 | 1,010,188 | 255,486 | 1,265,674 |
| At 31 August 2020 | 1,222,376 | 85,134 | 1,307,510 |

* The above right-of-use assets have been included in property, plant and equipment.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(b) Net carrying amount for properties of the Group that have been pledged to licensed banks to secure the bank borrowings granted to the Group as disclosed in Note 21.2 to this report are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **31.03.2021 RM** | **31.08.2020 RM** | **31.08.2019 RM** | **31.08.2018 RM** |
| Leasehold land | 9,900,902 | 10,032,094 | 10,257,053 | - |
| Leasehold building | 9,164,049 | 9,276,049 | 9,468,049 | - |
| | 19,064,951 | 19,308,143 | 19,725,102 | - |

(c) The net carrying amount of the property, plant and equipment under finance lease are motor vehicles amounting to RM255,486 (31.08.2020: RM85,134, 31.08.2019: RM114,501; 31.08.2018: RM94,107). Details of the finance lease are disclosed in Note 21.1 to this report.

**8. INVESTMENT PROPERTIES**

| | Freehold land RM | Freehold building RM | Leasehold land RM | Leasehold building RM | Total RM |
|---|---|---|---|---|---|
| **Audited** | | | | | |
| **At Cost** | | | | | |
| At 1 September 2017 | 826,900 | 521,696 | 539,194 | 61,182 | 1,948,972 |
| Transferred from property, plant and equipment | 160,000 | 252,210 | - | - | 412,210 |
| Disposal | - | - | - | (61,182) | (61,182) |
| Reclassified as asset held for sale | (986,900) | (773,906) | - | - | (1,760,806) |
| At 31 August 2018/ 1 September 2018 | - | - | 539,194 | - | 539,194 |
| Disposal | - | - | (539,194) | - | (539,194) |
| At 31 August 2019/ 31 August 2020/ 31 March 2021 | - | - | - | - | - |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 8. INVESTMENT PROPERTIES (CONT'D)

| | Freehold land RM | Freehold building RM | Leasehold land RM | Leasehold building RM | Total RM |
|---|---|---|---|---|---|
| **Accumulated Depreciation** | | | | | |
| At 1 September 2017 | - | 341,998 | 67,834 | 10,841 | 420,673 |
| Charge for the year | - | 25,220 | 10,436 | 537 | 36,193 |
| Transferred from property, plant and equipment | - | 72,510 | - | - | 72,510 |
| Disposals | - | - | - | (11,378) | (11,378) |
| Reclassified as asset held for sale | - | (439,728) | - | - | (439,728) |
| At 31 August 2018/ 1 September 2018 | - | - | 78,270 | - | 78,270 |
| Charge for the year | - | - | 1,739 | - | 1,739 |
| Disposal | - | - | (80,009) | - | (80,009) |
| At 31 August 2019/ 31 August 2020/ 31 March 2021 | - | - | - | - | - |
| **Net Carrying Amount** | | | | | |
| At 31 March 2021/ 31 August 2020/ 31 August 2019 | - | - | - | - | - |
| At 31 August 2018 | - | - | 460,924 | - | 460,924 |

(i) The following are recognised in combined statements of comprehensive income in respect of investment properties:

| | Audited | Unaudited | ← | Audited | → |
|---|---|---|---|---|---|
| | 01.09.2020 to 31.03.2021 RM | 01.09.2019 to 31.03.2020 RM | 01.09.2019 to 31.08.2020 RM | 01.09.2018 to 31.08.2019 RM | 01.09.2017 to 31.08.2018 RM |
| Rental income from external parties | - | - | - | 153,000 | 278,200 |

The amount of operating expenses arising from investment properties are immaterial.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 8. INVESTMENT PROPERTIES (CONT'D)

(ii) The fair value of investment properties are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | 31.03.2021 RM | 31.08.2020 RM | 31.08.2019 RM | 31.08.2018 RM |
| Freehold land and building | - | - | - | 4,872,240 |
| Leasehold land and building | - | - | - | 1,105,316 |
| | - | - | - | 5,977,556 |

The fair value disclosure represents the amounts at which the properties could be exchanged on an open market basis between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at each financial period/year. The fair value of the investment properties was estimated by the Directors of the Group.

