

**12. ACCOUNTANTS' REPORT**

**DS SIGMA HOLDINGS BERHAD**  
**Registration No: 202101030362 (1430662-K)**  
(Incorporated in Malaysia)

**ACCOUNTANTS' REPORT**  
**FOR THE FINANCIAL YEARS ENDED**  
**30 JUNE 2022, 30 JUNE 2021, 30 JUNE 2020 AND 30 JUNE 2019**

**GRANT THORNTON MALAYSIA PLT**  
**CHARTERED ACCOUNTANTS**  
**Member of Grant Thornton International Ltd**

12. ACCOUNTANTS' REPORT (Cont'd)



Date: 15 November 2022

The Board of Directors  
**DS Sigma Holdings Berhad**  
No. 36, Jalan BP 5/6  
Bandar Bukit Puchong  
47100 Puchong  
Selangor

**Grant Thornton Malaysia PLT**  
Level 11, Sheraton Imperial Court  
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Dear Sirs,

**Reporting Accountants' Opinion on the Financial Information contained in the Accountants' Report of DS Sigma Holdings Berhad ("the Company" or "DS Sigma")**

*Opinion*

We have audited the accompanying combined financial statements ("Financial Information") of DS Sigma Holdings Berhad and its combining entities (collectively known as "the Group" or "DS Sigma Group") which comprise the combined statements of financial position of the Group as at 30 June 2022, 30 June 2021, 30 June 2020 and 30 June 2019, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 30 June 2022, 30 June 2021, 30 June 2020 and 30 June 2019, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 55.

In our opinion, the accompanying Financial Information give a true and fair view of the combined financial position of the Group as at 30 June 2022, 30 June 2021, 30 June 2020 and 30 June 2019 and of its combined financial performance and combined cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

*Basis for Opinion*

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

*Independence and Other Ethical Responsibilities*

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

## 12. ACCOUNTANTS' REPORT (Cont'd)



*Responsibilities of the Directors for the Financial Information*

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

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

*Reporting Accountants' Responsibilities for the Audit of the Financial Information*

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the Financial Information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the Financial Information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

12. ACCOUNTANTS' REPORT (Cont'd)



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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):-

- Evaluate the overall presentation, structure and content of the Financial Information of the Group, including the disclosures, and whether the Financial Information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Financial Information of the entities or business activities within the Group to express an opinion on the Financial Information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Other Matter*

This report has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the prospectus of DS Sigma in connection with the listing of and quotation for the entire enlarged issued share capital of DS Sigma on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA PLT  
(201906003682 & LLP0022494-LCA)  
CHARTERED ACCOUNTANTS (AF 0737)

LIM SOO SIM  
(NO.: 03335/11/2023 J)  
CHARTERED ACCOUNTANT

Kuala Lumpur

## 12. ACCOUNTANTS' REPORT (Cont'd)

## DS SIGMA HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2022, 30 JUNE 2021, 30 JUNE 2020 AND 30 JUNE 2019

	Note	2022 RM	2021 RM	2020 RM	2019 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	25,557,314	21,205,305	22,344,621	23,518,761
<b>Total non-current assets</b>		<b>25,557,314</b>	<b>21,205,305</b>	<b>22,344,621</b>	<b>23,518,761</b>
<b>Current assets</b>					
Inventories	6	2,084,170	2,790,859	2,923,728	2,816,041
Trade receivables	7	18,759,071	18,523,562	12,005,628	10,144,692
Other receivables	8	2,072,455	936,277	294,250	310,433
Tax recoverable		-	-	148,369	85,000
Fixed deposits with a licensed bank		12,000,000	-	-	-
Cash and bank balances		19,020,947	9,805,038	9,814,103	11,608,641
<b>Total current assets</b>		<b>53,936,643</b>	<b>32,055,736</b>	<b>25,186,078</b>	<b>24,964,807</b>
<b>Total assets</b>		<b>79,493,957</b>	<b>53,261,041</b>	<b>47,530,699</b>	<b>48,483,568</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	9	2,700,002	2,700,000	1,750,000	1,750,000
Retained earnings		44,776,272	23,771,007	20,450,462	17,851,307
		47,476,274	26,471,007	22,200,462	19,601,307
Non-controlling interests	10	2,813,456	2,347,836	602,250	379,091
<b>Total equity</b>		<b>50,289,730</b>	<b>28,818,843</b>	<b>22,802,712</b>	<b>19,980,398</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	11	3,347,216	323,641	1,096,408	3,007,358
Borrowings	12	8,171,987	8,828,743	8,701,500	9,172,593
Deferred tax liabilities	13	1,327,300	833,781	643,931	478,000
<b>Total non-current liabilities</b>		<b>12,846,503</b>	<b>9,986,165</b>	<b>10,441,839</b>	<b>12,657,951</b>
<b>Current liabilities</b>					
Trade payables	14	8,543,764	7,854,798	7,261,580	5,677,271
Other payables	15	3,824,805	1,636,800	3,555,602	4,972,866
Lease liabilities	11	1,184,617	970,906	1,940,836	2,827,538
Borrowings	12	684,606	2,434,918	1,471,095	1,433,685
Tax payable		2,119,932	1,558,611	57,035	933,859
<b>Total current liabilities</b>		<b>16,357,724</b>	<b>14,456,033</b>	<b>14,286,148</b>	<b>15,845,219</b>
<b>Total liabilities</b>		<b>29,204,227</b>	<b>24,442,198</b>	<b>24,727,987</b>	<b>28,503,170</b>
<b>Total equity and liabilities</b>		<b>79,493,957</b>	<b>53,261,041</b>	<b>47,530,699</b>	<b>48,483,568</b>

The accompanying notes form an integral part of the financial statements.

## 12. ACCOUNTANTS' REPORT (Cont'd)

**DS SIGMA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE FINANCIAL  
YEARS ENDED 30 JUNE 2022, 30 JUNE 2021, 30 JUNE 2020 AND 30 JUNE 2019**

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Revenue	16	121,218,073	127,858,416	85,890,508	105,681,577
Cost of sales		<u>(78,212,596)</u>	<u>(85,508,818)</u>	<u>(61,647,941)</u>	<u>(73,285,077)</u>
Gross profit		43,005,477	42,349,598	24,242,567	32,396,500
Finance income		288,544	129,879	209,905	198,451
Other income		152,899	19,716	56,459	15,513
Selling and distribution expenses		(833,737)	(507,012)	(445,981)	(719,914)
Administrative expenses		(13,088,343)	(13,823,364)	(10,427,303)	(11,688,655)
Finance cost		<u>(677,620)</u>	<u>(528,836)</u>	<u>(750,354)</u>	<u>(598,742)</u>
Profit before tax	17	28,847,220	27,639,981	12,885,293	19,603,153
Tax expense	18	<u>(7,376,335)</u>	<u>(6,523,850)</u>	<u>(2,962,979)</u>	<u>(4,672,302)</u>
Net profit/total comprehensive income for the financial year		<u>21,470,885</u>	<u>21,116,131</u>	<u>9,922,314</u>	<u>14,930,851</u>
<b>Attributable to:</b>					
Equity holders of the Group		21,005,265	20,320,545	9,699,155	14,977,340
Non-controlling interests		<u>465,620</u>	<u>795,586</u>	<u>223,159</u>	<u>(46,489)</u>
		<u>21,470,885</u>	<u>21,116,131</u>	<u>9,922,314</u>	<u>14,930,851</u>
Earnings per share attributable to equity holders of the Group:					
Basic	19	<u>7.78</u>	<u>11.56</u>	<u>5.54</u>	<u>8.56</u>
Diluted	19	<u>7.78</u>	<u>11.56</u>	<u>5.54</u>	<u>8.56</u>

The accompanying notes form an integral part of the financial statements.

## 12. ACCOUNTANTS' REPORT (Cont'd)

## DS SIGMA HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED  
30 JUNE 2022, 30 JUNE 2021, 30 JUNE 2020 AND 30 JUNE 2019

	Note	Share capital RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total RM
Balance at 1 July 2018		1,750,000	14,373,967	16,123,967	425,580	16,549,547
<b>Transaction with owners of the Group</b>						
- Dividends	20	-	(11,500,000)	(11,500,000)	-	(11,500,000)
Total comprehensive income/(loss) for the financial year		-	14,977,340	14,977,340	(46,489)	14,930,851
Balance at 30 June 2019		1,750,000	17,851,307	19,601,307	379,091	19,980,398
<b>Transaction with owners of the Group</b>						
- Dividends	20	-	(7,100,000)	(7,100,000)	-	(7,100,000)
Total comprehensive income for the financial year		-	9,699,155	9,699,155	223,159	9,922,314
Balance at 30 June 2020		1,750,000	20,450,462	22,200,462	602,250	22,802,712
<b>Transactions with owners of the Group</b>						
- Issuance of new shares	9	950,000	-	950,000	950,000	1,900,000
- Dividends	20	-	(17,000,000)	(17,000,000)	-	(17,000,000)
Total transactions with owners of the Group		950,000	(17,000,000)	(16,050,000)	950,000	(15,100,000)
Total comprehensive income for the financial year		-	20,320,545	20,320,545	795,586	21,116,131
Balance at 30 June 2021		2,700,000	23,771,007	26,471,007	2,347,836	28,818,843
<b>Transactions with owners of the Group</b>						
- Issuance of new shares	9	2	-	2	-	2
Total comprehensive income for the financial year		-	21,005,265	21,005,265	465,620	21,470,885
Balance at 30 June 2022		2,700,002	44,776,272	47,476,274	2,813,456	50,289,730

The accompanying notes form an integral part of the financial statements.

## 12. ACCOUNTANTS' REPORT (Cont'd)

## DS SIGMA HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL  
YEARS ENDED 30 JUNE 2022, 30 JUNE 2021, 30 JUNE 2020 AND 30 JUNE 2019

	Note	2022 RM	2021 RM	2020 RM	2019 RM
<b>OPERATING ACTIVITIES</b>					
Profit before tax		28,847,220	27,639,981	12,885,293	19,603,153
<b>Adjustments for:</b>					
Depreciation of property, plant and equipment		2,484,174	1,762,590	1,686,972	1,771,638
Gain on disposal of property, plant and equipment		(100,000)	-	-	(1,999)
Property, plant and equipment written off		19,351	14,155	-	-
Finance income		(288,544)	(129,879)	(209,905)	(198,451)
Finance cost		677,620	528,836	750,354	598,742
Operating profit before working capital changes		31,639,821	29,815,683	15,112,714	21,773,083
Changes in working capital:-					
Inventories		706,689	132,869	(107,687)	(258,014)
Receivables		(1,371,687)	(7,159,961)	(1,844,753)	3,598,927
Payables		2,876,971	574,416	167,045	(3,204,211)
Cash generated from operations		33,851,794	23,363,007	13,327,319	21,909,785
Interest received		288,544	129,879	209,905	198,451
Interest paid		(677,620)	(528,836)	(750,354)	(598,742)
Tax paid		(6,321,495)	(4,684,055)	(3,784,731)	(4,564,642)
Tax refunded		-	-	47,490	52,657
Net cash from operating activities		27,141,223	18,279,995	9,049,629	16,997,509
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	A	(1,996,333)	(437,429)	(488,832)	(7,469,131)
Proceed from disposal of property, plant and equipment		100,000	-	-	2,000
Placement of fixed deposits with maturity of more than 3 months		(5,000,000)	-	-	-
Net cash used in investing activities		(6,896,333)	(437,429)	(488,832)	(7,467,131)
<b>FINANCING ACTIVITIES</b>					
Dividends paid		-	(17,000,000)	(7,100,000)	(11,500,000)
Repayments of lease liabilities	B	(1,621,915)	(1,942,697)	(2,821,652)	(1,823,559)
Repayments of borrowings		(2,407,068)	(708,934)	(433,683)	(275,734)
Drawdown of borrowings		-	1,800,000	-	6,000,000
Proceeds from issuance of new shares		2	-	-	-
Net cash used in financing activities		(4,028,981)	(17,851,631)	(10,355,335)	(7,599,293)
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		16,215,909	(9,065)	(1,794,538)	1,931,085
At the beginning of financial year		9,805,038	9,814,103	11,608,641	9,677,556
At the end of financial year	C	26,020,947	9,805,038	9,814,103	11,608,641



## 12. ACCOUNTANTS' REPORT (Cont'd)

## DS SIGMA HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL  
YEARS ENDED 30 JUNE 2022, 30 JUNE 2021, 30 JUNE 2020 AND 30 JUNE 2019 (CONT'D)

## NOTES TO THE STATEMENTS OF CASH FLOWS

## A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Total additions	6,855,534	637,429	512,832	14,812,637
Acquired through lease arrangements	<u>(4,859,201)</u>	<u>(200,000)</u>	<u>(24,000)</u>	<u>(7,343,506) *</u>
Cash payment	<u>1,996,333</u>	<u>437,429</u>	<u>488,832</u>	<u>7,469,131</u>

\* Includes 2 machines acquired through lease arrangements in the financial year ended 30 June 2018 amounting to RM1,452,000 where the leases were drawdown during the financial year ended 30 June 2019.

