LINOCRAFT
東駿控股有限公司
HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8383

ANNUAL REPORT 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Growth Enterprise Market ("GEM") has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "**Directors**") of Linocraft Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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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

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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Taman Perindustrian Maju Jaya
81300 Johor Bahru
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Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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168–200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, 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 first annual report of the Company for the year ended 31 August 2017 (the "**Financial Year**") after the successful listing of the Company's shares on the GEM (the "**Listing**") on 15 September 2017 by way of share offer (the "**Share Offer**"). The Listing has marked a milestone for the Company and its subsidiaries (the "**Group**").

Our Group is a well-established integrated offset 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.

We believe that the net proceeds from the Listing will assist the implementation of the Group's business strategies as stated in the prospectus of the Company dated 31 August 2017 (the "**Prospectus**"). In addition, the increase in equity interest through the Share Offer will lower our Group's gearing ratio and strengthen our Group's financial position. We believe a public listing status on GEM could attract potential investors and customers and can enhance our Group's credibility with the public and potential business partners. The Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist our Group's future business development and serves as a platform for regional expansion. A public listing status on GEM may offer the Company a broader shareholder base which will provide liquidity in the trading of the shares of the Company (the "**Shares**").

BUSINESS REVIEW

Our Group is a well-established integrated offset printing and packaging solutions provider in Malaysia with more than 45 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 continues to focus on strengthening our 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 offers a wide range of packaging products to meet our customers' packaging needs. These products can be broadly categorised into (i) packaging; (ii) instruction manuals; (iii) inserts; 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			
	2017		2016	
	RM'000	**%**	RM'000	%
Sales of production products:				
— Packaging	**75,810**	**58.3**	60,022	59.4
— Instruction manuals	**25,461**	**19.6**	21,863	21.6
— Inserts	**25,031**	**19.3**	18,289	18.1
— Labels	**3,619**	**2.8**	946	0.9
	129,921	**100.0**	101,120	100.0

Our Group's total revenue amounted to approximately RM101.1 million and RM129.9 million for the year ended 31 August 2016 and 2017 respectively. Approximate 90% 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 RM60.0 million and RM75.8 million for the year ended 31 August 2016 and 2017 respectively, representing approximately 59.4% and 58.3% of our total revenue, respectively.

Instruction Manuals

The production of instruction manuals is the second largest 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 RM21.9 million and RM25.5 million for the year ended 31 August 2016 and 2017 respectively, representing approximately 21.6% and 19.6% of our total revenue, respectively.

Inserts

The production of inserts is our third 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 RM18.3 million and RM25.0 million for the year ended 31 August 2016 and 2017 respectively, representing approximately 18.1% and 19.3% 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 RM0.9 million and RM3.6 million for the year ended 31 August 2016 and 2017 respectively, representing approximately 0.9% and 2.8% of our total revenue, respectively.

FUTURE PROSPECTS AND OUTLOOK

Our Group continues to focus 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. We have successfully clinched a deal with a major new customer specialising in audio products and secured a new project from a customer in the computing hardware and peripherals business which offers a higher profit margin.

Our Group has set up a production plant, performing post-press processes, namely laminating and die-cutting, in the Philippines, which has commenced production since October 2017. Currently, the orders from a contract manufacturer in the Philippines are fulfilled by our production plant in Malaysia and a local printing and packaging subcontractor engaged by our Group. Our Group has purchased one KBA Rapida 164, a VVLF offset printing press for our another new production plant and it is expected to start full production around first quarter of 2018.

In view of the positive progress in packaging printing market, our Directors expect the trends to have a positive impact on our Group's overall business in Malaysia and the Philippines.

FINANCIAL REVIEW

Revenue

Revenue for the Financial Year increased by approximately 28.5% or approximately RM28.8 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 a major customer. Other factors which led to the increase in revenue for packaging, instruction manual and inserts, were the growth in volume from the contract manufacturers in Malaysia and new projects from a contract manufacturer in the Philippines. The revenue contributed by the top five customers increased from approximately RM83.0 million for the year ended 31 August 2016 to RM92.1 million for the year ended 31 August 2017, which accounted for 82.1% and 70.9% of our total revenue for the corresponding years, respectively.

Cost of sales

	For the year ended 31 August	
	2017	2016
	RM'000	RM'000
Material cost	**73,550**	52,134
Direct labour	**15,902**	12,031
Manufacturing overhead	**19,704**	14,733
	109,156	78,898

Cost of sales comprises mainly (i) material costs (paper, facer, glue, chemical and plates); (ii) direct labour; and (iii) manufacturing overheads (utilities costs, depreciations expenses and repair and maintenance costs).

Cost of sales for the Financial Year increased by approximately 38.4% or RM30.3 million as compared to that of the previous year. The increase is largely due to increase in purchase of raw materials for (i) increase in demand derived from a customer; and (ii) the increase in demand from contract manufacturers in Malaysia and the Philippines. Cost of sales increased at a faster rate than increase in turnover mainly due to (i) an increase in the cost of raw materials and the appreciation of USD against RM during the period; (ii) increase in subcontracting works such as die-cutting and coating; and (iii) increase in number of foreign workers supplied by third party agents engaged by us.

Gross Profit and Gross Profit Margin

Our gross profit decreased about 6.6% from RM22.2 million for the year ended 31 August 2016 to RM20.8 million for the year ended 31 August 2017. Our overall gross profit margin decreased by 6.0% from approximately 22.0% for the year ended 31 August 2016 to approximately 16.0% for the year ended 31 August 2017.

The decrease in our gross profit and gross profit margin was mainly attributable to (i) increase in the cost of raw materials and the appreciation of USD against RM; (ii) increase in subcontracting works such as die-cutting and coating; and (iii) increase in number of foreign workers supplied by third party agents engaged by us.

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 31.3% from RM6.9 million for the year ended 31 August 2016 to RM9.1 million for the year ended 31 August 2017, which was mainly caused by the increase in transport expenses due to (i) the transportation of products to fulfill orders of the contract manufacturer of Company D in the Philippines and (ii) increase in demand from our customers located in Penang and Ipoh.

Administrative expenses

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) listing expenses; (iii) professional fees such as legal consultancy fees; and (iv) others such as repair and maintenance for office equipment, bank charges and depreciation which mainly represents the depreciation expenses for our office equipment. The increase of administrative expenses from approximately RM3.8 million for the year ended 31 August 2016 to approximately RM15.5 million for the year ended 31 August 2017 was mainly due to the combined effect of the one-off listing expenses and increase in salary expense of our staff and the set up of Linocraft Philippines.

It is expected that the administrative expenses will be increased due to the establishment of office premises and additional staff to be hired in Hong Kong upon Listing.

Listing expenses

As disclosed in the Prospectus, listing expenses, which are non-recurring in nature, was estimated to be RM10.4 million, of which RM7.8 million would be charged to the consolidated statement of comprehensive income for the year ended 31 August 2017 and RM2.6 million would be accounted for as a deduction from equity upon completion of share offer. Additional listed expenses amounting to approximately RM1.4 million was incurred upon listing, which included mainly: i) professional fee of approximately RM0.4 million, ii) urgent printing cost of approximately RM0.5 million, iii) legal search fee of approximately RM0.4 million. The total listing expenses was amounting to approximately RM11.8 million. Of such amount, approximately RM8.4 million has charged to consolidated statement of comprehensive income for the Financial Year. For the financial year ended 31 August 2018, approximately RM$2.8 million which was directly attributable to the issue of the Offer Shares would be accounted for as a deduction from equity and RM0.6 million would be charged to the consolidated statement of comprehensive income.

Finance costs

Finance costs represented interest on bank overdraft, bank borrowings, finance lease and borrowings from related companies. For the year ended 31 August 2016 and 2017, financial cost amounted to approximately RM2.4 million and RM2.5 million, respectively. The increase was mainly due to the average level of interest on finance lease, amount due to related companies, bank borrowings and overdraft also increase during Financial Year.

Share of profit of an associate/share of loss of a joint venture

Our Group has 25% equity interest since 2010 in Linocraft Singapore Pte. Ltd ("Linocraft Singapore"), which engages in trading business for packaging and printing related products. In January 2017, our Group further acquired 25% equity interest in Linocraft Singapore and became a 50% joint venture of our Group. Our Group's share of the net assets of the associate/joint venture amounted to approximately RM130,000 and RM111,000 for the year ended 31 August 2016 and 2017 respectively. Our Group's share in its net profit of an associate amounted to approximately RM41,000 and RM1,000 for the year ended 31 August 2016 and 2017 respectively. The share of loss of a joint venture was RM104,000 for the year ended 31 August 2017.

Taxation

Malaysian income tax is calculated at the statutory rate of 24% of the estimated taxable profit for the year ended 31 August 2016 and 2017, respectively. Certain companies of our Group with a paid-up share capital of RM2,500,000 and below, enjoy tax rate of 18% (2016: 19%) on the first RM500,000 and remaining balance of the estimated taxable profit at their statutory rate. For the two year ended 31 August 2016 and 2017, the tax expenses incurred by our Group amounted to approximately RM2.8 million and RM2.2 million, respectively.

