ANNUAL REPORT 2020

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LINOCRAFT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8383

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ong Yoong Nyock *(Chairman)*
Mr. Tan Woon Chay *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Choy Wing Keung David
Mr. Liew Weng Keat
Mr. Teoh Cheng Tun

COMPLIANCE OFFICER

Mr. Tan Woon Chay

AUTHORISED REPRESENTATIVES

Mr. Tan Woon Chay
Mr. Lam Wing Tai

AUDIT COMMITTEE

Mr. Choy Wing Keung David *(Chairman)*
Mr. Liew Weng Keat
Mr. Teoh Cheng Tun

REMUNERATION COMMITTEE

Mr. Teoh Cheng Tun *(Chairman)*
Mr. Choy Wing Keung David
Mr. Tan Woon Chay

NOMINATION COMMITTEE

Mr. Liew Weng Keat *(Chairman)*
Mr. Tan Woon Chay
Mr. Teoh Cheng Tun

COMPANY SECRETARY

Mr. Lam Wing Tai

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

Lot 1769, Jalan Belati, Off Jalan Kempas Lama
Taman Perindustrian Maju Jaya
81300 Johor Bahru
Johor Darul Takzim
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1302, 13/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

COMPLIANCE ADVISER

Ample Capital Limited

PRINCIPAL BANKERS

AmBank (M) Bhd
Public Bank Berhad
United Overseas Bank (Malaysia) Bhd
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE

www.linocraftprinters.com

STOCK CODE

8383

Chairman's Statement & Management Discussion and Analysis

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 August 2020 (the "**Financial Year**").

Our Group is a printing and packaging solutions provider based in Malaysia. We focus on packaging printing and our products include packaging boxes, rigid boxes, paper-board inserts, instruction manuals and printed labels to direct customers and contract manufacturers of international renowned brands.

During the Financial Year, the sudden and rapid spread of the COVID-19 pandemic ("**Pandemic**") across the globe in early 2020, a series of precautionary and control measures have been undertaken by governments across the world including Hong Kong, Malaysia and the Philippines.

In March 2020, the Malaysia government announced the implementation of the Movement Control Order ("**MCO**"). During the MCO period, most of the businesses and factories are not allowed to operate except for those involved in essential services covering the sectors of water, electricity, energy, telecommunications, postal, transportation, irrigation, oil, gas, fuel, lubricants, broadcasting, finance, banking, health, pharmacy, fire, prison, port, airport, safety, defense, cleaning, retail and food supply. Included in the list of essential services is packaging and ink which is part of the supply chain for essential services and therefore also exempted and allowed to operate. However, the exemption is not automatic as each individual company is required to apply for the exemption from the Ministry of International Trade and Industry ("**MITI**") and is subject to MITI's approval. Hence, our Malaysia plant announced closure of business on 18 March 2020 and only resumed operations with skeletal workforce upon receiving the approval from MITI on 28 March 2020. During that period, the Malaysia plant was operating to supply the packaging products to customers involved in food and medical sectors.

Moving forward to the month of May 2020, although the MCO was still in force, the Malaysia Government announced that all companies, which were allowed to resume operations with skeletal workforce with approval by MITI, were also allowed to resume their daily operations at full workforce after 28 April 2020. Therefore, our Malaysia plant operated at full-capacity from 4 May 2020 upon the receipt of approval from MITI. Prime Minister of Malaysia Muhyiddin Yassin announced on 7 June 2020 that the MCO would enter into a "recovery phase" beginning from 10 June 2020 till the end of August this year ("**RMCO**") as part of the country's exit strategy from the MCO. Under the RMCO, most of the economic sectors would be reopened although the country's border would remain closed. In late August 2020, the RMCO was extended to end of December 2020. Due to the increasing cases within the country, Senior Minister Ismail Sabri Yaakob made an announcement on 7 November 2020 that the Malaysian Government would be reinstating the CMCO (Conditional Movement Control Order) throughout most of Peninsular Malaysia with the exception of Kelantan, Perlis, and Pahang between 9 November and 6 December 2020. In addition, CMCO measures for Sabah, Selangor, Kuala Lumpur, and Putrajaya, which were scheduled to end on 9 November 2020, were extended until 6 December 2020. Under these new CMCO measures, all educational institutions, social and cultural activities will be required to cease but economic activities can continue under set standard operating procedures. Meanwhile, our Malaysia plant also implemented the required standard operating procedures and took extra preventive measures including, checking body temperature of all employees and visitors, enhancing medical attention for foreign workers, increasing frequency of disinfection within the company premises, increasing the list of panel clinic as well as practicing social distancing in the office and factory premises. Hence, the Malaysia plant continue to operate under CMCO with the preventive action mentioned above to ensure the business operation are carry out as usual.

Similarly, in Philippines, the local government has declared a partial lockdown on 12 March 2020 which was subsequently expanded to a total lockdown on the entire Luzon area on 16 March 2020. Although the Philippines Economic Zone Authority ("**PEZA**") headquarters published a memo on 13 March 2020 stating that PEZA related services will continue to resume and companies registered under PEZA shall remain operational with skeletal workforce or work-from-home basis. The Philippines plant also took similar preventive measures as the Malaysia plant to ensure the health of the workforce while resuming operations.

On 15 May 2020, PEZA published a memo which stated that safety measures must be in place before lifting of ECQ (Enhanced Community Quarantine) to GCQ (General Community Quarantine) which allowed PEZA registered companies to resume operations with full workforce. Our Philippines plant implemented the required safety measures and was allowed to run full operations on the following day of 16 May 2020. However, the partial lock down will still impact our business, such as difficulty on delivery for raw material from our suppliers due to road closures and other logistic delays.

Despite the control measures adopted and the business disruption, our management has strived to develop new customers and maintain a close working relationship with existing customers in order to minimize the adverse impact on the operations of the Group. In addition, the demand from our existing customers which are involved in the field of innovative healthcare products surged, the revenue rebounded in the last quarter of the Financial Year. The resulting profit for the Financial Year was significantly affected by the lockdown measures due to the Pandemic.

The management of the Group has been closely monitoring the market situation and continuously evaluating the impact of Pandemic on the Group's operation and financial performance. We believe the adverse impact of Pandemic will eventually come to an end and the global economy will recover in the following years.

BUSINESS REVIEW

Our Group is a well-established integrated offset printing and packaging solutions provider in Malaysia with more than 48 years of experience. Moreover, the Group has also set foot in the Philippines in June 2016 to set up our printing and packaging production line to better serve our customers in the region. We principally provide offset printing services and packaging boxes, instruction manuals and inserts to our customers. We continue to focus on strengthening our market position in the offset printing and packaging industry.

Our Group offers a wide range of packaging products to meet our customers' packaging needs. These products can be broadly categorised into (i) packaging; (ii) inserts; (iii) instruction manuals; and (iv) labels.

The following table sets forth the details of our Group's revenue by types of products for the year ended 31 August 2020 and 2019:

	For the year ended 31 August			
	2020		2019	
	RM'000	**%**	RM'000	%
Sales of production products:				
— Packaging	**150,607**	**67.4**	124,654	60.7
— Inserts	**52,816**	**23.6**	58,458	28.5
— Instruction manuals	**19,874**	**8.9**	21,909	10.7
— Labels	**109**	**0.1**	269	0.1
	223,406	**100.0**	205,290	100.0

Our Group's total revenue amounted to approximately RM223.4 million and RM205.3 million for the year ended 31 August 2020 and 2019 respectively. Approximate 69.2% (2019: 75.5%) of our revenue was attributable to our customers in Malaysia, with the remaining from Singapore and the Philippines during the Financial Year.

Packaging

Packaging accounts for our largest business segment of our Group's business. Packaging includes the manufacturing of packaging boxes and rigid boxes. Our packaging boxes and rigid boxes are produced with multi-colour sheetfed offset printed materials and manufactured using technologically advanced machines and colour management system of international standards such as Ugra/Fogra Media Wedge CMYK V3.0 to match the requirements of our customers. Our packaging not only serves as a marketing tool but most importantly as a protection for our customers' products. Our Group also provides product development services to customers who require packaging design for their products. Furthermore, our Group also has the capability to create prototype based on the design that was provided to us or created by our team. We have an industrial cutting machine that can produce such prototype to help customers visualise the packaging before mass production.

Our revenue from the production of packaging were approximately RM150.6 million and RM124.7 million for the year ended 31 August 2020 and 2019 respectively, representing approximately 67.4% and 60.7% of our total revenue, respectively.

Inserts

The production of inserts is our second largest business segment. Inserts are protective packaging used inside boxes to partition and protect products from damage. It is used to keep the products and accessories in position so that they will be neatly presented to the end consumers. Our Group is involved in designing and die-cutting of corrugated boards into desired shapes to fit and protect the customers' products in the packaging boxes.

Our revenue from the production of inserts were approximately RM52.8 million and RM58.5 million for the year ended 31 August 2020 and 2019 respectively, representing approximately 23.6% and 28.5% of our total revenue, respectively.

Instruction Manuals

The production of instruction manuals is the third largest business segment. Our Group also provides kitting services by packing related printed materials to be grouped together with instruction manuals into a package. This service provides convenience to our customers by enabling them to liaise with one single party for their packaging needs.

Our revenue from the production of instruction manuals were approximately RM19.9 million and RM21.9 million for the year ended 31 August 2020 and 2019 respectively, representing approximately 8.9% and 10.7% of our total revenue, respectively.

Labels

The production of paper-based labels is a small segment of our Group's business, primarily for food and beverage sector. Such labels are mainly used for branding of canned/bottled products. The printing of labels has become a smaller business segment of our Group due to our Group's expansion into other business segments.

Our revenue from the production of labels were approximately RM0.1 million and RM0.3 million for the year ended 31 August 2020 and 2019 respectively, representing approximately 0.1% and 0.1% of our total revenue, respectively.

FUTURE PROSPECTS AND OUTLOOK

Our Group continues to focus on strengthening its market position in the offset printing and packaging industry. Currently, we are negotiating with a number of reputable international brands from different industries to grow our business in Malaysia and the Philippines.

Our Group has set up a production plant, performing post-press processes, namely laminating and diecutting, in the Philippines, which has commenced production since October 2017. In March 2019, the Group has moved out from the former production plant performing the post-press processes to the then existing production plant. By centralizing the production machinery, this can help the Group to achieve better efficiency in operation and reduce transportation cost between the two production plants. The existing production plant also come with a new warehouse of approximately 45,000 square feet ("**sqf**"). Currently, the orders from a contract manufacturer in the Philippines are fulfilled by our local production plant and partially supported by our production plant in Malaysia.

Our Philippines factory is fully equipped with a complete production line to meet the requirements for production of packaging. This includes one KBA 164 printing press, one CTP machine, two Auto Diecut machines, four Manual Diecut machines, one Stitching machine, one Polar Cutter, one Gluing machine, one Laminating machine and one ECT test machine for QA laboratory use.

Moreover, the new warehouse for Malaysia plant is officially completed and has begun to operate. The size of the new warehouse is approximately 72,000 sqf, equipped with 16 loading bays. It helps us to reduce the reliance on external warehouses and enhance the efficiency of inventory management.

At the time of writing, there remains significant uncertainty on the extent of the Pandemic's impact, which depends on multiple factors including the path and mutation of the disease, efficacy of containment efforts, successful development of vaccine, and government fiscal and monetary policies. Against this backdrop, we expect the current financial year of 2021 to be extremely challenging for the Group due to the ongoing Pandemic.

Directors are staying positive to the business of the Company and striving to create long term sustainable value for our Company and Shareholders in spite of the Pandemic.

FINANCIAL REVIEW

Revenue

Despite the Pandemic control measures adopted and the business disruption, our management has strived to develop new customers and maintain a close working relationship with existing customers in order to minimize the adverse impact on the operations of the Group. In addition, the demand from our existing customers which are involved in the field of innovative healthcare products surged, resulting in an increase of approximately 30% and approximately 8% in revenue for the three months ended 31 August 2020 and the Financial Year respectively, as compared to the corresponding periods last year.

Revenue for the Financial Year increased by approximately RM18.1 million as compared to that of the previous year. The increase in revenue was mainly due to the increase in sales of packaging, where there was an increase in demand derived from major customers, which was partially offset by the decrease in sales of inserts and instruction manuals. The revenue contributed by the top five customers increased from approximately RM154.7 million for the year ended 31 August 2019 to RM180.9 million for the year ended 31 August 2020, which accounted for 75.4% and 81.0% of our total revenue for the corresponding years, respectively.

Cost of sales

	For the year ended 31 August	
	2020	2019
	RM'000	RM'000
Material cost	**117,312**	110,972
Labour cost	**25,355**	19,944
Manufacturing overhead	**41,799**	44,336
	184,466	175,252

Cost of sales comprises mainly (i) material costs (paper, facer, glue, chemical and plates); (ii) direct labour; and (iii) manufacturing overheads (utilities costs, depreciation and amortisation of right-of-use assets, subcontracting fees and repair and maintenance costs etc).

In line with the increase in revenue, the cost of sales for the year ended 31 August 2020 increased by approximately 5.3% or RM9.2 million as compared to that of the previous year. The increase in cost of sales was mainly from the increase in material cost and labour cost. Manufacturing overhead has decreased mainly due to the successful implementation of preventative maintenance program in 2019 which has resulted in reduction of machine breakdowns in 2020. In April 2020, the Government of Malaysia has reduced Foreign Worker's Levy by 25%.

Gross Profit and Gross Profit Margin

Due to the demand from our existing customers which are involved in the field of innovative healthcare products surged, resulting in an increase of approximately 30% and approximately 8% in revenue for the three months ended 31 August 2020 and the Financial Year respectively, as compared to the corresponding periods last year. Our gross profit increased about 29.6% from RM30.0 million for the year ended 31 August 2019 to RM38.9 million for the year ended 31 August 2020. Our overall gross profit margin increased by 2.8% from approximately 14.6% for the year ended 31 August 2019 to approximately 17.4% for the year ended 31 August 2020.

Distribution costs

Our distribution expenses mainly consist of (i) salary expenses and staff benefit which mainly represents the expenses in salary and staff benefits payable to our marketing department; (ii) sales commission; (iii) entertainment and promotional expenses; and (iv) travelling and transport expenses. Our distribution expenses increased about 24.4% from RM9.8 million for the year ended 31 August 2019 to RM12.2 million for the year ended 31 August 2020. The overall distribution costs increased as compared to the same corresponding period last year mainly due to the increase in transportation of products to fulfill orders of the contract manufacturer in the Philippines.

Administrative expenses

The administrative expenses were approximately RM13.4 million for the year ended 31 August 2019 and approximately RM18.7 million for the year ended 31 August 2020. Our administrative expenses mainly consist of (i) salary expenses and staff benefits which mainly represents the expenses in salary and staff benefits payable to our administrative staff including our Directors; (ii) professional fees such as legal consultancy fees; and (iii) others such as repair and maintenance for office equipment, bank charges and depreciation which mainly represents the depreciation expenses for the property, plant and equipment as well as the right-of-use assets.

Finance costs

Finance costs represented interest on bank overdraft, bank borrowings, finance lease and lease liabilities. For the year ended 31 August 2020 and 2019, financial cost amounted to approximately RM8.2 million and RM5.4 million, respectively. The increase was mainly due to the initial measurement of the interest on lease liabilities and the increased bank borrowings during the Financial Year.

Share of loss of joint venture

Our Group has 50% equity interest in Linocraft Singapore Pte. Ltd, which engages in trading business for packaging and printing related products. As at 31 August 2020, the interest in a joint venture amounted to approximately RM163,000 (2019: RM164,000). The share of loss of a joint venture was approximately RM4,000 for the year ended 31 August 2020 (2019: RM5,000).

