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17 November 2022

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

Dear Sirs and Madams

Independent Assessment of the Packaging Industry in Malaysia

We are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include the development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above for inclusion in the prospectus of DS Sigma Holdings Berhad concerning its listing on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, availability of up-to-date information, secondary information and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from The University of New South Wales, Australia and a degree in Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing on Bursa Securities.

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Date of report: 17 November 2022

INDEPENDENT ASSESSMENT OF THE PACKAGING INDUSTRY IN MALAYSIA

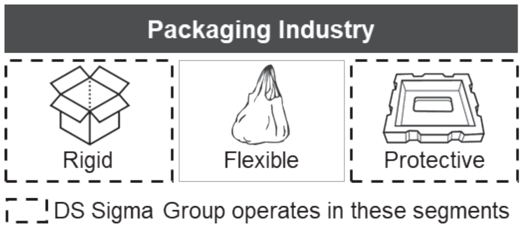
1. INTRODUCTION

- DS Sigma Holdings Berhad together with its subsidiaries, (herein referred to as DS Sigma Group) is mainly involved in the manufacturing of corrugated paper packaging products including cartons, protective packaging and paper pallets, which shall form the focus of this report. DS Sigma Group also supplies non-paper protective packaging materials mainly made of plastic materials. As such, this report will provide some coverage of the plastic packaging industry. As the Group derived all its revenue from Malaysia, all data and information in this report refer to Malaysia unless stated otherwise. The report also provides some coverage of paperboard or non-corrugating cartons as in a small number of situations, non-corrugated cartons may be used in place of corrugated cartons.

2. PACKAGING INDUSTRY STRUCTURE

2.1 Overall structure of the packaging industry

- The packaging industry can be segmented into rigid, flexible and protective packaging. Advanced packaging is excluded as it is the packaging of technological items such as packaging integrated circuits or chips in semiconductors or electronic devices.



- **Rigid packaging** mainly involves external packaging in the form of a carton, box or container (collectively referred to as "carton" in this report) that is difficult to be bent or forced out of shape. It is often made of corrugated board, paperboard, rigid plastics, glass and metal. It serves to hold as well as protect the content. Rigid packaging is used for all types of industrial and consumer goods as they need to be handled, stored and transported safely and efficiently.

- **Flexible packaging** uses flexible or easily yielding materials, whose shape can be readily changed to contain goods. It is often made of paper or plastics. Examples of flexible packaging include paper and plastic bags and sacks, as well as pouches for small or liquid content.

- **Protective packaging** includes accessories to complement rigid packaging to protect and buffer the content in the carton from potential damage during handling, storage and transportation. Examples of protective packaging include nesting, edge protectors, plastic bags, polyethylene foam and expanded polystyrene moulded products.

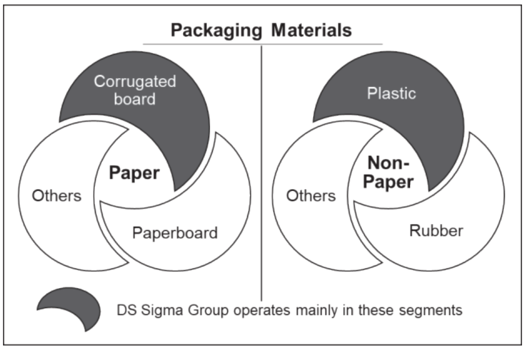
- DS Sigma Group is involved in the rigid and protective packaging segments incorporating manufacturing of paper corrugated cartons and protective packaging, and supply of non-paper protective packaging mainly made of plastics.

2.2 Packaging materials

- Packaging materials comprise paper and non-paper materials including plastics, rubber and many others such as glass, wood and metal.

- Within paper packaging, the two main materials are corrugated board and paperboard, which are used to manufacture rigid cartons and internal protective packaging. A corrugated board commonly comprises a wavy sheet of paper sandwiched between two flat sheets of paper referred to as liners, while a paperboard comprises thick paper (which is non-corrugated). Others include sheet and shredded paper, as well as paper pulp moulded products mainly for protective packaging.

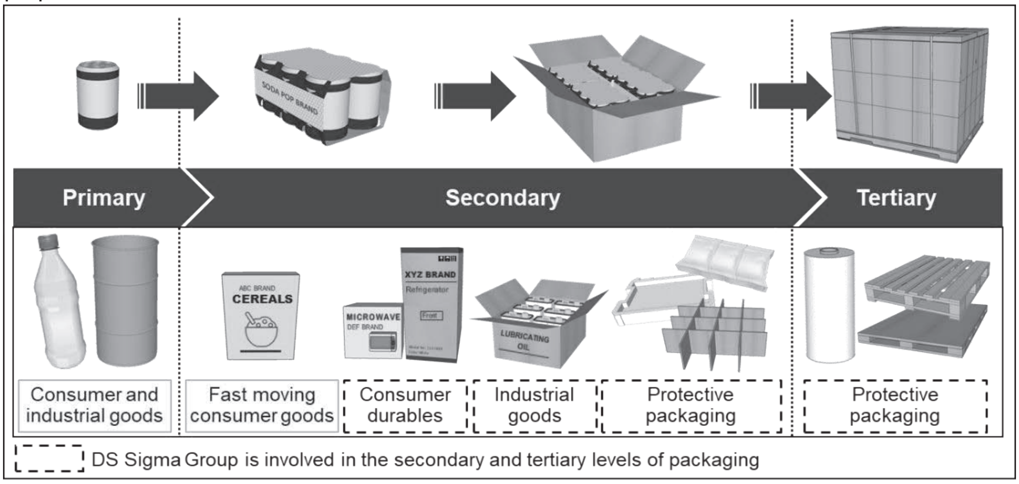
- The most common non-paper packaging material is plastics made from various compounds including, among others, polyvinylchloride (PVC), polystyrene (PS), polyurethane (PU), polypropylene (PP), and polyethylene (PE) which includes high and low density and cross-linked PE. Rubber packaging materials include natural rubber and various types of synthetic rubber such as styrene-butadiene, polybutadiene, ethylene propylene diene monomer and butyl. Plastic and rubber packaging materials can be in the form of films, sheets and in expanded forms. Expanded plastic or rubber are engineered products that are light and spongy with a flexible cellular structure that traps gas or air to provide a cushioning effect, and may be used in sheet, bag or moulded products for protective packaging. Some expanded plastic such as expanded polystyrene is rigid while some such as PE foam sheets are flexible.



- DS Sigma Group mainly uses corrugated boards as input materials for conversion to cartons and protective packaging, as well as supplies mainly plastic protective packaging.

2.3 Levels of packaging

- Packaging can be segregated into primary, secondary and tertiary levels. Each level serves different purposes and is illustrated as follows:



- **Primary packaging** refers to packaging that comes into direct contact with the product itself and is used for consumer as well as industrial products.

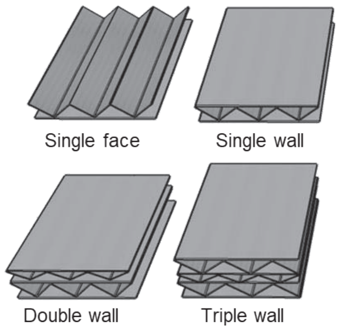
- **Secondary packaging** refers to the packaging of a group of products for ease of handling, storage and transportation. Secondary packaging often includes rigid corrugated or paperboard cartons complemented by protective packaging such as nesting and plastic foam bags to protect the content in the carton. Some consumer and industrial products only require secondary packaging without any primary packaging.

- **Tertiary packaging** refers to packaging used most often by logistics operators to handle, store and transport a large group of products with primary and/or secondary packaging. Tertiary packaging provides another layer of protective outer packaging such as stretch films, edge protectors and pallets.

- Consumer-facing products commonly have appealing primary or secondary graphic design packaging to differentiate from their competitors and attract buyers. For such graphic design packaging, kraftliner, white bleached paper or treated paper are used as the outer liner of corrugated cartons, and commonly six-or-more-colour printers are used.

- DS Sigma Group mainly supplies packaging at the secondary and tertiary levels for consumer durable goods and industrial products.

2.4 Types of corrugated board



- Corrugated boards are the main input materials for conversion to cartons and protective packaging. Corrugated boards comprise a wavy paper, referred to as corrugating medium, commonly sandwiched between two liners which results in a sturdy board that provides cushioning and protection. Corrugated boards commonly come as a single face, single wall, double wall and triple wall to provide different levels of strength for cushioning and protection purposes.

- The strength of the corrugated board also depends on the wave, referred to as flute, of the corrugating medium. Flute within a corrugated board may vary by the number of flutes per linear foot and height of the flute to provide better cushioning and withstanding greater vertical compression. There are six common flute sizes, where generally A, B and C flutings provide better cushioning and protection compared to D, E and F flutings that provide better structural support and surface for printing.

- DS Sigma Group is involved in the manufacture of corrugated cartons and corrugated protective packaging mainly comprising double wall boards with A and B flutes for heavy consumer and industrial goods and parts.

2.5 Types of paper for corrugated board

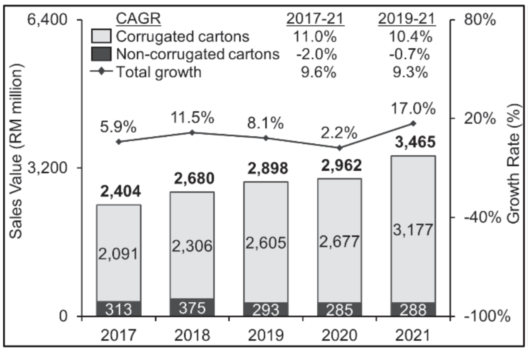
- There are three main types of paper used in manufacturing corrugated boards as follows:
  - **Kraftliner** is paper predominantly made from no less than 80% virgin fibre. Virgin fibre is typically longer than fibre from recycled paper and thus is stronger in providing good tear, puncture and bursting strength, as well as a smooth surface that provides better results for multicolour printing compared to testliners.
  - **Testliner** is made from secondary fibre obtained from recycled paper and commonly comprises at least 20% virgin pulp. The recycling process shortens the fibres and thus testliners are generally of lower strength and consequently lower cost compared to kraftliners.
  - **Corrugating medium** is industrial brown paper mostly made of recycled paper and fluted.

3. SUPPLY AND DEMAND CONDITIONS OF PAPER CARTONS

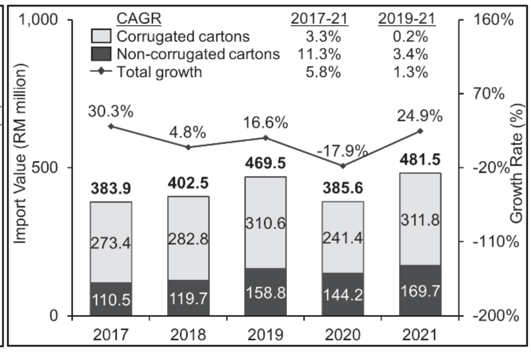
3.1 Supply of paper cartons

- The supply of paper cartons is represented by domestic production and import of corrugated and non-corrugated cartons in Malaysia. In 2021, corrugated and non-corrugated cartons accounted for 91.7% and 8.3% of the total sales value of paper cartons respectively.

Production value of paper cartons^



Import value of paper cartons^



^ Paper cartons include corrugated and non-corrugated cartons (Source: Department of Statistics Malaysia (DOSM))

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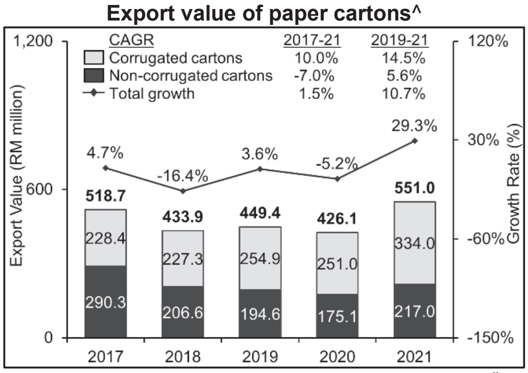
- Between 2019 and 2021, the sales value of domestically manufactured corrugated cartons grew at a CAGR of 10.4% to RM3.2 billion in 2021, while non-corrugated cartons declined at an average annual rate of 0.7% to RM0.3 billion in 2021. In 2021, the sales value of domestically manufactured paper cartons grew by 17.0%, contributed by 18.7% and 1.2% growth from corrugated and non-corrugated cartons respectively. The high growth of corrugated cartons is mainly attributed to the boom in online shopping and purchases of consumer durable goods during the COVID-19 pandemic.

- In 2021, the import value of paper cartons grew by 24.9% to RM481.5 million, contributed by 29.2% and 17.7% growth from corrugated and non-corrugated cartons respectively. The growth was mainly due to the high paper prices during the second half (H2) of 2021. In 2021, the main importing country into Malaysia for both corrugated and non-corrugated cartons was China, accounting for 59.3% and 60.1% of the total import values of corrugated and non-corrugated cartons respectively. For the first 9 months of 2022, import value of paper cartons grew by 8.7% to RM370.2 million, contributed by 6.4% and 13.0% growth from corrugated and non-corrugated cartons respectively compared to the corresponding periods in 2021.

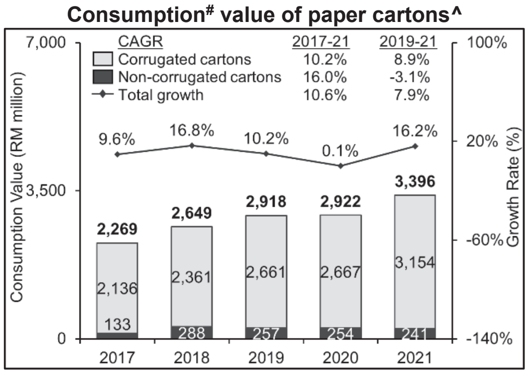
3.2 Demand for paper cartons

- The demand for paper cartons is represented by export and domestic consumption.

Export value of paper cartons^



Consumption# value of paper cartons^



^ Include corrugated and non-corrugated cartons; # Based on domestic production plus imports less exports
(Source: DOSM; Vital Factor analysis)

- In 2021, the export value of paper cartons grew by 29.3% to RM551.0 million, contributed by 33.1% and 23.9% growth from corrugated and non-corrugated cartons respectively. Similarly to the import values, the growth was mainly due to the high paper prices during H2 2021. In 2021, the main exporting destination was Singapore, which accounted for 47.1% and 34.1% of the export values of corrugated and non-corrugated cartons respectively. For the first 9 months of 2022, the export value of paper cartons grew by 16.2% to RM458.7 million, contributed by 12.3% and 22.5% growth from corrugated and non-corrugated cartons respectively compared to the corresponding periods in 2021.

- Between 2019 and 2021, the domestic consumption of paper cartons grew at a CAGR of 7.9%. In 2021, the domestic consumption of paper cartons grew by 16.2% to RM3.4 billion, mainly due to the robust demand for corrugated cartons and high paper prices in 2021.

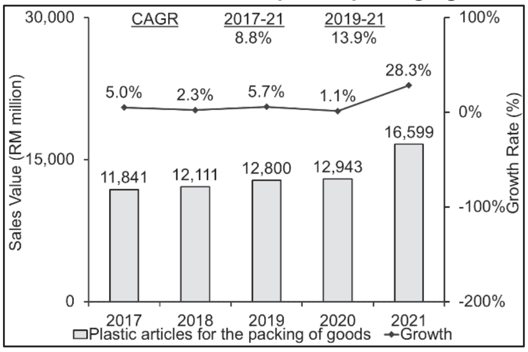
4. SUPPLY AND DEMAND CONDITIONS OF PLASTIC PACKAGING

4.1 Supply of plastic packaging

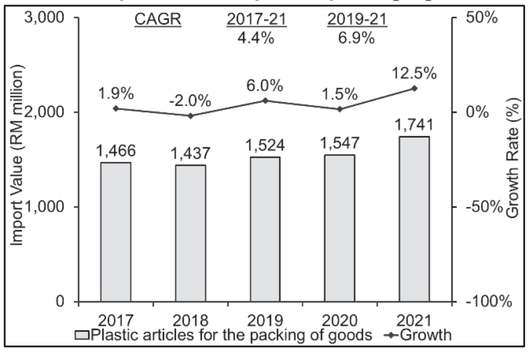
- The supply of plastic packaging is represented by the domestic production and import of plastic articles for the packing of goods in Malaysia. Plastic packaging is mainly sourced locally, due to the developed petrochemical sector in Malaysia that provides a steady supply of materials for the plastic industry.

- In 2021, the sales value of domestically manufactured plastic packaging grew by 28.3% to RM16.6 billion, as the supply to essential sectors such as the food and medical sectors was not impacted by the containment measures imposed by the government. For the first 9 months of 2022, the sales value of domestically manufactured plastic packaging grew by 30.8% to RM15.8 billion compared to the corresponding periods in 2021.

Production value of plastic packaging



Import value of plastic packaging



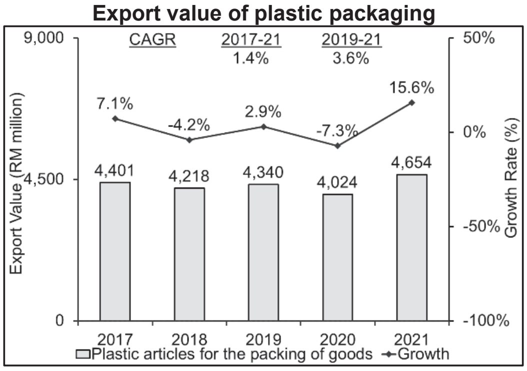
(Source: DOSM)

- In 2021, the import value of plastic packaging grew by 12.5% to RM1.7 billion. The top three importing countries into Malaysia were China, Singapore and Japan which accounted for 38.1%, 9.9% and 9.3% respectively of the total import value of plastic packaging. For the first 9 months of 2022, import value of plastic packaging grew by 20.1% to RM1.5 billion compared to the corresponding periods in 2021.

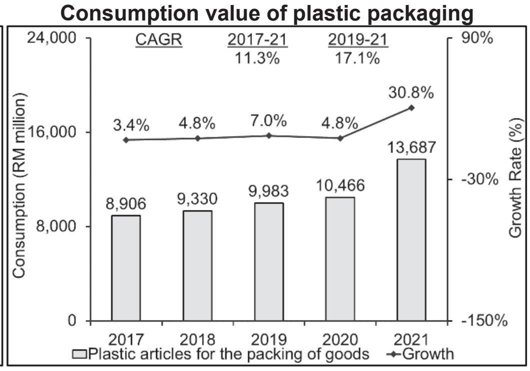
4.2 Demand for plastic packaging

- The demand side is represented by the export and domestic consumption of plastic articles for the packing of goods in Malaysia.

Export value of plastic packaging



Consumption value of plastic packaging



(Source: DOSM; Vital Factor analysis)

- In 2021, the export value of plastic packaging grew by 15.6% to RM4.7 billion. The top three exporting destinations were Singapore, the US and Australia which accounted for 23.7%, 16.5% and 11.1% respectively of the total export value of plastic packaging. For the first 9 months of 2022, export value of plastic packaging grew by 10.4% to RM3.7 billion compared to the corresponding periods in 2021.

- In 2021, domestic consumption of plastic packaging grew by 30.8% to RM13.7 billion, with a CAGR of 17.1% between 2019 and 2021. The growth was mainly due to the rise in demand for food packaging, containers for food deliveries and packaging for online shopping transactions. For the first 9 months of 2022, the domestic consumption of plastic packaging grew by 36.3% to RM13.6 billion compared to the corresponding periods in 2021. The growth was mainly due to the high selling price of plastic packaging.

5. SUPPLY AND PRICING OF KEY RAW AND INPUT MATERIALS

5.1 Supply of input materials

- Corrugated boards and paperboards are the key input materials to convert to cartons and protective packaging.

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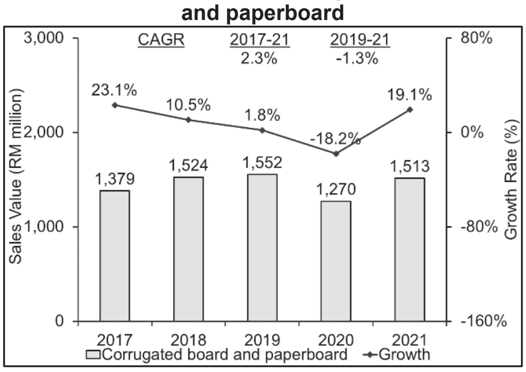
- In 2021, the sales value of domestically manufactured corrugated board and paperboard grew by 19.1% to RM 1.5 billion, which recovered to almost the production level in 2019 before the COVID-19 pandemic hits.

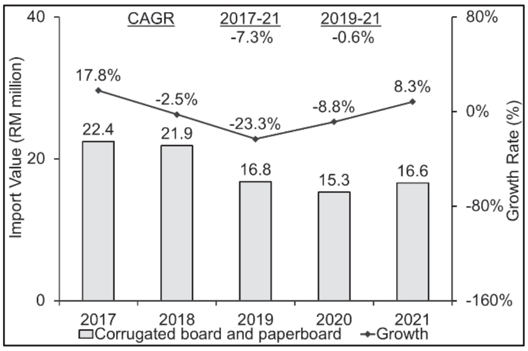
Production value of corrugated board and paperboard



Note: There is no segmentation for corrugated board and paperboard. *(Source: DOSM)*

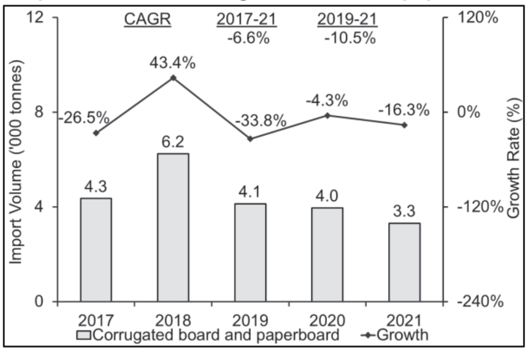
- In 2021, the import value of corrugated board and paperboard grew by 8.3% to RM16.6 million. The major sources of corrugated board and paperboard were Thailand and China which accounted for 63.9% and 18.1% respectively of the total import value of corrugated board and paperboard. However, the import volume of corrugated board and paperboard declined by 16.3% to 3,300 tonnes in 2021. For the first 9 months of 2022, import value of corrugated board and paperboard declined by 6.8% to RM12.2 million compared to corresponding periods in 2021.

Import value of corrugated board and paperboard



Note: There is no segmentation for corrugated board and paperboard. *(Source: DOSM)*

Import volume of corrugated board and paperboard

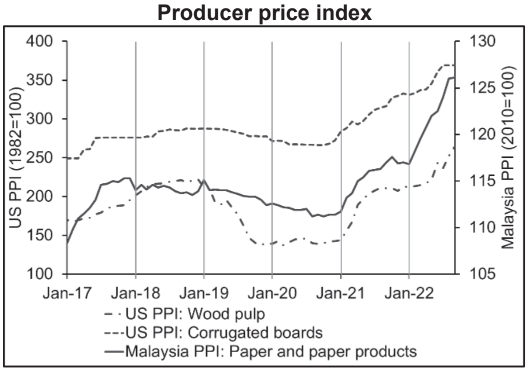


Note: There is no segmentation for corrugated board and paperboard. *(Source: Vital Factor analysis)*

5.2 Prices of input materials

- Wood pulp is one of the raw materials to manufacture all types of paper including writing, printing, stationery and packaging paper such as corrugated board which is used for corrugated cartons and protective packaging, as well as paper-based personal and home care products including tissue and toilet paper. Commonly, recycled paper is also used in combination with wood pulp to reduce the overall cost of paper. As such, the prices of wood pulp will have an impact on the cost of corrugated cartons and protective packaging.