Net (loss)/profit and (loss)/earnings per share

As a result of the foregoing, our Group's net profit was RM8.5 million for the year ended 31 August 2016 and we recorded a net loss of approximately RM6.2 million for the year ended 31 August 2017. The decrease was mainly due to (i) decrease in our gross profit and gross profit margin; (ii) the start-up operation cost of our Philippine subsidiary; and (iii) one-off listing expenditure of approximately RM8.4 million. The Group's loss per share for the Financial Year was RM1.03 sen and the earnings per share for the year ended 31 August 2016 was RM1.41 sen.

The Company has issued a profit warning announcement on 20 November 2017 for the result of Financial Year, which stated excluding the one-off listing expenses, the net profit attributable to the owners for the Financial Year would have decreased by approximately 60% as compared to that of last year. Subsequently, adjustment has been made to recognize the administrative and other operating expenses of approximately RM1.2 million previously absorbed in the inventory. As a result, the amount of inventory decreased and the Company recorded a further loss accordingly.

Nevertheless, excluding the impact of one-off listing expenses, the net profit (i.e. adding back the one-off listing expense to the net loss) attributable to the owners for the Financial Year would have decreased by approximately 74.50% as compared to that of the last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 August 2017,

(a) the Group's net current liabilities was approximately RM7.5 million (2016: net current liabilities of RM14.6 million) and the Group had cash and cash equivalents of approximately RM4.4 million (2016: RM4.0 million);

(b) the Group had bank borrowings and finance lease obligations of approximately RM50.9 million (2016: RM36.1 million) and RM3.2 million (2016: RM873,000);

(c) the Group's current ratio was approximately 0.9 times (2016: 0.8 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 76% (2016: 69%); and

(d) the Group's total equity attributable to owners of the Company amounted to RM32.4 million (2016: RM32.0 million). The capital of the Company mainly comprises share capital and reserves.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the Financial Year (2016: nil).

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

The companies comprising the Group underwent the reorganisation (the "**Reorganisation**") to rationalise the Group's structure in preparation for the Listing. Details of the Reorganisation were set out in the section headed "History, Development and Corporate Structure" of the Prospectus. Save for disclosed in the Prospectus, there was no significant investments, material acquisitions or disposals of subsidiaries and associated companies during the Financial Year.

CAPITAL COMMITMENTS

As at 31 August 2017, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RM19.5 million (2016: RM4.6 million).

PLEDGE OF ASSETS

At the 31 August 2017, certain of the Group's land and buildings with net carrying amount of RM38.2 million (2016: RM32.7 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 2017 and 2016.

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, the details of which were set out in the section headed "Risk Factors" of the Prospectus. 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 is exposed to foreign currency risks arising from various currency exposures, mainly with respect to USD and SGD. The Group derives majority of our revenue in RM and a portion of that in USD 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 settles payment in RM. Quotations from suppliers and payments made to them are generally in RM 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 2016 and 31 August 2017, our Group had no opened derivative financial instrument.

EMPLOYEES AND REMUNERATION POLICY

As at 31 August 2017, the Group had a total of 512 (2016: 500) 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 two years ended 31 August 2016 and 2017, the Group's staff costs, including Directors' emoluments, were approximately RM14.8 million and RM16.9 million, respectively. 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, the business objectives and strategies of the Group are (i) diversified customer industry; (ii) product line expansion; and (iii) geographical expansion; (iv) repayment of bank loan; and (v) general working capital.

Given that the Share Offer was completed after 31 August 2017, the implementation plan as set out in the section headed "Future plans and use of proceeds" of the Prospectus will commence during the year ending 31 August 2018.

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses borne by our Group in connection with the Share Offer at HK$0.40 per Share of approximately HK$61 million as follows:

(i) approximately 10.1% of the total estimated net proceeds, or approximately HK$6.2 million, will be used for expansion of business into other industries such as fast moving consumer goods ("**FMCG**"), medical and cosmetics, and food and beverage;

(ii) approximately 23.3% of the total estimated net proceeds, or approximately HK$14.2 million, will be used for product line expansion to increase our product offering;

(iii) approximately 45.8% of the total estimated net proceeds, or approximately HK$27.9 million, will be used for geographical expansion in order to gain access to new markets;

(iv) approximately 11.7% of the total estimated net proceeds, or approximately HK$7.1 million, will be used to repay a portion of outstanding bank loans with interest rate of approximately 5.0% (based on interest rate set out in the Prospectus) and maturity date ranging from 2018 to 2024. Part of the loans to be discharged was incurred in December 2016, the borrowings were used for purchase of equipment and machinery and working capital; and

(v) approximately 9.1% of total estimated net proceeds, or approximately HK$5.6 million will be used as our working capital and other general corporate uses.

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, 23 November 2017

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ong Yoong Nyock, aged 65, was appointed as a Director of our Company on 21 April 2017 and redesignated 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 19 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 53, was appointed as a Director of our Company on 13 April 2017 and redesignated 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 the 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 42, 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 also serves as an independent non-executive director for Worldgate Global Logistics Ltd., a company listed on the Stock Exchange which is principally engaged in the provision of air and sea freight forwarding and related services (stock code: 8292) and is the chairman of its nomination committee. 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 42, 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 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. (now known as AB Teoh & Shariza) as a partner. He then founded CT Teoh & Partners (now known as Teoh & Teoh) in 2013 where he has been advising 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 52, 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. Tan Kim Chwee, aged 53, joined our Group in October 2013 and is the operations general manager of our Group, responsible for overseeing the operations of our Group. In 2001, Mr. Tan started at Beyonics Resources Limited, a company principally engaged in electronic manufacturing where his last held position was senior manufacturing engineering manager. Mr. Tan received a bachelor's degree in business and commerce which was provided through a distance learning course from the University of Western Sydney in Australia in October 2000. He also received a master's degree of business administration which was provided through a distance learning course from the Southern Cross University in Australia in November 2003.

Mr. Yong Hong Kai, aged 39, 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 40, 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 35, 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 Shiann Shye, aged 52, joined our Group in April 2017 and is the finance manager of our Group, responsible for overseeing the finance department of our Group. In 2013, Mr. Tan started as a finance manager with GF Equipment Rental Sdn Bhd, a company principally engaged in material handling equipment leasing services. In 2014, he joined Tiong Nam Holdings Sdn Bhd, a company principally involved in logistics as a finance manager. Mr. Tan sat for the Malaysia Higher School Certificate examinations and obtained Malaysia Higher School Certificate in 1985.

Mr. Tan Geng, aged 34, 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.

Corporate Governance Report

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 Directors 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**").

As the shares of Company were listed on GEM on 15 September 2017 (the "**Listing Date**"), the requirements under the CG Code pursuant to the GEM Listing Rules were not applicable to the Company for the Financial Year. The Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this annual report (the "**Relevant Period**") to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

During the Relevant Period, the Directors considered that the Company has complied with the CG Code.

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 Relevant Period.

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 are 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 and timely access to information and accounts 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 non-executive Directors (including INEDs) 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 ("INED")
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 from each INED an annual confirmation of his independence, and the Company considers such directors to be independent in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

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 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. According to the training records maintained by the Company, 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 attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers during the Financial Year.

MEETINGS OF BOARD AND DIRECTORS' ATTENDANCE RECORDS

As the Company was listed on 15 September 2017, the Board was not required to hold meetings in compliance with code provision A.1.1 of the CG Code before the Listing Date, and, therefore, did not hold regular meetings for the year ended 31 August 2017. Going forward, the Board will schedule 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.

During the Relevant Period, the Company has not held any general meeting.

During the Relevant Period, the Board held 1 meetings, at which the Directors discussed and approved, amongst other matter, (i) the Group's audited financial statements, the Directors' report and the independent auditors' report for the Financial Year and disclosure in this Corporate Governance Report, (ii) the effectiveness of the Group's internal control and risk management systems and (iii) the overall strategic direction and plan of business.

The attendance of each Director at the Board Meeting during the Relevant Period is as follows:

Name of Directors	Number of attendance/ Number of Board meetings
Executive Directors	
Mr. Ong Yoong Nyock *(Chairman)*	1/1
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

NON-COMPETITION UNDERTAKING

The deed of non-competition dated 28 August 2017 and executed by Mr. Ong Yoong Nyock, 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 Relevant Period.

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 Relevant Period.

BOARD DIVERSITY POLICY

During the Financial Year, 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.

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 Yoong Nyock, the executive Director, is the chairman of the Company (the "**Chairman**") and is responsible for the leadership of the Board while Mr. Tan Woon Chay, the executive Director, is the chief executive officer (the "**CEO**") and is responsible for managing the Group's business and overall operations.

