# ADVANCED PACKAGING TECHNOLOGY (M) BHD.

(Co. No. 82982-K)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015
(In Ringgit Malaysia)

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
(Co. No. 82982-K)
(Incorporated in Malaysia)

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**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
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## CORPORATE INFORMATION

| | |
|---|---|
| BOARD OF DIRECTORS | Chee Sam Fatt (Chairman)<br>Tjin Kiat @ Tan Cheng Keat (Managing Director)<br>Yeo Tek Ling (Finance Director)<br>Dato' Haji Ghazali B. Mat Ariff<br>Dato' Law Sah Lim<br>Datuk Ismail bin Haji Ahmad<br>Mah Siew Seng<br>Eu Hock Seng<br>Ng Choo Tim |
| SECRETARY | Leong Shiak Wan<br>(MAICSA 7012855)<br>Zuriati Binti Yaacob – appointed on 25.02.2016<br>(LS0009971)<br>See Siew Cheng – resigned on 27.08.2015<br>(MAICSA 7011225) |
| AUDITORS | PKF<br>AF 0911<br>Chartered Accountants |
| AUDIT COMMITTEE | Dato' Haji Ghazali B. Mat Ariff (Chairman)<br>- Senior Independent Non-Executive Director<br>Datuk Ismail bin Haji Ahmad<br>- Independent Non-Executive Director<br>Mah Siew Seng<br>- Independent Non-Executive Director |
| REGISTERED OFFICE | Level 8, Symphony House<br>Block D13, Pusat Dagangan Dana 1<br>Jalan PJU 1A/46<br>47301 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: 03-7841 8000<br>Fax: 03-7841 8199 |
| REGISTRAR & SHARE TRANSFER OFFICE | Symphony Share Registrars Sdn. Bhd.<br>Level 6, Symphony House<br>Block D13, Pusat Dagangan Dana 1<br>Jalan PJU 1A/46<br>47301 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: 03-7841 8000<br>Fax: 03-7841 8008 |
| PRINCIPAL BANKER | CIMB Bank Berhad |
| STOCK EXCHANGE LISTING | Bursa Malaysia Securities Berhad |

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
(Co. No. 82982-K)
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2015.

### Principal activities

The Company is principally engaged in the manufacturing and distribution of flexible packaging materials.

There has been no significant change in the nature of these activities during the financial year.

### Results

| | RM |
|---|---|
| Profit for the financial year | 2,790,215 |

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

### Dividends

In respect of the financial year ended 31 December 2014, the Company paid an interim 4% single tier dividend totalling RM764,729 on 21 January 2015.

In respect of the financial year ended 31 December 2014, the Company paid a final 6% single tier dividend totalling RM1,146,974 on 22 July 2015.

In respect of the financial year ended 31 December 2015, the Directors declared an interim 6% single tier dividend totalling RM1,146,854 and that was paid on 21 January 2016.

The Directors recommend a final 6% single tier dividend totalling RM1,146,854 subject to the shareholders' approval at the Company's forthcoming Annual General Meeting.

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
(Co. No. 82982-K)
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## Directors

The Directors who have held office since the date of the last report are:

Chee Sam Fatt
Tjin Kiat @ Tan Cheng Keat
Yeo Tek Ling
Dato' Haji Ghazali B. Mat Ariff
Dato' Law Sah Lim
Datuk Ismail bin Haji Ahmad
Mah Siew Seng
Eu Hock Seng
Ng Choo Tim

## Directors' interest in shares

The shareholdings and deemed shareholdings in the Ordinary Shares of the Company at the end of the financial year, as recorded in Register of Director's Shareholding kept under Section 134 of the Companies Act, 1965, in Malaysia are as follows:

| | **Number of Ordinary Shares of RM1.00 each** | | | |
|---|---|---|---|---|
| | **At 1.1.2015** | **Bought** | **Sold** | **At 31.12.2015** |
| In the Company: | | | | |
| **Direct interest:** | | | | |
| Chee Sam Fatt | 10,125 | - | - | 10,125 |
| Tjin Kiat @ Tan Cheng Keat | 1,565,900 | - | - | 1,565,900 |
| Yeo Tek Ling | 12,169 | - | - | 12,169 |
| Eu Hock Seng | 11,210 | - | - | 11,210 |
| Ng Choo Tim | 648,297 | - | - | 648,297 |
| **Deemed interest** | | | | |
| Chee Sam Fatt | 3,209,755 | - | - | 3,209,755 |
| Dato' Law Sah Lim | 2,562,834 | - | - | 2,562,834 |
| Eu Hock Seng | 435,224 | - | - | 435,224 |

None of the other Directors in office at 31 December 2015 had any interest in the Ordinary Shares of the Company during the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965 in Malaysia.

## Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in aggregate amount of emoluments received or due and receivable by Directors or the fixed salaries of full time employees of the Company as disclosed in Note 4 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

## Share buy-back

During the financial year, the Company repurchased 4,000 of its issued Ordinary Shares from the open market at an average price of RM2.11 per share. The total consideration paid for the repurchase including transaction costs was RM8,431.

As at 31 December 2015, the Company held 1,390,016 of its own shares ('APT Shares') as treasury shares out of its total issued and paid-up share capital of 20,504,250 ordinary shares. The treasury shares are held at a carrying amount of RM1,091,826 and further details are disclosed in Note 15 to the financial statements.

The APT Shares bought back are held as treasury shares in accordance with Section 67A subsection 3(A)(b) of the Companies Act, 1965 in Malaysia. None of the treasury shares held were resold or cancelled during the financial year.

## Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate in the financial statements of the Company to any substantial extent; or

(ii) which would render the value attributed to current assets in the financial statements of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except as otherwise stated in the financial statements, the results of the operations of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
(Co. No. 82982-K)
(Incorporated in Malaysia)

**Auditors**

The auditors, Messrs PKF, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

| | |
|---|---|
| TJIN KIAT @ TAN CHENG KEAT | NG CHOO TIM |

Selangor

3 0 MAR 2016

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
(Co. No. 82982-K)
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965 IN MALAYSIA**

In the opinion of the Directors, the accompanying financial statements as set out on pages 10 to 57 are drawn up in accordance with the Companies Act, 1965 in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and its cash flows for the financial year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

| | |
|---|---|
| TJIN KIAT @ TAN CHENG KEAT | NG CHOO TIM |

Selangor
30 MAR 2016

**STATUTORY DECLARATION PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965 IN MALAYSIA**

We, TJIN KIAT @ TAN CHENG KEAT and YEO TEK LING, being the Directors primarily responsible for the financial management of ADVANCED PACKAGING TECHNOLOGY (M) BHD, do solemnly and sincerely declare that to the best of our knowledge and belief, the accompanying financial statements as set out on pages 10 to 57 are in our opinion correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed TJIN KIAT @ TAN CHENG KEAT and YEO TEK LING at Bandar Baru Bangi in Selangor on 30 MAR 2016 )

TJIN KIAT @ TAN CHENG KEAT

Before me,

YEO TEK LING

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
B448
HAZLIN BT. MOHAMED
MALAYSIA

NO. 23-1, JALAN 9/9C,
SEKSYEN 9,
43650 BANDAR BARU BANGI,
SELANGOR DARUL EHSAN.

**PKF**
(AF 0911)

PKF
Accountants &
business advisers

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD.

(Co. No. 82982-K)
(Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of ADVANCED PACKAGING TECHNOLOGY (M) BHD., which comprise the Statement of Financial Position as at 31 December 2015 of the Company, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 57.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the Directors determine are necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

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**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
(Co. No. 82982-K)
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***Opinion***

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and its cash flows for the financial year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information as set out in Note 28 to the financial statements is disclosed as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance"). In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PKF

PKF
AF 0911
CHARTERED ACCOUNTANTS

BRIAN WONG WYE PONG
2610/04/17 (J)
CHARTERED ACCOUNTANT

Kuala Lumpur

3 0 MAR 2016

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
(Co. No. 82982-K)
(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

| | Note | 2015<br>RM | 2014<br>RM |
|---|---|---|---|
| Revenue | 3 | 26,024,191 | 24,610,676 |
| Other income | | 485,547 | 938,876 |
| Changes in inventories of finished goods and work-in-progress | | (66,193) | 397,143 |
| Raw materials used | | (14,900,198) | (15,527,897) |
| Employee benefits expense | 4 | (3,707,322) | (3,670,752) |
| Depreciation | | (1,227,747) | (1,330,691) |
| Other expenses | | (3,349,818) | (2,892,560) |
| **Profit from operations** | 5 | 3,258,460 | 2,524,795 |
| Interest income | | 370,303 | 349,139 |
| **Profit before tax** | | 3,628,763 | 2,873,934 |
| Tax expense | 6 | (838,548) | (855,802) |
| **Profit and other comprehensive income for the financial year** | | 2,790,215 | 2,018,132 |
| **Total comprehensive income attributable to owners of the Company** | | 2,790,215 | 2,018,132 |
| **Basic earnings per ordinary share (sen)** | 7 | 14.60 | 10.55 |