Producer price index



Note: US PPI is based on the first day of the month. Malaysia PPI is based on the last day of the month. *(Source: DOSM; Vital Factor analysis)*

- The producer price index (PPI) is used to measure the average changes in prices charged by producers or manufacturers in the industry, thereby being the proxy for price movements. The US PPIs for wood pulp and corrugated paperboards are used as a proxy for global price movements, while Malaysia's PPI for paper and paper products is used as the proxy for domestic price movements.

- Overall, all three PPIs showed similar trends between 2017 and 2021. Between February 2017 and September 2018, wood pulp prices increased by 32.2% mainly due to China's ban on

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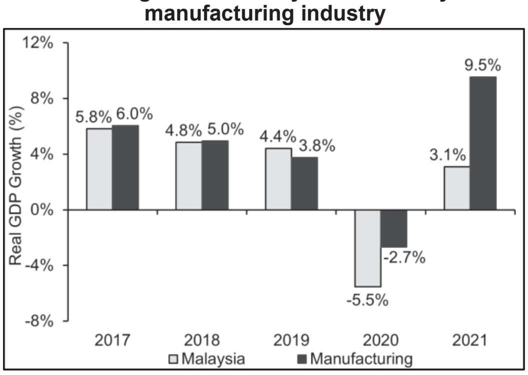
the import of unsorted waste paper, which resulted in a surge in demand for its alternative, including wood pulp. An increase in wood pulp prices will consequently cause an increase in the prices of paper products including corrugated boards. The three PPIs were relatively stable in 2018, while in 2019 they showed declining trends. Between December 2018 and November 2019, wood pulp prices declined by 38.2% mainly due to increased mill capacity leading to oversupply, coupled with weakening wood pulp demand. The three PPIs were relatively stable in 2020.

- Since January 2021, all three PPIs showed significant growth, where between January 2021 and December 2021, wood pulp prices grew rapidly by 48.0% and further increased by 24.7% between January 2022 and September 2022. This was mainly due to increasing demand supported by the surge in e-commerce as well as an increase in wood pulp demand from China due to its banning of imports of solid waste including old corrugated cartons since January 2021. Additionally, the supply of wood pulp was affected by supply chain disruption due to the global shortage of sea freight containers, increasing sea freight rates, port congestions, rising energy rates, the large-scale strike action in a paper mill in Finland from early January to end April 2022, as well as the Russia-Ukraine conflict.

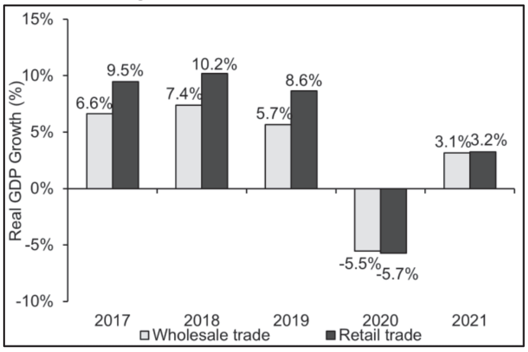
6. DEMAND DEPENDENCIES

- Packaging products are required for a very wide range of consumer and industrial goods for handling, storage and transportation including production, import and export of goods, as well as domestic distribution comprising wholesale and retail trade. DS Sigma Group is mainly involved in the supply of packaging for electrical and electronic (E&E) goods.

Real GDP growth of Malaysia's economy and manufacturing industry



Real GDP growth of wholesale and retail trade



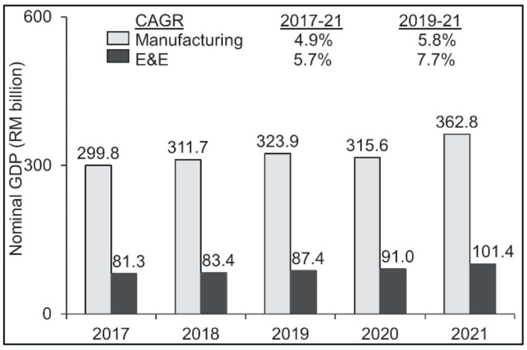
(Source: DOSM)

- The real Gross Domestic Product (GDP) of Malaysia's economy indicates the economic output without the impact of price inflation. In 2020, the real GDP of Malaysia's economy and manufacturing industry declined by 5.5% and 2.7% respectively as a result of the containment measures following the COVID-19 pandemic.

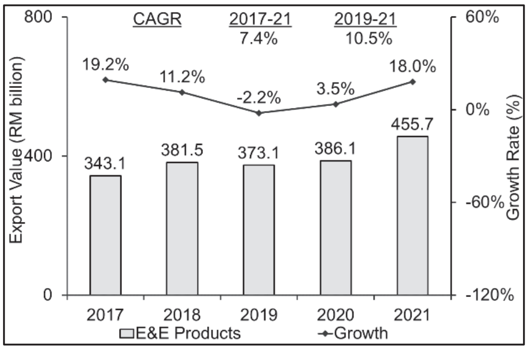
- In 2021, Malaysia's economy recovered to grow by 3.1% on the back of improved domestic demand, continued policy to support the economy and strong external demand, despite the reimposition of stringent containment measures in June 2021. Overall, the Malaysian economy is expected to achieve real GDP growth between 6.5% and 7.0% in 2022, and forecasted to grow between 4.0% and 5.0% in 2023 *(Source: Ministry of Finance (MoF))*. In 2021, the wholesale and retail trade grew by 3.1% and 3.2% respectively, mainly attributed to the reopening of more service subsectors and relaxation of containment measures. For the first 9 months of 2022, the real GDP of Malaysia's economy, manufacturing industry, wholesale trade and retail trade grew by 9.3%, 9.7%, 4.7% and 18.0% respectively compared to the corresponding periods in 2021.

- In 2021, the GDP of the manufacturing industry accounted for 23.5% of Malaysia's GDP, while the GDP of the E&E sector accounted for 28.0% of the GDP of the manufacturing industry. For the first 9 months of 2022, the GDP of the manufacturing industry and E&E sector amounted to RM308.2 billion and RM88.8 billion respectively. The E&E sector continues to be Malaysia's major export earner which accounted for 36.7% of the total value of gross exports in 2021. In 2021, the value of gross exports of E&E products grew by 18.0% compared to 2020, mainly powered by robust demand for semiconductors due to remote working and learning trends as well as business digitalisation *(Source: Minister of International Trade and Industry)*. For the first 9 months of 2022, the value of gross exports of E&E products grew by 35.4% compared to the corresponding periods in 2021.

GDP of manufacturing and E&E industry



Export value of E&E products

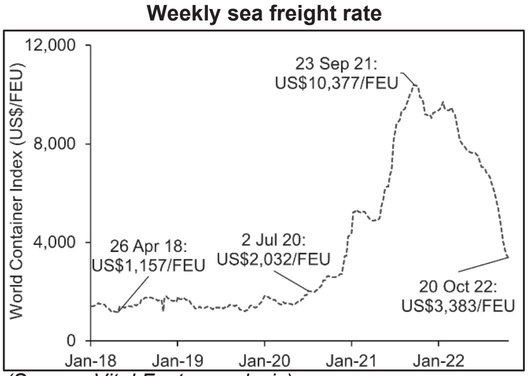


(Source: DOSM)

- The growth of the E&E sector in 2020 and 2021 has promoted the growth of, among others, medical and energy (including solar photovoltaic (PV) cells and modules) devices. In 2021, Malaysia's export value of medical instruments and apparatus (excluding medical gloves) grew by 16.4% to RM14.2 billion. For the first 9 months of 2022, the export value of medical instruments and apparatus grew by 25.9% compared to the corresponding periods in 2021. *(Source: DOSM)*

- Globally, in 2020, the top three largest export countries for photosensitive semiconductor devices (including among others, solar PV cells and modules, and light emitting diodes) were China, Vietnam and Malaysia, which accounted for 40.9%, 7.6% and 7.2% of the total export value respectively *(Source: Vital Factor analysis)*. In 2021, Malaysia's export value of photosensitive semiconductor devices grew by 15.0% to RM20.2 billion. For the first 9 months of 2022, the export value of photosensitive semiconductor devices grew by 26.7% compared to the corresponding periods in 2021. *(Source: DOSM)*

Weekly sea freight rate



(Source: Vital Factor analysis)

- Corrugated cartons and protective packaging are often used in shipping goods, hence sea freight costs affect the overall cost of goods. This is particularly pertinent for bulky goods such as consumer durable goods such as televisions and microwave ovens. The sea freight rate has been increasing since the beginning of the COVID-19 pandemic.

- In 2018, the weekly freight rate on 26 April 2018 was US$1,157/forty-foot equivalent unit (FEU). It has been fluctuating around an average weekly rate of US$1,518/FEU until the second half of 2020. The sea freight rate generally kept increasing from US$2,032/FEU on 2 July 2020 to US$10,377/FEU on 23 September 2021.

- The increase in freight rates was mainly driven by the increase in demand for container shipping resulting from many economies, especially the US, bouncing back from an initial slowdown during the early part of the COVID-19 pandemic. Additionally, some economies continued to face lockdowns which caused empty containers to be stuck in these countries causing a shortage of empty containers. This situation is exacerbated by an imbalance in trade between China and the US where China exports more than it imports, thereby creating an insufficient supply of empty containers for China's export requirements. This caused the price of new containers to increase substantially, which was ultimately reflected in sea freight rates. The increase in sea freight rate largely affects consignors (sending parties) or consignees (receiving parties) as they are the ones who have to pay for the sea freight rates. Following the gradual relaxing of containment measures in various countries, the sea freight rate declined by 67.4% to US$3,383/FEU on 20 October 2022 despite uncertainties remaining high due to the continuing Russia-Ukraine conflict and inflationary pressures.

7. COMPETITIVE LANDSCAPE

- As of 17 November 2022, it was estimated that there were 29 ordinary members, which are similar to DS Sigma Group as manufacturers of corrugated cartons, including both listed and private companies, and 30 associate members registered with the Malaysian Corrugated Carton Manufacturers' Association (MACCMA), while there were 762 members registered with the Malaysian Plastics Manufacturers Association (MPMA), where 111 of the members were involved in packaging activities. It should be noted that there are operators, such as DS Sigma Group, who are not registered with MACCMA or MPMA. The associations are the platform for the members to attend industry events and conferences, providing the members with network opportunities, as well as access to resources and information.

- The following are some manufacturers of corrugated cartons with operations in Malaysia, presented in descending order of group/company revenue. This is not an exhaustive list.

Company Name	FYE(1)	Grp/Co Rev(2) (RM mil)	Seg Rev (RM mil)	Grp/Co GP(2) (RM mil)	Grp/Co GP Margin(2)	Grp/Co NP/(NL)(2) (RM mil)	Grp/Co NP/(NL) Margin(2)
*Muda Holdings Bhd(3)	Dec-21	1,740.7	1,572.9(a)	315.0	18.1%	84.9	4.9%
*Magni-Tech Industries Bhd(4)	Apr-22	989.0	101.5(b)	149.8	15.1%	91.7	9.3%
*Box-Pak (Malaysia) Bhd(5)	Dec-21	678.2	n.s.	28.7	4.2%	(128.8)	(19.0%)
*Ornapaper Bhd(6)	Dec-21	316.4	300.5(c)	36.5	11.5%	5.2	1.6%
^Far East Packaging Industrial (Johor) S/B(7)	Jun-21	235.1	235.1(d)	n.a.	n.a.	18.5	7.9%
*Public Packages Holdings Bhd(8)	Dec-21	196.8	182.2(b)	61.3	31.1%	23.7	12.0%
^OPS Paper Products S/B(9)	Jul-21	179.8	179.8(b)	30.1	16.8%	13.9	7.8%
*D'nonce Technology Bhd(10)	Mar-22	166.4	n.s.	n.a.	n.a.	8.5	5.1%
*Master-Pack Group Bhd(11)	Dec-21	154.0	n.s.	n.a.	n.a.	14.5	9.4%
DS Sigma Group	**Jun-22**	**121.2**	**121.2(b)**	**43.0**	**35.5%**	**21.5**	**17.7%**
*HPP Holdings Bhd(12)	May-22	85.8	27.7(d)	20.0	23.3%	8.5	9.9%
^Acter Carton Enterprise S/B(13)	Aug-21	84.0	84.0(d)	15.1	17.9%	7.4	8.9%
*Jishan Bhd(14)	Dec-21	84.0	n.s.	19.9	23.6%	9.1	10.8%
*KYM Holdings Bhd(15)	Jan-22	82.8	n.s.	13.6	16.4%	3.6	4.3%
^Golden Frontier Packaging S/B(16)	Dec-21	80.9	80.9(c)	n.a.	n.a.	1.9	2.4%
*Versatile Creative Bhd(17)	Mar-22	54.7	35.0(b)	10.1	18.6%	(0.6)	(1.1%)

** Public listed company on Bursa Securities; ^ Private company; FYE = financial year ended; Grp/Co = Group/Company; Rev = revenue; Seg = segment incorporating manufacturing of corrugated cartons and possibly other activities or products; mil = million; GP = gross profit; NP = net profit after tax; NL = net loss after tax; Bhd = Berhad; S/B = Sdn Bhd; n.s. = no relevant segmentation provided; n.a. = information not available; (a) Revenue for manufacturing of industrial paper, corrugated cartons and other paper packaging products; (b) Revenue for manufacturing and trading of corrugated cartons and other packaging products; (c) Revenue for manufacturing of corrugated boards and cartons; (d) Revenue for manufacturing of corrugated carton.*

(1) Latest available audited financial information from annual reports, Companies Commission of Malaysia and DS Sigma Group. D'nonce Technology Bhd was based on 11-month consolidated results for the FYE 31 March 2022.
(2) At the Group or company level, which may include other business activities, products or services.
(3) Involved in manufacturing industrial paper, corrugated cartons, paper bags, paper stationery and paper-based food packaging products, and trading in paper, recovered paper and stationery products.
(4) Involved in manufacturing garments, flexible plastic packaging and corrugated cartons.
(5) Involved in manufacturing and distribution of paper boxes, cartons, general paper and board printing.
(6) Involved in manufacturing corrugated boards and cartons, paper-based stationery products, and provision of logistics services.
(7) Involved in manufacturing and trading of carton boxes.
(8) Involved in manufacturing and retailing of corrugated cartons, packing materials, gift and display boxes, trading of paper products, design and sale of papers, property investment and hospitality operations.
(9) Involved in manufacturing and trading of paper products.
(10) Provides end-to-end packaging and design solutions, precision polymer engineering services, cleanroom and contract manufacturing services, supply chain management and sales and distribution of products.
(11) Involved in manufacturing corrugated cartons and wooden packaging, and providing one-stop packaging solutions.
(12) Involved in printing and production of paper-based packaging, both corrugated and non-corrugated, as well as trading and production of rigid boxes.
(13) Involved in manufacturing corrugated cartons.

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(14) Involved in manufacturing paper and plastic packaging products.
(15) Involved in manufacturing corrugated fibreboards and boxes, and multi-wall industrial paper bags.
(16) Involved in manufacturing and sale of corrugated fibreboards and cartons.
(17) Involved in manufacturing and trading of paper boxes and plastics, providing printing services, and grocery business.

- The companies above were selected based on the following criteria:
  (a) Involved in manufacturing of corrugated cartons and having manufacturing facilities in Malaysia; and
  (b) Availability of the latest financial statement.

8. MARKET SIZE AND SHARE

- The market size of the corrugated carton industry in Malaysia and the market share of DS Sigma Group are estimated below:

2021	Market Size [(a) (1)] (RM million)	DS Sigma Group Revenue [(b) (2)] (RM million)	DS Sigma Group Market Share [(c)]
Corrugated cartons	3,154	78	2.5%

Sources: (a) DOSM; (b) DS Sigma Group; (c) Vital Factor analysis;
(1) Based on the domestic consumption value of corrugated cartons (refer to section 3.2 of this report); and
(2) Based on DS Sigma Group's manufacture of corrugated cartons and protective packaging in FYE 31 June 2022 used as a proxy for the calendar year 2021.

9. INDUSTRY CONSIDERATION FACTORS

- Packaging is an essential product as most produce, processed or manufactured goods will need some form of packaging for handling, storage and transportation, except for bulk goods. Factors of demand for the packaging industry are focused on the value chain from production to processing and finally consumption. As such, the consideration factors for the packaging industry include the general well-being of the economy that stimulates the consumption of goods, the manufacturing industry, in particular, the E&E sector representing Malaysia's largest export sector, as well as domestically the wholesale and retail trade sector that focuses on the distribution of goods for consumption. In 2021, their respective real GDP growth recorded 3.1% (economy), 9.5% (manufacturing), 14.6% (E&E) and 3.1% (wholesale trade) and 3.2% (retail trade) compared to 2020 *(Source: DOSM)*.

- The continuing increase in usage of e-commerce and rapid transition to digitalisation particularly in the retail segment will drive the demand for packaging materials. In 2021, the wholesale and retail trade grew by 3.1% and 3.2% respectively, mainly attributed to the reopening of more service subsectors and relaxation of containment measures in H2 2021. For the first 9 months of 2022, the real GDP of Malaysia's economy, manufacturing industry, E&E sector, wholesale trade and retail trade grew by 9.3%, 9.7%, 16.0%, 4.7% and 18.0% respectively compared to the corresponding periods in 2021. *(Source: DOSM).*

- Exports also play a major role in the packaging industry. The CAGR of exports of manufactured and E&E goods were 12.7% and 10.5% respectively between 2019 and 2021. In 2021, exports of manufactured and E&E goods grew by 25.6% and 18.0% respectively compared to 2020. For the first 9 months of 2022, exports of manufactured and E&E goods grew by 27.0% and 35.4% respectively compared to the corresponding periods in 2021. *(Source: DOSM)*.

- The performance of the packaging industry is dependent upon, among others, the continuing recovery of Malaysia's economy as well as the global economies from the COVID-19 pandemic. In addition to the eight economic stimulus packages provided by the Malaysian government which amounted to RM530 billion, a further RM332.1 billion has been allocated to drive the recovery of the economy as provided by the Budget 2022. Any resurgence of COVID-19 cases and reimposition of containment measures will weigh on the growth of the economy. Overall, the Malaysian economy is expected to achieve real GDP growth between 6.5% and 7.0% in 2022, and forecasted to grow between 4.0% and 5.0% in 2023 *(Source: MoF)*.

- Other considerations which will affect demand for plastic packaging include growing public awareness of environmental issues. In addressing the growing concerns with single-use plastics, the Roadmap towards Zero Single-Use Plastic 2018-2030 was launched in 2018 *(Source: Ministry of Energy, Science, Technology, Environment & Climate Change).*

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

8.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

8.1.1 We are dependent on a concentrated group of major customers and the loss of any of these customers may affect our financial performance

For the Financial Years Under Review, we are dependent on a concentrated group of major customers namely SSCSM, Samsung Electronics, SOEM, PAACM and PAVC, which collectively accounted for 91.33%, 91.85%, 78.97% and 73.32% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

Our major customers' respective revenue contributions are summarised below:

	Length of relationship as at the LPD	FYE 30 June							
		2019		2020		2021		2022	
	(years)	RM'000	%	RM'000	%	RM'000	%	RM'000	%
SSCSM	16	39,288	37.17	28,209	32.84	28,816	22.54	21,570	17.80
Samsung Electronics	20	24,675	23.35	21,884	25.48	26,300	20.57	22,915	18.90
SOEM	9	16,695	15.80	12,952	15.08	25,531	19.97	22,867	18.86
PAACM	16	10,804	10.22	13,854	16.13	17,212	13.46	18,144	14.97
PAVC	12	5,060	4.79	1,992	2.32	3,116	2.43	3,380	2.79
Sub-total		**96,522**	**91.33**	**78,891**	**91.85**	**100,975**	**78.97**	**88,876**	**73.32**
Total revenue		**105,682**	**100.00**	**85,891**	**100.00**	**127,858**	**100.00**	**121,218**	**100.00**

In addition, some of our major customers are related companies of Sony Group Corporation namely SSCSM and SOEM where collectively, they accounted for 52.97%, 47.92%, 42.51% and 36.66% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively. Meanwhile our other major customers are related companies of Panasonic Corporation namely PAACM and PAVC, which collectively they accounted for 15.01%, 18.45%, 15.89% and 17.76% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively. Please refer to Section 6.9 for further details on our major customers.

Although we have established a long working business relationship with these major customers over the years spanning from 9 years to 20 years as at the LPD, the loss of any of these major customers, if not replaced in a timely manner, would adversely affect our financial performance.

As we operate based on purchase orders which are typically issued by our customers at their discretion, there can be no assurance that revenue contribution from these major customers will be sustained at the same level in the future. Any significant reduction in the orders from these major customers would also materially and adversely affect our financial performance.

8.1.2 We are susceptible to shortage in the supply of input materials

Our main input material namely corrugated board are sourced from local suppliers in accordance with our production schedule. This input material is essential to our manufacturing of corrugated paper packaging products, and we would require continuous and stable supply of such input materials from our suppliers.

Generally, we will recommend the types of corrugated board to be used for the corrugated paper packaging products to our customers. Some of our customers may also specify the type of corrugated board, in terms of flutings, paper type, and sources and we are required to source the required corrugated boards as requested by them. If we are unable to source the requested corrugated board, we will inform our customers on a timely manner and recommend an alternative. Failure to do so may expose us to the risk of losing the order or causing delays in our production which subsequently may adversely affect our reputation and financial performance.

Further, we do not enter into any long-term supply agreements with our suppliers for continuous supply of input materials. As such, there can be no assurance that we will be able to consistently source corrugated boards at competitive pricing and at the quantity required. Our production and delivery may be delayed or disrupted which will materially and adversely affect our business, results of operation and reputation.

As at the LPD, we have not faced any difficulties in sourcing the required corrugated board from our suppliers and we do not expect any immediate disruption to our manufacturing of corrugated paper packaging product activities as a result of shortage of corrugated boards. However, there is no assurance that our Group will be able to source for alternative suppliers, if the circumstances require, that are able to supply corrugated boards of similar quality and quantity at the existing prices, particularly if the COVID-19 pandemic is prolonged. This is because our local suppliers may source their materials from foreign countries with movement and business operation restrictions. Should there be a substantial increase in the cost of corrugated board, our Group may pass on such increased costs to our customers. However, there is no assurance that we will be able to pass on such increased costs to our customers and our Group's financial performance may be affected if we are unable to do so.

8.1.3 We are susceptible to the price fluctuations of paper products

Corrugated board is our main input material used in the production of our corrugated paper packaging products, including cartons, protective packaging products and paper pallets. Corrugated board accounted for approximately 53.64%, 55.96%, 57.70% and 55.41% of our total purchases of materials and subcontracted products and services for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively. We source all our corrugated boards from local suppliers.