NON-EXECUTIVE DIRECTORS

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may terminated by not less than one month's notice in writing served by either party on the other. Each of the INEDs is subject to retirement by rotation and re-election at annual general meeting (the "**AGM**") in accordance with 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 an 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 chairperson of the audit committee.

During the Relevant Period, the Audit Committee held 1 meeting, at which the Audit Committee has reviewed and discussed the Company's audited consolidated financial results for the Financial Year, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control and risk management systems and the Group's internal audit function and recommended to the Board for consideration the same and the re-appointment of BDO Ltd as the Company's external independent auditors at the forthcoming AGM.

The attendance of each member at the Audit Committee Meeting during the Relevant Period is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Choy Wing Keung David	1/1
Mr. Liew Weng Keat	1/1
Mr. Teoh Cheng Tun	1/1

Remuneration Committee

Our Company established a 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 chairperson of the remuneration committee.

The members of the Remuneration Committee should meet at least once a year. Due to the fact that the Company was listed on 15 September 2017, no Remuneration Committee meeting has been held during the Relevant Period.

Nomination Committee

Our Company established a 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 independent non-executive Directors; 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 chairperson of the nomination committee.

During the Relevant Period, the Nomination Committee held one meeting, at which the Nomination Committee (i) assessed the independence of the INEDs, 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. Tan Woon Chay	1/1
Mr. Teoh Cheng Tun	1/1
Mr. Liew Weng Keat	1/1

AUDITORS' REMUNERATION

For the Financial Year, BDO Limited ("**BDO**") was engaged as the Group's independent auditors. Apart from the provision of annual audit services, BDO also provided the non-audit services in relation to the Listing.

The remuneration paid/payable to BDO, the auditors, for the Financial Year is set out below:

Category of services	Amounts HK$
Audit services — Annual audit	800,000
Audit services — Listing	1,700,000

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 flow 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 upon Listing, 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.

In preparation for the Listing, our Group engaged an independent internal control consultant, an international accounting firm, to review our Group's internal control systems and procedures in February 2017, including the controls and procedures of our Group over the corporate governance, financial reporting, revenue, expenditure management, human resources, treasury and general computer controls. Based on the consultant's review, our Group has established a set of action plans to enhance its internal control system. The internal control consultant also performed a follow-up review in August 2017 to review the status of implementation of the action plans by our Company to address the major findings of the review. Details of the review of the internal control and risk management were set out in the section headed "Business" of the Prospectus.

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, announcements, circulars as well as all the disclosures submitted to the respective websites of GEM and the Company.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of amended and restated memorandum and articles of association (the "M&A") by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 25 August 2017 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during the Financial Year.

The amended and restated M&A is available on the respective websites of the GEM and the Company.

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.

REORGANIZATION AND LISTING

The companies comprising the Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing. Details of the Reorganisation were set out in the section headed "History, Development and Corporate Structure" of the Prospectus. Following the Share Offer of 200,000,000 shares of the Company (the "**Shares**"), the Company was listed on the GEM of the Stock Exchange on 15 September 2017.

PRINCIPAL ACTIVITIES

The Group is a well-established integrated offset printing and packaging solutions provider based in Malaysia. The principal activities of the Company's principal subsidiaries are set forth in note 34 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

The results of the Group for the Financial Year and the financial position of the Company and the Group as at 31 August 2017 are set forth in the consolidated financial statements on pages 42 to 103 of this annual report.

FINAL DIVIDEND

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last three years, as extracted from the audited consolidated financial statements of the Company or the Prospectus, is set out on page 104 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.

Additional information to the property interest

By comparing the valuation of Group's property interests of RM59,900,000 as set out in Appendix III to the Prospectus and the carrying amount of these properties interests of approximately RM25,750,000 as of 31 August 2017, the Group would carry a valuation surplus of approximately RM34,150,000. Since the valuation surplus of the property interests had not be incorporated in the Group's consolidated financial statements for the Financial Year. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of RM683,000 would have been recognised in the consolidated statement of comprehensive income for the Financial Year.

PROPERTIES

The Group did not held any major property for development and/or sale or for investment purpose as at 31 August 2017.

SHARE CAPITAL

Details of the Company's share capital are set out in notes 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (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 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 August 2017, the Group's reserves available for distribution to the Shareholders comprising share premium, merger reserve and accumulated loss/retained earnings amounted to approximately RM32.6 million.

CHARITABLE CONTRIBUTIONS

During the Financial Year, the Group made charitable contributions totaling RM356,000.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the Prospectus, no equity-linked agreements that will or may result in the Company issuing Shares or 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

The Shares were successfully listed on GEM on 15 September 2017. Save as disclosed in the Prospectus in relation to the reorganisation of the Group, 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 70.5% of the Group's cost of materials and the largest supplier accounted for about 33.6% of the cost of materials.

During the Financial Year, the five largest customers of the Group accounted for about 70.9% of the Group's total revenue and the largest customer accounted for about 18.7% 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 "**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 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 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 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 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.

Tiong Nam is owned as to 70% by Mr. Ong, our executive Director and one of our Controlling Shareholders. As such, Tiong Nam is a connected person of our Company for the purpose of the GEM Listing Rules. Accordingly, the transactions under the Master Logistics Services Agreement will constitute continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules upon Listing.

The 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 Master Logistics Services Agreement. As the individual retainers are simply further elaborations on the retainers contemplated by the Master Logistics Services Agreement, they do not constitute new categories of connected transactions as far as the GEM Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for Master Logistics Services Agreement is expected to be more than 5%, the transactions contemplated under 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 36 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., ("**Linocraft Malaysia**"), an indirect wholly-owned subsidiary of the Company, has obtained ISO 14001:2004 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 2017 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, save as disclosed in the Prospectus, 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, many of whom have engaged us for more than six 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.

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 five largest suppliers during the Financial Year have established business relationships with our Group for periods ranging from about one to six 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 year ended 31 August 2017 and up to the date of this report were:

Executive Directors

Mr. Ong Yoong Nyock *(Chairman) (appointed on 21 April 2017)*
Mr. Tan Woon Chay *(Chief Executive Officer) (appointed on 13 April 2017)*

Independent Non-executive Directors (the "INEDs")

Mr. Choy Wing Keung David *(appointed on 25 August 2017)*
Mr. Liew Weng Keat *(appointed on 25 August 2017)*
Mr. Teoh Cheng Tun *(appointed on 25 August 2017)*

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 annual general meeting (the "**AGM**") of the Company 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 not 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.

Each of Mr. Ong Yoong Nyock, Mr. Tan Woon Chay, Mr. Choy Wing Keung David, Mr. Liew Weng Keat, and Mr. Teoh Cheng Tun will retire at the AGM and all of them, being eligible, will offer themselves for re-election at the AGM.

The Company has received written confirmations of independence from each of the INEDs, namely Mr. Choy Wing Keung David, Mr. Liew Weng Keat, and Mr. Teoh Cheng Tun, pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this annual report, the Company still considers the INEDs to be independent.

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 the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may 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 2017, the Shares were not yet listed on the GEM, the Company was listed on 15 September 2017.

As at the date of this report, 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 Director	Nature of interest	Number of Shares held[1]	Percentage of shareholding
Mr. Ong Yoong Nyock ("**Mr. Ong**")[2]	Interest of a controlled corporation	480,000,000 (L)	60.00%

Notes:

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

(2) Mr. Ong beneficially owns 50% of Charlecote Sdn. Bhd., which in turn owns 70% of the issued share capital of Linocraft Investment Pte Limited ("**Linocraft Investment**"). Linocraft Investment owns 60% 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 Sdn. Bhd.	Beneficial owner	2	100.00%
Mr. Tan Woon Chay	Linocraft Investment	Beneficial owner	1,681	16.81%

Note:

(1) Charlecote Sdn. Bhd., 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 Sdn. Bhd. and the shares of Linocraft Investment held by Charlecote Sdn. Bhd..

Save as disclosed above, as at the date of this report, 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 2017, the Shares were not yet listed on the GEM, the Company was listed on 15 September 2017.

As at the date of this report, 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	480,000,000 (L)	60%
Charlecote Sdn. Bhd.[(2)]	Interest of controlled corporation	480,000,000 (L)	60%
Mrs. Ong[(3)]	Interest of spouse	480,000,000 (L)	60%
Stan Cam Holdings Limited ("**Stan Cam**")	Beneficial owner	120,000,000 (L)	15%
Ralexi Investment Holdings Limited[(4)]	Interest of controlled corporation	120,000,000 (L)	15%
Mr. Gan Ker Wei ("**Mr. Gan**")[(5)]	Interest of controlled corporation	120,000,000 (L)	15%
Mrs. Amy Ong Lai Fong[(6)]	Interest of spouse	120,000,000 (L)	15%

Notes:

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

(2) Charlecote Sdn. Bhd. holds 70% of the issued share capital of Linocraft Investment, which in turn owns 60% of our Company. By virtue of the SFO, Charlecote Sdn. Bhd. 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 Sdn. Bhd. 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 the date of this report, 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 Relevant Period 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 Relevant Period 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 Relevant Period.