## B. CASH OUTFLOWS FOR LEASE AS A LESSEE

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
<i>Included in net cash from operating activities:</i>				
Payment relating to short-term leases	251,580	725,960	682,485	686,180
Payment relating to lease of low value assets	17,838	17,090	14,835	15,135
Interest paid in relation to lease liabilities	282,085	202,329	292,463	155,499
<i>Included in net cash used in financing activities:</i>				
Payment of lease liabilities	<u>1,621,915</u>	<u>1,942,697</u>	<u>2,821,652</u>	<u>1,823,559</u>
	<u>2,173,418</u>	<u>2,888,076</u>	<u>3,811,435</u>	<u>2,680,373</u>

## C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following items:-

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Cash and bank balances	19,020,947	9,805,038	9,814,103	11,608,641
Fixed deposits with a licensed bank	<u>12,000,000 *</u>	<u>-</u>	<u>-</u>	<u>-</u>
	31,020,947	9,805,038	9,814,103	11,608,641
Less: Placement of fixed deposits with maturity of more than 3 months	<u>(5,000,000) *</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>26,020,947</u>	<u>9,805,038</u>	<u>9,814,103</u>	<u>11,608,641</u>

\* Fixed deposits with a licensed bank earned interest at rates range from 1.9% to 2.6% (2021, 2020 and 2019: Nil) per annum.

The accompanying notes form an integral part of the financial statements.

## 12. ACCOUNTANTS' REPORT (Cont'd)

**DS SIGMA HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL INFORMATION**

1. **GENERAL INFORMATION**

1.1 **Introduction**

This report has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the prospectus of DS Sigma Holdings Berhad ("the Company" or "DS Sigma") in connection with the listing of and quotation for the entire enlarged issued share capital of DS Sigma on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing"), and should not be relied upon for any other purposes.

1.2 **Background**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at No. 36, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor.

1.3 **Principal activities**

The Company's principal activities are investment holding and manufacturing, supplying and trading in packaging materials and paper products.

Details of the combining entities of DS Sigma are as follows:

Name of companies	Principal activities	Date of incorporation	Country of incorporation	Effective ownership			
				2022	2021	2020	2019
				%	%	%	%
Dai Suwon Packaging Sdn Bhd	Manufacture of corrugated paper packaging products and supply of protective packaging products.	16 June 2003	Malaysia	100	100	100	100
Dai Suwon Manufacturing Sdn Bhd	Manufacture of corrugated paper packaging products.	12 April 2004	Malaysia	50	50	50	50
Kaisung Industries Sdn Bhd	Supply of protective packaging products.	26 April 2002	Malaysia	100	100	100	100

**12. ACCOUNTANTS' REPORT (Cont'd)****1. GENERAL INFORMATION (CONT'D)****1.3 Principal activities (cont'd)**

There were no significant changes in the nature of the principal activities of DS Sigma and its combining entities during the financial year.

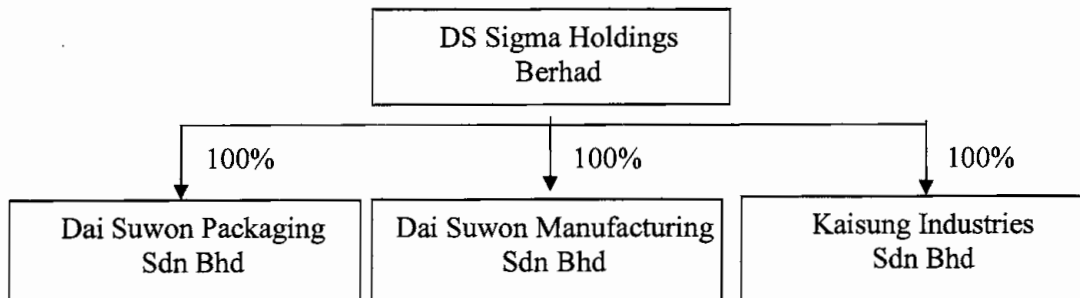
**1.4 Acquisition**DS Sigma Group

The DS Sigma Group will be formed pursuant to the completion of acquisition of Dai Suwon Packaging Sdn Bhd, Dai Suwon Manufacturing Sdn Bhd and Kaisung Industries Sdn Bhd by DS Sigma to facilitate the listing on the ACE Market of Bursa Malaysia Securities Berhad.

DS Sigma acquired the entire issued share capital of Dai Suwon Packaging Sdn Bhd, Dai Suwon Manufacturing Sdn Bhd and Kaisung Industries Sdn Bhd comprising 3,900,000 ordinary shares ("Acquisition").

The aggregate purchase consideration for the above Acquisition is RM29,161,498.50 satisfied by the issuance of 388,819,980 new ordinary shares at an issue price of RM0.075 per share. The Acquisition has been completed on 29 August 2022.

Following the completion of the Acquisition, the group structure of DS Sigma is as follows:-



The Group is regarded as a continuing entity resulting from the Acquisition since the management of all the entities which took major part in the Acquisition were controlled by the certain Directors and substantially under same major shareholders before and immediately after the Acquisition. Consequently, immediately after the Acquisition, there was a continuation of the control over entities' financial and operating policy decisions and risks and benefits to the ultimate shareholders that existed prior to the Acquisition. The Acquisition has been accounted for as an acquisition under common control in a manner similar to pooling of interests. Accordingly, the combined financial statements for the financial years ended 30 June 2022, 30 June 2021, 30 June 2020 and 30 June 2019 have been prepared comprise the financial statements of the combining entities which were under common control of the ultimate shareholders that existed prior to the Acquisition during the relevant periods or since their respective dates of incorporation.

**12. ACCOUNTANTS' REPORT (Cont'd)****2. RELEVANT FINANCIAL YEARS**

The combined financial statements of DS Sigma Group reflect the financial information of DS Sigma Holdings Berhad, Dai Suwon Packaging Sdn Bhd, Dai Suwon Manufacturing Sdn Bhd and Kaisung Industries Sdn Bhd except for the financial years ended 30 June 2021, 30 June 2020 and 30 June 2019 which the financial information of DS Sigma Holdings Berhad have not been presented in these combined financial statements as the Company was only incorporated on 20 September 2021.

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

<b>Companies</b>	<b>Relevant Financial Years</b>	<b>Statutory Auditors</b>
DS Sigma Holdings Berhad	FYE 30 June 2022	Grant Thornton Malaysia PLT
Dai Suwon Packaging Sdn Bhd	FYE 30 June 2019* FYE 30 June 2020* FYE 30 June 2021 FYE 30 June 2022	K.W.Ong & Partners K.W.Ong & Partners Grant Thornton Malaysia PLT Grant Thornton Malaysia PLT
Dai Suwon Manufacturing Sdn Bhd	FYE 30 June 2019# FYE 30 June 2020# FYE 30 June 2021# FYE 30 June 2022	N/A# N/A# N/A# Grant Thornton Malaysia PLT
Kaisung Industries Sdn Bhd	FYE 30 June 2019* FYE 30 June 2020* FYE 30 June 2021 FYE 30 June 2022	K.W.Ong & Partners K.W.Ong & Partners Grant Thornton Malaysia PLT Grant Thornton Malaysia PLT

\* Reaudited by Grant Thornton Malaysia PLT for the purposes of these combined financial statements

# The statutory financial year end is 31 December and the statutory auditors for the latest statutory financial year ended 31 December 2020 were ChengCo PLT. However, the financial statements for financial years ended 30 June 2021, 30 June 2020 and 30 June 2019 were reaudited by Grant Thornton Malaysia PLT for the purposes of these combined financial statements

The auditors' reports on the financial statements of Dai Suwon Packaging Sdn Bhd, Dai Suwon Manufacturing Sdn Bhd and Kaisung Industries Sdn Bhd for the Relevant Financial Years reported above were not subject to any qualification or modification.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**3. BASIS OF PREPARATION****3.1 Statement of compliance**

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") based on the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants in relation to the Listing.

The combined financial statements consist of the financial statements of the combining entities ("the Group") as disclosed in Note 2 to this report, which were under common control throughout the reporting years by virtue of common controlling shareholders.

The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting years.

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

**3.2 Basis of measurement**

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**3.3 Functional and presentation currency**

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency and all values are rounded to the nearest RM except when otherwise stated.

**3.4 Adoption of new standards/amendments/improvements to MFRSs**

The Group has applied the accounting policies set out in Note 4 to all financial years presented in these combined financial statements, except for the changes below.

The Group adopted new standards/amendments/improvements to MFRSs which have been applied using the full retrospective approach.

Initial application of the new standards/amendments/improvements to the standards did not have a material impact on the combined financial statements of the Group.

12. ACCOUNTANTS' REPORT (*Cont'd*)

## 3. BASIS OF PREPARATION (CONT'D)

## 3.5 Standards issued but not yet effective

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's combined financial statements are disclosed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective.

Amendments to MFRSs effective 1 January 2022:

Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds Before Intended Use
Amendments to MFRS 137*	Provisions, Contingent liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020	

MFRS and Amendments to MFRSs effective 1 January 2023:

Amendments to MFRS 4*	Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9
MFRS 17* and Amendments to MFRS 17*	Insurance Contracts
Amendments to MFRS 17*	Initial application of MFRS 17 and 9 - Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendments to MFRS 112*	Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRSs - effective date deferred indefinitely:

Amendments to MFRS 10 and 128*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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\* Not applicable to the Group's operation

The initial application of the above new standards and amendments are not expected to have any financial impact to the combined financial statements.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**3. BASIS OF PREPARATION (CONT'D)****3.6 Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the combined financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from judgements, estimates and assumptions made by the management, and will seldom equal the estimated results.

**3.6.1 Estimation uncertainty**

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 4 to 74 years and reviews the useful lives of depreciable assets at each reporting date. At the reporting date, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 5 to the combined financial statements.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**3. BASIS OF PREPARATION (CONT'D)****3.6 Significant accounting estimates and judgements (cont'd)****3.6.1 Estimation uncertainty (cont'd)**Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical factors which may cause selling prices to change rapidly and the Group's profit to change.

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 6 to the combined financial statements.

Provision for expected credit losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing and trading sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Income taxes

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the years in which such determination is made.



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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**3. BASIS OF PREPARATION (CONT'D)****3.6 Significant accounting estimates and judgements (cont'd)****3.6.1 Estimation uncertainty (cont'd)**Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

**3.6.2 Significant management judgement**Determining the lease term of contracts with renewal options – as lessee

The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension. The Group applies judgement in evaluating whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g if significant leasehold improvements or significant customisation to the leased assets).