### 9. INVESTMENT IN AN ASSOCIATE

| | Audited | | | |
|---|---|---|---|---|
| | 31.03.2021 RM | 31.08.2020 RM | 31.08.2019 RM | 31.08.2018 RM |
| Unquoted shares, at cost | - | - | - | 288,000 |
| Share of post-acquisition reserves | - | - | - | 1,215,635 |
| | - | - | - | 1,503,635 |
| Less: Allowance for impairment loss | - | - | - | (207,635) |
| Less: Reclassified as asset held for sale | - | - | - | (1,296,000) |
| | - | - | - | - |

Movement of impairment loss on investment in an associate is as follows:

| | Audited | | | |
|---|---|---|---|---|
| | 31.03.2021 RM | 31.08.2020 RM | 31.08.2019 RM | 31.08.2018 RM |
| At beginning of the financial period/year | - | - | - | - |
| Charge for the period/year | - | - | - | 207,635 |
| Less: Reclassified as asset held for sale | - | - | - | (207,635) |
| At end of the financial period/year | - | - | - | - |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 9. INVESTMENT IN AN ASSOCIATE (CONT'D)

The details of the associate are as follows:

| Name of Associate | Principal Place of Business | Effective Equity Interest FPE 2021 % | FYE 2020 % | FYE 2019 % | FYE 2018 % | Principal Activities |
|---|---|---|---|---|---|---|
| Shanyu *@ | Malaysia | - | - | - | 36 | Manufacturing of die cutting mould and related products |

Notes:

* Not audited by Ecovis Malaysia PLT.

@ On 23 August 2018, Sharp DCM has entered into a Letter of Offer to Purchase with Sleektech Sdn. Bhd. (formerly known as Print & Pack Systems Sdn. Bhd.) to dispose 288,000 ordinary shares of Shanyu, representing 36% equity interest of the associate, at a cash consideration of RM1,296,000. The disposal was completed on 2 October 2018. The investment in associate, Shanyu was reclassified to asset held for sale during FYE 2018 as disclosed in Note 18 to this report.

The summarised financial information of Shanyu is as follow:

| | Audited | | | |
|---|---|---|---|---|
| | 01.09.2020 to 31.03.2021 RM | 01.09.2019 to 31.08.2020 RM | 01.09.2018 to 31.08.2019 RM | 01.09.2017 to 31.08.2018 RM |
| **Summarised Statement of Comprehensive Income** | | | | |
| Revenue | - | - | - | 3,652,725 |
| Other income | - | - | - | 194,284 |
| Expenses including taxation | - | - | - | (2,925,996) |
| Profit for the financial period/year, representing total comprehensive income for the financial period/year | - | - | - | 921,013 |

| | Audited | | | |
|---|---|---|---|---|
| | 31.03.2021 RM | 31.08.2020 RM | 31.08.2019 RM | 31.08.2018 RM |
| **Summarised Statement of Financial Position** | | | | |
| Non-current assets | - | - | - | 6,657,928 |
| Current assets | - | - | - | 2,967,366 |
| Total assets | - | - | - | 9,625,294 |
| Non-current liabilities | - | - | - | 4,174,402 |
| Current liabilities | - | - | - | 560,270 |
| Total liabilities | - | - | - | 4,734,672 |
| Total equity | - | - | - | 4,890,622 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

## 10. GOODWILL ON CONSOLIDATION

| | | Audited | | |
|---|---|---|---|---|
| | 31.03.2021 RM | 31.08.2020 RM | 31.08.2019 RM | 31.08.2018 RM |
| **At Cost** | | | | |
| At beginning of the financial period/year | 453,570 | 453,570 | 453,570 | - |
| Addition during the financial period/year | - | - | - | 453,570 |
| At end of the financial period/year | 453,570 | 453,570 | 453,570 | 453,570 |

The goodwill on consolidation at the end of FYE 2018 arose from the acquisition of Focuswin as disclosed in Note 36(a) to this report. The goodwill had been allocated to the CGU of this subsidiary.

The Group carries out its impairment assessment on the goodwill on consolidation annually.

The recoverable amount was based on value-in-use calculations, determined by discounting future cash flows to be generated from the continuing use of the CGU based on financial budgets approved by the Board of Directors.

