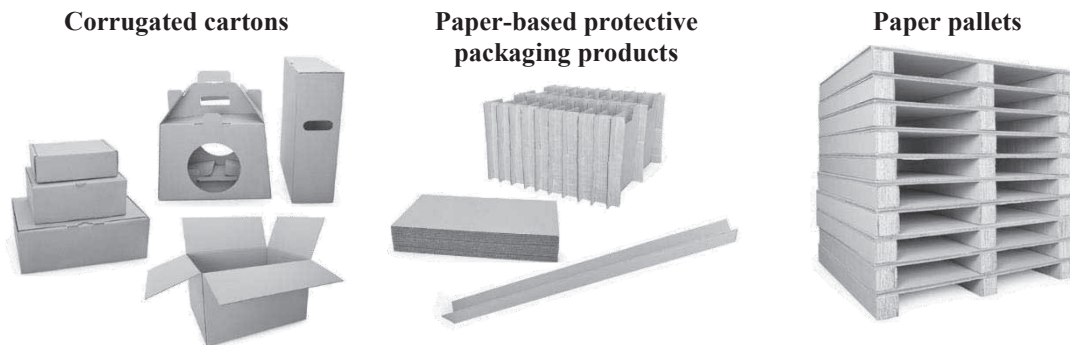


6. INFORMATION ON OUR GROUP (Cont'd)

6.3.7 Manufacturing of corrugated paper packaging products

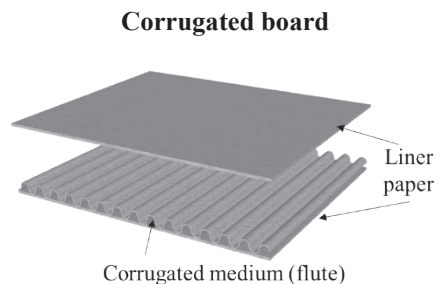
We manufacture the following types of corrugated paper packaging products:

- corrugated cartons including slotted-type and folder-type cartons and trays;
- paper based protective packaging products such as layer pads, partitions / nesting, angle / edge boards and other die-cut sheets; and
- paper pallets.



Our corrugated paper packaging products are manufactured using corrugated boards which we purchase from manufacturers of corrugated boards.

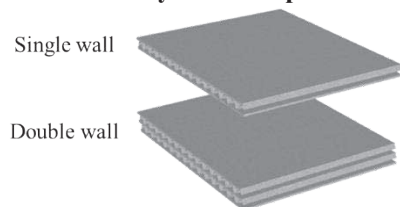
Corrugated board comprises liner paper and corrugated mediums or flutes, both of which are made from industrial brown paper. Liner paper is used for the top and bottom sheets to sandwich the corrugated medium. Industrial brown paper can come in the form of testliner which uses mainly recycled paper mixed with a small proportion of virgin pulp, or kraftliner which are mainly made of virgin pulp. Kraftliner is stronger due to the longer wood fibre from virgin pulp, and more expensive compared to testliner for the same thickness of paper. Due to the higher cost, kraftliners are only used when higher strengths are required. We purchase both types, testliner and kraftliner corrugated boards for the manufacturing of our corrugated paper packaging products.



The following are the types of corrugated board which we utilise in the manufacturing of our corrugated paper packaging products:

- **Single wall board:** Consists of 2 outer layers of liner paper and a corrugated medium layer, forming a 3-ply board. A significant proportion of our corrugated paper protective packaging uses a single wall board.
- **Double wall board:** Consists of 3 layers of liner paper with 2 corrugated mediums in between, forming a 5-ply board. This type is most often used to form corrugated cartons for industrial use mainly to cater for heavier or fragile items.

Types of corrugated boards used by our Group



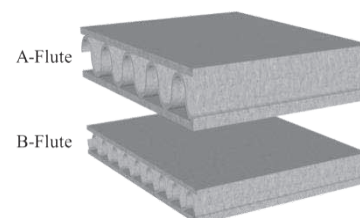
The strength of the corrugated boards also depends on the flute sizes. Flute sizes can be measured by the number of flutes per linear foot or the flute height and they are denoted by letters. The letter designation relates to the order that the flutes were invented, not the relative sizes. Generally, larger flute sizes deliver greater cushioning and vertical compression, while smaller flute sizes provide enhanced structural and graphic capabilities for use in retail packaging.

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

We commonly utilise A-Flute and B-Flute types for the manufacturing of our corrugated paper packaging products as follows:

- A-Flute (approximate flute height of 5mm) forms the thickest liner board, hence providing the greatest cushioning properties and stacking strength for fragile products.
- B-Flute (approximate flute height of 3mm) has good crush and puncture resistance and has a good printing surface. It is commonly used for inner protective packaging such as pads and partitions.

**Types of corrugated board flutes used by our Group**



In some cases, we may combine, laminate and glue different types of boards to form a thicker and stronger structure. This is the case for the manufacture of our paper pallets where we combine, laminate and glue several layers and types of corrugated boards to form the desired thickness and strength.

For the Financial Years Under Review, revenue contributed from the manufacture of corrugated paper packaging products are as follows:

	FYE 30 June							
	2019		2020		2021		2022	
	RM'000	%*	RM'000	%*	RM'000	%*	RM'000	%*
Cartons and protective packaging	63,549	60.13	55,121	64.18	80,593	63.03	77,668	64.07
Paper pallets	13,237	12.53	9,014	10.49	19,862	15.54	19,742	16.29
<b>Total</b>	<b>76,786</b>	<b>72.66</b>	<b>64,135</b>	<b>74.67</b>	<b>100,455</b>	<b>78.57</b>	<b>97,410</b>	<b>80.36</b>

Note:

\* Percentage of total revenue of RM105.68 million, RM85.89 million, RM127.86 million and RM121.22 million for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022 respectively.

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6. INFORMATION ON OUR GROUP (Cont'd)

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6.3.7.1 Corrugated cartons

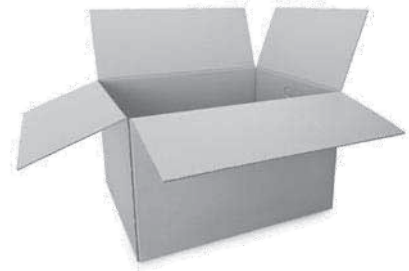
Corrugated cartons are made from corrugated board to provide containment and protection for items to facilitate ease and secured handling, storage and transportation of goods.

Our corrugated cartons are mostly utilised by our customers to transport heavy and / or fragile goods such as electronic products, precision metal parts, E&E parts and plastic parts.

We manufacture various types of corrugated cartons including:

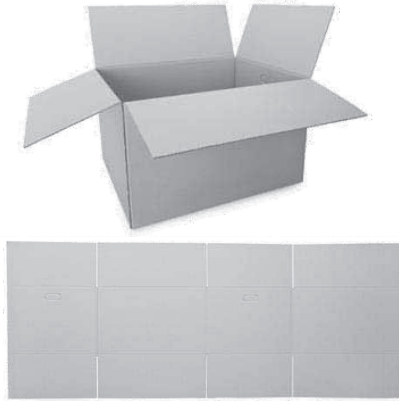
- (a) **Slotted-type cartons** – consist of basically a piece of carton blank, which refers to the corrugated board cut to the required shape, with glued, stitched or taped joint with top and / or bottom flaps.

**Corrugated cartons**



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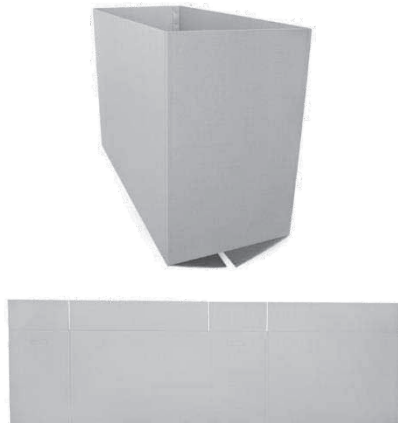
**Regular slotted cartons (RSC)**



- This is the most common type of carton with top and bottom covers.
- Top and bottom covers comprise 2 pairs of flaps, where commonly a pair is longer and they meet in the centre of the carton when folded. When folding, the shorter flap is closed first to become the inner flap while the longer flaps will become the outer flap which will overlap the shorter inner flaps.
- This type of carton is constructed as a single piece carton blank with glued, taped, stitched or stapled joints.
- It is very versatile and can be used for the packaging of almost anything.

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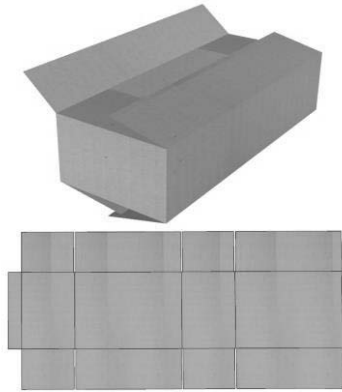
**Half slotted cartons (HSC)**



- This is similar to the RSC but without the top flaps, leaving the top of the carton uncovered.
- Commonly this HSC is used together with a tray as its cover.

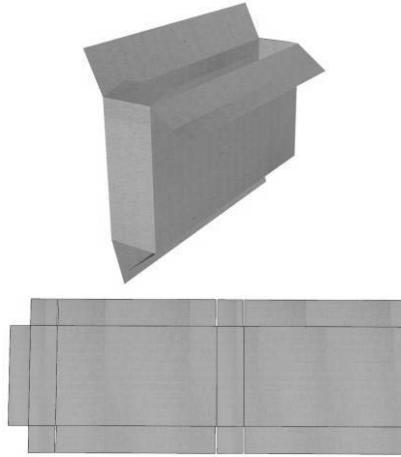
6. INFORMATION ON OUR GROUP (Cont'd)

**Overlap slotted cartons (OSC)**



- This is similar to the RSC but one of the longer outer flaps overlaps its opposing flap when folded towards the centre of the carton.
- The overlapping flap is often closed with adhesives or heavy-duty staples driven through the overlap area.
- The overlapping flap provides extra cushioning and support for heavier loads. This style improves the structural integrity of the carton with the length that is much greater than its width, resulting in a wide gap between the 2 shorter flaps. The sealed overlap helps to keep the longer outer flaps from pulling apart.

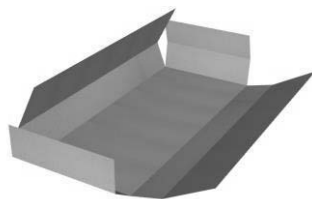
**Full overlap slotted cartons (FOSC)**



- This is similar to the OSC with the exception that the overlapping flap almost or totally overlap the opposing flap.
- The overlapping flaps provide extra cushioning and support for heavier loads.
- This style improves the structural integrity of the cartons with the length that is much greater than its width, resulting in a long gap between the shorter inner flaps. The sealed overlap helps to keep the longer outer flaps from pulling apart.
- This style is most commonly used for packing and transporting long, heavy or fragile items like a large flatscreen TV.

- (b) **Folder-type cartons and trays** – consist of only a piece of carton blank where the bottom of the carton is hinged to form 2 or all side walls and the cover. Locking tabs, handles and display panels can be incorporated into some designs.

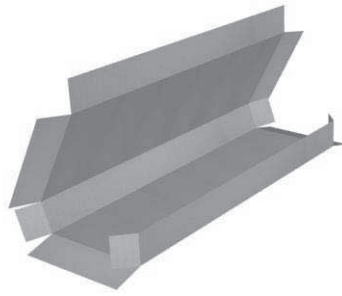
**One-piece folder (OPF)**



- It has a cut that provides a flat bottom with its flaps forming the sides and ends, and extensions of the side flaps meeting to form the top.
- This style is commonly used for the packaging of flat items.

6. INFORMATION ON OUR GROUP (Cont'd)

**Five panel folder (FPF)**



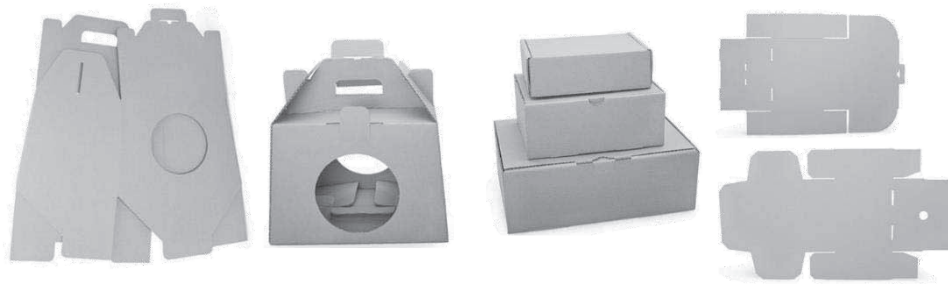
- A single cut and slotted carton blank with a fifth panel that serves as a closing flap to completely cover the side panel.
- This style is commonly used for the packaging of long, heavy or flat products.

**Trays**

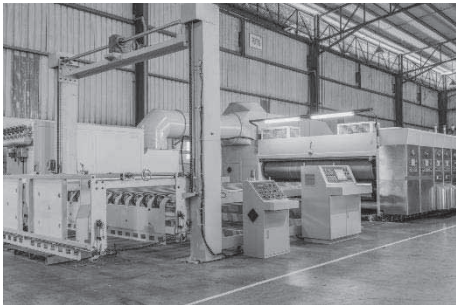


- Formed from a single piece of board, with the design featuring an unbroken bottom and several layers of corrugated boards in the end panels.
- It may also be used as a cover with the HSC.


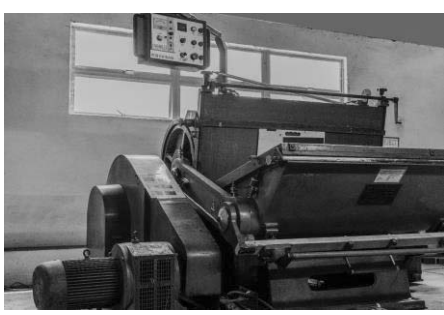
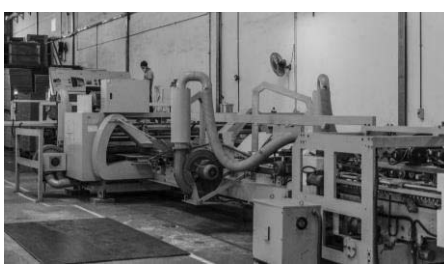


We also manufacture various die-cut cartons as depicted below:



We are equipped with the following machinery and equipment to manufacture our corrugated cartons:

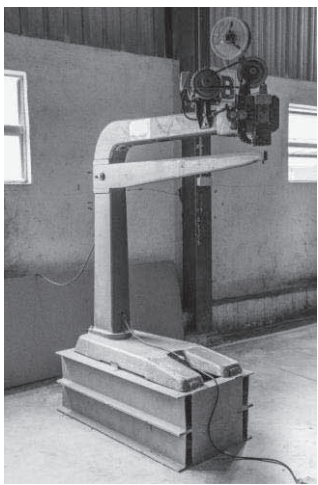
<p><b>(a)</b></p>	<p><b>Flexographic printing machine</b></p> 	<ul style="list-style-type: none"> <li>• 3-colour printing of logo, designs, branding and instructions onto the corrugated board.</li> <li>• Uses slotters to slot / score and slitters to slit / cut the corrugated board into the desired dimensions.</li> <li>• Uses a rotary die-cutting tool to cut and score the board to create a shaped carton blank. The die-cutting tool is interchangeable based on the desired design.</li> <li>• Able to produces slotted-type cartons with straight cuts and scores, as well as folder-type cartons and trays with complex cuts, slots and scores or creases. Also, able to add perforated lines and ventilation or access holes to the carton.</li> </ul>
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6. INFORMATION ON OUR GROUP (Cont'd)

<b>(b)</b>	<b>Fully automatic die-cutting machine</b> 	<ul style="list-style-type: none"> <li>● Uses a flatbed die-cutting tool to cut and score the board to create a shaped carton blank or die-cut sheet. The die-cutting tool is interchangeable based on the desired design.</li> <li>● Produces folder-type cartons and trays, as well as die-cut sheets.</li> <li>● Able to produce multiple die-cut cartons, trays or sheets from each input sheet.</li> </ul>
<b>(c)</b>	<b>Manual die-cut machine</b> 	<ul style="list-style-type: none"> <li>● Uses a die-cutting tool to produce die-cut sheets in smaller quantities as it requires manual labour to operate the machine.</li> </ul>
<b>(d)</b>	<b>Automatic folding, stitching and gluing machine</b> 	<ul style="list-style-type: none"> <li>● Folds slotted-type carton blanks automatically by its creases, then it is glued using adhesive and / or stitched using a heavy-duty industrial stapler.</li> </ul>
<b>(e)</b>	<b>Semi-automatic 2 joint stitching machine</b> 	<ul style="list-style-type: none"> <li>● Stitches 2 pieces of carton blanks at 2 joints for larger / longer cartons.</li> </ul>
<b>(f)</b>	<b>Semi-automatic stitching machine</b> 	<ul style="list-style-type: none"> <li>● Stitches a single piece of carton blank at 1 joint for regular-sized carton at high speed.</li> </ul>



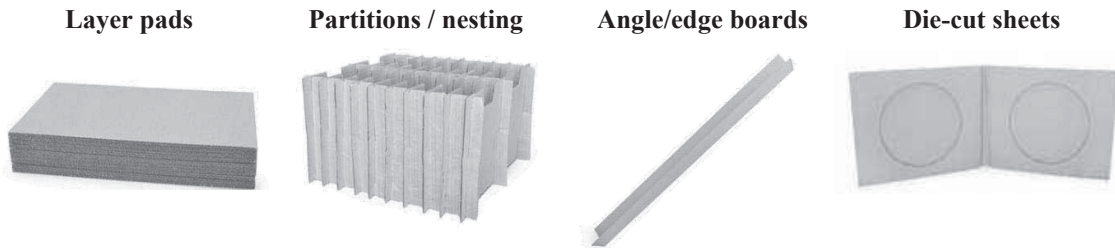
6. INFORMATION ON OUR GROUP (Cont'd)

(g)	<p><b>Manual stitching machine</b></p> 	<ul style="list-style-type: none"> <li>Stitches a single piece of carton blank at 1 joint for regular-sized carton at high speed.</li> </ul>
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Please refer to Section 6.3.11.2 of the Prospectus for further details on the manufacturing process of our corrugated cartons.

6.3.7.2 Corrugated paper protective packaging products

We also manufacture corrugated paper protective packaging products such as layer pads, partitions / nesting, angle / edge boards and other die-cut sheets.

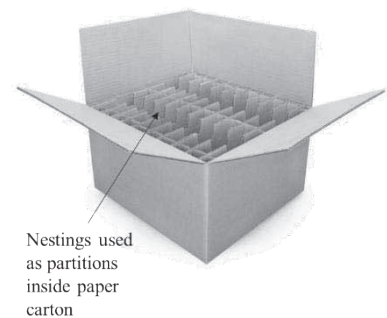


These products are utilised for interior and exterior protective packaging purposes as follows:

(a) Interior protection

Products such as layer pads, nesting and die-cut sheets are used inside the cartons to keep small goods in place and to protect the goods from knocking against each other during transportation.

**Cross-section of setup of a carton's interior protection**

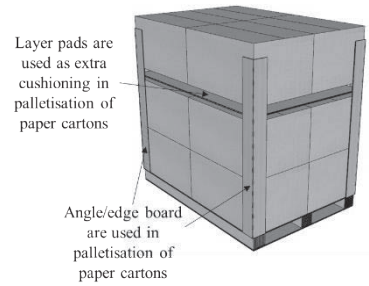


6. INFORMATION ON OUR GROUP (Cont'd)

(b) Exterior protection

Products such as layer pads and angle / edge boards are used on the exterior of cartons and for the palletisation process to protect the cartons from impact damage during handling and transportation of the palletised cartons.

Setup of palletisation of cartons for shipping



We are equipped with slitting, die-cut machines and nesting assembly machines to manufacture the abovementioned products.

6.3.7.3 Paper pallets

Paper pallets are similar to the conventional wooden or plastic pallets except that they are made from corrugated board. Being made of corrugated board, they provide the necessary strengths and are lighter than conventional wooden or plastic pallets.

Our paper pallets are assembled with adhesive without staples, nails, seams or splinters.

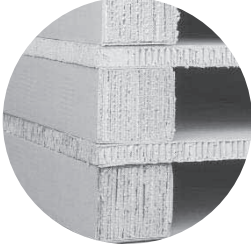

The main benefit of using paper pallets compared to wooden or plastic pallets is cost savings. This is mainly due to the following advantages of paper pallets:

- lighter in weight;
- ideal for export as there is no requirement for pesticide treatment, unlike wooden pallets which require pesticide treatment of the wood before construction of the pallet, and regular fumigation during usage;
- highly customisable to maximise shipping load while maintaining structural integrity;
- no accidental injury from stray nails, staplers or splinters from wood; and
- no need to return pallets as it is 100% recyclable.