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
(Co. No. 82982-K)
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## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

| | Note | 2015<br>RM | 2014<br>RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 9,078,501 | 9,500,720 |
| Other investment | 9 | 5,000,000 | 5,000,000 |
| | | 14,078,501 | 14,500,720 |
| **Current assets** | | | |
| Inventories | 10 | 4,158,691 | 4,576,426 |
| Trade receivables | 11 | 5,543,153 | 4,928,586 |
| Non-trade receivables, deposits and prepayments | 12 | 175,798 | 595,086 |
| Cash and cash equivalents | 13 | 13,072,253 | 12,443,580 |
| | | 22,949,895 | 22,543,678 |
| **TOTAL ASSETS** | | 37,028,396 | 37,044,398 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 14 | 20,504,250 | 20,504,250 |
| Treasury shares | 15 | (1,091,826) | (1,083,395) |
| Reserves | 16 | 11,287,531 | 10,791,144 |
| **Total equity** | | 30,699,955 | 30,211,999 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables | 19 | 684,933 | 1,391,966 |
| Non-trade payables and accruals | 20 | 1,058,512 | 1,337,155 |
| Amount due to Directors | 21 | 237,600 | 216,000 |
| Dividend payable | 22 | 1,146,854 | 764,729 |
| Tax payable | | 147,989 | 96,972 |
| | | 3,275,888 | 3,806,822 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 17 | 891,473 | 1,166,614 |
| Provision for staff gratuity | 18 | 2,161,080 | 1,858,963 |
| | | 3,052,553 | 3,025,577 |
| **Total liabilities** | | 6,328,441 | 6,832,399 |
| **TOTAL EQUITY AND LIABILITIES** | | 37,028,396 | 37,044,398 |

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
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## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | | Non-distributable | | Distributable | |
|---|---|---|---|---|---|
| | Note | Share capital RM | Treasury shares RM | Retained profits RM | Total RM |
| At 1 January 2014 | | 20,504,250 | (1,053,477) | 11,067,440 | 30,518,213 |
| Profit and other comprehensive income for the financial year | | - | - | 2,018,132 | 2,018,132 |
| Purchase of treasury shares | | - | (29,918) | - | (29,918) |
| Dividends | 22 | - | - | (2,294,428) | (2,294,428) |
| At 31 December 2014 | | 20,504,250 | (1,083,395) | 10,791,144 | 30,211,999 |
| Profit and other comprehensive income | | - | - | 2,790,215 | 2,790,215 |
| Purchase of treasury shares | | - | (8,431) | - | (8,431) |
| Dividends | 22 | - | | (2,293,828) | (2,293,828) |
| At 31 December 2015 | | 20,504,250 | (1,091,826) | 11,287,531 | 30,699,955 |

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
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(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

| | 2015<br>RM | 2014<br>RM |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 3,628,763 | 2,873,934 |
| Adjustments for: | | |
| Depreciation | 1,227,747 | 1,330,691 |
| Impairment loss on trade receivables | 112,833 | 46,735 |
| Interest income (Note 5) | (370,303) | (349,139) |
| Inventories written off | 76,661 | 33,176 |
| Inventories written down | 20,462 | 33,104 |
| Reversal of inventories written down | (19,969) | (29,630) |
| Investment income | (155,391) | (142,927) |
| Gain on disposal of property, plant and equipment | (5,470) | (29,447) |
| Loss on unrealised foreign exchange | 827 | 2,379 |
| Property, plant and equipment written off | 6 | 1,395 |
| Provision for staff gratuity | 102,851 | 269,483 |
| Amortised cost of provision for gratuity | 211,243 | - |
| **Operating profit before working capital changes** | 4,830,260 | 4,039,754 |
| Increase/(Decrease) in inventories | 340,591 | (376,767) |
| Decrease in receivables | (308,939) | (1,077,946) |
| Increase in amount due to Directors | 21,600 | - |
| Increase in payables | (997,663) | 242,283 |
| **Cash generated from operations** | 3,885,849 | 2,827,324 |
| Income tax refunded | - | 7,927 |
| Income tax paid | (1,062,672) | (885,000) |
| **Net cash from operating activities** | 2,823,177 | 1,950,251 |

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
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## STATEMENT OF CASH FLOWS (continued)
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | 2015<br>RM | 2014<br>RM |
|---|---|---|
| **Cash flows from investing activities** | | |
| Investment income received | 155,391 | 142,927 |
| Interest income received | 370,303 | 349,139 |
| Proceeds from disposal of property, plant and equipment | 5,472 | 29,450 |
| Acquisition of property, plant and equipment | (805,536) | (351,936) |
| **Net cash (used in)/from investing activities** | (274,370) | 169,580 |
| **Cash flows from financing activities** | | |
| Dividends paid | (1,911,703) | (2,295,068) |
| Purchase of treasury shares | (8,431) | (29,918) |
| **Net cash used in financing activities** | (1,920,134) | (2,324,986) |
| **Net increase/(decrease) in cash and cash equivalents** | 628,673 | (205,155) |
| **Cash and cash equivalents at 1 January** | 12,443,580 | 12,648,735 |
| **Cash and cash equivalents at 31 December** | 13,072,253 | 12,443,580 |