**Impairment test of goodwill**

(a) Key assumptions used in value-in-use calculations

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the CGU and was based on the following key assumptions:

| | | Audited | |
|---|---|---|---|
| | 31.08.2020 | 31.08.2019 | 31.08.2018 |
| Period covered | 5 years | 5 years | 5 years |
| Gross profit margin | 42% | 42% | 39% |
| Growth rate | 0% | 0% | 0% |
| Pre-tax discount rate | 10.4% | 9.1% | 12% |

(b) Sensitivity to changes in assumptions

The following are sensitivity of the calculation to changes in significant estimates and assumptions:

- a 1% increase in discount rate would result in Nil (31.08.2020: RM46,157, 31.08.2019: Nil; 31.08.2018: Nil) impairment loss; and
- a 1% decrease in gross profit margin would not result in any impairment loss.

## 11. OTHER INVESTMENTS

| | | Audited | | |
|---|---|---|---|---|
| | 31.03.2021 RM | 31.08.2020 RM | 31.08.2019 RM | 31.08.2018 RM |
| Fair value through profit or loss | 5,975,726 | 2,859,980 | 2,947,358 | - |

This represents investment in unit trusts in Malaysia.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

**ACCOUNTANTS' REPORT (CONT'D)**

**12. INVENTORIES**

| | Audited | | | |
|---|---|---|---|---|
| | **31.03.2021** | **31.08.2020** | **31.08.2019** | **31.08.2018** |
| | **RM** | **RM** | **RM** | **RM** |
| At cost/net realisable value: | | | | |
| Raw materials | 4,126,001 | 4,796,039 | 4,346,686 | 4,236,147 |
| Recognised in combined statements of comprehensive income: | | | | |
| Inventories recognised in cost of sales | 3,383,597 | 4,649,087 | 5,562,518 | 5,632,690 |
| Inventories written down due to slow-moving | - | 60,517 | 36,544 | 320,883 |

**13. TRADE RECEIVABLES**

| | Audited | | | |
|---|---|---|---|---|
| | **31.03.2021** | **31.08.2020** | **31.08.2019** | **31.08.2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Trade receivables | | | | |
| - Third parties | 6,124,220 | 6,502,626 | 6,482,950 | 7,449,874 |
| Less: Allowance for impairment loss | (13,444) | (16,313) | (18,995) | (31,757) |
| | 6,110,776 | 6,486,313 | 6,463,955 | 7,418,117 |

Trade receivables of the Group are non-interest bearing and the normal credit terms range from 30 to 120 days (31.08.2020: 30 to 120 days; 31.08.2019: 30 to 120 days; 31.08.2018: 30 to 120 days) terms. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis on trade receivables

The ageing analysis of trade receivables are as follows:

| | Audited | | | |
|---|---|---|---|---|
| | **31.03.2021** | **31.08.2020** | **31.08.2019** | **31.08.2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Neither past due nor impaired | 3,984,727 | 3,840,473 | 2,526,741 | 2,919,407 |
| 1 to 30 days past due not impaired | 1,120,471 | 1,305,208 | 2,141,114 | 2,157,610 |
| 31 to 60 days past due not impaired | 631,578 | 667,402 | 917,711 | 1,174,715 |
| 61 to 90 days past due not impaired | 193,640 | 460,053 | 468,072 | 382,293 |
| More than 91 days past due not impaired | 180,360 | 213,177 | 410,317 | 784,092 |
| | 2,126,049 | 2,645,840 | 3,937,214 | 4,498,710 |
| Impaired and provided for | 13,444 | 16,313 | 18,995 | 31,757 |
| | 6,124,220 | 6,502,626 | 6,482,950 | 7,449,874 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 13. TRADE RECEIVABLES (CONT'D)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM2,126,049 (31.08.2020: RM2,645,840; 31.08.2019: RM3,937,214; 31.08.2018: RM4,498,710) that are past due but not impaired at the reporting date. The remaining receivables that are past due but not impaired are expected to be collected in the next 12 months.

The management of the Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are impaired

The Group have trade receivables amounting RM13,444 (31.08.2020: RM16,313; 31.08.2019: RM18,995; 31.08.2018: RM31,757) that have been impaired.

Receivables that are individually determined to be impaired at the end of the financial period/year relate to receivables that are in significant financial difficulties and have defaulted on payments or the Directors of the Group are of the opinion that they are not recoverable.

The Group applies the simplified approach whereby allowance for impairment is measured at lifetime ECL.