The Group includes the renewal period as part of the lease term for such leases of premises with non-cancellable period (ie. two-three years). The Group typically exercises its option to renew for these leases because the Group is using the premises for operations purpose.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**4. SIGNIFICANT ACCOUNTING POLICIES**

The Group applies the significant accounting policies, as summarised below, consistently throughout all years presented in the combined financial statements.

**4.1 Consolidation****4.1.1 Basis of consolidation**

The Group's combined financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiary companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full in preparing the combined financial statements. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance with MFRS 112 Income Taxes.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

**4.1.2 Common control business combination**

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before or after the business combination and that control is not transitory.

For such common control business combinations, the merger accounting principles are used to account for the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the end of transfer.

On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference are classified and presented as movement in other capital reserves.

The effect of all transactions and balances between the combining entities, whether occurring before or after the combination are eliminated in preparing the combined financial statements.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.1 Consolidation (cont'd)****4.1.3 Subsidiary companies**

Subsidiary companies are entities, including structured entity, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in subsidiary companies, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

**4.1.4 Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

**4.1.5 Non-controlling interests**

Non-controlling interests at the end of the reporting year being the equity in a subsidiary company not attributable directly or indirectly to the equity holders of the Group, are presented in the combined statement of financial position and combined statement of changes in equity within equity, separately from equity attributable to the owners of the Group. Non-controlling interests in the results of the Group is presented in the combined statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Group.

Losses applicable to the non-controlling interests in a subsidiary company are allocated to the non-controlling interests even if that results in a deficit balance.

**4.2 Property, plant and equipment**

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

**12. ACCOUNTANTS' REPORT (Cont'd)****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.2 Property, plant and equipment (cont'd)**

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the assets to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Freehold building	2%
Leasehold land and building	over 74 years
Computer and software	20%
Furniture, fittings and office equipment	10%
Plant and machineries	10%-20%
Motor vehicles	20%
Renovation and electrical installation	10%
Premises	4 to 6 years

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial years in which the asset is derecognised.

**4.3 Impairment of non-financial of assets**

At the end of each reporting date, the Group review the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 Impairment of non-financial of assets (cont'd)**

Impairment losses recognised in respect of a cash-generating unit or group of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised as an expense in profit or loss immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as revaluation increase.

**4.4 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**4.4.1 Financial assets****Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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**12. ACCOUNTANTS' REPORT (Cont'd)**


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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.4 Financial instruments (cont'd)****4.4.1 Financial assets (cont'd)****Initial recognition and measurement (cont'd)**

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

At the reporting date, the Group carries only financial assets at amortised cost on its statements of financial position.

**Financial assets at amortised cost**

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and other receivables (excluding prepayments), fixed deposits with a licensed bank and cash and cash equivalents.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but have transferred control of the asset.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.4 Financial instruments (cont'd)****4.4.1 Financial assets (cont'd)****Derecognition (cont'd)**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment**

The Group recognises an allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group are exposed to credit risk.

The Group estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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**12. ACCOUNTANTS' REPORT (Cont'd)**


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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.4 Financial instruments (cont'd)****4.4.1 Financial assets (cont'd)****Impairment (cont'd)**

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group assesses whether the financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**4.4.2 Financial liabilities****Initial recognition and measurement**

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

**Financial liabilities at amortised cost**

After initial recognition, carrying amounts are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

At the reporting date, the Group carries only financial liabilities at amortised cost on its statements of financial position. The Group's financial liabilities include trade and other payables (excluding sales tax payable) and borrowings.



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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.4 Financial instruments (cont'd)****4.4.2 Financial liabilities (cont'd)****Derecognition**

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

**4.4.3 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4.5 Inventories**

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

Cost of inventories are determined on a first-in-first-out basis. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

**4.6 Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances and fixed deposits with a licensed bank which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**4.7 Equity and reserves**

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transactions cost.

Retained earnings include all current year's profit and prior years' retained earnings.

Dividends are accounted for in shareholders' equity as an appropriation of retained earnings and recognised as a liability in the period in which they are declared.

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**12. ACCOUNTANTS' REPORT (Cont'd)**


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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.8 Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**4.8.1 As a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land and building	over 74 years
Plant and machineries	10%
Motor vehicles	20%
Premises	4 to 6 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment test as set out in Note 4.3 to the combined financial statements.

On the combined statements of financial position, right-of-use assets have been included in property, plant and equipment.

**Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

**12. ACCOUNTANTS' REPORT (Cont'd)****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.8 Leases (cont'd)****4.8.1 As a lessee (cont'd)****Lease liabilities (cont'd)**

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term lease (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies for the lease of low-value assets recognition exemption to lease of that are considered to be low-value. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**4.9 Revenue****4.9.1 Revenue from contracts with customers**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e when the "control" of the goods or services underlying the particular performance obligation is transferred to customer.

The Group recognises the revenue arising from sale of goods or services at a point in time unless one of the following over time criteria is met:-

- (a) The customer simultaneously receives and consumes the benefits provided; or
- (b) The Group's performance creates or enhances an asset that the customer control as the assets is created or enhanced; or
- (c) The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

The Group is in the business of manufacturing of corrugated paper packaging products and supplying of protective packaging products. Revenue from contracts with customers is recognised when control of the goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

**4.9.2 Interest income**

Interest income is recognised on time proportion basis, by references to the principal outstanding and at interest rate applicable.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.10 Employee benefits****4.10.1 Short-term benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial years, in which the associated services are rendered by the employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences are incurred.

**4.10.2 Defined contribution plan**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF").

**4.11 Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

**4.11.1 Current tax**

Income tax on the profit or loss for the financial period comprises current and deferred tax. Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial period and are measured using the tax rates that have been enacted or substantively enacted by the reporting date.

**4.11.2 Deferred tax**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the combined statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.11 Tax expense (cont'd)****4.11.2 Deferred tax (cont'd)**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**4.12 Provisions**

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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

**4.13 Operating segment**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.14 Earnings per share**

**4.14.1 Basic**

Basic earnings per share for the year is calculated by dividing the net profit for the financial year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue.

**4.14.2 Diluted**

Diluted earnings per share is calculated by dividing the net profit for the financial year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted earnings per share equals basic earnings per share as the Group does not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

12. ACCOUNTANTS' REPORT (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold land</u> RM	<u>Freehold building</u> RM	<u>Leasehold land and building</u> RM	<u>Computer and software</u> RM	<u>Furniture, fittings and office equipment</u> RM	<u>Plant and machineries</u> RM	<u>Motor vehicles</u> RM	<u>Renovation and electrical installation</u> RM	<u>Premises</u> RM	<u>Total</u> RM
<b>Cost</b>										
At 1 July 2018	2,288,473	3,915,831	-	332,134	1,752,071	4,528,958	788,050	525,643	-	14,131,160
Additions	-	-	7,632,029	5,618	374,085	5,905,893	428,272	466,740	-	14,812,637
Disposals	-	-	-	-	-	(28,000)	-	-	-	(28,000)
Written off	-	-	-	-	(22)	-	-	-	-	(22)
At 30 June 2019	2,288,473	3,915,831	7,632,029	337,752	2,126,134	10,406,851	1,216,322	992,383	-	28,915,775
Additions	-	-	-	6,159	114,351	336,100	41,352	14,870	-	512,832
At 30 June 2020	2,288,473	3,915,831	7,632,029	343,911	2,240,485	10,742,951	1,257,674	1,007,253	-	29,428,607
Additions	-	-	-	23,697	27,764	318,553	260,915	6,500	-	637,429
Written off	-	-	-	(16,205)	(29,589)	(168,310)	-	-	-	(214,104)
At 30 June 2021	2,288,473	3,915,831	7,632,029	351,403	2,238,660	10,893,194	1,518,589	1,013,753	-	29,851,932
Additions	-	-	-	80,110	181,927	2,191,889	54,623	1,292,872	3,054,113	6,855,534
Disposal	-	-	-	-	-	(403,000)	-	-	-	(403,000)
Written off	-	-	-	(24,001)	-	(205,052)	(2,450)	-	-	(231,503)
At 30 June 2022	2,288,473	3,915,831	7,632,029	407,512	2,420,587	12,477,031	1,570,762	2,306,625	3,054,113	36,072,963

## 12. ACCOUNTANTS' REPORT (Cont'd)

## 5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	<u>Freehold land</u> RM	<u>Freehold building</u> RM	<u>Leasehold land and building</u> RM	<u>Computer and software</u> RM	<u>Furniture, fittings and office equipment</u> RM	<u>Plant and machineries</u> RM	<u>Motor vehicles</u> RM	<u>Renovation and electrical installation</u> RM	<u>Premises</u> RM	<u>Total</u> RM
<b>Accumulated depreciation</b>										
At 1 July 2018	-	162,172	-	244,702	553,907	2,052,865	399,369	240,382	-	3,653,397
Charge for the financial year	-	263,336	103,136	59,394	65,397	958,346	209,124	112,905	-	1,771,638
Disposals	-	-	-	-	-	(27,999)	-	-	-	(27,999)
Written off	-	-	-	-	(22)	-	-	-	-	(22)
At 30 June 2019	-	425,508	103,136	304,096	619,282	2,983,212	608,493	353,287	-	5,397,014
Charge for the financial year	-	79,700	103,136	14,017	185,694	991,796	212,789	99,840	-	1,686,972
At 30 June 2020	-	505,208	206,272	318,113	804,976	3,975,008	821,282	453,127	-	7,083,986
Charge for the financial year	-	79,498	103,136	18,018	209,950	1,022,093	230,836	99,059	-	1,762,590
Written off	-	-	-	(16,205)	(29,269)	(154,475)	-	-	-	(199,949)
At 30 June 2021	-	584,706	309,408	319,926	985,657	4,842,626	1,052,118	552,186	-	8,646,627
Charge for the financial year	-	60,123	103,135	22,162	203,661	1,214,700	213,184	160,599	506,610	2,484,174
Disposals	-	-	-	-	-	(403,000)	-	-	-	(403,000)
Written off	-	-	-	(23,998)	-	(185,704)	(2,450)	-	-	(212,152)
At 30 June 2022	-	644,829	412,543	318,090	1,189,318	5,468,622	1,262,852	712,785	506,610	10,515,649
<b>Net carrying amounts</b>										
At 30 June 2022	2,288,473	3,271,002	7,219,486	89,422	1,231,269	7,008,409	307,910	1,593,840	2,547,503	25,557,314
At 30 June 2021	2,288,473	3,331,125	7,322,621	31,477	1,253,003	6,050,568	466,471	461,567	-	21,205,305
At 30 June 2020	2,288,473	3,410,623	7,425,757	25,798	1,435,509	6,767,943	436,392	554,126	-	22,344,621
At 30 June 2019	2,288,473	3,490,323	7,528,893	33,656	1,506,852	7,423,639	607,829	639,096	-	23,518,761



## 12. ACCOUNTANTS' REPORT (Cont'd)

## 5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Freehold and leasehold land and buildings of the Group with net carrying amount of RM12,778,961 (2021: RM12,942,219, 2020: RM13,124,853 and 2019: RM13,307,689) have been charged to licensed banks to secure banking facilities granted to the Group. The details of these banking facilities are disclosed in Note 12 to the combined financial statements.