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 Relevant Period.

INTERESTS OF COMPLIANCE ADVISER

As at the date of this report, 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

Save as disclosed in the Note 43 to the consolidated financial statements, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 August 2017 and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the Financial Year were audited by BDO Limited (the "**BDO**"), the independent auditors, 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, 23 November 2017

BDO

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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 42 to 103, which comprise the consolidated statement of financial position as at 31 August 2017, 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 2017 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 MATTER

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.

IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES

Refer to summary of significant accounting policies in Note 4(g)(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 2017, the Group had net trade receivables amounting to RM39,086,000 (net of allowance for doubtful debts of approximately RM62,000). An impairment loss on trade receivables RM52,000 has been recognised during the year ended 31 August 2017.

In determining the impairment on trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.

We have identified impairment assessment of trade receivables as a key audit matter due to considerable amount of judgment and estimates being required in conducting impairment assessment as mentioned in the forgoing paragraph.

Our response:

Our procedures in relation to management's impairment assessment on trade receivables included:

— Obtaining an understanding of the provision for impairment of trade receivable estimated by the management;

— Scrutinising the source documents throughout the year to understand settlement patterns by major customers;

— Testing the aging analysis of the trade receivables, on a sample basis, to the source documents; 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(h) and disclosure of inventories in Note 22 to the consolidated financial statements.

As at 31 August 2017, the carrying value of inventories was approximately RM25,691,000, which represents 19% 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, 23 November 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2017

	Notes	2017 RM'000	2016 RM'000
Revenue	7	**129,921**	101,120
Cost of sales		**(109,156)**	(78,898)
Gross profit		**20,765**	22,222
Other operating income/(loss)	8	**3,466**	2,174
Distribution costs		**(9,101)**	(6,929)
Administrative expenses		**(15,540)**	(3,837)
Other operating expenses		**(976)**	(26)
(Loss)/Profit from operation		**(1,386)**	13,604
Finance costs	14	**(2,503)**	(2,363)
Share of profit of an associate	18	**1**	41
Share of loss of a joint venture	19	**(104)**	—
(Loss)/profit before income tax expense	9	**(3,992)**	11,282
Income tax expense	15	**(2,204)**	(2,820)
(Loss)/profit for the year		**(6,196)**	8,462
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
— Exchange differences on translation to profit or loss		**15**	(5)
Total comprehensive income for the year		**(6,181)**	8,457
		RM	RM
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share	16	**(1.03) sen**	1.41 sen

Consolidated Statement of Financial Position

As at 31 August 2017

	Notes	2017 RM'000	2016 RM'000
Non-current assets			
Property, plant and equipment	17	**55,358**	50,619
Interest in an associate	18	**—**	130
Interest in a joint venture	19	**111**	—
Prepayment for acquisition of property, plant and equipment		**3,191**	987
Deferred tax assets	21	**517**	2,068
Total non-current assets		**59,177**	53,804
Current assets			
Inventories	22	**25,691**	20,383
Trade and other receivables	23	**47,438**	27,889
Amounts due from related companies	24	**46**	—
Cash and cash equivalents		**4,406**	4,032
		77,581	52,304
Assets of a disposal group classified as held for sale	26	**13**	—
Total current assets		**77,594**	52,304
Current liabilities			
Trade and other payables	27	**35,846**	18,970
Bank borrowings	28	**33,849**	29,425
Amounts due to related companies	29	**14,258**	18,032
Finance lease obligations	30	**847**	306
Tax payables		**300**	127
Total current liabilities		**85,100**	66,860
Net current liabilities		**(7,506)**	(14,556)
Total assets less current liabilities		**51,671**	39,248

Consolidated Statement of Financial Position

As at 31 August 2017

	Notes	2017 RM'000	2016 RM'000
Non-current liabilities			
Bank borrowings	28	**17,012**	6,696
Finance lease obligations	30	**2,307**	567
Total non-current liabilities		**19,319**	7,263
Net assets		**32,352**	31,985
Capital and reserves			
Share capital	31	*	2,000
Reserves	32	**32,352**	29,985
Total equity		**32,352**	31,985

* Represents amount less than RM1,000

Tan Woon Chay
Director

Ong Yoong Nyock
Director

Consolidated Statement of Changes in Equity

For the year ended 31 August 2017

	Share capital (Note 31) RM'000	Reserves Share premium RM'000	Merger reserve RM'000	Exchange reserve RM'000	Retained earnings RM'000	Total RM'000
Balance at 1 September 2015	2,000	—	—	(250)	23,278	25,028
Dividends paid (Note 10)	—	—	—	—	(1,500)	(1,500)
Profit for the year	—	—	—	—	8,462	8,462
Other comprehensive income	—	—	—	(5)	—	(5)
Total comprehensive income	—	—	—	(5)	8,462	8,457
Balance at 31 August 2016 and 1 September 2016	2,000	—	—	(255)	30,240	31,985
Loss for the year	—	—	—	—	(6,196)	(6,196)
Other comprehensive income	—	—	—	15	—	15
Total comprehensive income	—	—	—	15	(6,196)	(6,181)
Issuance of new shares related to pre-IPO	81	6,587	—	—	—	6,668
Reorganisation (Note 31)	(2,081)	(6,587)	8,548	—	—	(120)
Issue of ordinary share for re-organisation (Note 31)	*	—	—	—	—	*
Balance at 31 August 2017	*	—	8,548	(240)	24,044	32,352

* Represents amount less than RM1,000

Consolidated Statement of Cash Flows

For the year ended 31 August 2017

	Notes	2017 RM'000	2016 RM'000
Cash flows from operating activities			
(Loss)/profit before income tax expense		(3,992)	11,282
Adjustments for:			
Allowance for obsolete inventories, net		4	643
Depreciation of property, plant and equipment		3,823	2,896
Bad debts written off		—	9
Doubtful debts recovered		(13)	(174)
Provision for doubtful debts		52	11
Finance costs	14	2,503	2,363
Share of profit in an associate		(1)	(41)
Share of loss in a joint venture		104	—
Unrealised gain on foreign exchange		403	333
Change in fair value of derivative financial instruments		—	(59)
Loss on disposal of property, plant and equipment		23	—
Gain on disposal of subsidiaries	38	597	—
Operating profit before working capital changes		3,503	17,263
Increase in inventories		(5,312)	(6,009)
(Increase)/decrease in trade and other receivables		(19,600)	1,536
Increase in trade and other payables		15,816	2,070
Cash (used in)/generated from operations		(5,593)	14,860
Interest paid		(2,503)	(2,363)
Income taxes paid		(480)	—
Net cash (used in)/generated from operating activities		(8,576)	12,497
Cash flows from investing activities			
Increase in prepayment for acquisition of property, plant and equipment		(2,204)	(987)
(Increase)/decrease in amounts due from related companies		(46)	1,265
Purchase of property, plant and equipment		(5,743)	(11,943)
Proceeds from disposal of property, plant and equipment		12	—
Disposal of subsidiaries	38	(9)	—
Net cash used in investing activities		(7,990)	(11,665)

	Notes	2017 RM'000	2016 RM'000
Cash flows from financing activities			
Dividends paid		—	(1,500)
Proceeds from issuing shares at premium		6,548	—
Proceeds from bank borrowings		18,898	11,923
Decrease in amounts due to related companies		(3,774)	(3,017)
Repayment of bank borrowings		(9,630)	(3,690)
Repayment of finance lease		(574)	(258)
Net cash generated from financing activities		11,468	3,458
Net (decrease)/increase in cash and cash equivalents		(5,098)	4,290
Cash and cash equivalents at beginning of year		3,658	(632)
Cash and cash equivalents at end of year		(1,440)	3,658

An analysis of balances of cash and cash equivalents

	Notes	2017 RM'000	2016 RM'000
Bank and cash balances		4,406	4,032
Bank overdrafts	28	(5,846)	(374)
		(1,440)	3,658

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, PO 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, 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 34.

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. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to a group reorganisation (the "Group Reorganisation") carried out by the Group in preparation for the listing of shares of the Company on the Growth Enterprise Market (the "GEM") of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 31 July 2017. Details of the Group Reorganisation are as set out in the section headed "History, Development and Corporate Structure" to the prospectus issued by the Company dated 31 August 2017.

Immediately prior to and after the Group Reorganisation, the Company and its subsidiaries are principally engaged in printing and manufurture of instruction manual, packaging product and printed paper labels (the "Listing Business"). The Listing Business was carried out by Linocraft Printers Sdn. Bhd. and its subsidiaries which were under the control of the Charlecote Sdn. Bhd.. Pursuant to the Reorganisation, Linocraft Printers Sdn. Bhd. and its subsidiaries are under the effective control of Linocraft International Limited, and ultimately the Company.