The movement of the impairment loss on trade receivables is as follows:

| | Lifetime ECL allowance RM | Specific allowance RM | Total RM |
|---|---|---|---|
| At 1 September 2017 | 1,154 | 22,357 | 23,511 |
| Acquisition of a combining entity | 22,629 | - | 22,629 |
| Acquisition of a subsidiary | 6,347 | 8,767 | 15,114 |
| Charge during the year | - | 2,667 | 2,667 |
| Reversal during the year | (1,040) | (3,499) | (4,539) |
| Written off during the year | - | (27,625) | (27,625) |
| At 31 August 2018/1 September 2018 | 29,090 | 2,667 | 31,757 |
| Charge during the year | 801 | 202 | 1,003 |
| Reversal during the year | (13,765) | - | (13,765) |
| At 31 August 2019/1 September 2019 | 16,126 | 2,869 | 18,995 |
| Reversal during the year | (2,682) | - | (2,682) |
| At 31 August 2020/1 September 2020 | 13,444 | 2,869 | 16,313 |
| Reversal during the period | - | (108) | (108) |
| Written off during the period | - | (2,761) | (2,761) |
| At 31 March 2021 | 13,444 | - | 13,444 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 13. TRADE RECEIVABLES (CONT'D)

The currency profile of the trade receivables is summarised below:

| | Audited | | | |
|---|---|---|---|---|
| | **31.03.2021** | **31.08.2020** | **31.08.2019** | **31.08.2018** |
| | **RM** | **RM** | **RM** | **RM** |
| RM | 5,340,945 | 5,373,525 | 5,297,257 | 6,117,441 |
| SGD | 9,011 | 52,189 | 132,291 | 42,735 |
| EUR | 32,906 | 80,094 | 307,881 | 94,895 |
| USD | 741,358 | 996,818 | 745,521 | 1,194,803 |
| | 6,124,220 | 6,502,626 | 6,482,950 | 7,449,874 |

### 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Audited | | | |
|---|---|---|---|---|
| | **31.03.2021** | **31.08.2020** | **31.08.2019** | **31.08.2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Other receivables | 16,124 | 93,473 | 1,386,350 | 457,881 |
| Deposits | 406,218 | 230,531 | 225,948 | 333,798 |
| Prepayments | 1,412,505 | 395,077 | 436,370 | 289,479 |
| | 1,834,847 | 719,081 | 2,048,668 | 1,081,158 |

Included in deposits is an amount of Nil (31.08.2020: RM600; 31.08.2019: RM600; 31.08.2018: RM170,600) owing from companies in which the Directors of the Group have interest.

The currency profile of other receivables and prepayments are summarised below:

| | Audited | | | |
|---|---|---|---|---|
| | **31.03.2021** | **31.08.2020** | **31.08.2019** | **31.08.2018** |
| | **RM** | **RM** | **RM** | **RM** |
| **Other receivables** | | | | |
| RM | 16,124 | 29,951 | 1,386,350 | 320,823 |
| USD | - | 63,522 | - | 68,640 |
| EUR | - | - | - | 68,418 |
| | 16,124 | 93,473 | 1,386,350 | 457,881 |
| **Prepayments** | | | | |
| RM | 615,064 | 315,479 | 279,540 | 289,479 |
| USD | 337,685 | 74,928 | - | - |
| EUR | 377,826 | - | 156,830 | - |
| RMB | - | 4,670 | - | - |
| JPY | 37,469 | - | - | - |
| GBP | 44,461 | - | - | - |
| | 1,412,505 | 395,077 | 436,370 | 289,479 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 15. AMOUNT OWING BY AN ASSOCIATE

The amount owing by an associate is unsecured, interest free and repayable on demand in cash and cash equivalents.

### 16. AMOUNT OWING BY RELATED PARTIES

The amount owing by related parties are unsecured, interest free and repayable on demand in cash and cash equivalents.

### 17. FIXED DEPOSITS WITH LICENSED BANK

Fixed deposits with licensed bank as at the end of each reporting period have average maturity period of 365 days (31.08.2020: 365 days; 31.08.2019: 365 days; 31.08.2018: 365 days) and the effective interest rates for the Group range from 2.50% to 2.59% (31.08.2020: 2.50% to 2.59%; 31.08.2019: 3.25% to 3.34%; 31.08.2018: 3.25% to 3.35%) per annum.

Fixed deposits with licensed banks are held as security placed to financial institutions for banking facility granted to the Group as disclosed in Note 21.2 to this report.