As wood pulp is one of the raw materials required to produce all types of paper products including corrugated boards, fluctuations in the prices of wood pulp would have an impact on the overall cost of corrugated board. Commonly, recycled paper is also used in combination with wood pulp to reduce the overall cost of paper. As such, prices of wood pulp will have an impact on the cost of corrugated cartons and protective packaging. The fluctuation of the price of wood pulp is based on external factors such as, but not limited to global demand and supply, sanctions, changes in trade policies such as China banning the import of waste paper since 2017, global shortage of sea freight containers and increasing sea freight rates.

According to the Industry Overview Report, the prices of wood pulp and corrugated boards have been fluctuating since 2017. Between February 2017 and September 2018, wood pulp prices increased by 32.2% mainly due to China's ban on the import of unsorted waste paper, which resulted in a surge in demand for its alternative, including wood pulp. The increase in wood pulp prices consequently caused an increase in prices of paper products including corrugated boards. Subsequently, between December 2018 and November 2019, wood pulp prices declined by 38.2% mainly due to increased mill capacity leading to oversupply, coupled with weakening wood pulp demand. Prices of wood pulp and corrugated board were relatively stable in 2020. Between January 2021 and December 2021, wood pulp prices grew rapidly by 48.0% and further increased by 24.7% between January 2022 and September 2022, mainly due to the increasing demand which was supported by the surge in e-commerce, as well as an increase in wood pulp demand from China due to its banning of import of solid waste including old corrugated cartons since January 2021. Additionally, the supply of wood pulp was affected by the disruption on the supply chain due to the global shortage of sea freight containers and increasing sea freight rates, port congestions, rising energy rates, the large scale strike action in a paper mill in Finland from early January 2022 to end April 2022, as well as the Russia-Ukraine conflict.

We are usually able to pass on the increases in the cost of input materials for the production of our corrugated paper packaging products to our customers. For the Financial Years Under Review, we experienced an increase in the price of our corrugated board by 15.14% from an average of RM2.51 per kg for the FYE 30 June 2020 to an average of RM2.89 per kg for the FYE 30 June 2021 and further increased to RM3.40 per kg in FYE 30 June 2022. Correspondingly, in the FYE 30 June 2021, we started to increase the selling prices for our corrugated cartons and protective packaging by an average of 10% to 15% and our paper pallets by an average of 15% between November 2020 and May 2021. In the FYE 30 June 2022, we increased the selling prices for our corrugated cartons and protective packaging, and paper pallets between 2.5% and 10% for different customers and products in January 2022 and March 2022.

We currently adopt a quarterly pricing strategy where we review the prices of our corrugated paper packaging products every quarter to take into consideration the effects of the changes in the price of corrugated boards. Nevertheless, there is no assurance that we can pass on any future increases in the cost resulting from changes in the price of corrugated board to our customers. In the event we are unable to pass on any of the cost increases to our customers or if we are unable to do so in a timely manner, we would have to absorb the increases in the cost of input materials and this would adversely affect our profitability and financial performance.

8.1.4 We rely on the availability of foreign workers for general works in our factories

General works are low-skilled jobs which can be repetitive, tedious and physically demanding. Nevertheless, general works are important to support our manufacturing activities. Despite offering salaries above minimum wage, our Group is having difficulties to hire local workers for general works in our factories such as preparing printing plates, cutting corrugated boards, and assisting in the printing machines and other post-press machines, carrying out basic quality control and performing stock counts in our factories. As such, we rely, to a certain extent, on foreign workers for general works required for our manufacturing activities.

As at the LPD, we have 67 foreign workers (representing approximately 53.17% of our workforce) from Nepal, Myanmar and Bangladesh, all of whom are contractual employees. Among our foreign workers, 66 persons are from our production department whereas the remaining 1 person is from our QA department. Please refer to Section 6.6 of this Prospectus for further information on our employees.

Any change in foreign worker policy in Malaysia may result in difficulties for our Group to maintain a sufficient workforce for our manufacturing activities. Further, our Group's future expansion plans may require a significant amount of labour to meet the increased manufacturing activities. In the event of a delay to the hiring of new foreign workers after the expiry of the contracts of the existing foreign workers due to changes in foreign worker policy and we are unable to hire sufficient foreign workers, it would result in disruption to our operations which will in turn affect our financial performance.

In addition, the costs of foreign labour may continue to increase in the future. Any increase in the levy rate for foreign workers will increase our cost for labour, which may consequently increase our cost of sales.

8.1.5 We are dependent on independent contractors for our assembly and packing services

Our Group is dependent on independent contractors to carry out the assembly and packing services at our customers' or their vendors' premises. These independent contractors assemble the die-cut cartons, insert the customer's products into plastic or foam bags and place them into the cartons along with other protective packaging products, such as nestings and layer pads. These independent contractors are engaged when we have assembly and packaging jobs. For the Financial Years Under Review, our Group incurred a total cost of RM11.15 million, RM9.17 million, RM8.26 million and RM6.28 million representing 15.21%, 14.87%, 9.66% and 8.03% of our total cost of sales for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022, respectively. The average monthly number of independent contracts hired during the Financial Years Under Review was approximately 500, 400, 350 and 250 for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022, respectively.

As at the LPD, we only hire local Malaysians as our independent contractors on as and when needed basis, and we have not encountered any major disruption to our operations due to shortage of independent contractors. However, there is no assurance that we will be able to recruit an adequate number of independent contractors for our operations. If we are unable to hire sufficient independent contractors, it would result in disruption to our operations which in turn will affect our financial performance.

8.1.6 We are exposed to unexpected disruptions in our business operations caused by factors such as machinery and equipment failures, accidents and natural disasters

We rely on our machinery and equipment for the manufacturing of corrugated paper packaging products. Please refer to Section 6.13 of this Prospectus for further details on the key machinery and equipment owned by our Group.

These machinery and equipment may, from time to time, be out of service because of unanticipated failures or damages occurring during operations. In the event of any prolonged non-operation of our machinery and equipment, our production schedule and product delivery schedule may be affected. The relationships with our customers and our reputation in the industry may also be affected. This, in turn may impact our business negatively and may have an adverse effect on our financial condition and results of operations.

Further, our factories and warehouses are also subject to the occurrence of natural disasters such as floods as well as other accidental and operational risks, such as outbreak of fire, explosion, power shortage, sabotage and civil commotion. All of these may cause downtime, losses and / or damage to our input materials, products, factories, warehouses and office. Accordingly, any interruption to our manufacturing activities may have an adverse impact to our business operations and consequently on our financial performance.

For the Financial Years Under Review and up to the LPD, we have not experienced any past incidents of unanticipated failures or damages of our machinery and equipment, accidents and natural disasters which led to major disruptions in our operations and financial performance. Nonetheless, there is no assurance that we can prevent the occurrence of such incidents or that such incidents will not cause any disruptions to our production and delivery schedule in the future.

8.1.7 We rely on our Managing Director, Executive Directors and Key Senior Management for our business continuity

We are dependent on the efforts, commitment and abilities of our Managing Director, Executive Directors and Key Senior Management who play significant roles in the continuing success of our Group from formulation and implementation of our strategies and plans, to the day-to-day operations of our business.

Most of our Key Senior Management have been with us for more than 10 years. They are crucial to our Group as they are involved in the operational processes or act as a supporting function to our Group's business. Their knowledge and experience in our business have materially contributed to the success of our Group. Our continued success and growth in the future will depend on our ability to retain our Key Senior Management.

We have implemented a succession plan to identify and develop individuals to assume key roles in our Group in the event they are vacated. However, there can be no assurance that suitable and timely replacements can be found. The loss of our Managing Director, Executive Directors and / or any Key Senior Management without suitable and timely replacements may materially and adversely affect our business operations, prospects and future financial performance.

8.1.8 Our business was and will continue to be susceptible to the outbreak of the COVID-19 pandemic and any further lockdowns would adversely affect our financial performance

The outbreak and spread of the COVID-19 pandemic or any contagious or virulent diseases had and will continue to affect our business operations. As part of the effort to reduce and control the spread of COVID-19 in the country, the Government implemented the MCO as one of the preventive measures. The MCO involved restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities. The different periods of MCO are summarised in Section 6.3.18.1 of this Prospectus.

Measures such as lockdowns or movement restrictions to contain the COVID-19 pandemic have impacted the retail business, including those relating to Consumer E&E. A reduction in retail activities for Consumer E&E products will affect the demand for our products and services and adversely affect our financial performance.

In 2020, as a result of the implementation of MCO by the Government, our business operations were temporarily suspended from 18 March 2020 to 18 April 2020. Due to the closure of our business operations, our financial performance during those periods was impacted. Our revenue declined from RM8.65 million in February 2020 to RM5.33 million in March 2020 and RM0.73 million in April 2020. Our revenue in the fourth quarter of FYE 30 June 2020 (i.e. April 2020 to June 2020) recorded a decline by 25.94% compared to the previous quarter.

Upon resumption of our business operations on 20 April 2020, we received increased orders from our customers which resulted in an increase in revenue. This was reflected in the improvement in our Group's revenue in the first quarter of FYE 30 June 2021 (i.e. July 2020 to September 2020) by 116.15% compared to the previous quarter. Please refer to Section 6.3.18.2(i) of this Prospectus for further details.

In 2021, although we were able to continue our business operations during the NRP Phase 1 period, our business operations were slightly affected as some of our major customers faced interruptions in their business operations due to COVID-19 cases at their facilities. As such, we received lower orders from some of these customers in July 2021 and August 2021. This impacted our financial performance where our Group's revenue declined by 12.31% in the first quarter of FYE 30 June 2022 (i.e. July 2021 to September 2021) compared to the previous quarter. Please refer to Section 6.3.18.2(ii) of this Prospectus for further details.

Our business operations were not materially interrupted in 2022. Nevertheless, in the event of any prolonged outbreak of the COVID-19 and / or any prolonged or extended preventive measures, this could adversely affect our business operations and in turn could have an impact on our financial performance for the FYE 30 June 2023. As at the LPD, save as disclosed in Section 6.3.18.3 of this Prospectus, none of our employees were infected with COVID-19.

Although the roll-out of vaccines has started in Malaysia and some foreign countries in December 2020, there is no assurance that the COVID-19 pandemic will not persist or that there will not be another resurgence of the COVID-19 or other contagious or virulent diseases. If adverse events materialise and persists for an extended time together with movement and business operation restrictions, our business operations and financial performance may be adversely affected.

8.1.9 We are subject to regulatory requirements for our business operations

Our business is subject to various laws, rules and regulations. Please refer to Section 6.3.15 of this Prospectus for the list of our major approvals, licences and permits.

Our major approvals, licences and permits are subject to compliance with relevant conditions (if any), laws and regulations under which they were issued. In the event of non-compliance, these licences, permits and approvals may be revoked or may not be renewed upon expiry. As at the LPD, save as disclosed in Section 6.3.15 of this Prospectus, our Group has complied with the conditions imposed on all our major approvals, licences and permits from various government authorities.

Further, the relevant government authority may take action by issuing warnings, imposing penalties, suspending the approvals, licences or permits, reducing the term, imposing additional conditions or restrictions and / or revoking the approvals, licences or permits against us for any breach or non-compliance.

In addition, we may be required to comply with further and / or stricter requirements if there are changes to applicable laws, regulations or policies in Malaysia. This may affect our business operations and financial performance if we are unable to comply with the new laws, regulations or policies.

Pursuant to Section 3(1) of the ICA, manufacturing companies with shareholders' funds of RM2.50 million and above or that employ 75 or more full-time paid employees are required to have a manufacturing licence. Section 3(2) of the ICA provides that failure to comply with Section 3(1) of the ICA is an offence and on conviction, the offender is liable to a fine not exceeding RM2,000.00 or to imprisonment not exceeding 6 months and a further fine not exceeding RM1,000.00 for every day during which such default continues. We had in the past, experienced non-compliance with Section 3(1) of the ICA, which has since been rectified. Please refer to Notes (a) and (f) in Section 6.3.15 of this Prospectus for further details.

Pursuant to Section 3(1) of the PPPA, no person shall keep for use or use a printing press unless he has been granted a licence under the PPPA. Section 3(4) of the PPPA provides that any person who keeps for use or uses a printing press without a valid licence shall be guilty of an offence and shall on conviction, be liable to imprisonment for a term not exceeding 3 years or to a fine not exceeding RM20,000.00 or to both and the deposit made pursuant to the PPPA shall be liable to be forfeited. We had in the past, experienced non-compliance with Section 3(1) of the PPPA, which has since been rectified. Please refer to Note (d) in Section 6.3.15 of this Prospectus for further details.

Pursuant to Section 70(11) of the SDBA, any person who makes any alteration to any building otherwise than is provided for in the SDBA or by-laws made thereunder or without the prior written permission from the local authority shall be liable on conviction to a fine not exceeding RM25,000 and a Magistrate's Court shall, on the application of the local authority, issue a mandatory order to alter the building in any way or to demolish it. We had in the past, experienced non-compliance with Section 70(11) of the SDBA, which has since been rectified. Please refer to Note (b) in Section 6.4.2 of this Prospectus for further details.

As at the LPD, we have not experienced any difficulty in renewing our licences, permits and approvals. However, there is no assurance that the relevant authorities will renew the same within the anticipated timeframe or at all, and without imposing any additional terms and conditions in the future, particularly when there are changes to any requirements, rules and regulations imposed by the relevant authorities.

8.1.10 We may not be able to effectively execute some of our business strategies and plans

Our business strategies and plans include expansion of business operations to Penang and establishment of Klang Factory 2. We also plan to purchase and install automated and robotic packing equipment as well as introduce new products such as honeycomb boards and 6-colour printed cartons. Additionally, we intend to set up a packaging design and innovation centre, as well as expand our target markets to serve customers in the solar PV and medical devices industry. Please refer to Section 6.15 of this Prospectus for further information on our business strategies and plans.

The implementation of these business strategies and plans involves capital expenditure as well as other operating expenses such as depreciation charges, machinery and equipment maintenance costs and staff costs. The feasibility and implementation of such business strategies and plans will also depend on, amongst others, favourable economic conditions and the timing of execution.

There is a risk that we may not be able to successfully implement our business strategies and plans in a timely manner nor can we provide assurance that our business strategies will be commercially successful or that we will be able to anticipate all the business and operational risks associated with our strategies.

Our financial performance will be adversely affected if we are not able to secure sufficient purchase orders from existing and / or new customers following the implementation of the above business strategies and plans due to the additional costs incurred. There can be no assurance that the demand for our corrugated paper packaging products and newly introduced honeycomb boards and 6-colour printed cartons will match our enlarged capacity on an immediate basis. Further, any postponement or delays due to the impact of the COVID-19 pandemic or failure in executing our business strategy effectively may adversely affect our expected financial performance.

As such, there is no assurance that the execution of our business strategies and future plans will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies and future plans, which may materially affect the business operations and financial performance of our Group.

8.1.11 We are subject to the risk of inadequate insurance coverage

We maintain insurance coverage for our material assets and business operations. Currently, the insurance policies taken up by us include machinery and equipment insurance and fire insurance for our buildings, stock and machinery and burglary insurance. All these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events.

However, our current insurance coverage may be inadequate to cover all losses, damages or liabilities. For instance, floods, fires, storms or other events may cause damage to our production facilities in excess of the insurance coverage and may lead to significant costs incurred in connection with remedial and repair work that must be borne by us. Further, we do not have insurance coverage for certain risks such as political risks, terrorism or war. If we suffer a loss or incur a liability arising from insufficiently insured risk or any uninsured risk, our business and operating results may be adversely affected. In addition, our insurance premiums may also increase due to the insurance claims made. In such circumstances, our financial results may be materially and adversely affected.

As at the LPD, we have not encountered any insurance claims which were inadequate to cover our losses, damages or liabilities.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are subject to the demand and performance of the user-industries

As a packaging provider, we are dependent on the demand and performance of the users of our packaging products. For the Financial Years Under Review, we are dependent on the operators in consumer durable products sector as our major source of revenue, as demonstrated by our revenue contribution from these types of customers. Our revenue contribution from consumer electronic product manufacturers and procurement centre accounted for 91.77% (RM96.98 million), 92.20% (RM79.20 million), 79.12% (RM101.15 million) and 73.43% (RM89.01 million) of our revenue for FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

As a provider of packaging products, our business is tied to that of our major customers' business and the industry they operate in. As we have no control over the prospects and success of our major customers' business, our financial performance may be adversely affected if they lose market share, experience financial difficulties or if they face economic downturn which affects the demand for their products.

For example, in FYE 30 June 2022, we experienced a decrease in orders from a major customer since March 2022 due to their request to halt certain Russian product models amidst the international sanctions placed on Russia in early 2022.

Any downturn in the performance of the consumer durables industry or any development in the political, economic and regulatory environment, such as sanctions, where our customers operate in or serve will have a negative impact on the demand for our packaging products. Any loss or reduction of orders from operators in this industry, if not replaced, may adversely affect our business operations and financial performance.

8.2.2 We are exposed to political, economic and regulatory risks

Any development in the political, economic and regulatory environment in Malaysia or in foreign countries where our customers serve could materially or adversely affect our business operations and financial performance. Such developments include, but are not limited to, changes in political leadership, changes in general economic and business conditions, fluctuations in foreign exchange rates and interest rates, acts of terrorism, riots, wars, sanctions, expropriation, nationalisation, fiscal and monetary policies of the Government such as inflation, deflation, methods of taxation, tax policies (including SST, excise, duties and tariffs), foreign worker levy and exchange control measures, unemployment trends, deterioration of international bilateral relationships, outbreak of diseases and other matters that influence consumer confidence and spending. Our Group could also be affected by new laws, regulations and guidelines that are introduced to govern printing activities whether in general or specific to the packaging industry.

Increasing volatility in financial markets may also cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia may materially and adversely affect our business operations, financial performance and prospects.

For instance, the implementation of the MCO in Malaysia as well as movement and business operation restrictions in other countries due to the COVID-19 pandemic have resulted in most economic activities in the affected countries coming to a halt or being disrupted. Prolonged disruption in economic activities will adversely impact businesses, employment and consumer purchasing power. As at the LPD, we have not experienced any cancellation of orders or any indication of cancellation of orders from our customers arising from the COVID-19 pandemic. However, there is no assurance that there will be no impact on the demand for our paper-based packaging due to the COVID-19 pandemic. Any material cancellation of orders or reduction in the demand for our paper-based packaging will adversely impact our financial performance.

8.2.3 We face competition within the packaging industry

We operate in a competitive industry and we expect to face competition from existing industry players and potential new market entrants, in terms of product quality, pricing, range of postpress offerings, ability to meet quality requirements, production capabilities, timely delivery and value-added services, amongst others. In addition, industry players are continuously seeking ways to differentiate from each other, often by improving technical capabilities and increasing production capacity through acquiring additional or new machineries.

The competition we face from existing industry players and potential new market entrants may impact our revenue and profitability as we are required to be more price competitive in order to secure purchase orders. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have material and adverse effects on our business operations and financial performance.

As of 17 November 2022, it was estimated that there are 29 ordinary members, which are similar to our Group as manufacturers of corrugated cartons, and 30 associate members registered with the Malaysian Corrugated Carton Manufacturers' Association (MACCMA), while there are approximately 762 members registered with the Malaysian Plastics Manufacturers Association (MPMA), where 111 of the members are involved in packaging activities. It should be noted that there are operators, such as our Group, who are not registered with MACCMA or MPMA. The associations are the platform for the members to attend industry events and conferences, providing the members with network opportunities, as well as having access to resources and information. (*Source: Industry Overview Report)*

For further details on our competitors, please refer to Section 7 of this Prospectus.

Although our Group has our strengths and advantages as a packaging provider, there is no assurance that we will be able to compete effectively against our peers. If we are unable to remain competitive, this may result in a reduction in our profit margins and / or reductions in orders or the loss of business from customers, all of which would adversely affect our financial performance.

8.3 RISKS RELATING TO OUR SHARES

8.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration several factors including but not limited to our business strategies and our financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

8.3.2 The trading price and volume of our Shares upon Listing may be volatile

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

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

(i) material variations in our financial results and operations;

(ii) success or failure of our management in implementing future plans, and business and growth strategies;

(iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;

(v) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;

(vi) additions or departures of key personnel;

(vii) fluctuations in stock market prices and volumes; or

(viii) involvement in claims, litigation, arbitration or other form of dispute resolution.

8.3.3 Our Promoters will continue to hold a majority of our Shares after the IPO

Upon Listing, our Promoters will directly and indirectly hold approximately 66.69% of our enlarged issued share capital upon Listing. As a result, they will be able to effectively control the business direction and management of our Group. They may also be able to influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and / or by the relevant guidelines or regulations.