The Company has not been involved in any other business prior to the Group Reorganisation and its operations do not meet the definition of business. The Group Reorganisation is merely a reorganisation of the Listing Business and does not result in any change in business substance, nor in any management or controlling shareholder of the Listing Business, before and after the Group Reorganisation. Accordingly, the financial information of the companies now comprising the Group is presented using the carrying value of the Listing Business for all periods presents.

2. REORGANISATION AND BASIS OF PRESENTATION (Continued)

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

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 except for certain financial instruments that have been measured at fair value.

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 2016

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 September 2016.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these amendments has no material impact on the Group's 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

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 HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 — Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Group has reviewed the Group's financial assets as at 31 August 2017 and anticipates that the application of the expected credit loss model of HKFRS 9 in the future will result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

The above assessments were made based on an analysis of the Group's financial assets and financial liabilities as at 31 August 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 September 2018, the assessment of the potential impact is subject to change.

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 15 — Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Management has performed a preliminary assessment and expects that the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

Amendments HKFRS 15 — Clarifications to HKFRS 15 Revenue from Contracts with Customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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 16 — Leases (Continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 August 2017, the Group has non-cancellable operating lease commitments of RM1,093,000 as disclosed in Note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

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.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

HK (IFRIC)-Int 22 is set out in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rate" requires an entity to record a foreign currency transaction by applying the exchange rate at the date of the transaction. HKAS 21 states that the date of the transaction is the date on which the transaction first qualifies for recognition in accordance with HKFRSs. When an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or non-monetary liability before the recognition of the related asset, expense or income. HK(IFRIC)-Int 22 addresses how to determine a date of the transaction for the purpose of determining the exchange rate to use an initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

The Group is not yet in a position to state whether they will result in substantial changes to the Group's accounting 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) 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.

(i) Subsidiaries other than from Group Reorganisation

Except for the Group Reorganisation of which the accounting treatment is described in Note 2 above, 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

(i) Subsidiaries other than from Group Reorganisation (Continued)

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.

(ii) Merger accounting for common control combination

The consolidated financial statements incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

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

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate 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 associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) 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.

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).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method — see Note 4(c)).

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leasing

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.

(g) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets as fair value through profit and loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivative, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets 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.

Loan and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

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.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank borrowings and finance lease obligations are initially measured at fair value, net of transaction costs and 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 respective financial years. 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) 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 HKAS 39.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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.

(i) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is recognised on accruals basis using the effective interest method.

(j) 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 goodwill and 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

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.

(l) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

(n) 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.

(o) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(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.

(ii) Impairment of loans and receivables

The Group assess at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(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.

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

(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.

(v) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any cost to complete and to sell the goods. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the statement of profit or loss and other comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be recovered, significant judgement is required. In making this judgement, the Company evaluates, amongst other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and past experience in sales of similar products. It could change significantly as a result of changes in competitor actions in response to changes in market condition. At 31 August 2017, the carrying amount of inventories is approximately RM25,691,000 (2016: RM20,383,000) (net of accumulated allowance for inventories of approximately RM1,767,000 (2016: RM1,763,000)).

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.

(b) Geographic information

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

6. SEGMENT INFORMATION (Continued)

(b) Geographic information (Continued)

	Revenue from external customers	
	2017	2016
	RM'000	RM'000
Malaysia	**116,807**	97,489
Singapore	**3,207**	3,631
Philippines	**9,907**	—
	129,921	101,120

	Specified non-current assets	
	2017	2016
	RM'000	RM'000
Malaysia	**54,595**	50,619
Philippines	**763**	—
	55,358	50,619

(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	
	2017	2016
	RM'000	RM'000
Customer A	**24,287**	27,336
Customer B	**22,762**	18,458
Customer C	**22,273**	16,144
Customer D	**14,606**	16,074

7. REVENUE

Revenue includes the net invoiced value of goods sold earned by the Group. The amounts of revenue recognised during the year are as follows:

	2017 RM'000	2016 RM'000
Sales of production products:		
— Instruction manual	**25,461**	21,863
— Label	**3,619**	946
— Insert	**25,031**	18,289
— Packaging	**75,810**	60,022
	129,921	101,120

8. OTHER OPERATING INCOME/(LOSS)

	2017 RM'000	2016 RM'000
Reversal of allowance for obsolete inventories	**378**	—
Doubtful debts recovered	**13**	174
Change in fair value of derivative financial instruments	**—**	59
Loss on foreign exchange:		
— realised	**(443)**	(814)
— unrealised	**(403)**	(333)
Sales of scrap materials	**3,090**	2,432
Gain on disposal of subsidiaries	**597**	—
Other income	**234**	656
	3,466	2,174

9. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	2017 RM'000	2016 RM'000
(Loss)/profit before income tax expense is arrived at after charging:		
Cost of inventories sold*	109,156	78,898
Allowance for obsolete inventories	382	643
Auditor's remuneration	438	21
Depreciation of property, plant and equipment		
— Owned	3,395	2,727
— Held under finance leases	428	169
Provision for doubtful debts	52	11
Bad debts written off	—	9
Doubtful debts recovered	(13)	(174)
Loss on disposal of property, plant and equipment	23	—
Employee costs (Note 11)	16,856	14,788
Minimum lease payments under operating lease		
— Rental of equipment	798	933
— Rental of premises	542	376
Listing expenses (including professional fees and other expenses)	8,353	—

* For the years ended 31 August 2017 and 2016, cost of inventories sold comprise RM14,524,000 and RM13,225,000 relating to employee benefit expenses and depreciation charges, which are also included in the respective total amounts disclosed separately above.

10. DIVIDENDS

	2017 RM'000	2016 RM'000
Final dividends attributable to owners of the company	—	1,500

For the purpose of the financial statements, the final dividends for the year ended 31 August 2015 amounting to RM1,500,000 represented final dividends proposed by an entity with the Group to its then shareholders.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the financial statements.

11. EMPLOYEE COSTS

	2017 RM'000	2016 RM'000
Employee costs (including directors) comprise:		
Wages and salaries	**15,679**	13,798
Short-term non-monetary benefits	**56**	101
Contributions to retirement benefit schemes	**1,121**	889
	16,856	14,788

12. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

Year ended 31 August 2017:

	Fees RM'000	Salaries and other benefits RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
Executive directors				
Ong Yoong Nyock	**—**	**592**	**59**	**651**
Tan Woon Chay	**—**	**1,142**	**126**	**1,268**
	—	**1,734**	**185**	**1,919**

Year ended 31 August 2016:

	Fees RM'000	Salaries and other benefits RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
Executive directors				
Ong Yoong Nyock	—	422	51	473
Tan Woon Chay	—	432	52	484
	—	854	103	957

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two directors for each of the years ended 31 August 2017 and 2016. The remaining three highest paid individuals for each of the years ended 31 August 2017 and 2016 were as follow:

	2017 RM'000	2016 RM'000
Salaries and other benefits	760	485
Contributions to retirement benefit schemes	100	32
	860	517

The emoluments of each of the above non-director highest paid individuals were all within the band of nil to RM545,678 (approximately nil to HK$1,000,000) and nil to RM524,243 (approximately nil to HK$1,000,000) in 2017 and 2016, 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

	2017 RM'000	2016 RM'000
Interest on bank overdrafts	147	69
Interest on bank borrowings	1,613	1,345
Interest on finance lease	127	61
Interest on amounts due to related companies	616	888
	2,503	2,363

15. INCOME TAX EXPENSE

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

	2017 RM'000	2016 RM'000
Current tax — Corporate income tax in Malaysia — charge for the year	653	127
Deferred tax (Note 21)	1,551	2,693
Income tax expense	2,204	2,820

Corporate income tax in Malaysia is calculated at the statutory rate of 24% (2016: 24%) of the estimated taxable profit for the financial year ended 31 August 2017.

Certain companies of the Group in Malaysia with a paid up capital of RM2,500,000 and below can enjoy lower corporate tax rate in Malaysia of 18% (2016: 19%) on the first RM500,000 taxable profit. Statutory rate as above shall be charged on chargeable income in excess of RM500,000 taxable profit. In addition, for the year of assessment 2017 and 2018 in Malaysia, a further reduction in the corporate tax rate, progressively, from 24% to 20% on the incremental chargeable income of 5% to 9.99%, 10% to 14.99%, 15% to 19.99% and 20% and above as compared to the immediate preceding year of assessment is available.

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the year ended 31 August 2017 (2016: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

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

	2017 RM'000	2016 RM'000
(Loss)/profit before income tax expense	(3,992)	11,282
Tax calculated at the domestic tax rate	(928)	2,682
Tax effect of expenses not deductible for tax purposes	2,667	583
Tax effect of revenue not taxable for tax purposes	(123)	(316)
Other	588	(129)
Income tax expense	2,204	2,820

16. (LOSS)/EARNINGS PER SHARE

The calculation of earnings per share 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 (loss)/earnings per share is based on the following information:

	2017 **RM'000**	2016 RM'000
Earnings		
(Loss)/profit for the year attributable to owners of the Company	**(6,196)**	8,462

	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year	**600,000,000**	600,000,000

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 31 July 2017 and the capitalisation issue of 599,999,955 shares which took place on 25 August 2017.