***Cash and cash equivalents***

Cash and cash equivalents, included in the statement of cash flows comprise the following amounts:

| | 2015<br>RM | 2014<br>RM |
|---|---|---|
| Cash and bank balances | 3,072,253 | 2,443,580 |
| Deposits with licensed banks | 10,000,000 | 10,000,000 |
| | 13,072,253 | 12,443,580 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 1. Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The accompanying financial statements have been prepared assuming that the Company will continue as going concern which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

### (a) Standards issued and effective

On 1 January 2015, the following new and amended MFRS and IC Interpretations are mandatory for annual financial periods beginning on or after 1 January 2015.

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| • Annual improvements to MFRSs 2010 – 2012 cycle | |
| - MFRS 2, Share-Based Payment | 1 July 2014 |
| - MFRS 3, Business Combinations | 1 July 2014 |
| - MFRS 8, Operating Segments | 1 July 2014 |
| - MFRS 116, Property, Plant and Equipment | 1 July 2014 |
| - MFRS 124, Related Party Disclosures | 1 July 2014 |
| - MFRS 138, Intangible Assets | 1 July 2014 |
| • Annual improvements to MFRSs 2011 – 2013 cycle | |
| - MFRS 3, Business Combinations | 1 July 2014 |
| - MFRS 13, Fair Value Measurement | 1 July 2014 |
| - MFRS 140, Investment Property | 1 July 2014 |
| • Amendments to MFRS 119 Employee Benefits: Defined Benefit Plans- Employee Contributions | 1 July 2014 |

The Directors expect that the adoption of the new and amended MFRSs and IC Interpretations above will have no material impact on the financial statements in the period of initial application.

## 1. Basis of preparation (continued)

### (b) Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| • Annual improvements to MFRSs 2012– 2014 cycle | |
| - MFRS 5, Non-Current Assets Held for Sales and Discontinued Operations | 1 January 2016 |
| - MFRS 7, Financial Instruments: Disclosures | 1 January 2016 |
| - MFRS 119, Employee Benefits | 1 January 2016 |
| - MFRS 134, Interim Financial Reporting | 1 January 2016 |
| • MFRS 9, Financial Instruments | 1 January 2018 |
| • MFRS 14, Regulator Deferral Accounts | 1 January 2016 |
| • MFRS 15, Revenue from Contract with Customers | 1 January 2018 |
| • Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interest in Joint Operations | 1 January 2016 |
| • Amendments to MFRS 101 Presentation of Financial Statements: Disclosure Initiative | 1 January 2016 |
| • Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| • Amendment to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture: Bearer Plants | 1 January 2016 |
| • Amendments to MFRS 127 Consolidated and Separate Financial Statements: Equity Method in Separate Financial Statements | 1 January 2016 |

**1. Basis of preparation (continued)**

**(b) Standards issued but not yet effective (continued)**

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| • Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates: Sale or Contribution of Assets between an investor and its Associate or Joint Venture | Deferred |
| • Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investment in Associates and Joint Ventures : Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| • Amendment to MFRS 138 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |

The initial application of the above mentioned accounting standards, amendments or interpretations are not expected to have any material impact to the financial statements of the Company except as mentioned below:

***MRFS 15 Revenue from Contracts with Customers***

MRFS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Company is currently assessing the financial impact of adopting MFRS 15.

***MFRS 9 Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Company's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Company is currently assessing the financial impact of adopting MFRS 9.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 1. Basis of preparation (continued)

### (c) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

### (d) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

*(i) Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

*(ii) Depreciation of Property, Plant and Equipment*

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Company anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

## 1. Basis of preparation (continued)

### (d) Critical accounting estimates and judgements (continued)

*(iii) Impairment of Non-financial Assets*

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

*(iv) Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

*(v) Fair Value Estimates for Certain Financial Assets and Liabilities*

The Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

*(vi) Impairment of Trade and Non-trade Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. 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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

## 1. Basis of preparation (continued)

### (d) Critical accounting estimates and judgements (continued)

*(vii) Classification of Leasehold Land*

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease.