Our paper pallets



We offer 2 types of paper pallets, namely thick board pallets and laminated board pallets, as follows:

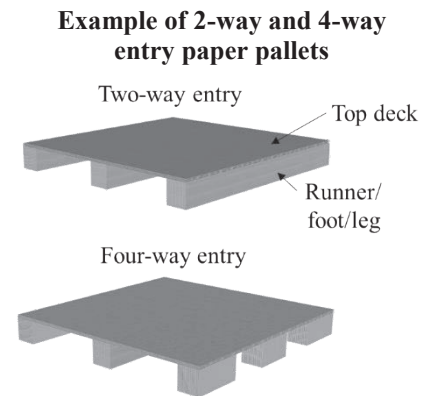
<p style="text-align: center;"><b>Thick board pallet</b></p> 	<p style="text-align: center;"><b>Laminated board pallet</b></p> 
<p>Thick board pallets are constructed using small strips of vertical layers of board cut-offs glued together to form the top deck of the pallet.</p>	<p>Laminated board pallets are constructed using horizontal layers of corrugated board laminated together to form the top deck of the pallet.</p>



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

Additionally, we customise the paper pallets to meet customers' specific applications. Some of the design options provided to our customers are as follows:

- single wall or double wall corrugated board for top deck;
- customise top deck as trays or with die-cut holes;
- can be 2-way or 4-way entry to be conveyor and forklift friendly; and
- printing or labelling options on the paper pallet such as part numbers.



We are equipped with slitting, lamination and gluing machines to manufacture our paper pallets.

### 6.3.8 Supply of protective packaging products

To complement our manufacturing of corrugated paper packaging products, we also supply non-paper based protective packaging products. This business comprises 2 segments, namely

- trading of protective packaging products; and
- processing of plastic and foam bags.

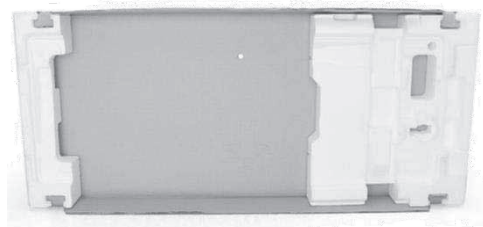
For the Financial Years Under Review, revenue contribution from the supply of protective packaging products amounted to RM28.90 million (27.34%), RM21.76 million (25.33%), RM27.40 million (21.43%) and RM23.81 million (19.64%) of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

#### 6.3.8.1 Trading of protective packaging products

This segment of our business activity is involved in purchasing protective packaging and to supply them as is to our customers. Commonly, this non-paper based protective packaging items form part of our packaging comprising cartons and several protective packaging products for our customers. Additionally, some of these are sold as-is to provide convenience to our customers.

Our non-paper based protective packaging items focused on 3 types of materials including plastic, foam and rubber. These protective packaging products are mostly used to protect and buffer the packaged goods from potential harm or destruction during handling, storage and transportation. It is also used to protect the goods from the environment such as static electricity, temperature, humidity, moisture and dust. A small proportion of these products may not relate to packaging but are commonly included in the packaging process, such as silica gel pack placed inside the carton to absorb humidity moisture, and container vinyl tarp to protect the cartons from the external environment.

#### Protective packaging using EPS foam assembled onto a carton tray



In most cases, we supply these protective packaging products as a partial or complete set together with our in-house manufactured corrugated paper packaging products. In some cases, and based on customer's request, we also sell them individually to some customers.

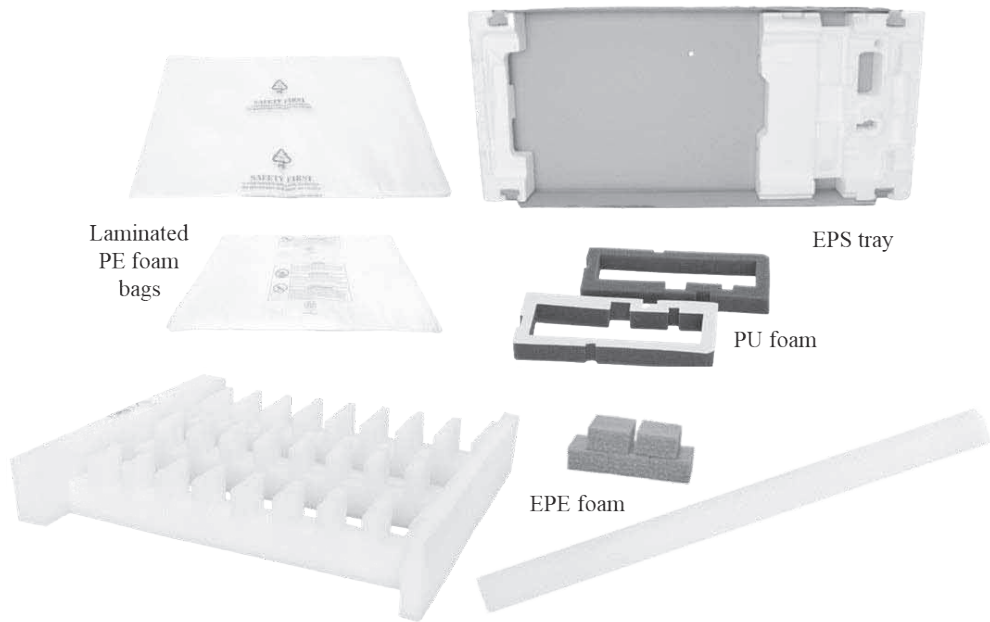
6. INFORMATION ON OUR GROUP (Cont'd)

The following are the range of non-paper based protective packaging products:

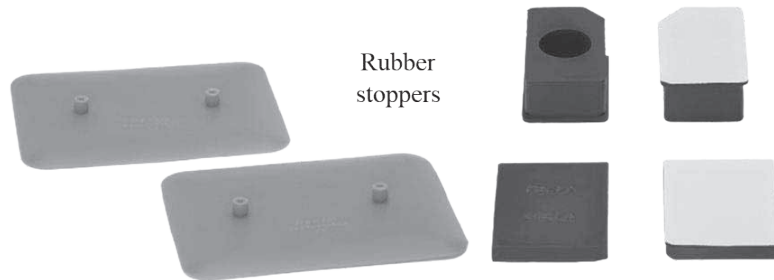
(a) Plastic-based protective packaging products



(b) Foam-based protective packaging products



(c) Rubber-based protective packaging products



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

**(d) Other protective packaging materials**

**Air bags**

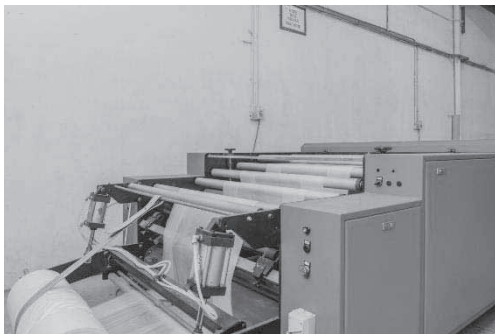


**6.3.8.2 Processing of plastic and foam bags**

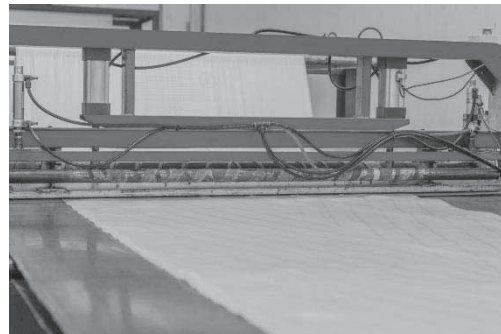
This segment of our business activity is involved in purchasing large plastic and foam sheets, and cutting them into smaller pieces and finally sealing the edges to form plastic and foam bags. This activity is carried on a small scale basis and on an ad-hoc basis.

We are equipped with cutting and sealing machines to cut plastic and foam sheets and seal them into bags.

**Sealing machine**



**Foam cutting machine**

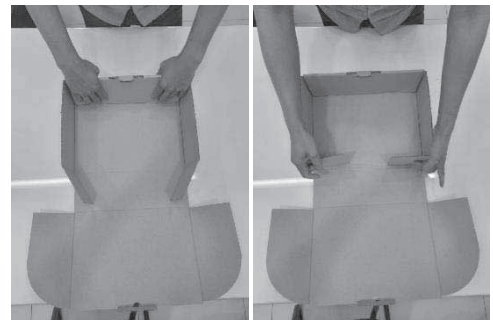


**6.3.9 Assembly and packing services**

As part of our value-added services to customers, we provide assembly and packing services to some customers where we assemble the die-cut cartons that we manufacture and pack our customers' products into the cartons. Assembly and packing services are provided to customers based on their requirement, and the charges are built into our packaging product pricing. As such, we do not charge our customers a separate fee for this service.

Generally, our die-cut cartons and trays are delivered to our customers' flat-packed and unassembled. We hire independent contractors to carry out manual assembly of die-cut carton blanks at the customer's premises into their intended shape, namely into a carton or a tray form.

**Assembly of die-cut cartons**



6. INFORMATION ON OUR GROUP (Cont'd)

Subsequently, we pack customers' items into our assembled cartons and protective packaging, as well as inserting other protective packaging products into the cartons as cushioning. This includes, among others, inserting the items into plastic or foam bags, placing the items onto EPS trays, placing the items into the nesting, and inflating airbags to be placed into the cartons as cushioning.

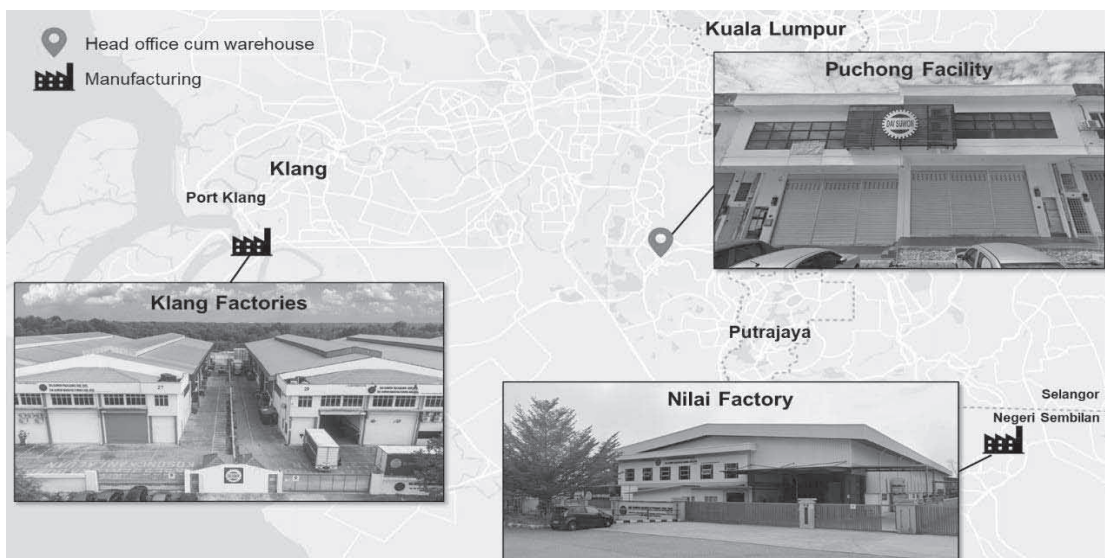
In some situations, based on customers' requests, we will assemble the cartons at our factory premises before delivering the assembled cartons to our customers' premises. This is carried out by our production floor workers.

6.3.10 Operational facilities

As at the LPD, our Group operates from the following premises in Malaysia:

Company	Main functions	Approximate built-up area (sq. ft.)	Location of facilities
DS Packaging and Kaisung	Head office, sales and administrative office, and warehouse	9,367	<b>Puchong Facility</b> No. 36 & 38, Jalan BP 5/6 Bandar Bukit Puchong 47100 Puchong Selangor
DS Packaging	Manufacturing facilities and office	27,832	<b>No. 27 Klang Factory</b> No. 27, Lorong Jala 14/KS 10 Jalan Telok Gong 42000 Port Klang Selangor
DS Packaging and DS Manufacturing	Manufacturing facilities and office	32,142	<b>No. 29 Klang Factory</b> No. 29, Lorong Jala 14/KS 10 Jalan Telok Gong 42000 Port Klang Selangor
DS Manufacturing	Manufacturing facilities and office	31,632	<b>Nilai Factory</b> Lot 16132, Jalan Nilai 3/12 Kawasan Perindustrian Nilai 3 71800 Nilai Negeri Sembilan

The following diagram sets out our operational facilities in Klang and Puchong in Selangor, and Nilai in Negeri Sembilan.



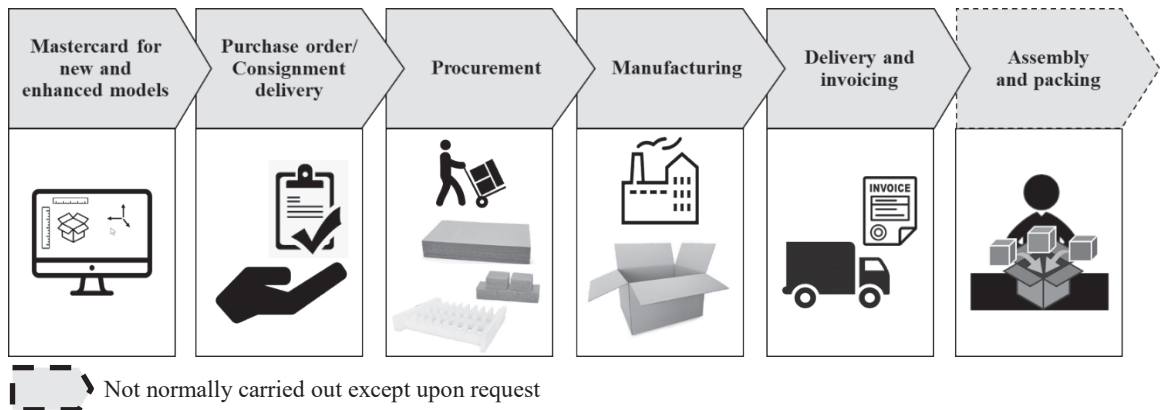
6. INFORMATION ON OUR GROUP (Cont'd)

6.3.11 Process flow

6.3.11.1 Packaging products and services

The following is the process flow in the provision of packaging products and services to our customers, with the exception of assembly and packing services which is not normally carried out except upon request by customers.

The process flow for provision of packaging products and services is as follows:



(i) Mastercard for new and enhanced model

For each new or enhanced model of corrugated carton or protective packaging, we will need to create a mastercard which is a template for cutting the corrugated board into the desired dimension including slots and holes for use in the production process. For new products this process is commonly carried out 4 to 5 months before the launch of our customer’s new product.

We use a computer software to digitally draw the mastercard design to produce the mastercard for use in the production of corrugated carton or protective packaging. In most cases for corrugated carton, our customer’s packaging engineers would have designed the desired corrugated carton and protective packaging. We are only responsible for creating the mastercard for production purpose. Creating a mastercard would commonly take approximately 1 to 3 working days to complete, depends on the complexity of the mastercard.

We may also receive requests from customers to collaborate with their packaging engineers in their design to achieve space and cost optimisation, as well as container loading efficiency. As such, we will design and draw the mastercard guided by instructions and specifications given by the customer’s packaging engineers. This process usually takes approximately 2 weeks to complete. This process is not normally carried out and only done upon request from customers.

Once the mastercard is completed, a prototype corrugated carton will be created. For regular slotted cartons, we will utilise our own flexographic printing machine to create a prototype. For die-cut cartons, we will engage our printing mould manufacturer to produce a prototype. We will carry out compression, burst strength test, and moisture test on the prototype to ensure it meets the desired quality. This process may be carried out jointly with customers. Meanwhile, for other packaging products, if the materials are standard and common products which we have stock, for example, plastic sheets and bags, then we will utilise our own stock to create a prototype for the customer. If the materials require customised design, for example EPS tray, we will engage our respective suppliers to produce a prototype for customer’s approval.

The prototypes are then handed to our customer for inspection and approval. In some cases, our customers may request for independent testing and quality check to test.



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

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If the prototypes are approved by customers, we will proceed with the procurement of materials including creating the printing press and custom order of die-cutting mould, if required. Please refer to Section 6.3.11.2(i) and Section 6.3.11.3(ii) of this Prospectus for further details on procurement on materials.

**(ii) Purchase order / consignment delivery**

Our production process starts when we receive purchase orders or consignment delivery from customers based on the consignment model, which is used to schedule production.

For customers operating under the consignment arrangement, the customer will provide to us their forecast projection of packaging needs as well as the estimated usage rate. We will tentatively schedule production to meet the minimum stock at the consignees' premises. However, the actual schedule of production will be based on consignment delivery instructions provided.

**(iii) Procurement**

Once we obtain the purchase order or consignment delivery instruction, we will check our inventory system for the availability of input packaging materials including the relevant corrugated board and protective packaging products, as well as finished products. Generally, we maintain a stock level of 1 to 2 weeks of common corrugated board and other paper based protective packaging products at our Klang Factories and Nilai Factory, and 1 to 2 weeks for non-paper based protective packaging products at our Puchong Facility.

In the event there is insufficient materials to fulfil customer's order, we will procure the necessary materials from suppliers.

**(iv) Manufacturing**

We undertake our manufacturing of corrugated paper packaging products including cartons, protective packaging and pallets at our Klang Factories and Nilai Factory. Please refer to Section 6.3.11.2 of this Prospectus for further details.

We also subcontract some of the manufacturing of corrugated paper packaging products to external manufacturers. This is mostly for small quantity and labour intensive orders such as orders requiring small nesting and small die-cuts. In addition, where the delivery destinations are far from our manufacturing facilities, we would use subcontractors whose manufacturing facilities are close to our customers' delivery destinations such as in Malacca and Johor.

The subcontracted manufacturers will manufacture the products according to our design and mastercard, and subsequently deliver the products directly to our customers. Some of our subcontracted manufacturers will purchase the corrugated board directly from our approved suppliers, while some will obtain the materials from us.

Our customers prefer to deal with suppliers which is able to provide complete packaging products rather than to source different packaging products from multiple suppliers. Our Group is able to provide convenience to customers as a one-stop packaging centre where we sell our packaging products as a complete set as well as offer value-added services such as front end value-added services, JIT inventory management, consignment of packaging products as well as assembly and packing services.



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

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**(v) Delivery and invoicing**

All items will go through a final quality check before a delivery summary order is generated from our computer system for outgoing goods. We utilise our own fleet of 5 trucks and we also engage external transportation companies to deliver the goods to our customers' destinations.

Upon delivery of the packaging materials, the receiver is required to sign and stamp the delivery order as proof of delivery. The signed delivery order is then returned to us for record-keeping and invoicing.

For customers that are under the consignment arrangement, sales invoices are issued when we receive a summary of utilised materials from the customer, usually on a monthly basis.

**(vi) Assembly and packing**

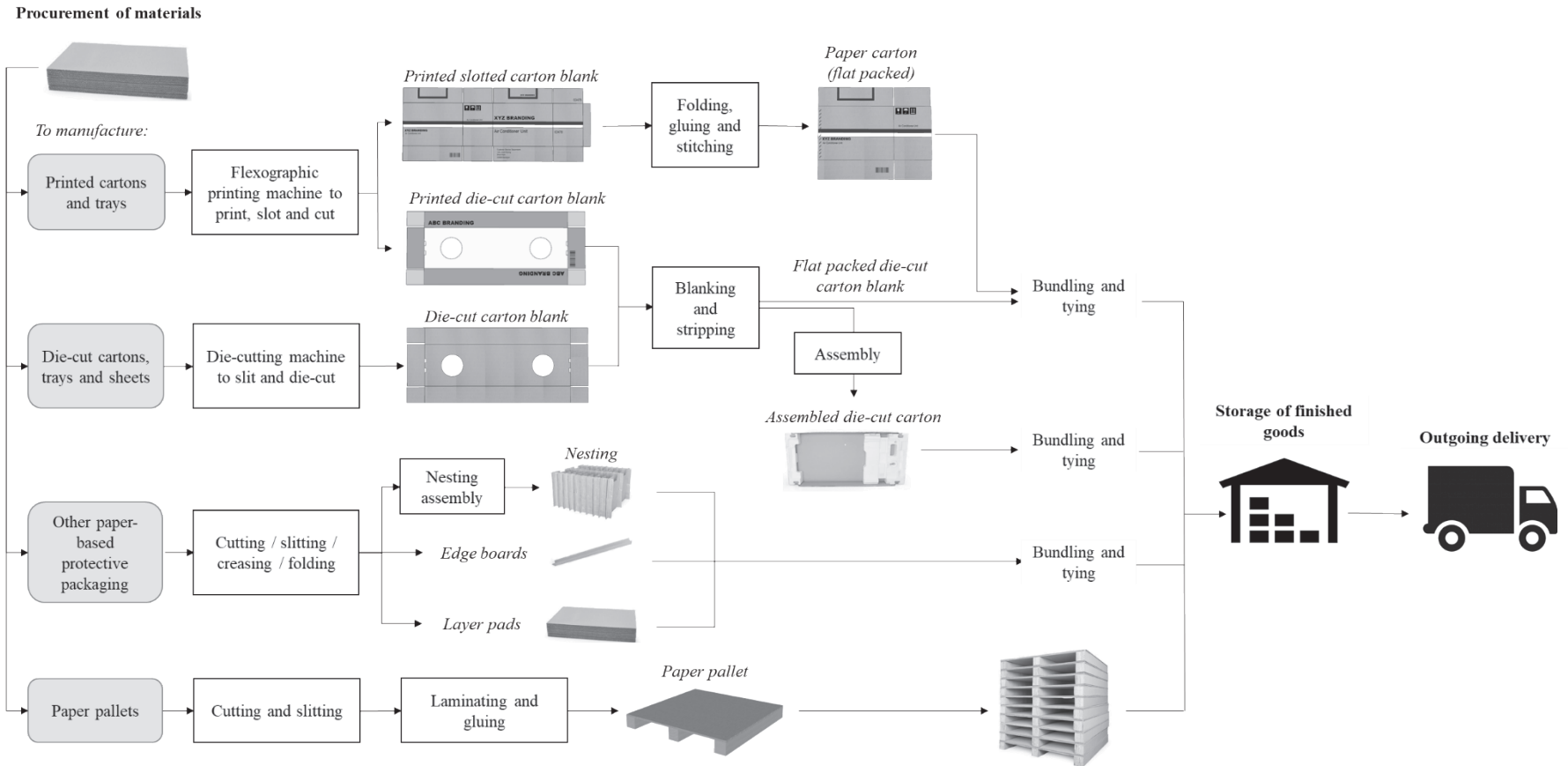
For some customers, we provide assembly and packing services at customers' premises. This process involves opening up the delivered flat carton, inserting relevant protective packaging, packing the products into the carton and sealing it. We engage independent contractors to carry out this part of the service.