Taxation

The Company was incorporated in the Cayman Islands that is tax-exempt as no business is carried out in the Cayman Islands under the laws of the Cayman Islands.

Hong Kong Profits Tax is calculated at tiered rates of 8.25% on the first HK$2 million and 16.5% for the remainder (2019: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing tax rates in the countries/jurisdictions in which the Group operates.

Corporate income tax in Malaysia is calculated at the statutory rate of 24% (2019: 24%) of the estimated taxable profit for the financial year ended 31 August 2020.

Companies in Malaysia with a paid up capital of RM2,500,000 and below can enjoy lower corporate tax rate in Malaysia of 17% (2019: 17%) on the first RM600,000 (2019: RM500,000) taxable profit and remaining balance of the estimated taxable profit at tax rate of 24% (2019: 24%).

Our Philippines subsidiary is subject to Philippines income tax at the rate of 30% (2019: 30%) on the estimated taxable income during the year. Starting from the fourth taxable year after the year the business operations commenced, entities incorporated in the Philippines are required to pay tax equivalent to the higher of 30% (2019: 30%) regular corporate income tax ("**RCIT**") on taxable income and the 2% (2018: 2%) minimum corporate income tax ("**MCIT**") on gross income. Gross income is equivalent to revenue less direct costs. Any excess of the MCIT over RCIT can be carried forward and credited against RCIT for three succeeding taxable years.

For the year ended 31 August 2020, the income tax expense was approximately RM2.7 million (2019: RM1.9 million).

Net profit and earnings per share

As a result of the foregoing, our Group's net profit for the Financial Year was RM3.0 million (2019: RM6.6 million). The Group's earnings per share for the Financial Year was RM0.38 sen (2019: RM0.83 sen).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 August 2020,

(a) the Group's net current assets were approximately RM12.5 million (2019: RM21.9 million) and the Group had cash and cash equivalents of RM20.3 million (2019: RM18.8 million), most of cash and cash equivalents were denominated in RM and HK$;

(b) the Group had bank borrowings and lease liabilities of approximately RM136.0 million (2019: RM126.0 million) and RM29.0 million (2019: finance lease obligations of approximately RM21.2 million); most of bank borrowings, finance leases obligations and lease liabilities were denominated in RM and HK$;

(c) the Group's current ratio was approximately 1.1 times (2019: 1.2 times). The gearing ratio is calculated based on the net debt divided by the adjusted capital plus net debt as the respective year end. The Group's gearing ratio was approximately 68.0% (2019: 65.0%); and

(d) the Group's total equity attributable to owners of the Company amounted to RM87.8 million (2019: RM85.4 million). The capital of the Company mainly comprises share capital and reserves.

DIVIDENDS

The Board does not recommend the payment of final dividends for the Financial Year (2019: nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

As at 31 August 2020 and 2019, the Group has no significant investments, material acquisitions or disposals of subsidiaries and associated companies.

CAPITAL COMMITMENTS

As at 31 August 2020, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RM4.5 million (2019: RM5.7 million).

PLEDGE OF ASSETS

As at 31 August 2020, certain of the Group's right-of-use assets and property, plant and equipment with net carrying amount of RM29.5 million and 50.4 million (2019: RM26.7 million and RM48.1 million) were held under finance leases and/or pledged as security for borrowings.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in section headed "Comparison of business objectives and strategies with actual business progress" of this report, the Group does not have any concrete plan for material investments or capital assets for the coming year.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 August 2020 and 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

In the course of conducting business, our Group is exposed to various types of risks, including operational risks, market risks, liquidity risk, credit risks and regulatory risks. Our Group has established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations.

The followings set out some of the primary operational risks our Group faces that may materially and adversely affect our Group's business, financial condition and results of operation and our risk management measures:

1. Risk of dependent on the availability/supply of raw materials

Our Group maintains good working relationships with our suppliers and has multiple sources of raw materials sources to avoid unanticipated stock outs. Our strong relationships with suppliers also help us to plan ahead, with advice from them on market trends and potential price changes.

2. Risk of workplace hazards at production plant

Our Group follows the health and safety-related rules and regulations set out in the Occupational Safety and Health Act 1994. To ensure our employees work in a safe and healthy environment, our Group has implemented a Health, Safety and Environment induction programme to brief new employees on safety precautions and best practices. We also have a Safety & Health Officer who provides in-house training for our employees and arrange certified training mandated by the Malaysian government.

3. Risk of breakdown of machinery at production plant

Our Group conducts scheduled maintenance to perform checks on our machinery and its spare parts on a regular basis. This is a preventive measure to reduce breakdown of machinery.

FOREIGN CURRENCY RISK

The Group operates mainly in Malaysia and the Philippines, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to USD, Pesos and SGD. The Group derives majority of our revenue in RM and a portion of that in USD, Pesos and SGD, as some of our customers are companies headquartered in the US and Singapore, who prefer to use their local currencies to settle payment. Most of our Group's major customers are contract manufacturers based in Malaysia and the Philippines and settles payment in RM and Pesos. Quotations from suppliers and payments made to them are generally in RM, Pesos and USD. There is no assurance that the foreign exchange rate will go in the direction that is favourable to our Group and may result in foreign exchange loss and negatively affect our Group's results of operations and other comprehensive income.

The management will monitor foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result. As at 31 August 2020 and 31 August 2019, our Group had no opened derivative financial instrument.

EMPLOYEES AND REMUNERATION POLICY

As at 31 August 2020, the Group had a total of 864 (2019: 755) full-time employees. The Group recognises that our success in the printing and packaging industry is dependent on our employees. Our Group recruits our employees based on their working attitude, industry experience, educational background and interpersonal skills. The Group generally pays our employees a fixed salary and discretionary performance-based bonus that is paid yearly, subject to individual performance. Certain level of our staff qualify for sales target-based monthly incentives. For the year ended 31 August 2020, the Group's staff costs, including Directors' emoluments, were approximately RM33.8 million (2019: RM27.4 million). The Group reviews the performance of our employees and such review results will be taken into account during the annual salary review and promotion appraisal period.

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

As set out in the prospectus of the Company dated 31 August 2017 (the "**Prospectus**"), the business objectives and strategies of the Group are (i) Diversified customer industry; (ii) Product line expansion; (iii) Geographical expansion; (iv) Repayment of bank loan; and (v) General working capital.

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from 15 September 2017 (the "**Listing Date**"), the date of which the shares of the Company (the "**Shares**") were initially listed on GEM of the Stock Exchange (the "**Listing**"), to 31 August 2020 (the "**Relevant Period**") is set out below:

Business strategy	Implementation activities	Actual business progress during the Relevant Period
1. Diversified customer industry — continue to expand business in other industries such as fast moving consumer goods ("**FMCG**"), medical & cosmetics and food & beverage	— Recruitment of brand manager in Malaysia	The Group has recruited the brand manager during mid of June 2018.
	— Additional warehouse for Malaysia operations (Phase 1)	The Phase 1 construction of additional warehouse has completed by September 2019.
	— Additional warehouse for Malaysia operations (Phase 2)	The Phase 2 construction of additional warehouse has completed by September 2019.
	— Expansion of design and solutions and quality assurance facilities in Malaysia	The Group has planned to relocate the quality assurance facilities within the factory, which is expected to commence in 2021.
2. Product line expansion — develop new products/services to increase revenue stream	— Development of new product line — adhesive labels in Malaysia	The Group is in the mid of sourcing the adhesive labels machine.
	— Setting up of low dust facilities in Malaysia for medical and cosmetics, and food and beverage packaging products (phase 1)	The setup has completed.
	— Renovation and improvement of factory in Malaysia	The renovation and improvement have completed.
	— Setting up of low dust facilities in Malaysia for medical and cosmetics, and food and beverage packaging products (phase 2)	The Group has planned to expand the existing low dust facilities and is expected to commence the renovation in 2021.
	— Setting up of sample show room in Malaysia	Yet to commence.
	— Replacement of equipment for Malaysia operations	Company has acquired a new stitching machine to replace the old machine.
	— Purchase of new printing machines(s)	Company has acquired the printing machine and it's up and running now.
	— Expansion of rigid box assembly line in Malaysia	Already completed.

Business strategy	Implementation activities	Actual business progress during the Relevant Period
3. Geographical expansion — gain access to new markets	— Setting up full production facilities at Production Plant 2	The full production facilities at Production Plant 2 are being set up.
	— Renovation of Production Plant 2 at Light Industry & Science Park III in the Philippines	Renovation of Production Plant 2 at Light Industry & Science Park III has completed.
	— Balance payment for VVLF offset printing press for the Philippines operations	Balance of the payment has been paid.
	— Purchase of lorries for the Philippines operations	The lorry has been acquired in September 2018.
	— Recruitment of staff for the Philippines team	Additional 6 staff have been recruited.
	— Hostel for the Philippines team	The hostel has been rented for Philippine team.
	— Setting up of plant in northern part of Malaysia, with post-press production facilities (finishing only)	Yet to commence.

USE OF PROCEEDS

As disclosed in the Prospectus, the net proceeds from the Share Offer were approximately HK$61.0 million, after deducting the listing related expenses. As at 31 August 2020, all of the unutilized proceeds (the "**Unutilized Proceeds**") were deposited in the licensed bank in Hong Kong or Malaysia. During the Relevant Period, the net proceeds from the Share Offer has been applied as follows:

	Planned use of net proceeds as stated in the Prospectus during the Relevant Period		Actual use of proceeds during the Relevant Period	Balance of Unutilized Proceeds as at 31 August 2019	Balance of Unutilized Proceeds as at 31 August 2020	Expected timeline for Unutilized Proceeds
	%	HK$ million	HK$ million	HK$ million	HK$ million	
Diversified customer industry — expansion into other industries	10.1	6.0	5.0	1.0	1.0	31 August 2021
Product line expansion	23.3	14.2	10.1	4.1	4.1	31 August 2021
Geographical expansion	45.8	28.1	23.1	5.0	5.0	31 August 2021
Repayment of bank loan	11.7	7.1	7.1	—	—	
General working capital	9.1	5.6	5.6	—	—	
	100.0	61.0	50.9	10.1	10.1	

With the impact of the outbreak of the Pandemic, the Board considered that the execution of the Group's expansion plans of the business and production facility in Malaysia have been impeded by the postponed resumption of normal operation of business under the MCO. Hence, without change in the business objectives as stated in the Prospectus and taking into account of the impact from Pandemic, we expect the extended time line for the utilization of the unused proceeds to the end of next financial year 2021 will enhance flexibility for the future development of the Group. The expected timeline for using the utilized proceeds is based on the best estimation of the business market situations and may be subject to changes based on the market conditions.

APPRECIATION

I would like to express my greatest gratitude to the Board, management and staff for their strenuous contribution towards the Group. Furthermore, I would also like to take this opportunity to sincerely thank our business partners and Shareholders for their continuous support and trust. I believe all members of the Group will dedicate their best efforts to drive business growth and to deliver enhanced returns to Shareholders.

Ong Yoong Nyock
Chairman

Hong Kong, 26 November 2020

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ong Yoong Nyock, aged 68, was appointed as a Director of our Company on 21 April 2017 and re-designated as our executive Director on the same day. Mr. Ong is the chairman of the Board. He has been serving as a director of our Group since 8 August 1997. He is a seasoned entrepreneur with investments in various industries. Mr. Ong has 23 years of experience in the printing industry. Since January 1990, he has been serving as the managing director of Tiong Nam Logistics Holdings Bhd, a company listed on the Kuala Lumpur Stock Exchange (stock code: 8397) which is principally engaged in logistics and warehousing services where he is responsible for developing the company into a well-established total logistics company covering all the major routes of peninsular Malaysia and east Malaysia. Mr. Ong received his secondary school education from Sekolah Menengah Kebangsaan Gajah Berang, Melaka, Malaysia.

Mr. Tan Woon Chay (also known as Mr. Andrew Tan), aged 56, was appointed as a Director of our Company on 13 April 2017 and re-designated as our executive Director on 21 April 2017. Mr. Andrew Tan is the chief executive officer of the Group and a member of each of the Remuneration Committee and Nomination Committee. He joined our Group as marketing director in March 2004 and was appointed as managing director in March 2007. Mr. Andrew Tan has been responsible for the overall direction of our Group. From 2000 to 2004, Mr. Andrew Tan worked at Zaid Ibrahim & Co, a law firm in Malaysia, where he last held the position of senior associate. Mr. Andrew Tan received a bachelor's degree in law and economics from the University of Kent at Canterbury in the United Kingdom in July 1988. He was admitted as a member of the Honourable Society of the Inner Temple, London in January 1986 and was called to the bar by the said society in July 1991. He was also admitted to practice as an advocate and solicitor of the High Court in Malaya in December 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liew Weng Keat, aged 45, was appointed as an independent non-executive Director of our Company on 25 August 2017. Mr. Liew is the chairman of Nomination Committee and a member of Audit Committee. Mr. Liew joined International Trading Room Software Ltd (now known as ITRS Group Limited) in London in May 1999 before being transferred to ITRS America from 2001 to 2006, with the last position being the vice president. Having spent five years in New York, Mr. Liew then relocated to Hong Kong to start-up ITRS Asia's business for Asia Pacific from February 2006 to August 2008. From August 2008 to May 2009, Mr. Liew was the head of sales of North East Asia at Financial Innovative Technology International Pte. Ltd. From June 2009 to March 2010, he was a technology director at ITRS Asia Limited. Since November 2009, Mr. Liew has been the global account director at ITRS Asia Limited, responsible for business development for the Asia Pacific region. He was an independent non-executive director for Worldgate Global Logistics Ltd, a company listed on the Stock Exchange (stock code: 8292) for the period from 17 June 2016 to 31 July 2019. Mr. Liew received a bachelor's degree of engineering and a bachelor's degree of science in mechanical engineering from the University of Manchester in the United Kingdom in July 1997 and received a master's degree of business administration from Richmond, The American International University in London in the United Kingdom in December 1999.

Mr. Teoh Cheng Tun, aged 45, was appointed as an independent non-executive Director of our Company on 25 August 2017. Mr. Teoh is the chairman of Remuneration Committee and a member of each of Audit Committee and Nomination Committee. He started his career as an associate at Zaid Ibrahim & Co, a legal services provider from 1999 to 2000. He served as an analyst at Rating Agency Malaysia Berhad (now known as RAM Holdings Group), a rating agency from 2001 to 2003 where he was involved in corporate credit rating. In 2004, he resumed practicing law by joining AB Teoh & Co. as a partner. He then founded CT Teoh & Partners (now known as Teoh & Teoh) in 2013 where he is now and he actively advises on property, banking, commercial and intellectual property related matters. Mr. Teoh received a bachelor's degree of commerce and a bachelor's degree of laws from the University of New South Wales in Australia in April 1998 and June 1999, respectively.

Mr. Choy Wing Keung David, aged 55, was appointed as an independent non-executive Director of our Company on 25 August 2017. Mr. Choy is the chairman of Audit Committee and a member of Remuneration Committee. He founded David Choy & Co., an accounting firm in 1997 where he has been a certified public accountant, providing audit, assurance and taxation. He also previously served as an independent non-executive director for Perfectech International Holdings Limited, a company listed on the Stock Exchange which is principally engaged in manufacturing and selling toy products (stock code: 765) from May 2007 to November 2016. Mr. Choy graduated from the Hong Kong Shue Yan College (now known as the Hong Kong Shue Yan University) in Hong Kong with a diploma in accountancy in 1989. He has been a practicing certified public accountant since 1997 and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He was also admitted as an associate of the Chartered Association of Certified Accountants (now known as the Association of Chartered Certified Accountants).