8.3.4 There may be a potential delay to or failure of our Listing

The occurrence of any one or more of the following events may cause a delay in or cancellation of our Listing:

(i) the MITI approved Bumiputera investors fail to acquire the Shares allocated to them under the Public Issue;

(ii) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;

(iii) the revocation of approvals from the relevant authorities for the Listing and / or admission for whatever reason; or

(iv) our inability to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.00% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

Where prior to the issuance and allotment of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the applications for our Public Issue Shares within 14 days of the stop order, failing which the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted, investors will not receive any of our Public Issue Shares, all monies paid in respect of all applications for our Public Issue Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our Public Issue Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders can only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:

   (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

   (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

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9. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A "related party" is defined as a director, major shareholder or person connected with such director or major shareholder (including a person who is or was a director or major shareholder within the preceding 6 months before the transaction was entered into). "Major shareholder" means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

9.1 RELATED PARTY TRANSACTIONS

9.1.1 Material related party transactions entered into by our Group

Save as disclosed below and the Acquisitions as set out in Section 4.1.1 of this Prospectus, our Board has confirmed that there are no other material related party transactions that we had entered into with related parties in respect of the Financial Years Under Review and up to the LPD:

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	FYE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)	FYE 30 June 2021 (RM'000)	FYE 30 June 2022 (RM'000)	1 July 2022 up to LPD[(a)] (RM'000)
1.	DS Packaging	BL Kaizen	• **Lucille Teoh Soo Lien** being the Promoter, substantial shareholder and Managing Director of DS Sigma, is also a director and shareholder of BL Kaizen. • **Beh Seng Lee** being the Promoter, substantial shareholder and Executive Director of DS Sigma, is also a director and shareholder of BL Kaizen.	Rental of premise located at No. 36, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor[(b)]	60 (0.40% of our Group's PAT for FYE 30 June 2019)	60 (0.60% of our Group's PAT for FYE 30 June 2020)	60 (0.28% of our Group's PAT for FYE 30 June 2021)	72 (0.34% of our Group's PAT for FYE 30 June 2022)	30

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	FYE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)	FYE 30 June 2021 (RM'000)	FYE 30 June 2022 (RM'000)	1 July 2022 up to LPD[(a)] (RM'000)
2.	DS Packaging	Lucille Teoh Soo Lien and Beh Seng Lee	• **Lucille Teoh Soo Lien** is the Promoter, substantial shareholder and Managing Director of DS Sigma, is also a director and shareholder of BL Kaizen. • **Beh Seng Lee** is the Promoter, substantial shareholder and Executive Director of DS Sigma, is also a director and shareholder of BL Kaizen.	Rental of premise located at No. 38, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor[(c)]	-	-	-	72 (0.34% of our Group's PAT for FYE 30 June 2022)	30
3.	DS Packaging	Beh Seng Trading	• **Beh Peng Seng**, being the sole proprietor of Beh Seng Trading, is a person connected with **Beh Seng Lee**, who is the Promoter, substantial shareholder and Executive Director of DS Sigma.	Provision of transport services	96 (0.64% of our Group's PAT for FYE 30 June 2019)	63 (0.63% of our Group's PAT for FYE 30 June 2020)	86 (0.41% of our Group's PAT for FYE 30 June 2021)	86 (0.40% of our Group's PAT for FYE 30 June 2022)	26

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	FYE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)	FYE 30 June 2021 (RM'000)	FYE 30 June 2022 (RM'000)	1 July 2022 up to LPD[(a)] (RM'000)
4.	DS Manufacturing	Lucille Teoh Soo Lien and Beh Seng Lee	• **Lucille Teoh Soo Lien** is the Promoter, substantial shareholder and Managing Director of DS Sigma, is also a director and shareholder of BL Kaizen. • **Beh Seng Lee** is the Promoter, substantial shareholder and Executive Director of DS Sigma, is also a director and shareholder of BL Kaizen.	Rental of No. 29 Klang Factory[(d)]	396 (2.65% of our Group's PAT for FYE 30 June 2019)	396 (3.99% of our Group's PAT for FYE 30 June 2020)	396 (1.88% of our Group's PAT for FYE 30 June 2021)	420 (1.96% of our Group's PAT for FYE 30 June 2022	175
5.	DS Manufacturing	GSL Seng Enterprise	• **Loi Guak Seng**, being the sole proprietor of GSL Seng Enterprise, is a person connected with **Loi Guak Lian**, who is a shareholder of DS Sigma, the director of DS Manufacturing and a Key Senior Management.	Provision of transport services	316 (2.12% of our Group's PAT for FYE 30 June 2019)	20 (0.20% of our Group's PAT for FYE 30 June 2020)	-	-	-

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	FYE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)	FYE 30 June 2021 (RM'000)	FYE 30 June 2022 (RM'000)	1 July 2022 up to LPD[(a)] (RM'000)
6.	DS Manufacturing	Loi Guak Ket	• **Loi Guak Ket**, is a person connected with **Loi Guak Lian**, who is a shareholder of DS Sigma, the director of DS Manufacturing and a Key Senior Management.	Provision of transport services	-	-	3 (0.01% of our Group's PAT for FYE 30 June 2021)	*	-
7.	DS Manufacturing	NCM Global Resources (M) Sdn Bhd	• **Yong Chong Long**, being the director and major shareholder of NCM Global Resources (M) Sdn Bhd, is a shareholder of DS Sigma and was a director of DS Manufacturing. Yong Chong Long has resigned as a director of DS Manufacturing on 27 May 2021.	Purchase of stitching wire	135 (0.90% of our Group's PAT for FYE 30 June 2019)	87 (0.88% of our Group's PAT for FYE 30 June 2020)	102 (0.48% of our Group's PAT for FYE 30 June 2021)	114 (0.53% of our Group's PAT for FYE 30 June 2022)	10

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	FYE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)	FYE 30 June 2021 (RM'000)	FYE 30 June 2022 (RM'000)	1 July 2022 up to LPD[(a)] (RM'000)
8.	DS Manufacturing	NCM Transport Express	• **Yong Choong Kiat**, being the sole proprietor of NCM Transport Express, is a person connected with **Yong Chong Long**, who is a shareholder of DS Sigma and was a director of DS Manufacturing. Yong Chong Long has resigned as a director of DS Manufacturing on 27 May 2021.	Provision of transport services	390 (2.61% of our Group's PAT for FYE 30 June 2019)	357 (3.60% of our Group's PAT for FYE 30 June 2020)	498 (2.36% of our Group's PAT for FYE 30 June 2021)	444 (2.07% of our Group's PAT for FYE 30 June 2022)	89
9.	Kaisung	Lucille Teoh Soo Lien and Beh Seng Lee	• **Lucille Teoh Soo Lien** is the Promoter, substantial shareholder and Managing Director of DS Sigma, is also a director and shareholder of BL Kaizen. • **Beh Seng Lee** is the Promoter, substantial shareholder and Executive Director of DS Sigma, is also a director and shareholder of BL Kaizen.	Rental of premise located at No. 38, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor[(e)]	60 (0.40% of our Group's PAT for FYE 30 June 2019)	60 (0.60% of our Group's PAT for FYE 30 June 2020)	60 (0.28% of our Group's PAT for FYE 30 June 2021)	-	-

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	FYE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)	FYE 30 June 2021 (RM'000)	FYE 30 June 2022 (RM'000)	1 July 2022 up to LPD[(a)] (RM'000)
10.	Kaisung	Beh Seng Trading	• **Beh Peng Seng**, being the sole proprietor of Beh Seng Trading, is a person connected with **Beh Seng Lee**, who is the Promoter, substantial shareholder and Executive Director of DS Sigma.	Provision of transport services	92 (0.62% of our Group's PAT for FYE 30 June 2019)	91 (0.92% of our Group's PAT for FYE 30 June 2020)	126 (0.60% of our Group's PAT for FYE 30 June 2021)	101 (0.47 % of our Group's PAT for FYE 30 June 2022)	33

Notes:

* Negligible.

(a) Percentage of contributions are not available as there are no audited financial statements for the period from 1 July 2022 up to the LPD.

(b) DS Packaging had entered into tenancy agreements dated 1 July 2019 and 1 July 2020 with BL Kaizen for the rental of a terrace factory located at No. 36, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor for a term of 1 year each, commencing on the date of the agreement, at a rate of RM5,000.00 per month, with an option to renew for a further term of 1 year subject to monthly rental to be negotiated and having regard to the prevailing market rate. On 1 July 2021, DS packaging and BL Kaizen entered into a new tenancy agreement for the premise. The tenancy has a tenure of 3 years at a rental rate of RM6,000.00 per month, with an option to renew for a further 3 years subject to monthly rental at the prevailing market rate at the time of renewal, as determined by an independent valuer and subject to the approval of DS Packaging's board of directors. DS Packaging shall give to the landlord notice in writing of its desire on the renewal of tenancy not later than 3 months prior to the expiration of the tenancy agreement.

(c) DS Packaging had on 1 July 2021 entered into a tenancy agreement with Lucille Teoh Soo Lien and Beh Seng Lee for the rental of a terrace factory located at No. 38, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor. The tenancy has a tenure of 3 years at a rental rate of RM6,000.00 per month, with an option to renew for a further 3 years subject to monthly rental at the prevailing market rate at the time of renewal, as determined by an independent valuer and subject to the approval of DS Packaging's board of directors. DS Packaging shall give to the landlord notice in writing of its desire on the renewal of tenancy not later than 3 months prior to the expiration of the tenancy agreement. Currently, Kaisung is renting a portion of this premise from DS Packaging.

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

(d) DS Manufacturing had on 1 March 2016 entered into a tenancy agreement with Lucille Teoh Soo Lien and Beh Seng Lee for the rental of No. 29 Klang Factory. The tenancy was for a period commencing on the date of the agreement up to 28 February 2019 at a rental rate of RM33,000.00 per month. The tenancy agreement was later extended via a letter dated 1 March 2019. On 1 July 2021, DS Manufacturing entered into a new tenancy agreement with Lucille Teoh Soo Lien and Beh Seng Lee for the premise. The tenancy has a tenure of 3 years at a rental rate of RM35,000.00 per month, with an option to renew for a further 3 years subject to monthly rental at the prevailing market rate at the time of renewal, as determined by an independent valuer and subject to the approval of DS Manufacturing's board of directors. DS Manufacturing shall give to the landlord notice in writing of its desire on the renewal of tenancy not later than 3 months prior to the expiration of the tenancy agreement. Currently, DS Packaging is renting a portion of this premise from DS Manufacturing.

(e) Kaisung had entered into tenancy agreements dated 1 July 2019 and 1 July 2020 with Lucille Teoh Soo Lien and Beh Seng Lee for the rental of a terrace office located at No. 38, Jalan BP 5/6, Bandar Bukit Puchong, 47100 Puchong, Selangor for a term of 1 year each, commencing on the date of the agreement at a rate of RM5,000.00 per month, with an option to renew for a further term of 1 year subject to monthly rental to be negotiated and having regard to the prevailing market rate.

As at the LPD, there are no other RPTs entered into but not yet effected.

Our Board, having considered all aspects of the related party transactions, are of the opinion that all the above transactions were carried out on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of our Group.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolutions pertaining to the respective transaction. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involve the acquisition or disposal of securities or interests in one corporation / asset or of various parcels of land contiguous to each other.

Upon Listing, the Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not detrimental to the interest of our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

9.2 RELATED PARTY TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

Our Board has confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the Financial Years Under Review and up to the LPD.

9.3 OUTSTANDING LOANS AND / OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES

Save as disclosed below, our Board has confirmed that there are no outstanding loans and / or financial assistance (including guarantees of any kind) made by our Group to or for the benefit of the related parties for the Financial Years Under Review and up to the LPD.

9.3.1 Outstanding loans

				Outstanding amount				
				FYE 30 June				1 July 2022 up to the LPD
No.	**Loans made to or for the benefit of related parties**	**Interested related party and nature of relationship**	**Nature of transaction and purpose**	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**	**RM'000**
1.	Advances made to DS Manufacturing by Lucille Teoh Soo Lien, Beh Seng Lee, Loi Guak Lian and Yong Chong Long	**Beh Seng Lee** is our Promoter, substantial shareholder and Executive Director. **Lucille Teoh Soo Lien** is our Promoter, substantial shareholder and Managing Director. **Loi Guak Lian** is a shareholder of DS Sigma, a director of DS Manufacturing and a Key Senior Management. **Yong Chong Long**, who is a shareholder of DS Sigma, was a director and shareholder of DS Manufacturing prior to the Acquisitions.	Advances for working capital	1,880	1,880	-	-	-

9.3.2 Financial assistance (including guarantees of any kind)

Personal Guarantees

(i) DS Packaging

Beh Seng Lee and Lucille Teoh Soo Lien have provided personal guarantees for banking and / or credit facilities extended by Public Bank Berhad ("**PBB**") and BMW Credit (Malaysia) Sdn Bhd ("**BMW Credit**") (collectively, "**Financers of DS Packaging**") to DS Packaging.

In conjunction with the Listing, we have applied to the Financiers of DS Packaging to obtain a release and / or discharge of the guarantees by substituting the same with a corporate guarantee from our Company in a form acceptable to the Financiers of DS Packaging. Until such release and / or discharge are obtained from the respective Financiers of DS Packaging, Beh Seng Lee and Lucille Teoh Soo Lien will continue to guarantee the facilities extended to DS Packaging. As at the LPD, we have received conditional approval from the Financiers of DS Packaging to discharge the personal guarantees for the credit and banking facilities subject to the completion of the Listing and the execution of a corporate guarantee by the Company.

(ii) DS Manufacturing

Beh Seng Lee and Lucille Teoh Soo Lien, Loi Guak Lian, director of DS Manufacturing and Yong Chong Long, a shareholder of DS Manufacturing prior to the Acquisitions, have provided personal guarantees for banking facilities extended by Hong Leong Bank Berhad ("**HLBB**") to DS Manufacturing.

In conjunction with the Listing, we have applied to the HLBB to obtain a release and / or discharge of the guarantees by substituting the same with a corporate guarantee from our Company in a form acceptable to HLBB. Until such release and / or discharge are obtained from HLBB, Beh Seng Lee and Lucille Teoh Soo Lien, Loi Guak Lian and Yong Chong Long will continue to guarantee the banking facilities extended to DS Manufacturing.

As at the LPD, we have received conditional approval from HLBB to discharge the above guarantees, subject to the following conditions:

(i) completion of the Listing;

(ii) execution of corporate guarantees by our Company;

(iii) confirmation from panel solicitor / company secretary of DS Sigma that there is no breach of Section 225 of the Act;

(iv) obtaining consent from Syarikat Jaminan Pembiayaan Perniagaan Berhad; and

(v) DS Manufacturing Vendors shall maintain as the largest direct or indirect shareholders in DS Sigma.

10. CONFLICT OF INTEREST

10.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

As at the LPD, none of our Directors and / or substantial shareholders has any interest, whether direct or indirect, in any businesses or corporations in which are carrying on a similar or related trade as that of our Group or which are our customers or suppliers of our Group.

10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

10.2.1 Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent

PIVB, being our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent, is a wholly-owned subsidiary of PBB. PIVB together with PBB and its other subsidiary companies ("**PBB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses.

PBB Group has engaged and may in the future, engage in transactions with and perform services for our Group and / or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the PBB Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders, our and / or their affiliates and / or any other entity or person, hold long or short positions in securities issued by our Company and / or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity services or senior loans of any member of our Group and / or our affiliates.

This is a result of the businesses of the PBB Group generally acting independently of each other, and accordingly, there may be situations where parts of PBB Group and / or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, PBB Group is required to comply with applicable laws and regulations issued by the relevant authorities, which required, among others, segregation between dealing and advisory activities and Chinese Wall between different business divisions within the PBB Group.

As at the LPD, PBB, has in its ordinary course of business, granted credit facilities to DS Packaging of RM9.00 million. As at the LPD, the outstanding balance of the total credit facilities extended by PBB to DS Packaging is approximately RM5.08 million. Our Group is proposing to partly repay the borrowings owing to PBB using the proceeds raised from the Public Issue.

Notwithstanding the above, PIVB is of the view that the abovementioned does not give rise to an existing or potential conflict of interest situation in its capacity as Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent due to the following:

(a) PBB is a licensed commercial bank and the extension of credit facilities to our Group arose in the ordinary course of business of PBB;

(b) The conduct of PBB in its banking business is strictly regulated by among others, the Financial Services Act, 2013 as well as PBB's own internal controls and checks;

(c) the outstanding balance of the total credit facilities granted to DS Packaging by PBB, which represents less than 0.01% of the latest available audited net assets of PBB as at 31 December 2021 is considered immaterial;

(d) PIVB's role as the Principal Adviser for our IPO has been carried out professionally and objectively in accordance with the relevant terms of the due diligence planning memorandum. The due diligence processes and the verification exercises (which were participated by our Directors and Key Senior Management, our Reporting Accountants, our solicitors, PIVB and other relevant advisers) have been duly undertaken and performed in relation to the preparation of relevant documents relating to our IPO; and

(e) PIVB does not receive or derive any financial interest or benefit from our IPO other than the normal advisory and underwriting / placement fees charged.

10.2.2 Solicitors to our Company as to the laws of Malaysia

Jeff Leong, Poon & Wong has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors to our Group in relation to the Listing.

10.2.3 External Auditors and Reporting Accountants

GT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the External Auditors and Reporting Accountants to our Group in relation to the Listing.

10.2.4 Independent Market Researcher

Vital Factor has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to the Listing.

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11. FINANCIAL INFORMATION

11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The historical audited combined financial information of our Group for the Financial Years Under Review presented in this section have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements of our Group for the Financial Years Under Review.

You should read the historical audited combined financial information below together with:

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and

- Accountants' Report set out in Section 12 of this Prospectus.

The historical audited combined financial information included in this Prospectus does not reflect our Group's results of operations, financial position and cash flows in the future. Moreover, our Group's past operating results are not indicative of our Group's future operating performance.

(a) Historical audited combined statements of profit or loss and other comprehensive income of our Group

	Audited FYE 30 June			
	2019 (RM'000)	**2020 (RM'000)**	**2021 (RM'000)**	**2022 (RM'000)**
Revenue	105,682	85,891	127,858	121,218
Cost of sales	(73,285)	(61,648)	(85,508)	(78,213)
GP	**32,397**	**24,243**	**42,350**	**43,005**
Finance income	198	210	130	289
Other income	16	56	20	153
Selling and distribution expenses	(720)	(446)	(507)	(834)
Administrative expenses	(11,689)	(10,427)	(13,824)	(13,088)
Finance costs	(599)	(751)	(529)	(678)
PBT	**19,603**	**12,885**	**27,640**	**28,847**
Tax expense	(4,672)	(2,963)	(6,524)	(7,376)
PAT / Total comprehensive income for the financial year	**14,931**	**9,922**	**21,116**	**21,471**
PAT attributable to:				
Equity holders of the Group	14,977	9,699	20,320	21,005
Non-controlling interest	(46)	223	796	466
	14,931	**9,922**	**21,116**	**21,471**
GP margin[(a)](%)	30.66	28.23	33.12	35.48
PBT margin[(b)](%)	18.55	15.00	21.62	23.80
PAT margin[(c)](%)	14.13	11.55	16.52	17.71
Effective tax rate[(d)](%)	23.83	23.00	23.60	25.57
EBITDA[(e)](RM'000)	21,776	15,113	29,802	31,720
Assumed number of Shares in issue[(f)]('000)	480,000	480,000	480,000	480,000
Basic and diluted EPS[(g)](sen)	3.12	2.02	4.23	4.38

Notes:

(a) GP margin is calculated based on GP divided by revenue.

(b) PBT margin is calculated based on PBT divided by revenue.

(c) PAT margin is calculated based on PAT divided by revenue.

(d) Effective tax rate is calculated based on income tax expense divided by PBT.

(e) EBITDA is calculated as follows:

	Audited FYE 30 June			
	2019 (RM'000)	**2020 (RM'000)**	**2021 (RM'000)**	**2022 (RM'000)**
PBT	19,603	12,885	27,640	28,847
Add:				
Finance costs	599	751	529	678
Depreciation of PPE	1,772	1,687	1,763	2,484
Less:				
Finance income	(198)	(210)	(130)	(289)
EBITDA	21,776	15,113	29,802	31,720

(f) The assumed number of Shares in issue after our Public Issue.

(g) Basic EPS is calculated based on PAT attributable to equity holders of the Group divided by the assumed number of Shares in issue. Diluted EPS are the same as basic EPS as there were no potential dilutive ordinary shares existing during the respective years.

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(b) Historical audited combined statements of financial position of our Group

	Audited			
	As at 30 June			
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)
ASSETS				
Non-current assets				
PPE	23,519	22,345	21,205	25,557
Total non-current assets	23,519	22,345	21,205	25,557
Current assets				
Inventories	2,816	2,924	2,791	2,084
Trade receivables	10,145	12,006	18,524	18,759
Other receivables	310	294	936	2,073
Tax recoverable	85	148	-	-
Fixed deposits with a licensed bank	-	-	-	12,000
Cash and bank balances	11,609	9,814	9,805	19,021
Total current assets	24,965	25,186	32,056	53,937
TOTAL ASSETS	**48,484**	**47,531**	**53,261**	**79,494**
EQUITY AND LIABILITIES				
Equity				
Share capital	1,750	1,750	2,700	2,700
Retained earnings	17,851	20,451	23,771	44,776
	19,601	22,201	26,471	47,476
Non-controlling interests	379	602	2,348	2,814
TOTAL EQUITY	**19,980**	**22,803**	**28,819**	**50,290**
LIABILITIES				
Non-current liabilities				
Lease liabilities[(a)]	3,007	1,096	324	3,347
Borrowings	9,173	8,702	8,829	8,172
Deferred tax liabilities	478	644	833	1,327
Total non-current liabilities	12,658	10,442	9,986	12,846
Current liabilities				
Trade payables	5,677	7,262	7,855	8,544
Other payables[(b)]	4,973	3,555	1,637	3,825
Lease liabilities[(a)]	2,828	1,941	971	1,184
Borrowings	1,434	1,471	2,435	685
Tax payable	934	57	1,558	2,120
Total current liabilities	15,846	14,286	14,456	16,358
TOTAL LIABILITIES	**28,504**	**24,728**	**24,442**	**29,204**
TOTAL EQUITY AND LIABILITIES	**48,484**	**47,531**	**53,261**	**79,494**

Notes:

(a) Include hire purchase for machineries and motor vehicles.

(b) Include non-trade payables, accruals, and sales tax payables. For the FYE 30 June 2019 and FYE 30 June 2020, it also includes amount due to Directors.

(c) Historical audited combined statements of cash flows of our Group

	Audited FYE 30 June			
	2019 (RM'000)	**2020 (RM'000)**	**2021 (RM'000)**	**2022 (RM'000)**
Operating activities				
PBT:	19,603	12,885	27,640	28,847
Adjustments for:				
Depreciation of PPE	1,771	1,687	1,763	2,484
Gain on disposal of PPE	(2)	-	-	(100)
PPE written off	-	-	14	20
Finance income	(198)	(210)	(130)	(289)
Finance cost	599	751	529	678
Operating profit before changes in working capital	**21,773**	**15,113**	**29,816**	**31,640**
Changes in working capital:				
Inventories	(258)	(108)	133	707
Receivables	3,599	(1,845)	(7,160)	(1,372)
Payables	(3,204)	167	574	2,877
Cash generated from operations	21,910	13,327	23,363	33,852
Interest received	198	210	130	289
Interest paid	(599)	(750)	(529)	(678)
Tax paid	(4,565)	(3,785)	(4,684)	(6,322)
Tax refunded	53	47	-	-
Net cash from operating activities	**16,997**	**9,049**	**18,280**	**27,141**
Investing activities				
Purchase of PPE	(7,469)	(489)	(437)	(1,996)
Proceeds from disposal of PPE	2	-	-	100
Placement of fixed deposits with maturity of more than 3 months	-	-	-	(5,000)
Net cash used in investing activities	**(7,467)**	**(489)**	**(437)**	**(6,896)**
Financing activities				
Dividends paid	(11,500)	(7,100)	(17,000)	-
Repayments of lease liabilities	(1,823)	(2,821)	(1,943)	(1,622)
Repayments of borrowings	(276)	(434)	(709)	(2,407)
Drawdown of borrowings	6,000	-	1,800	-
Proceeds from issuance of new shares	-	-	-	*
Net cash used in financing activities	**(7,599)**	**(10,355)**	**(17,852)**	**(4,029)**

	Audited FYE 30 June			
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)
Cash and cash equivalents				
Net changes	1,931	(1,795)	(9)	16,216
At the beginning of financial year	9,678	11,609	9,814	9,805
At the end of financial year	**11,609**	**9,814**	**9,805**	**26,021**

Note:

* Negligible.

11.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:

(i) as at 31 October 2022, after taking into account the Acquisitions but before Public Issue and use of proceeds; and

(ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds from Public Issue.

	Unaudited as at 31 October 2022 (RM'000)	After Public Issue and use of proceeds (RM'000)
Capitalisation		
Share capital, representing total capitalisation	29,162	78,491
Total capitalisation	**29,162**	**78,491**
Indebtedness		
Current		
Secured and guaranteed:		
Term loans	706	706
Lease liabilities	421	421
Secured but not guaranteed		
Lease liabilities	719	719
	1,846	1,846
Non-current		
Secured and guaranteed:		
Term loans	7,877	1,877
Lease liabilities	1,009	1,009
Secured but not guaranteed		
Lease liabilities	2,057	2,057
	10,943	4,943
Total indebtedness	**12,789**	**6,789**
Total capitalisation and indebtedness	**41,951**	**85,280**

The contingent liabilities of our Group are set out in Section 11.3.14(ii) of this Prospectus.