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6. INFORMATION OF OUR GROUP (Cont'd)

6.3.11.2 Manufacturing of corrugated paper packaging products

The following sets out our process flow for the manufacturing of corrugated paper packaging products at our Klang Factories and Nilai Factory:



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

### (i) Procurement of materials

Materials such as corrugated boards in sheet form, adhesives, printing inks and stitching wires are purchased from suppliers. Generally, we maintain a stock keeping level of 1 to 2 weeks for our input materials such as corrugated board.

All incoming materials will go through an internal quality control check for defects. For corrugated board, we perform visual inspection for defects such as fluting defect, delamination, misalignment of layers, and bubble formation. We also measure its dimension to ensure it matches our order specification.

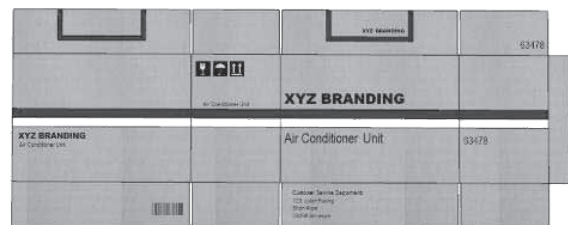
Additionally, for new designs, we will custom order and purchase printing press and die-cutter mould, if required. For large order quantities, all new design mould costs are borne by us. For small order quantities, all new design moulds are charged to customers.

### (ii) Manufacturing of printed cartons and trays

#### Printed slotted carton

The desired graphics design is loaded into the computer of the printing machine. The first section of the flexographic printing machine will print colours, logo, designs and instructions onto the bottom surface of the corrugated board. As it exits the machine, the corrugated board is creased and slotters will slot straight cuts.

#### **Example of a printed and slotted carton blank**



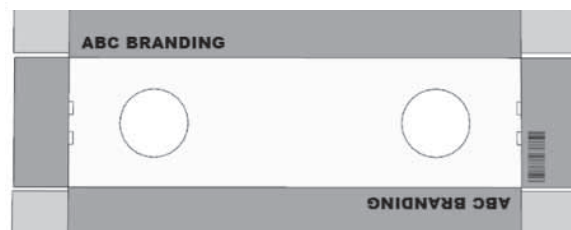
Visual checks such as printing quality, printing alignment, slotting position and other cosmetic defects are performed on the first piece of carton blank before allowing the machine to commence production print. The last piece of carton blank of every job is also inspected.

For slotted-type cartons, the next process is to fold, glue and stitch the carton blanks. We carry out this process both manually and automatically depending on the size of the carton and order size. As at the LPD, we only have 1 line of fully automated folding, gluing and stitching machine which is integrated to a tying and bundling machine to form a continuous process. This line serves carton sizes of maximum of 2.8m x 1.2m dimension of its carton blanks and for minimum order quantity of 5,000 pieces. We also have several units of semi-automatic and manual stitching machines, and bundling and tying machines.

#### Printed die-cut carton

The desired design is loaded into the computer of the printing machine and the die-cutter is installed onto the rotary wheel. We have different cutters for every design of the carton that we produce. The rotary cutters are built from two half cylinders with metal blades embedded as well as foam rubber sections to eject the cut corrugated board scrap pieces.

#### **Example of a printed and die-cut carton blank**



The first section of the flexographic printing machine will print colours, logos, designs and instructions onto the bottom surface of the corrugated board. As it exits the machine, the rotary die-cutter which moves in a circular motion will cut and crease the corrugated board.

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

After the corrugated board goes through the die-cutting process, we will perform the blanking and stripping process to remove the die-cut portion. This process is carried out manually. Next, we flat pack the die-cut carton blanks and prepare them for delivery. In a small number of cases, we may be requested to assemble the die-cut cartons or trays at our factory before delivering them to our customers.

### Changing of job orders

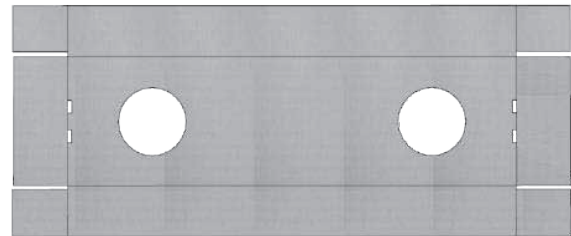
As at the LPD, we have 3 flexographic printing machines that produce both printed slotted and die-cut cartons. We commonly run on an average of 10 to 15 designs on each flexographic printing machine respectively on a daily basis. Typically, we will take approximately 15 minutes to complete a job change. The process would include pumping the cylinder to clean the ink drum, changing the printing press, changing the die cut mould and testing of few samples prior to running the job.

#### (iii) **Manufacturing of die-cut cartons, trays and sheets**

The die-cutter is installed into our automatic flatbed die-cutting machine. We have different cutters for every new design carton that we manufacture. The flatbed die cutter uses a flat die board and uses an up-and-down motion to cut the corrugated board.

We also have a manual die-cutting machine to produce die-cut sheets in smaller quantities.

**Example of a die-cut carton blank**



Next, we flat pack the die-cut carton blanks and prepare them for delivery. In a small number of cases, we may be requested to assemble the die-cut cartons or trays at our factory before delivering them to our customers.

#### (iv) **Manufacturing of other paper based protective packaging**

We utilise our slitting machine to cut the corrugated board to size to produce edge boards and layer pads. We utilise our nesting assembly machine to slot and assemble the nesting.

#### (v) **Manufacturing of paper pallets**

We utilise our slitting machine to cut the corrugated board to size. The corrugated boards are then glued together using our gluing and laminating machine to form the desired thickness for the pallet's top deck, as well as pallet runners or legs.

This process is carried out manually where we have an average of 10 workers allocated to carry out this process.

#### (vi) **Storage and warehousing**

All products are bundled and tied for storage at our warehouse in the Klang Factories and Nilai Factory. Generally, we maintain a stock keeping level of 1 to 2 weeks for our finished goods at each premises.

#### (vii) **Outgoing delivery**

All manufactured items go through a final quality check before a delivery summary order is generated from our computer system for the outgoing goods. We utilise our own fleet of 5 trucks and engage transportation companies to deliver the goods to the end users.

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

### 6.3.11.3 Supply of protective packaging products

The following sets out our process flow for the supply of protective packaging products:



#### (i) Purchase order

We receive standalone purchase orders for protective packaging, as well as part of a purchase order that includes corrugated cartons and other packaging materials. Purchase orders include our manufactured corrugated board as well as externally sourced non-paper based protective packaging, such as plastic, foam and rubber protective packaging.

Upon confirmation of purchase orders from customers or delivery instruction from consignees, we will first check if we have stocks of the required products. If we do not have the items in stock, we will place orders from our suppliers or provide instruction to our manufacturing division to produce them.

#### (ii) Procurement

For in-house manufactured protective packaging, we commonly can obtain them within 1 to 3 days if they are not already in stock.

For externally sourced products, our supplier will take approximately 3 days to process and deliver our orders to our factories. In some cases, our supplier may deliver the items directly to our customers, based on our instructions.

#### (iii) In-coming delivery and quality control

We carry out stock count, inspection and quality control for all delivered goods. All incoming materials will go through an internal quality control check for defects. We measure its dimension and thickness to ensure it matches our order specification. We also perform visual inspection for defects such as improper sealing of bags, cracks on foams, shape, and appearance.

#### (iv) Storage

Products that have passed through inspection and quality control are entered as inventory into our computer system. Products that we order to stock will be stored at our Puchong Facility or Nilai Factory. For products ordered to fulfil customer's order, they are sent to the relevant factory for incorporation with other manufactured products or directly to customers' designated locations.

#### (v) Delivery

All items go through a final quality check before a delivery summary order is generated from our ERP system for outgoing goods. We utilise our own fleet of 5 trucks and engage transportation companies to deliver the goods to the end users.

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

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**6.3.12 Research and development**

For the Financial Years Under Review and up to the LPD, we have not undertaken any research and development activity.

**6.3.13 Technology used**

Our business operations do not employ any special technology as we rely on the technologies embedded in the machinery and equipment as set out in Section 6.13 of this Prospectus.

**6.3.14 Marketing strategies and activities**

Our marketing strategies and activities are targeted at consumer electronic product manufacturers as well as parts manufacturers. For the Financial Years Under Review, sales to consumer electronic product manufacturers and 1 of its procurement centre represented more than 73.00% of our total revenue.

We adopt the following marketing strategies to address business opportunities as a manufacturer and supplier of packaging products and services:

- **Market positioning**
  - We position ourselves as a corrugated paper packaging products provider with the capability to supply corrugated paper packaging including cartons, protective packaging and pallets, as well as plastic, foam and rubber protective packaging products to meet customer's packaging needs.
  - We position ourselves as a corrugated paper packaging specialist for manufacturer and brand owners of consumer durable goods, as well as for industrial applications.
  - We position ourselves as a manufacturer of corrugated paper packaging products where we are able to liaise directly with customers to ensure that we manufacture to their exact design and specifications.
  - We position ourselves to provide prompt turnaround from purchase order to delivery based on our manufacturing capacity and our factory and warehouse locations that are near to customers' premises.
  - We position ourselves to be able to provide value-added services including collaboration with our customers in packaging design and optimisation, JIT product delivery, consignment arrangements as well as assembly and packing services for the convenience of customers.
- **Marketing activities**
  - Proactively contact and conduct sales meetings with existing and prospective customers to understand their requirements, secure sales and maintain good working relationships; and
  - Follow-up on customer referrals that we receive from existing customers, suppliers and other contacts.

As at the LPD, we have 10 personnel focusing on sales and marketing activities headed by our Sales Manager, Beh Koon Chiew.



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

### 6.3.15 Major approvals, licences and permits obtained

Details of major approvals, licences and permits obtained by our Group for our business operations as at the LPD are as follows:

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
1.	DS Packaging	Industrial licence for processing, wholesaling, storing, providing delivery services of paper boxes, storing corks and office matters at No. 27 Klang Factory	Klang Municipal Council	LL030161722	27 January 2022 / 31 December 2022 <sup>(a)</sup>	Nil	Noted
2.	DS Packaging	Business premise licence at Puchong Facility	Subang Jaya City Council	2120120500155	27 June 2022 / 26 June 2023	<p>(a) DS Packaging is prohibited from hiring any foreign workers without a valid pass under the Immigration Act 1953 and Immigration Regulations 1963.</p> <p>(b) DS Packaging shall ensure that fire prevention equipment is installed sufficiently, stairs and exit routes are maintained well.</p> <p>(c) DS Packaging has in place fire extinguishers following specifications and criteria set by Fire and Rescue Department of Malaysia.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						(d) The fire extinguishers need to be sent to the fire department annually to be tested.	Complied
3.	DS Packaging	Manufacturing licence for carton boxes at No. 27 Klang Factory <sup>(b)</sup>	MITI	A022977	7 July 2021 (effective 16 April 2021) / None	<p>(a) DS Packaging shall notify MITI and MIDA of any sale of shares in the Company.</p> <p>(b) DS Packaging shall comply with the capital investment requirements per employee of at least RM140,000.00.</p> <p>(c) The total number of full-time employees of DS Packaging shall consist of at least 80% Malaysian citizens. The hiring of foreign employees, including employees hired through external sources, are subject to current policies.</p> <p>(d) DS Packaging shall submit information on the performance of its investment and implementation of its projects under ICA and the MIDA (Incorporation) Act 1965 when require by MIDA. Failure to submit such information may result in the following:</p>	<p>Noted</p> <p>Complied</p> <p>To be complied<sup>(c)</sup></p> <p>Noted<sup>(d)</sup></p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						<p>(i) DS Packaging being guilty of an offence and liable to a fine not exceeding RM1,000.00 or to imprisonment for a term not exceeding 3 months or to both, and liable to a further fine not exceeding RM500.00 for each day the offence continues; or</p> <p>(ii) DS Packaging commits an offence if it provides any statement or other information that is false or misleading in any material particulars shall be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 6 months, or to both.</p> <p>(e) DS Packaging shall implement its projects as approved subject to the conditions of this license and in accordance with other laws and regulations in Malaysia.</p>	Noted <sup>(d)</sup>
4.	DS Manufacturing	Business premise licence at No. 29 Klang Factory	Klang Municipal Council	LL100080222	8 December 2021 / 31 December 2022 <sup>(a)</sup>	Nil	Noted

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

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
5.	DS Manufacturing	Industrial licence for producing raw materials for papers at No. 29 Klang Factory	Klang Municipal Council	LL010133022	8 December 2021 / 31 December 2022 <sup>(a)</sup>	DS Manufacturing is prohibited from assigning or displaying the licence at a different premise from the address stated on the licence.	Complied
6.	DS Manufacturing	Business premise licence at Nilai Factory	Seremban City Council	04721	29 December 2021 / 31 December 2022 <sup>(a)</sup>	DS Manufacturing shall comply with the safety and fire safety requirements required by the Fire and Rescue Department.	Complied
7.	DS Manufacturing	Printing licence for No. 29 Klang Factory <sup>(d)</sup>	Ministry of Home Affairs	A051107	16 December 2021 (effective 16 December 2021) / None	<p>(a) DS Manufacturing shall not change the address where the printers are located without the prior consent of the minister.</p> <p>(b) The printers shall not be used to print any publications which is detrimental or may be detrimental to public order, morality, safety, communications with any country or foreign government or may be against any laws or otherwise prejudices or may prejudice public interest or national interest.</p>	<p>Complied</p> <p>Complied</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						(c) The licence shall not be transferred, assigned or otherwise placed under the control of anyone else other than DS Manufacturing without prior approval from the Ministry of Home Affairs.  (d) DS Manufacturing shall not change any of its directors without prior approval from the minister.	Complied  Complied <sup>(f)</sup>
8.	DS Manufacturing	Printing licence for Nilai Factory	Ministry of Home Affairs	A051118	11 April 2022 (effective 8 April 2022) / None	(a) DS Manufacturing shall not change the address where the printers are located without the prior consent of the minister.  (b) The printers shall not be used to print any publications which is detrimental or may be detrimental to public order, morality, safety, communications with any country or foreign government or may be against any laws or otherwise prejudices or may prejudice public interest or national interest.	Complied  Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						(c) The licence shall not be transferred, assigned or otherwise placed under the control of anyone else other than DS Manufacturing without prior approval from the Ministry of Home Affairs.  (d) DS Manufacturing shall not change any of its directors without prior approval from the minister.	Complied  Complied <sup>(f)</sup>
9.	DS Manufacturing	Manufacturing licence for carton boxes at No. 29 Klang Factory <sup>(g)</sup>	MITI	A024185	2 December 2021 (effective 20 October 2021) / None	(a) DS Manufacturing shall notify MITI and MIDA of any sale of shares in the Company.  (b) DS Manufacturing shall comply with the capital investment requirements per employee of at least RM140,000.00.  (c) The total number of full-time employees of DS Manufacturing shall consist of at least 80% Malaysian citizens. The hiring of foreign employees, including employees hired through external sources, are subject to current policies.	Noted  Complied  To be complied <sup>(h)</sup>



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

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						<p>(d) DS Manufacturing shall submit information on the performance of its investment and implementation of its projects under ICA and the MIDA (Incorporation) Act 1965 when require by MIDA. Failure to submit such information may result in the following:</p> <p>(i) DS Manufacturing being guilty of an offence and liable to a fine not exceeding RM1,000.00 or to imprisonment for a term not exceeding 3 months or to both, and liable to a further fine not exceeding RM500.00 for each day the offence continues; or</p> <p>(ii) DS Manufacturing commits an offence if it provides any statement or other information that is false or misleading in any material particulars shall be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 6 months, or to both.</p>	Noted <sup>(i)</sup>

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

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						(e) DS Manufacturing shall implement its projects as approved subject to the conditions of this licence and in accordance with other laws and regulations in Malaysia.	Noted <sup>(i)</sup>
10.	DS Manufacturing	Manufacturing licence for carton boxes at Nilai Factory <sup>(g)</sup>	MITI	A024350	28 March 2022 (effective 2 March 2022) / None	<p>(a) DS Manufacturing shall notify MITI and MIDA of any sale of shares in the Company.</p> <p>(b) DS Manufacturing shall comply with the capital investment requirements per employee of at least RM140,000.00.</p> <p>(c) The total number of full-time employees of DS Manufacturing shall consist of at least 80% Malaysian citizens. The hiring of foreign employees, including employees hired through external sources, are subject to current policies.</p>	<p>Noted</p> <p>Complied</p> <p>To be complied<sup>(h)</sup></p>

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

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						<p>(d) DS Manufacturing shall submit information on the performance of its investment and implementation of its projects under ICA and the MIDA (Incorporation) Act 1965 when require by MIDA. Failure to submit such information may result in the following:</p> <p>(i) DS Manufacturing being guilty of an offence and liable to a fine not exceeding RM1,000.00 or to imprisonment for a term not exceeding 3 months or to both, and liable to a further fine not exceeding RM500.00 for each day the offence continues; or</p> <p>(ii) DS Manufacturing commits an offence if it provides any statement or other information that is false or misleading in any material particulars shall be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 6 months, or to both.</p>	Noted <sup>(i)</sup>

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

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						(e) DS Manufacturing shall implement its projects as approved subject to the conditions of this licence and in accordance with other laws and regulations in Malaysia.	Noted <sup>(i)</sup>
11.	DS Manufacturing	Certificate of fitness for Unfired Pressure Vessel	DOSH	PMT-SL/22 314049	31 October 2022 / 26 January 2024	Nil	Noted
12.	DS Manufacturing	Certificate of fitness for Unfired Pressure Vessel	DOSH	PMT-SL/22 314050	31 October 2022 / 26 January 2024	Nil	Noted
13.	DS Manufacturing	Certificate of fitness for Unfired Pressure Vessel	DOSH	PMT-NS/22 52042	9 June 2022 / 7 September 2023	Nil	Noted
14.	Kaisung	Business premise licence at Puchong Facility	Subang Jaya City Council	2120040200003	17 February 2022 / 31 December 2022 <sup>(a)</sup>	<p>(a) Kaisung is prohibited from hiring any foreign workers without a valid pass under the Immigration Act 1959/63 and Immigration Regulations 1963.</p> <p>(b) Kaisung shall ensure that fire prevention equipment is installed sufficiently, stairs and exit routes are maintained well.</p> <p>(c) Kaisung has in place fire extinguishers following specifications and criteria set by Fire and Rescue Department of Malaysia.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>

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

No.	Company	Description	Authority	Licence no. / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						(d) The fire extinguishers need to be sent to the fire department annually to be tested.	Complied

Notes:

- (a) These licenses are not automatically renewed and we typically commence to undertake full preparation for the renewal at least 2 weeks before the expiry of its respective validity.
- (b) The Group's manufacturing activities were initially undertaken by DS Manufacturing in year 2004 and the company was exempted from having a manufacturing licence for these activities as its shareholders' funds were less than RM2.50 million and it employed less than 75 full-time employees. DS Packaging commenced manufacturing activities at the No. 27 Klang Factory in 2018 and had assumed the same applied, that it was not required to have a manufacturing licence. At the end of year 2020, in the course of reviewing its licensing requirements, DS Packaging realised that it requires a manufacturing licence for its manufacturing activities and begun the process of applying to MIDA for a manufacturing licence. As such, DS Packaging was undertaking manufacturing activities without a manufacturing licence at the No. 27 Klang Factory until it had subsequently obtained a manufacturing licence, which was effective from 16 April 2021 for the No. 27 Klang Factory. As at the LPD, neither the Group's Directors nor the Group were fined or issued with any notice of non-compliance from the relevant authorities in relation to the above.
- (c) Based on the approval from MIDA, DS Packaging is required to meet all conditions, where applicable, prior to commencing its manufacturing activities. As at the LPD, DS Packaging has yet to comply with the condition or submit an application to MIDA to vary such condition under section 4(4) of the ICA. Nonetheless, pursuant to the letter dated 18 July 2022 issued by MITI to various industry and manufacturer associations, compliance with the condition that the total full-time workforce of a company to be at least 80% Malaysian citizens in all manufacturing licenses which have been issued by MITI is relaxed until 31 December 2024. Such relaxation is applicable to DS Packaging. In the event DS Packaging is unable to comply with the condition by 31 December 2024 and the extension of time application is not approved by MIDA, MIDA may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and / or revoke the licence for any breach or non-compliance of the conditions.