SENIOR MANAGEMENT

Mr. Yong Hong Kai, aged 42, joined our Group in May 2016 and is the marketing general manager of our Group. He is responsible for overseeing the marketing of our Group. In 2007, he joined CEVA Freight Holdings (Malaysia) Sdn. Bhd., a company principally engaged in logistics business where his last held position was assistant manager of business development. In 2009, he worked at HT Lubricant Sdn. Bhd., a company principally engaged in lubricant distribution where he held the position of industrial sales manager. In 2011, he joined our Group as the general marketing manager but left in 2015 and rejoined our Group with the same position in 2016. Mr. Yong completed the course requirements of a bachelor's degree of engineering (infomechatronics) from the Queensland University of Technology in Australia in February 2003.

Ms. Tan Dee Peng, aged 43, first joined our Group in October 2001 and is the senior purchasing manager of our Group, responsible for sourcing suppliers in the purchasing department of our Group. Ms. Tan started her career in 2001 as a production planner with our Group. She left our Group in April 2004 and rejoined in May the same year as a marketing executive. Ms. Tan received a bachelor's degree in economics from the Universiti Putra Malaysia in Malaysia in August 2001.

Mr. Tan Teck Sen, aged 38, joined our Group in July 2015 and is the corporate development manager of our Group, responsible for overseeing the corporate development of our Group. Mr. Tan started his professional career in 2005 as a graduate (finance and accounting) with Kerry Ingredients (M) Sdn Bhd, a company principally engaged in manufacturing and distributing application specific ingredients and flavours. In 2013, he worked at Kerry Group Business Services (ASPAC) Sdn Bhd, a company principally engaged in management services as a senior project accountant and was responsible for financial reporting. Mr. Tan received a bachelor's degree in accounting and marketing from the Curtin University of Technology in Australia in January 2005.

Mr. Tan Geng, aged 37, joined our Group in July 2015 and is the human resources and general affairs manager of our Group, responsible for overseeing the human resources and general affairs of our Group. Mr. Tan started his professional career in 2005 as a management trainee in the personnel and administration department of Tai Wah Garments Industry Sdn. Bhd., a company principally engaged in garment manufacturing where he was responsible for human resources. From 2008 to 2013, he was an assistant treasury executive with PGEO Group Sdn. Bhd., a company principally engaged in the manufacturing of edible oils where he was responsible for the management of corporate cash flow. Mr. Tan received a bachelor's degree of business from the University of Technology, Sydney in Australia in May 2005.

Directors and Senior Management

Mr. Cosmos Lim Chen Ming, aged 53, joined our Group in April 2019 and is the Head of Finance and Compliance of our Group, responsible for overseeing the finance department of our Group. Mr. Lim started his career in 1991 working for Coopers & Lybrand (now PricewaterhouseCoopers) in London where he completed his professional examination by Institute of Chartered Accountants in England and Wales. In 1995 he transferred to Coopers & Lybrand, Kuala Lumpur and worked as Audit Manager. Subsequently, he worked with various investment banks at senior management level, specializing in corporate finance and advisory, debt capital markets and project advisory. Mr. Lim graduated with distinction from University of Wisconsin — Madison, USA where he obtained his Bachelor of Business Administration with double major in Accounting and Finance, Investment & Banking.

Mr. Robin Lee Che Kian, aged 43, joined our Group in March 2019. As an Operation Assistant General Manager, he is responsible to oversee the entire Malaysia and Philippines operations. He was employed by multiple world ranking Contract Manufacturers throughout his 17 years working experience, inclusive of Technocom Systems Sdn. Bhd. (a member of Venture Group), Benchmark Electronics Pte Ltd and Flextronics Manufacturing (Zhuhai) Co. Ltd. His last held position was Operation Director in Flex Zhuhai Campus, where he managed a business unit consisting of 5,000 employees. Mr. Robin Lee received his diploma in Electronics and Electrical Engineering from Ming Hsin Technology of University in Taiwan in Year 2001.

Ms. Cheng Yee Foon, aged 46 years old, joined our group in December 2018 as the Assistant General Manager for Planning and Customer Service. She started her first job at Prelude Printing Sdn Bhd, and was the Production Manager. Subsequently Ms. Cheng joined Linocraft Printers Sdn Bhd, and worked for 10 years with last held position as the Senior Operations Manager. In 2012, she joined Venture Technocom Systems Sdn Bhd as a Program Manager. She achieved a Diploma in Computer Studies before she joined the printing industry in 1995.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Board recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**"). The Board is satisfied that, save for the deviations are set out in the relevant section as explained below, the Company had complied with the all applicable code provisions in the CG Code during the Financial Year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Financial Year.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's mission and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives.

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the GEM and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group.

The functions performed by the Board include but are not limited to the following matters:

- formulating the Group's strategy and direction and monitoring the implementation thereof;
- deciding all material contracts, acquisitions, investments, divestments, disposals of assets or any significant capital expenditure;
- approving of the Group's financial statements, published reports, price sensitive announcement and other disclosure required under the GEM Listing Rules;
- developing, monitoring and reviewing the Group's corporate governance practices and the effectiveness of the Group's financial controls, internal control and risk management systems;

- Board appointment and other major appointments or removal; and
- monitoring the performance of the management.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors (the "**INED(s)**") so that there is an independent element on the Board, which can effectively exercise independent judgment, and that non-executive Directors should be of sufficient caliber and number for their views to carry weight.

As at the date of this report, the Board comprises the following five Directors:

Executive Directors

Mr. Ong Yoong Nyock *(Chairman)*
Mr. Tan Woon Chay *(Chief executive officer)*

Independent Non-executive Directors

Mr. Choy Wing Keung David
Mr. Liew Weng Keat
Mr. Teoh Cheng Tun

The biographical details of each of the Directors are set out in the section headed "Directors and Senior Management" of this report.

There was no financial, business, family or other material/relevant relationship among the Directors.

In compliance with Rule 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three INEDs representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

The INEDs have brought in a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will make various contributions to the Company.

The Company has received an annual confirmation of independence in writing from each of the INEDs. Based on such confirmation, the Company considers such all the INEDs are independent and have met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules for the Financial Year.

Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director (if any) receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities.

All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. All Directors confirmed that they have complied with the CG Code provision A.6.5. During the Financial Year, all Directors namely, Mr. Ong Yoong Nyock, Mr. Tan Woon Chay, Mr. Choy Wing Keung David, Mr. Liew Weng Keat and Mr. Teoh Cheng Tun had participated in continuous professional development by attending seminars, courses or conferences or read related materials to develop and refresh their knowledge and skills.

MEETINGS OF BOARD AND DIRECTORS' ATTENDANCE RECORDS

During the Financial Year, the Board held 5 meetings and passed 6 written resolutions, at which the Directors discussed and approved, amongst other matters, (i) the Group's consolidated results for the year ended 31 August 2019, the first quarterly results for the three months ended 30 November 2019, the interim results for the six months ended 29 February 2020 and the third quarterly results for the nine months ended 31 May 2020; (ii) the environmental, social and governance report 2019; (iii) the inside information in relation to positive profit alert and profit warnings; (iv) the effectiveness of the Group's internal control and risk management systems; and (v) the overall strategic direction and plan of business.

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice is given in a reasonable time in advance. The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least three days before the intended date of each regular Board Meeting and three days or such other period as agreed before each other Board meeting. All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the GEM Listing Rules, any Directors and their associates (as defined in the GEM Listing Rules) with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.

The attendance of each Director at the Board meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/Number of Board meetings
Executive Directors	
Mr. Ong Yoong Nyock *(Chairman)*	5/5
Mr. Tan Woon Chay *(Chief executive officer)*	5/5
Independent Non-executive Directors	
Mr. Choy Wing Keung David	5/5
Mr. Liew Weng Keat	5/5
Mr. Teoh Cheng Tun	5/5

Apart from the above Board meetings, the chairman of the Board (the "**Chairman**") held a meeting with all the INEDs without the presence of other Directors during the Financial Year.

During the Financial Year, an annual general meeting of the Company (the "**AGM**") was held on 9 January 2020 (the "**2020 AGM**").

Name of Directors	Number of attendance/Number of general meeting
Executive Directors	
Mr. Ong Yoong Nyock *(Chairman)*	0/1
Mr. Tan Woon Chay *(Chief executive officer)*	1/1
Independent Non-executive Directors	
Mr. Choy Wing Keung David	1/1
Mr. Liew Weng Keat	1/1
Mr. Teoh Cheng Tun	1/1

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the AGM. However, Mr. Ong Yoong Nyock ("**Mr. Ong**"), being the Chairman, was unable to attend the 2020 AGM due to his other prior engagement. Mr. Ong invited Mr. Tan Woon Chay, an executive Director and chief executive officer (the "**CEO**") to chair and answer questions from Shareholders at the 2020 AGM.

NON-COMPETITION UNDERTAKING

The deed of non-competition dated 28 August 2017 and executed by Mr. Ong, Ms. Yong Kwee Lian ("**Mrs. Ong**"), Charlecote Sdn. Bhd. and Linocraft Investment Pte Limited (the "**Controlling Shareholders**") in favour of our Company (for itself and on behalf of its subsidiaries), the principal terms of which are summarised in the section headed "Relationship with our Controlling Shareholders — 3. Non-competition Undertakings" in the Prospectus.

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that he/she/it will not, and will procure his/her/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the "**Restricted Activity**"), or hold shares or interest in any companies or business that competes directly or indirectly with the business engaged by our Group from time to time, except where our Controlling Shareholders and/or his/her/its close associates hold less than 5% of the total issued shares of any company (whose shares are listed on the Stock Exchange or other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

Each of the Controlling Shareholders further undertakes that if he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with any business opportunity of the Group, he/it shall procure that his/its close associates to promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunity.

The Group shall, within 30 days after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Controlling Shareholder(s) whether our Group will exercise the right of first refusal. The Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Controlling Shareholder(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates directly or indirectly through subsidiaries, associate companies or any other persons own less than 30% of our issued shares or our shares cease to be listed on the Stock Exchange.

The Company has received a written confirmation from the Controlling Shareholders in respect of the compliance and enforcement of the terms of the Non-competition Undertaking by the Controlling Shareholders during the Financial Year.

The INEDs have reviewed the Non-competition Undertaking entered into by the Controlling Shareholders as to whether the Controlling Shareholders had abided by the Non-competition Undertaking. The INEDs confirmed that the Controlling Shareholders had not been in breach of the Non-competition Undertaking during the Financial Year.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the Board Diversity Policy.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

NOMINATION POLICY

The Group has adopted a nomination policy (the "**Nomination Policy**") which provides the nomination procedures and process for selection of Directors. The Nomination Committee shall identify and nominate suitable candidates for appointment as Director(s) to fill a casual vacancy on the Board or as an addition to the existing Board. The criteria to be adopted by the Board in considering each individual shall be their ability to contribute to the effective carrying out by the Board of its responsibilities set out in the Appendix 15 to the GEM Listing Rules.

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate, including but not limited to, reputation for integrity; accomplishment and experience in the industry where the principal businesses of the Company and its subsidiaries; commitment in respect of available time and relevant interest; and diversity in all its aspects, including but not limited to skill, knowledge, gender, age, cultural and educational background or professional experience. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

The Board may consider any proposed candidate(s) as recommended by the management or Shareholders and nominate such candidate(s) to the Nomination Committee, if it thinks fit. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

Nomination Procedures

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from Shareholders, a circular will be sent to Shareholders. The circular will set out the lodgment period for Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to Shareholders.

Where the board proposes a resolution to elect an individual as an INED at the general meeting, it should set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he/she should be elected and the reasons why they consider him/her to be independent.

A Shareholder can serve a notice to the Board or Company Secretary with the lodgement period of its intention to propose a resolution to elect a certain candidate as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so propose will be sent to all Shareholders for information by a circular.

CHAIRMAN AND CHIEF EXECUTIVE

According to the Code Provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. Mr. Ong, the executive Director, is the Chairman and is responsible for the leadership of the Board while Mr. Tan Woon Chay, the executive Director, is the CEO and is responsible for managing the Group's business and overall operations.

NON-EXECUTIVE DIRECTORS

Each of our INEDs entered into a letter of appointment with our Company for a term of three years commencing from 25 August 2020, which may be terminated by not less than one month's notice in writing served by either party on the other. All Directors are subject to retirement by rotation and re-election at AGM in accordance with the articles of association of the Company (the "**Articles**").

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for Board Committees are posted on the respective websites of the GEM and the Company.

Audit Committee

Our Company established the Audit Committee pursuant to a resolution of our Directors passed on 25 August 2017 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and relationship with external auditors, and arrangements to enable employees of the Company to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters of the Company and performing the Company's corporate governance functions. At present, the Audit Committee of our Company consists of three members who are Mr. Liew Weng Keat, Mr. Teoh Cheng Tun and Mr. Choy Wing Keung David. Mr. Choy Wing Keung David is the chairman of the Audit Committee.

During the Financial Year, the Audit Committee held 5 meetings, at which the Audit Committee has reviewed and discussed, amongst other matter, (i) the Group's consolidated results for the year ended 31 August 2019, the first quarterly results for the three months ended 30 November 2019, the interim results for the six months ended 29 February 2020 and the third quarterly results for nine months ended 31 May 2020; (ii) audit planning; and (iii) the effectiveness of the Group's internal control and risk management systems, the Group's internal audit function and recommended to the Board for consideration the same.

The attendance of each member at the Audit Committee meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/number of meetings
Mr. Choy Wing Keung David	5/5
Mr. Liew Weng Keat	5/5
Mr. Teoh Cheng Tun	5/5

Remuneration Committee

Our Company established the Remuneration Committee on 25 August 2017 with written terms of reference in compliance with paragraph B.1.2 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee consists of three members who are Mr. Tan Woon Chay, Mr. Choy Wing Keung David and Mr. Teoh Cheng Tun. Mr. Teoh Cheng Tun is the chairman of the Remuneration Committee.

During the Financial Year, the Remuneration Committee held 1 meeting, at which the Remuneration Committee reviewed the remuneration packages for individual executive Directors and senior management and making recommendations to the Board.

The attendance of each member at the Remuneration Committee meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/number of meetings
Mr. Teoh Cheng Tun	1/1
Mr. Choy Wing Keung David	1/1
Mr. Tan Woon Chay	1/1

Nomination Committee

Our Company established the Nomination Committee on 25 August 2017 with written terms of reference in compliance with paragraph A.5.2 of the Code of Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of INEDs; and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and review the policy on the Board Diversity Policy. The Nomination Committee consists of three members who are Mr. Tan Woon Chay, Mr. Teoh Cheng Tun and Mr. Liew Weng Keat. Mr. Liew Weng Keat is the chairman of the Nomination Committee.

During the Financial Year, the Nomination Committee held 1 meeting, at which the Nomination Committee (i) reviewed the independence of the INEDs, composition of the Board, Board Diversity Policy and Nomination Policy, and (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming AGM.

Name of Directors	**Number of attendance/number of meetings**
Mr. Liew Weng Keat	1/1
Mr. Tan Woon Chay	1/1
Mr. Teoh Cheng Tun	1/1

AUDITOR'S REMUNERATION

For the Financial Year, BDO Limited ("**BDO**") was engaged as the Group's independent auditor. The remuneration paid/payable to BDO for the Financial Year is set out below:

Category of services	**Amounts** HK$'000
Audit services — Annual audit	700
Non-audit services — Report on the continuing connected transactions	10
Report on agreement with preliminary announcement of results	10

ACCOUNTABILITY AND AUDIT

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's performance, position and prospects in annual and interim reports, and other financial disclosures required by the GEM Listing Rules. The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the Financial Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The Management will provide the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, BDO has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the Financial Year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the design, implementation, monitor and review of the Group's internal control system including the internal control and risk management for the Company to ensure their effectiveness and efficiency. The objective of internal control is to safeguard the Company's assets and ensure its accounting records are properly maintained, so that all the financial information is accurate and reliable. The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving the objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. All employees are committed to continually enhancing the risk management measures to ensure that these measures work in line with the growth of our business strategies and integrated into day-to-day operation of the business. The Board shall at least annually review its risk management and internal control system.