Information on right-of-use assets are as follows:

	<u>Carrying amount</u> RM	<u>Depreciation for the year</u> RM	<u>Additions</u> RM
<u>2022</u>			
Leasehold land and building	7,219,486	103,135	-
Plant and machineries	5,640,546	878,382	1,759,184
Motor vehicles	235,328	140,605	54,623
Premises	<u>2,547,503</u>	<u>506,610</u>	<u>3,054,113</u>
Total right-of-use assets	<u>15,642,863</u>	<u>1,628,732</u>	<u>4,867,920</u>
<u>2021</u>			
Leasehold land and building	7,322,621	103,136	-
Plant and machineries	4,759,744	702,463	-
Motor vehicles	<u>466,468</u>	<u>230,836</u>	<u>260,915</u>
Total right-of-use assets	<u>12,548,833</u>	<u>1,036,435</u>	<u>260,915</u>
<u>2020</u>			
Leasehold land and building	7,425,757	103,136	-
Plant and machineries	5,462,207	702,463	-
Motor vehicles	<u>436,389</u>	<u>181,125</u>	<u>41,352</u>
Total right-of-use assets	<u>13,324,353</u>	<u>986,724</u>	<u>41,352</u>
<u>2019</u>			
Leasehold land and building	7,528,893	103,136	7,632,029
Plant and machineries	6,164,670	702,463	5,449,633
Motor vehicles	<u>576,162</u>	<u>177,460</u>	<u>428,272</u>
Total right-of-use assets	<u>14,269,725</u>	<u>983,059</u>	<u>13,509,934</u>

The right-of-use assets are included in the same items as where the corresponding underlying assets would be presented if they were owned.

## 12. ACCOUNTANTS' REPORT (Cont'd)

## 6. INVENTORIES

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>At cost</b>				
Finished goods	1,941,839	2,559,019	2,801,166	2,673,201
Raw materials	112,251	231,840	122,562	142,840
Work in progress	30,080	-	-	-
Total inventories	<u>2,084,170</u>	<u>2,790,859</u>	<u>2,923,728</u>	<u>2,816,041</u>
<b>Recognised in profit or loss</b>				
Inventories recognised at cost of sales	<u>64,893,651</u>	<u>74,274,800</u>	<u>49,992,712</u>	<u>58,817,766</u>

## 7. TRADE RECEIVABLES

The normal trade credit terms granted by the Group range from 1 to 90 days (2021 and 2020: 1 to 90 days and 2019: 1 to 75 days).

## 8. OTHER RECEIVABLES

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Non-trade receivables	107,355	4,438	8,790	1,239
Deposit	355,689	700,577	189,079	189,079
Prepayment				
- Initial public offering listing expenses	1,556,274	93,068	-	-
- Others	53,137	138,194	96,381	120,115
	<u>2,072,455</u>	<u>936,277</u>	<u>294,250</u>	<u>310,433</u>

## 12. ACCOUNTANTS' REPORT (Cont'd)

## 9. SHARE CAPITAL

	DS Sigma Holdings <u>Berhad</u> Units	Dai Suwon Packaging <u>Sdn Bhd</u> Units	Dai Suwon Manufacturing <u>Sdn Bhd</u> Units	Kaisung Industries <u>Sdn Bhd</u> Units	<u>Total</u> Units
Issued and fully paid up with no par value:- At 1 July 2018/30 June 2019/30 June 2020	-	1,000,000	250,000	500,000	1,750,000
Add: Issuance of new shares	-	-	950,000	-	950,000
At 30 June 2021	-	1,000,000	1,200,000	500,000	2,700,000
Add: Issuance of new shares	20	-	-	-	20
At 30 June 2022	<u>20</u>	<u>1,000,000</u>	<u>1,200,000</u>	<u>500,000</u>	<u>2,700,020</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Group's residual assets.

	DS Sigma Holdings <u>Berhad</u> RM	Dai Suwon Packaging <u>Sdn Bhd</u> RM	Dai Suwon Manufacturing <u>Sdn Bhd</u> RM	Kaisung Industries <u>Sdn Bhd</u> RM	<u>Total</u> RM
At 1 July 2018/30 June 2019/30 June 2020	-	1,000,000	250,000	500,000	1,750,000
Add: Issuance of new shares	-	-	950,000	-	950,000
At 30 June 2021	-	1,000,000	1,200,000	500,000	2,700,000
Add: Issuance of new shares	2	-	-	-	2
At 30 June 2022	<u>2</u>	<u>1,000,000</u>	<u>1,200,000</u>	<u>500,000</u>	<u>2,700,002</u>

## 10. NON-CONTROLLING INTERESTS

	<b>Dai Suwon Manufacturing Sdn Bhd</b>			
	<u>2022</u> %	<u>2021</u> %	<u>2020</u> %	<u>2019</u> %
Non-controlling interests	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

## 12. ACCOUNTANTS' REPORT (Cont'd)

## 10. NON-CONTROLLING INTERESTS (CONT'D)

The summarised financial information relating to the subsidiary above is provided below. This information is based on amounts before inter-company eliminations.

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>(i) Summarised statement of financial position</b>				
Non-current assets	10,664,390	7,246,472	7,438,028	7,857,032
Current assets	9,072,736	9,578,639	5,867,283	4,800,618
Non-current liabilities	(6,247,228)	(3,817,681)	(3,479,012)	(3,811,455)
Current liabilities	<u>(7,862,987)</u>	<u>(8,311,759)</u>	<u>(8,621,800)</u>	<u>(8,088,014)</u>
Net assets	<u>5,626,911</u>	<u>4,695,671</u>	<u>1,204,499</u>	<u>758,181</u>
<b>(ii) Summarised statement of comprehensive income</b>				
Revenue	60,125,648	61,391,271	39,312,213	44,796,402
Net profit/(loss)/total comprehensive income/(loss) for the financial year	931,239	1,591,172	446,318	(92,978)
Profit/(loss) attributable to equity holders of the Company	465,619	795,586	223,159	(46,489)
Profit/(loss) attributable to non-controlling interests	<u>465,620</u>	<u>795,586</u>	<u>223,159</u>	<u>(46,489)</u>
<b>(iii) Summarised cash flows information</b>				
Cash flows (used in)/generated from:				
Operating activities	1,809,387	(1,619,262)	484,250	571,559
Investing activities	(358,622)	(323,830)	(32,877)	(341,590)
Financing activities	<u>(2,734,916)</u>	<u>3,194,227</u>	<u>(254,884)</u>	<u>(252,992)</u>
Net changes in cash and cash equivalents	<u>(1,284,151)</u>	<u>1,251,135</u>	<u>196,489</u>	<u>(23,023)</u>

## 12. ACCOUNTANTS' REPORT (Cont'd)

## 11. LEASE LIABILITIES

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
At beginning of financial year	1,294,547	3,037,244	5,834,896	314,949
Additions	4,859,201	200,000	24,000	7,343,506
Lease payments/cash outflow	(1,621,915)	(1,942,697)	(2,821,652)	(1,823,559)
Lease interest	282,085	202,329	292,463	155,499
Payments for lease interest	<u>(282,085)</u>	<u>(202,329)</u>	<u>(292,463)</u>	<u>(155,499)</u>
At end of financial year	<u>4,531,833</u>	<u>1,294,547</u>	<u>3,037,244</u>	<u>5,834,896</u>
Presented as:				
- Current	1,184,617	970,906	1,940,836	2,827,538
- Non-current	<u>3,347,216</u>	<u>323,641</u>	<u>1,096,408</u>	<u>3,007,358</u>
	<u>4,531,833</u>	<u>1,294,547</u>	<u>3,037,244</u>	<u>5,834,896</u>

The lease liabilities are secured by the related underlying assets.

The maturity analysis of lease liabilities is disclosed in Note 26 to the combined financial statements.

The Group also has certain leases of premises, motor vehicles, office equipment and server with short-term leases and low-value assets. The Group applies "short-term leases" and "lease of low-value assets" recognition exemption for such leases.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use assets can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group are prohibited from selling or pledging the underlying leased assets as securities.

The Group's leasing activities by type of right-of-use assets are recognised in property, plant and equipment on the combined statements of financial position as disclosed in Note 5 to the combined financial statements.

The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised in property, plant and equipment on the combined statements of financial position:

<u>Right-of-use assets</u>	<u>Range of remaining term</u>	<u>Number of leases with extension options</u>	<u>Number of leases with variable payment linked to an index</u>	<u>Number of leases with termination options</u>
<u>2022</u>				
Leasehold land and building	71 years	-	-	-
Plant and machineries	1 to 4 years	-	-	-
Motor vehicles	1 to 2 years	-	-	-
Premises	3 to 5 years	3	-	-

**12. ACCOUNTANTS' REPORT (Cont'd)****11. LEASE LIABILITIES (CONT'D)**

The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised in property, plant and equipment on the combined statements of financial position:

Right-of-use assets (cont'd)	Range of remaining term	Number of leases with extension options	Number of leases with variable payment linked to an index	Number of leases with termination options
<u>2021</u>				
Leasehold land and building	72 years	-	-	-
Plant and machineries	1 to 2 years	-	-	-
Motor vehicles	1 to 3 years	-	-	-
<u>2020</u>				
Leasehold land and building	73 years	-	-	-
Plant and machineries	1 to 3 years	-	-	-
Motor vehicles	1 to 4 years	-	-	-
<u>2019</u>				
Leasehold land and building	74 years	-	-	-
Plant and machineries	1 to 4 years	-	-	-
Motor vehicles	1 to 5 years	-	-	-

The effective interest rates of the lease liabilities ranged from 2.08% to 3.76% (2021: 2.08% to 3.51%, 2020: 2.47% to 3.51% and 2019: 2.47% to 2.90%) per annum.

**12. BORROWINGS**

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>Non-current liabilities</b>				
Term loans	<u>8,171,987</u>	<u>8,828,743</u>	<u>8,701,500</u>	<u>9,172,593</u>
<b>Current liabilities</b>				
Term loans	684,606	634,918	471,095	433,685
Bankers' acceptance	-	1,800,000	1,000,000	1,000,000
	<u>684,606</u>	<u>2,434,918</u>	<u>1,471,095</u>	<u>1,433,685</u>
Total borrowings	<u>8,856,593</u>	<u>11,263,661</u>	<u>10,172,595</u>	<u>10,606,278</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****12. BORROWINGS (CONT'D)**

The above borrowings are secured by way of:

- (a) legal charge over freehold and leasehold land and buildings of the Group;
- (b) joint and several guarantee by certain Directors of the Group; and
- (c) corporate guarantee by a combining entity.

The term loans bear interest at rates ranging from 2.00% to 2.30% (2021, 2020 and 2019: 2.00% to 2.30%) per annum below the respective banks' base lending rate and are repayable by 66 to 240 equal monthly instalments.

In prior year, the bankers' acceptance bore interest rates ranging from 3.70% to 3.71% (2020: 4.06% to 6.44% and 2019: 6.44% to 6.64%) per annum.

**13. DEFERRED TAX LIABILITIES**

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
At beginning of the financial year	833,781	643,931	478,000	307,000
Recognised in profit or loss	<u>493,519</u>	<u>189,850</u>	<u>165,931</u>	<u>171,000</u>
At end of financial year	<u>1,327,300</u>	<u>833,781</u>	<u>643,931</u>	<u>478,000</u>

The deferred tax liabilities are made up of tax impact on temporary differences arising from carrying amount of qualifying property, plant and equipment in excess of their tax base.

**14. TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 1 to 120 days (2021, 2020: 1 to 120 days and 2019: 1 to 90 days).

**15. OTHER PAYABLES**

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Other payables	635,267	8,451	373,044	1,342,033
Accruals	3,187,979	1,619,600	1,298,081	1,750,707
Amount due to certain Directors	-	-	1,879,648	1,879,648
Sales tax payable	<u>1,559</u>	<u>8,749</u>	<u>4,829</u>	<u>478</u>
	<u>3,824,805</u>	<u>1,636,800</u>	<u>3,555,602</u>	<u>4,972,866</u>

The amount due to certain Directors was non-trade in nature, unsecured, interest free and repayable on demand.

**12. ACCOUNTANTS' REPORT (Cont'd)****16. REVENUE**

Revenue represents the invoiced value of goods sold, net of discounts and returns.