Accordingly, management judged that the Company has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

*(viii) Deferred tax assets and liabilities*

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

## 2. Summary of significant accounting policies

### (a) Foreign currencies

*(i) Functional and presentation currency*

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### (a) Foreign currencies (continued)

*(i) Functional and presentation currency (continued)*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

*(ii) Foreign currency transactions*

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The principal exchange rates for every unit of foreign currency ruling used at reporting date are as follows:

| | 2015<br>RM | 2014<br>RM |
|---|---|---|
| 1 United States Dollar | 4.292 | 3.495 |
| 1 Brunei Dollar | 3.036 | 2.645 |

## 2. Summary of significant accounting policies (continued)

### (b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

*(i) Sale of goods*

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing measurement involvement with the goods.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the considerations.

*(ii) Interest income*

Interest income is recognised on an accrual basis, based on effective yield on the investment.

### (c) Employee benefits expense

(i) *Short term benefits*

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

## 2. Summary of significant accounting policies (continued)

### (c) Employee benefits expense (continued)

(ii) *Defined contribution plans*

The Company's contribution to defined contribution plans is charged to the profit or loss in the period to which they related. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans.

(iii) *Defined benefit plans*

The Company's staff gratuity schemes are for employees who are eligible under their employment contracts. Gratuity for employees is provided for in the financial statements with consideration to the length of service and basic salary earnings of eligible employees and charged to the statement of profit or loss.

The present value of the retirement gratuities is determined by discounting the amount payable by reference to market yields at the date of the statement of financial position on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Past service costs are recognised immediately in profit or loss.

### (d) Borrowing costs

Borrowings are stated at cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (e) Tax expense

*(i)* *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

## 2. Summary of significant accounting policies (continued)

### (e) Tax expense (continued)

*(ii) Deferred tax*

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost.

## 2. Summary of significant accounting policies (continued)

### (f) Impairment

#### *(i) Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

*Trade and non-trade receivables and other financial assets carried at amortised cost*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

## 2. Summary of significant accounting policies (continued)

### (f) Impairment (continued)

*(i) Impairment of financial assets (continued)*

*Trade and non-trade receivables and other financial assets carried at amortised cost (continued)*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

*(ii) Impairment of non-financial assets*

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 2. Summary of significant accounting policies (continued)

### (f) Impairment (continued)

*(ii) Impairment of non-financial assets (continued)*

Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### (g) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leasehold land | 1% |
| Building | 2% - 10% |
| Plant, machinery and tools | 7½% - 10% |
| Furniture, fittings and equipment | 10% - 20% |
| Motor vehicles | 20% |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

## 2. Summary of significant accounting policies (continued)

### (h) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

## 2. Summary of significant accounting policies (continued)

### (h) Financial assets (continued)

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

## 2. Summary of significant accounting policies (continued)

### (h) Financial assets (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

## 2. Summary of significant accounting policies (continued)

### (i) Inventories

Inventories, comprising of raw materials, work-in-progress, finished goods and consumables, are stated at the lower of cost and net realisable value.

Cost is determined using first-in-first-out basis. Cost of raw materials and consumables, includes all cost incurred in bringing them to their present location and condition.

Cost of work-in-progress and finished goods include the cost of raw materials, direct labour and an appropriate proportion of the fixed and variable production overheads.

### (j) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and on hand, demand deposits, short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Company's cash management.

### (k) Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

### (l) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities measured at amortised cost.

## 2. Summary of significant accounting policies (continued)

### (l) Financial liabilities (continued)

(i) 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 held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities measured at amortised cost

The Company's other financial liabilities include trade payables and non-trade payables.

Trade and non-trade payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

### (m) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

## 2. Summary of significant accounting policies (continued)

### (n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability and the present value of the expenditure expected to be required to settle the obligation.

### (o) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Company.

### (p) Operating segment

For management purposes, the Company is organised into operating segments based on their products and services. The management of the Company regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 23 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

### (q) Equity instrument

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 3. Revenue

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

## 4. Employee benefits expense

| | 2015<br>RM | 2014<br>RM |
|---|---|---|
| (a) Staff costs | | |
| Salaries, wages, allowances, bonus and overtime | 2,232,812 | 2,135,017 |
| Contributions to defined contribution plan | 232,096 | 230,588 |
| Social security contributions | 24,365 | 25,323 |
| Other benefits | 235,939 | 394,541 |
| | 2,725,212 | 2,785,469 |
| (b) Directors' remuneration | | |
| Executive: | | |
| Salaries and other emoluments | 556,319 | 533,330 |
| Contribution to defined contribution plan | 119,571 | 117,333 |
| Social security contributions | 620 | 620 |
| Fees | 52,800 | 48,000 |
| Other benefits - leave passage | 18,000 | 18,000 |
| Estimated money value of benefits-in-kind | 32,750 | 44,300 |
| | 780,060 | 761,583 |