The objective of the risk management and internal control of the Group include:

— establishing and constantly improving the risks management and internal control system;

— ensuring the Group's risk management and internal control in compliance with the GEM Listing Rules requirements; and

— managing rather than eliminating the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In order to continually improve our Group's internal control and risk management system, our Group has established an on-going process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

— segregating duties and functions of the respective operational departments of our Group;

— reviewing systems and procedures to identify, measure, manage and control risks; and

— updating the staff handbook, internal control manual and compliance manual where there are changes to business environment or regulatory guidelines.

Our Group will continually monitor and improve our risk management measures to ensure that these measures work in line with the growth of our business. The key risks related to the Group's businesses and to the industries in which the Group operates were set out in the section headed "Principal risks and uncertainties" of Chairman's Statement and Management Discussion and Analysis.

Our Group engaged an independent internal control consultant to review our Group's internal control systems and procedures for the Financial Year, including the financial, operational and compliance controls and risk management functions.

The Board has conducted a review of the effectiveness of the risk management, internal control system and internal audit function of the Group through discussion with the Audit Committee on major findings and control issue. The Board considers that the Group has implemented appropriate procedures safeguarding the Group's assets and ensure its accounting records are properly maintained and compliance of the relevant laws and regulations. In addition, the Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and internal audit and financial reporting function.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorized use of confidential or insider information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

COMPANY SECRETARY

Mr. Lam Wing Tai ("**Mr. Lam**") was appointed as the Company Secretary on 21 April 2017. Mr. Lam was admitted as a certified practicing accountant of the Certified Practicing Accountants Australia in May 1995 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 1996. Mr. Lam has complied with the training requirement for the Financial Year under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting (the "EGM")

Pursuant to the Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisition must state clearly the name of the Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene the EGM and the proposed agenda.

Procedures for Shareholders to send enquires to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong.

COMMUNICATION WITH THE SHAREHOLDERS

The Board has the overall responsibility to ensure that the Company maintains on-going dialogue with Shareholders and in particular, use annual general meetings or other meeting to communicate with Shareholders and encourage their participation.

Information will be communicated to the Shareholders through convening the annual general meeting or general meeting, publication of annual, interim and quarterly reports, notices, announcement, circulars as well as all the disclosures submitted to the respective websites of GEM and the Company.

CONSTITUTIONAL DOCUMENTS

During the Financial Year, there were no changes in the constitutional documents of the Company. The amended and restated memorandum and articles of association of the Company is available on the respective websites of the GEM and the Company.

DIVIDEND POLICY

The Company adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. Under the Dividend Policy, provided there are distributable profits and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the Shareholders.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, included but not limited to: (i) the general financial condition of the Group; (ii) working capital and debt level of the Group; (iii) future cash requirements and availability for business operations, business strategies and future development needs; (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders; (v) the general market conditions; and (vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles. The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

Report of the Directors

The Board are pleased to present their report together with the audited consolidated financial statements of the Group for the Financial Year.

PRINCIPAL ACTIVITIES

The Group is a printing and packaging solutions provider based in Malaysia. The principal activities of the Company's principal subsidiaries are set forth in note 33 to the consolidated financial statements.

BUSINESS REVIEW AND ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

The business review and analysis of key financial performance indicator of the Group for the Financial Year are set out in the "Chairman's Statement and Management Discussion and Analysis" of this annual report.

FINANCIAL RESULTS AND FINANCIAL POSITION

The results of the Group for the Financial Year and the financial position of the Group and Company as at 31 August 2020 are set forth in the consolidated financial statements on pages 49 to 113 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of final dividends for the Financial Year.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five years, as extracted from the audited consolidated financial statements of the Company or the Prospectus, is set out on page 114 of this annual report. This summary does not form part of the consolidated financial statements for the Financial Year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the Financial Year are set out in note 17 to the consolidated financial statements.

PROPERTIES

The Group did not hold any major property for development and/or sale or for investment purpose as at 31 August 2020.

SHARE CAPITAL

Details of the Company's share capital are set out in notes 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Financial Year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 August 2020, the Group's reserves available for distribution to the Shareholders comprising (share premium, merger reserve and accumulated loss/retained earnings amounted to approximately RM85.2 million.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

EQUITY-LINKED AGREEMENTS

The Company did not have equity-linked agreements that (i) will or may result in the Company issuing shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Financial Year or subsisted at the end of the Financial Year.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During the Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

MAJOR CUSTOMERS AND SUPPLIERS

During the Financial Year, the five largest suppliers of the Group accounted for about 38.9% of the Group's cost of sales and the largest supplier accounted for about 13.7% of the cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 81.0% of the Group's total revenue and the largest customer accounted for about 27.7% of the total revenue.

Based on the information publicly available to the Company and to the best knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Shares) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

CONTINUING CONNECTED TRANSACTIONS

Master Logistics Services Agreement

On 25 August 2017, our Company entered into a master logistics services agreement (the "**2017 Master Logistics Services Agreement**") with Tiong Nam Logistics Solutions Sdn Bhd ("**Tiong Nam**"), pursuant to which our Company agreed to engage Tiong Nam or its associate companies to provide logistics services to our Group for a term three years commencing from 1 September 2017 to 31 August 2020. For the two years ended 31 August 2015 and 2016 and the nine months ended 31 May 2017, the total logistics fee paid by our Group to Tiong Nam or its associate companies for the logistic services amounted to approximately RM3.2 million, RM2.8 million and RM2.9 million, respectively.

Our Directors estimate that the maximum transaction amounts under the 2017 Master Logistics Services Agreement for the years ending 31 August 2018, 2019 and 2020 will not exceed RM3.7 million, RM4.0 million and RM4.4 million, respectively. The terms of the 2017 Master Logistics Services Agreement have been arrived at after arm's length negotiation between our Company and Tiong Nam, with reference to the prevailing market price for such logistic services by other providers comparable with Tiong Nam. The estimated fee for the logistics services to be paid by our Group to Tiong Nam or its associate companies to our Group was determined with reference to (a) the historical transaction amounts for the two years ended 31 August 2015 and 2016 and the nine months ended 31 May 2017; (b) the projected demand for the logistics arrangement of our Company's products in the next three years; (c) the prevailing market price of such logistics services in the open market; and (d) the expected growth in the demand for our Company's printing and packaging services in the next three years. In considering whether to engage the services of Tiong Nam in the future, our Group will seek quotations from at least two other independent comparable suppliers in the open market. Our Group will retain logistics services from Tiong Nam if the price and quality of its services offered are comparable to or more favourable than those offered by independent third party suppliers to our Group for the relevant transactions contemplated under the relevant agreement.

The 2017 Master Logistics Services Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual retainers may be required to be entered into between our Group and Tiong Nam or its associate companies. Each individual retainer will set out the relevant logistics services to be provided by Tiong Nam or its associate companies to our Group, the fee for the logistics services to be paid by our Group and any detailed specifications which may be relevant to those retainers. The individual retainers may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2017 Master Logistics Services Agreement. As the individual retainers are simply further elaborations on the retainers contemplated by the 2017 Master Logistics Services Agreement, they do not constitute new categories of connected transactions as far as the GEM Listing Rules are concerned.

The Directors having made all reasonable enquiries, Tiong Nam Logistics Holdings Bhd ("**Tiong Nam Logistics**") is owned as to approximately 32.56% by Mr. Ong, an executive Director and one of our Controlling Shareholders, and as to approximately 51.28% by Mrs. Ong. Tiong Nam is a wholly-owned subsidiary of Tiong Nam Logistics. As such, Tiong Nam Logistics and Tiong Nam are associate of a connected person of our Company under Chapter 20 of the GEM Listing Rules. Accordingly, the transactions under the 2017 Master Logistics Services Agreement constituted continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules during the Financial Year.

The amount of the transactions entered into during the Financial Year was RM2.8 million. Details of the continuing connected transactions for the Financial Year are set out in note 34 to the consolidated financial statements. The Company confirmed that it has complied with the relevant requirements in respect of the above continuing connected transactions in accordance with Chapter 20 of the GEM Listing Rules.

AUDITOR'S LETTER ON CONTINUING CONNECTED TRANSACTIONS

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Company's auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 34 to 35 of this report in accordance with Rule 20.54 of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The INEDs have reviewed the above continuing connected transactions and confirmed that the above continuing connected transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties (as defined under the GEM Listing Rules); and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Since each of the applicable percentage ratios (other than the profits ratio) for 2017 Master Logistics Services Agreement is expected to be more than 5%, the transactions contemplated under 2017 Master Logistics Services Agreement are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements pursuant to Rule 20.103 of the GEM Listing Rules in respect of the continuing connected transactions as disclosed in the above subject to the aggregate value of such non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount set forth in the respective caps stated above. Save as disclosed above, the Directors are not aware of any transactions which constituted a connected transaction or continuing connected transaction under the GEM Listing Rules.

RELATED PARTIES TRANSACTIONS

Related parties transactions of the Group during the Financial Year are disclosed in note 34 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group understands the importance of environmental sustainability and protection. We are mindful of the environment and are committed to preserve it. Linocraft Printers Sdn. Bhd. and Linocraft Printers Philippines Inc, the indirect wholly-owned subsidiaries of the Company, have obtained ISO 14001:2015 environmental management system certification and takes an active role in being environmentally friendly. We invested in resources to build a water treatment plant within our production plant in Malaysia to treat water that has been contaminated by printing chemicals. Our Group has a certified environmental professional who has attended relevant environmental, health, safety and ISO training courses, is taking care of environmental health.

The Group has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. The Environmental, Social and Governance Report for the year ended 31 August 2020 containing all information required by the GEM Listing Rules will be published on the respective websites of GEM and the Company in due course.

PERMITTED INDEMNITY PROVISIONS

The Articles provides that the Directors, Secretary and other officers and every Auditor for the time being of the Company shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group and its activities are subject to requirements under various laws in Malaysia, Philippines, Singapore, Cayman Islands and Hong Kong and all applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the GEM Listing Rules also apply to the Company. The Company seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of various business units with the designated resources at different levels of the Group.

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. During the Financial Year, the Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the business of the Group.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including employees, suppliers and subcontractors.

Our Group recognises that our success in the printing and packaging industry is dependent on our employees. Our Group recruits our employees based on their working attitude, industry experience, educational background and interpersonal skills. Our Group generally pays our employees a fixed salary and discretionary performance-based bonus that is paid yearly, subject to individual performance. Certain level of our staff qualify for sales target-based monthly incentives. Our Directors believe that, the management policies, working environment, development opportunities and employee benefits have contributed to employees' satisfaction levels and retention level. Our Group organises bonding activities, such as weekly badminton sessions and annual staff dinners, to allow employees to build up teamwork and to strengthen their bonding. During the Financial Year, our Group did not experience any strike or labour dispute with our staff which had caused significant disruption to our Group's business operations.

Our Group has built stable relationships with customers across a variety of industries such as electronic and electrical, food and beverage, medical, and FMCG sectors for many years. Our marketing team conducts regular meetings with our customers to gather feedback for our Group's continual improvement. We also have a sales support team that provides prompt response to customers' enquiries. Our Group is therefore able to maintain continued business relationships with our customers. We believe that this is an indication of our customers' loyalty and recognition of our service quality and we consider this recognition as a critical success factor leading to our Group's accomplishment in the packaging printing industry in Malaysia and the Philippines.

Our Directors also believe that suppliers are one of the key components of our Group's business and they play an important role in the manufacturing process. Our Directors believe that fostering close working relationships with our suppliers is imperative so as to maintain reliable sources of raw material supplies for us to produce high quality products. Our suppliers' support is critical to us as they play a major role in our business. Our Group's major suppliers have established business relationships with us for many years. Our Directors believe that effective communication is the key to maintain a long-term relationship with our suppliers. Our Directors consider our suppliers as partners and believe that all of us share a common goal of growing together in the printing and packaging industry.

In view of the above and as at the date of this report, there is no circumstance of any event which will have a significant impact on the Group's business and on which the Group's success depends.

DIRECTORS

The Directors during the Financial Year and up to the date of this report were:

Executive Directors

Mr. Ong Yoong Nyock *(Chairman)*
Mr. Tan Woon Chay *(Chief executive officer)*

Independent Non-executive Directors

Mr. Choy Wing Keung David
Mr. Liew Weng Keat
Mr. Teoh Cheng Tun

Article 83 (3) of the Articles provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Article 84 of the Articles provides that (1) one-third of the Directors for the time being (or, if their number is a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM, provided that every Director shall be subject to retirement by rotation at least once every three years. (2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

Mr. Ong and Mr. Teoh Cheng Tun will retire at the forthcoming AGM and all of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

BIOGRAPHIES OF DIRECTORS

The biographical details of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from 25 August 2020, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our INEDs has entered into a letter of appointment with our Company for a term of three years commencing from 25 August 2020, which may be terminated by not less than one month's notice in writing served by either party on the other.

None of the Directors proposed for re-election at the forthcoming AGM has a service agreement/letter of appointment with the Company, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATIONS

Details of the remuneration of Directors are set out in note 12 to the consolidated financial statements.

DIRECTORS' EMOLUMENT POLICY

The Remuneration Committee was established for reviewing and determining the remuneration and compensation packages of the Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 August 2020, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules ("**Model Code**") relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company

Name of Directors	Nature of interest	Number of Shares held(1)	Percentage of shareholding
Mr. Ong(2)	Interest of a controlled corporation	408,000,000(L)	51.00%
Mr. Tan Woon Chay	Beneficial owner	1,500,000(L)	0.19%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mr. Ong beneficially owns 50% of Charlecote Sdn. Bhd. ("**Charlecote**"), which in turn owns 70% of the issued share capital of Linocraft Investment Pte Limited ("**Linocraft Investment**"). Linocraft Investment owns 51% of the issued share capital of our Company. By virtue of the SFO, Mr. Ong is deemed to be interested in the Shares held by Linocraft Investment.

(ii) Interests in associated corporation of our Company

Name of Directors	Name of associated corporation	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Ong[1]	Linocraft Investment	Beneficial owner and interest of a controlled corporation	8,050	80.50%
	Charlecote	Beneficial owner	2	100.00%
Mr. Tan Woon Chay	Linocraft Investment	Beneficial owner	1,950	19.50%

Note:

(1) Charlecote, which holds 70% of Linocraft Investment, is held as to 50% by Mr. Ong and 50% by Mrs. Ong. By virtue of the SFO, Mr. Ong is deemed to be interested in all the shares in Charlecote and the shares of Linocraft Investment held by Charlecote.

Save as disclosed above, as at 31 August 2020, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 August 2020, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest	Interests in Shares[1]	Percentage of shareholding
Linocraft Investment	Beneficial owner	408,000,000(L)	51.00%
Charlecote[2]	Interest of a controlled corporation	408,000,000(L)	51.00%
Mrs. Ong[3]	Interest of spouse	408,000,000(L)	51.00%
Stan Cam Holdings Limited ("**Stan Cam**")	Beneficial owner	120,000,000(L)	15.00%
Ralexi Investment Holdings Limited[4]	Interest of a controlled corporation	120,000,000(L)	15.00%
Mr. Gan Ker Wei ("**Mr. Gan**")[5]	Interest of a controlled corporation	120,000,000(L)	15.00%
Mrs. Amy Ong Lai Fong[6]	Interest of spouse	120,000,000(L)	15.00%

Notes:

(1) The letter "L" denotes long position in the Shares.