11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with the Accountants' Report and related notes as set out in Section 12 of this Prospectus.

11.3.1 Overview of our business operations

We are a packaging products provider with in-house manufacturing of corrugated paper packaging products including cartons, protective packaging and paper pallets. We also supply non-paper based protective packaging products such as plastic, foam and rubber products.

We focus on providing packaging for industrial and consumer durable goods packaging. Our industrial packaging refers to packaging of parts and components for various stages of the manufacturing process. Some of these include metal, plastic, E&E parts and components. Meanwhile, our consumer durable goods packaging refers to the containment and protection of finished goods, such as television and microwave ovens, for handling, storage and transportation.

Our business involves the provision of total and partial packaging including sales of individual packaging items. In total packaging, we sell our packaging products as a complete set, which may comprise a combination of our in-house manufactured products such as corrugated cartons, protective packaging and paper pallets, as well as externally purchased non-paper based protective packaging materials. For partial packaging, part of the packaging materials is purchased by our customers separately to complement our packaging materials.

We also provide value-added services for some of our customers including provision of front-end value-added services such as design support and packaging optimisation, and assembly and packing services. Assembly and packing services are provided to customers based on their requirement, and the charges are built into our packaging product pricing.

Please refer to Section 6 of this Prospectus for further information about our business activities.

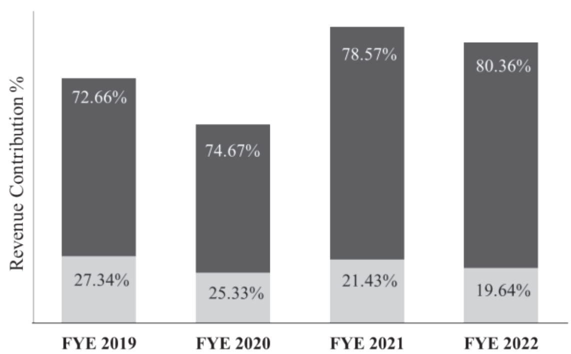
11.3.2 Segmental analysis by revenue

Our revenue stream is derived from two business segments:
(i) Manufacture of corrugated paper packaging products; and
(ii) Supply of protective packaging products.

Generally, our revenue from the sales of goods or services is recognised at the point when the control over the goods has been transferred to our customers upon their acceptance of the delivery of goods.

Between FYE 30 June 2019 and FYE 30 June 2022, our revenue increased at a CAGR of 4.68%, from RM105.68 million in FYE 30 June 2019 to RM121.22 million in FYE 30 June 2022. The growth was mainly contributed by our manufacturing operations.

Revenue by business activities



	FYE 30 June			
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**
Manufacture	76,786	64,135	100,455	97,410
Supply	28,896	21,756	27,403	23,808
Total revenue	**105,682**	**85,891**	**127,858**	**121,218**

Our revenue in FYE 30 June 2020 decreased by 18.73% or RM19.79 million to RM85.89 million mainly due to the decrease in orders from major customers as a result of global consumer electronic competition which affected our customer's business. The decrease was also as partly due to the temporary suspension of our business operations between March 2020 and April 2020 as a result of the MCO.

Our revenue in FYE 30 June 2022 decreased by 5.19% or RM6.64 million to RM121.22 million mainly due to the decrease in orders from some of our major customers as they faced interruptions in their business operations during the NRP phase 1 period in July 2021 and August 2021.

Our manufacturing operations accounted for 72.66% (RM76.79 million), 74.67% (RM64.14 million), 78.57% (RM100.46 million) and 80.36% (RM97.41 million) of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively. This was mainly contributed by sales of cartons and protective packaging products.

Supply of protective packaging products accounted for 27.34% (RM28.90 million), 25.33% (RM21.76 million), 21.43% (RM27.40 million) and 19.64% (RM23.81 million) of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively. This was mainly contributed by sales of LDPE and HDPE bags, foams and laminated PE foam bags. Please refer to Section 11.3.2(i) of this Prospectus for the year-on-year analysis of revenue by business activities and products.

For the Financial Years Under Review, our revenue is derived from Malaysia and transacted in RM.

(i) Revenue by business activities and products

The table below sets out the breakdown of our total revenue by business activities and products:

	FYE 30 June							
	2019		**2020**		**2021**		**2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Manufacture of corrugated paper packaging products	76,786	72.66	64,135	74.67	100,455	78.57	97,410	80.36
- *Cartons and protective packaging*	*63,549*	*60.13*	*55,121*	*64.18*	*80,593*	*63.03*	*77,668*	*64.07*
- *Paper pallets*	*13,237*	*12.53*	*9,014*	*10.49*	*19,862*	*15.54*	*19,742*	*16.29*
Supply of protective packaging products[(a)]	28,896	27.34	21,756	25.33	27,403	21.43	23,808	19.64
Group revenue	**105,682**	**100.00**	**85,891**	**100.00**	**127,858**	**100.00**	**121,218**	**100.00**

Note:

(a) Includes plastic and foam bags which we converted from bulk plastic or foam sheets and accounted for less than 1.00% of our total revenue for each respective financial year.

(a) FYE 30 June 2020 compared to FYE 30 June 2019

Our revenue decreased by 18.73% or RM19.79 million from RM105.68 million in FYE 30 June 2019 to RM85.89 million in FYE 30 June 2020. This was mainly due to the decrease in orders from major customers as a result of global consumer electronic competition which affected our customers' business. In addition, the decrease in our Group's revenue was partly contributed by the temporary suspension of our business operations between March 2020 and April 2020 as a result of the MCO. Our revenue declined from RM8.65 million in February 2020 to RM5.33 million in March 2020 and RM0.73 million in April 2020.

Manufacture of corrugated paper packaging products

Our revenue from the manufacture of corrugated paper packaging products decreased by 16.48% or RM12.65 million from RM76.79 million in FYE 30 June 2019 to RM64.14 million in FYE 30 June 2020. This was mainly attributed to the following factors:

- decrease in revenue from cartons and protective packaging products by 13.26% or RM8.43 million which was in line with the decrease in sales volume of these packaging products by 10.15%. This was mainly attributable to lower orders from our major customers, namely consumer electronic product procurement centre and manufacturers due to competition of consumer electronic products globally which affected our customers' business in FYE 30 June 2020.

  In addition, the drop in orders was partly affected by the temporary suspension in our business operations between March 2020 and April 2020 as a result of the MCO.

  The decrease in revenue was also partially due to a decrease in overall average sales per unit by 3.46% arising from a slight decrease in selling prices of some of our corrugated cartons and protective packaging.

- decrease in revenue from sales of paper pallets by 31.90% or RM4.22 million was mainly due to the decrease in sales volume by 18.98% and decrease in overall average sales per unit by 15.95% mainly arising from different product mix (pallet type and dimension of pallet deck) where higher sales of lower priced paper pallets were recorded. The decrease in sales volume of paper pallets was mainly contributed by lower orders from major customers and the temporary suspension of the Group's business operations between March 2020 and April 2020 as a result of the MCO. In FYE 30 June 2020, several customers bought more of the lower priced laminated board pallets and less of the thick board pallets.

Supply of protective packaging products

As a packaging products provider and to complement our in-house manufactured corrugated paper packaging products, we also source and supply a variety of protective packaging products which are non-paper based to meet our customers' needs.

Our revenue from the supply of protective packaging products decreased by 24.71% or RM7.14 million from RM28.90 million in FYE 30 June 2019 to RM21.76 million in FYE 30 June 2020. This was in line with the decrease in the sales volume of protective packaging products by 13.67%, mainly due to lower orders for HDPE bags, laminated PE foam bags, and foams from our major customers, namely consumer electronic product procurement centre and manufacturers. The decrease in sales volume of protective packaging products were mainly contributed by lower orders from major customers and the temporary suspension of our business operations between March 2020 and April 2020 as a result of the MCO.

Additionally, the decrease in revenue from the supply of protective packaging products was partially due to the decrease in the overall average sales per unit of protective packaging by 4.58% due to sale of different product mix of protective packaging where higher sales of lower priced product were recorded in FYE 30 June 2020.

(b) FYE 30 June 2021 compared to FYE 30 June 2020

Our revenue increased by 48.86% or RM41.97 million, from RM85.89 million in FYE 30 June 2020 to RM127.86 million in FYE 30 June 2021. This was attributed to the following:

Manufacture of corrugated paper packaging products

Our revenue from the manufacture of corrugated paper packaging products increased by 56.63% or RM36.32 million, from RM64.14 million in FYE 30 June 2020 to RM100.46 million in FYE 30 June 2021. This was mainly attributed to the increase in revenue from the following products:

- increase in revenue from cartons and protective packaging by 46.21% or RM25.47 million, which was in line with the increase in sales volume of these respective packaging products by 28.51%. This was mainly attributed to the increase in orders from our major customers, namely consumer electronic product manufacturers and precision metal part manufacturer.

  Furthermore, the increase in revenue was partly contributed by an increase in the overall average sales per unit of the corrugated cartons and protective packaging products by 13.77%. Due to the rising cost of corrugated boards as input materials at the end of year 2020, we increased our selling prices for corrugated cartons and protective packaging products between November 2020 and February 2021. In FYE 30 June 2021, our average purchase price of corrugated boards increased by 15.14% from RM2.51 per kg in FYE 30 June 2020 to RM2.89 per kg in FYE 30 June 2021. Correspondingly, we increased the selling prices of our corrugated cartons and protective packaging by an average of 10% to 15% between November 2020 and May 2021.

- increase in revenue from paper pallets by 120.35% or RM10.85 million, which was in line with the increase in sales volume of paper pallets by 89.56%. This was mainly attributed to the increase in orders from one of our major customers, namely a consumer electronic product manufacturer. The increase in revenue was also attributed to the increase in the overall average sales per unit of paper pallets by 16.24% attributed by the increase in selling price of our paper pallets by an average of 15% between November 2020 and May 2021. This was due to the rising cost of corrugated boards as input materials at the end of year 2020, as mentioned above.

Supply of protective packaging products

Revenue from the supply of protective packaging products also increased by 25.96% or RM5.65 million, from RM21.76 million in FYE 30 June 2020 to RM27.40 million in FYE 30 June 2021. This was mainly contributed by the increase in orders from some of our major customers, namely consumer electronic product manufacturers for the supply of non-paper based protective packaging products to complement our corrugated paper packaging.

This was in line with the increase in our sales volume of protective packaging products by 34.03%, mainly from an increase in orders for LDPE bags, HDPE bags, and foams. This was partially offset by the decrease in the overall average sales per unit of protective packaging by 1.88% due to different mix of products where higher sales of lower priced protective packaging products were recorded in FYE 30 June 2021.

(c) FYE 30 June 2022 compared to FYE 30 June 2021

Our revenue decreased by 5.19% or RM6.64 million, from RM127.86 million in FYE 30 June 2021 to RM121.22 million in FYE 30 June 2022. This was mainly due to the decrease in orders from some of our major customers as they faced interruptions in their business operations during the NRP phase 1 period, coupled with the decrease in orders from a major customer that had to halt Russian product models amidst the international sanctions placed on Russia in early 2022.

Manufacture of corrugated paper packaging products

Our revenue from the manufacture of corrugated paper packaging products decreased by 3.03% or RM3.05 million, from RM100.46 million in FYE 30 June 2021 to RM97.41 million in FYE 30 June 2022. This was mainly attributed to the following factors:

- decrease in revenue from corrugated cartons and protective packaging products by 3.63% or RM2.93 million which was in line with the decrease in sales volume of these packaging products by 41.98% and offset by the increase in average sales per unit by 64.97%. The decrease in sales volume was mainly contributed by lower orders from our major customers, namely consumer electronic product manufacturers due to interruptions in their business operations during the NRP phase 1 period as well as request by a major customer that had to halt certain Russian product models amidst international sanctions placed on Russia in early 2022.

  The increase in our average sales per unit of corrugated cartons and protective packaging was partly due to the increase in selling prices coupled with the sales of different product mix where there were higher sales of higher priced products. The increase in selling prices was to defray the increased cost of our input materials. Due to the rising cost of corrugated boards as input materials, in FYE 30 June 2022, we further increased our selling prices for corrugated cartons and protective packaging products. In FYE 30 June 2022, our average purchase price of corrugated boards increased by 17.65% from RM2.89 per kg in FYE 30 June 2021 to RM3.40 per kg in FYE 30 June 2022. Subsequently, we increased our selling prices for corrugated cartons and protective packaging to a major customer by 10% in January 2022 and two other major customers by 2.50% in March 2022.

- slight decrease in revenue from paper pallets by 0.60% or RM0.12 million mainly due to the decrease in sales volume by 24.40% and offset by the increase in overall average sales per unit by 33.14%. The decrease in sales volume was mainly contributed by lower orders from our major customers, namely consumer electronic product manufacturers due to interruptions in their business operations during the NRP phase 1 period as mentioned above. The overall increase in average sales per unit was mainly due to sales of different product mix (pallet type and dimension of pallet deck) where there were increased sales of higher priced paper pallets in FYE 30 June 2022 coupled with an increase in selling price for paper pallets by 2.5% to a major customer in March 2022.

Supply of protective packaging products

Our revenue from the supply of protective packaging products decreased by 13.12% or RM3.60 million from RM27.40 million in FYE 30 June 2021 to RM23.81 million in FYE 30 June 2022. This was in line with the decrease in sales volume by 27.69% mainly due to lower orders for laminated foam bags and HDPE antistatic bags from our major customers, namely consumer electronic product procurement centre and manufacturers. As mentioned above, the lower orders from our major customers were mainly due to interruptions in their business operations during the NRP phase 1 period as well as request by a major customer to halt certain Russian product models amidst international sanctions placed on Russia in early 2022. Additionally, the decrease in sales volume of protective packaging products was partially offset by the increase in the average sales per unit by 21.56% mainly due to sales of different product mix where there were increased sales of higher priced products.

11.3.3 Segmental analysis by cost of sales

(i) Cost of sales by compositions

The table below sets out the breakdown of our cost of sales by compositions:

	FYE 30 June							
	2019		2020		2021		2022	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Materials and services costs	56,294	76.82	46,905	76.09	70,702	82.69	65,341	83.54
Labour costs	13,443	18.34	11,436	18.55	10,888	12.73	8,701	11.13
Other costs[(a)]	3,548	4.84	3,307	5.36	3,918	4.58	4,171	5.33
Total	**73,285**	**100.00**	**61,648**	**100.00**	**85,508**	**100.00**	**78,213**	**100.00**

Note:

(a) Include mainly factory overheads such as depreciation costs, rental, transportation and handling, utility costs as well as upkeep and maintenance of factory, plant and machinery.

(ii) Cost of sales by business activities and products

The table below sets out the breakdown of our cost of sales by business activities and products:

	FYE 30 June							
	2019		2020		2021		2022	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Manufacture of corrugated paper packaging products	53,994	73.68	46,296	75.10	66,330	77.57	63,440	81.11
- *Cartons and protective packaging*	*49,166*	*67.09*	*42,162*	*68.39*	*59,161*	*69.19*	*56,908*	*72.76*
- *Paper pallets*	*4,828*	*6.59*	*4,134*	*6.71*	*7,169*	*8.38*	*6,532*	*8.35*
Supply of protective packaging products	19,291	26.32	15,352	24.90	19,178	22.43	14,773	18.89
Total	**73,285**	**100.00**	**61,648**	**100.00**	**85,508**	**100.00**	**78,213**	**100.00**

(a) Materials and services costs

Materials and services costs constituted the largest component in our cost of sales which accounted for 76.82% (RM56.29 million), 76.09% (RM46.91 million), 82.69% (RM70.70 million) and 83.54% (RM65.34 million) of our total cost of sales for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021 and FYE 30 June 2022 respectively.

This includes the following:

- cost of input materials mainly consist of corrugated boards, stitching wire, glue and ink as well as printing block and mould charges for the manufacturing of corrugated paper packaging products;

- cost of non-paper based protective packaging products which consist of plastic-based products such as plastic and bubble sheets and bags, air cushion bags, and stretch films, foam-based products such as sheets, bags and trays, expanded plastic products such as moulds, as well as rubber-based products such as rubber stoppers; and

- cost of subcontracted products and services where we subcontract some of the manufacturing of corrugated cartons and protective packaging to external manufacturers according to our specifications. Such subcontracted products and services include the subcontracting of complete paper packaging set (including paper cartons, protective packaging, and paper pallets) or paper cartons, protective packaging and paper pallets only, depending on the order. Generally, we would subcontract orders that are small in quantity and labour-intensive such as orders requiring small nesting and small die-cuts. In addition, we would use subcontractors whose manufacturing facilities are closer to our customers' delivery destinations such as in Malacca and Johor.

For the FYE 30 June 2020, our materials and services costs decreased by 16.68% or RM9.39 million which was in line with the decrease in our revenue by 18.73%, mainly as a result of lower customer orders for packaging products. For further information on the analysis of our revenue, please refer to Section 11.3.2(i)(a) of this Prospectus. The decrease in material costs was also partly contributed by the temporary suspension of business operations between March 2020 and April 2020 as a result of the MCO.

For the FYE 30 June 2021, our materials and services costs increased by 50.73% or RM23.80 million which was in tandem with the increase in our revenue by 48.86%, mainly due to increase in customer orders for our packaging products. For further information on the analysis of our revenue, please refer to Section 11.3.2(i)(b) of this Prospectus.

For the FYE 30 June 2022, our materials and services costs decreased by 7.58% or RM5.36 million which was in line with the decrease in our revenue by 5.19%, mainly as a result of lower customer orders for packaging products amidst the interruptions in our customers' business operations during the NRP phase 1 period as well as request by a customer to halt certain Russian product models amidst the international sanctions placed on Russia in early 2022. For further information on the analysis of our revenue, please refer to Section 11.3.2(i)(c) of this Prospectus.

(b) Labour costs

Our labour costs consist of direct labour, independent contractors and subcontracted labour costs. Direct labour costs comprise salaries, allowances, bonuses and other related staff costs for our full-time employees at our manufacturing operations. Independent contractor costs comprise payment to independent contractors for the provision of assembly and packing services. Subcontracted labour costs comprise salaries of contract workers hired to supplement our production floor workers mainly in FYE 30 June 2019.

The following is a breakdown of our labour costs:

	FYE 30 June							
	2019		2020		2021		2022	
Labour costs	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Direct labour costs	1,617	12.03	2,233	19.53	2,626	24.12	2,423	27.85
Independent contractor costs	11,148	82.93	9,171	80.19	8,262	75.88	6,278	72.15
Subcontracted labour costs	678	5.04	32	0.28	-	-	-	-
Total	**13,443**	**100.00**	**11,436**	**100.00**	**10,888**	**100.00**	**8,701**	**100.00**

For FYE 30 June 2020, labour costs decreased by 14.93% or RM2.01 million mainly due to the decrease in independent contractor costs by 17.73% or RM1.98 million. As part of our front-end value-added services, we provide design support and packaging optimisation to improve our customer's packaging including reducing the complexity of the assembly and packing of customer's products into the cartons. As such, during the FYE 30 June 2020, we required lesser independent contractors to carry out the assembly and packing services due to the lower complexity of work needed to be carried out. In addition, due to the lower complexity of work carried out, we lowered the rates per job paid to the independent contractors.

Additionally, in FYE 30 June 2020, subcontracted labour costs for our manufacturing operations also decreased by RM0.65 million as we managed to employ additional production floor workers during the financial year. This was offset by the increase in direct labour cost by 38.10% or RM0.62 million in FYE 30 June 2020 mainly due to the increased number of production floor workers from 45 workers in FYE 30 June 2019 to 92 workers in FYE 30 June 2020.

For the FYE 30 June 2021, labour costs decreased by 4.79% or RM0.55 million which was mainly due to the decrease in independent contractor costs by 9.91% or RM0.91 million. During the FYE 30 June 2021, we required lesser independent contractors to carry out assembly and packing services due to the lower complexity of work needed to be carried out. Additionally, we lowered the rates per job paid to the independent contractors due to the lower complexity of work carried out. The decrease in total labour costs was offset by the increase in direct labour cost by 17.60% or RM0.39 million in FYE 30 June 2021 due to the increase in overtime salaries paid to our production floor workers during the financial year.

For the FYE 30 June 2022, labour costs decreased by 20.09% or RM2.19 million which was mainly due to the decrease in independent contractor costs by 24.01% or RM1.98 million. During the FYE 30 June 2022, we utilised lesser independent contractors to carry out assembly and packing services due to lower orders from our major customers coupled with the lower complexity of assembly and packing works needed to be carried out. Additionally, the decrease in total labour costs was also attributed to the decrease in direct labour cost by 7.73% or RM0.20 million in FYE 30 June 2022 due to decrease in overtime salaries paid to the production floor workers as a result of lower orders during the financial year.

(c) Other costs

Other costs mainly comprise factory overheads such as depreciation, rental, transportation and handling, utility costs as well as upkeep and maintenance of factory, plant and machinery.

For the FYE 30 June 2020, other costs decreased by 6.79% or RM0.24 million mainly due to the lower costs incurred on transportation and handling costs, as well as upkeep and maintenance of factory, plant and machinery caused by the temporary suspension of our business operations between March 2020 and April 2020.

For the FYE 30 June 2021, other costs increased by 18.48% or RM0.61 million and this was mainly due to the increase in transportation and handling costs which was in line with the growth of our business where our revenue increased by 48.86% compared to FYE 30 June 2020.

For the FYE 30 June 2022, other costs increased by 6.46% or RM0.25 million mainly due to the increase in depreciation and upkeep of plant and machinery as a result of the purchase of new machineries during the year. The increase in other costs was offset by the decrease in transportation and handling costs attributed by the decrease in customers' orders in FYE 30 June 2022.

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11.3.4 Segmental analysis by GP and GP margin

(i) GP and GP margin by business activities and products

	FYE 30 June											
	2019			2020			2021			2022		
GP and GP margin	**GP RM'000**	**% of total GP**	**GP margin (%)**	**GP RM'000**	**% of total GP**	**GP margin (%)**	**GP RM'000**	**% of total GP**	**GP margin (%)**	**GP RM'000**	**% of total GP**	**GP margin (%)**
Manufacture of corrugated paper packaging products	22,792	70.35	29.68	17,839	73.58	27.81	34,125	80.58	33.97	33,970	78.99	34.87
- *Cartons and protective packaging*	*14,383*	*44.40*	*22.63*	*12,959*	*53.45*	*23.51*	*21,432*	*50.61*	*26.59*	*20,760*	*48.27*	*26.73*
- *Paper pallets*	*8,409*	*25.95*	*63.53*	*4,880*	*20.13*	*54.14*	*12,693*	*29.97*	*63.91*	*13,210*	*30.72*	*66.91*
Supply of protective packaging products	9,605	29.65	33.24	6,404	26.42	29.44	8,225	19.42	30.01	9,035	21.01	37.95
Total	**32,397**	**100.00**	**30.66**	**24,243**	**100.00**	**28.23**	**42,350**	**100.00**	**33.12**	**43,005**	**100.00**	**35.48**

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(a) FYE 30 June 2020 compared to FYE 30 June 2019

Our total GP decreased by 25.17% or RM8.15 million to RM24.24 million in FYE 30 June 2020 and the GP margin also decreased from 30.66% in FYE 30 June 2019 to 28.23% in FYE 30 June 2020. This was mainly due to the following:

Manufacture of corrugated paper packaging products

Our GP for the manufacture of corrugated paper packaging products decreased by 21.73% or RM4.95 million and GP margin decreased from 29.68% in FYE 30 June 2019 to 27.81% in FYE 30 June 2020.