All of the Group's revenue are recognised at a point in time and generated in Malaysia.

No revenue was recognised from performance obligations satisfied in previous years.

The Group has no contract liabilities and therefore there was no revenue recognised that was included in contract liabilities at the beginning of the financial years.

**17. PROFIT BEFORE TAX**

Profit before tax has been determined after charging amongst others, the following items:-

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Auditor's remuneration				
- statutory audit	115,000	63,500	26,925	30,511
- others	260,000	-	-	-
Expenses relating to short-term leases				
- rental of office	-	139,200	139,200	139,200
- rental of motor vehicles	158,400	182,260	156,885	159,080
- rental of factory	-	376,800	376,800	376,800
- rental of hostel	93,180	27,700	9,600	11,100
Expenses relating to lease of low-value assets				
- rental of office equipment	11,358	10,910	8,840	8,770
- rental of server	6,480	6,180	5,995	6,365

**18. TAX EXPENSE**

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>Current tax:</b>				
- current year provision	6,770,646	6,334,000	2,758,538	4,535,859
- under/(over) provision in prior years	112,170	-	38,510	(34,557)
	<u>6,882,816</u>	<u>6,334,000</u>	<u>2,797,048</u>	<u>4,501,302</u>
<b>Deferred tax:</b>				
- current year provision	255,453	82,850	209,450	135,000
- under/(over) provision in prior years	238,066	107,000	(43,519)	36,000
	<u>493,519</u>	<u>189,850</u>	<u>165,931</u>	<u>171,000</u>
Total tax expense	<u>7,376,335</u>	<u>6,523,850</u>	<u>2,962,979</u>	<u>4,672,302</u>



**12. ACCOUNTANTS' REPORT (Cont'd)****18. TAX EXPENSE (CONT'D)**

Malaysian income tax is calculated at the statutory rate of 24% (2021, 2020 and 2019: 24%) of the estimated assessable profit for the financial years.

A reconciliation of the tax expense on profit before tax with the applicable statutory income tax rate is as follows:-

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Profit before tax	<u>28,847,220</u>	<u>27,639,981</u>	<u>12,885,293</u>	<u>19,603,153</u>
Malaysian income tax rate of 24% (2021, 2020 and 2019: 24%)	6,923,333	6,633,595	3,092,470	4,704,757
Tax effect in respect of:-				
Non-allowable expenses	144,766	123,913	58,827	270,715
Tax savings for first RM600,000 (2021 and 2020: RM600,000, 2019: RM500,000) taxed at 17%	(42,000)	(42,000)	(84,000)	(87,613)
Under provision of deferred tax in current year not recognised	-	(187,000)	-	(217,000)
Under provision of current tax in current year not recognised	-	(111,658)	(99,309)	-
Under/(over) provision of deferred tax in prior years	238,066	107,000	(43,519)	36,000
Under/(over) provision of current tax in prior years	<u>112,170</u>	<u>-</u>	<u>38,510</u>	<u>(34,557)</u>
Total tax expense	<u>7,376,335</u>	<u>6,523,850</u>	<u>2,962,979</u>	<u>4,672,302</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****19. EARNINGS PER SHARE**Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the financial year attributable to ordinary equity holders of the Group over the weighted average number of ordinary shares in issue during the financial year as follows:

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Net profit for the financial year attributable to equity holders of the Group (RM)	<u>21,005,265</u>	<u>20,320,545</u>	<u>9,699,155</u>	<u>14,977,340</u>
Weighted average number of ordinary shares in issue (units)	<u>2,700,015</u>	<u>1,757,830</u>	<u>1,750,000</u>	<u>1,750,000</u>
Basic earnings per share (RM)	<u>7.78</u>	<u>11.56</u>	<u>5.54</u>	<u>8.56</u>

Diluted earnings per share

Diluted earnings per share equals basic earnings per share because there are no potential dilutive instruments in existence at the reporting date.

## 12. ACCOUNTANTS' REPORT (Cont'd)

## 20. DIVIDENDS

The following dividends have been paid by the Group:-

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>First interim single-tier dividends declared in respect of financial year ended 30 June 2021:-</b>				
300% per share on 1,000,000 ordinary shares paid on 25 January 2021	-	3,000,000	-	-
200% per share on 500,000 ordinary shares paid on 25 January 2021	-	1,000,000	-	-
850% per share on 1,000,000 ordinary shares paid on 30 June 2021	-	8,500,000	-	-
100% per share on 500,000 ordinary shares paid on 29 June 2021	-	500,000	-	-
<b>First interim single-tier dividends declared in respect of financial year ended 30 June 2020:-</b>				
250% per share on 1,000,000 ordinary shares paid on 14 January 2020	-	-	2,500,000	-
200% per share on 500,000 ordinary shares paid on 14 January 2020	-	-	1,000,000	-
300% per share on 1,000,000 ordinary shares paid on 30 October 2020	-	3,000,000	-	-
200% per share on 500,000 ordinary shares paid on 30 October 2020	-	1,000,000	-	-
<b>First interim single-tier dividends declared in respect of financial year ended 30 June 2019:-</b>				
500% per share on 1,000,000 ordinary shares paid on 14 January 2019	-	-	-	5,000,000
200% per share on 500,000 ordinary shares paid on 14 January 2019	-	-	-	1,000,000
400% per share on 1,000,000 ordinary shares paid on 20 May 2019	-	-	-	4,000,000
300% per share on 500,000 ordinary shares paid on 20 May 2019	-	-	-	1,500,000
300% per share on 1,000,000 ordinary shares paid on 3 October 2019	-	-	3,000,000	-
120% per share on 500,000 ordinary shares paid on 3 October 2019	-	-	600,000	-
	<u>-</u>	<u>17,000,000</u>	<u>7,100,000</u>	<u>11,500,000</u>

There were no dividends proposed, declared or paid by the Group since the end of previous financial year.

**12. ACCOUNTANTS' REPORT (Cont'd)****21. EMPLOYEE BENEFITS EXPENSES**

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Salaries and other emoluments	17,776,074	20,964,988	18,544,375	21,458,236
Defined contribution plan	1,757,971	1,453,465	1,206,217	1,223,584
Social security contribution	52,415	51,454	46,400	29,752
Other benefits	1,088,289	478,575	420,017	726,276
	<u>20,674,749</u>	<u>22,948,482</u>	<u>20,217,009</u>	<u>23,437,848</u>

Included in the above is the Directors' remuneration during the financial year as follows:

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Salaries and other emoluments	6,727,790	6,000,000	4,800,000	4,800,000
Defined contribution plan	1,271,740	1,140,000	912,000	912,000
Other benefits	3,046	1,847	1,847	1,847
Fee	128,612	3,367,522	1,578,008	2,504,553
	<u>8,131,188</u>	<u>10,509,369</u>	<u>7,291,855</u>	<u>8,218,400</u>

**22. COMMITMENTS**

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Authorised and contracted for:				
- property, plant and equipment	<u>478,588</u>	<u>1,742,721</u>	<u>-</u>	<u>-</u>

**23. LEASE COMMITMENTS****As lessee**

As at the reporting date, the Group was committed to short-term leases and the total commitment as at reporting date was Nil (2021: RM336,500, 2020: RM264,000 and 2019: RM271,200).

**12. ACCOUNTANTS' REPORT (Cont'd)****24. RELATED PARTY DISCLOSURES**

- (a) Related party transactions have been entered into the normal course of business under normal trade terms. The related party transactions during the financial year are as follows:-

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Rental of premises paid to certain Directors	492,000	456,000	456,000	456,000
Rental of premises paid to a company connected to the certain Directors	72,000	60,000	60,000	60,000
Purchases from a company in which certain shareholders have substantial financial interests	203,578	221,709	126,450	134,600
Transportation charges paid to companies connected to relatives of certain Directors	187,085	215,311	174,467	503,824
Transportation charges paid to a company connected to relative of a shareholder of a subsidiary	<u>443,857</u>	<u>497,892</u>	<u>356,511</u>	<u>389,683</u>

- (b) Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the group either directly or indirectly.

The remuneration of key management personnel is same as the Directors' remuneration as disclosed in Note 21 to the combined financial statements. The Group has no other members of key management personnel apart from the Board of Directors.

**25. SEGMENTAL REPORTING****Business segments**

The Group is principally involved in manufacturing, supplying and trading in packaging materials and paper products.

Due to the interrelated nature of manufacturing, supplying and trading in packaging materials and paper products and similar operational characteristic of managing the same field, management is of the view that it is overseeing a single reportable segment. Hence, the Group does not present its results by industry or product segment.

**Geographical segments**

The Group's business is operated entirely within Malaysia and as such, no segment information based on geographical location is presented.

**12. ACCOUNTANTS' REPORT (Cont'd)****25. SEGMENTAL REPORTING (CONT'D)****Major customers**

The following are major customers with revenue equal or more than 10 percent of the Group's revenue:-

	RM	%
<b>2022</b>		
Customer A	22,915,394	19
Customer B	22,866,668	19
Customer C	21,570,589	18
Customer D	<u>18,143,537</u>	<u>15</u>
	<u>85,496,188</u>	<u>71</u>
<b>2021</b>		
Customer A	28,815,633	23
Customer B	26,300,158	21
Customer C	25,531,022	20
Customer D	<u>17,211,563</u>	<u>13</u>
	<u>97,858,376</u>	<u>77</u>
<b>2020</b>		
Customer A	28,209,486	33
Customer B	21,883,694	25
Customer C	13,854,151	16
Customer D	<u>12,952,150</u>	<u>15</u>
	<u>76,899,481</u>	<u>89</u>
<b>2019</b>		
Customer A	39,287,880	37
Customer B	24,675,089	23
Customer C	16,695,436	16
Customer D	<u>10,803,947</u>	<u>10</u>
	<u>91,462,352</u>	<u>86</u>

**26. FINANCIAL INSTRUMENTS****26.1 Financial risk management**

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their risks. The Group operates within policies that are approved by the Directors and the Group's policies are not to engage in speculative transactions.

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**12. ACCOUNTANTS' REPORT (Cont'd)**


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**26. FINANCIAL INSTRUMENTS (CONT'D)****26.1 Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows:-

**(a) Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the Group's counterparties whose aggregate credit exposure is significant in relation of the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Following are the areas where the Group is exposed to credit risk:-

**i. Receivables**

At the reporting date, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the combined statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an on-going basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar pattern (i.e., by geographical region, product type, customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about the past events, current conditions and forecasts of future economic conditions.

Generally, the gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities. The Group does not hold collateral as security.

## 12. ACCOUNTANTS' REPORT (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

## 26.1 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

## (a) Credit risk (cont'd)

Following are the areas where the Group is exposed to credit risk (cont'd):-

## i. Receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Expected credit <u>loss rate</u> %	Total gross <u>carrying amount</u> RM	Expected credit <u>loss</u> RM
<u>2022</u>			
Not past due	-	15,304,289	-
Past due 1 to 30 days	-	3,185,353	-
Past due 31 to 60 days	-	260,972	-
Past due 61 to 90 days	-	3,048	-
Past due more than 91 days	-	5,409	-
		18,759,071	-
<u>2021</u>			
Not past due	-	12,478,655	-
Past due 1 to 30 days	-	5,877,247	-
Past due 31 to 60 days	-	152,851	-
Past due 61 to 90 days	-	11,107	-
Past due 91 to 120 days	-	2,769	-
Past due more than 120 days	-	933	-
		18,523,562	-
<u>2020</u>			
Not past due	-	10,958,003	-
Past due 1 to 30 days	-	968,565	-
Past due 31 to 60 days	-	52,897	-
Past due 61 to 90 days	-	14,232	-
Past due 91 to 120 days	-	7,303	-
Past due more than 120 days	-	4,628	-
		12,005,628	-



**12. ACCOUNTANTS' REPORT (Cont'd)****26. FINANCIAL INSTRUMENTS (CONT'D)****26.1 Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

**(a) Credit risk (cont'd)**

Following are the areas where the Group is exposed to credit risk (cont'd):-

**i. Receivables (cont'd)**

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix (cont'd):

	Expected credit <u>loss rate</u> %	Total gross <u>carrying amount</u> RM	Expected credit <u>loss</u> RM
<b>2019</b>			
Not past due	-	6,886,636	-
Past due 1 to 30 days	-	3,038,806	-
Past due 31 to 60 days	-	160,600	-
Past due 61 to 90 days	-	54,520	-
Past due 91 to 120 days	-	2,617	-
Past due more than 120 days	-	1,513	-
		<b>10,144,692</b>	-

The net carrying amount of trade receivables is considered a reasonable approximate of their fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above.