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 2017 and 2016.

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	Total RM'000
Cost:						
At 1 September 2015	29,163	46,718	3,789	3,255	1,137	84,062
Additions	195	10,163	1,116	469	—	11,943
At 31 August 2016	29,358	56,881	4,905	3,724	1,137	96,005
Additions	153	6,971	1,099	375	—	8,598
Classified as held for sale	—	(20)	—	—	—	(20)
Disposals	—	(62)	—	—	(141)	(203)
At 31 August 2017	29,511	63,770	6,004	4,099	996	104,380
Accumulated depreciation:						
At 1 September 2015	3,161	33,101	2,915	2,500	813	42,490
Charge for the year	298	2,163	200	168	67	2,896
At 31 August 2016	3,459	35,264	3,115	2,668	880	45,386
Charge for the year	303	2,954	316	184	66	3,823
Classified as held for sale	—	(19)	—	—	—	(19)
Disposal	—	(27)	—	—	(141)	(168)
At 31 August 2017	3,762	38,172	3,431	2,852	805	49,022
Net carrying amount:						
At 31 August 2016	25,899	21,617	1,790	1,056	257	50,619
At 31 August 2017	25,749	25,598	2,573	1,247	191	55,358

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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:

	2017 RM'000	2016 RM'000
Assets held under finance leases		
— Plant and machinery	4,191	1,095
— Motor vehicles	191	257
	4,382	1,352
Assets pledged as security for borrowings (Note 28)		
— Freehold land and buildings	25,749	25,899
— Plant and machinery	12,485	6,788
	38,234	32,687

18. INTEREST IN AN ASSOCIATE

	2017 RM'000	2016 RM'000
Represented by:		
Share of net assets	—	130

18. INTEREST IN AN ASSOCIATE (Continued)

Details of the Group's associate are as follows:

Name	Place of incorporation, operation and principal activities	Percentage of ownership interests As at 31 August 2017	2016
Linocraft Singapore Pte. Ltd. (the "LSPL")	General wholesale print and packing products in Singapore	Note	25%

Note: On 26 January 2017, the Group further acquired 25% equity interest on the LSPL from a family member of Mr. Tan Woon Chay, a director of a major subsidiary. Consequently, it was classified as interest in a joint venture. Please refer to Note 19 for details.

The primary business of the LSPL is wholesale print and packing products. This is in alignment with the Group's principal activities.

Summarised financial information of the associate is presented below:

	2017 RM'000	2016 RM'000
Current assets	—	2,984
Non-current assets	—	—
Current liabilities	—	(2,464)
Non-current liabilities	—	—
Net assets	—	520
Group's share of the net assets of the associate	—	130

	2017 RM'000	2016 RM'000
Revenue	878	8,703
Net profit	2	164
Other comprehensive income	2	164
Group's share of profit of an associate	1	41

19. INTEREST IN A JOINT VENTURE

	2017 RM'000	2016 RM'000
Represented by:		
Share of net assets	**111**	—

As further explained on Note 18, on 26 January 2017, the Group further acquired 25% equity interest in the LSPL. Subsequent to the further acquisition, the Group contractually sharing control on the LSPL. In the opinion of directors, the LSPL has been classified as a joint venture of the Group. As at 31 August 2017, the Group has 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.

Summarised financial information of the joint venture is presented below:

	2017 RM'000	2016 RM'000
Current assets	**765**	—
Non-current assets	**—**	—
Current liabilities	**(543)**	—
Non-current liabilities	**—**	—
Net assets	**222**	—
Group's share of the net assets of the joint venture	**111**	—

	2017 RM'000	2016 RM'000
Revenue	**1,339**	—
Net loss	**(208)**	—
Other comprehensive income	**(208)**	—
Group's share of loss of a joint venture	**(104)**	—

20. INVESTMENT IN GOLF CLUB MEMBERSHIP

	2017 RM'000	2016 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	Other RM'000	Total RM'000
At 1 September 2015	(2,234)	6,562	433	4,761
Charge/(credit) to profit or loss for the year	(2,352)	(821)	480	(2,693)
At 31 August 2016 and 1 September 2016	(4,586)	5,741	913	2,068
Charge/(credit) to profit or loss for the year	(493)	(1,374)	316	(1,551)
At 31 August 2017	(5,079)	4,367	1,229	517

There is no significant unused tax loss within the Company and its subsidiaries. No deferred tax asset has been recognised accordingly.

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 RM'000	2016 RM'000
Deferred tax assets	**5,596**	6,654
Deferred tax liabilities	**(5,079)**	(4,586)
	517	2,068

22. INVENTORIES

	As at 31 August	
	2017 RM'000	2016 RM'000
Raw materials	**12,274**	10,582
Work-in-progress	**9,546**	6,104
Finished goods	**5,638**	5,460
	27,458	22,146
Less: allowance for obsolete inventories	**(1,767)**	(1,763)
	25,691	20,383

23. TRADE AND OTHER RECEIVABLES

	2017 RM'000	2016 RM'000
Trade receivables from:		
— Associate	**—**	505
— Joint venture	**587**	—
— Third parties	**38,499**	24,421
	39,086	24,926
Deposit and prepayments	**6,925**	1,576
Loans and advances	**388**	849
GST recoverable	**1,039**	538
	47,438	27,889

Included in trade and other receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as at 31 August 2017 and 2016:

	2017 RM'000	2016 RM'000
Within 1 month	**13,082**	9,890
1 to 2 months	**12,041**	7,601
2 to 3 months	**10,222**	6,426
Over 3 months	**3,741**	1,009
	39,086	24,926

23. TRADE AND OTHER RECEIVABLES (Continued)

At the end of each of the reporting periods, the Group reviews trade and other receivables for evidence of impairment on both individual and collective basis. Based on the impairment assessment, no impairment loss has been recognised as at 31 August 2017 and 2016. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

The aging of trade receivables which are past due but not impaired is as follows:

	2017 **RM'000**	2016 RM'000
Past due but not impaired:		
Less than 1 month	**11,269**	6,436
1 to 3 months	**4,644**	966
More than 3 months but less than 12 months	**2,016**	47
	17,929	7,449

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

The below table reconciled the impairment loss of trade debtors for the year:

	2017 **RM'000**	2016 RM'000
Beginning of the year	**683**	837
Impairment loss recognised	**52**	11
Recovery of impairment loss previously recognised	**(13)**	(174)
Disposal of a subsidiary	**(660)**	—
Bad debts written off	**—**	9
End of the year	**62**	683

24. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies 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	
	2017	2016
	RM'000	RM'000
Domain Logistics Sdn. Bhd.	**—**	—
G-Force Forwarding & Shipping Sdn. Bhd.	**—**	—
Pentino Sdn Bhd	**46**	—
	46	—
Maximum outstanding amount during the year		
— Domain Logistics Sdn. Bhd.	**—**	665
— G-Force Forwarding & Shipping Sdn. Bhd.	**—**	600
— Pentino Sdn Bhd	**46**	—

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

25. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 August 2017 and 2016, the Group had no open derivative financial instrument. During the year ended 31 August 2016, the Group had entered into certain foreign exchange forward contracts which were settled in full. The net gain on change in fair value of derivative financial instruments of RM59,000 had been recognised in profit or loss for the financial year ended 31 August 2016.

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

The Group is in the process of transferring its entire equity interest in Linocraft Packaging Zhuhai Pte. Ltd., a subsidiary of the Group, to a former subsidiary of the Group. Further details have been disclosed in the section "History, Development and Corporate Structure" in the Prospectus of the Company. As at the date of this report, the disposal is subject to the approval by the relevant local government authority.

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

	Linocraft Packaging Zhuhai Pte. Ltd. RM'000
Property, plant and equipment	1
Trade and other receivable	12
	13
Trade and other payable	—

In accordance with HKFRS 5 the assets and liabilities of the disposal group have been written down to their recoverable amount of RM100. This is a non-recurring fair value measurement.

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

27. TRADE AND OTHER PAYABLES

	2017 RM'000	2016 RM'000
Trade payables	**21,875**	11,501
Other payables, accruals and deposit received	**13,971**	7,469
	35,846	18,970

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 2017 and 2016:

	2017 RM'000	2016 RM'000
Current or less than 1 month	**9,945**	3,981
1 to 3 months	**9,767**	4,831
More than 3 months but less than 12 months	**2,152**	2,539
More than 12 months	**11**	150
	21,875	11,501

28. BANK BORROWINGS

	2017 RM'000	2016 RM'000
Secured		
Secured and interest-bearing bank borrowings	**45,015**	35,747
Bank overdraft	**5,846**	374
	50,861	36,121
Bank borrowings are scheduled to repay as follows:		
— on demand or within one year	**33,849**	29,425
— more than one year, but not exceeding two years	**2,709**	1,575
— more than two years, but not exceeding five years	**8,445**	1,781
— after five years	**5,858**	3,340
	50,861	36,121
Amount due within one year included in current liabilities	**(33,849)**	(29,425)
Amount include in non-current liabilities	**17,012**	6,696

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 2017 granted under banking facilities ranged from 3.8% to 8.6% (2016: 3.8% to 8.6%) per annum, respectively.