The decrease in GP was in line with the decrease in our revenue by 16.48% from our manufacturing segment which was contributed by the lower customer orders for our corrugated paper packaging as well as the temporary suspension of our business operations between March 2020 and April 2020 as a result of the MCO. For further information on the analysis of our revenue, please refer to Section 11.3.2(i)(a) of this Prospectus.

The decrease in GP margin was mainly contributed by the GP margin of our paper pallets which decreased from 63.53% in FYE 30 June 2019 to 54.14% in FYE 30 June 2020. This was mainly due to different product mix (pallet type and dimension of pallet deck) where higher sales of lower priced and margin paper pallets were recorded in FYE 30 June 2020. In FYE 30 June 2020, several customers purchased more of the lower priced laminated board pallets and less of the more expensive thick board pallets as the lower priced laminated board paper pallets are more cost effective as compared to the thick board pallets.

Supply of protective packaging products

Our GP for the supply of protective packaging products decreased by 33.33% or RM3.20 million and GP margin decreased from 33.24% in FYE 30 June 2019 to 29.44% in FYE 30 June 2020. The decrease in GP was in line with the decrease in revenue of 24.71% for this segment, mainly due to the decrease in orders from some of our major customers coupled with the temporary suspension of our business operations between March 2020 and April 2020 as a result of the MCO. For further information on the analysis of our revenue, please refer to Section 11.3.2(i)(a) of this Prospectus.

The decrease in GP margin of non-paper based protective packaging products was mainly due to sale of different product mix of protective packaging where there were lower sales of higher priced and margin product, namely HDPE antistatic plastic bags in FYE 30 June 2020.

(b) FYE 30 June 2021 compared to FYE 30 June 2020

Our total GP increased by 74.69% or RM18.11 million in FYE 30 June 2021 and the GP margin improved from 28.23% in FYE 30 June 2020 to 33.12% in FYE 30 June 2021. This was due to the following:

Manufacture of corrugated paper packaging products

Our GP for the manufacture of corrugated paper packaging products increased by 91.29% or RM16.29 million and the GP margin improved from 27.81% in FYE 30 June 2020 to 33.97% in FYE 30 June 2021.

The increase in GP was in tandem with the increase in revenue of 56.63% from the manufacture of corrugated paper packaging products mainly due to the increase in customer orders from some of our major customers as explained above.

The improvement in GP margin for this segment in FYE 30 June 2021 was mainly contributed by higher volume of corrugated paper packaging products which resulted in a decrease in unit manufacturing cost arising from lower unit labour cost and other cost such as transportation charges, depreciation and rental. The decrease in unit labour cost was mainly due to the decrease in the independent contractor cost arising from the lower complexity of assembly and packing services.

The improvement in GP margin was also partly contributed by the increase in sales volume of higher margin products, namely paper pallets. In FYE 30 June 2021, our sales volume of paper pallets increased by 89.56% and this was partly contributed by increased orders for a higher margin product namely laminated board pallets with larger dimensions, additional layers and custom top deck with die-cut holes.

Supply of protective packaging products

Our GP for the supply of protective packaging products increased by 28.44% or RM1.82 million in the FYE 30 June 2021 which was in tandem with the increase in our revenue by 25.96%, mainly due to the increase in orders from some of our major customers. For further information on the analysis of our revenue, please refer to Section 11.3.2(i)(b) of this Prospectus.

GP margin for supply of protective packaging increase slightly from 29.44% in FYE 30 June 2020 to 30.01% in FYE 30 June 2021.

(c) FYE 30 June 2022 compared to FYE 30 June 2021

Our total GP increased by 1.55% or RM0.66 million to RM43.01 million in FYE 30 June 2022 while our GP margin improved from 33.12% in FYE 30 June 2021 to 35.48% in FYE 30 June 2022. This was mainly due to the following:

Manufacture of corrugated paper packaging products

GP from the manufacture of corrugated paper packaging products decreased by 0.45% or RM0.16 million while GP margin improved from 33.97% in FYE 30 June 2021 to 34.87% in FYE 30 June 2022.

The decrease in GP of this segment was mainly due to the decrease in GP for cartons and protective packaging by 3.14% or RM0.67 million arising from the decrease in revenue from corrugated cartons and protective packaging products by 3.63% amidst lower sales to our major customers, as mentioned above. This was partially offset by the increase in GP for paper pallets by 4.07% or RM0.52 million mainly due to sales of different product mix (pallet type and dimension of pallet deck) where there were increased sales of higher priced and margin paper pallets recorded in FYE 30 June 2022.

The improvement in GP margin for this segment was largely due to the improvement in GP margin for paper pallets from 63.91% in FYE 30 June 2021 to 66.91% in FYE 30 June 2022. This was mainly contributed by an increase in sales of higher margin paper pallets in FYE 30 June 2022. Additionally, the GP margin for cartons and protective packaging also improved slightly from 26.59% in FYE 30 June 2021 to 26.73% in FYE 30 June 2022. This was largely due to the lower cost incurred for independent contractor as the assembly and packing works were less complex in FYE 30 June 2022.

Supply of protective packaging products

The GP for the supply of protective packaging products increased by 9.85% or RM0.81 million and GP margin improved from 30.01% in FYE 30 June 2021 to 37.95% in FYE 30 June 2022. The increase in GP and GP margin was mainly due to the sales of different product mix with increased sales of higher margin protective packaging coupled with the decrease in independent contractor costs as the assembly and packing works were less complex in FYE 30 June 2022.

11.3.5 Finance and other income

The table below presents the breakdown of our finance and other income:

	FYE 30 June							
	2019		2020		2021		2022	
Finance and other income	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Finance income	198	92.52	210	78.95	130	86.67	289	65.38
Other income[(a)]	16	7.48	56	21.05	20	13.33	153	34.62
Total	**214**	**100.00**	**266**	**100.00**	**150**	**100.00**	**442**	**100.00**

Note:

(a) Includes mainly sales of scrap corrugated boards and one-off wage subsidy received from the Government. Generally, we would generate waste from our manufacturing operations, and this includes off-cuts and misprints. For those that are reusable, we would reuse them in the production of paper pallets and protective packaging, while for those that are unusable, it would be sold as scrap. In FYE 30 June 2022, it also included gain on disposal of PPE.

FYE 30 June 2020 compared to FYE 30 June 2019

For FYE 30 June 2020, our finance and other income increased by 24.30% or RM0.05 million. This was mainly due to the wage subsidy of RM48,000 which DS Manufacturing received from the Government as part of the economic stimulus package amidst the COVID-19 pandemic.

FYE 30 June 2021 compared to FYE 30 June 2020

For FYE 30 June 2021, our finance and other income decreased by 43.61% or RM0.12 million. This was mainly due to the decrease in finance income by RM0.08 million due to lower interest rates on our interest-yielding current account. Additionally, we received lower wage subsidy of RM7,200 which Kaisung received from the Government in FYE 30 June 2021.

FYE 30 June 2022 compared to FYE 30 June 2021

For FYE 30 June 2022, our finance and other income increased by 194.67% or RM0.29 million. This was mainly due to increase in finance income by RM0.16 million on our interest-yielding current account, as well as gain on disposal of 1 unit of flexographic printing machine of RM0.10 million.

11.3.6 Selling and distribution expenses

The table below presents the breakdown of our selling and distribution expenses:

	FYE 30 June							
	2019		2020		2021		2022	
Selling and distribution expenses	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales commission	551	76.53	330	73.99	423	83.43	735	88.13
Other costs[(a)]	169	23.47	116	26.01	84	16.57	99	11.87
Total	**720**	**100.00**	**446**	**100.00**	**507**	**100.00**	**834**	**100.00**

Note:

(a) Includes entertainment costs, petrol claim, toll and parking charges.

FYE 30 June 2020 compared to FYE 30 June 2019

For FYE 30 June 2020, our selling and distribution expenses decreased by 38.06% or RM0.27 million mainly due to the decrease in sales commission as a result of the decrease in sales during the financial year coupled with the resignation of a sales personnel in September 2019.

FYE 30 June 2021 compared to FYE 30 June 2020

For FYE 30 June 2021, our selling and distribution expenses increased by 13.68% or RM0.06 million. This was mainly due to the increase in sales commission in line with the increase in sales during the financial year.

FYE 30 June 2022 compared to FYE 30 June 2021

For FYE 30 June 2022, our selling and distribution expenses increased by 64.50% or RM0.33 million mainly due to the increase in sales commission by RM0.31 million. The lower sales commission expenses in FYE 30 June 2021 were mainly due to resignation of a sales personnel in September 2019, whereby his customer account was only taken over by the Sales Manager effective July 2021 and no commission was paid to any sales personnel in respect of the customer between September 2019 until June 2021.

11.3.7 Administrative expenses

The table below presents the breakdown of our administrative expenses:

	FYE 30 June							
	2019		2020		2021		2022	
Administrative expenses	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Directors' fee and remuneration	7,305	62.50	6,378	61.17	9,368	67.77	6,856	52.38
Staff related costs[(a)]	2,967	25.38	2,833	27.17	3,185	23.04	4,412	33.71
Depreciation expenses	678	5.80	559	5.36	606	4.38	683	5.22
Others[(b)]	739	6.32	657	6.30	665	4.81	1,137	8.69
Total	**11,689**	**100.00**	**10,427**	**100.00**	**13,824**	**100.00**	**13,088**	**100.00**

Notes:

(a) Includes staff salaries and allowances, overtime, bonuses, employee contributions and other related expenses.

(b) Includes mainly rental expenses, upkeep of office, office equipment, and motor vehicles, insurance, printing and stationery, utilities, auditors' remuneration and bank charges. In FYE 30 June 2022, it included IPO related expenses.

FYE 30 June 2020 compared to FYE 30 June 2019

For FYE 30 June 2020, our administrative expenses decreased by 10.80% or RM1.26 million, which was mainly attributed to the following:

- decrease in directors' fee by RM0.93 million due to the weaker financial performance of our Group during the FYE 30 June 2020;

- decrease in staff related costs by RM0.13 million due to the decrease in staff bonuses; and

- decrease in depreciation expenses by RM0.12 million due to adjustment of depreciation rate in relation to Nilai Factory.

FYE 30 June 2021 compared to FYE 30 June 2020

For FYE 30 June 2021, our administrative expenses increased by 32.58% or RM3.40 million and this was mainly attributed to the following:

- increase in directors' fees by RM1.79 million due to better financial performance of our Group during the FYE 30 June 2021;

- increase in directors' remuneration by RM1.20 million due to adjustments of directors' remuneration package under Kaisung; and

- increase in staff related costs by RM0.35 million due to the increase in staff bonuses.

FYE 30 June 2022 compared to FYE 30 June 2021

For FYE 30 June 2022, our administrative expenses decreased by 5.32% or RM0.74 million and this was mainly attributed to the decrease in directors' fees and remuneration by RM2.51 million arising from the resignation of a director in April 2021 and offset by bonus payment to directors.

The decrease in administrative expenses was partially offset by the increase in the following expenses:

- increase in staff related costs by RM1.23 million mainly due to the hiring of new employees with higher salary package coupled with an increase in staff bonus;

- increase in other administrative expenses by RM0.47 million mainly due to the recognition of IPO related expenses of RM0.34 million in FYE 30 June 2022 as well as increase in professional fees such as auditors' remuneration, legal fees and secretarial fees, and increase in upkeep of office, office equipment, and motor vehicles; and

- increase in depreciation expenses by RM0.08 million mainly due to the recognition of depreciation of rights-of-use assets in FYE 30 June 2022 upon the commencement of 3-year leasing arrangement for rental of Puchong Facility.

11.3.8 Finance costs

The table below presents the breakdown of our finance costs:

	FYE 30 June							
	2019		2020		2021		2022	
Finance costs	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expenses on:								
- Term loan	374	62.44	401	53.40	311	58.79	350	51.62
- Lease liabilities[(a)]	155	25.88	292	38.88	202	38.19	282	41.59
- Bankers' acceptances	70	11.68	58	7.72	16	3.02	46	6.79
Total	**599**	**100.00**	**751**	**100.00**	**529**	**100.00**	**678**	**100.00**

Note:

(a) Pertains to interest on hire purchase. In FYE 30 June 2022, it also includes interest on lease liabilities.

FYE 30 June 2020 compared to FYE 30 June 2019

For FYE 30 June 2020, our finance costs increased by 25.38% or RM0.15 million. This was mainly due to the increase in interest expenses on finance lease liabilities from the purchase of additional machinery and equipment as at 30 June 2020 including 1 unit of automatic flatbed die-cutting machine and 1 unit of flexographic printing machine.

FYE 30 June 2021 compared to FYE 30 June 2020

For FYE 30 June 2021, our finance costs decreased by 29.56% or RM0.22 million. This was mainly due to the decrease in interest expenses on term loans and finance lease liabilities resulting from the repayment of these borrowings. In addition, our interest expenses on bankers' acceptances also decrease in FYE 30 June 2021 due to lower interest rates during the financial year.

FYE 30 June 2022 compared to FYE 30 June 2021

For FYE 30 June 2022, our finance costs increased by 28.17% or RM0.15 million. This was mainly due to the recognition of interest on lease liabilities of RM0.11 million. Additionally, our interest expenses on term loan increased by RM0.04 million due to the drawdown of RM1.00 million special relief fund loan from the bank in FYE 30 June 2022 for working capital purposes.

11.3.9 PBT, taxation and PAT

The table below presents our PBT, effective tax rate and PAT:

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
PBT (RM'000)	19,603	12,885	27,640	28,847
PBT margin (%)	18.55	15.00	21.62	23.80
Tax expense (RM'000)	4,672	2,963	6,524	7,376
Effective tax rate (%)	23.83	23.00	23.60	25.57
Statutory tax rate (%)	24.00[(a)]	24.00[(b)]	24.00[(c)]	24.00[(d)]
PAT (RM'000)	14,931	9,922	21,116	21,471
PAT margin (%)	14.13	11.55	16.52	17.71

Notes:

(a) Our Subsidiaries were subjected to tax at the statutory tax rate of 17.00% on the first RM500,000 of chargeable income. The statutory tax rate of 24.00% was applicable on chargeable income of our Subsidiaries in excess of RM500,000.

(b) DS Manufacturing and Kaisung were subjected to tax at the statutory tax rate of 17.00% on the first RM600,000 of chargeable income. The statutory tax rate of 24.00% was applicable on chargeable income of DS Manufacturing and Kaisung that was in excess of RM600,000. As for DS Packaging, it was subjected to tax at the statutory tax rate of 24.00% on chargeable e income.

(c) Kaisung was subjected to tax at the statutory tax rate of 17.00% on the first RM600,000 of chargeable income. The statutory tax rate of 24.00% was applicable on chargeable income of Kaisung that was in excess of RM600,000. DS Packaging was subjected to tax at the statutory tax rate of 24.00% while DS Manufacturing is subjected or expected to be subjected to tax at the statutory tax rate of 24.00%. The tax return of DS Manufacturing for year of assessment 2021 and 2022 are yet to be filed due to the change of its financial year end from 31 December to 30 June and the deadline to file the income tax returns has been extended to 28 February 2023. As such, the tax rate can only be confirmed when the tax return is filed.

(d) Based on provisional tax computation, Kaisung is expected to be subjected to tax at the statutory tax rate of 17% on the first RM600,000 of chargeable income. The statutory tax rate of 24.00% was applicable on chargeable income of Kaisung that was in excess of RM600,000. DS Packaging and DS Manufacturing are expected to be subjected to tax at the statutory tax rate of 24.00%.

FYE 30 June 2020 compared to FYE 30 June 2019

Our PBT decreased by 34.27% or RM6.72 million in FYE 30 June 2020, which was in line with the decrease in our revenue and GP for the FYE 30 June 2020. This was mainly contributed by the decrease in customer orders and our business was also affected by the temporary suspension in our business operations between March 2020 and April 2020. For further information on the analysis of our revenue, please refer to Section 11.3.2(i)(a) of this Prospectus.

Our PBT margin decreased from 18.55% in FYE 30 June 2019 to 15.00% in FYE 30 June 2020 which was in line with the decline in GP margin from 30.66% in FYE 30 June 2019 to 28.23% in FYE 30 June 2020. This was mainly due to sale of different product mix where there were higher sales of lower priced and margin products in FYE 30 June 2020.

For the FYE 30 June 2020, our tax expenses were RM2.96 million which was lower compared to the previous financial years as a result of the overall decline in our revenue and PBT.

For the FYE 30 June 2019, our effective tax rate of 23.83% approximates the statutory tax rate of 24.00%. As for the FYE 30 June 2020, our effective tax rate of 23.00% was lower than the statutory tax rate of 24.00%. This was mainly due to the tax deductions for capital allowance on new machinery purchased during the financial year.

Our PAT had also decreased by 33.55% or RM5.01 million to RM9.92 million in FYE 30 June 2020 following from the decrease in PBT. Similarly, the PAT margin had also reduced from a PAT margin of 14.13% in FYE 30 June 2019 to 11.55% in FYE 30 June 2020.

FYE 30 June 2021 compared to FYE 30 June 2020

Our PBT increased by 114.51% or RM14.76 million in FYE 30 June 2021 which was in tandem with the growth in our revenue and GP by 48.86% and 74.69% respectively for the corresponding period. The growth was due to the increase in customer orders. For further information on the analysis of our revenue, please refer to Section 11.3.2(i)(b) of this Prospectus.

Our PBT margin improved from 15.00% in FYE 30 June 2020 to 21.62% in FYE 30 June 2021 which was mainly due to the improvement in GP margin from the production of paper pallets as well as cartons and protective packaging. This was mainly due to the higher volume of corrugated paper packaging products which resulted in a decrease in unit manufacturing cost arising from lower unit labour cost and other cost such as transportation charges, depreciation and rental.

For the FYE 30 June 2021, our tax expenses were RM6.52 million, which was higher compared to the previous financial years as a result of overall growth in our revenue and PBT.

For FYE 30 June 2021, we recorded an effective tax rate of 23.60% which approximates the statutory tax rate of 24.00%.

Our PAT had also improved by 112.82% or RM11.20 million to RM21.12 million in FYE 30 June 2021 following from the improvement in PBT. Similarly, the PAT margin had also improved from a PAT margin of 11.55% in FYE 30 June 2020 to 16.52% in FYE 30 June 2021.

FYE 30 June 2022 compared to FYE 30 June 2021

Our PBT increased by 4.37% or RM1.21 million to RM28.85 million in FYE 30 June 2022. This was mainly due to the growth in our GP by 1.55% or RM0.66 million coupled with the decrease in administrative expenses by 5.32% or RM0.74 million. The growth in GP was mainly due to sales of different product mix where there were increased sales of higher GP packaging products in FYE 30 June 2022 coupled with the decrease in labour cost attributed from the lower independent contractor costs, as mentioned above. The decrease in administrative expenses was mainly due to the decrease in directors' fee and remuneration arising from the resignation of a director in April 2021. For further information on the analysis of our GP and administrative expenses, please refer to Section 11.3.4(i)(c) and Section 11.3.7 of this Prospectus.

Our PBT margin improved from 21.62% in FYE 30 June 2021 to 23.80% in FYE 30 June 2022 which was mainly due to the improvement in GP margin from the higher sales of higher margin packaging products in FYE 30 June 2022.

For the FYE 30 June 2022, the tax expense was RM7.38 million, which was higher compared to the previous financial years as a result of the growth in our PBT.

For the FYE 30 June 2022, we recorded an effective tax rate of 25.57% which is slightly higher than the statutory tax rate of 24.00%. This was mainly due to the increase in tax effect in respect of non-allowable expenses and under provision of deferred and current tax in prior years.

Our PAT improved slightly by 1.68% or RM0.36 million to RM21.47 million in FYE 30 June 2022 following the improvement of PBT. Similarly, the PAT margin also improved from 16.52% in FYE 30 June 2021 to 17.71% in FYE 30 June 2022.

11.3.10 Significant factors materially affecting our operations and financial results

Significant factors affecting our business include, but not limited to, the following:

(i) Customers' demand for our packaging products

Our business performance is dependent on the customers' demand for packaging products which is based on purchase orders. As such, any reduction in our customers' purchase orders may adversely affect our business, financial condition, and results of operations. This is supported by the variation in our revenue for the Financial Years Under Review where we experienced a decrease of 18.73% in our revenue for the FYE 30 June 2020 due to lower orders from our customers and the adverse impact from the containment measures as a result of COVID-19 pandemic while we experienced an increase of 48.86% in revenue for the FYE 30 June 2021 due to higher orders from our customers. In FYE 30 June 2022, we recorded a decrease of 5.19% in our revenue due to lower orders from some of our major customers as these customers faced interruptions in business operations during NRP phase 1, coupled with the decrease in orders from a major customer due to request to halt Russian product models amidst the international sanctions placed on Russia in early 2022. Please refer to Section 11.3.2 for year-on-year analysis for our revenue.

(ii) Reliance on a concentrated group of customers and our ability to retain our major customers

We are reliant on a concentrated group of major customers namely SSCSM, Samsung Electronics, SOEM, PAACM and PAVC, which collectively accounted for 91.33%, 91.85%, 78.97% and 73.32% of our total revenue for the FYEs 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively. As the purchase orders are typically issued by our customers at their discretion, there can be no assurance that purchase orders will be issued at all times. Any significant reduction in the purchase orders from these customers or the loss of any of our major customers, if not replaced in a timely manner, would materially and adversely affect our financial performance.

Nevertheless, we have established a strong relationship with our major customers over the years, spanning from 9 years to 20 years with a proven track record of meeting their requirements and timely delivery throughout the years. We have managed and will continuously strive to meet our customers' expectations by paying close attention to their feedback and working together to meet their requirements with the aim of continuously improving the quality of our products and services. We believe our established track record provides us with the platform to continue to address growth and opportunities within the packaging industry.

For example, in FYE 30 June 2022, we experienced a decrease in orders from a major customer since March 2022 due to their request to halt certain Russian product models amidst the international sanctions placed on Russia in early 2022. However, due to our strong and long-term relationship with the said major customer coupled with our proven track record, we were able to secure other product models from the said customer since June 2022.

Please refer to Section 8.1.1 of this Prospectus for further details on the risk pertaining to dependency on our major customers.