Notwithstanding the above, DS Packaging has made various efforts to comply with the condition, such as actively advertising and recruiting Malaysian citizens as employee as well as engaging third party agency to hire Malaysian citizens as production workers.

- (d) As at the LPD, DS Packaging had not implemented any projects since the issuance of the manufacturing licence on 7 July 2021 by MIDA. Nonetheless, DS Packaging takes note of these conditions and will submit the relevant information for any projects undertaken by it when required by MIDA as well as implement the same as approved, subject to the conditions of this license and in accordance with other laws and regulations in Malaysia.

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

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- (d) The Group has carried out printing works since 2004 at a rented factory in Telok Gong, Port Klang in Selangor and had in 2015, relocated our operations to No. 29 Klang Factory. The Group was unaware that it is required to obtain a printing licence for its printing activities as it only involves printing on corrugated boxes and the Group does not undertake printing of newspapers, magazines and booklets. In the course of the due diligence exercise, the Group realised that a printing licence is required for the operation of its flexographic printing machines, following which an application to the Ministry of Home Affairs was made on 7 October 2021. As such, the Group was using printing presses without a licence to use printing press at the rented factory in Telok Gong, Port Klang as well as No. 29 Klang Factory until it had subsequently obtained licence to use printing press in respect of its printing presses located at the No. 29 Klang Factory, which was effective from 16 December 2021. As at the LPD, neither the Group's Directors nor the Group were fined or issued with any notice of non-compliance from the relevant authorities in relation to the above.
- (e) DS Manufacturing has complied with this condition as there has not been any changes in its directors since the issuance of the printing licence on 16 December 2021 and 11 April 2022 for No. 29 Klang Factory and Nilai Factory, respectively by the Ministry of Home Affairs.
- (f) DS Manufacturing started undertaking manufacturing activities at a rented semi-detached factory in Telok Gong in 2004. In 2014, DS Manufacturing started manufacturing activities at its Nilai Factory and subsequently shifted its manufacturing operations from the rented semi-detached factory in Telok Gong to the No. 29 Klang Factory in 2015. The company was exempted from having a manufacturing licence for its manufacturing activities as its shareholders' funds was less than RM2.50 million and it employed less than 75 full-time employees.

In 2021, DS Manufacturing's shareholders' funds exceeded the manufacturing licence exemption threshold of RM2.50 million. In view of this, DS Manufacturing had on 15 September 2021 submitted an application to MIDA for a manufacturing license which was issued on 2 December 2021 and effective on 20 October 2021. However, the manufacturing licence only stipulated the address of No. 29 Klang Factory. DS Manufacturing had applied to MIDA on 7 January 2022 for a manufacturing licence for the Nilai Factory. As such, DS Manufacturing was undertaking manufacturing activities without a manufacturing licence at the No. 29 Klang Factory and Nilai Factory until it subsequently obtained manufacturing licences which were effective from 20 October 2021 for the No. 29 Klang Factory and from 2 March 2022 for the Nilai Factory. As at the LPD, neither the Group's Directors nor the Group were fined or issued with any notice of non-compliance from the relevant authorities in relation to the above.

- (g) Based on the approval from MIDA, DS Manufacturing is required to meet all conditions, where applicable, prior to commencing its manufacturing activities. As at the LPD, DS Manufacturing has yet to comply with the condition or submit an application to MIDA to vary such condition under section 4(4) of the ICA. Nonetheless, pursuant to the letter dated 18 July 2022 issued by MITI to various industry and manufacturer associations, compliance with the condition that the total full-time workforce of a company to be at least 80% Malaysian citizens in all manufacturing licenses which have been issued by MITI is relaxed until 31 December 2024. Such relaxation is applicable to DS Manufacturing. In the event DS Manufacturing is unable to comply with the condition by 31 December 2024 and the extension of time application is not approved by MIDA, MIDA may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and / or revoke the licence for any breach or non-compliance of the conditions.

Notwithstanding the above, DS Manufacturing has made various efforts to comply with the condition, such as actively advertising and recruiting Malaysian citizens as employee as well as engaging third party agency to hire Malaysian citizens as production workers.





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



- (h) As at the LPD, DS Manufacturing had not implemented any projects since the issuance of the manufacturing licence on 2 December 2021 and 28 March 2022 for No. 29 Klang Factory and Nilai Factory, respectively by MIDA. Nonetheless, DS Manufacturing takes note of these conditions and will submit the relevant information for any projects undertaken by it when required by MIDA as well as implement the same as approved, subject to the conditions of this license and in accordance with other laws and regulations in Malaysia.

**6.3.16 Intellectual property rights, patents, trademarks and registrations**

Save as disclosed below, our Group does not have any registered and / or in the process of registering any other intellectual property rights, patents, trademarks or registrations as at the LPD.

No.	Company	Type of intellectual property right	Illustration	Application / Registration no.	Issuing authority	Status / Validity period
1.	DS Sigma	Trademark		TM2022000038	Intellectual Property Corporation of Malaysia	Registered / 12 October 2022 to 3 January 2032
2.	DS Sigma	Trademark		TM2022000062	Intellectual Property Corporation of Malaysia	Registered / 12 October 2022 to 3 January 2032

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

No.	Company	Type of intellectual property right	Illustration	Application / Registration no.	Issuing authority	Status / Validity period
3.	DS Packaging	Trademark		TM2022004369	Intellectual Property Corporation of Malaysia	Registered / 9 November 2022 to 18 February 2032
4.	DS Packaging	Trademark		TM2022004370	Intellectual Property Corporation of Malaysia	Registered / 9 November 2022 to 18 February 2032

Pursuant to the Trademarks Act 2019, if a third party has registered a trademark that is identical to the aforementioned trademarks (“**Trademarks**”) and the Group use any of the trademarks without consent from the third party, the Group may be subject to legal action initiated by the third party. Nonetheless, prior to the submission of the application, our intellectual property agent has conducted a trademark search of the Trademarks and there were no registered trademarks that are identical to the Trademarks. As such, the impact of utilising unregistered trademarks is expected to be minor, if any.

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

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**6.3.17 Material dependency on contracts, intellectual property rights, licences and permits or production or business processes**

As at the LPD, save as disclosed in Sections 6.3.15 and 6.3.16 of this Prospectus, there are no other contracts including commercial or financial contracts, intellectual property rights, licences and permits or production or business processes which our Group's business or profitability is materially dependent on.

**6.3.18 Interruptions to business and operations**

Save for temporary interruptions to our business operations due to the COVID-19 pandemic conditions in Malaysia, we did not experience other interruptions to our business and operations.

Kindly refer to Sections 6.3.18.1 and 6.3.18.2 of this Prospectus for further details.

**6.3.18.1 Impact of the COVID-19 pandemic**

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of COVID-19 in the country, commencing on 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities. As a result, we have experienced interruptions to our business due to the various imposition of MCO by the Government.

Please refer to Section 8.1.8 of this Prospectus for the risk factor relating to the prolonged COVID-19 pandemic.

**(i) Various MCO measures in 2020****MCO 1.0**

The first MCO (MCO 1.0) was implemented from 18 March 2020 to 3 May 2020 which saw the closure of all businesses except for those classified as "essential services" during that period, or those that have received written approval from the MITI.

During MCO 1.0, our business operations were temporarily suspended for 28 working days from 18 March 2020 to 18 April 2020. All our Subsidiaries, DS Packaging, DS Manufacturing and Kaisung obtained their MITI approval letters on 18 April 2020 and thus we resumed our operations on 20 April 2020 with 40% workforce capacity. As a precautionary measure, we only allowed our employees in the production and QA department to enter our operating premise during this period. All other departments such as sales, accounts, purchasing, and other administrative employees were under the work from home arrangement.

**CMCO and RMCO**

Subsequently, as the number of daily and active COVID-19 cases reduced, the Government relaxed the country's restrictions and allowed the nation's economy to reopen in a controlled manner. From 4 May 2020 up to 12 January 2021, the MCO went through various phases throughout the country including CMCO and RMCO where restrictions were either relaxed and / or tightened for certain states, districts and / or location based on the number of daily and active COVID-19 cases in the respective areas.

Throughout the CMCO and RMCO period, we continued our business operations with 60% workforce capacity according to specified guidelines and SOP. As a precautionary measure, we only allowed our employees in the production and QA department to enter our operating premise during this period. All other departments (indirect workforce) were under the work from home arrangement.

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

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**(ii) Various MCO measures in 2021****Reimposition of the MCO (MCO 2.0 and MCO 3.0), CMCO and RMCO**

As the number of daily COVID-19 cases started to rise towards the end of 2020, the Government reimposed the MCO, namely MCO 2.0, in several states. The MCO 2.0 was implemented on 13 January 2021 and subsequently, transitioned to CMCO or RMCO depending on the state.

Following increases in the number of new COVID-19 cases, the third MCO (MCO 3.0) was reimposed in Kelantan from 16 April 2021, followed by 6 districts in Selangor which started from 6 May 2021 as well as Kuala Lumpur and several districts and mukims in Terengganu, Johor and Perak from 7 May 2021. On 10 May 2021, the Government announced a nationwide MCO 3.0 from 12 May 2021 until 7 June 2021. During this period, all businesses were allowed to operate, however with workforce quota restrictions where only 30% of employees in the top management group are allowed to be in the office.

Our business operations were not affected as we were allowed to operate during these periods. Our Subsidiaries received written approval to operate from the MITI and continued to operate according to specified guidelines and SOP. We continued to only allow our employees from production and QA department to enter our operating premise during this period while all other departments (indirect workforce) were under the work from home arrangement.

**NRP Phase 1**

On 28 May 2021, the Government announced the imposition of a nationwide full MCO commencing from 1 June 2021 throughout Malaysia. All sectors were not allowed to operate during this period except for those in the essential economic and service sectors, including manufacturers of packaging and printing materials. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions of business, economic, cultural, and recreational activities.

Subsequently, on 15 June 2021, the Government announced the NRP, a phased exit strategy from the COVID-19 crisis and the MCO which will be enacted from June to December 2021. The NRP consists of 4 phases including Phase 1 FMCO which commenced from 1 June 2021 as mentioned above.

As our business falls within essential services, all our Subsidiaries obtained their MITI approval letters on 31 May 2021 and continued to operate during these periods however with a 60% workforce capacity.

**EMCO in Selangor**

On 1 July 2021, the Government implemented the EMCO in a large part of Selangor and several localities in Kuala Lumpur from 3 July 2021 to 16 July 2021. Control measures were stricter and tighter in EMCO areas. The list of economic activities deemed as essential services in EMCO areas was reduced. Manufacturing of packaging products is not listed as the activities allowed to operate during the EMCO. Subsequently, on 7 July 2021, the Government announced that the manufacturing of E&E including its respective supply chain were allowed to commence operations from 8 July 2021 onwards subject to a 60% workforce capacity limit and compulsory swab testing 2 times a week on employees that were returning to work during the EMCO period. On 16 July 2021, the Government lifted the requirement on compulsory swab testing 2 times a week.

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

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In view of the above, our factory in Klang and Puchong in Selangor was impacted by the implementation of EMCO and we closed our operations in Klang and Puchong from 3 July 2021 to 7 July 2021. Only our Nilai Factory was operating during this period to fulfil any customer's requests. Subsequently, on 8 July 2021, we commenced our operations in Klang and Puchong and conducted the swab tests on employees before allowing them to return to work. We operated at 60% workforce capacity and only allowed our employees from production and QA department to enter our premises during this period. Although the compulsory swab testing was lifted on 16 July 2021, we continued to conduct swab tests on our employees that enter our premises every 2 weeks as a safety measure.

**Capacity based on vaccination rate**

Effective 16 August 2021, the Government allowed all manufacturing sector companies that is listed as essential services in the NRP Phase 1 to increase their capacity of workers on site based on the rate of fully vaccinated workers. Companies are also required to conduct swab tests every 2 weeks. We received the approvals from MITI to operate at 100% workforce capacity for DS Manufacturing and DS Packaging on 20 August 2021 and Kaisung on 30 August 2021, respectively, based on the 80% rate of fully vaccinated employees. We continued to implement swab test on our workers through self-testing every 2 weeks.

**NRP Phase 2, 3 and 4**

Negeri Sembilan and Selangor eventually transitioned to Phase 2, 3 and 4 in stages between 4 September 2021 to 18 October 2021. There were no changes to our business operations during these periods.

As a safety precaution and to ensure no interruptions to our business operations, we continued to only allow operational employees from our production and QA department and minimal administrative employees to enter our premises. All other departments (indirect workforce) are under the work from home arrangement until 6 January 2022. Since 6 January 2022 and up to the 31 March 2022, all employees have resumed work in our operating facilities, save for 5 working days from 10 February 2022 to 16 February 2022 where our administrative employees at our Puchong Facility were working from home due to the increase in COVID-19 cases at our Puchong Facility.

**'Transition to Endemic' phase**

On 1 April 2022, Malaysia entered the 'Transition to Endemic' phase and we continued to operate at full workforce capacity up to the LPD while adhering to the Government SOP and guidelines.

**6.3.18.2 Impact on our business and financial performance****(i) Year 2020**

As a result of the implementation of MCO by the Government, our business operations were temporarily suspended from 18 March 2020 to 18 April 2020. Our financial performance was impacted due to closure of our business operations in March 2020 and April 2020.

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

As such, the financial impact resulting from the MCO was reflected in the fourth quarter of FYE 30 June 2020 as summarised in the table below:

	<b>Quarter 3</b> <b>FYE 30 June</b> <b>2020</b> <i>(Jan 2020 to</i> <i>Mar 2020)</i>	<b>Quarter 4</b> <b>FYE 30 June</b> <b>2020</b> <i>(Apr 2020 to</i> <i>June 2020)</i>	<b>Quarter 1</b> <b>FYE 30 June</b> <b>2021</b> <i>(July 2020 to</i> <i>Sept 2020)</i>	<b>Quarter 2</b> <b>FYE 30 June</b> <b>2021</b> <i>(Oct 2020 to</i> <i>Dec 2020)</i>
Revenue (RM'000)	21,335	15,800	34,151	27,393
Quarter-on-quarter change (%)	0.58	-25.94	116.15	-19.79

Our Group's revenue declined by 25.94% in the fourth quarter of FYE 30 June 2020 compared to the previous quarter due to the closure of our business operations from 18 March 2020 to 18 April 2020. Our revenue declined from RM8.65 million in February 2020 to RM5.33 million in March 2020 and RM0.73 million in April 2020.

Upon resumption of our business operations on 20 April 2020, we received increased orders from our customers which resulted in an increase in revenue. This was reflected in the improvement in our Group's revenue in the first quarter of FYE 30 June 2021 by 116.15% compared to the previous quarter. Additionally, the period between July and August is the peak period for our customers, namely consumer electronic product manufacturers in conjunction with year-end and festive season sales. Generally, our sales at the end of the year in November and December would decrease.

During MCO 1.0, we continued to incur cost including staff cost, depreciation expenses, finance cost and other administrative expenses. We also incurred additional expenses for the implementation of precautionary measures and complying with SOP including swab tests, sanitisation costs and masks. Between March 2020 and up to December 2020, the total amount for these additional expenses was RM0.02 million.

### (ii) Year 2021

Despite the implementation of NRP Phase 1, as an "essential services" provider, we continued our business operations from 1 June 2021, save for temporary closure of our operating premise for 3 working days during EMCO. Furthermore, our customers are mainly in the E&E industry and as such, they were also operating during this period.

However, our business operations were slightly affected as some of our major customers faced interruptions in their business operations due to COVID-19 cases at their facilities. As such, we received lower orders from some of these customers in July 2021 and August 2021. The resultant financial impact was reflected in the first quarter of FYE 30 June 2022 as summarised in the table below:

	<b>Quarter 3</b> <b>FYE 30 June</b> <b>2021</b> <i>(Jan 2021 to</i> <i>Mar 2021)</i>	<b>Quarter 4</b> <b>FYE 30 June</b> <b>2021</b> <i>(Apr 2021 to</i> <i>June 2021)</i>	<b>Quarter 1</b> <b>FYE 30 June</b> <b>2022</b> <i>(July 2021 to</i> <i>Sept 2021)</i>	<b>Quarter 2</b> <b>FYE 30 June</b> <b>2022</b> <i>(Oct 2021 to</i> <i>Dec 2021)</i>
Revenue (RM'000)	32,505	33,809	29,646	28,793
Quarter-on-quarter change (%)	18.66	4.01	-12.31	-2.88

## 6. INFORMATION OF OUR GROUP *(Cont'd)*

Our Group's revenue declined by 12.31% in the first quarter of FYE 30 June 2022 compared to the previous quarter due to lower orders from some of our major customers as these customers faced interruptions in business operations during NRP Phase 1 in July 2021 and August 2021. The decline in revenue by 2.88% in the second quarter of FYE 30 June 2022 was mainly due to the seasonality of our sales orders from our major customers where sales orders at the end of the year in November and December would typically be lower as year-end and festive season sales are over.

In terms of expenses, from January 2021 and up to December 2021, we incurred expenses for the implementation of precautionary measures and complying with SOP including swab tests, sanitisation costs and masks which amounted to RM0.02 million.

### (iii) Year 2022

Our business operations were not materially interrupted in 2022. We recorded revenue of RM32.63 million in the third quarter of FYE 30 June 2022 (i.e. January 2022 to March 2022) and RM30.15 million in the fourth quarter of FYE 30 June 2022 (i.e. April 2022 to June 2022).

As at the LPD, we have banking facilities, namely trade facilities of up to a limit of RM4.80 million which have not been utilised.

As at the LPD, we have not received any claw-back or reduction in banking facility limits granted to us by the financial institutions. We do not expect any difficulties in meeting our debt repayment obligations during the next 12 months. We do not anticipate any material impairment to our assets, inventories and receivables. Our Board is confident that our working capital will be sufficient for our operating expenditure and will sustain our business, after taking into account our cash and bank balances and banking facilities that are available to our Group.

Based on the above, we do not expect any material adverse effects to our cash flow, liquidity, financial position and financial performance from the impact of COVID-19 for the FYE 30 June 2023.

### 6.3.18.3 Measures and steps taken in our business operations in response to COVID-19 pandemic

Since the resumption of business operations and up to the LPD, we have adhered to the SOP specified by the relevant authorities. This included the following:

- (i) implementation of temperature measurements of any employees and visitors before they enter into the factory and warehouses;
- (ii) implementation of contact tracing system and checking of risk profile before entering into our premises through MySejahtera mobile application;
- (iii) bi-weekly self-testing using self-test kits on employees that return to our premises;
- (iv) regular disinfection and sanitisation process of 3 times daily on working days in common areas including the lobby, pantry, meeting room, waste disposal area and toilets;
- (v) providing hand sanitisers at main entrances of the company's premises and all common areas;
- (vi) all employees and visitors are required to always wear face masks and practice social distancing in our premises;
- (vii) minimising physical meetings and avoiding unnecessary business-related travelling; and
- (viii) implementation of procedures in managing and ensuring the faster resumption of operations when infections in the workplace are reported.

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## 6. INFORMATION OF OUR GROUP *(Cont'd)*

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Since March 2020 and up to the LPD, 33 of our employees were infected with COVID-19 and have since fully recovered.

### 6.3.18.4 Impact on our business and earnings prospects

Our business was slightly affected due to the impact of the COVID-19 pandemic which resulted in a temporary suspension of our business operations during the MCO period in 2020. Meanwhile, in 2021, our sales orders were affected due to the interruption of our customers' business operations during NRP Phase 1 in July 2021 and August 2021.

In the event of any prolonged outbreak of the COVID-19 and / or any implementation of full lockdown measures and / or increase in restrictions to enhance MCO, this could adversely affect our future business operations and our future financial performance.

Nevertheless, we are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in the long run. This view takes into consideration the continuing recovery of Malaysian economy as well as the global economies from the COVID-19 pandemic. Overall, the Malaysian economy is forecasted to achieve real GDP growth between 6.5% and 7.0% in 2022 and forecasted to grow between 4.0% and 5.0% in 2023 (*Source: Industry Overview Report*).