(2) Charlecote holds 70% of the issued share capital of Linocraft Investment, which in turn owns 51% of our Company. By virtue of the SFO, Charlecote is deemed to be interested in the Shares held by Linocraft Investment.

(3) Mrs. Ong is the spouse of Mr. Ong. By virtue of the SFO, Mrs. Ong is deemed to be interested in the Shares held by Charlecote and Mr. Ong.

(4) Stan Cam is owned as to 75% by Ralexi Investment Holdings Limited. By virtue of the SFO, Ralexi Investment Holdings Limited is deemed to be interested in the Shares held by Stan Cam.

(5) Stan Cam is owned as to 75% by Ralexi Investment Holdings Limited. Ralexi Investment Holdings Limited is wholly-owned by Mr. Gan. By virtue of the SFO, Mr. Gan is deemed to be interested in the Shares held by Stan Cam.

(6) Mrs. Amy Ong Lai Fong is the spouse of Mr. Gan. By virtue of the SFO, she is deemed to be interested in the Shares held by Mr. Gan.

Save as disclosed above, as at 31 August 2020, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Financial Year was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

NON-COMPETITION UNDERTAKINGS

The Company has received the written confirmations from the Controlling Shareholders for the Financial Year in respect of the compliance with the provisions of the Non-competition Undertakings entered into between the Controlling Shareholders and the Company as set out in the paragraph 3 of the section headed "Relationship with the Controlling Shareholders" of the Prospectus.

The INEDs have reviewed and confirmed that the Controlling Shareholders had complied with the Non-competition Undertaking and the Non-competition Undertaking had been enforced by the Company in accordance with its terms for the Financial Year.

COMPETING INTERESTS

As confirmed by the Directors, Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group during Financial Year.

INTERESTS OF COMPLIANCE ADVISER

As at 31 August 2020, except for the compliance adviser agreement entered into between the Company and Ample Capital Limited (the "**Compliance Adviser**"), neither the Compliance Adviser, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is a sufficient float of more than 25% the issued Shares as required under the GEM Listing Rules.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance in relation to the Group's business in which the Company or any its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Financial Year.

EVENTS AFTER THE REPORTING PERIOD

On 28 October 2020, the Company entered into the Master Logistics Services Agreement (the "**2020 Master Logistics Services Agreement**") to renew the term of the 2017 Master Logistics Services Agreement. Pursuant to which our Company agreed to engage Tiong Nam or its associate companies to provide logistics services to our Group for a term of three years ending on 31 August 2023 effective from 1 September 2020. The historical transaction amounts under the 2017 Master Logistics Services Agreement for the years ended 31 August 2018, 2019 and 2020 were approximately RM3,524,000, RM2,927,000 and RM2,735,000 respectively.

Our Directors estimated that the annual caps of the 2020 Master Logistics Services Agreement for the years ended 31 August 2021, 2022 and 2023 were approximately RM4,500,000, RM5,000,000 and RM5,200,000. The annual caps were determined with reference to (1) the historical transaction amounts under the 2017 Master Logistics Services Agreement; (2) the projected demand for the logistics arrangement of the Company's products in the next three years; (3) the prevailing market price of such logistics services in the open market; and (4) the expected growth in the demand for the Company's printing and packaging services in the next three years.

The 2020 Master Logistics Services Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual retainers may be required to be entered into between the Group and Tiong Nam or its associated companies. Each individual retainer will set out the relevant logistics services to be provided by Tiong Nam or its associated companies to the Group, the fee for the logistics services to be paid by the Group and any detailed specifications which may be relevant to those retainers. The individual retainers may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2020 Master Logistics Services Agreement. As the individual retainers are simply further elaborations on the retainers contemplated by the 2020 Master Logistics Services Agreement, they do not constitute new categories of connected transactions as far as the GEM Listing Rules are concerned.

The logistics services fees will be determined between the parties based on arm's length negotiations and on normal commercial terms with reference to the prevailing market services fees charged for the same or substantially similar logistics services. Market services fee is determined based on: (1) the prevailing fair prices charged by independent third parties in areas where the logistics services are provided or in nearby areas for providing similar logistics services on normal commercial terms; or (2) the prevailing reasonable prices charged by independent third parties on normal commercial terms for providing similar logistics services.

Given that the 2020 Master Logistics Services Agreement entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors (including all the independent non-executive Directors but excluding Mr. Ong who is interested in the transactions contemplated under the 2020 Master Logistics Services Agreement and has abstained from voting from the relevant Board resolution for approving the 2020 Master Logistics Services Agreement) consider that the transactions (including the proposed annual caps) under the 2020 Master Logistics Services Agreement are (i) entered into in the usual and ordinary course of business of the Company and on normal commercial terms; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

The Directors having made all reasonable enquiries, Tiong Nam Logistics is owned as to approximately 32.56% by Mr. Ong, an executive Director and one of our controlling shareholders, and as to approximately 51.28% by Mrs. Ong. The remaining shareholding of approximately 16.16% is held by Independent Third Parties. Tiong Nam is a wholly-owned subsidiary of Tiong Nam Logistics. Mr. Ong is a connected person of the Company under Chapter 20 of the GEM Listing Rules. As such, Tiong Nam Logistics and Tiong Nam are associates of a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the transactions contemplated under the 2020 Master Logistics Services Agreement will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. Details of the 2020 Master Logistics Services Agreement were disclosed in the Company's announcement dated 28 October 2020.

Save as disclosed above and in note 40 to the consolidated financial statements, the Board is not aware of any material events requiring disclosure that has taken place subsequent to 31 August 2020 and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the Financial Year were audited by BDO, the independent auditor, who shall retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint BDO as auditor and to authorise the Directors to fix its remuneration.

On behalf of the Board
Linocraft Holdings Limited

Ong Yoong Nyock
Chairman

Hong Kong, 26 November 2020

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF LINOCRAFT HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Linocraft Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 49 to 113, which comprise the consolidated statement of financial position as at 31 August 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ALLOWANCE FOR EXPECTED CREDIT LOSSES ("ECLS") ASSESSMENT OF TRADE RECEIVABLES

Refer to summary of significant accounting policies in Note 4(f)(ii), accounting estimates and judgements in Note 5(ii) and disclosure of trade receivables in Note 23 to the consolidated financial statements.

As at 31 August 2020, the Group had net trade receivables amounting to RM78,037,000 (net of allowance for ECLs of approximately for the year RM476,000). Impairment loss on trade receivables has been recognised during the year ended 31 August 2020.

In determining the loss allowance for trade receivables, the Group measures the ECLs at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Management estimated the level of expected losses, with reference to historical observed default rate, and forward-looking economic factors using the simplified approach under HKFRS 9 that calculates ECLs based on lifetime ECLs. The Group applied the practical expedient to estimates the ECLs based on a provision matrix for trade receivables of the Group.

We have identified allowance for expected credit losses assessment of trade receivables as a key audit matter due to considerable amount of judgment and estimates being used by the Group in assessing the ECLs as mentioned in the forgoing paragraph.

Our response:

Our procedures in relation to management's allowance for ECLs assessment of trade receivables included:

— Assessing the appropriateness of assessment of the credit loss provision of the Group;

— Challenging the information used to determine the expected credit losses by considering cash collection performance against historical trends and the level of credit loss charges over time;

— Testing controls on a sample basis over the billing and collection cycle; and

— Assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of individual customers.

VALUATION OF INVENTORIES

Refer to summary of significant accounting policies in Note 4(g) and disclosure of inventories in Note 22 to the consolidated financial statements.

As at 31 August 2020, the carrying value of inventories was approximately RM49,856,000, which represents 17% of the total assets of the Group and is considered quantitatively significant to the Group.

The Group uses standard cost method as the measurement technique. The use of standard cost method takes into account normal levels of material and supplies, labour efficiency and capacity utilisation. Regular revisions in the light of current conditions are expected. Changes in materials price, overheads absorption rates and production levels lead to cost variances which, if not accounted for properly, may lead to the valuation of inventories being misstated.

We have identified the valuation of inventories as a key audit matter because of its financial significance to the financial statements and the degree of judgement involved in applying the Group's accounting policies in this area including timing and the likelihood of changes to the factors noted above which may affect the carrying value of the Group's inventories at the reporting date. Our audit procedures focused on the valuation of inventory as described below.

Our response:

Our procedures in relation to management's application of the standard cost method included:

— Understanding management's method over the tracking of the changes of inventory costs, including material prices, cost elements related to production overheads absorption such as labour and other production costs;

— Evaluating the reasonableness of standard costs such as taking account of the normal production level, changes of materials for production and direct labour and other production costs; and

— Testing, on a sample basis, accuracy of the standard costs and related cost variances against the underlying supporting documents.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Pak Tak Lun
Practising Certificate number: P06170

Hong Kong, 26 November 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2020

	Notes	2020 RM'000	2019 RM'000
Revenue	7	**223,406**	205,290
Cost of sales		**(184,466)**	(175,252)
Gross profit		**38,940**	30,038
Other operating income	8	**6,757**	7,242
Distribution costs		**(12,150)**	(9,767)
Administrative expenses		**(18,696)**	(13,437)
Other operating expenses		**(879)**	(172)
Profit from operation		**13,972**	13,904
Finance costs	14	**(8,221)**	(5,395)
Share of loss of a joint venture	19	**(4)**	(5)
Profit before income tax expense	9	**5,747**	8,504
Income tax expense	15	**(2,724)**	(1,870)
Profit for the year		**3,023**	6,634
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
— Exchange differences on translation to profit or loss		**(624)**	(13)
— Share of exchange difference on translation of a foreign joint venture		**3**	—
Other comprehensive income for the year		**(621)**	(13)
Total comprehensive income for the year		**2,402**	6,621
		RM	RM
Earnings per share			
Basic and diluted earnings per share	16	**0.38 sen**	0.83 sen

Consolidated Statement of Financial Position

As at 31 August 2020

	Notes	2020 RM'000	2019 RM'000
Non-current assets			
Property, plant and equipment	17	**95,807**	116,355
Right-of-use assets	18	**37,882**	—
Interest in a joint venture	19	**163**	164
Prepayment for acquisition of property, plant and equipment		**—**	1,800
Rental deposits		**405**	—
Deferred tax assets	21	**1,309**	189
Total non-current assets		**135,566**	118,508
Current assets			
Inventories	22	**49,856**	48,599
Trade and other receivables	23	**91,593**	73,675
Amounts due from a related company	24	**30**	44
Tax recoverable		**—**	14
Cash and cash equivalents		**20,262**	18,815
		161,741	141,147
Assets of a disposal group classified as held for sale	25	**—**	12
Total current assets		**161,741**	141,159
Current liabilities			
Trade and other payables	26	**41,011**	26,293
Bank borrowings	27	**96,598**	86,214
Amounts due to related companies	28	**680**	527
Finance lease obligations	29	**—**	6,235
Lease liabilities	29	**10,568**	—
Tax payables		**357**	—
Total current liabilities		**149,214**	119,269
Net current assets		**12,527**	21,890
Total assets less current liabilities		**148,093**	140,398

	Notes	2020 RM'000	2019 RM'000
Non-current liabilities			
Bank borrowings	27	**39,390**	39,771
Finance lease obligations	29	**—**	15,003
Lease liabilities	29	**18,426**	—
Deferred tax liabilities	21	**2,511**	260
Total non-current liabilities		**60,327**	55,034
Net assets		**87,766**	85,364
Capital and reserves			
Share capital	30	**4,304**	4,304
Reserves	31	**83,462**	81,060
Total equity		**87,766**	85,364

Tan Woon Chay
Director

Ong Yoong Nyock
Director

Consolidated Statement of Changes in Equity

For the year ended 31 August 2020

		Reserves				
	Share capital (Note 30) RM'000	**Share premium** RM'000	**Merger reserve** RM'000	**Exchange reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000
Balance at 31 August 2018 and 1 September 2018	4,304	35,967	8,548	(1,132)	31,056	78,743
Profit for the year	—	—	—	—	6,634	6,634
Other comprehensive income	—	—	—	(13)	—	(13)
Total comprehensive income	—	—	—	(13)	6,634	6,621
Balance at 31 August 2019	4,304	35,967	8,548	(1,145)	37,690	85,364
Profit for the year	—	—	—	—	3,023	3,023
Other comprehensive income	—	—	—	(621)	—	(621)
Total comprehensive income	—	—	—	(621)	3,023	2,402
Balance at 31 August 2020	4,304	35,967	8,548	(1,766)	40,713	87,766

Consolidated Statement of Cash Flows

For the year ended 31 August 2020

	Notes	2020 RM'000	2019 RM'000
Cash flows from operating activities			
Profit before income tax expense		**5,747**	8,504
Adjustments for:			
Allowance/(Reversal of) for obsolete inventories, net		**1,576**	(814)
Depreciation of property, plant and equipment		**5,481**	8,624
Depreciation of right-of-use assets		**7,608**	—
Doubtful debts recovered		**—**	(120)
Allowance for expected credit losses		**476**	—
Bad debts written off		**—**	279
Finance costs	14	**8,221**	5,395
Share of loss in a joint venture		**4**	5
Unrealised gain on foreign exchange		**(1,342)**	(2,230)
Gain on disposal of property, plant and equipment		**(261)**	(1,843)
Operating profit before working capital changes		**27,510**	17,800
Increase in inventories		**(3,674)**	(4,179)
Increase in trade and other receivables		**(20,176)**	(7,559)
Increase/(Decrease) in trade and other payables		**16,058**	(10,400)
Cash generated from/(used in) operations		**19,718**	(4,338)
Interest paid		**(288)**	(344)
Income taxes paid		**(833)**	(726)
Net cash generated from/(used in) operating activities		**18,597**	(5,408)
Cash flows from investing activities			
Decrease in prepayment for acquisition of property, plant and equipment		**1,800**	5,000
Decrease/(Increase) in amounts due from a related company		**15**	(3)
Purchase of property, plant and equipment		**(10,178)**	(24,034)
Proceeds from disposal of property, plant and equipment		**454**	1,845
Net cash used in investing activities		**(7,909)**	(17,192)

Consolidated Statement of Cash Flows

For the year ended 31 August 2020

	Notes	2020 RM'000	2019 RM'000
Cash flows from financing activities			
Proceeds from bank borrowings		**212,429**	263,435
Repayment of bank borrowings		**(199,998)**	(234,134)
Interest paid on bank borrowings		**(6,006)**	(4,015)
Increase/(Decrease) in amounts due to related companies		**153**	(914)
Capital element of finance lease obligations		**—**	(3,890)
Interest paid on finance lease		**—**	(1,036)
Repayment of principal portion of Lease payments		**(9,292)**	—
Interest paid on lease liabilities		**(1,927)**	—
Net cash (used in)/generated from financing activities		**(4,641)**	19,446
Net increase/(decrease) in cash and cash equivalents		**6,047**	(3,154)
Effects of exchange rate changes on cash and cash equivalents		**(2,172)**	(890)
Cash and cash equivalents at beginning of year		**10,871**	14,915
Cash and cash equivalents at end of year		**14,746**	10,871

An analysis of balances of cash and cash equivalents

		2020 RM'000	2019 RM'000
Bank and cash balances		**20,262**	18,815
Bank overdrafts	27	**(5,516)**	(7,944)
		14,746	10,871

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 13 April 2017 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong and Malaysia are located at Unit 1302, 13/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong and Lot 1769, Jalan Belati, Off Jalan Kempas Lama, Taman Perindustrian Maju Jaya, 81300 Johor Bahru, Johor Darul Takzim, Malaysia, respectively.