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 4. Employee benefits expense (continued)

| | 2015<br>RM | 2014<br>RM |
|---|---|---|
| Non-executive: | | |
| Allowances | 50,000 | - |
| Fees | 184,800 | 168,000 |
| | 234,800 | 168,000 |
| Total Directors' remuneration | 1,014,860 | 929,583 |
| Total Directors' remuneration excluding benefits-in-kind | 982,110 | 885,283 |
| Total staff costs | 3,707,322 | 3,670,752 |

The number of Directors of the Company whose total remuneration during the year fall within the following bands are as follows:

| | Number of Directors | |
|---|---|---|
| | 2015<br>RM | 2014<br>RM |
| Executive Directors: | | |
| Below RM50,000 | - | - |
| RM50,001 to RM100,000 | - | - |
| RM100,001 to RM150,000 | - | - |
| Above RM150,000 to RM600,000 | 2 | 2 |
| | 2 | 2 |
| Non-executive Directors: | | |
| Below RM50,000 | 7 | 7 |
| RM50,001 to RM100,000 | - | - |
| | 7 | 7 |

The total number of employees, inclusive of executive Directors of the Company as at the end of the financial year was 81 (2014: 89).

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 5. Profit from operations

| | 2015 RM | 2014 RM |
|---|---|---|
| Profit from operations is arrived at after charging/(crediting): | | |
| Auditors' remuneration | | |
| - Statutory audit | 30,000 | 30,000 |
| - Non-statutory audit | 7,000 | 7,000 |
| Amortised cost of provision for gratuity | 211,243 | - |
| Bad debts recovered | - | (1,163) |
| Depreciation | 1,227,747 | 1,330,691 |
| (Gain)/Loss on foreign exchange | | |
| - realised | (33,426) | (15,057) |
| - unrealised | 827 | 2,379 |
| Gain on disposal of property, plant and equipment | (5,470) | (29,447) |
| Impairment loss on trade receivables | 112,833 | 46,735 |
| Interest income | | |
| - Interest income received from deposits placed with licensed banks | (258,730) | (238,434) |
| - Fixed return received from deposits placed with Islamic bank | (111,573) | (110,705) |
| Inventories written off | 76,661 | 33,176 |
| Inventories written down | 20,462 | 33,104 |
| Investment income | (155,391) | (142,927) |
| Reversal of inventories written down | (19,969) | (29,630) |
| Reversal of impairment loss on trade receivables no longer required | (66,095) | (465,698) |
| Property, plant and equipment written off | 6 | 1,395 |
| Provision for staff gratuity | 102,851 | 269,483 |
| Utilisation of provision for staff gratuity | (11,977) | (49,235) |

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 6. Tax expense

| | 2015 RM | 2014 RM |
|---|---|---|
| Current tax expense | | |
| - current year | 1,122,988 | 864,472 |
| - (over)/under provision in prior years | (9,299) | 24,075 |
| | 1,113,689 | 888,547 |
| Deferred tax expense (Note 17) | | |
| - current year | (148,518) | (111,772) |
| - (over)/under provision in prior years | (126,623) | 79,027 |
| | (275,141) | (32,745) |
| | 838,548 | 855,802 |

***Reconciliation of effective tax expense***

| | 2015 RM | 2014 RM |
|---|---|---|
| Profit before tax | 3,628,763 | 2,873,934 |
| Taxation computed at statutory tax rate of 25% | 907,191 | 718,484 |
| Non-deductible expenses | 123,495 | 74,005 |
| Non-taxable income | (55,371) | (39,564) |
| Double deduction | (845) | (225) |
| | 974,470 | 752,700 |
| (Over)/Under provision of current tax in prior year | (9,299) | 24,075 |
| (Over)/Under provision of deferred tax in prior year | (126,623) | 79,027 |
| | 838,548 | 855,802 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 7. Earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the comprehensive income for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, after taking into consideration of the treasury shares held by the Company calculated as follows:

| | **2015** | **2014** |
|---|---|---|
| Total comprehensive income attributable to owners of the Company (RM) | 2,790,215 | 2,018,132 |
| Weighted average number of ordinary shares in issue, net of treasury shares | 19,115,901 | 19,123,234 |
| Basic earnings per share (sen) | 14.60 | 10.55 |

Diluted earnings per ordinary share are not presented as there are no dilutive potential ordinary shares outstanding during the financial year.