Additionally, other consideration factors of the packaging industry include the general well-being of the economy that stimulates the consumption of goods, the manufacturing industry particular the E&E sector representing Malaysia's largest export sector, as well as the wholesale and retail trade sector for domestic consumption. The continuing increase in usage of e-commerce and rapid transition to digitalisation particularly in the retail segment will also drive demand for packaging materials (*Source: Industry Overview Report*).

### 6.3.19 Seasonality

Generally, we experience higher sales between July and October as our customers increase orders in conjunction with year-end and festive season sales. Generally, our sales at the end of the year in November and December would decrease.

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

**6.4 PROPERTIES, PLANT AND EQUIPMENT**

**6.4.1 Properties owned by our Group**

The properties owned by our Group as at the LPD are as follows:

No.	Title / Postal address	Registered owner / Beneficial owner	Description / Existing use	Category of land use	Restrictions in interests / Encumbrances	Land area / Approximate built-up area (sq. ft.)	Tenure	Date of issuance of CFO / CCC	NBV as at 30 June 2022 (RM'000)
1.	PN 32397, Lot 77153, Mukim Klang, Daerah Klang / No. 27, Lorong Jala 14/KS 10, Jalan Telok Gong, 42000 Port Klang, Selangor	DS Packaging	Single storey semi-detached factory with double storey office / Manufacturing facilities and office	Industrial	The ownership of the land cannot be assigned, charged or mortgaged without the approval of the State Authority / Private caveat by and charged to Public Bank Berhad	46,070 / 27,832	Leasehold of 99 years expiring on 5 October 2092	14 February 2022 <sup>(a)</sup>	7,219
2.	GRN136296, Lot 16132, Mukim Setul, Daerah Seremban / Lot 16132, Jalan Nilai 3/12, Kawasan Industri Nilai 3, 71800 Nilai	DS Manufacturing	Double storey detached office cum single storey factory / Manufacturing facilities and office	Industrial	None / Charged to Hong Leong Bank Berhad	53,507 / 31,632	Freehold	6 March 2014	5,559

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

Note:

- (a) No. 27 Klang Factory was previously issued with a valid CFO dated 21 December 2006. DS Packaging had submitted amended building plans and planning permission to Klang Municipal Council in relation to the renovation made to No. 27 Klang Factory. DS Packaging had obtained the approvals for the amended building plans and planning permission and subsequently obtained the CCC on 14 February 2022.

**6.4.2 Properties rented**

The properties rented by our Group as at the LPD are as follows:

No.	Tenant	Landlord	Existing use	Postal address	Period of tenancy / Date of expiry of tenancy	Approximate built-up area (sq. ft.)	Date of issuance of CFO / CCC	Rental per month (RM)
1.	DS Packaging	BL Kaizen	Head office, sales and administrative office, and warehouse	No. 36, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor	3 years / 30 June 2024	4,684	29 October 1999 <sup>(b)</sup>	6,000.00
2.	DS Packaging <sup>(a)</sup>	Beh Seng Lee and Lucille Teoh Soo Lien	Head office, sales and administrative office, and warehouse	No. 38, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor	3 years / 30 June 2024	4,684	29 October 1999 <sup>(b)</sup>	6,000.00
3.	DS Manufacturing <sup>(c)</sup>	Beh Seng Lee and Lucille Teoh Soo Lien	Manufacturing facilities and office	No. 29, Lorong Jala 14/KS 10, Jalan Telok Gong, 42000 Port Klang, Selangor	3 years / 30 June 2024	32,142	14 February 2022	35,000.00

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

No.	Tenant	Landlord	Existing use	Postal address	Period of tenancy / Date of expiry of tenancy	Approximate built-up area (sq. ft.)	Date of issuance of CFO / CCC	Rental per month (RM)
4.	DS Manufacturing / Kaisung	My E.G. Lodging Sdn Bhd	Worker's hostel	Unit 5-1, MySTAY Hostel, Lorong Sultan Mohamed 25, Taman IKS PKNS, Bandar Sultan Suleiman, 42000 Pelabuhan Klang, Selangor	1 year / 31 January 2023	1,539	15 June 2001	2,480.00
5.	DS Manufacturing	My E.G. Lodging Sdn Bhd	Worker's hostel	Unit 5-2, MySTAY Hostel, Lorong Sultan Mohamed 25, Taman IKS PKNS, Bandar Sultan Suleiman, 42000 Pelabuhan Klang, Selangor	1 year / 31 January 2023	1,539	15 June 2001	2,480.00
6.	DS Manufacturing / Kaisung	My E.G. Lodging Sdn Bhd	Worker's hostel	Unit 7-2, MySTAY Hostel, Lorong Sultan Mohamed 25, Taman IKS PKNS, Bandar Sultan Suleiman, 42000 Pelabuhan Klang, Selangor	1 year / 31 January 2023	1,539	15 June 2001	2,480.00

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

No.	Tenant	Landlord	Existing use	Postal address	Period of tenancy / Date of expiry of tenancy	Approximate built-up area (sq. ft.)	Date of issuance of CFO / CCC	Rental per month (RM)
7.	DS Manufacturing / Kaisung	Elite Wealth Advisory Sdn Bhd	Worker's hostel	Sri Keriung Apartment, Bandar University Teknologi Lagenda, 71700 Mantin, Negeri Sembilan	3 years / 31 December 2024	905	28 August 2003	200.00 (per worker)
8.	DS Manufacturing / Kaisung	Chee Yoon Bee and Lee Sen Yeow	Worker's hostel	B-5-7, Baiduri Court, Bandar Bukit Puchong 2, 47120 Puchong, Selangor ("Baiduri Court")	2 years / 4 April 2024	775	25 November 2009	800.00

## Notes:

- (a) Part of the premise at No. 38, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor has been sub-leased by DS Packaging to Kaisung for its operations.
- (b) The Group has carried out renovation work at the Puchong Facility in year 2014 and 2018. No application for such renovations was submitted as the Group was not aware that it was required to obtain planning permission and building plans approval before it carried out any renovation, given that such changes were to the interior of the Puchong Facility and did not involve any external modifications. In the course of the due diligence exercise, the Group realised that it would require a new CCC for the renovations carried out. As such, the Group had on 6 August 2021 submitted applications for the planning permission and building plans from Majlis Bandaraya Subang Jaya ("MBSJ") and the Fire Department. The Group had on 20 July 2022, received the support letter from the planning department of MBSJ and submitted the letter to the building department of MBSJ to obtain approval for its building plans. As at the LPD, the Group has received MBSJ's approval of the building plans dated 26 September 2022. Upon final inspection by MBSJ, the architect will issue the CCC accordingly which is expected to be obtained by the end of December 2022.

Under the Street Drainage and Building Act 1974, any person who makes any alteration to any building otherwise than is provided for in the Street Drainage and Building Act 1974 or by-laws made thereunder or without the prior written permission of the local authority shall be liable on conviction to a fine not exceeding RM25,000.00 and further may be required to alter or demolish such renovation works. As at the LPD, save for the fine of RM5,000.00 received by the Group on 19 May 2022 by MBSJ which was subsequently paid on 25 May 2022, neither the Group's Directors nor the Group were fined or issued with any notice of non-compliance from the relevant authorities in relation to the above.

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

In the event that the Group is unable to obtain the CCC for the renovation works, it may be liable to a fine of not more than RM250,000.00 and / or be required to alter or to demolish such renovation works. In any event that such renovation works cannot be demolished, the Group would then be required to relocate its head office and warehouse to another location. Nonetheless, any such relocation would not take more than 2 months and hence will not materially disrupt the operations of the Group.

- (c) Part of the premise at No. 29, Lorong Jala 14/KS 10, Jalan Telok Gong, 42000 Port Klang, Selangor has been sub-leased by DS Manufacturing to DS Packaging for its operations.

The rental of the abovementioned properties with Beh Seng Lee, Lucille Teoh Soo Lien and BL Kaizen are deemed related party transactions. Our Board has reviewed the above related party transactions and are of view that the transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties and were not detrimental to the interest of our minority shareholders. Kindly refer to Section 9.1 of this Prospectus for further details.

The Board confirms that as at the LPD, save as disclosed above, the rented properties of our Group are not in breach of any of the relevant land law and building regulations.

### 6.5 MATERIAL CAPITAL EXPENDITURE AND DIVESTITURE

#### 6.5.1 Material capital expenditure

Our capital expenditures for the Financial Years Under Review and up to the LPD are set out below:

	FYE 30 June				From 1 July 2022 up to the LPD
	2019	2020	2021	2022	
	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land and building	7,632	-	-	-	-
Plant and machinery	5,867	336	319	2,192	294
Furniture, fittings, and equipment <sup>(a)</sup>	380	121	51	278	164
Motor vehicles and forklift	467	41	261	55	158
Renovation and electrical installation	467	15	6	1,299	553
<b>Total</b>	<b>14,813</b>	<b>513</b>	<b>637</b>	<b>3,824</b>	<b>1,169</b>

Note:

- (a) Include computer and software.

The above material capital expenditure was for our operations in Malaysia and primarily financed by a combination of bank borrowings and internally generated funds.

For the FYE 30 June 2019, our capital expenditure of RM14.81 million mainly comprised the following:

- RM7.63 million for the acquisition of No. 27 Klang Factory;
- RM5.87 million mainly for the purchase of 1 unit of automatic flatbed die-cutting machine, 1 unit of flexographic printing machine, 1 unit of automatic folding, stitching and gluing machine;
- RM0.38 million for the purchase of furniture, fittings, office equipment, computer and software to equip our No. 27 Klang Factory;

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

- RM0.47 million mainly for the purchase of 3 units of lorries and 1 unit of forklift; and
- RM0.47 million for the renovation and installation of electrical system for our No. 27 Klang Factory.

For the FYE 30 June 2020, our capital expenditure of RM0.51 million was mainly for the purchase of plant and machinery amounting to RM0.34 million comprising mainly 1 unit of automatic binding machine and 1 unit of drive-in rack machine.

For the FYE 30 June 2021, our capital expenditure of RM0.64 million was mainly for the purchase of plant and machinery amounting to RM0.32 million comprising mainly 1 unit of semi-automatic 2 joint stitching machine.

For the FYE 30 June 2022, our capital expenditure of RM3.82 million was mainly for purchase of plant and machinery amounting to RM2.19 million, comprising 1 unit of flexographic printing machine, 2 units of semi-automatic pre-feeder and 1 unit of air compressor, as well as RM1.30 million for the renovation and installation of electrical system at our Klang Factories, Nilai Factory and Puchong Facility.

From 1 July 2022 and up to the LPD, our capital expenditure of RM1.17 million was mainly for the purchase of plant and machinery amounting to RM0.29 million, comprising 1 unit of sample cutter as well as RM0.55 million for the renovation of our packaging design and innovation centre.

### 6.5.2 Material capital divestiture

Our capital divestitures for the Financial Years Under Review and up to the LPD are set out below:

	FYE 30 June				From 1 July
	2019	2020	2021	2022	2022 up to
	RM'000	RM'000	RM'000	RM'000	the LPD
					RM'000
Plant and machinery	-	-	-	403	-
Motor vehicles	-	-	-	-	41
Forklifts	28	-	-	-	-
<b>Total</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>403</b>	<b>41</b>

For the FYE 30 June 2019, our capital divestitures of RM0.03 million is 1 unit of forklift.

We do not have any capital divestitures in FYE 30 June 2020 and FYE 30 June 2021.

For the FYE 30 June 2022, our capital divestiture of RM0.40 million was for 1 unit of flexographic printing machine.

From 1 July 2022 and up to the LPD, our capital divestiture of RM0.04 million was for 1 unit of passenger vehicle.

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**6. INFORMATION ON OUR GROUP (Cont'd)****6.6 EMPLOYEES**

A summary of our Group's employees as at the LPD is set out below:

Category	No. of employees					
	As at 30 June 2022			As at the LPD		
	Local	Foreign	Total	Local	Foreign	Total
Management	6	-	6	7	-	7
Sales and marketing	9	-	9	11	-	11
Administrative and accounting	22	-	22	23	-	23
Production	18	49	67	18	67	85
<b>Total</b>	<b>55</b>	<b>49</b>	<b>104</b>	<b>59</b>	<b>67</b>	<b>126</b>

As at the LPD, we have a total workforce of 126 employees, of which 59 are permanent employees and 67 are contractual employees. All the contractual employees are foreign employees under the production category and they hold valid employment pass which are subject to annual renewals. The increase in the total number of employees as at the LPD as compared to 30 June 2022 is mainly due to hiring of foreign workers for our business operations.

None of our employees are members of any union nor have there been any major industrial disputes in the past.

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

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**6.7 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES**

Our Group has implemented, and are in the midst of implementing, the following practices:

**(a) Environmental**

Our Group believes in preserving and caring for the environment. Our subsidiary, namely DS Packaging is currently an ISO 14001:2015 Environmental Management System certified company and has obtained a “Certificate of Green Partner” from Sony Group Corporation’s procurement centre since 2007. Besides this, our Group has adopted sustainable practices in relation to waste handling. All scheduled wastes generated are properly stored, packaged, labelled and collected for treatment and disposal in a timely manner by a licensed service provider. Please refer to Sections 6.1.2 and 6.8.6 for further details.

Furthermore, our Group is mainly involved in paper based products that are recyclable in nature such as corrugated cartons which comprises testliners and corrugating medium that are largely made from recycled corrugated carton and other paper based material. We also manufacture paper pallets in place of plastic and wooden pallets which are recyclable. One of the raw material for manufacturing of paper pallets is off-cuts of corrugated box which are mainly used for the legs of the paper pallet.

**(b) Social**

Our Group is committed to act responsibly to all our stakeholders in our business operations as well as to the community in which we operate.

The safety, health and welfare of our employees in our workplace is one of our top priorities. Our Group will ensure compliance with the OSHA 1994 by protecting the health and safety of our employees against the risk arising from our manufacturing processes. Our factories are well-ventilated as they are equipped with high ceiling spaces and large doorways, which is crucial in minimising infections from airborne viruses such as COVID-19. Besides this, social protection for foreign workers’ welfare is also set up by our Group. Foreign workers employed under our Group are provided with worker’s dormitories that complied with the EMSHAAA 1990. Please refer to Section 6.8.7 for further details.

In addition, our Group has taken various corporate social responsibility initiatives to serve the needs of the community. For example, in 2019, our Group offered an internship programme to University Malaysia Terengganu’s students who were interested in seeking valuable work experience. Students who participated in the programme had gained educational experience in their field of study or career interest and would develop personal and professional skills for their future career advancement. In the same year, our Group had participated in Career Day which was hosted by Help University to provide guidance to students on future workplace opportunities.

**(c) Governance**

Our Group is committed to conduct our business ethically and in compliance with all relevant laws and regulations as disclosed in Section 6.8. In maintaining high standards of corporate governance, our Board has adopted the recommendations under the MCCG.

In addition, our Group has adopted a zero-tolerance policy towards bribery, and as such have put in place the policies and procedures to ensure strict compliance with the Malaysian Anti-Corruption Commission Act 2009 and its amendments. In relation to our Group’s risk management, our Group has put in place a Risk Management Framework to monitor closely on the risk associated with the company’s objectives and have also put in place a Whistleblowing Policy to help promote and ensure fairness in business dealings.



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

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**6.8 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES**

The relevant laws and regulations governing our Group and that are material to our operations are summarised below. The following do not purport to be an exhaustive description of all relevant laws and regulations to which our business is subject to.

**6.8.1 ICA**

Pursuant to the ICA, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. The ICA defines “manufacturing activity” as the “making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”. Manufacturing companies with shareholders’ funds of RM2.50 million and above or that employ 75 or more full-time paid employees are required to apply for a manufacturing licence.

Our Subsidiaries, DS Manufacturing and DS Packaging hold manufacturing licences issued by MITI. The said manufacturing licences is valid until or unless it is revoked by MITI. Pursuant to Section 6 of the ICA, if there is a breach of any condition imposed in the manufacturing licence by our Subsidiaries, the relevant licensing officer may, in his discretion, revoke the said manufacturing licence.

Our Subsidiaries are required under a condition of its manufacturing licence to ensure that its total number of full-time employees shall consist of at least 80% Malaysian citizens. Pursuant to the letter dated 18 July 2022 issued by MITI to various industry and manufacturer associations, compliance with the condition that the total full-time workforce of a company to be at least 80% Malaysian citizens in all Manufacturing Licenses which have been issued by MITI is relaxed until 31 December 2024. Such relaxation is applicable to DS Manufacturing and DS Packaging.

As at the LPD, DS Manufacturing and DS Packaging have a total full-time employees of 31 Malaysian citizens and 25 Malaysian citizens, respectively which represent 50.82% and 62.50% of the respective company’s total number of full-time employees. As DS Manufacturing and DS Packaging do not comply with the said condition, both the companies have undertaken various efforts, such as offering salaries above the minimum wage and engaging a third party agency to hire Malaysian citizens in order to comply with this condition by 31 December 2024.

The potential penalty for the non-compliance of the abovementioned conditions imposed by the relevant authorities would be a revocation of our Subsidiaries’ manufacturing licences, at the licensing officer’s discretion. Before exercising his power to revoke a licence, the licensing officer may call upon our Subsidiaries to show, within such period as may be prescribed, due cause as to why their licences should not be revoked. The licensing officer may withhold or suspend the revocation of the licence if he is satisfied that the act or omission on our Subsidiaries’ part was due to some cause beyond its control and there is a reasonable prospect of such act or omission being remedied within such period as the licensing officer may direct.

**6.8.2 Factories and Machinery Act 1967 (“FMA”)**

The FMA and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970 provide for the control of factories with respect to matters relating to the safety, health and welfare of persons in the factories, the registration and inspection of machinery and other matters connected therewith.

Under Section 34 of the FMA, every person who occupies or uses any premises as a factory shall within 3 months submit particulars of the factory to the Chief Inspector of Factories and Machinery. No person shall except with the written permission of the Inspector of Factories and Machinery begin to use any premises as a factory until 1 month after the service of the notice.

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

Section 19 of the FMA further provides that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA. In the case of any contravention, an Inspector of Factories and Machinery appointed under the FMA shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time a valid certificate of fitness is issued.

For the purposes of FMA:

- (a) the term “machinery” includes steam boilers, unfired pressure vessels, fired pressure vessels, pipelines, prime movers, gas cylinders, gas holders, hoisting machines and tackle, transmission machinery, driven machinery, materials handling equipment, amusement device or any other similar machinery and any equipment for the casting, cutting, welding or electro-deposition of materials and for the spraying by means of compressed gas or air of materials or other materials but does not include:
  - (i) any machinery used for the propulsion of vehicles other than steam boilers or steam engines;
  - (ii) any machinery driven by manual power other than hoisting machines;
  - (iii) any machinery used solely for private and domestic purposes; or
  - (iv) office machines; and
- (b) the term “material handling equipment” includes any power driven equipment for handling materials, and includes forklift, conveyor, stacker, excavator, tractor, dumper or bulldozer but does not include hoisting machine.

In addition, Section 36 of the FMA provides that no person shall install or caused to be installed any machinery in any factory except with the written approval of the Inspector of Factories and Machinery.

As at the LPD, our Group holds and maintains valid approvals for use of factory issued by the Department of Occupational Safety and Health in respect of each of our Klang Factories and our Nilai Factory. DS Manufacturing also holds and maintains valid certificates of fitness in respect of the 3 unfired pressure vessels used in our operations and has obtained up-to-date installation approvals in respect of all machineries installed in each of our Klang Factories and our Nilai Factory as at the LPD. Our Puchong Facility is used as a warehouse and as such does not fall under purview of the FMA.

### 6.8.3 Occupational Safety and Health Act 1994 (“OSHA”)

The OSHA makes provisions for securing the safety, health and welfare of persons at work, for protecting others against risks to safety or health in connection with the activities of persons at work, and to promote an occupational environment for persons at work which is adapted to their physiological and psychological needs.

It shall be the duty of every employer to conduct its undertaking (including provision and maintenance of systems of work) in such a manner as to ensure, so far as is practicable, that he and other persons, not being its employees, who may be affected thereby are not exposed to risks to their safety or health. Every employer who provides, maintains or imports any machinery, equipment or appliance for use at work shall ensure that the same (and the installation thereof) is safe and without risks to health when properly used, carry out testing and examination as may be necessary, and ensure that the results of such tests are available.

It shall be the duty of every employer to prepare a general policy with respect to the safety and health at work of his employees and the organisation and arrangements for the time being in force for carrying out that policy. Such safety and health policy shall be revised as often as it may be appropriate and shall be brought to the notice of all employees.

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

The OSHA 1994 also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

The Group's Health and Safety Policy has been communicated to the employees of our Group.