(b) As at 31 August 2017, 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 RM17,012,000 (2016: RM6,696,000).

The Director of the Group have sought legal opinion and given to understand that, in accordance with 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.

28. BANK BORROWINGS (Continued)

Notes: (Continued)

(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 RM25,749,000 (2016: RM25,899,000) as at 31 August 2017 (Note 17);

— Plant and machinery with net carrying amount of RM12,485,000 (2016: RM6,788,000) as at 31 August 2017 (Note 17); and

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

29. AMOUNTS DUE TO RELATED COMPANIES

As at 31 August 2017, 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 RM11,657,000 (2016: RM14,398,000) with interest charged at 5% per annum and amounting to RM1,635,000 (2016: RM2,467,000) with interest charged at 8.5% per annum, respectively.

The Group is in the process of application of a long-term bank loan from a reputable bank to finance the amounts due to related companies. These related companies have agreed not to demand payment prior to the bank loan is obtained.

30. FINANCE LEASE OBLIGATIONS

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.

Future lease payments are due as follows:

At 31 August 2017:

	Minimum lease payments RM'000	Interest RM'000	Present value RM'000
Not later than one year	1,003	156	847
More than 1 year but less than 2 years	838	105	733
Later than 2 years and not later than 5 years	1,679	105	1,574
	3,520	366	3,154

30. FINANCE LEASE OBLIGATIONS (Continued)

At 31 August 2016:

	Minimum lease payments RM'000	Interest RM'000	Present value RM'000
Not later than one year	347	41	306
More than 1 year but less than 2 years	347	23	324
Later than 2 years and not later than 5 years	250	7	243
	944	71	873

The present value of future lease payments are analysed as:

	2017 RM'000	2016 RM'000
Current liabilities	847	306
Non-current liabilities	2,307	567
	3,154	873

31. SHARE CAPITAL

	2017 RM'000	2016 RM'000
Ordinary shares		
Issued and fully paid	*	2,000

* The issued share capital of the Group as at 31 August 2016 represented the combined share capital of the group entities prior to the reorganization of the Group. More detailed information has been disclosed in the Prospectus of the Company issued on 31 August 2017.

31. SHARE CAPITAL (Continued)

The share capital balance as at 31 August 2016 represented the combined share capital of the group entities comprising the Group. Details of the movements in the authorised and issued and fully paid share capital of the Company during the period from 13 April 2017 (date of incorporation) to 31 August 2017 are summarised as follows:

	Number of shares	Amount RM'000	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised :			
Upon incorporation (Note (i))	38,000,000	207	380
Increase in authorised share capital (Note (ii))	4,962,000,000	27,077	49,620
At 31 August 2017	5,000,000,000	27,284	50,000

	Number of shares	Amount RM'000	Amount HK$'000
Issued and fully paid :			
Issue of shares upon incorporation (Note (i))	1	*	*
Issue of ordinary shares during the period (Note (iii))	44	*	*
At 31 August 2017	45	*	*

* Represents amount less than RM1,000

Notes :

(i) The Company was incorporated in the Cayman Islands on 13 April 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of par value of HK$0.01 each, of which 1 share was allotted and issued on the same date. Changes in the share capital of the Company is further detailed in the section headed "History, Development and Corporate Structure" in the Prospectus.

(ii) On 25 August 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$50,000,000 divided into 5,000,000,000 shares of HK$0.01 each by the creation of additional 4,962,000,000 shares of HK$0.01 each.

(iii) On 31 August 2017, the Company allotted and issued 44 shares in aggregate to Stan Cam Holdings Limited and Linocraft Investment Limited which were credited as fully paid as consideration for the transfer of their shareholding interest in Linocraft Holdings Limited. The Company has become the holding company of the Group on 31 July 2017.

(iv) On 15 September 2017, the Company issued a total of 200,000,000 ordinary shares of HK$0.01 each at a price of HK$0.4 per share as a result of the completion of the Share Offer. The gross proceeds from Share Offer of HK$80,000,000 representing the par value of HK$2,000,000 credited to the Company's share capital, and share premium of HK$78,000,000, which can be used for deduction of share issuance expenses. After the share premium account of the Company being credited as a result of the Share Offer, HK$6,000,000 was capitalised from the share premium account and applied in paying up in full 599,999,955 shares which was allotted and issued to the then shareholders. The Company's total number of issued shares was increased to 800,000,000 shares upon completion of Share Offer.

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

31. SHARE CAPITAL (Continued)

As the Company was not incorporated prior to 13 April 2017 and the Reorganisation was not completed as at 31 July 2017, the share capital in the consolidated statement of financial position as at 31 August 2017 and consolidated statement of changes in equity for the year ended 31 August 2016 represented the combined share capital of 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.

32. 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(k).

The Company

The movement of the Company's reserves during the period from 13 April 2017 (date of incorporation) to 31 August 2017 are as follows:

	Exchange reserve RM'000	**Merger reserve** RM'000	**Accumulated losses** RM'000	**Total** RM'000
Loss for the year	—	—	(6,364)	(6,364)
Other comprehensive income	19	—	—	19
Issue of ordinary shares for reorganisation	—	39,289	—	39,289
At 31 August 2017	19	39,289	(6,364)	32,944

* 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.

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 August 2017

	Note	2017 RM'000
Current assets		
Investments in subsidiaries	34	**39,289**
Other receivables		**774**
		40,063
Current liabilities		
Accruals		**(2,112)**
Amounts due to subsidiaries		**(5,007)**
		(7,119)
NET ASSETS		**32,944**
Capital and reserves		
Share capital	31	*****
Reserves	32	**32,944**
TOTAL EQUITY		**32,944**

* Represents amount less than RM1,000

Notes:

(a) No comparative figure was shown as the Company was incorporated on 13 April 2017.

Tan Woon Chay, Andrew
Director

Ong Yoong Nyock
Director

34. 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	RM2,000,000	—	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%

35. OPERATING LEASES

Operating lease payments represent rentals payable by the Group for certain of its lease properties. Leases are negotiated for terms between 1 year and 5 years at fixed rentals.

At the end of each of the reporting periods, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 RM'000	2016 RM'000
Rented premises		
Not later than one year	601	179
Later than one year and not later than two years	163	—
Later than two years and not later than five years	200	—
	964	179

	2017 RM'000	2016 RM'000
Plant, machinery and equipment		
Not later than one year	70	39
Later than one year and not later than two years	40	39
Later than two years and not later than five years	19	43
	129	121
	1,093	300

36. RELATED PARTY TRANSACTIONS

(a) As at 31 August 2017 and 2016, Mr. Ong Yoong Nyock and Mr. Tan Woon Chay provide personal guarantees to secure for the bank borrowings and banking facilities (Note 28) and finance lease obligations (Note 30) grant to the Group.

At the date of this report, the Mr. Ong Yoong Nyock and Mr. Tan Woon Chay provide personal guarantees to the Group for bank borrowings and finance lease obligations. These personal guarantees will be 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:

	2017 RM'000	2016 RM'000
Wages and salaries	**1,734**	854
Contribution to retirement benefits schemes	**185**	103
	1,919	957

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

Related party relationship	**Common director**	**Interest**	**Name/Company name**	**Type of transaction**	**Year ended 2017 RM'000**	2016 RM'000
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM HOLDINGS SDN BHD	(a) Interest expenses paid to related companies	**439**	666
Ong Yoong Nyock, a director of the Company, being a member of the key management personnel of the entity	N/A	N/A	STRAITS PLUS (M) S/B		**169**	222
					608	888
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM HOLDINGS SDN BHD	(b) Consultancy fees paid to a related company	**28**	48
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM HOLDINGS SDN BHD	(c) Commission fees paid to a related company	**299**	402
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM HOLDINGS SDN BHD	(d) Management fees paid to a related company	**300**	300
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM LOGISTICS SOLUTIONS SDN BHD	(e) Transportation fees paid to a related company	**2,951**	2,787
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM LOGISTICS SDN BHD		**2**	1
					2,953	2,788

36. RELATED PARTY TRANSACTIONS (Continued)

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

Related party relationship	Common director	Interest	Name/Company name	Type of transaction	Year ended 2017 RM'000	2016 RM'000
Ong Yoong Nyock, a director of the Company, being a member of the key management personnel of the entity	N/A	N/A	CLS RISK CONSULT SDN BHD	(f) Road tax and insurance fees paid to a related company	**—**	278
Chua Sui Keng, a director of Linocraft Malaysia, being a director of the entity	Chua Sui Keng	N/A	TN EQUIPMENT RENTAL (JB) SDN BHD	(g) Rental expenses of equipments paid to related companies	**400**	480
An entity controlled by Chua Sui Keng, a director of Linocraft Malaysia	Chua Sui Keng	25%	GF EQUIPMENT RENTAL SDN BHD		**386**	391
An entity controlled by Chua Sui Keng, a director of Linocraft Malaysia	Chua Sui Keng	25%	G-FORCE EQUIPMENT SERVICES SDN BHD		**7**	3
					793	874
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TERMINAL PERINTIS SDN BHD	(h) Purchase of property, plant and equipment	**—**	987
Associate	Tan Woon Chay	25% hold by Linocraft Printers Sdn. Bhd. (before 26 Jan 2017)	Linocraft Singapore Pte. Ltd.	Purchases from the Group	**1,727**	3,370

36. RELATED PARTY TRANSACTIONS (Continued)

On 26 January 2017, the Group acquired 25% equity interest in Linocraft Singapore Pte. Ltd. from a family member of a director of the Group in a consideration of Singapore dollars 25,000.