The Company is an investment holding company and the principal activities of its subsidiaries (together with the Company, collectively referred to as the "Group") are set out in Note 33.

The Company's parent is Linocraft Investment Pte Limited (the "Linocraft Investment"), a company incorporated in the British Virgin Islands (the "BVI"). In the opinion of the directors, Charlecote Sdn. Bhd. is the ultimate parent of the Company, which is a company with limited liability incorporated in Malaysia.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These consolidated financial statements have been prepared under the historical cost convention.

The functional currency of the Company is Hong Kong dollars ("HK$"), while the financial statements are presented in Malaysian Ringgit ("RM"), which is the functional currency of the Company's major subsidiaries. The directors consider that it is more appropriate to adopt RM as the Group's and the Company's presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or revised HKFRSs — effective on 1 September 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures Applying
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The other new or amended HKFRSs that are effective from 1 September 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 — Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and there are no adjustment to the opening balances of equity at 1 September 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new or revised HKFRSs — effective on 1 September 2019 (Continued)

HKFRS 16 — Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 31 August 2019 to that as at 1 September 2019 as follows (increase/(decrease)):

	RM'000
Consolidated statement of financial position as at 1 September 2019	
Right-of-use assets relating to operating leases recognised upon initial application of HKFRS16	9,928
Leased assets recognised previously under finance leases that reclassified from "Property, plant and equipment"	26,652
Right-of-use assets as at 1 September 2019	36,580

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 August 2019 could be reconciled to the lease liabilities recognised in the consolidated statement of financial position as at 1 September 2019:

	RM'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as at 31 August 2019	5,450
Less:	
Low value leases recognised on a straight-line basis as expense	(121)
Short term leases for which lease terms end within 31 August 2019	(1,160)
Future interest expenses	(602)
Add:	
Payments for optional extension periods not recognised as at 31 August 2019	6,361
Finance lease obligations recognised as at 31 August 2019	21,238
Total lease liabilities as at 1 September 2019	31,166

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 September 2019 ranging from 4.56% to 9.3%.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new or revised HKFRSs — effective on 1 September 2019 (Continued)

HKFRS 16 — Leases (Continued)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased printing machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised right-of-use assets and lease liabilities at the commencement date of a lease.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new or revised HKFRSs — effective on 1 September 2019 (Continued)

HKFRS 16 — Leases (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group does not apply valuation model on its non-financial assets. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new or revised HKFRSs — effective on 1 September 2019 (Continued)

HKFRS 16 — Leases (Continued)

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and there are no adjustment to the opening balance of equity at 1 September 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at 1 September 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 September 2019.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 August 2020.

The Group has also applied the following practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 September 2019) and accounted for those leases as short-term leases; (ii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 September 2019 and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new or revised HKFRSs — effective on 1 September 2019 (Continued)

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 19 — Plan Amendment, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss of any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures Applying

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[3]
Amendments to HKFRS 3	Reference to be the Conceptual Framework[4]
Amendments to HKAS 16	Property, Plant and Equipment Proceeds before In Intended Use[4]
Amendments to HKAS 37	Onerous Contracts Cost of Fulfilling a Contract[4]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1 First-time Adoption of International Financial Reporting Standards, HKFRS 9 Financial Instruments, Illustrative Examples accompanying HKFRS 16 Leases, HKAS 41 Agriculture[4]
Amendments to HKAS 1	Presentation of Financial Statements Classification of Liabilities as Current or Non-current[5]
HKFRS 17	Insurance Contracts[5]

1 Effective for annual periods beginning on or after 1 January 2020.
2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.
3 Effective for annual periods beginning on or after 1 June 2020.
4 Effective for annual periods beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

Those new/revised HKFRSs that might have material impact on the Group's financial statements are set out below:

Amendments to HKFRS 3 — Definition of a Business

The amendments improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance. Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 16 — Covid-19-Related Rent Concessions

The amendments provide lessees with an exemption from the requirement to determine whether a Covid-19-related rent concession is a lease modification and require lessees that apply the exemption to account for Covid-19-related rent concessions as if they were not lease modifications. The criteria must be satisfied for a rent concession to qualify for the practical expedient.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the consolidated financial statements of the issuers of those contracts.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

Except as described above, the directors so far concluded that the application of these new pronouncements will not result in substantial changes to the Group's counting policies and financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as joint ventures where the Group has rights to only the net assets of the joint arrangement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements (Continued)

In assessing the classification of interests in joint arrangements, the Group considers:

— The structure of the joint arrangement;

— The legal form of joint arrangements structured through a separate vehicle;

— The contractual terms of the joint arrangement agreement; and

— Any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of post-acquisition changes in the joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is an obligation to make good those losses.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Freehold land	Not depreciated
Buildings	50 years
Plant and machinery	10–13 years
Equipment, furniture and fittings	10–20 years
Renovation	10 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Leasing

(A) Leasing (accounting policies applied from 1 September 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing (Continued)

(A) Leasing (accounting policies applied from 1 September 2019) (Continued)

Right-of-use asset (Continued)

The Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(B) Leasing (policies applied before 1 September 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrate otherwise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 1 year past due. The Group has rebutted the presumption that the default does not occur later than when the financial asset is 90 days past due based on reasonable and supportable information that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (a) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in (ii) above; and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. The normal credit term is 30–60 days upon delivery.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sales of goods

Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition (Continued)

(ii) Other income

Interest income is accrued on a time-proportion basis using the effective interest method.

(i) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(j) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currency (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Malaysian Ringgit) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(k) Employee benefits

(i) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(l) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (other than financial assets) (Continued)

Value in use is based on the estimated future cash flows expected to be derived from the cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Related parties (Continued)

(b) (Continued)

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OR ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future periods.

(i) Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OR ESTIMATION UNCERTAINTY (Continued)

(ii) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables are disclosed in Note 23 to the financial statements, respectively.

(iii) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iv) Classification of bank borrowings

The Group entered into term loan agreements with certain registered banks in Malaysia that are governed by and construed in accordance with the laws of Malaysia and the said agreements include repayment on demand clauses. Judgement is involved in determining whether the Group has unconditional right to defer settlement of these bank borrowings for at least twelve months after the reporting period. The Group, with reference to court decisions on certain legal cases in Malaysia, determines that demand clauses on these bank borrowings shall not have an effect to the Group's ability to defer settlement of its liabilities to these banks for at least twelve months after the reporting period as these clauses would not override other terms and conditions provided in these banking facilities.

The Group classifies its fixed term bank borrowings with these registered banks in Malaysia as current and non-current liabilities in accordance with terms and conditions as stated in respective bank loan agreements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OR ESTIMATION UNCERTAINTY (Continued)

(v) Estimated net realisable value of inventories

The Group's management writes down for slow moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventory will be written down where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgment and estimates in inventory provision policy. Where the expectation is different from the original estimate, such difference will impact carrying value of the inventories and revision on the amount of inventories written down in the period in which such estimate has been changed. In making this estimation, the Group evaluates the usage and extent by all means to which the amount will be impaired. During the year, the Group recognised impairment loss on inventory of approximately for the year RM1,576,000 (net reversal of impairment on inventory of approximately loss for the year 2019: RM814,000).

(vi) Incremental borrowing rate

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

(vii) Lease term of contracts with renewal — Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Group has an option, under certain of its leases, to lease the assets for additional terms of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

6. SEGMENT INFORMATION

(a) Business segment

The Group has been operating in one operating and reportable segment, being printing and manufacture of instruction manuals, insert, packaging products and printed paper labels. The chief operating decision maker make decisions based on the historical financial information of the Group prepared in accordance with HKFRS about resources allocation and performance assessment.

6. SEGMENT INFORMATION (Continued)

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than investment in golf club membership, interest in a joint venture, prepayment for acquisition of property, plant and equipment and deferred tax assets ("Specified non-current assets").

	Revenue from external customers	
	2020 RM'000	2019 RM'000
Malaysia	**154,574**	154,937
Singapore	**6,208**	5,326
Philippines	**62,624**	45,027
	223,406	205,290

	Specified non-current assets	
	2020 RM'000	2019 RM'000
Malaysia	**101,688**	90,520
Philippines	**31,362**	25,602
Others	**639**	233
	133,689	116,355

(c) Information about major customers

Revenue from customers individually contributing 10% or more of the Group's revenue are as follow:

	Revenue from external customers	
	2020 RM'000	2019 RM'000
Customer A	**62,042**	44,349
Customer B	**53,483**	54,870
Customer C	**30,203**	15,931

7. REVENUE

An analysis of disaggregation of the Group's revenue from contract with customers are as follows:

	2020 RM'000	2019 RM'000
Sales of production products transferred at a point in time:		
— Instruction manual	**19,874**	21,909
— Label	**109**	269
— Insert	**52,816**	58,458
— Packaging	**150,607**	124,654
	223,406	205,290

The following table provides information about trade receivables from contracts with customers.

	31 August 2020 RM'000	31 August 2019 RM'000
Receivables (Note 23)	**78,037**	59,136

All sales of goods are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

8. OTHER OPERATING INCOME

	2020 RM'000	2019 RM'000
Gain on disposal of property, plant and equipment	**261**	1,843
Gain/(Loss) on foreign exchange:		
— realised	**235**	(3,132)
— unrealised	**1,342**	2,230
Sales of scrap materials	**3,476**	4,088
Other income	**1,443**	2,213
	6,757	7,242

9. PROFIT BEFORE INCOME TAX EXPENSE

	2020 RM'000	2019 RM'000
Profit before income tax expense is arrived at after charging/(crediting):		
Cost of inventories sold*	**184,466**	175,252
Allowance/(Reversal of) for obsolete inventories, net#	**1,576**	(814)
Auditor's remuneration	**381**	601
Depreciation of property, plant and equipment		
— Owned	**5,481**	5,610
— Held under finance leases	**—**	3,014
Depreciation of right-of-use assets	**7,608**	—
Allowance for doubtful debts	**476**	—
Doubtful debts recovered	**—**	(120)
Bad debts written off	**—**	279
Gain on disposal of property, plant and equipment	**(261)**	(1,843)
Employee costs (Note 11)	**33,808**	27,350

* For the years ended 31 August 2020 and 2019, cost of inventories sold comprise RM31,126,000 (2019: RM25,369,000 relating to employee benefit expenses and depreciation charges, which are also included in the respective total amounts disclosed separately above.

\# The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	2020 RM'000	2019 RM'000
Carrying amount of inventories sold	**182,890**	176,066
Allowance for obsolete inventories	**1,576**	199
Reversal of allowance for obsolete inventories	**—**	(1,013)
	184,466	175,252

10. DIVIDENDS

No dividend was paid or proposed during 2020, nor has any dividend been proposed since the end of reporting period (2019: Nil).

There are no income tax consequences related the payment of dividends by the company to its shareholders.

11. EMPLOYEE COSTS

	2020 RM'000	2019 RM'000
Employee costs (including directors) comprise:		
Wages and salaries	**31,558**	24,999
Short-term non-monetary benefits	**152**	354
Contributions to retirement benefit schemes	**2,098**	1,997
	33,808	27,350

12. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

Year ended 31 August 2020:

	Fees RM'000	Salaries and other benefits RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
Executive directors				
Ong Yoong Nyock	—	**1,470**	**24**	**1,494**
Tan Woon Chay	—	**4,601**	**239**	**4,840**
Independent non-executive directors				
Choy Wing Keung David	**130**	—	—	**130**
Liew Weng Keat	**130**	—	—	**130**
Teoh Cheng Tun	**130**	—	—	**130**
	390	**6,071**	**263**	**6,724**

12. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 August 2019:

	Fees RM'000	Salaries and other benefits RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
Executive directors				
Ong Yoong Nyock	—	808	61	869
Tan Woon Chay	—	899	290	1,189
Independent non-executive directors				
Choy Wing Keung David	127	—	—	127
Liew Weng Keat	127	—	—	127
Teoh Cheng Tun	127	—	—	127
	381	1,707	351	2,439

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two (2019: two) directors for the year ended 31 August 2020. The remaining three (2019: three) highest paid individuals for the year ended 31 August 2020 were as follow:

	2020 RM'000	2019 RM'000
Salaries and other benefits	**953**	652
Contributions to retirement benefit schemes	**117**	81
	1,070	733

The emoluments of each of the above non-director highest paid individuals were all within the band of nil to RM537,400 (approximately nil to HK$1,000,000) and nil to RM523,700 (approximately nil to HK$1,000,000) in 2020 and 2019, respectively.

During the year, no emolument was paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in the current year and in prior year. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments in the current year and in prior year.

14. FINANCE COSTS

	2020 RM'000	2019 RM'000
Interest on bank overdrafts	**288**	344
Interest on bank borrowings	**6,006**	4,015
Interest on finance lease	**—**	1,036
Interest on lease liabilities	**1,927**	—
	8,221	5,395

15. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of comprehensive income represents:

	2020 RM'000	2019 RM'000
Current tax — Corporate income tax in Malaysia		
— Charge for the year	**1,119**	746
— Under provision in respect of prior years	**429**	11
	1,548	757
Deferred tax (Note 21)	**1,176**	1,113
Income tax expense	**2,724**	1,870

The Company was incorporated in the Cayman Islands that is tax-exempted as no business is carried out in the Cayman Islands under the laws of the Cayman Islands.

Hong Kong Profits Tax is calculated at tiered rates of 8.25% on the first HK$2 million and 16.5% for the remainder (2019: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Corporate income tax in Malaysia is calculated at the statutory rate of 24% (2019: 24%) of the estimated taxable profit for the financial year ended 31 August 2020.

Companies in Malaysia with a paid up capital of RM2,500,000 and below can enjoy lower corporate tax rate in Malaysia of 17% (2019: 17%) on the first RM600,000 (2019: RM500,000) taxable profit and remaining balance of the estimated taxable profit at tax rate of 24% (2019: 24%).

15. INCOME TAX EXPENSE (Continued)

Subsidiary located in Philippines was subject to Philippines income tax at the rate of 30% (2019: 30%) on the estimated taxable income during the year. Starting from the fourth taxable year after the year the business operations commenced, entities incorporated in the Philippines are required to pay tax equivalent to the higher of 30% (2019: 30%) regular corporate income tax ("RCIT") on taxable income and the 2% (2018: 2%) minimum corporate income tax ("MCIT") on gross income. Gross income is equivalent to revenue less direct costs. Any excess of the MCIT over RCIT can be carried forward and credited against RCIT for three succeeding taxable years.

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2020 RM'000	2019 RM'000
Profit before income tax expense	**5,747**	8,504
Tax calculated at the domestic tax rates	**1,464**	1,719
Tax effect of expenses not deductible for tax purposes	**18,578**	3,609
Tax effect of revenue not taxable for tax purposes	**(16,703)**	(2,614)
Effect of tax exemption granted to Malaysia subsidiary	**(1,044)**	(855)
Under provision of tax expense in prior year	**429**	11
Income tax expense	**2,724**	1,870

16. EARNINGS PER SHARE

The calculation of basic earnings per share amount is based on the earning attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective periods.