In respect of trade receivables, the Group has significant concentration of credit risk of which 45% (2021: 42%, 2020: 66% and 2019: 71%) were due from 2 (2021: 2, 2020: 2 and 2019: 3) customers. As at the reporting date, there was no indication that these receivables are not recoverable.

**ii. Cash and cash equivalents**

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

**iii. Financial guarantees**

The maximum exposure to credit risk is RM4,719,752 (2021: RM5,573,909, 2020: RM6,039,494 and 2019: RM6,453,547) in respect of corporate guarantees given to financial institutions in respect of loans given to certain Directors. The Group monitors on an on-going basis the repayments made by certain Directors.

All the corporate guarantee given to banks for banking facilities utilised by certain Directors of the Group has been discharged by the banks subsequent to the financial year end.

## 12. ACCOUNTANTS' REPORT (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

## 26.1 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

## (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds. In managing its exposures to liquidity risk, the Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group aims at maintaining a balance of sufficient cash and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on the contractual undiscounted repayment obligation are set out as follows:-

	Carrying amount RM	Contractual cash flows RM	Current ← Non-current →		
			Less than 1 year RM	1 to 5 years RM	More than 5 years RM
<b>2022</b>					
<b>Secured:</b>					
Lease liabilities	4,531,833	4,984,715	1,379,018	3,605,697	-
Borrowings	8,856,593	11,073,909	996,264	4,464,895	5,612,750
	<u>13,388,426</u>	<u>16,058,624</u>	<u>2,375,282</u>	<u>8,070,592</u>	<u>5,612,750</u>
<b>Unsecured:</b>					
Trade payables	8,543,764	8,543,764	8,543,764	-	-
Other payables excluding sales tax payable	3,823,246	3,823,246	3,823,246	-	-
	<u>12,367,010</u>	<u>12,367,010</u>	<u>12,367,010</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>25,755,436</u>	<u>28,425,634</u>	<u>14,742,292</u>	<u>8,070,592</u>	<u>5,612,750</u>
Financial guarantees	-	4,719,752	-	-	-

## 12. ACCOUNTANTS' REPORT (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

## 26.1 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

## (b) Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligation are set out as follows (cont'd):-

	Carrying amount RM	Contractual cash flows RM	Current	← Non-current →	
			Less than 1 year RM	1 to 5 years RM	More than 5 years RM
<u>2021</u>					
<b>Secured:</b>					
Lease liabilities	1,294,547	1,433,889	1,083,024	350,865	-
Borrowings	11,263,661	14,229,821	2,796,264	4,663,862	6,769,695
	<u>12,558,208</u>	<u>15,663,710</u>	<u>3,879,288</u>	<u>5,014,727</u>	<u>6,769,695</u>
<b>Unsecured:</b>					
Trade payables	7,854,798	7,854,798	7,854,798	-	-
Other payables excluding sales tax payable	1,628,051	1,628,051	1,628,051	-	-
	<u>9,482,849</u>	<u>9,482,849</u>	<u>9,482,849</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>22,041,057</u>	<u>25,146,559</u>	<u>13,362,137</u>	<u>5,014,727</u>	<u>6,769,695</u>
Financial guarantees	-	5,573,909	-	-	-
<u>2020</u>					
<b>Secured:</b>					
Lease liabilities	3,037,244	3,366,635	2,133,048	1,233,587	-
Borrowings	10,172,595	12,898,314	1,835,368	3,601,300	7,461,646
	<u>13,209,839</u>	<u>16,264,949</u>	<u>3,968,416</u>	<u>4,834,887</u>	<u>7,461,646</u>
<b>Unsecured:</b>					
Trade payables	7,261,580	7,261,580	7,261,580	-	-
Other payables excluding sales tax payable	3,550,773	3,550,773	3,550,773	-	-
	<u>10,812,353</u>	<u>10,812,353</u>	<u>10,812,353</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>24,022,192</u>	<u>27,077,302</u>	<u>14,780,769</u>	<u>4,834,887</u>	<u>7,461,646</u>
Financial guarantees	-	6,039,494	-	-	-

**12. ACCOUNTANTS' REPORT (Cont'd)****26. FINANCIAL INSTRUMENTS (CONT'D)****26.1 Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

**(b) Liquidity risk (cont'd)**

The summary of the maturity profile based on the contractual undiscounted repayment obligation are set out as follows (cont'd):-

	Carrying amount RM	Contractual cash flows RM	Current	Non-current	
			Less than 1 year RM	1 to 5 years RM	More than 5 years RM
<u>2019</u>					
<b>Secured:</b>					
Lease liabilities	5,834,896	6,454,230	3,121,854	3,332,376	-
Borrowings	10,606,278	14,069,354	1,811,638	4,021,962	8,235,754
	<u>16,441,174</u>	<u>20,523,584</u>	<u>4,933,492</u>	<u>7,354,338</u>	<u>8,235,754</u>
<b>Unsecured:</b>					
Trade payables	5,677,271	5,677,271	5,677,271	-	-
Other payables excluding sales tax payable	4,972,388	4,972,388	4,972,388	-	-
	<u>10,649,659</u>	<u>10,649,659</u>	<u>10,649,659</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>27,090,833</u>	<u>31,173,243</u>	<u>15,583,151</u>	<u>7,354,338</u>	<u>8,235,754</u>
Financial guarantees	-	6,453,547	-	-	-

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

Fixed rate instruments are exposed to a risk of change in its fair value due to changes in interest rates. Variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

**12. ACCOUNTANTS' REPORT (Cont'd)****26. FINANCIAL INSTRUMENTS (CONT'D)****26.1 Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

**(c) Interest rate risk (cont'd)**

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting date is as follows:-

	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>Fixed rate instruments</b>				
Fixed deposits with a licensed bank	12,000,000	-	-	-
Lease liabilities	(4,531,833)	(1,294,547)	(3,037,244)	(5,834,896)
Borrowings:-				
- Term loans	(765,184)	(937,148)	-	-
	<u>(6,702,983)</u>	<u>(2,231,695)</u>	<u>(3,037,244)</u>	<u>(5,834,896)</u>
<b>Variable rate instruments</b>				
Borrowings:-				
- Term loans	(8,091,409)	(8,526,513)	(9,172,595)	(9,606,278)
- Bankers' acceptance	-	(1,800,000)	(1,000,000)	(1,000,000)
	<u>(8,091,409)</u>	<u>(10,326,513)</u>	<u>(10,172,595)</u>	<u>(10,606,278)</u>

***Sensitivity analysis for fixed rate instruments:-***

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the financial years would not affect profit or loss.

## 12. ACCOUNTANTS' REPORT (Cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

#### 26.1 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

##### (c) Interest rate risk (cont'd)

###### *Sensitivity analysis for variable rate instruments:-*

The following table illustrates the sensitivity of net profit/equity to a reasonably possible change in interest rates of +/- 0.5%. These changes are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates with all other variables held constant.

	Increase/(decrease) in net profit/equity for the financial year	
	+0.5%	-0.5%
	RM	RM
<b>Variable rate instruments</b>		
2022	(40,457)	40,457
2021	(51,633)	51,633
2020	(50,863)	50,863
2019	(53,031)	53,031

#### 26.2 Reconciliation of liabilities arising from financing activities

	At 1.7.2021 RM	Acquisition* RM	Drawdown RM	Repayments RM	At 30.6.2022 RM
Lease liabilities	1,294,547	4,859,201	-	(1,621,915)	4,531,833
Borrowings	11,263,661	-	-	(2,407,068)	8,856,593
	12,558,208	4,859,201	-	(4,028,983)	13,388,426
	At 1.7.2020 RM	Acquisition* RM	Drawdown RM	Repayments RM	At 30.6.2021 RM
Lease liabilities	3,037,244	200,000	-	(1,942,697)	1,294,547
Borrowings	10,172,595	-	1,800,000	(708,934)	11,263,661
	13,209,839	200,000	1,800,000	(2,651,631)	12,558,208

**12. ACCOUNTANTS' REPORT (Cont'd)****26. FINANCIAL INSTRUMENTS (CONT'D)****26.2 Reconciliation of liabilities arising from financing activities (cont'd)**

	At 1.7.2019 RM	Acquisition* RM	Drawdown RM	Repayments RM	At 30.6.2020 RM
Lease liabilities	5,834,896	24,000	-	(2,821,652)	3,037,244
Borrowings	10,606,278	-	-	(433,683)	10,172,595
	<u>16,441,174</u>	<u>24,000</u>	<u>-</u>	<u>(3,255,335)</u>	<u>13,209,839</u>

	At 1.7.2018 RM	Acquisition* RM	Drawdown RM	Repayments RM	At 30.6.2019 RM
Lease liabilities	314,949	7,343,506	-	(1,823,559)	5,834,896
Borrowings	4,882,012	-	6,000,000	(275,734)	10,606,278
	<u>5,196,961</u>	<u>7,343,506</u>	<u>6,000,000</u>	<u>(2,099,293)</u>	<u>16,441,174</u>

\* *Arising from acquisition of property, plant and equipment under lease arrangements.*

**26.3 Fair value of financial instruments**

The carrying amounts of financial assets and financial liabilities of the Group at the reporting date approximate their fair values due to their short-term nature or that they are variable rate instruments that are re-priced to market interest rates on or near the reporting date or have immaterial discounting impact.

**26.4 Fair value hierarchy**

No fair value hierarchy disclosed as the Group does not have financial instrument measured at fair value.

**27. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, sell assets to reduce debts or issue new share capital.

There was no change in the Group's approach to capital management for the financial years ended 30 June 2022, 30 June 2021, 30 June 2020 and 30 June 2019.

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**12. ACCOUNTANTS' REPORT *(Cont'd)***

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**28. SIGNIFICANT EVENT DURING AND AFTER THE REPORTING PERIOD**

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ('MCO') on 18 March 2020 and has subsequently entered into various phases of the MCO and total lockdown with recovery phase to prepare the Country to enter into endemic.

The Group has performed assessments on the overall impact of the situation on the Group's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there is no material adverse effect on the financial statements for the financial year ended 30 June 2022.

Given the Covid-19 transitioning from pandemic to endemic situation currently, the Group will still continue to monitor for any impact arising from the Covid-19 and take appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.



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## 13. ADDITIONAL INFORMATION

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### 13.1 SHARE CAPITAL

- (i) None of the share capital of our Group is under any option or agreed conditionally or unconditionally to be put under any option.
- (ii) Save for the Pink Form Allocation as disclosed in Section 4.1.1 of this Prospectus,
  - (a) no person including Directors or employees of our Group has been or is entitled to be given or has exercised any option to subscribe for any shares or debentures, warrants, options, convertible securities or uncalled capital of our Company or our Subsidiaries; and
  - (b) there is currently no other scheme involving our Directors and employees of our Group and other persons who have contributed to the success of our Group in the share capital of our Company or our Subsidiaries.
- (iii) Save for the issuance of our subscribers' shares upon our incorporation and the new Shares issued for the Acquisitions and to be issued for the Public Issue as disclosed in Section 4.1.1 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 2 years preceding the date of this Prospectus.
- (iv) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

### 13.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable law. Terms defined in our Constitution shall have the same meaning when used here unless they are otherwise defined here or the context otherwise requires.