As further detail in Note 38, the Group disposed a subsidiary to certain directors of the Company.

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

37. CAPITAL COMMITMENTS

	2017 RM'000	2016 RM'000
Commitments for the acquisition of:		
Investment property	**3,949**	3,949
Property, plant and equipment	**15,578**	656
	19,527	4,605

38. DISPOSAL OF SUBSIDIARIES

On 31 May 2017, the Group entered into an equity transfer agreement with Mr. Tan Woon Chay, Mr. Ong Yoong Nyock, and Mr. Cheng Peng Hoi to dispose of its 100% equity interest in Pentino Sdn. Bhd. at a consideration of RM100, which was mutually agreed by the Group and them. Mr. Ong Yoong Nyock, and Mr. Cheng Peng Hoi are also directors of the Group. The disposal was completed on 31 May 2017.

On 22 June 2017, Linocraft Printers Sdn. Bhd transferred 50,000 shares in Linocraft Printers (Singapore) Pte. Ltd, being the entire issued its share capital, to Pentino Sdn Bhd, at a consideration of SGD100 which was determined with reference to the net tangible asset of Linocraft Printers (Singapore) Pte. Ltd as shown in the latest audited accounts of Linocraft Printers (Singapore) Pte. Ltd for the year ended 31 August 2017 immediately prior to the above transfer. Upon completion of such transfer, Linocraft Printers (Singapore) Pte. Ltd ceased to be a subsidiary of Linocraft Printers Sdn. Bhd.

38. DISPOSAL OF SUBSIDIARIES (Continued)

Details of the assets and liabilities of subsidiaries disposed at the disposal date are summarised as below:

	2017 RM'000
Net liabilities disposed of:	
Cash and cash equivalents	9
Trade and other payables	(8)
Trade and other receivable, net of impairment of RM660,000	2
Amount due to related companies	(520)
Amount due to immediate holding company	(80)
	(597)
Total consideration	*
Gain on disposal of subsidiaries	**597**

	2017 RM'000
Analysis of the net cash flow arising from the disposal:	
Consideration received in cash and cash equivalents	*
Cash and cash equivalents disposed of	(9)
Net cash outflow on disposal of subsidiaries	**(9)**

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2017 RM'000	2016 RM'000
Financial assets		
Loans and receivables		
— Cash and cash equivalents	4,406	4,032
— Trade and other receivables	40,958	26,504
— Amounts due from related companies	46	—
	45,410	30,536
Financial liabilities measured at amortised cost		
— Trade and other payables	35,846	18,970
— Bank borrowings	50,861	36,121
— Amounts due to related companies	14,258	18,032
— Finance lease obligations	3,154	873
	104,119	73,996
Financial assets at fair value through profit or loss		
— Derivative financial instruments	—	—
Financial liabilities at fair value through profit or loss		
— Derivative financial instruments	—	—

Financial instruments not measured at fair value

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

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

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Financial instruments measured at fair value

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

As further detail in Note 25, there was no financial assets/liabilities at fair value through profit or loss as at the end of each reporting periods.

There were no transfer between the levels of the fair value hierarchy during the respective financial years.

40. 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. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other 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:

	2017 **RM'000**	2016 RM'000
Largest customer	**9,455**	4,812
Five largest customers	**27,625**	20,467

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

(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.

40. 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
31 August 2017						
Trade and other payables	35,846	35,846	35,846	—	—	—
Bank borrowings	50,861	54,915	34,827	3,530	10,036	6,522
Amounts due to related companies	14,258	15,054	15,054	—	—	—
Finance lease obligations	3,154	3,520	1,003	838	1,679	—
	104,119	109,335	86,730	4,368	11,715	6,522

	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
31 August 2016						
Trade and other payables	18,970	18,970	18,970	—	—	—
Bank borrowings	36,121	37,907	29,856	1,860	2,412	3,779
Amounts due to related companies	18,032	18,962	18,962	—	—	—
Finance lease obligations	873	944	347	347	250	—
	73,996	76,783	68,135	2,207	2,662	3,779

40. 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 and finance lease obligations. 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 2017 bore interest at floating rates whereas its amounts due to related companies and finance lease obligations bore interest at fixed rates. Details of bank borrowings, amounts due to related companies and finance lease obligations are disclosed in Notes 28, 29 and 30, 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 2017, 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 for the year and retained profits by approximately RM157,000. 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.

40. 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.

	2017	2016
	RM'000	RM'000
Trade receivables	**5,803**	1,765
Cash and cash equivalents	**955**	2,517
Trade payables	**(4,499)**	(700)
	2,259	3,582

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.

	2017	2016
	RM'000	RM'000
USD appreciated by 5%	**121**	179

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.

41. 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 2017.

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 2017 and 2016 were as follows:

	2017 **RM'000**	2016 RM'000
Trade and other payables	**35,846**	18,970
Bank borrowings	**50,861**	36,121
Amounts due to related companies	**14,258**	18,032
Finance lease obligations	**3,154**	873
Less: Cash and cash equivalents	**(4,406)**	(4,032)
Net debts	**99,713**	69,964
Equity attributable to owners of the Group	**32,352**	31,985
Capital and net debts	**132,065**	101,949
Gearing ratio	**76%**	69%

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.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

For the years ended 31 August 2017, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of leases RM2,855,000 (2016: Nil), respectively.

43. EVENTS AFTER THE REPORTING DATE

(a) Disposed of its subsidiary

The Group is in the process of disposed of its subsidiary, Linocraft Packaging Zhuhai Pte. Ltd. which is subject to the approval by the relevant local government authority.

(b) Settlement of related parties' loans

Amounts due to 2 related companies, Semangat Forwarding Agent Sdn Bhd and Straits plus (M) S/B, of approximately RM13.29 million as at 31 August 2017. According to Listing rule 8.04, the aforesaid loans from related companies should be repaid before listing. The management restructured these debts and settled the loans from related companies by securing new long term bank loan of approximately RM13 million in September 2017.

(c) Increase authorised share capital and issuance of shares

As stated in Note 31(iv), there was an issuance of shares by way of capitalisation issue and share offer.

(d) Completion of listing

On 15 September 2017, the shares of the Company have been listed on the GEM of the Stock Exchange.

44. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 23 November 2017.

Financial Summary

FINANCIAL SUMMARY

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

RESULTS

	For the year ended 31 August		
	2015 RM'000	2016 RM'000	**2017** **RM'000**
Revenue	88,448	101,120	**129,921**
Cost of sales	(76,239)	(78,898)	**(109,156)**
Gross profit	12,209	22,222	**20,765**
Other operating income/(loss)	3,873	2,174	**3,466**
Distribution costs	(6,177)	(6,929)	**(9,101)**
Administrative expenses	(2,787)	(3,837)	**(15,540)**
Other operating expenses	(114)	(26)	**(976)**
Profit/(loss) from operation	7,004	13,604	**(1,386)**
Finance costs	(2,597)	(2,363)	**(2,503)**
Share of (loss)/profit of an associate	(11)	41	**1**
Share of loss of a joint venture	—	—	**(104)**
Profit/(loss) before income tax expenses	4,396	11,282	**(3,992)**
Income tax expense	(1,769)	(2,820)	**(2,204)**
Profit/(loss) for the year	2,627	8,462	**(6,196)**
Attributable to:			
Owners of the Group	2,627	8,462	**(6,196)**

ASSETS AND LIABILITIES

	For the year ended 31 August		
	2015 RM'000	2016 RM'000	**2017** **RM'000**
Total assets	94,318	106,108	**136,771**
Total liabilities	(69,290)	(74,123)	**(104,419)**
Total equity	25,028	31,985	**32,352**