The calculation of basic and diluted earnings per share is based on the following information:

	2020 RM'000	2019 RM'000
Earnings		
Profit for the year attributable to owners of the Company	**3,023**	6,634

	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	**800,000,000**	800,000,000

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares during the years ended 31 August 2020 and 2019.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM'000	Plant and machinery RM'000	Equipment, furniture and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Construction in progress RM'000	Total RM'000
Cost:							
At 1 September 2018	29,511	99,507	8,183	6,078	1,792	—	145,071
Additions	4,935	8,972	1,634	3,326	727	12,622	32,216
Disposals	—	(11,182)	(7)	—	(230)	—	(11,419)
Exchange realignment	—	785	99	30	32	—	946
At 31 August 2019	34,446	98,082	9,909	9,434	2,321	12,622	166,814
Impact on initial adoption of HKFRS 16 (Note)	—	(37,282)	—	—	(1,169)	—	(38,451)
At 1 September 2019	34,446	60,800	9,909	9,434	1,152	12,622	128,363
Additions	2	1,453	1,281	636	109	6,697	10,178
Disposals	—	(1,880)	—	—	(254)	—	(2,134)
Exchange realignment	—	1,441	151	245	8	—	1,845
At 31 August 2020	34,448	61,814	11,341	10,315	1,015	19,319	138,252
Accumulated depreciation:							
At 1 September 2018	4,066	40,991	3,947	3,217	951	—	53,172
Charge for the year	321	6,624	728	640	311	—	8,624
Disposals	—	(11,182)	(5)	—	(230)	—	(11,417)
Exchange realignment	—	56	8	9	7	—	80
At 31 August 2019	4,387	36,489	4,678	3,866	1,039	—	50,459
Impact on initial adoption of HKFRS 16 (Note)	—	(11,341)	—	—	(458)	—	(11,799)
At 1 September 2019	4,387	25,148	4,678	3,866	581	—	38,660
Charge for the year	403	3,283	808	755	232	—	5,481
Disposals	—	(1,880)	—	—	(61)	—	(1,941)
Exchange realignment	—	190	23	32	—	—	245
At 31 August 2020	4,790	26,741	5,509	4,653	752	—	42,445
Net carrying amount:							
At 31 August 2020	29,658	35,073	5,832	5,662	263	19,319	95,807
At 31 August 2019	30,059	61,593	5,231	5,568	1,282	12,622	116,355

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note: The Group has initially applied HKFRS 16 using the modified retrospective method at 1 September 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 August 2019 has not been restated. Details for transitions to HKFRS 16 are set out in note 3(a)(i).

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and/or pledged as security for borrowings:

	2019 RM'000
Assets held under finance leases	
— Plant and machinery	25,941
— Motor vehicles	711
	26,652

	2020 RM'000	2019 RM'000
Assets pledged as security for borrowings (Note 27)		
— Freehold land and buildings	**29,658**	30,059
— Plant and machinery	**20,727**	18,028
	50,385	48,087

18. RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Buildings RM'000	**Equipment** RM'000	**Motor vehicles** RM'000	**Plant and machinery** RM'000	**Total** RM'000
At 1 September 2019	—	—	—	—	—
Initial adoption of HKFRS 16	8,537	1,391	711	25,941	36,580
Additions	1,391	—	404	6,739	8,534
Depreciation	(2,802)	(464)	(312)	(4,030)	(7,608)
Exchange differences	341	—	35	—	376
At 31 August 2020	7,467	927	838	28,650	37,882

18. RIGHT-OF-USE ASSETS (Continued)

Included in property, plant and equipment, the leasehold land and buildings with net carrying amount of RM4,530,000 at 31 August 2019 are now presented under right-of-use assets under leases, following the adoption of HKFRS 16.

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2020 RM'000	2019 RM'000
Ownership interests leasehold land and buildings, carried at depreciated cost with remaining lease term of other properties leased for own use, carried at depreciated cost	**7,467**	—

19. INTEREST IN A JOINT VENTURE

	2020 RM'000	2019 RM'000
Represented by:		
Share of net assets	**163**	164

Details of the Group's joint venture are as follows:

Name	Place of incorporation, operation and principal activities	Percentage of ownership interests As at 31 August 2020	2019
Linocraft Singapore Pte. Ltd. (the "LSPL")	General wholesale print and packing products in Singapore	**50%**	50%

The Group has 50% (2019: 50%) interest in a joint venture, the LSPL, a separate structured vehicle incorporated and operating in Singapore. The primary activity of the LSPL is general wholesale print and packing products, which is in line with the Group's strategy to expand the printing division.

The contractual arrangement provides the group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with the LSPL. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

19. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information of the joint venture is presented below:

	2020 RM'000	2019 RM'000
Current assets	**799**	987
Non-current assets	**—**	—
Current liabilities	**(472)**	(659)
Non-current liabilities	**—**	—
Net assets	**327**	328
Group's share of the net assets of the joint venture	**163**	164

	2020 RM'000	2019 RM'000
Revenue	**2,177**	2,485
Loss for the year	**(8)**	(10)
Other comprehensive income	**6**	—
Total comprehensive income for the year	**(2)**	(10)
Aggregate amount of the Group's share of a joint venture		
Profit or loss	**(4)**	(5)
Other comprehensive income	**3**	—
Total comprehensive income	**(1)**	(5)

20. INVESTMENT IN GOLF CLUB MEMBERSHIP

	2020 RM'000	2019 RM'000
Golf club membership at cost	**20**	20
Less: accumulated impairment loss	**(20)**	(20)
	—	—

21. DEFERRED TAX ASSETS

Details of the deferred tax liabilities and assets recognised and movements during the current and prior years:

	Accelerated tax depreciation RM'000	Reinvestment allowance RM'000	Tax losses RM'000	Other RM'000	Total RM'000
At 1 September 2018	(4,920)	4,873	230	848	1,031
(Charge)/Credit to profit or loss for the year	782	(1,840)	(52)	(3)	(1,113)
Exchange differences	—	—	11	—	11
At 31 August 2019 and 1 September 2019	(4,138)	3,033	189	845	(71)
(Charge)/Credit to profit or loss for the year	(102)	(2,144)	1,075	(5)	(1,176)
Exchange differences	—	—	45	—	45
At 31 August 2020	(4,240)	889	1,309	840	(1,202)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 RM'000	2019 RM'000
Deferred tax assets	**1,309**	189
Deferred tax liabilities, net	**(2,511)**	(260)
	(1,202)	(71)

22. INVENTORIES

	As at 31 August	
	2020 RM'000	2019 RM'000
Raw materials	**21,234**	20,185
Work-in-progress	**11,977**	13,309
Finished goods	**19,303**	16,187
	52,514	49,681
Less: allowance for obsolete inventories	**(2,658)**	(1,082)
	49,856	48,599

23. TRADE AND OTHER RECEIVABLES

	2020 RM'000	2019 RM'000
Trade receivables from:		
— Joint venture	**593**	877
— Third parties	**77,444**	58,259
	78,037	59,136
Deposit and prepayments	**10,971**	8,041
Loans and advances	**2,158**	4,805
GST recoverable	**427**	1,693
	91,593	73,675

Included in trade receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as at 31 August 2020 and 2019:

	2020 RM'000	2019 RM'000
Within 1 month	**32,891**	41,854
1 to 2 months	**25,270**	13,594
2 to 3 months	**16,420**	1,058
Over 3 months	**3,456**	2,630
	78,037	59,136

The Group usually grants credit period ranging from 0 to 90 days (2019: 0 to 90 days) to its trade customers.

At the end of each of the reporting periods, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. The provision of ECL for receivables is recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. Based on the impairment assessment, a provision of ECL of RM476,000 was provided for current year. (2019: nil). The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

23. TRADE AND OTHER RECEIVABLES (Continued)

The below table reconciled the movement on the allowance for ECL of trade debtors for the year:

	2020 RM'000	2019 RM'000
Balance at the beginning of the financial year	—	120
Allowance for ECL recognised during the year	476	—
Reversal of allowance provided	—	(120)
Balance at the end of the year	476	—

For all other receivables, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The Group measures the loss allowance equal to 12-month ECLs and there had been no significant increase in credit risk since initial recognition. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. No impairment for other receivables as at 31 August 2020 (2019: Nil) as the expected credit loss is immaterial.

24. AMOUNTS DUE FROM A RELATED COMPANY

Amounts due from a related company disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	As at 31 August	
	2020 RM'000	2019 RM'000
Pentino Sdn Bhd*	30	44
Maximum outstanding amount during the year — Pentino Sdn Bhd	44	44

The amounts are non-trade related, unsecured, interest-free and repayable on demand.

* A company whose directors are also the directors of the Company.

25. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In the prior year, the Group transferred its entire equity interest in Linocraft Packaging Zhuhai Pte. Ltd., a subsidiary of the Group, to a former subsidiary of the Group.

25. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

The following major classes of assets and liabilities relating to this operation had been classified as held for sale in the consolidated statement of financial position.

	2020 RM'000	2019 RM'000
Property, plant and equipment	—	1
Trade and other receivable	—	11
	—	12
Trade and other payable	—	—

In accordance with HKFRS 5 the assets and liabilities of the disposal group had been written down to their recoverable amount. This is a non-recurring fair value measurement.

There had no impairment loss recognised in administrative expenses from continuing operations on the measurement of the disposal group to fair value less costs to sell.

There was no cumulative income or expense included in other comprehensive income related to the disposal group.

During the year, the Group expects that the major classes of assets and liabilities relating to this operation will be disposed of through abandonment. Abandonment occurs when the Group elects to not claim an interest in these assets and liabilities. By doing so, the criteria for these assets and liabilities to be classified as held-for-sale is reviewed at the end of the reporting period that it is no longer met, then these assets and liabilities ceases to be held-for-sale as held for sale as the carrying amount of these assets and liabilities will be recovered principally through continuing use. These assets and liabilities should instead continue to be measured and presented in the consolidated statement of financial position under the existing policies. And also, these should be measured at the lower of (i) its carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have taken place if the asset was not classified as held for sale, and (ii) its recoverable amount at the date of decision not to sell.

26. TRADE AND OTHER PAYABLES

	2020 RM'000	2019 RM'000
Trade payables	**20,754**	17,526
Other payables, accruals and deposit received	**20,257**	8,767
	41,011	26,293

26. TRADE AND OTHER PAYABLES (Continued)

Trade payables are non-interest bearing. The Group is normally granted credit terms ranging from 0 to 90 days from the invoice date.

Included in trade and other payables are trade creditors with the following aging analysis, based on invoice dates, as at 31 August 2020 and 2019:

	2020 RM'000	2019 RM'000
Current or less than 1 month	**7,482**	8,581
1 to 3 months	**12,521**	7,946
More than 3 months but less than 12 months	**678**	906
More than 12 months	**73**	93
	20,754	17,526

27. BANK BORROWINGS

	2020 RM'000	2019 RM'000
Secured		
Secured and interest-bearing bank borrowings	**130,472**	118,041
Bank overdrafts	**5,516**	7,944
	135,988	125,985
Bank borrowings are scheduled to repay as follows:		
— on demand or within one year	**96,598**	86,214
— more than one year, but not exceeding two years	**12,015**	5,564
— more than two years, but not exceeding five years	**17,750**	23,870
— after five years	**9,625**	10,337
	135,988	125,985
Amount due within one year included in current liabilities	**(96,598)**	(86,214)
Amount include in non-current liabilities	**39,390**	39,771

27. BANK BORROWINGS (Continued)

Notes:

(a) Bank borrowings are interest bearing at the banks' base lending rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 August 2020 granted under banking facilities ranged from 1.25% to 9.22% (2019: 3.66% to 9.22%) per annum, respectively.

(b) As at 31 August 2020, the carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounting to RM29,053,000 (2019: RM30,131,000).

In the opinion of directors, with reference to the case laws established in Malaysia, it is determined that the mere inclusion of a repayment on demand clause in a long term loan agreement governed under the laws of Malaysia would not allow the banks to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreement.

Accordingly, the liability associated with the term loans of the Group raised in Malaysia that contained a repayable on demand clause is classified as current and/or non-current liability during the reporting periods in accordance with other terms and conditions as stated in the respective term loan agreement.

Any change to the precedence established by the Courts of Law in Malaysia relating to the interpretation of the repayment on demand clause in the future may have an impact to the classification of the term loans of the Group.

(c) The Group classifies its fixed term bank borrowings with certain registered banks in Malaysia as current and non-current liabilities in accordance with terms and conditions as stated in respective bank loan agreements.

The Group's bank borrowings and banking facilities are secured by the followings:

— Freehold land and buildings with net carrying amount of RM29,658,000 (2019: RM30,059,000) as at 31 August 2020 (Note 17);

— Plant and machinery with net carrying amount of RM20,727,000 (2019: RM18,028,000) as at 31 August 2020 (Note 17); and

— Personal guarantees from Mr. Ong Yoong Nyock, Mr. Tan Woon Chay and a director of Linocraft Malaysia.

28. AMOUNTS DUE TO RELATED COMPANIES

As at 31 August 2020, the amounts due to related companies in which a director has interests are unsecured, with no fixed terms of repayment and interest free.

As at 31 August 2019, the amounts due to related companies in which a director has interests are unsecured, with no fixed terms of repayment and interest free, except for the borrowings amounting to RM1,369,000 with interest charged at 5% per annum as at 31 August 2018, which is fully settled during the year ended 31 August 2019.

29. LEASE LIABILITIES/FINANCE LEASE LIABILITIES

HKFRS 16 was adopted by the Group on 1 September 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 September 2019, see note 3(a). The accounting policies applied subsequent to the date of initial application, 1 September 2019, as disclosed in note 4.(e)(A).

The movement of the Group's lease liabilities during the year ended 31 August 2020 is as follows:

	RM'000
Initial adoption of HKFRS 16 (note 18)	31,166
Additions	7,120
Interest expense	1,927
Lease payments	(11,219)
As at 31 August 2020	28,994

Future lease payments are due as follows:

	Minimum lease payments 31 August 2020 RM'000	**Interest 31 August 2020 RM'000**	**Present value 31 August 2020 RM'000**
Not later than one year	**12,450**	**(1,882)**	**10,568**
Later than one year but not later than 2 years	**10,690**	**(377)**	**10,313**
Later than two year but not later than five years	**8,278**	**(165)**	**8,113**
Later than five years	**—**	**—**	**—**
	31,418	**(2,424)**	**28,994**

	Minimum lease payments 1 September 2019 RM'000	Interest 1 September 2019 RM'000	Present value 1 September 2019 RM'000
Not later than one year	10,318	(1,301)	9,017
Later than one year but not later than 2 years	10,253	(957)	9,296
Later than two year but not later than five years	13,420	(585)	12,835
Later than five years	18	—	18
	34,009	(2,843)	31,166

29. LEASE LIABILITIES/FINANCE LEASE LIABILITIES (Continued)

	Minimum lease payments 31 August 2019 RM'000	Interest 31 August 2019 RM'000	Present value 31 August 2019 RM'000
Not later than one year	7,307	1,072	6,235
Later than one year but not later than 2 years	7,447	740	6,707
Later than two year but not later than five years	8,725	429	8,296
Later than five years	—	—	—
	23,479	2,241	21,238

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach at 1 September 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 August 2019 has not been restated and relates solely to leases previously classified as finance leases. Please refer to note 3(a)(i) for further details about transition.