**ADVANCED PACKAGING TECHNOLOGY (M) BHD.**
(Co. No. 82982-K)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 8. Property, plant and equipment

| 2015 | Leasehold land RM | Building RM | Plant, machinery and tools RM | Furniture, fittings and equipment RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January | 739,000 | 5,308,993 | 28,095,758 | 529,942 | 1,088,467 | 35,762,160 |
| Additions | - | - | 597,099 | 96,010 | 112,427 | 805,536 |
| Disposals | - | - | - | - | (48,485) | (48,485) |
| Written off | - | - | (146,051) | (3,686) | - | (149,737) |
| At 31 December | 739,000 | 5,308,993 | 28,546,806 | 622,266 | 1,152,409 | 36,369,474 |
| **Accumulated depreciation** | | | | | | |
| At 1 January | 219,915 | 2,496,232 | 22,708,729 | 394,210 | 442,354 | 26,261,440 |
| Charge for the financial year | 7,390 | 124,552 | 872,674 | 49,726 | 173,405 | 1,227,747 |
| Disposals | - | - | - | - | (48,483) | (48,483) |
| Written off | - | - | (146,049) | (3,682) | - | (149,731) |
| At 31 December | 227,305 | 2,620,784 | 23,435,354 | 440,254 | 567,276 | 27,290,973 |
| **Carrying value** | | | | | | |
| At 31 December | 511,695 | 2,688,209 | 5,111,452 | 182,012 | 585,133 | 9,078,501 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 8. Property, plant and equipment (continued)

| 2014 | Leasehold land RM | Building RM | Plant, machinery and tools RM | Furniture, fittings and equipment RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January | 739,000 | 5,308,993 | 27,883,449 | 505,216 | 1,258,376 | 35,695,034 |
| Additions | - | - | 225,984 | 33,153 | 92,799 | 351,936 |
| Disposals | - | - | - | - | (262,708) | (262,708) |
| Written off | - | - | (13,675) | (8,427) | - | (22,102) |
| At 31 December | 739,000 | 5,308,993 | 28,095,758 | 529,942 | 1,088,467 | 35,762,160 |
| **Accumulated depreciation** | | | | | | |
| At 1 January | 212,525 | 2,371,151 | 21,724,888 | 358,150 | 547,447 | 25,214,161 |
| Charge for the financial year | 7,390 | 125,081 | 996,432 | 44,176 | 157,612 | 1,330,691 |
| Disposals | - | - | - | - | (262,705) | (262,705) |
| Written off | - | - | (12,591) | (8,116) | - | (20,707) |
| At 31 December | 219,915 | 2,496,232 | 22,708,729 | 394,210 | 442,354 | 26,261,440 |
| **Carrying value** | | | | | | |
| At 31 December | 519,085 | 2,812,761 | 5,387,029 | 135,732 | 646,113 | 9,500,720 |

## 8. Property, plant and equipment (continued)

Included in property, plant and equipment of the Company are the following fully depreciated property, plant and equipment which are still in use:

| | 2015 RM | 2014 RM |
|---|---|---|
| At cost: | | |
| Plant, machinery and tools | 18,062,695 | 17,359,147 |
| Furniture, fittings and equipment | 629,653 | 261,720 |
| Motor vehicles | 182,326 | 230,811 |
| Building | 115,433 | 109,743 |
| | 18,990,107 | 17,961,421 |

## 9. Other investment

*Available for sale financial assets*

Other investment represents investments in Fixed Income Fund Account with Aminvestment Services Berhad and is classified as available-for-sale financial assets.

This investment as at 31 December 2015 had interest rates ranging from 2.89% to 3.37% (2014: 2.62% to 3.12%) per annum.

As at the reporting date, the fair value of this investment is equivalent to its carrying value.

## 10. Inventories

| **At cost:** | 2015 RM | 2014 RM |
|---|---|---|
| Raw materials | 2,986,607 | 3,356,642 |
| Work in-progress | 318,246 | 450,295 |
| Finished goods | 663,047 | 597,192 |
| Consumables | 189,702 | 172,017 |
| Goods in-transit | 1,089 | 280 |
| | 4,158,691 | 4,576,426 |
| **Recognised in profit or loss** | | |
| Inventories recognised as cost of production | 14,863,664 | 15,464,220 |
| Write-down to net realisable value | 20,462 | 33,104 |
| Reversal of inventories written down | (19,969) | (29,630) |
| Inventories written off | 76,661 | 33,176 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 11. Trade receivables

| | 2015 RM | 2014 RM |
|---|---|---|
| Trade receivables | 5,636,626 | 4,975,321 |
| Less: Impairment | (93,473) | (46,735) |
| | 5,543,153 | 4,928,586 |

The movement in impairment of trade receivables was as follows:

| | 2015 RM | 2014 RM |
|---|---|---|
| Impairment: | | |
| As 1 January | 46,735 | 465,698 |
| Additions | 112,833 | 46,735 |
| Reversal of impairment loss | (66,095) | (465,698) |
| As 31 December | 93,473 | 46,735 |

The Company's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The trade receivables are non-interest bearing and recognised at their original invoice amounts which represent their fair values on initial recognition.