### 18. ASSETS CLASSIFIED AS HELD FOR SALE

| | | Audited | | | |
|---|---|---|---|---|---|
| | Note | 31.03.2021 RM | 31.08.2020 RM | 31.08.2019 RM | 31.08.2018 RM |
| At beginning of the financial period/year | | - | - | 2,617,078 | - |
| Reclassified from investment properties (Note 8) | (a) | - | - | - | 1,321,078 |
| Reclassified from investment in an associate (Note 9) | (b) | - | - | - | 1,296,000 |
| Disposal | | - | - | (2,617,078) | - |
| At end of the financial period/year | | - | - | - | 2,617,078 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 18. ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D)

(a) During FYE 2018, management had proposed a reorganisation of assets between Sharp DCM and a related party, Commercial Edge due to internal restructuring. The reorganisation of assets would involve disposal of five investment properties from Sharp DCM to Commercial Edge with total carrying amount of RM1,321,078 as at 31 August 2018.

On 17 December 2018, Sharp DCM entered into Sale and Purchase Agreements with Commercial Edge to dispose five pieces of freehold land together with a 1 ½ storey terrace factory each. The transaction was completed during FYE 2019.

Details of properties disposed are as follows:

| **Detail of properties** | **Cash consideration RM** |
|---|---|
| (i) Geran 60717, Lot 40513, Mukim Petaling, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur. | 1,300,000 |
| (ii) Geran 60718, Lot 40514, Mukim Petaling, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur. | 1,300,000 |
| (iii) Geran 60719, Lot 40515, Mukim Petaling, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur. | 1,300,000 |
| (iv) Geran 421365, Lot 27738, Mukim Senai, Daerah Kulaijaya, Negeri Johor. | 420,000 |
| (v) Geran 421367, Lot 27739, Mukim Senai, Daerah Kulaijaya, Negeri Johor. | 420,000 |

(b) On 23 August 2018, Sharp DCM has entered into a Letter of Offer to Purchase with Sleektech Sdn. Bhd. (formerly known as Print & Pack Systems Sdn. Bhd.) to dispose 288,000 ordinary shares of Shanyu, representing 36% equity interest of the associate, for a cash consideration of RM1,296,000. The disposal was completed on 2 October 2018.

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 19. INVESTED EQUITY

For the purpose of this report, the total number of shares for all financial period/year end represents the aggregate number of issued and fully paid-up shares of all entities within the Group, net of shares held by non-controlling interest.

The movement in the issued and paid-up share capital of the Company and its combining entities are as follows:

| | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31.03.2021 | | 31.08.2020 | | 31.08.2019 | | 31.08.2018 | |
| | Number of shares | RM | Number of shares | RM | Number of shares | RM | Number of shares | RM |
| **The Company** | | | | | | | | |
| Issued and fully paid: | | | | | | | | |
| At date of incorporation/ beginning of the financial period/year | 100 | 10 | 100 | 10 | 2 | 2 | 2 | 2 |
| Sub-division of shares | - | - | - | - | 18 | - | - | - |
| Issuance of shares | 127 | 13 | - | - | 80 | 8 | - | - |
| At end of the financial period/year | 227 | 23 | 100 | 10 | 100 | 10 | 2 | 2 |
| **Sharp DCM** | | | | | | | | |
| Issued and fully paid: | | | | | | | | |
| At beginning of the financial period/year | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,346,667 | 1,346,667 |
| Changes in ownership interest | - | - | - | - | - | - | 153,333 | 153,333 |
| At end of the financial period/year | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |

**CEKD BERHAD**
(Incorporated in Malaysia)
Registration no. 201801023077 (1285096-M)

## ACCOUNTANTS' REPORT (CONT'D)

### 19. INVESTED EQUITY (CONT'D)

The movement in the issued and paid-up share capital of the Company and its combining entities are as follows: (cont'd)

| | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31.03.2021 | | 31.08.2020 | | 31.08.2019 | | 31.08.2018 | |
| | Number of shares | RM | Number of shares | RM | Number of shares | RM | Number of shares | RM |
| **Hotstar** | | | | | | | | |
| Issued and fully paid: | | | | | | | | |
| At beginning/end of the financial period/year | 850,000 | 850,000 | 850,000 | 850,000 | 850,000 | 850,000 | 850,000 | 850,000 |
| Total issued and paid-up share capital of the Group | 2,350,227 | 2,350,023 | 2,350,100 | 2,350,010 | 2,350,100 | 2,350,010 | 2,350,002 | 2,350,002 |