### 6.8.4 Local Government Act 1976

Pursuant to Section 102(s) of the Local Government Act 1976, the relevant local authorities may control and supervise, by registration, licensing or otherwise, a trade, business or industry. Businesses in Kuala Lumpur are regulated by the Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) By-Laws 2016. Under Section 104 of the Local Government Act 1976, any person who breaches any by-law commits an offence and shall, on conviction be liable to a fine not exceeding RM2,000.00 or imprisonment for a term of not more than 1 year or both and a fine of RM200.00 every day during which such offence is continued after conviction.

As at the LPD, our Group holds and maintains valid business licenses issued by the relevant authorities.

### 6.8.5 Printing Presses and Publication Act 1984 ("PPPA")

The PPPA regulates the use of printing presses and the printing, importation, production, reproduction, publishing and distribution of publications. Under the PPPA, a licence to use a printing press is required for letterpress, lithography, gravure, intaglio or any other process of printing capable of printing at a rate of 1,000 impressions per hour or more.

As at the LPD, DS Manufacturing holds and maintains valid licences to use printing presses issued by the Ministry of Home Affairs in respect of the printing presses located at our No. 29 Klang Factory and Nilai Factory.

### 6.8.6 Environmental Quality Act 1974 ("EQA")

The EQA and its subsidiary regulations sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment. In particular, it regulates the discharge of certain categories of waste which are known as scheduled wastes and are more specifically set out in the Environmental Quality (Scheduled Wastes) Regulations, 2005 ("**Scheduled Wastes Regulations**") (made pursuant to the EQA).

Under Section 34B of the EQA, no person shall without prior written approval of the Director General of Environmental Quality, (a) place or deposit, except at prescribed premises, any scheduled wastes on land or into Malaysian waters; (b) receive or send scheduled wastes in or out of Malaysia; or (c) transit scheduled wastes.

The Scheduled Wastes Regulations further regulates the handling, use, storage and disposal of scheduled wastes. It also provides that, every generator of scheduled wastes shall, within 30 days from the date of generation of scheduled wastes, notify the Director General of Environmental Quality of the new categories and quantities of scheduled wastes which are generated. In addition, a generator of scheduled wastes shall keep accurate and up-to-date inventory of the categories and quantities of scheduled wastes being generated, treated and disposed of and of materials or product recovered from such scheduled wastes for a period up to 3 years from the date the scheduled wastes were generated.

In the course of our operations, our Group generates ink wastes, which are considered scheduled wastes under the Scheduled Wastes Regulations, classified under the following waste code:

Waste code	Description
SW 417	Waste of inks, paints, pigments, lacquer, dye or varnish

We ensure that all scheduled wastes generated are properly stored, packaged, labelled and collected for treatment and disposal in a timely manner.

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

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We have appointed a licensed service provider to collect and transport scheduled wastes from our factory, and dispose, treat and carry out other waste management related services at premises of the licensed service provider.

Our scheduled waste comprise liquid waste where we contained in plastic drums. The plastic drums are labelled with our name, address and telephone number and other information such as waste characteristic, waste code, waste name, and date of waste generation. The plastic drums are stored in designated areas in our factories, which are built to include features such as concrete floors free of cracks and gaps, roofed and rain water or surface water prevention, to prevent spillage or leakage of scheduled wastes into the environment.

As at the LPD, our Group has duly notified the Department of Environment and has kept accurate and up-to-date inventory of scheduled waste generated, treated and disposed of by our Group with the Department of Environment, as required under the Scheduled Wastes Regulations.

### 6.8.7 **Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("EMSHAAA 1990")**

The EMSHAAA 1990 and its subsidiary regulations require employers and centralised accommodation providers to comply with the minimum statutory requirements relating to centralised accommodation provided to employees. A centralised accommodation provider is defined as any person who provides and manages any building used for the housing of employees employed by one or more employers and supervises the services provided in such building for one or more employers but does not include an employer who provides accommodations for his own employees.

The EMSHAAA 1990 was amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 where effective from 1 June 2020, employers must abide by enhanced minimum standards on accommodation for employees which includes obtaining a Certificate of Accommodation from the Department of Labour Peninsular Malaysia. Notwithstanding, a 3 months' grace period up to 31 August 2020 was granted to allow employers to making necessary arrangements to ensure compliance with the EMSHAAA 1990.

As at the LPD, we have engaged centralised accommodation providers in respect of all accommodation provided to our employees and have submitted the Notice of Occupation for all our foreign employees with the Department of Labour Peninsular Malaysia. In the event additional foreign employees are employed by us, we will arrange for necessary accommodation which complies with the EMSHAAA 1990. Kaisung had applied for the certificate of accommodation in respect of Baiduri Court on 31 January 2022 and had on 22 March 2022 obtained the certification of accommodation from Department of Labour Peninsular Malaysia.

### 6.8.8 **Street, Drainage and Building Act 1974 ("SDBA")**

The SDBA is enforced by the local authorities of Peninsular Malaysia and it provides for the requirement of having CCC for the occupation of any building or any part thereof.

A person who occupies a premise without a CCC is subject to a fine of up to RM250,000, imprisonment for a term of up to 10 years, or both, under the SDBA.

Save as disclosed under Section 6.4.2 of this Prospectus, all the properties owned and rented by our Group have valid CCC.

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

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**6.8.9 Fire Services Act 1988**

The Fire Services Act 1988 provides for the effective and efficient functioning of Jabatan Bomba, for the protection of persons and property from fire risks or emergencies. The Fire Services Act 1988 provides, amongst other matters, that a fire certificate be issued only after the designated premises (for example, shops and factories) have been inspected and Jabatan Bomba is satisfied that there are adequate fire-fighting equipment or fire safety installation in relation to the use of the designated premises.

Where there is no fire certificate in force, the owners of such premises may become subject to a fine of up to RM50,000 and / or imprisonment of up to 5 years (or both). Jabatan Bomba also has a general authority to order or direct the owner or occupier of any premises to cease any activities if Jabatan Bomba is satisfied that, amongst others, any continued activity would constitute an immediate danger of fire prejudicial to the safety of life or property.

As at the LPD, our Group have complied with the Fire Services Act 1988. In addition, we will endeavour to maintain and renew the same in compliance with the relevant laws and regulations.

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

**6.9 MAJOR CUSTOMERS**

The table below lists our top 5 major customers for the Financial Years Under Review:

**(i) FYE 30 June 2019**

Major customers	Revenue contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products / services offered
	(RM'000)	(%)			
SSCSM <sup>(b)</sup>	39,288	37.17	13	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products, and paper pallets
Samsung Electronics <sup>(c)</sup>	24,675	23.35	17	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
SOEM <sup>(b)</sup>	16,695	15.80	6	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products, and paper pallets
PAACM <sup>(d)</sup>	10,804	10.22	13	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
PAVC <sup>(d)</sup>	5,060	4.79	9	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
<b>Total</b>	<b>96,522</b>	<b>91.33</b>			

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6. INFORMATION ON OUR GROUP (Cont'd)

(ii) FYE 30 June 2020

Major customers	Revenue contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products / services offered
	(RM'000)	(%)			
SSCSM <sup>(b)</sup>	28,209	32.84	14	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products, and paper pallets
Samsung Electronics <sup>(c)</sup>	21,884	25.48	18	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
PAACM <sup>(d)</sup>	13,854	16.13	14	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
SOEM <sup>(b)</sup>	12,952	15.08	7	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products, and paper pallets
PAVC <sup>(d)</sup>	1,992	2.32	10	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
<b>Total</b>	<b>78,891</b>	<b>91.85</b>			

(iii) FYE 30 June 2021

Major customers	Revenue contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products / services offered
	(RM'000)	(%)			
SSCSM <sup>(b)</sup>	28,816	22.54	15	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products, and paper pallets
Samsung Electronics <sup>(c)</sup>	26,300	20.57	19	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
SOEM <sup>(b)</sup>	25,531	19.97	8	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products, and paper pallets
PAACM <sup>(d)</sup>	17,212	13.46	15	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
YH Precision (M) Sdn Bhd	5,465	4.27	18	Malaysia	Carton and plastic packaging, laminated PE foam and cushion
<b>Total</b>	<b>103,324</b>	<b>80.81</b>			

6. INFORMATION ON OUR GROUP (Cont'd)

(iv) FYE 30 June 2022

Major customers	Revenue contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products / services offered
	(RM'000)	(%)			
Samsung Electronics <sup>(c)</sup>	22,915	18.90	20	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
SOEM <sup>(b)</sup>	22,867	18.86	9	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products, and paper pallets
SSCSM <sup>(b)</sup>	21,570	17.80	16	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products, and paper pallets
PAACM <sup>(d)</sup>	18,144	14.97	16	Malaysia	Corrugated cartons, paper and non-paper based protective packaging products
YH Precision (M) Sdn Bhd	6,192	5.11	19	Malaysia	Carton and plastic packaging, laminated PE foam and cushion
<b>Total</b>	<b>91,688</b>	<b>75.64</b>			

Notes:

- (a) Length of business relationship is determined at each of the respective FYEs.
- (b) SSCSM and SOEM are wholly-owned subsidiaries of Sony Group Corporation, a company listed on the Tokyo Stock Exchange and New York Stock Exchange.
- (c) Samsung Electronics is a wholly-owned subsidiary of Samsung Electronics Co., Ltd, a company listed on the Korea Exchange.
- (d) PAACM and PAVC are wholly-owned subsidiaries of Panasonic Corporation, a company listed on the Tokyo Stock Exchange.



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

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We are dependent on the following customers due to the quantum of their contribution to our revenue during the Financial Years Under Review:

**(i) SSCSM**

As at the LPD, SSCSM has been our customer for 16 years. Revenue from SSCSM accounted for 37.17%, 32.84%, 22.54% and 17.80% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

SSCSM provides total logistics solution including logistics forwarding, international procurement centre, transportation and warehousing to Sony Group Corporation's manufacturing plants in Malaysia. As such, SSCSM undertakes the procurement and sourcing of various parts and components including precision metal, plastic and E&E parts from suppliers in Malaysia for Sony group's manufacturing operations locally and internationally.

We provide total packaging and sell our packaging products as a complete set to SSCSM where we supply corrugated cartons and protective packaging products, paper pallets and non-paper based protective packaging products such as plastic bags and sheets, and laminated PE foams as a set to SSCSM. Our sales to SSCSM are sold via the consignment arrangement where sets of packaging products are delivered to SSCSM's vendors for the packaging of their parts and components.

We also deal with 1 related company of SSCSM, namely SOEM who is also 1 of our major customers. Collectively, our revenue generated from Sony Group of Companies accounted for 52.97%, 47.92%, 42.51% and 36.66% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

**(ii) Samsung Electronics**

As at the LPD, Samsung Electronics has been our customer for 20 years. Revenue from Samsung Electronics accounted for 23.35%, 25.48%, 20.57% and 18.90% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

Samsung Electronics undertakes the manufacturing and sale of microwave ovens, printed circuit boards and magnetrons. Samsung Electronics is the only manufacturing plant that produces microwave ovens for Samsung group globally.

We supply corrugated cartons, and paper and non-paper based protective packaging products such as plastic bags and sheets, laminated PE foams, cushions and rubber packaging materials to Samsung Electronics for packaging of their microwave ovens for distribution locally and internationally.

**(iii) SOEM**

As at the LPD, SOEM has been our customer for 9 years. Revenue from SOEM accounted for 15.80%, 15.08%, 19.97% and 18.86% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

SOEM undertakes the manufacturing of electronic audio and video equipment in Malaysia. SOEM offers a wide range of electronic products such as televisions, projectors, tablets, camera, computer peripherals, phones and video games.

We supply corrugated cartons, paper and non-paper based protective packaging products, and paper pallets such as plastic bags and sheets, and laminated PE foam to SOEM for the packaging of their televisions range.

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

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**(iv) PAACM**

As at the LPD, PAACM has been our customer for 16 years. Revenue from PAACM accounted for 10.22%, 16.13%, 13.46% and 14.97% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

PAACM undertakes the manufacturing of air conditioners and related parts and components in Malaysia.

We supply corrugated cartons, and paper and non-paper based protective packaging products such as plastic bags and sheets and laminated PE foam to PAACM for their packaging of air-conditioners for distribution throughout Malaysia for retail sales.

We also deal with 4 related companies of PAACM, namely PAVC, who manufactures LCD television in Malaysia as well as Panasonic Procurement Malaysia Sdn Bhd, Panasonic Manufacturing Malaysia Berhad and Panasonic Appliances Air-Conditioning (R&D) Malaysia Sdn Bhd. Collectively, our revenue generated from Panasonic Group of Companies accounted for 15.44%, 18.80%, 16.04% and 17.87% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

**(v) PAVC**

As at the LPD, PAVC has been our customer for 12 years. Revenue from PAVC accounted for 4.79%, 2.32%, 2.43% and 2.79% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

PAVC undertakes the manufacturing of LCD television in Malaysia.

We supply corrugated cartons, and paper and non-paper based protective packaging products such as plastic bags and sheets, and laminated PE foam to PAVC for their packaging of LCD television parts and components.

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

**6.10 MAJOR SUPPLIERS**

The table below lists our top 5 major suppliers for the Financial Years Under Review:

**(i) FYE 30 June 2019**

Major suppliers	Purchase contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products / services purchased
	(RM'000)	(%)			
GS Paperboard <sup>(b)</sup>	28,904	51.16	11	Malaysia	Corrugated board
Antawise Sdn Bhd	5,319	9.42	4	Malaysia	Plastic bags and sheets
Supplier A <sup>(c)</sup>	4,046	7.16	2	Malaysia	Corrugated cartons, paper pallets and nestings
CK Packaging & Marketing Sdn Bhd	2,963	5.25	13	Malaysia	Laminated PE foam and stretch film
Supplier B <sup>(d)</sup>	2,289	4.05	9	Malaysia	Corrugated cartons and paper pallets
<b>Total</b>	<b>43,521</b>	<b>77.04</b>			

**(ii) FYE 30 June 2020**

Major suppliers	Purchase contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products / services purchased
	(RM'000)	(%)			
GS Paperboard <sup>(b)</sup>	16,390	34.37	12	Malaysia	Corrugated board
Ornapaper Industry (M) Sdn Bhd	7,358	15.43	1	Malaysia	Corrugated board
Supplier A <sup>(c)</sup>	4,688	9.83	3	Malaysia	Corrugated cartons, paper pallets and nestings
Antawise Sdn Bhd	3,963	8.31	5	Malaysia	Plastic bags and sheets
CK Packaging & Marketing Sdn Bhd	2,617	5.48	14	Malaysia	Laminated foam and stretch film
<b>Total</b>	<b>35,016</b>	<b>73.42</b>			

6. INFORMATION ON OUR GROUP (Cont'd)

(iii) FYE 30 June 2021

Major suppliers	Purchase contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products / services purchased
	(RM'000)	(%)			
GS Paperboard <sup>(b)</sup>	23,339	32.88	13	Malaysia	Corrugated board
Far East Packaging Ind (Melaka) Sdn Bhd	15,635	22.03	2	Malaysia	Corrugated board
Supplier A <sup>(c)</sup>	7,908	11.14	4	Malaysia	Corrugated cartons, paper pallets and nestings
Antawise Sdn Bhd	5,793	8.16	6	Malaysia	Plastic bags and sheets
CK Packaging & Marketing Sdn Bhd	3,232	4.55	15	Malaysia	Laminated PE foam and stretch film
<b>Total</b>	<b>55,907</b>	<b>78.76</b>			

(iv) FYE 30 June 2022

Major suppliers	Purchase contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products / services purchased
	(RM'000)	(%)			
GS Paperboard <sup>(b)</sup>	20,849	30.66	14	Malaysia	Corrugated board
Far East Packaging Ind (Melaka) Sdn Bhd	16,774	24.67	3	Malaysia	Corrugated board
Supplier A <sup>(c)</sup>	12,492	18.37	5	Malaysia	Corrugated cartons, paper pallets and nestings
Antawise Sdn Bhd	4,986	7.33	7	Malaysia	Plastic bags and sheets
CK Packaging & Marketing Sdn Bhd	2,539	3.74	16	Malaysia	Laminated PE foam and stretch film
<b>Total</b>	<b>57,640</b>	<b>84.77</b>			

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

Notes:

- (a) Length of business relationship is determined at each of the respective FYEs.
- (b) GS Paperboard is a subsidiary of Oji Holdings Corporation, a company listed on the Tokyo Stock Exchange. We also deal with 1 other related company of GS Paperboard, namely GS Paperboard & Packaging Sdn Bhd in FYEs 30 June 2019 and 30 June 2020 (collectively known as “GSPP Group”). Collectively, our revenue generated from GSPP Group accounted for 53.27%, 34.46%, 32.88% and 30.66% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.
- (c) Supplier A is principally involved in the manufacturing of corrugated cartons, die-cut foams and other related products with business operations in Malacca, Malaysia. The name of Supplier A has not been disclosed to safeguard the competitive position of our Group and our supplier in the market in which we and / or our supplier operates.
- (d) Supplier B is principally involved in the manufacturing of corrugated paper pallets and edge protector, and provision of transportation services with business operations in Malacca, Malaysia. The name of Supplier B has not been disclosed to safeguard the competitive position of our Group and our supplier in the market in which we and / or our supplier operates.

In the past, we were dependent on GS Paperboard as our supplier for corrugated boards. However, in recent years, we have been reducing our dependency on GS Paperboard as evidenced by the decline in purchases from GS Paperboard from 51.16% in FYE 30 June 2019 to 34.37%, 32.88% and 30.66% in FYE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022, respectively. Since FYE 30 June 2020, we started sourcing corrugated boards from another major supplier namely Far East Packaging Ind (Melaka) Sdn Bhd which accounted for 5.29%, 22.03% and 24.67% of our total purchases in FYE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022 respectively.

As for the remaining major suppliers, we were not dependent on any individual supplier for our business operations as the types of materials and services that we purchase from these suppliers, such as corrugated cartons and protective packaging products, plastic bags and sheets and laminated PE foam, can be sourced from other suppliers.

### 6.11 SOURCES AND AVAILABILITY OF MATERIALS AND SERVICES

The following are the materials and services that we purchased for our business operations for the Financial Years Under Review:

	FYE 30 June							
	2019		2020		2021		2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Materials</b>	<b>48,636</b>	<b>86.09</b>	<b>41,675</b>	<b>87.39</b>	<b>60,547</b>	<b>85.29</b>	<b>53,607</b>	<b>78.84</b>
Materials for manufacturing operations	30,962	54.81	27,249	57.14	41,882	59.00	38,795	57.06
- <i>Corrugated boards</i>	30,301	53.64	26,689	55.96	40,962	57.70	37,672	55.41
- <i>Other materials</i>	661	1.17	560	1.18	920	1.30	1,123	1.65
Non-paper based protective packaging products	17,674	31.28	14,426	30.25	18,665	26.29	14,812	21.78
<b>Subcontracted products and services</b>	<b>7,858</b>	<b>13.91</b>	<b>6,015</b>	<b>12.61</b>	<b>10,440</b>	<b>14.71</b>	<b>14,389</b>	<b>21.16</b>
<b>Total</b>	<b>56,494</b>	<b>100.00</b>	<b>47,690</b>	<b>100.00</b>	<b>70,987</b>	<b>100.00</b>	<b>67,996</b>	<b>100.00</b>

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

We source the following materials and services for our business operations:

- **Corrugated boards:** The key input material for our manufacturing operations is corrugated boards used in the manufacture of corrugated cartons, protective packaging and paper pallets. The purchase of corrugated boards accounted for 53.64%, 55.96%, 57.70% and 55.41% of our total purchases for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022, respectively. We purchase 2 types of corrugated boards namely boards made from testliner (mainly using recycled paper) and boards made from kraftliner (mainly using virgin wood pulp). All our purchases of corrugated boards are from local suppliers and as at the LPD, we purchase these products from 2 suppliers.

As wood pulp is one of the raw materials required to produce paper products including corrugated boards, fluctuations in the prices of wood pulp would impact on our purchases of corrugated boards. Please refer to Section 8.1.3 of this Prospectus for further details on risk on fluctuations in material prices.

- **Other materials:** The purchases of other materials accounted for 1.17%, 1.18%, 1.30% and 1.65% of our total purchases for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022, respectively. Other materials include glue, stitching wire, ink, and die cut mould for our manufacturing of corrugated paper packaging products. All these purchases are from suppliers in Malaysia.
- **Non-paper based protective packaging products:** The purchases of non-paper based protective packaging products accounted for 31.28%, 30.25%, 26.29% and 21.78% of our total purchases for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022, respectively. This includes purchases of plastic-based products such as plastic and bubble sheets and bags, and stretch films, foam-based products such as laminated PE foam bags, EPS trays, and EPE foam, as well as rubber-based products such as rubber stoppers. All these purchases are from suppliers in Malaysia.
- **Subcontracted products and services:** The purchases of subcontracted products and services accounted for 13.91%, 12.61%, 14.71% and 21.16% of our total purchases for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022, respectively. We subcontract some of the manufacturing of corrugated cartons and protective packaging to external manufacturers according to our specifications. As at the LPD, we have 3 subcontractors providing these services.