#### 13.2.1 Share capital

##### Clause 7.2 – Issue of shares

Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares and subject to the provisions of this Constitution, the Applicable Laws, the Act and the provisions of any resolution of the Company, Shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such Shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of Shares shall comply with the following conditions:

- (a) no Shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in meeting of Members;
- (b) in the case of Shares of a class, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;
- (c) every issue of Shares or options to employees and / or Directors shall be approved by the Members in meeting of Members and such approval shall specifically detail the amount of Shares or options to be issued to such employees and / or Directors; and only Directors holding office in an executive capacity shall participate in such an issue of Shares or options Provided Always that a Director not holding office in an executive capacity may so participate in an issue of Shares pursuant to public offer or a public issue;

**13. ADDITIONAL INFORMATION (Cont'd)**

- (d) except in the case of an issue of Securities on a pro rata basis to Members or pursuant to a back-to-back placement or dividend reinvestment scheme undertaken in compliance with the Listing Requirements, a Director, major shareholders, Chief Executive or person connected to any Director, major shareholder or Chief Executive of the Company shall not participate, directly or indirectly, in an issue of ordinary Shares or other Securities with rights of conversion to ordinary Shares unless the Members in meeting of Members have approved the specific allotment to be made to the Director major shareholders, Chief Executive or person connected to any Director, major shareholder or Chief Executive and the Director, major shareholders, Chief Executive or person connected to any Director, major shareholder or Chief Executive has abstained from voting on the relevant resolution;

In this Clause, “Major Shareholder”, “Chief Executive” and “Person connected to any Director, major shareholder or Chief Executive” shall have the same meaning described thereto in the Listing Requirements.

**Clause 7.3 – Commission on subscription of Shares**

The Company may exercise the powers as conferred by the Act to pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscription, whether absolute or conditional, for any Shares in the Company provided that the rate of the commission shall not exceed 10% of the price at which such shares are issued, or an amount equivalent to such percentage of that price, and the requirements of the Act whichever is lesser and that the requirements of Section 80 of the Act shall be duly complied with. The said commission may be satisfied by payment in cash or shares (fully or partly paid shares) or partly in one way and partly in the other.

**Clause 7.5 – Trusts not to be recognised**

Except as required by the Applicable Laws, this Constitution or pursuant to any order by the court, no person shall be recognised by the Company as holding any Share upon any trust and the Company shall not, be bound by or required to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or unit of Share or (except only as by this Constitution or by the Applicable Laws otherwise provided) any other rights in respect of any Share except in an absolute right to the entirety thereof in the registered holder.

**Clause 7.7 – Allotment and despatch of notice of allotment**

Subject to the provisions of the Act, the SICDA, the Listing Requirements and the Rules, the Company must issue and allot the Securities and despatch notices of allotment to the allottees and make application for the quotation of such Securities within the stipulated time frame as may be prescribed by the Exchange and deliver to the Central Depository the appropriate certificate, if any, in such denomination as may be specified by the Central Depository registered in the name of Central Depository or its nominee company.

**13.2.2 Transfer of Shares****Clause 11.1 – Transfer in writing and to be left at the Office**

For the purpose of registration of a transfer of Shares that are not Deposited Securities, every instrument of transfer which is executed in accordance with the Applicable Laws, shall be left at the Office together with such fee not exceeding RM3.00 or as the Directors may determine, where a share certificate has been issued for the Share to be transferred, the certificate of the Shares and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the Shares, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as the Member within 30 days from receipt of such duly executed and stamped instrument of transfer.

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**13. ADDITIONAL INFORMATION (Cont'd)**

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**Clause 11.2 – Transfer of Securities**

The transfer of any Deposited Security shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Deposited Security.

**Clause 11.5 – Directors may refuse registration of transfer**

Subject to the provisions of the Act, the SICDA, the Listing Requirements and the Rules, the Directors may, in their discretion and without assigning any reason therefor, refuse to register, the transfer of any Share, not being a fully paid share, and whether or not the Company claims lien on the same.

**Clause 11.6 – Closing of registration of transfers**

The registration of transfers may be closed at such times and for such periods as the Directors may from time to time determine but not exceeding in the whole 30 days in any calendar year. In relation to the closure, the Company shall give written notice in accordance with the Rules to the Central Depository to issue the relevant appropriate Record of Depositors.

The Company shall before it closes such register:

- (a) give notice of such intended book closure (in the case of the Register) in accordance with Section 55 of the Act; and
- (b) give notice of such intended closure to the Exchange for such period as prescribed by the Exchange or the Applicable Laws before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration.

**Clause 11.7 – Limitation of liability**

Neither the Company nor the Directors nor any of its officers shall incur any liability for authorising or causing the registering or acting upon a transfer of Securities apparently made by sufficient parties, although the same may be by reason of any fraud or other cause not known to the Company or the Directors or other officers be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although transferred, the transfer may, as between the transferor and the transferee, be liable to be set aside, and notwithstanding that, the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee of the particulars of the Securities transferred, or otherwise in defective manner. In every such case, the person registered as the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

**13.2.3 Transmission of Shares**

**Clause 12.1 – Transmission of Securities between registers**

Where –

- (a) the Securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such Securities,

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**13. ADDITIONAL INFORMATION (Cont'd)**

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the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the share registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the share registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.

**Clause 12.2 – Death of Member**

In the case of the death of a Member, the survivor or survivors, where the deceased was a joint holder, and the legal personal representative(s) of the deceased, whether the deceased was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the Shares, but nothing herein contained shall release the estate of a deceased Member from any liability in respect of any Share which had been held by the deceased Member or jointly held by the deceased Member with other persons.

**Clause 12.3 – Share of deceased or bankrupt Member or liquidation**

Any person becoming entitled to a Share (that is not a Deposited Security) in consequence of the death or bankruptcy (or in the case of a body corporate, liquidation, otherwise than for the purpose of reconstruction or amalgamation) of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the Share or debentures or to have some person nominated by him registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by that Member before his death, bankruptcy or liquidation, as the case may be. Where the Share is a Deposited Security, subject to the provisions of the SICDA, the Rules and any written law, a transfer or withdrawal or transmission of the Share may be carried out by the person becoming so entitled.

**Clause 12.4 – Notice to elect oneself or another to be registered**

If any person so becoming entitled to a Security in consequence of the death or bankruptcy of a Member elects to register himself as the holder of the Security, he shall deliver or send to the Company, a notice in writing signed by him and stating that he so elects, provided that where the Security is a Deposited Security and the person becoming entitled elects to have the Security transferred to him, the aforesaid notice must be served by him on the Bursa Depository. If he elects to have another person registered, he shall evidence his election by executing to that person a transfer of the Security. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of Security shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer is a transfer signed by that Member.

**Clause 12.5 – Persons entitled may receive dividends without being registered as Member, but may not vote**

A person entitled to Securities in consequence of the death or bankruptcy of a Member shall be entitled upon the production of such evidence as may from time to time be properly required by the Directors and the Central Depository in that behalf and subject to the SICDA and the Rules, to receive and may give a discharge for all dividends and other moneys payable in respect of the Securities, but he shall not be entitled to receive notice of or to attend or vote at any meeting, or, save as aforesaid, to exercise any of the rights and privileges of a Member or debenture holder, unless and until he shall have become a Member or debenture holder in respect of the Securities. Where two or more persons are jointly entitled to any Securities in consequence of the death of the holder of the Securities they shall, for the purposes of these Clauses, be deemed to be the joint holders of the Securities.

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**13. ADDITIONAL INFORMATION (Cont'd)**

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**13.2.4 Alteration of capital**

**Clause 15.1 – Company may alter its capital in certain ways**

Subject to the Applicable Laws, the Company may from time to time by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital into Shares of larger amount than its existing shares;
- (b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, 1 or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the others or any other of such shares;
- (c) cancel Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled;
- (d) convert all or any of its issued Shares into stock and reconvert that stock into paid up Shares; and
- (e) subject to the provisions of this Constitution and the Act, convert and / or re-classify any class of Shares into any other class of Shares.

**Clause 15.2 – Power to reduce capital**

The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

**Clause 15.4 – Purchase of own Shares**

Subject to the provisions of the Act and / or the Applicable Laws, the Company may, with the sanction of an Ordinary Resolution of the Members in meeting of Members, purchase its own Shares and make payment in respect of the purchase and / or give financial assistance to any person for the purpose of purchasing its own Shares on such date(s), terms and manner as may be determined from time to time by the Directors. Any Shares in the Company so purchased by the Company shall be dealt with in accordance with the Act and / or the Applicable Laws. The provision of Clauses 15.1 and 15.2 hereof shall not affect the power of the Company to cancel any Shares or reduce its share capital pursuant to any exercise of the Company's power under this Clause.

**13.2.5 Increase of capital and variation rights**

**Clause 16.4 – Rights of preference shareholders**

- (a) A holder of preference shares must have a right to vote in each of the following circumstances:
  - (i) when the dividend or part of the dividend on the share is in arrears for more than 6 months;
  - (ii) on a proposal to reduce the Company's share capital;
  - (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
  - (iv) on a proposal that affects the rights and privileges attached to the preference shares;

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**13. ADDITIONAL INFORMATION (Cont'd)**

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- (v) on a proposal to wind up the Company; and
- (vi) during the winding up of the Company.
- (b) A holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, audited accounts and attending meetings.
- (c) A holder of a preference share shall be entitled to a return of capital in preference to holders of ordinary shares if the Company is wound up; and
- (d) The Company shall have the power to issue further preference capital ranking equally with, or in priority to, preference shares already issued subject to the observation of the provision in Clause 16.3.

**Clause 16.6 – Offer of new Shares to existing Members**

Subject to any direction to the contrary that may be given by the Company in meeting of Members, all new Shares or other convertible Securities shall, before issue, be offered to such persons who as at the date of the offer, are entitled to receive notices from the Company of meetings of Members, in proportion, as nearly as circumstances admit, to the amount of the existing Shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of Shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of such time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares or Securities offered, the Directors may, subject to this Constitution, dispose of those Shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new Shares or Securities which (by reason of the ratio which the new Shares or Securities bear to Shares or Securities held by persons entitled to an offer of new Shares or Securities), cannot, in the opinion of the Directors, be conveniently, offered under this Constitution.

**Clause 17 – Variation on rights**

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of 75% of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the Shares of that class. To every such separate meeting the provisions of this Constitution relating to meeting of Members shall mutatis mutandis apply so that the necessary quorum shall be 2 persons at least holding or representing by proxy at least 1/3 of the issued shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

**13.2.6 Remuneration of Directors**

**Clause 21.4 – Remuneration**

The Directors shall be paid by way of remuneration for their services such fixed sum as shall from time to time be determined by the Company in meeting of Members, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by the shareholders in general meeting;
- (b) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to executive Directors may not include a commission on or percentage of turnover;

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**13. ADDITIONAL INFORMATION (Cont'd)**

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- (c) fees payable to Directors and any benefits payable to Directors shall be subject to annual approval by an Ordinary Resolution at a meeting of Members;
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (e) the fees and / or benefits payable to non-executive Directors who is also Director of the subsidiary(ies) includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiary(ies), but does not include insurance premium or any issue of Securities.

**Clause 21.5 – Reimbursement**

In addition to the remuneration provided under Clause 21.4, each Director shall be paid such reasonable travelling, hotel and other expenses as he shall incur in attending and returning from meetings of the Directors or any committee of the Directors or meeting of Members or which they may otherwise incur in connection with the business of the Company.