(iii) Dependency on independent contractors for our assembly and packing services

Our Group is dependent on independent contractors to carry out the assembly and packing services at our customers' or their vendors' premises. These independent contractors assemble the die-cut cartons, insert the customer's products into plastic or foam bags and place them into the cartons along with other protective packaging products such as nestings and layer pads. These independent contracts are engaged as and when needed. For the Financial Years Under Review, our Group's cost of engaging independent contractors amounted to RM11.15 million, RM9.17 million, RM8.26 million and RM 6.28 million representing 15.21%, 14.88%, 9.66% and 8.03% of our total cost of sales for the FYEs 30 June 2019, 30 June 2020 and 30 June 2021, and 30 June 2022 respectively.

As at the LPD, we have not encountered any major disruption to our operations due to shortage of independent contractors. However, there is no assurance that we will be able to recruit an adequate number of independent contractors for our operations. If we are unable to hire sufficient independent contractors, it would result in disruption to our operations which in turn will affect our financial performance.

Please refer to Section 8.1.5 of this Prospectus for further details on the risk pertaining to dependency on independent contractors.

(iv) Fluctuations in material prices

Corrugated board is the main material used in the production of our corrugated paper packaging products including cartons, protective packaging products and paper pallets. As wood pulp is one of the raw materials required to produce all types of paper products including corrugated boards, fluctuations in the prices of wood pulp would have an impact on the overall cost of corrugated board. Commonly, recycled paper is also used in combination with wood pulp to reduce the overall cost of paper. The fluctuation of the price of wood pulp is based on external factors such as, but not limited to global demand and supply, sanctions, changes in trade policies such as China banning the import of waste paper since 2017, global shortage of sea freight containers and increasing sea freight rates.

According to the Industry Overview Report, the prices of wood pulp and corrugated boards have been fluctuating since 2017. Between February 2017 and September 2018, wood pulp prices increased by 32.2% mainly due to China's ban on the import of unsorted waste paper, which resulted in a surge in demand for its alternative, including wood pulp. Subsequently, between December 2018 and November 2019, wood pulp prices declined by 38.2% mainly due to increased mill capacity leading to oversupply, coupled with weakening wood pulp demand. Prices of wood pulp and corrugated board were relatively stable in 2020. Between January 2021 and December 2021, wood pulp prices grew rapidly by 48.0% and further increased by 24.7% between January 2022 and September 2022. This was mainly due to the increasing demand which was supported by the surge in e-commerce, as well as an increase in wood pulp demand from China due to its banning of import of solid waste including old corrugated cartons since January 2021. Additionally, the supply of wood pulp was affected by the disruption on the supply chain due to the global shortage of sea freight containers, increasing sea freight rates, port congestions, rising energy rates, the large-scale strike action in a paper mill in Finland from early January to end April 2022, as well as the Russia-Ukraine conflict.

We are usually able to pass on the increases in the cost of input materials to produce our corrugated paper packaging products to our customers. For the Financial Years Under Review, we have experienced an increase in the price of corrugated board. In FYE 30 June 2021, our average purchase price of corrugated boards increased by 15.14% from RM2.51 per kg in FYE 30 June 2020 to RM2.89 per kg in FYE 30 June 2021. Correspondingly, we increased the selling prices for our corrugated cartons and protective packaging by an average of 10% to 15%, and our paper pallets by an average of 15% between November 2020 and May 2021. Similarly, in FYE 30 June 2022, our average purchase price of corrugated boards increased by 17.65% from RM2.89 per kg in FYE 30 June 2021 to RM3.40 per kg in FYE 30 June 2022. Correspondingly, we increased the selling prices for our corrugated cartons and protective packaging, and paper pallets between 2.5% and 10% for different customers and products in January 2022 and March 2022.

We currently adopt a quarterly pricing strategy where we review the prices of our corrugated paper packaging products every quarter to take into consideration the effects of the changes in the price of corrugated boards. Nevertheless, there is no assurance that we can pass on any future increases in the cost resulting from changes in the price of corrugated board to our customers. In the event we are unable to pass on any of the cost increases to our customers or if we are unable to do so in a timely manner where we have to absorb the increases in the cost of input materials, this would adversely affect our profitability and financial performance.

Please refer to Section 8.1.3 of this Prospectus for further details on the risk pertaining to price fluctuations of paper products.

(v) Impact of the COVID-19 pandemic

The prolonged outbreak and spread of the COVID-19 pandemic had and will continue to affect our business operations. In association with the COVID-19 pandemic, there were various containment measures implemented such as lockdowns, movement restrictions and temporary suspension of our business operations as well as our customers' operations. The interruptions in our operations as well as our customers' operations will also affect the demand for our products and subsequently affect our financial performance. This was demonstrated by the fact that our revenue performance for the FYE 30 June 2020 and FYE 30 June 2022 was partially affected by the temporary suspension of our business operations between March 2020 and April 2020 as a result of the MCO, as well as interruptions to our customer's operations during NRP Phase 1 in July 2021 and August 2021 as explained in Section 6.3.18 of this Prospectus under interruptions to our business and operations. Furthermore, if any of our employees are infected, we may be required to temporarily shut down our operations to contain the spread and this would adversely affect our manufacturing operations and result in delays in our delivery schedules, which would subsequently affect our financial performance.

Please refer to Section 6.3.18 of this Prospectus for further details on the impact of the COVID-19 pandemic.

(vi) Impact on interest rate fluctuations

As at 30 June 2022, our total borrowings were RM10.80 million (excluding lease liabilities arising from right-of-use assets of RM2.59 million), of which all were interest bearing, and was based on floating and fixed interest rates. Our finance costs increased from RM0.60 million for the FYE 30 June 2019 to RM0.75 million for the FYE 30 June 2020 and subsequently decreased to RM0.53 million for the FYE 30 June 2021. In FYE 30 June 2022, our finance costs increased to RM0.68 million. In this respect, any increase in interest rates may negatively impact our financial performance. Our finance costs mainly comprises interest charges on banking facilities including term loans, finance lease liabilities, and bankers' acceptance, that are granted by bank and financial institutions.

With the exception of finance lease liabilities, all our borrowings were based on prevailing bank's base lending rate or base financing rate plus / minus a margin agreed with banking institutions when respective loans and financing were granted. Meanwhile, our finance lease liabilities were charged based on fixed rates.

In this respect, we face financial risks relating to the increase in interest rates that may impact our financial performance including profitability and margins. For the Financial Years Under Review and up to the LPD, we have not defaulted on any payments of either principal sums and / or interests in relation to our borrowings.

(vii) Impact of inflation

Our financial performances for the Financial Years Under Review were not materially affected by the impact of inflation. However, we believe that we would not be able to pass on all future increases in costs of materials and services of our operations to our customers. Accordingly, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(viii) Government / economic / fiscal / monetary policies

Our business is subject to risks relating to government, economic, fiscal or monetary policies in Malaysia. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia. Please refer to Section 8.2.2 of this Prospectus for further details on political, economic and regulatory risks.

11.3.11 Liquidity and capital resources

(i) Working capital

Our business has been financed by both internal and external sources of funds. Our internal sources of funds comprise cash generated from our business operations and shareholders' equity, while our external sources were mainly credit facilities from financial institutions. These funds were used for our business operations and growth.

As at 30 June 2022, our cash and bank balances amounted to RM19.02 million and our total borrowings were RM10.80 million (excluding lease liabilities arising from right-of-use assets of RM2.59 million). As at 30 June 2022, our gearing ratio is 0.21 times and current ratio is 3.30 times. As at the LPD, we have banking facilities namely trade facilities of RM4.80 million which have not been utilised.

Based on the Pro Forma Combined Statements of Financial Position of our Group as at 30 June 2022 (after Acquisitions but before Public Issue), our NA stood at RM50.29 million and our gearing ratio is 0.27 times. Our NA position and gearing ratio after Acquisitions and Public Issue (and utilisation of proceeds) are RM96.04 million and 0.08 times, respectively.

Pursuant to the above and taking into consideration of our funding requirements for our committed capital expenditure, expected cash flow to be generated from our operations and the impact of the COVID-19 pandemic on our business, the amount that is available under our existing banking facilities, as well as proceeds to be raised from the Public Issue, our Board believes that we have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

(ii) Cash flows

The following is the summary of our combined statements of cash flows for the Financial Years Under Review. This should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	16,997	9,049	18,280	27,141
Net cash used in investing activities	(7,467)	(489)	(437)	(6,896)
Net cash used in financing activities	(7,599)	(10,355)	(17,852)	(4,029)
Net increase / (decrease) in cash and cash equivalents	1,931	(1,795)	(9)	16,216
Cash and cash equivalents at the beginning	9,678	11,609	9,814	9,805
Cash and cash equivalents at the end[(a)]	**11,609**	**9,814**	**9,805**	**26,021**

Note:

(a) The components of our cash and cash equivalents are set out as below:

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with a licensed bank	-	-	-	12,000
Cash and bank balances	11,609	9,814	9,805	19,021
	11,609	9,814	9,805	31,021
Less:				
Fixed deposits with maturity of more than 3 months	-	-	-	(5,000)
Cash and cash equivalents	**11,609**	**9,814**	**9,805**	**26,021**

(a) Net cash from operating activities

FYE 30 June 2019

For the FYE 30 June 2019, our net cash from operating activities was RM17.00 million after taking into account the following:

- decrease in receivables of RM3.60 million mainly due to lower billings during last month of FYE 30 June 2019;
- decrease in payables of RM3.20 million due to decrease in trade payables by RM2.16 million arising from lower purchases in the end of FYE 30 June 2019 as well as decrease in other payables by RM1.04 million arising from the decrease in accruals for purchases of machinery that has been paid off; and
- increase in inventories of RM0.26 million mainly due to some stocks pending for delivery to customers.

Other payments include tax payment of RM4.57 million and interest payment of RM0.60 million. This was partially offset by RM0.20 million of interest received and a tax refund of RM0.05 million.

FYE 30 June 2020

For the FYE 30 June 2020, our net cash from operating activities was RM9.05 million after taking into account the increase in receivables by RM1.84 million, increase in inventories by RM0.11 million and increase in payables by RM0.17 million. These increases were mainly due to the increase in activities in the last two months of FYE 30 June 2020 upon the resumption of our operations on 20 April 2020 after the MCO 1.0 period.

Other payments include tax payment of RM3.78 million and interest payment of RM0.75 million. This was partially offset by RM0.21 million of interest received and a tax refund of RM0.05 million.

FYE 30 June 2021

For the FYE 30 June 2021, our net cash from operating activities was RM18.28 million after taking into account the following:

- increase in receivables of RM7.16 million mainly due to higher billings and sales in the last quarter of FYE 30 June 2021 compared to the corresponding period in the FYE 30 June 2020;

- increase in payables of RM0.57 million mainly due to increase in purchases during the last quarter of FYE 30 June 2021 for our manufacturing and supply operations to meet the increased orders from customers; and

- decrease in inventories of RM0.13 million mainly due to lower inventories of finished goods which was in line with higher sales in the last quarter of FYE 30 June 2021 compared to the corresponding period in the FYE 30 June 2020.

Other payments include tax payment of RM4.68 million and interest payment of RM0.53 million. This was partially offset by RM0.13 million of interest received.

FYE 30 June 2022

For the FYE 30 June 2022, our net cash from operating activities was RM27.14 million after taking into account the following:

- increase in receivables of RM1.37 million mainly due to the increase in other receivables by RM1.14 million attributed largely to the increase in prepayment for IPO listing expenses of RM1.46 million;

- increase in payables of RM2.88 million mainly due the increase in other payables by RM2.19 million. This was largely attributed to the increase in accruals by RM1.57 million arising mainly from accruals of sales commission, and staff salaries and bonuses in FYE 30 June 2022 which were subsequently paid out in the next financial year; and

- decrease in inventories of RM0.71 million mainly due to lower inventories of raw materials and finished goods at the end of 30 June 2022. This was mainly due to higher sales in June 2022 of RM10.54 million compared to June 2021 of RM9.04 million.

Other payments include tax payment of RM6.32 million and interest payment of RM0.68 million. This was partially offset by RM0.29 million of interest received.

(b) Net cash used in investing activities

FYE 30 June 2019

For the FYE 30 June 2019, our net cash used in investing activities was RM7.47 million which was mainly used to fund part of the purchases of PPE totalling RM14.81 million. This was mainly attributed to cash payment of RM8.92 million as follows:

- RM7.63 million of cash was used to fund the acquisition of No. 27 Klang Factory where RM6.00 million was through term loan and the remaining RM1.63 million was funded through internally generated funds;
- RM0.47 million of cash was used to fund the renovation works and electrical installation for the newly purchased No. 27 Klang Factory;
- RM0.42 million of cash was mainly used to fund the purchase of furniture, fittings, office equipment, computers, and forklifts; and
- RM0.40 million of cash was used to fund part of the purchase of machinery, equipment and motor vehicles including mainly 1 unit of flexographic printing machine and 1 unit of automatic folding, stitching and gluing machine.

This was partially offset by the drawdown of hire purchase totalling RM1.45 million for 1 unit of fully automatic die-cut machine and 1 unit of automatic inserting machine that was purchased in the previous financial year.

FYE 30 June 2020

For the FYE 30 June 2020, our net cash used in investing activities was RM0.49 million which was mainly cash used to fund part of purchases of PPE totalling RM0.51 million. This was mainly attributed to the following:

- RM0.34 million of cash was used to fund the total purchases of machinery and equipment including 1 unit of automatic bundling machine, 1 unit of wrapping machine and 1 unit of drive-in rack machine; and
- the remaining RM0.15 million of cash used was mainly to part fund the purchase of 1 unit of motor vehicle as well as purchases of office furniture and equipment, computer and software products, and renovation works.

FYE 30 June 2021

For the FYE 30 June 2021, our net cash used in investing activities was RM0.44 million which was mainly cash used to fund part of the total capital expenditure of RM0.64 million during FYE 30 June 2021 and the balance RM0.20 million was funded through bank borrowings. This was mainly attributed to the following:

- RM0.32 million of cash was used to fund the total purchases of machinery and equipment including 1 unit of tying machine and 1 unit of 2 joint stitching machine;
- RM0.06 million of cash was used to fund part of the purchases of 1 unit of motor vehicle amounting to RM0.26 million, while the remaining RM0.20 million was funded through bank borrowings; and
- the remaining RM0.06 million of cash used was mainly to fund the purchases of office furniture and equipment, and computer and software products.

FYE 30 June 2022

For the FYE 30 June 2022, our net cash used in investing activities was RM6.90 million which was mainly attributed to the following:

- RM5.00 million of cash was placed to fixed deposits with maturity of more than 3 months to earn finance income; and

- RM2.00 million of cash was used to fund part of the purchase of plant and machinery amounting to RM2.19 million, comprising 1 unit of flexographic printing machine, 2 units of semi-automatic pre-feeder and 1 unit of air compressor, as well as RM1.30 million for the renovation and installation of electrical system at our Klang Factories, Nilai Factory and Puchong Facility.

This was partially offset by cash inflow from the proceeds of RM0.10 million from the disposal of 1 unit of flexographic printing machine which has been fully depreciated.

(c) Net cash used in financing activities

FYE 30 June 2019

For the FYE 30 June 2019, our net cash used in financing activities was RM7.60 million. This was mainly attributed to the dividend payments of RM11.50 million to shareholders of DS Packaging and Kaisung, as well as repayment of lease liabilities of RM1.82 million and borrowings of RM0.28 million.

The net cash used in financing activities was partially offset by net cash inflow of RM6.00 million from the drawdown of term loan for the acquisition of No. 27 Klang Factory.

FYE 30 June 2020

For the FYE 30 June 2020, our net cash used in financing activities was RM10.36 million. This was mainly attributed to the dividend payments of RM7.10 million to shareholders of DS Packaging and Kaisung, as well as repayments of lease liabilities of RM2.82 million and borrowings of RM0.43 million.

FYE 30 June 2021

For the FYE 30 June 2021, our net cash used in financing activities was RM17.85 million. This was mainly attributed to the dividend payments of RM17.00 million to shareholders of DS Packaging and Kaisung, as well as repayments of lease liabilities of RM1.94 million and borrowings of RM0.71 million.

The net cash used in financing activities was partially offset by net cash inflow of RM1.80 million from the drawdown of bankers' acceptances to finance our purchases of corrugated board.

FYE 30 June 2022

For the FYE 30 June 2022, our net cash used in financing activities was RM4.03 million. This was mainly attributed to the repayments of borrowings of RM2.41 million and lease liabilities of RM1.62 million.

(iii) Borrowings

As at 30 June 2022, our Group's total borrowings were RM10.80 million (excluding lease liabilities arising from right-of-use assets of RM2.59 million), all of which were interest bearing and denominated in RM. The details of our bank borrowings (excluding lease liabilities arising from right-of-use assets) are set out below:

		As at 30 June 2022		
Type of borrowings	**Effective interest rates (%)**	**Payable within 12 months**	**Payable after 12 months**	**Total**
		RM'000	**RM'000**	**RM'000**
Term loans[(a)]	3.17 to 4.60	685	8,172	8,857
Finance lease liabilities[(b)]	2.08 to 3.76	700	1,238	1,938
Total		**1,385**	**9,410**	**10,795**
Gearing ratio[(c)]				**0.21**

Notes:

(a) Term loans were used to purchase the No. 27 Klang Factory and Nilai Factory as well as for working capital.

(b) Pertains to finance lease commitments for the purchase of 1 unit of fully automatic die-cutting machine, 1 unit of flexographic printing machine, 1 unit of automatic folding, stitching and gluing machine, 1 unit of inserting machine and 10 units of motor vehicles.

(c) Calculated based on total borrowings (excluding lease liabilities arising from right-of-use assets) divided by total equity.

As at 30 June 2022, our Group's floating and fixed rate borrowings are set out below:

	RM'000
Floating rate borrowings[(a)]	8,857
Fixed rate borrowings[(b)]	1,938
Total borrowings (excluding lease liabilities arising from right-of-use assets)	**10,795**

Notes:

(a) Include term loans.

(b) Include finance lease liabilities.

As at the LPD, we do not have any borrowings which are non-interest bearing and / or in foreign currencies. Our Group has not defaulted on payments of principal sums and / or interests in relation to any borrowings for the Financial Years Under Review and up to LPD.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations or investments by holders or securities in our Company.

As at the LPD, save as disclosed above, our Group did not use any other financial instruments.

11.3.12 Treasury policies and objectives

Our Group's operations have been funded through shareholder's equity, cash generated from our business operations and external sources of funds. The external sources of funds consist primarily of credit facilities from financial institutions. The normal credit terms granted by our suppliers range from 1 days to 120 days.

As at the LPD, our Group's credit facilities from financial institutions mainly consist of the following:

- bankers' acceptance for working capital purposes;
- term loans used to fund purchase of factories and working capital; and
- finance lease liabilities used for the purchase of motor vehicles, and plant and machinery.

The interest rates for our bank borrowings are based on the market rates prevailing at the dates of the respective transactions. As at the LPD, our Group has available banking facilities namely trade facilities amounting to RM4.80 million which have not been utilised.

The main objective of our capital management is to maintain sustainable shareholder's equity to ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions.

11.3.13 Financial instruments for hedging purposes

For the Financial Years Under Review and up to the LPD, we do not use any financial instrument for hedging purposes.

11.3.14 Material litigation, contingent liabilities and material commitment for capital expenditure

(i) Material litigation

As at the LPD, neither our Company nor our subsidiaries are involved in any material litigation, claim or arbitration either as plaintiff or defendant or any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our position or business.

(ii) Material contingent liabilities

As at the LPD, our Group do not have any material contingent liabilities which upon becoming enforceable may have a material impact on the financial performance and position of our Group.

(iii) Material commitment for capital expenditure

Save as disclosed below, as at the LPD, we do not have any material capital commitments for capital expenditure, which upon becoming enforceable, may have a material effect on the financial position of our Group.

	RM'000
Approved but not contracted for:	
● Expansion of operational facilities[(a)]	35,400
● Purchase of new machinery and equipment[(b)]	16,000
● Set up of packaging design and innovation centre[(c)]	690
Total	**52,090**

Notes:

(a) We intend to expand our operations to Penang as well as to establish Klang Factory 2.

(b) We intend to purchase several units of automated and robotic packing machines including semi-automatic pre-feeder, conveyor system, automatic folding, stitching and gluing machine, automatic bundling machine, wrapping machine and robot palletiser system, as well as 2 units of honeycomb board machines, and 1 unit of 6-colour flexographic printing machine.

(c) We intend to purchase several units of testing and prototyping equipment for our packaging design and innovation centre located at No. 27 Klang Factory.

Further details on the use of proceeds are set out in Section 4.4 of this Prospectus and details on our business strategies and plans are set out in Section 6.15 of this Prospectus.

11.3.15 Key financial ratios

The following table provides the key financial ratios based on our audited combined financial statements for the Financial Years Under Review:

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
Average trade receivables turnover period (days)[(a)]	40	48	44	57
Average trade payables turnover period (days)[(b)]	34	39	33	39
Average inventory turnover period (days)[(c)]	13	17	12	12
Current ratio (times)[(d)]	1.58	1.76	2.22	3.30
Gearing ratio (times)[(e)]	0.82	0.58	0.44	0.21

Notes:

(a) Based on average trade receivables as at the beginning and end of the respective financial years over total revenue of the respective financial years and multiplied by 365 days.

(b) Based on average trade payables as at the beginning and end of the respective financial years over total cost of sales of the respective financial years and multiplied by 365 days.

(c) Based on average inventory as at the beginning and end of the respective financial years over total cost of sales of the respective financial years and multiplied by 365 days.

(d) Based on current assets over current liabilities.

(e) Based on total borrowings (excluding lease liabilities arising from right-of-use assets) over total equity.

(i) Trade receivables

The breakdown of our Group's trade receivables is as set out below:

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	10,145	12,006	18,524	18,759
Revenue	105,682	85,891	127,858	121,218
Average trade receivables turnover period (days)[(a)]	40	48	44	57

Note:

(a) Based on average trade receivables as at the beginning and end of the respective financial years over total revenue of the respective financial years, and multiplied by 365 days.

We deal with our customers on credit terms. The credit terms that we generally grant to our customers are as follows:

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
Normal credit terms (days)	1 to 75	1 to 90	1 to 90	1 to 90

The credit terms granted to our customers are assessed and approved on a case-by-case basis. The factors that are taken into consideration when determining the credit period granted to customers include their creditworthiness, payment history, quantum of amount owing to us and length of relationship with us.

As part of our credit control process, our finance team closely monitor our ageing report and assess the collectability of trade receivables on an individual customer basis regularly to ensure prompt payment within the credit period granted. For any trade receivables which have exceeded the normal credit period granted to customers, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with the customers.

Our average trade receivables turnover period ranges from 40 days to 57 days which is within the credit period granted to our customers.

Our average trade receivables turnover period increased from 40 days in FYE 30 June 2019 to 48 days in FYE 30 June 2020. This was mainly due to the increase in trade receivables as at 30 June 2020 attributed to the improvement in sales towards the end of the financial year, in May 2020 and June 2020, upon the resumption of our operations on 20 April 2020 after the MCO 1.0 period.

For the FYE 30 June 2021, our average trade receivables turnover period improved from 48 days in FYE 30 June 2020 to 44 days in FYE 30 June 2021. This was mainly attributed to the timely collections from customers.