### 6.12 EXCHANGE CONTROL

We do not have any foreign subsidiaries. As such, as at the LPD, there are no governmental law, decree, regulation or other requirement which may affect the repatriation of capital and remittance of profit by or to our Group.

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

### 6.13 KEY MACHINERY AND EQUIPMENT

Our main machinery and equipment for our manufacturing operations are as follows:

	As at 30 June 2022		
	Number of units	Average age (years)	Carrying amount (RM'000)
<b><u>Manufacturing of corrugated cartons and protective packaging</u></b>			
Flexographic printing machine	3	4	3,627
Die-cut machines			
- Automatic flatbed die-cut	1	4	615
- Manual die-cut	2	17	-
Slitter machine <sup>(a)</sup>	2	8	5
Stitching machine			
- Automatic folding, stitching and gluing machine	1	3	1,292
- Semi-automatic 2 joint stitching machine	2	3	393
- Semi-automatic stitching machine	1	4	92
- Manual stitching machine	12	10	17
Nesting assembly machine	1	3	173
Semi-automatic pre-feeder	2	<1	357
<b><u>Manufacturing of paper pallets</u></b>			
Laminating machine	3	6	10
Gluing machine	5	9	11
<b><u>Processing of plastic and foam bags</u></b>			
Slitting / cutting machine	2	14	-
Sealing machine	1	16	-

The following sets out our equipment for testing and quality control at our Klang Factories:

	As at 30 June 2022		
	Number of units	Average age (years)	Carrying amount (RM'000)
Compression testing machine	1	16	-
Burst strength testing machine	1	16	-
Paper moisture meter	1	6	1
Grammage testing machine	1	5	1
Push pull gauge	1	5	*

Notes:

\* Negligible.

(a) The slitter machine is also being used for the manufacturing of paper pallets to cut corrugated fibreboards to size before the lamination or gluing process.

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

We intend to continue using the machinery and equipment which are near their average useful life or have passed their useful life, after taking into consideration the following:

- condition and efficiency of the machinery and equipment; and
- the financial impact (depreciation and maintenance cost of the existing machinery and equipment as compared to replacement of new machinery and equipment), of which is not expected to be material to our Group.

The average age of some of our key machinery and equipment is more than their respective average lifespan ranging from 5 to 10 years, and we continue to use the said machines as they are still operational, which is in line with the above considerations.

### 6.14 PRODUCTION CAPACITY AND OUTPUT

Our production capacity, output and utilisation rate for our main production facilities for the Financial Years Under Review are estimated below.

#### (i) Printing, slotting and cutting of carton blanks using flexographic printing machines

Annual	FYE 30 June			
	2019	2020	2021	2022
Production capacity <sup>(a)</sup> (million pieces)	21.61 <sup>(b)</sup>	25.23	25.23	26.09 <sup>(c)</sup>
Output <sup>(c)</sup> (million pieces)	10.00	12.29	12.20	8.18 <sup>(f)</sup>
Utilisation rate (%)	46.27	48.71	48.36 <sup>(d)</sup>	31.35 <sup>(f)</sup>

Notes:

- (a) Based on the production capacity of 3 units of flexographic printing machines. The production capacity is computed based on:
- average speed of machine of 2,000, 2,500 and 2,500 pieces per hour for each respective machine;
  - downtime allowance for an average of 12, 6 and 12 job changes daily for each machine respectively at an average of 15 minutes per job change;
  - allowance for scheduled and unscheduled repair and maintenance of machine estimated at an average of 10% of total operating time for each machine; and
  - assume operational time of 16 hours a day, 6 days a week less gazetted holidays averaging 302 days a year.
- (b) 1 unit of flexographic printing machine was fully operational commencing from January 2019 onwards. This resulted in the increase in production capacity in FYE 30 June 2020 as the machine operated for a full financial year.
- (c) We normally operate 1 shift of 8 hours plus 2 to 3 hours overtime per day, 6 days a week less gazetted public holidays which comes to an average of 302 days per year.
- (d) The decline in the utilisation rate for our flexographic printing machines in FYE 30 June 2021 was mainly due to the subcontracting of certain job orders to our subcontractors due to closer proximity to one of our major customers.



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

- (e) In January 2022, we acquired 1 new unit of flexographic printing machine and disposed 1 unit of flexographic printing machine that was purchased in 2004. As the new machine has a higher production capacity of an average output of 2,500 pieces per hour as compared to the average output of 2,000 pieces per hour for the flexographic printing machine that was disposed, this resulted in the increase in the overall production capacity for our flexographic printing machine in FYE 30 June 2022.
- (f) The decline in the production output and utilisation rate for our flexographic printing machines in FYE 30 June 2022 was partly due to the subcontracting of certain job orders to our subcontractors due to closer proximity to one of our major customers, coupled with a decrease in orders from some of our major customers in July 2021 and August 2021 as they faced interruptions to their business operations during NRP phase 1 period, as well as decrease in orders from a major customer that had to halt Russian product models amidst the international sanctions placed on Russia in early 2022.

During the Financial Years Under Review, the low utilisation rates of our flexographic printing machines were mainly due to the following factors:

- we operate 1 shift commonly with overtime of 2 to 3 hours per day;
- our machinery is standalone and not fully automated;
- we have space constraints;
- we face labour shortage; and
- we operate based on orders received and on JIT stockholding.

In practical terms, we could run our manufacturing operations based on 2 shifts of 8 hours per shift, giving a total capacity of 16 hours per working day. However, since we operate on 1 shift per day, effectively our utilisation rate would be reduced by 50% without overtime, and with overtime it would be reduced by approximately 30%.

Currently, our production of corrugated cartons is segmented into several stages. Firstly, the flexographic printing machine prints and cuts the corrugated board into carton blanks. These carton blanks are then transferred using a forklift to the next stage of folding and stitching. Depending on the size of the cartons, the folding and stitching may be carried out using the fully automated machine, semi-automated machine or manually using the manual stitching machine. Additionally, the final bundling and palletisation process is also manually handled by our workers using the bundling and tying machine.

These processes are not integrated to run automatically and thus require labour to transfer the semi-finished product from one stage to the next stage. In addition, space is required to stock input and output materials in each stage, as well as sufficient space for workers to carry out their duties safely and efficiently.

Therefore, due to the space constraint coupled with the shortage of labour, we are unable to ramp up production of our flexographic printing machine. As such, we were unable to handle certain type of orders, such as those that comprise high mix of products but low volume of each product, which are labour intensive. We normally pass on these types of orders to our subcontractors.

In order to resolve the issue of space constraint and shortage of labour, we intend to acquire a larger factory in Klang, and purchase automated and robotic packing machines to fully automate our corrugated carton production lines. This may subsequently resolve the issue of low utilisation rate of our flexographic printing machines. Please refer to Section 6.15.1.2 and Section 6.15.2.1 of this Prospectus for further details.

Furthermore, we operate based on orders received and JIT stockholding. Thus, we do not run our machinery to hold stocks.

**6. INFORMATION ON OUR GROUP (Cont'd)****(ii) Die-cutting sheets with multi designs using fully automatic die-cut machine**

Annual	FYE 30 June			
	2019	2020	2021	2022
Production capacity <sup>(a)</sup> (million pieces)	8.70	8.70	8.70	8.70
Output <sup>(b)</sup> (million pieces)	0.72	0.81	0.92	1.93
Utilisation rate <sup>(c)</sup> (%)	8.28	9.31	10.57	22.18

Notes:

- (a) Based on the production capacity of 1 unit of fully automatic flatbed die-cut machine. The production capacity is computed based on:
- average speed of machine of 2,000 pieces per hour;
  - negligible downtime for job changes daily;
  - allowance for scheduled and unscheduled repair and maintenance of machine estimated at an average of 10% of total operating time for each machine; and
  - assume operational time of 16 hours a day, 6 days a week less gazetted holidays averaging 302 days a year.
- (b) We normally operate this machine for only 4 hours per day, 6 days a week less gazetted public holidays which comes to an average of 302 days per year.
- (c) The low utilisation rate of our fully automatic flatbed die-cut machine is mainly due to low orders of die-cut sheets from customers and as such, we typically only operate the said machine 4 hours daily. The low utilisation rate is also partly due to the labour constraints that our Group is facing as the die cut sheets produced from the machine require manual labour to remove the excess paper from the die cut sheets although the machine is fully automatic. Thus, we were unable to handle certain type of orders, such as those that comprise high mix of products but low volume of each product, which are labour intensive. We normally pass on these types of orders to our subcontractors.

Nevertheless, our utilisation rate of our fully automated flatbed die-cut machine has been increasing from 8.28% in FYE 30 June 2019 to 9.31% in FYE 30 June 2020, 10.57% in FYE 30 June 2021 and 22.18% in FYE 2022.

**(iii) Manufacturing of paper pallets**

The manufacturing of paper pallets is highly manual which involves human workforce to cut, slit, laminate and glue together multiple layers of corrugated board to form the paper pallets. As such, the computation of production capacity for the manufacturing of paper pallets is not meaningful.

**(iv) Manufacturing of paper based protective packaging products**

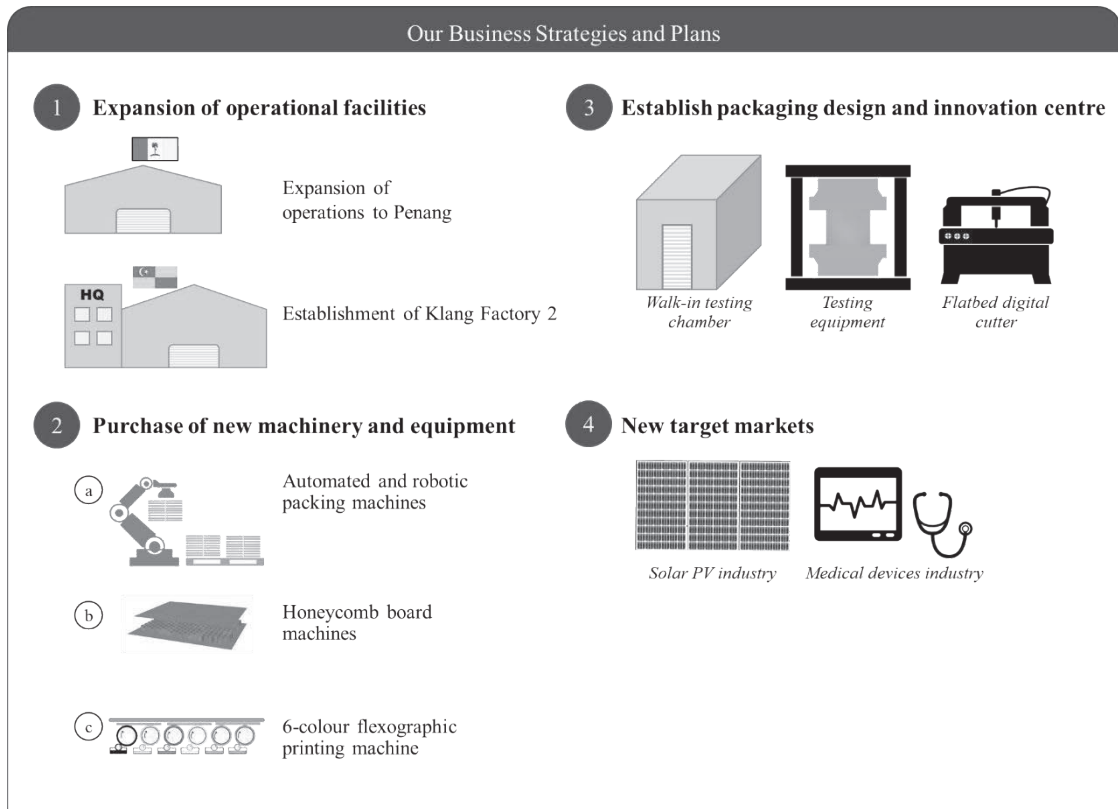
The manufacturing of paper based protective packaging products is also highly manual which involves human workforce to cut, slit, slot, fold and assemble corrugated board to form the various protective packaging products such as layer pads, edge boards and nesting. As such, the computation of production capacity for the manufacturing of paper protective packaging products is not meaningful.

6. INFORMATION ON OUR GROUP (Cont'd)

6.15 BUSINESS STRATEGIES AND PLANS

Moving forward, our strategy is to leverage on our core competency and strengths as a packaging products provider with in-house manufacturing of corrugated paper packaging products supplemented by supply of other packaging products to serve as a platform to address business opportunities and growth.

Our business strategies and plans are summarised in the following diagram:



We aim to implement the above business strategies and plans between 2023 and 2025. In the event of a prolonged COVID-19 pandemic and continuing containment measures, this would adversely affect our ability to implement our business strategies and plans based on the timeline set out in the sections below. Failure to implement our business strategies and plans promptly may negatively affect our business operations, prospects and financial results.

6.15.1 Expansion of operational facilities

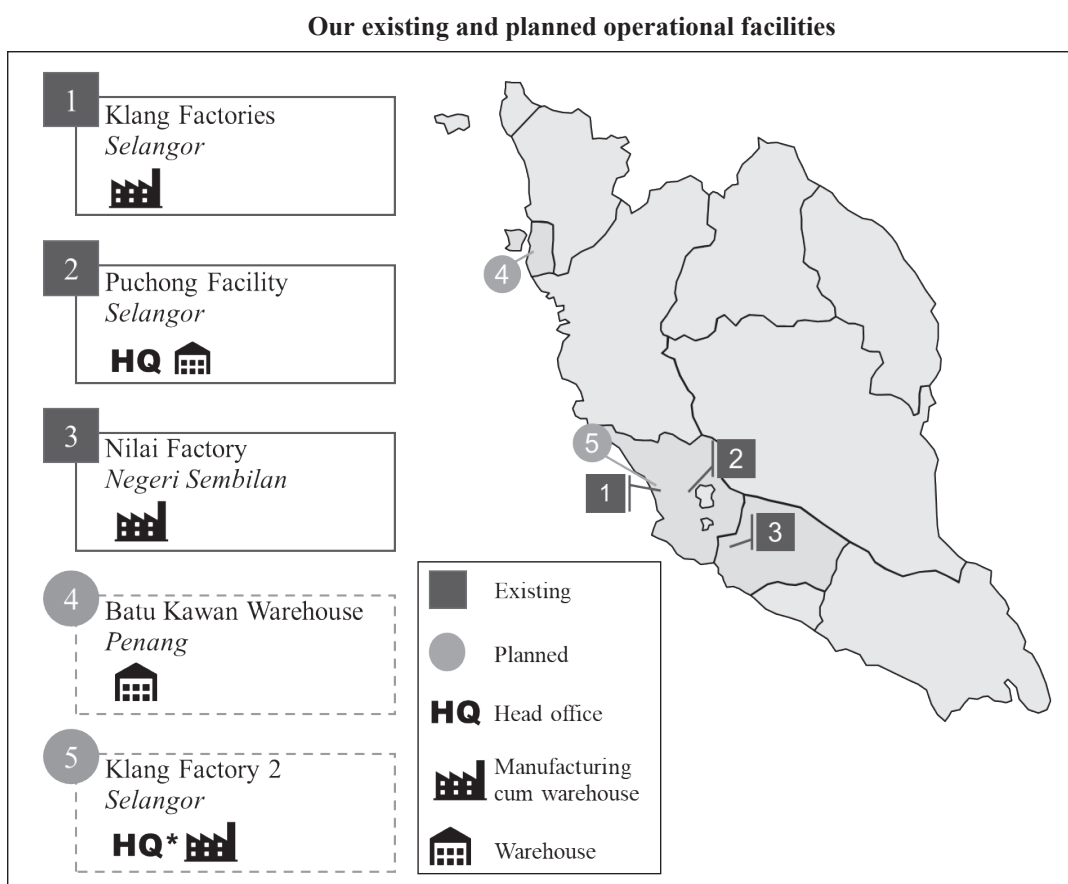
As at the LPD, we have 3 operational facilities in Peninsular Malaysia namely our Klang Factories and Puchong Facility in Selangor, and Nilai Factory in Negeri Sembilan with a total built-up area of approximately 100,973 sq. ft. We also have an annual production capacity of 26.09 million pieces of carton blanks for flexographic printing machines and 8.70 million pieces of die-cutting sheets for automatic die-cut machine as at the LPD.

The following is our plans to expand our operational facilities:

- (i) expansion of operations to Penang with the establishment of Batu Kawan Warehouse by 1<sup>st</sup> half of 2023; and
- (ii) establishment of Klang Factory 2 to expand our manufacturing operations in Selangor by 1<sup>st</sup> half of 2024.

6. INFORMATION ON OUR GROUP (Cont'd)

The following diagram depicts our existing and planned operational facilities in Malaysia:



\* Upon completion, Klang Factory 2 will serve as our Group's new corporate head office.

6.15.1.1 Expansion of operations to Penang

As a packaging products provider, proximity to customer is crucial to provide a steady and reliable supply of packaging products to customers. In addition, packaging products are bulky items and by setting up a warehouse and being close to customers, we would be able to provide JIT solution where we deliver packaging products to customers when required thus minimising transportation costs for our customers. As such, we plan to expand our business operations to Penang to target new customers located in the northern region of Peninsular Malaysia. This is also in line with our plans to target new markets particularly the solar PV and medical devices industry in Penang and Kedah as explained in Section 6.15.4 below.

We plan to rent a warehouse cum office with the approximate size of 25,000 sq ft in Batu Kawan, Penang. We have identified several premises for our operations in Penang and intend to commence the rental of the warehouse cum office by 1<sup>st</sup> half of 2023. The following sets out the estimated cost to set up the Batu Kawan Warehouse:

	<b>Estimated cost RM'000</b>
Rental of 25,000 sq. ft. warehouse for a period of 12 to 18 months	800
Office renovation and fittings and installation of racking system	270
Purchase of 2 units of forklifts and 3 units of testing equipment <sup>(a)</sup>	130
<b>Total</b>	<b>1,200</b>

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

Note:

- (a) Testing equipment include box compression tester, automatic burst strength tester and grammage testing machine.

We intend to allocate RM1.20 million of the proceeds from our Public Issue to fund the establishment of Batu Kawan Warehouse. If the actual cost of the expansion of operations to Penang is higher than the amount budgeted, the deficit will be funded by internally generated funds.

At the initial stage of our expansion to Penang, we plan to transport the paper packaging products from our manufacturing operations in Klang to the Batu Kawan Warehouse for fulfilment of new customers' orders. We also intend to secure the services of subcontractors operating in Penang to supplement our packaging products and help to fulfil our customers' orders, similar to the existing arrangement disclosed in Section 6.3.11.1(iv) of this Prospectus. We will engage packaging manufacturers in Penang to manufacture the packaging products according to our design and mastercard.

While we may incur additional costs in terms of warehouse rental and holding costs of finished products in Penang at the initial stage, this will only be for the short to medium term. Our Group intends to set up a manufacturing operation in Penang once we gain traction and secure continuous and sufficient quantity of orders from prospective customers. We are currently in the midst of setting up the team for our business operations in Penang have yet to secure any customers.

In terms of timing, we plan to set up a manufacturing operation within the next two years. The estimated initial set-up cost of a manufacturing operations is approximately RM8.60 million and this includes the purchase of amongst others, 1 unit of flexographic printing machine, 1 unit of automatic flatbed die-cut machine, 1 unit of automatic folding, stitching and gluing machine, forklifts, trucks as well as additional renovation works of the rented factory. We plan to utilise internally generated funds and / or bank borrowings to fund any future investments to set up a manufacturing operation in Penang.

### 6.15.1.2 Establishment of Klang Factory 2

To cater for our expansion in business operations, we plan to establish a new head office and factory in Klang, Selangor. We intend to acquire a detached factory with 2-storey office building with an estimated built-up area of 100,000 sq. ft. by the 1<sup>st</sup> half of 2024.

Upon completion, the new facility will serve as our Group's corporate head office to house our management and administrative employees in a main location to increase operational efficiency as well as to accommodate more employees as part of the expansion of our business. It will also provide our employees with a conducive work environment to enhance productivity and performance, and minimise employee turnover. Furthermore, with a corporate head office, we are able to enhance the visibility of our brand and elevate our corporate image amongst our customers, suppliers, employees and other stakeholders.

This new facility will also serve as our Group's main production facility with a larger production floor space. The rationale for acquiring a larger factory in Klang are as follows:

- **To streamline and automate our manufacturing of corrugated carton processes**

With a larger production floor space, our plan is to set-up a fully automated production line for the manufacturing of corrugated cartons. We intend to have a continuous and seamless manufacturing process for our corrugated cartons from the input of corrugated boards up to the finished corrugated cartons where they will be automatically bundled, palletised and ready to be delivered to customers.

Currently, the production of corrugated cartons at our Klang Factories and Nilai Factory is segmented into several stages which requires manual labour using forklifts to move the work-in-progress products in between each stage. Firstly, the flexographic printing machine prints and cuts the corrugated board into carton blanks. These carton blanks are then transferred using a forklift to the next stage of folding and stitching. Additionally, the final bundling and palletisation process is also manually carried out by our workers.