As at 31 August 2019, the Group leases certain plant and machinery and motor vehicles. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

The present value of future lease payments are analysed as:

	2020 RM'000
Current liabilities	**10,568**
Non-current liabilities	**18,426**
	28,994

Others

	2020 RM'000
Short-term leases expenses	**1,739**
Low-value assets leases expenses	**473**

29. LEASE LIABILITIES/FINANCE LEASE LIABILITIES (Continued)

Operating leases — lessee

As lessee

Future minimum lease payments under non-cancellable operating leases in respect of rented premises and plant, machinery and equipment were payable as follows:

	2019 RM'000
Rented premises	
Not later than one year	3,415
Later than one year and not later than two years	1,690
Later than two years and not later than five years	69
	5,174
Plant, machinery and equipment	
Not later than one year	116
Later than one year and not later than two years	95
Later than two years and not later than five years	44
Later than five years	21
	276
	5,450

The Group leases a number of premises and office equipment under operating leases. The leases run for an initial period of one year to five years. The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

30. SHARE CAPITAL

	2020 RM'000	2019 RM'000
Ordinary shares		
Issued and fully paid	**4,304**	4,304

As at 31 August 2020 and 2019, the share capital balance represented the issued share capital of the Company. Details of the movements in the authorised and issued and fully paid share capital of the Company are summarised as follows:

	Number of shares	**Amount** RM'000	**Amount** HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 31 August 2019, 1 September 2019 and 31 August 2020	5,000,000,000	27,284	50,000
Issued and fully paid:			
At 31 August 2019, 1 September 2019 and 31 August 2020	800,000,000	4,304	8,000

(i) All shares issued rank pari passu in all respects with all shares then in issue.

31. RESERVES

The Group

The following describes the nature and purpose of exchange reserve within owners' equity:

Merger reserve

Merger reserve mainly arose from the Reorganisation upon completion of reorganisation. Merger reserve as at 31 August 2017 amounting to RM8,548,000 represented the difference between the nominal value of shares issued by the Company and the issued share capital and share premium of its subsidiaries including Linocraft Holdings Limited, Linocraft International Limited, Grace Key Limited, Eden Grace Hong Kong Limited, Linocraft Group Limited, Linocraft Printers Sdn. Bhd., Linocraft Printers Philippines Inc and Linocraft Packaging Zhuhai Pte Ltd.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 4(j).

The Company

The movement of the Company's reserves during the years are as follows:

	Share premium RM'000	Exchange reserve RM'000	Merger reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 September 2018	35,967	(2,358)	39,289	(9,571)	63,327
Loss for the year	—	—	—	(2,681)	(2,681)
Other comprehensive income	—	1,719	—	—	1,719
At 31 August 2019 and 1 September 2019	35,967	(639)	39,289	(12,252)	62,365
Loss for the year	—	—	—	(3,977)	(3,977)
Other comprehensive income	—	156	—	—	156
At 31 August 2020	35,967	(483)	39,289	(16,229)	58,544

* Merger reserve represents the difference between the nominal value of the shares issued for reorganisation and the net assets value of its subsidiary at the date of acquisition.

32. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 August 2020

	Note	2020 RM'000	2019 RM'000
Non-current assets			
Investments in subsidiaries		**38,765**	38,693
Current assets			
Other receivables		**—**	—
Amounts due from subsidiaries		**23,659**	21,951
Cash and cash equivalents		**5,055**	8,326
		28,714	30,277
Current liabilities			
Accruals		**1,772**	(759)
Amounts due to subsidiaries		**2,859**	(1,542)
		4,631	(2,301)
Net current assets		**24,083**	27,976
Net assets		**62,848**	66,669
Capital and reserves			
Share capital	30	**4,304**	4,304
Reserves	31	**58,544**	62,365
Total equity		**62,848**	66,669

Tan Woon Chay
Director

Ong Yoong Nyock
Director

33. INVESTMENTS IN SUBSIDIARIES

Name	Country and date of incorporation	Place of operation and principal activities	Particulars of issued and fully paid up share capital/ registered capital	Percentage of ownership interests/voting rights/ profit share	
				Directly	Indirectly
Linocraft International Limited	The British Virgin Islands (the "BVI"), 26 January 2017	BVI, Investment holdings	US$10,000	100%	—
Linocraft Group Limited	The BVI, 14 February 2017	BVI, Investment holdings	US$1,000	—	100%
Linocraft Printers Sdn. Bhd. (the "Linocraft Malaysia")	Malaysia, 28 June 1972	Malaysia, Printing and manufacture of instruction manuals, packaging products and printed paper labels	RM23,000,000	—	100%
Linocraft Printers Philippines Inc.	Philippines, 9 June 2016	Philippines, Printing and manufacture of instruction manuals, packaging products and printed paper labels	Peso10,000,000	—	99%
Grace Key Limited	BVI, 16 August 2016	BVI, Investment holdings	US$1,000	—	100%
Eden Grace Hong Kong Limited	Hong Kong, 12 October 2016	Hong Kong, Provide supporting services to other Group's entities	HK$100,000	—	100%

34. RELATED PARTY TRANSACTIONS

(a) As at 31 August 2020 and 2019, Mr. Ong Yoong Nyock and Mr. Tan Woon Chay provide personal guarantees to secure for the bank borrowings and banking facilities (Note 27) and finance lease obligations (Note 29) grant to the Group.

Mr. Ong Yoong Nyock and Mr. Tan Woon Chay provide personal guarantees to the Group for bank borrowings and finance lease obligations being listing. These personal guarantees were released, discharged or replaced by corporate guarantees or other securities provided by the Group upon Listing.

(b) The remuneration of directors and other members of key management during the year were as follows:

	2020 RM'000	2019 RM'000
Wages and salaries	**6,071**	1,707
Contribution to retirement benefits schemes	**263**	351
	6,334	2,058

34. RELATED PARTY TRANSACTIONS (Continued)

(c) During the year, the Group entered into the following material transactions with related parties:

Related party relationship	Common director	Interest	Name/Company name	Type of transaction	Year ended 2020 RM'000	Year ended 2019 RM'000
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	84% (Note (i))	TIONG NAM LOGISTICS SOLUTIONS SDN BHD	(a) Transportation fees paid to a related company (Note (i))	**2,753**	2,927
An entity controlled by Chua Sui Keng, a director of Linocraft Malaysia	Chua Sui Keng	25%	GF EQUIPMENT RENTAL SDN BHD	(b) Rental expenses of equipments paid to related companies	**578**	545
Joint venture	Tan Woon Chay	50% hold by Linocraft Printers Sdn. Bhd.	Linocraft Singapore Pte. Ltd.	(c) Purchases from the Group	**1,915**	2,163

Notes :

(i) TIONG NAM LOGISTICS SOLUTIONS SDN BHD is owned as to approximately 32.56% by Mr. Ong Yoong Nyock and as to approximately 51.28% by his spouse as at 31 August 2020. Moreover, the related party transactions in respect of transportation fees paid or payable to TIONG NAM LOGISTICS SOLUTIONS SDN BHD above also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

In the opinion of the directors of the company, the above transactions were conducted on arm's length basis and on normal commercial terms.

35. CAPITAL COMMITMENTS

	2020 RM'000	2019 RM'000
Commitments for the acquisition of:		
Investment property	**3,067**	3,067
Property, plant and equipment	**1,396**	2,680
	4,463	5,747

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2020 RM'000	2019 RM'000
Financial assets measured at amortised cost		
— Trade and other receivables	**84,172**	68,750
— Amounts due from a related company	**30**	44
— Cash and cash equivalents	**20,262**	18,815
	104,464	87,609
Financial liabilities measured at amortised cost		
— Trade and other payables	**41,011**	26,293
— Bank borrowings	**135,988**	125,985
— Amounts due to related companies	**680**	527
— Finance lease obligations	**—**	21,238
— Lease liabilities	**28,994**	—
	206,673	174,043

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, amounts due from a related company, trade and other payables, bank borrowings, amounts due to related companies, finance lease obligations and lease liabilities.

Due to their short term nature, the carrying values of cash and cash equivalents, trade and other receivables, amounts due from a related company, trade and other payables, bank borrowings, amounts due to related companies, finance lease obligations and lease liabilities approximate fair value.

37. FINANCIAL RISK MANAGEMENT

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and bank deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets and all trade receivables.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers. Trade receivables are due within 0–90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but a lesser extent. The concentration of credit risk due from the Group's largest and five largest customers are listed below:

	2020 RM'000	2019 RM'000
Largest customer	**20,291**	16,883
Five largest customers	**63,284**	45,123

Substantial bank deposits are held in major financial institutions which management believes are of high credit quality.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. ECLs rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

No impairment for trade receivables is provided as the amount of additional impairment measured under the ECLs model is immaterial as at 31 August 2019. The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 August 2020:

At 31 August 2020	Expected loss rate (%)	Gross carrying amount (RM'000)	Loss allowance (RM'000)
Current (not past due)	0.01%	52,405	5
1–30 days past due	0.01%	21,603	2
31–60 days past due	0.02%	3,082	1
61–90 days past due	0.46%	435	2
More than 90 days past due	47.24%	988	466
		78,513	476

Other receivables measured at amortised costs are subject to the ECLs model and the loss allowances are limited to 12-month ECLs as there has not been a significant increase in credit risk since initial recognition. The ECLs of other receivables as at 31 August 2020 were determined to be immaterial (2019: nil).

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

These risks are limited by the Group's financial management policies and practices described below.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

37. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting periods of the Group's bank borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
At 31 August 2020						
Trade and other payables	**41,011**	**41,011**	**41,011**	**—**	**—**	**—**
Bank borrowings	**135,988**	**157,478**	**110,500**	**8,069**	**26,324**	**12,585**
Amounts due to related companies	**680**	**680**	**680**	**—**	**—**	**—**
Lease liabilities	**28,994**	**31,418**	**12,450**	**10,690**	**8,278**	**—**
	206,673	**230,587**	**164,641**	**18,759**	**34,602**	**12,585**

	Carrying amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
At 31 August 2019						
Trade and other payables	26,293	26,293	26,293	—	—	—
Bank borrowings	125,985	155,660	96,221	15,293	34,969	9,177
Amounts due to related companies	527	527	527	—	—	—
Finance lease obligations	21,238	23,479	7,307	7,447	8,725	—
	174,043	205,959	130,348	22,740	43,694	9,177

37. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits, bank borrowings, finance lease obligations and lease liabilities. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings as at 31 August 2020 and 2019 bore interest at floating rates whereas its amounts due to related companies, finance lease obligations and lease liabilities bore interest at fixed rates. Details of bank borrowings, amounts due to related companies, finance lease obligations and lease liabilities are disclosed in Notes 27, 28 and 29, respectively.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Group consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At 31 August 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit/(loss) for the year and retained profits by approximately RM1,027,000 (2019: RM869,000). The changes in interest rates do not affect the Group's other component of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

37. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("USD").

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

	2020 RM'000	2019 RM'000
Trade receivables	**27,154**	20,200
Cash and cash equivalents	**10,661**	2,831
Trade payables	**(1,941)**	(1,974)
	35,874	21,057

The following tables illustrate the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each reporting periods.

	2020 RM'000	2019 RM'000
USD appreciated by 5%	**1,794**	1,053

The change in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchanges rates had occurred at the end of each of the reporting periods and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

38. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 August 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 75%. Net debt includes trade and other payables, bank borrowings, amounts due to related companies and finance lease obligation, less cash and cash equivalents. Capital includes equity attributable to owners of the Group.

The gearing ratios as at 31 August 2020 and 2019 were as follows:

	2020 RM'000	2019 RM'000
Trade and other payables	**41,011**	26,293
Bank borrowings	**135,988**	125,985
Amounts due to related companies	**680**	527
Finance lease obligations	**—**	21,238
Lease liabilities	**28,994**	—
Less: Cash and cash equivalents	**(20,262)**	(18,815)
Net debts	**186,411**	155,228
Equity attributable to owners of the Group	**87,766**	85,364
Capital and net debts	**274,177**	240,592
Gearing ratio	**68%**	65%

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the year.

39. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	2020 RM'000	2019 RM'000
Cash available on demand	**20,262**	18,815
Overdrafts	**(5,516)**	(7,944)
Cash and cash equivalent at end of year	**14,746**	10,871
Significant non-cash transactions are as follows:		
Financing activities		
Assets acquired under finance leases/lease arrangement	**8,534**	8,182

(b) Reconciliation arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statements of cash flows from financing activities.

	Amounts due to related companies (Note 28) RM'000	Bank loans and other borrowings (Note 27) RM'000	Finance lease obligations (Note 29) RM'000	Lease liabilities (Note 29) RM'000
At 1 September 2019	527	118,041	21,238	—
Changes from financing cash flows:				
Repayment to related companies	—	—	—	—
Proceed from related companies	153	—	—	—
New borrowings from banks	—	212,429	—	—
Repayment of bank loans	—	(199,998)	—	—
Interest paid	—	(6,006)	—	(1,927)
Lease payments	—	—	—	(9,292)
	680	124,466	21,238	(11,219)
Other changes:				
Initial application of HKFRS 16	—	—	(21,238)	31,166
New leases	—	—	—	7,120
Interest expenses	—	6,006	—	1,927
Total other changes	—	6,006	—	40,213
At 31 August 2020	680	130,472	—	28,994

39. NOTES SUPPORTING CASH FLOW STATEMENT (Continued)

(b) Reconciliation arising from financing activities (Continued)

	Amounts due to related companies (Note 28) RM'000	Bank loans and other borrowings (Note 27) RM'000	Finance lease obligations (Note 29) RM'000
At 1 September 2018	1,441	88,740	16,946
Changes from financing cash flows:			
Repayment to related companies	(4,265)	—	—
Proceed from related companies	3,351	—	—
New borrowings from banks	—	263,435	—
Repayment of bank loans	—	(234,134)	—
Interest paid on bank borrowings	—	(4,015)	—
Capital element of finance lease rentals paid	—	—	(3,890)
Interest element of finance lease rentals paid	—	—	(1,036)
	527	114,026	12,020
Other changes:			
Interest expenses	—	4,015	—
New finance leases	—	—	8,182
Finance charges on obligations under finance leases	—	—	1,036
Total other changes	—	4,015	9,218
At 31 August 2019	527	118,041	21,238

40. EVENTS AFTER THE REPORTING DATE

The COVID-19 pandemic since early 2020 has impacted the global business and economic environment. The overall financial effect on the Group in the coming financial year cannot be reasonably estimated for the time being as the pandemic is still continuing. The Group will be watchful of the development and continue to evaluate its impacts on the business, financial position, cash flows and financial performance of the Group.

41. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 26 November 2020.

Five-year Financial Summary

A summary of the results, and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements or the Prospectus is set out below.

RESULTS

	For the year ended 31 August				
	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	**2020 RM'000**
Revenue	101,120	129,921	179,975	205,290	**223,406**
Cost of sales	(78,898)	(109,156)	(143,396)	(175,252)	**(184,466)**
Goss profit	22,222	20,765	36,579	30,038	**38,940**
Other operating income	2,174	3,466	6,892	7,242	**6,757**
Distribution costs	(6,929)	(9,101)	(16,860)	(9,767)	**(12,150)**
Administrative expenses	(3,837)	(15,540)	(15,425)	(13,437)	**(18,696)**
Other operating expenses	(26)	(976)	(135)	(172)	**(879)**
Profit/(loss) from operation	13,604	(1,386)	11,051	13,904	**13,972**
Finance costs	(2,363)	(2,503)	(4,304)	(5,395)	**(8,221)**
Share of profit of an associate	41	1	—	—	**—**
Share of (loss)/profit of a joint venture	—	(104)	62	(5)	**(4)**
Profit/(loss) before income tax expenses	11,282	(3,992)	6,809	8,504	**5,747**
Income tax (expense)/credit	(2,820)	(2,204)	203	(1,870)	**(2,724)**
Profit/(loss) for the year	8,462	(6,196)	7,012	6,634	**3,023**
Attributable to:					
Owners of the Company	8,462	(6,196)	7,012	6,634	**3,023**

ASSETS AND LIABILITIES

	As at 31 August				
	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	**2020 RM'000**
Total assets	106,108	136,771	229,851	259,667	**297,307**
Total liabilities	(74,123)	(104,419)	(151,108)	(174,303)	**(209,541)**
Total equity	31,985	32,352	78,743	85,364	**87,766**