**Clause 22.3 – Remuneration of Managing Director**

The remuneration of a Managing Director shall be fixed by the Directors, and may be by way of fixed salary or commission or participation in profits or by any or all of those modes, but shall not include a commission on or percentage of turnover but it may be a term of his appointment that he shall receive pension, gratuity or other benefits upon his retirement.

**13.2.7 Power and duties of Directors**

**Clause 21.3 – Alternate Directors**

Any Director may from time to time appoint any person to act as his alternate provided that:

- (a) such person is not a Director of the Company;
- (b) such person does not act as an alternate for more than one Director of the Company;
- (c) the appointment is approved by a majority of the other Directors to be an alternate Director of the Company; and
- (d) any fee paid by the Company to the alternate Director shall be deducted from his appointor's remuneration.

Any appointment so made may be revoked at any time by the appointer or by a majority of the Directors. All appointments and removals of alternate Directors made by any Director in pursuance of the provisions of this Constitution shall be in writing under the hand of the Director making the same and left at the Office.

An alternate Director shall be entitled to receive notices of and attend all meetings of the Directors, and to vote as a Director at any such meeting at which the Director appointing him is not present, and generally in the absence of his appointer to perform all the functions of his appointer as a Director. An alternate Director may be removed from office by resolution of the Board, and shall ipso facto cease to be an alternate Director if his appointer ceases for any reason to be a Director or becomes bankrupt or unsound mind or on the happening of any event which render him legally disqualified from acting as a Director.

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**13. ADDITIONAL INFORMATION (Cont'd)**

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The nomination of an alternate Director may be made in writing and sent by hand, post, facsimile or in any other form or manner, electronic or otherwise, as approved by the Directors, provided that such nomination shall be confirmed within 3 months from the date of such notice by a written nomination complying with the above mentioned requirements, and any act done by the alternate Director nominated in such notice between the date thereof and the date of the receipt within the prescribed period by the Company of the written nomination shall be as valid and effectual as if such alternate Director had been duly appointed in the fit instance, whether such written nomination shall be received by the Company within the prescribed period or not.

**Clause 23.1 – Powers and duties of Directors**

The business and affairs of the Company shall be managed by, or under the direction of the Directors who may pay all such expenses of and preliminary and incidental to the promotion, formation, establishment and registration of the Company as they think fit, and may exercise all such powers of the Company and do on behalf of the Company all such acts as may be exercised and done by the Company, and as are not by law or by this Constitution required to be exercised or done by the Company in meeting of Members, but the exercise of all such powers shall be subject to and in accordance with the provisions of any law and of this Constitution and shall also be subject to and in accordance with any resolution made by the Company in meeting of Members, provided that no resolution so passed shall invalidate any prior act of the Directors which would have been valid if such resolution had not been made. The general powers by this Clause shall not be limited or restricted by any special authority or power given to the Directors by any other Clauses.

**Clause 23.2 – Directors' borrowing powers**

- (a) The Directors may from time to time at their discretion raise or borrow such sums of money as they think proper and may secure the repayment of such sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable, debentures or debenture stock or any mortgage or guarantee, charge or security on the undertaking of the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being and borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of any subsidiary, associated or other companies or persons. Provided that the Directors shall not issue any debt securities convertible to ordinary shares without the prior approval of the Company in meeting of members.
- (b) Any debentures, debenture stock, bonds or other securities may be issued with any special privileges as to redemption, surrender, drawings, allotment of Shares, attending and voting at meeting of members of the Company, appointment of Directors and otherwise.
- (c) If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company in its ordinary course of business, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability.
- (d) The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 352 of the Act as regards the registration of mortgages and charges therein specified or otherwise.



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**13. ADDITIONAL INFORMATION (Cont'd)**

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**Clause 23.6 – Power to execute cheques and receipts**

All cheques, promissory notes, drafts, bills of exchange, other negotiable or transferable instruments and all receipts for money paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manners the Directors shall determine by resolution from time to time.

**Clause 23.7 – Directors' power to appoint attorney of the Company**

The Directors may from time to time by power of attorney under the Seal appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Board to be the attorney / attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

**Clause 23.11 – Declaration of interest by a Director**

A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest in accordance with the provisions of the Act. Save as by the next following paragraph of this Clause otherwise provided and subject always to the Act and / or Listing Requirements, a Director shall not vote in respect of any contract or proposed contract or arrangement in which he is directly or indirectly interested. The Directors will not be considered as interested in the following circumstances:

- (a) any arrangement for giving to him any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company;
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security;
- (c) any contract by him to subscribe for or underwrite share; or debentures of the Company; or
- (d) any contract or arrangement with any other company in which he is interested only as a director or other officer or creditor of or as a shareholder in or beneficially interested in the Shares of the Company.

**13.2.8 Proceedings of Directors****Clause 24.8 – Chairman's casting vote**

In case of an equality of votes, the chairman shall have a second or casting vote provided always that the chairman of a meeting at which only 2 Directors form a quorum or at which only 2 Directors are competent to vote on the questions at issue, shall not have a second or casting vote.

**Clause 24.9 – Chairman**

The Directors shall elect a chairman and may elect 1 or more vice-chairman from their number and the Directors may determine the period for which such officers shall respectively hold office. The chairman or in the absence of the chairman / the vice-chairman (if any) or in the event that there are more than 1 vice-chairman, the senior in appointment amongst them shall preside at the meeting of Directors. If no officers are present within 15 minutes after the time appointed for holding of the meeting of Directors, the Directors present shall choose 1 of their number to be chairman of the meeting. For the avoidance of doubt, an alternative director may be elected as the chairman of the Board Meeting by a resolution passed at the meeting.

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## 13. ADDITIONAL INFORMATION *(Cont'd)*

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### 13.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares imposed by law or by constituent documents of our Company.

### 13.4 PUBLIC TAKE-OVERS

During the last financial year and up to the LPD, there were no:

- (i) public take-over offers by third parties in respect of our Group's shares; and
- (ii) public take-over offers by our Group in respect of other companies' shares.

### 13.5 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the Financial Years Under Review up to the date of this Prospectus:

- (i) memorandum of sale dated 6 July 2018 entered into between DS Packaging, Ye Jaya Holding Sdn Bhd and United Overseas Bank (Malaysia) Bhd in relation to a public auction sale, whereby DS Packaging was proclaimed as the purchaser of No. 27 Klang Factory for a purchase price of RM7,920,000.00. This transaction was completed on 7 May 2019;
- (ii) a conditional share sale and purchase agreement dated 7 February 2022 entered into between the DS Manufacturing Vendors and DS Sigma for the Acquisition of DS Manufacturing, as detailed in Section 4.1.1(a)(i) of this Prospectus. The Acquisition of DS Manufacturing was completed on 29 August 2022;
- (iii) a conditional share sale and purchase agreement dated 7 February 2022 entered into between the DS Packaging Vendors, Kaisung Vendors and DS Sigma for the Acquisition of DS Packaging and Acquisition of Kaisung, as detailed in Section 4.1.1(a)(ii) and Section 4.1.1(a)(iii) of this Prospectus. The Acquisition of DS Packaging and Acquisition of Kaisung were completed on 29 August 2022;
- (iv) the Underwriting Agreement; and
- (v) placement agreement entered into between our Company and PIVB on 3 November 2022 where our Company agreed to appoint PIVB to place out 57,380,000 IPO Shares made available under the placement to selected investors as well as selected Bumiputera Investors approved by MITI.

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### 13. ADDITIONAL INFORMATION *(Cont'd)*

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#### 13.6 CONSENTS

- (i) The written consents of the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent, Solicitors for the Listing, Share Registrar, Issuing House and Company Secretary for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.
- (ii) The written consent of the External Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus, and has not subsequently been withdrawn.
- (iii) The written consent of the IMR for the inclusion in this Prospectus of its name and Industry Overview Report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

#### 13.7 RESPONSIBILITY STATEMENTS

- (i) PIVB acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to the IPO.
- (ii) This Prospectus has been seen and approved by our Directors, Promoters and Selling Shareholders and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

#### 13.8 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the Industry Overview Report referred to in Section 7 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position of our Group as at 30 June 2022 referred to in Section 11.5 of this Prospectus;
- (iv) the Accountants' Report as included in Section 12 of this Prospectus;
- (v) the material contracts as set out in Section 13.5 of this Prospectus;
- (vi) the letters of consent referred to in Section 13.6 of this Prospectus;
- (vii) the audited financial statements of DS Sigma for the financial period from 20 September 2021 (date of incorporation) to 30 June 2022; and
- (viii) the audited financial statements of DS Packaging and Kaisung for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022 and DS Manufacturing for the FYE 31 December 2018, FYE 31 December 2019, FYE 31 December 2020 and 18-month financial period ended 30 June 2022.

## 14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

### 14.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 13 DECEMBER 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 21 DECEMBER 2022

Applications for the IPO Shares will open and close at the times and dates stated above.

In the event there is any change to the times and dates stated above, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

**Late Applications will not be accepted.**

### 14.2 METHODS OF APPLICATIONS

#### 14.2.1 Application for our IPO Shares by the Malaysian Public and the Eligible Persons

Applications must accord with this Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

<u>No.</u>	<u>Types of Application and category of investors</u>	<u>Application method</u>
(a)	Applications by Malaysian Public:	
	(i) Individuals	<ul style="list-style-type: none"> <li>▪ WHITE Application Form; or</li> <li>▪ Electronic Share Application; or</li> <li>▪ Internet Share Application</li> </ul>
	(ii) Non-Individuals	<ul style="list-style-type: none"> <li>▪ WHITE Application Form only</li> </ul>
(b)	Applications by Eligible Persons	<ul style="list-style-type: none"> <li>▪ PINK Application Form only</li> </ul>

#### 14.2.2 Application by selected investors via Placement

<u>No.</u>	<u>Types of Application</u>	<u>Application method</u>
(a)	Applications by selected investors	The Sole Placement Agent will contact the selected investors directly. They should follow the Sole Placement Agent's instructions.
(b)	Applications by Bumiputera Investors approved by MITI	The Sole Placement Agent will contact the Bumiputera Investors approved by MITI directly. They should follow the Sole Placement Agent's instructions.

## 14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Selected investors and Bumiputera Investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

### 14.3 ELIGIBILITY

#### 14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

#### 14.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfil all of the following:

- (i) you must be one of the following:
  - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
  - (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) you must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and
- (iii) you must submit Applications by using only one of the following methods:
  - (a) White Application Form;
  - (b) Electronic Share Application; or
  - (c) Internet Share Application.

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## 14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

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### 14.3.3 Application by Eligible Persons

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instruction in the said document and where relevant, in this Prospectus.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, our Issuing House, PIVB, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

The Eligible Persons are not precluded from making additional application under the Malaysian Public category using either the White Application Form, Electronic Share Application, or Internet Share Application.

### 14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.55 for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 729**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))  
Unit 32-01, Level 32 Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at the following address:

Tricor Customer Service Centre  
Unit G-3, Ground Floor  
Vertical Podium  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 21 December 2022 or by such other time and date specified in any change to the date or time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

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## **14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)***

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### **14.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS**

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

### **14.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS**

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

### **14.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE**

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
  - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
  - (b) are illegible, incomplete or inaccurate; or
  - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

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**14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**14.8 OVER / UNDER-SUBSCRIPTION**

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by our Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website at <https://tiih.online> within one market day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's enlarged issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and / or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.1.1(b) of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

**14.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

**14.9.1 For applications by way of Application Forms**

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).



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## 14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

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### 14.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the 5<sup>th</sup> Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

### 14.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

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**14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**14.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:

<u>Mode of application</u>	<u>Parties to direct the enquiries</u>
Application Form	Issuing House Enquiry Services at telephone no. (603) 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online> within **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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