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

Our plan is to set up a seamless process by using a conveyor system to connect 2 flexographic printing machines with the automatic folding, stitching and gluing machine, and attaching a robot palletiser system for the final packing and palletisation process. Please refer to Section 6.15.2 for further information on our plan to purchase new automated and robotic packing machines.

- **To automate the paper pallet manufacturing process**

Currently, our production of paper pallets is labour intensive where we allocate approximately 10 to 15 workers to carry out this process. Our workers manually cut and slit the corrugated boards to the desired size and subsequently glue them one by one to form the desired thickness for the pallet's deck and runner or leg. Currently, we are only able to produce 7 paper pallets per hour per worker. Moving forward, to scale up the production of paper pallets, we plan to invest in honeycomb board machines to produce honeycomb board. The honeycomb board will be used to form the decks and legs for the paper pallets. The proposed machine is expected to have a capacity to produce 4 to 25 metres of honeycomb board per minute where the thickness of each board is from 6 mm up to 80 mm.

Please refer to Section 6.15.2.2 for further information on our plan to purchase the honeycomb board machines.

- **To cater for expansion with the introduction of new products**

In addition to the honeycomb board and paper pallet as mentioned above, we also plan to introduce a new type of paper cartons with 6-colour printing. Please refer to Section 6.15.2.3 for further details on our plan to purchase the 6-colour flexographic printing machine. With the introduction of new products, we would need additional space to accommodate new machinery, input materials and finished goods.

As at the LPD, we have identified a few potential factories that meet our size requirement in the Klang area. We are in the midst of discussion with the respective property agents and sellers. We also plan to set-up and equip the new Klang Factory 2 with the new machinery and equipment. Subsequently, we may take up to 1 year to gradually relocate some of the machinery and equipment from our existing Klang Factories to the new location to minimise interruptions to our existing operations. The plan to consolidate is also dependent on our future orders from customers.

The following sets out the estimated cost of factory acquisition, renovation and fittings:

	<b>Estimated cost RM'000</b>
Acquisition of a 100,000 sq. ft. factory in Klang, Selangor	33,000
Office renovation and fittings, and installation of racking system	1,850
Purchase of 4 units of forklifts	150
<b>Total</b>	<b>35,000</b>

The total cost to establish Klang Factory 2 is estimated at RM35.00 million. The estimated cost of factory acquisition was derived after taking into consideration quotations received from developers and property agents for factories in Klang, Selangor, which we have shortlisted. We intend to allocate RM16.00 million, representing approximately 31.91% of the gross proceeds from the Public Issue to fund the establishment of Klang Factory 2 while the remaining cost of RM19.00 million will be funded via internally generated funds and / or bank borrowings.

6. INFORMATION ON OUR GROUP (Cont'd)

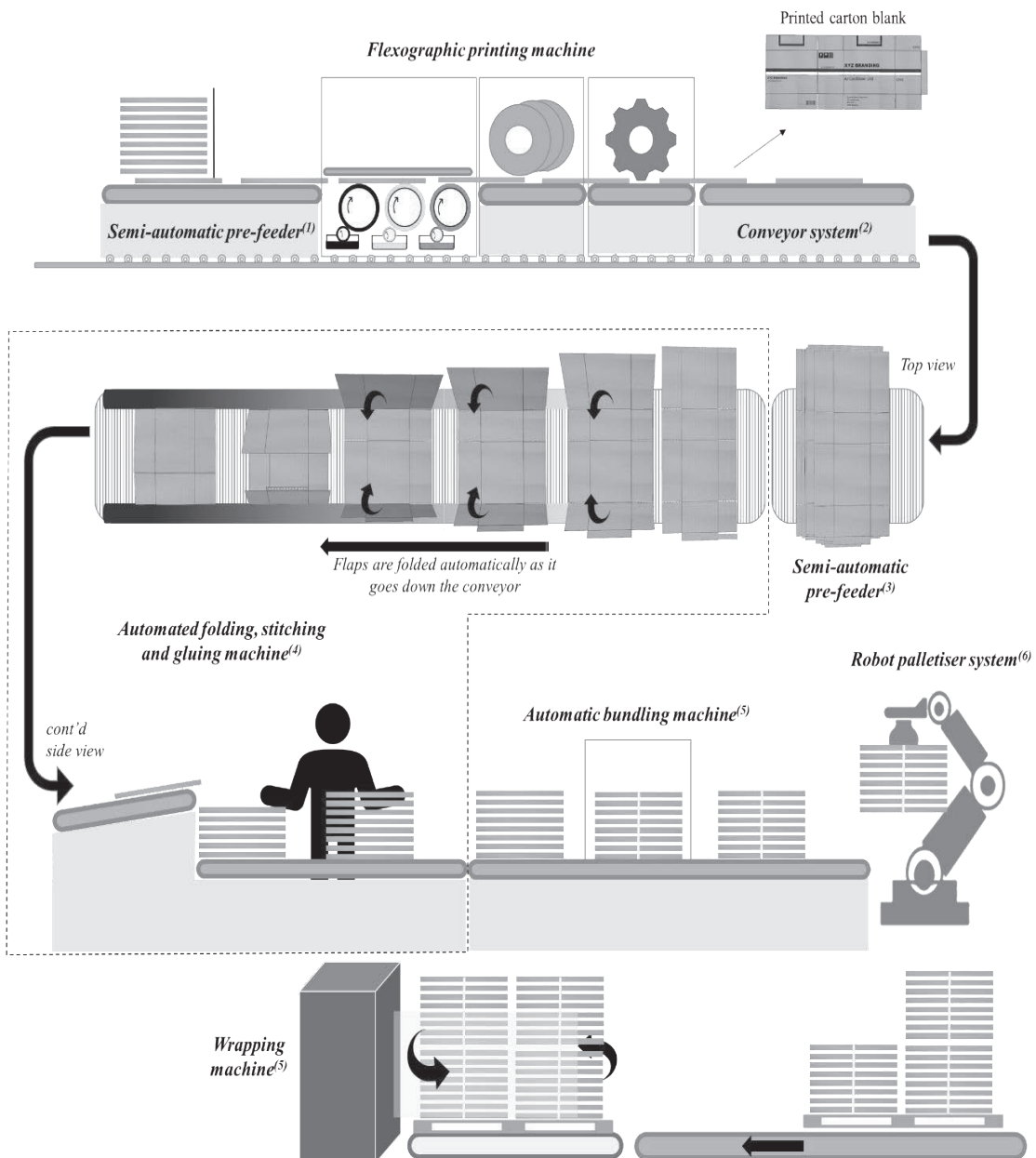
6.15.2 Purchase of new machinery and equipment

6.15.2.1 Automated and robotic packing machines

As part of our future plan to fully automate our production of corrugated cartons, we plan to purchase and install automated and robotic packing machines for our existing production lines in Klang Factories and Nilai Factory by 2<sup>nd</sup> half of 2023 as well as for Klang Factory 2 by 2<sup>nd</sup> half of 2024.

As explained in Section 6.15.1.2, currently our manufacturing operations are segmented into several processes which requires manual labour with forklifts to move the work-in-progress products in between each process. Currently, we are equipped with 3 units of flexographic printing machines and 1 unit of automatic folding, stitching and gluing machine. Our plan is to invest in conveyor systems, robotic arms as well as additional automatic folding, stitching and gluing machine combined with bundling and wrapping machine.

The following diagram depicts some combination of our proposed set up of a fully automated production line for corrugated cartons:





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

The total estimated cost of our investment in these machines is approximately RM7.10 million which will be fully funded by proceeds from our Public Issue. Details of the estimated costs for these machines are as follows:

Reference	Type of machine	Function	No of unit(s)	Timing	Estimated cost (RM'000)
(1)	Semi-automatic pre-feeder	To feed corrugated boards into the flexographic printing machine	1	2023 <sup>(a)</sup>	200
(2)	Conveyor system	To convey the carton blanks from 2 units of flexographic printing machines to 1 unit of automatic folding, stitching and gluing machine	1	2023 <sup>(a)</sup>	1,600
(3)	Semi-automatic pre-feeder	To feed carton blanks into the automatic folding, stitching and gluing machine	1	2023 <sup>(a)</sup>	200
(4)	Automatic folding, stitching, gluing machine	To fold, stitch and glue the carton blanks into corrugated cartons	1	2024 <sup>(b)</sup>	2,200
(5)	Automatic bundling machine	To bundle the corrugate cartons	1	2024 <sup>(b)</sup>	280
(5)	Wrapping machine	To wrap the palletised cartons with shrink wrap	1	2024 <sup>(b)</sup>	20
(6)	Robot palletiser system	To pick and place bundled cartons onto pallets	3	2023 and 2024 <sup>(c)</sup>	2,600
				<b>Total</b>	<b>7,100</b>

Notes:

- (a) We intend to purchase 2 units of semi-automatic pre-feeders by 1<sup>st</sup> half of 2023 and 1 unit of conveyor system by 2<sup>nd</sup> half of 2023 to combine our existing 2 units of flexographic printing machines with our existing 1 unit of automatic folding, stitching and gluing machine at No. 27 Klang Factory.
- (b) We intend to purchase 1 unit of automatic folding, stitching and gluing machine, 1 unit of automatic bundling machine and 1 unit of wrapping machine by 2<sup>nd</sup> half of 2024. This set up will be installed and connected to the new 6-colour flexographic printing machine at Klang Factory 2.
- (c) We intend to purchase 2 units of robot palletiser system for our existing Klang Factories and Nilai Factory, respectively by 2<sup>nd</sup> half of 2023 and another 1 unit for Klang Factory 2 by 2<sup>nd</sup> half of 2024.

### 6.15.2.2 Honeycomb board machines

We plan to introduce a new type of paper pallet using honeycomb board. Currently, our paper pallets are produced using corrugated board where our workers would cut and slit them into size and then laminate them to form the desired thickness for the pallet's deck and runner / leg.

Moving forward, to scale up the production of paper pallets, we plan to invest in honeycomb board machines to produce honeycomb boards in various thickness which will serve as the pallet's deck and runner / leg.



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

Honeycomb board is a type of paperboard which has a core that is hexagonal shaped similar to a honeycomb.

Compared to the corrugated board, honeycomb board is lighter in weight and has higher compressive strength and stiffness. Additionally, it consumes lesser paper materials to achieve the same level of strength and stiffness as a corrugated board. It also has excellent cushioning and vibration isolation.

Furthermore, the honeycomb core has good heat insulation and sound insulation properties due to its closed structure which is filled with air and does not flow through each other.

The honeycomb board is suitable to produce paper pallet as the strength and stiffness can easily be adjusted. This is achievable by adjusting the thickness of the core paper, size of the hexagonal shape as well as the height of the core.

Honeycomb boards are not suitable to produce paper cartons as it has a poor folding resistance as it cannot be stapled to be formed into a box.

We intend to utilise the honeycomb board to produce paper pallets and some protective packaging products such as edge boards and layer pads. We will also plan to explore selling the honeycomb boards and core to potential customers. Besides packaging, honeycomb boards and core can be used in the furniture and construction sector. For example, the honeycomb core can be layered with wood panels to form paper honeycomb panels and used as doors and wall partitions.

We plan to purchase 2 units of honeycomb board machines which comprise the following:

(a) Honeycomb core making segment

- paper holder and unwinding unit which holds rolls of liner paper as input material to produce the honeycomb core;
- gluing unit to apply alternate strips of glue on the liner paper;
- drying unit to dry the glue applied; and
- cross-cutting unit to cut the glued paper in strips and stack them to form the honeycomb core structure.

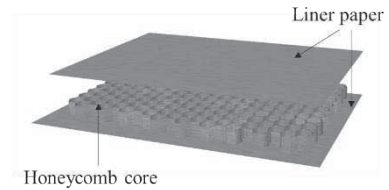
(b) Honeycomb board making segment

- paper holder and unwinding unit which holds rolls of liner paper to be fed to the gluing unit as input material to form the top and bottom layer of the honeycomb board;
- stretch platform and drying units which stretches and dry the honeycomb core;
- gluing unit to apply glue on the top and bottom of the stretched honeycomb core;
- ironing unit to apply heat and pressure on the laminated layers to dry the honeycomb board;
- cold press unit to cool down the honeycomb board;
- slitting and cross cutting units to cut and slit the board into smaller pieces; and
- stacking unit to stack the finished products.

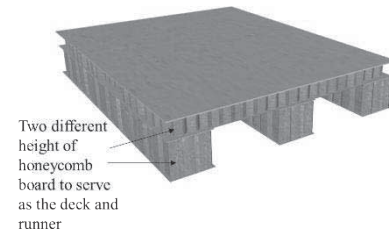
Each machine will have the capacity to produce 4 to 25 metres of honeycomb boards per minute. The machine will be able to produce board with thickness of 6mm up to 80mm.

The total estimated cost of our investment for 2 units of the said machines is approximately RM3.20 million which will be fully funded by proceeds from our Public Issue. We target to purchase 1 unit by 2<sup>nd</sup> half of 2024 for our Nilai Factory and another unit by 1<sup>st</sup> half of 2025 for Klang Factory 2.

### Honeycomb board



### Honeycomb paper pallet



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

### 6.15.2.3 6-colour flexographic printing machine

We plan to introduce 6-colour printing on our corrugated cartons. As at the LPD, all our flexographic printing machine is equipped with 3 printing units in each machine which is capable of printing up to 3 colours at one time. Our planned 6-colour flexographic printing machine will have 6 printing units which will allow for printing up to 6 colours at one time. With a wider colour palette, we would be able to print more vibrant and close to true colour of images on the corrugated cartons.

In this respect, for our existing customers who are consumer electronic product manufacturers, we would be able to target a wider range of their consumer fronting retail packaging that requires more vibrant colours and images.

We plan to purchase 1 unit of 6-colour flexographic printing machine which comprises a feeder unit, 6 printing units for each ink colour, 1 slotter unit, 1 rotary die cutter unit as well as an in-line folder and gluer unit. We also intend to purchase additional units including a drying unit, automatic pre-feeder unit and bundling unit.

The total estimated cost of our investment in the said machine is approximately RM5.70 million which will be fully funded by proceeds from our Public Issue. We target to purchase the said machine by 2<sup>nd</sup> half of 2024 where it will be installed at Klang Factory 2.

### 6.15.3 Establish packaging design and innovation centre

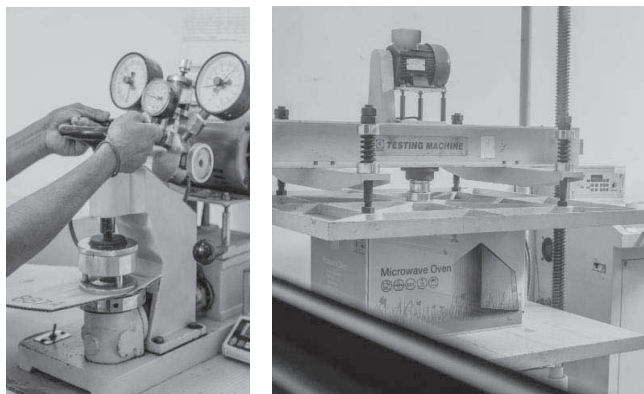
We intend to set up a dedicated area within our Klang Factories as a packaging design and innovation centre. We plan to expand our testing and prototyping facilities by purchasing a number of testing and prototyping equipment by 1<sup>st</sup> half of 2023 to facilitate our front-end value-added services.

As at the LPD, we are equipped with 1 sample cutter, 1 box compression testing machine, 1 burst strength testing machine, 1 paper moisture meter, 1 grammage testing machine and 1 push-pull gauge to carry out quality testing for new paper carton model. We are unable to carry out certain testing and measurement activities such as, among others, temperature, humidity, vibration, crush strength, incline impact and tensile strength as we do not have the required equipment. Some of these testing and measurements are carried out by independent testing company or carried out at customers' own testing facilities. Moving forward, we intend to offer these services to our customers.

These testing and measurement activities are intended to provide quality assurance of our in-house manufactured packaging products. There is no requirement to comply with any industry or regulatory standards to carry out any testing and measurements activities.

The new packaging design and innovation centre will enable our customers and their vendors for parts and components such as precision metal parts, E&E parts and plastic parts manufacturers, to work together with our team to develop ideas to solve their packaging issues or to provide innovative solutions. We aim to assist our customers to achieve overall cost savings by optimising their packaging design and dimension, as well as improving their packaging efficiency and container loading efficiency.

#### Our existing testing equipment at our No. 27 Klang Factory



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

We have renovated an existing area on the ground level of No. 27 Klang Factory and convert the space into a packaging design and innovation centre in September 2022. The packaging design and innovation centre comprise the following areas:

- design area where we will hire 2 packaging engineers and equipped them with computer aided design software;
- prototyping area comprising computerised digital flatbed cutter to produce corrugated paper packaging prototypes; and
- testing and measurement area comprising various equipment.

The total estimated costs to establish a packaging design and innovation centre is RM1.50 million as follows:

	<b>Estimated cost RM'000</b>
Purchase of testing and prototyping equipment	
- 1 unit of walk-in temperature and humidity test chamber	200
- 1 unit of computerised flatbed sample cutter <sup>(a)</sup>	160
- 1 unit of box compression tester	150
- 1 unit of incline impact tester	140
- 1 unit of packaging clamping force tester	90
- 1 unit of computer-aided design software <sup>(a)</sup>	50
- 2 units of automatic burst strength tester	30
- 1 unit of single column tensile tester	25
- 1 unit of paper bending stiffness tester	20
- 1 unit of transportation vibration tester	20
- 1 unit of crush tester	15
Renovation of centre <sup>(b)</sup>	150
Hiring of 2 packaging engineers for 2 years	450
<b>Total</b>	<b>1,500</b>

Notes:

- (a) As at the LPD, we have purchased the computerised flatbed sample cutter and computer-aided design software using our internally generated funds.
- (b) As at the LPD, we have completed the renovation of the packaging design and innovation centre using our internally generated funds.

We intend to allocate RM1.14 million of the proceeds from our Public Issue to fund the cost of setting-up a packaging design and innovation centre. If the actual cost required is higher than the amount budgeted, the deficit will be funded by internally generated funds.

### 6.15.4 New target markets

Currently, we mainly serve customers in the consumer durable electronic goods sub-sector of the E&E industry where our packaging products are used for air-conditioners, televisions, microwave ovens, as well as their respective parts and components.

Moving forward, we plan to expand our target markets to serve customers within the E&E industry focusing on the solar PV and medical devices industry.

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

### 6.15.4.1 Solar PV industry

We plan to service operators within the solar PV industry particularly those involved in manufacturing of solar PV modules. Solar PV module comprises solar cells which are susceptible to static electricity, high humidity, temperature variance, shocks and dusts. As such, special attention is required to provide adequate protective packaging for general and special handling, storage and transportation from a service provider or manufacturer to another, as well as for sales and export. In addition, solar PV modules are relatively large items where we have the experience as we commonly provide packaging for large consumer durable electronic goods such as air-conditioners, televisions and microwave ovens. Our aim is to duplicate our current products and services to meet the packaging needs of this new target group of potential customers.

Currently, many global solar PV companies have operations in Malaysia. Some of these companies are located in Penang and Kedah which we would be able to serve with our proposed Batu Kawan Warehouse. Thus, operators in this industry would require packaging products to export their products overseas as well as for domestic delivery.

As at the LPD, we have commenced sales and marketing activities to major players in the solar PV sectors but we have yet to secure any sales orders from customers.

### 6.15.4.2 Medical devices industry

We also intend to target customers in Penang, including medical device manufacturers. Some of the medical devices manufactured in Penang includes, among others, scientific instruments, medical electrodes, catheters, surgical equipment, orthopaedic instrumentation and programmable devices such as pacemakers and defibrillators.

Similarly, all these devices are susceptible to static electricity, high humidity, temperature variance, shocks and dusts. As such, special attention is required to provide adequate protective packaging for general and special handling, storage and transportation from a service provider or manufacturer to another, as well as for domestic sales and export. As only primary packaging (the packaging that comes in direct contact / attached to the medical device) for medical devices is regulated, we aim to provide secondary and tertiary packaging for medical devices. As such, there is no regulatory conditions or standards required to be complied with.

As at the LPD, we have commenced sales and marketing activities to secure customers in the medical devices industry. However, we have yet to secure any sales orders from customers.

### 6.15.5 Total estimated costs of our business strategies and plans

Summary of the estimated costs and timeline for our business strategies and plans are as follows:

	Estimated cost (RM'000)	Expected commencement date
<b>Expansion of operational facilities</b>		
- Expansion of operations to Penang	1,200	1 <sup>st</sup> half of 2023
- Establishment of Klang Factory 2	35,000	1 <sup>st</sup> half of 2024
<b>Purchase of new machinery and equipment</b>		
- Automated and robotic packing machines	7,100	1 <sup>st</sup> half of 2023
- Honeycomb board machines	3,200	2 <sup>nd</sup> half of 2024
- 6-colour flexographic printing machine	5,700	2 <sup>nd</sup> half of 2024
<b>Establish packaging design and innovation centre</b>	1,500	1 <sup>st</sup> half of 2023
<b>Total</b>	<b>53,700</b>	