For the FYE 30 June 2022, our average trade receivables turnover period increased from 44 days in FYE 30 June 2021 to 57 days in FYE 30 June 2022. This was mainly attributed to higher sales recorded in June 2022 of which such receivables were still within the credit period. The higher average trade receivables turnover period was also partly due to the lower revenue by 5.19% or RM6.64 million recorded in FYE 30 June 2022.

Our trade receivables ageing analysis as at 30 June 2022 is as follows:

	Not past due	Past due (days)				Total
		1 – 30	31 – 60	61 – 90	> 90	
Trade receivables (RM'000)	15,304	3,185	261	3	6	18,759
Proportion of trade receivables (%)	*81.59*	*16.98*	*1.39*	*0.02*	*0.03*	*100.00*
Subsequent collections as at the LPD (RM'000)	*15,296*	*3,185*	*261*	*3*	*6*	*18,751*
Net trade receivables after subsequent collections (RM'000)	***8***	**-**	**-**	-	-	***8***
Proportion of trade receivables after subsequent collections (%)	*100.00*	-	-	-	-	*100.00*

As at the LPD, 99.96% or RM18.75 million of our total trade receivables outstanding as at 30 June 2022 has been collected.

(ii) Trade payables

The breakdown of our Group's trade payables is as set out below:

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	5,677	7,262	7,855	8,544
Cost of sales	73,285	61,648	85,509	78,213
Average trade payables turnover period (days)[(a)]	34	39	33	39

Note:

(a) Based on average trade payables as at the beginning and end of the respective financial years over total cost of sales of the respective financial years and multiplied by 365 days.

We deal with our corrugated board suppliers on cash terms while for other suppliers, we deal with them on credit terms. Our suppliers generally grant us credit terms as follows:

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
Normal credit terms (days)	1 to 90	1 to 120	1 to 120	1 to 120

Our average trade payables turnover period, which ranges from 33 days to 39 days, fell within the credit period given by our suppliers.

For FYE 30 June 2020, our average trade payables turnover period increased from 34 days in FYE 30 June 2019 to 39 days in FYE 30 June 2020. This was mainly due to the increase in our purchases during the last quarter of FYE 30 June 2020 upon the resumption of our operations on 20 April 2020 after the MCO 1.0 period.

For FYE 30 June 2021, our average trade payables turnover period decreased from 39 days in FYE 30 June 2020 to 33 days in FYE 30 June 2021 as our purchases during the year was mostly based on cash terms.

For FYE 30 June 2022, our average trade payables turnover period increased from 33 days in FYE 30 June 2021 to 39 days in FYE 30 June 2022. This was mainly due to purchases made by our Group in June 2022 in line with the increase in our sales in June 2022. The increase in the average trade payables turnover period was partly due to the decrease in cost of sales for the FYE 30 June 2022 by 8.53% or RM7.30 million.

Our trade payables ageing analysis as at 30 June 2022 is as follows:

	Not past due	Past due (days) 1 – 30	31 – 60	61 – 90	> 90	Total
Trade payables (RM'000)	7,784	737	2	21	-	8,544
Proportion of trade payables (%)	*91.10*	*8.63*	*0.02*	*0.25*	-	*100.00*
Subsequent payments as at the LPD (RM'000)	7,784	737	2	21	-	8,544
Net trade payables after subsequent payments (RM'000)	**-**	**-**	**-**	**-**	**-**	**-**
Proportion of trade payables after subsequent payments (%)	**-**	**-**	**-**	**-**	**-**	**-**

As at the LPD, all our trade payables outstanding as at 30 June 2022 of RM8.54 million has been paid.

(iii) Inventory turnover

The breakdown of our Group's inventories is as set out below:

	FYE 30 June 2019	2020	2021	2022
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total inventory	**2,816**	**2,924**	**2,791**	**2,084**
Consisting of:				
- Raw materials	143	123	232	112
- Work in progress	-	-	-	30
- Finished goods	2,673	2,801	2,559	1,942
Cost of sales	73,285	61,648	85,509	78,213
Average inventory turnover period (days)[(a)]	13	17	12	12
- *Raw materials*[(b)]	*1*	*1*	*1*	*1*
- *Work in progress*[(c)]	-	-	-	*
- *Finished goods*[(d)]	*12*	*16*	*11*	*11*

* Less than 0.1 days

Notes:

(a) Based on average inventory as at the beginning and end of the respective financial years over total cost of sales of the respective financial years and multiplied by 365 days.

(b) Based on average raw materials as at the beginning and end of the respective financial years over total cost of sales of the respective financial years and multiplied by 365 days.

(c) Based on average work in progress as at the beginning and end of the respective financial years over total cost of sales of the respective financial years and multiplied by 365 days.

(d) Based on average finished goods as at the beginning and end of the respective financial years over total cost of sales of the respective financial years and multiplied by 365 days.

Our inventory comprises the following:

- raw materials including corrugated boards, stitching wires, glue and printing inks;
- work in progress including die-cut trays which is yet to be assembled with foam; and
- finished goods including products manufactured such as corrugated paper packaging products, and non-paper protective packaging products purchased from suppliers. These finished goods are stored as stock in our factory as well as in our consignee's premises.

Our average inventory turnover period increased from 13 days in FYE 30 June 2019 to 17 days in FYE 30 June 2020. This was mainly due to the increase in our average inventory turnover period for finished goods from 12 days in FYE 30 June 2019 to 16 days in FYE 30 June 2020. This increase in the average inventory turnover period for finished goods was mainly due to the increase in purchases of inventories such as plastic protective packaging in May 2020 and June 2020 following the closure of business operations between March 2020 and April 2020 during the MCO 1.0 period.

For the FYE 30 June 2021, our average inventory turnover period improved from 17 days in FYE 30 June 2020 to 12 days in FYE 30 June 2021. This was mainly due to the improvement of our average inventory turnover period for finished goods from 16 days in FYE 30 June 2020 to 11 days in FYE 30 June 2021. The improvement of our average inventory turnover period for finished goods were mainly due to the higher sales volume of packaging products resulting in lower inventory of finished goods. This was also reflected in our revenue growth of 48.86% in FYE 30 June 2021.

For the FYE 30 June 2022, our average inventory turnover period maintained at 12 days.

(iv) Current ratio

The table below sets out a summary of our current ratio for the financial years indicated:

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	24,965	25,186	32,056	53,937
Current liabilities	15,846	14,286	14,456	16,358
Current ratio (times)[(a)]	1.58	1.76	2.22	3.30

Note:

(a) Based on current assets over current liabilities.

As at 30 June 2020, our current ratio was 1.76 times, which was higher compared to 1.58 times as at 30 June 2019. This was mainly due to the decrease in current liabilities by RM1.56 million attributed mainly to the decrease in other payables and accruals mainly due to the reduction in accruals of bonus in FYE 30 June 2020.

As at 30 June 2021, our current ratio was 2.22 times, which was higher compared to 1.76 times as at 30 June 2020. This was mainly due to higher trade receivables as at 30 June 2021 at RM18.52 million compared to RM12.01 million as at 30 June 2020.

As at 30 June 2022, our current ratio was 3.30 times, which was higher compared to 2.22 times as at 30 June 2021. This was mainly due to higher cash and bank balances of RM9.22 million coupled with the placement fixed deposits of RM12.00 million as at 30 June 2022. There was no placement of fixed deposits in FYE 30 June 2021.

(v) Gearing ratio

The table below sets out a summary of our gearing ratio for the financial years indicated:

	FYE 30 June			
	2019	**2020**	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings (excluding lease liabilities arising from right-of-use assets)	16,442	13,210	12,559	10,795
Total equity	19,980	22,803	28,819	50,290
Gearing ratio (times)[(a)]	0.82	0.58	0.44	0.21

Note:

(a) Based on total borrowings (excluding lease liabilities arising from right-of-use assets) over total equity.

As at 30 June 2020, our gearing ratio was 0.58 times, which was lower compared to 0.82 times as at 30 June 2019. This was mainly due to the repayment of term loans and finance lease liabilities coupled with the increase in retained earnings.

As at 30 June 2021, our gearing ratio was 0.44 times, which was lower compared to 0.58 times as at 30 June 2020. This was mainly due to the increase in retained earnings and increase in share capital arising from the issuance of new ordinary shares in DS Manufacturing.

As at 30 June 2022, our gearing ratio was 0.21 times, which was lower compared to 0.44 times as at 30 June 2021. This was mainly due to the increase in retained earnings as there were no dividends declared and paid in the FYE 30 June 2022. The lower gearing ratio was also attributed to the decrease in borrowings as there were no bankers' acceptances outstanding as at 30 June 2022.

11.3.16 Trend analysis

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in this section and Sections 6 and 8 of this Prospectus;

(ii) material commitment for capital expenditure, as set out in Section 11.3.14 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations, save as disclosed in this section and Sections 6 and 8 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and / or profits as well as our liquidity and capital resources, save as disclosed in this section and Sections 6, 7 and 8 of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in this section and Sections 6 and 8 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into consideration our Group's competitive advantages and key strengths, as well as business strategies as set out in Section 6 of this Prospectus.

11.3.17 Order book

We do not maintain an order book as we are involved mainly in the manufacturing and supply of packaging products whereby our sales are carried out based on purchase orders received from our customers on an on-going basis.

11.3.18 Significant changes

Save as disclosed in Sections 6 and 8 of this Prospectus in relation to interruptions to our business and operations pursuant to the COVID-19 pandemic, there are no significant changes that have occurred which may have material effect on the financial position and results of our Group subsequent to the FYE 30 June 2021 and up to the LPD.

11.3.19 Accounting policies which are peculiar to our Group

There are no accounting policies which are peculiar to our Group. For further information on the significant accounting policies of our Group, please refer to Note 4 of the Accountants' Report included in Section 12 of this Prospectus.

11.4 DIVIDEND POLICY

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, our Company does not have any formal dividend policy.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our Subsidiaries, present and future. The payment of dividends by our Subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of Directors deem relevant. Save for certain financial covenants which our Subsidiaries are subject to, there is no other dividend restriction being imposed on our Group as at the LPD.

In addition to the factors above which may affect the ability of our Subsidiaries to pay dividends to us, our Board will also consider, among others the following, when recommending the actual dividends for approval by shareholders or when declaring any interim dividends:

(i) the level of our cash, gearing, return on equity and retained earnings;

(ii) our expected financial performance;

(iii) our working capital requirements;

(iv) our other investment plans;

(v) any material impact on tax laws and other regulatory requirements; and

(vi) any restrictive covenants contained in our current and future financial arrangements.

The payment and amount of any dividends and distributions to our shareholders will be at the discretion of our Board and will depend on the factors mentioned above (which may not be exhaustive). We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

The dividends declared and paid for the Financial Years Under Review are as follows:

	FYE 30 June		
	2019	**2020**	**2021**
	RM'000	**RM'000**	**RM'000**
Dividend declared and paid	11,500	7,100	17,000
PAT	14,931	9,922	21,116
Dividend payout ratio (%)	77.02	71.56	80.51

No dividend declared or payable by our Group for the FYE 30 June 2022 and from 1 July 2022 up to the LPD.

During the Financial Years Under Review, all the dividend declared and paid was funded entirely by internally generated funds.

11.5 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

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

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANTS

Member Firm of Grant Thornton International Ltd.

Grant Thornton

Grant Thornton Malaysia PLT
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022
(Prepared for inclusion in the Prospectus)

15 November 2022

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

Dear Sirs,

DS SIGMA HOLDINGS BERHAD
REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

We have completed our assurance engagement to report on the compilation of the pro forma combined statements of financial position of DS Sigma Holdings Berhad ("DS Sigma" or "the Company") and its subsidiaries ("DS Sigma Group" or "the Group") as at 30 June 2022 ("Pro Forma Combined Statements of Financial Position"), together with the notes and assumptions thereto (which we have stamped for the purpose of identification). The Pro Forma Combined Statements of Financial Position have been compiled and prepared by the Directors of the Company for inclusion in the Prospectus of the Company in connection with the initial public offering ("IPO") and the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Listing").

The Pro Forma Combined Statements of Financial Position as at 30 June 2022 have been compiled by the Directors of the Company, for illustrative purposes only, to show the effects of the Listing on the Combined Statements of Financial Position presented had the Listing been effected at the date stated. As part of this process, information about the Group's Combined Statements of Financial Position has been extracted by the Directors of the Company from the Group audited combined financial statements as at 30 June 2022.

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The Directors of the Company are responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis set out in the Note to the Pro Forma Combined Statements of Financial Position ("Applicable Criteria").

GrantThornton

Our Independence and Quality Control

We are independent 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 of 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.

Our firm applies *International Standard on Quality Control ("ISQC") 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion, as required by Prospectus Guidelines, about whether the Pro Forma Combined Statements of Financial Position have been properly compiled, in all material respect, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"*, issued by International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose of the Pro Forma Combined Statements of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions enumerated in the notes thereto, and to obtain sufficient appropriate evidence about whether:-

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Combined Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

GrantThornton

Our Responsibility (cont'd)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with requirements of Prospectus Guidelines.

Other Matter

This letter has been prepared solely for the purpose of inclusion in the Prospectus in connection with the Listing. It is not intended to be used for any other purposes. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

GRANT THORNTON MALAYSIA PLT	LIM SOO SIM
(201906003682 & LLP0022494-LCA)	(NO: 03335/11/2023 J)
CHARTERED ACCOUNTANTS (AF 0737)	CHARTERED ACCOUNTANT

Kuala Lumpur

DS SIGMA HOLDINGS BERHAD AND ITS SUBSIDIARIES
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

The Pro Forma Combined Statements of Financial Position of the Group as at 30 June 2022 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 30 June 2022, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position.

	Note	As at 30 June 2022	Adjustments for Acquisitions	Pro Forma I After Acquisitions	Adjustments for Public Issue	Pro Forma II After Pro Forma I and Public Issue	Adjustments for Utilisation of Proceeds	Pro Forma III After Pro Forma II and Utilisation of Proceeds
		RM	RM	RM	RM	RM	RM	RM
ASSETS								
Non-current asset								
Property, plant and equipment	3.1	-	25,557,314	25,557,314	-	25,557,314	33,090,000	58,647,314
Total non-current asset		-	25,557,314	25,557,314	-	25,557,314	33,090,000	58,647,314
Current assets								
Inventories		-	2,084,170	2,084,170	-	2,084,170	-	2,084,170
Trade receivables		-	18,759,071	18,759,071	-	18,759,071	-	18,759,071
Other receivables	3.2	-	2,072,455	2,072,455	-	2,072,455	(1,556,274)	516,181
Fixed deposits with a licensed bank		-	12,000,000	12,000,000	-	12,000,000	-	12,000,000
Cash and bank balances	3.3	2	19,020,945	19,020,947	50,149,000	69,169,947	(41,933,726)	27,236,221
Total current assets		2	53,936,641	53,936,643	50,149,000	104,085,643	(43,490,000)	60,595,643
Total assets		2	79,493,955	79,493,957	50,149,000	129,642,957	(10,400,000)	119,242,957

DS SIGMA HOLDINGS BERHAD AND ITS SUBSIDIARIES
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

The Pro Forma Combined Statements of Financial Position of the Group as at 30 June 2022 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 30 June 2022, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position (cont'd).

	Note	As at 30 June 2022	Adjustments for Acquisitions	Pro Forma I After Acquisitions	Adjustments for Public Issue	Pro Forma II After Pro Forma I and Public Issue	Adjustments for Utilisation of Proceeds	Pro Forma III After Pro Forma II and Utilisation of Proceeds
		RM	RM	RM	RM	RM	RM	RM
EQUITY AND LIABILITIES								
Equity attributable to owners of the Company:								
Share capital	3.4	2	29,161,499	29,161,501	50,149,000	79,310,501	(819,480)	78,491,021
Merger deficit	3.5	-	(26,461,499)	(26,461,499)	-	(26,461,499)	-	(26,461,499)
Retained earnings	3.6	(364,305)	47,954,033	47,589,728	-	47,589,728	(3,580,520)	44,009,208
Total equity		(364,303)	50,654,033	50,289,730	50,149,000	100,438,730	(4,400,000)	96,038,730
LIABILITIES								
Non-current liabilities								
Lease liabilities	3.7	-	3,347,216	3,347,216	-	3,347,216	-	3,347,216
Borrowings	3.7	-	8,171,987	8,171,987	-	8,171,987	(6,000,000)	2,171,987
Deferred tax liabilities		-	1,327,300	1,327,300	-	1,327,300	-	1,327,300
Total non-current liabilities		-	12,846,503	12,846,503	-	12,846,503	(6,000,000)	6,846,503

Stamped for the purpose of identification on:
15 NOV 2022
GRANT THORNTON MALAYSIA PLT

DS SIGMA HOLDINGS BERHAD AND ITS SUBSIDIARIES
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

The Pro Forma Combined Statements of Financial Position of the Group as at 30 June 2022 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 30 June 2022, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position (cont'd).

	Note	As at 30 June 2022	Adjustments for Acquisitions	Pro Forma I After Acquisitions	Adjustments for Public Issue	Pro Forma II After Pro Forma I and Public Issue	Adjustments for Utilisation of Proceeds	Pro Forma III After Pro Forma II and Utilisation of Proceeds
		RM	RM	RM	RM	RM	RM	RM
Current liabilities								
Trade payables		-	8,543,764	8,543,764	-	8,543,764	-	8,543,764
Other payables		364,305	3,460,500	3,824,805	-	3,824,805	-	3,824,805
Lease liabilities	3.7	-	1,184,617	1,184,617	-	1,184,617	-	1,184,617
Borrowings	3.7	-	684,606	684,606	-	684,606	-	684,606
Tax payable		-	2,119,932	2,119,932	-	2,119,932	-	2,119,932
Total current liabilities		364,305	15,993,419	16,357,724	-	16,357,724	-	16,357,724
Total liabilities		364,305	28,839,922	29,204,227	-	29,204,227	(6,000,000)	23,204,227
Total equity and liabilities		2	79,493,955	79,493,957	50,149,000	129,642,957	(10,400,000)	119,242,957
Number of shares assumed to be in issue	3.4	20	388,819,980	388,820,000	91,180,000	480,000,000	-	480,000,000
Net assets per share (RM)				0.13		0.21		0.20
Borrowings (RM)	3.7			13,388,426		13,388,426		7,388,426
Gearing (Times)				0.27		0.13		0.08

DS SIGMA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

1. BASIS OF PREPARATION

The Pro Forma Combined Statements of Financial Position of DS Sigma have been prepared for illustrative purposes and on the assumptions that all the transactions mentioned as per Note 2 to the Pro Forma Combined Statements of Financial Position had taken place on 30 June 2022.

The Pro Forma Combined Statements of Financial Position have been prepared based on accounting policies and basis which are consistent with those disclosed in the audited combined financial statements of DS Sigma, for the financial year ended 30 June 2022 and in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Prospectus Guidelines.

The Pro Forma Combined Statements of Financial Position as at 30 June 2022 are adjusted for the impact of the Listing Scheme as set out in Note 2 of this Pro Forma Combined Statements of Financial Position.

2. LISTING SCHEME

(i) Pro Forma I: Acquisitions

The Acquisitions involve the acquisition of Dai Suwon Packaging Sdn Bhd, Dai Suwon Manufacturing Sdn Bhd and Kaisung Industries Sdn Bhd by the Company for an aggregate purchase consideration of RM29,161,498.50 satisfied by the issuance of 388,819,980 new ordinary shares of DS Sigma at an issue price of RM0.075 per share.

(ii) Pro Forma II: Public Issue

The Listing involves a public issue of 91,180,000 new ordinary shares in DS Sigma at an indicative issue price of RM0.55 per share which includes offer for sale of 38,420,000 existing shares in DS Sigma at an indicative offer price of RM0.55 per share.

In conjunction with the Listing, the Company would seek the listing of and quotation for its entire enlarged issued share capital comprising 480,000,000 ordinary shares in DS Sigma on the ACE Market of Bursa Securities.

(iii) Pro Forma III: Utilisation of Proceeds

Gross proceeds from the Listing of RM50,149,000 are expected to be utilised as follows:

Details of utilisation	Estimated timeframe for utilisation upon listing	RM
Expansion of operational facilities	Within 24 months	17,200,000 *
Purchase of new machinery and equipment	Within 24 months	16,000,000
Establish packaging design and innovation centre	Within 24 months	1,140,000 #
Repayment of bank borrowings	Within 12 months	6,000,000
Working capital	Within 12 months	5,409,000
Estimated listing expenses	Within 3 months	4,400,000
Total estimated proceeds		50,149,000

* Include RM800,000 related to payments of rental
# Include RM450,000 related to payments of salaries

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15 NOV 2022
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DS SIGMA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

3.1 PROPERTY, PLANT AND EQUIPMENT

The movements of the property, plant and equipment are as follows:

	Amount RM
As at 30 June 2022	-
Pursuant to Acquisitions	25,557,314
As per Pro Forma I/As per Pro Forma II	25,557,314
Pursuant to Utilisation of Proceeds	33,090,000
As per Pro Forma III	58,647,314

3.2 OTHER RECEIVABLES

As at 30 June 2022	-
Pursuant to Acquisitions	2,072,455
As per Pro Forma I/ As per Pro Forma II	2,072,455
Pursuant to Utilisation of Proceeds	(1,556,274)
As per Pro Forma III	516,181

3.3 CASH AND BANK BALANCES

The movements of cash and bank balances are as follows:

	Amount RM
As at 30 June 2022	2
Pursuant to Acquisitions	19,020,945
As per Pro Forma I	19,020,947
Pursuant to Public Issue	50,149,000
As per Pro Forma II	69,169,947
Pursuant to Utilisation of Proceeds	(41,933,726)
As per Pro Forma III	27,236,221

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.4 SHARE CAPITAL

The assumed movements of the issued share capital are as follows:

	Number of shares Units	Amount RM
As at 30 June 2022	20	2
Pursuant to Acquisitions	388,819,980	29,161,499
As per Pro Forma I	388,820,000	29,161,501
Pursuant to Public Issue	91,180,000	50,149,000
As per Pro Forma II	480,000,000	79,310,501
Pursuant to Utilisation of Proceeds		
- portion of estimated listing expenses set-off against issued share capital	-	(819,480)
As per Pro Forma III	480,000,000	78,491,021

3.5 MERGER DEFICIT

	Amount RM
As at 30 June 2022	-
Pursuant to Acquisitions	(26,461,499)
As per Pro Forma I/As per Pro Forma II/ As per Pro Forma III	(26,461,499)

3.6 RETAINED EARNINGS

The movements of the retained earnings are as follows:

	Amount RM
As at 30 June 2022	(364,305)
Pursuant to Acquisitions	47,954,033
As per Pro Forma I/As per Pro Forma II	47,589,728
Pursuant to Utilisation of Proceeds	
- portion of estimated listing expenses set-off against profit or loss	(3,580,520)
As per Pro Forma III	44,009,208

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.7 LEASE LIABILITIES AND BORROWINGS

	Amount RM
As at 30 June 2022	-
Pursuant to Acquisitions	13,388,426
As per Pro Forma I/ As per Pro Forma II	13,388,426
Pursuant to Utilisation of Proceeds	(6,000,000)
As per Pro Forma III	7,388,426