## 12. Non-trade receivables, deposits and prepayments

| | 2015 RM | 2014 RM |
|---|---|---|
| Non-trade receivables | 167,458 | 172,394 |
| Deposits | 18,040 | 18,090 |
| Prepayments | 30,506 | 479,353 |
| Others | 97,112 | 62,567 |
| | 313,116 | 732,404 |
| Less: Impairment | (137,318) | (137,318) |
| | 175,798 | 595,086 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 12. Non-trade receivables, deposits and prepayments (continued)

Included in non-trade receivables of the Company are:

(i) Staff loans of RM30,140 (2014: RM 35,076) which bear interest at 4% (2014: 4%) per annum.

(ii) Outstanding amount transferred from amount due from jointly controlled entity of RM137,318 upon disposal of Advanced Packaging Investments (H.K.) Limited ("the subsidiary") by the Company. The amount has been fully impaired in the previous financial years.

## 13. Cash and cash equivalents

| | 2015 RM | 2014 RM |
|---|---|---|
| Deposits placed with licensed banks | 6,500,000 | 6,500,000 |
| Deposits placed with Islamic bank | 3,500,000 | 3,500,000 |
| Cash and bank balances | 3,072,253 | 2,443,580 |
| | 13,072,253 | 12,443,580 |

Deposits placed with licensed banks have maturity periods ranging from 30 days to 365 days (2014: 30 days to 365 days).

The deposits as at 31 December 2015 bore interest at rates ranging from 3.65% to 4.00% (2014: 2.90% to 3.30%) per annum.

## 14. Share capital

| | 2015 | 2014 | 2015 | 2014 |
|---|---|---|---|---|
| | Number of Ordinary Shares | | RM | RM |
| Ordinary Shares of RM1.00 each: | | | | |
| Authorised: | | | | |
| At 1 January/31 December | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| Issued and fully paid: | | | | |
| At 1 January/31 December | 20,504,250 | 20,504,250 | 20,504,250 | 20,504,250 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 15. Treasury shares

| | 2015 | 2014 | 2015 | 2014 |
|---|---|---|---|---|
| | Number of Ordinary Shares | | RM | RM |
| At 1 January | 1,386,016 | 1,370,016 | 1,083,395 | 1,053,477 |
| Shares purchased during the financial year | 4,000 | 16,000 | 8,431 | 29,918 |
| At 31 December | 1,390,016 | 1,386,016 | 1,091,826 | 1,083,395 |

(i) As at 31 December 2015, the number of outstanding Ordinary Shares in issue after deducting the treasury shares was 19,114,234 (2014: 19,118,234).

(ii) During the financial year, the Company repurchased a total of 4,000 Ordinary Shares (2014: 16,000) of its issued Ordinary Shares from the open market on Bursa Malaysia for RM8,431 (2014: RM29,918). The average price paid for the shares repurchased was approximately RM2.11 (2014: RM1.87) per share.

The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A subsection 3 (A)(b) of Companies Act, 1965 in Malaysia. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. None of the treasury shares repurchased has been sold or cancelled as at 31 December 2015.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 16. Reserves

| | 2015 RM | 2014 RM |
|---|---|---|
| ***Distributable:*** | | |
| Retained profits | 11,287,531 | 10,791,144 |

Under the single tier system introduced by the Finance Act 2007 which came into effect from the year of assessment 2008, dividends paid under this system are tax exempt in the hands of shareholders. As such, the whole retained profits can be distributed to shareholders as tax exempt dividends.

## 17. Deferred tax liabilities

| | 2015 RM | 2014 RM |
|---|---|---|
| At 1 January | 1,166,614 | 1,199,359 |
| Transferred to profit or loss (Note 6) | (275,141) | (32,745) |
| At 31 December | 891,473 | 1,166,614 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 17. Deferred tax liabilities (continued)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

| | Property, plant and equipment RM |
|---|---|
| **Deferred tax liabilities of the Company:** | |
| At 1 January 2015 | 1,647,240 |
| Recognised in statements of profit or loss | (251,622) |
| At 31 December 2015 | 1,395,618 |
| | |
| At 1 January 2014 | 1,737,437 |
| Recognised in statements of profit or loss | (90,197) |
| At 31 December 2014 | 1,647,240 |

| | Provision RM |
|---|---|
| **Deferred tax assets of the Company:** | |
| At 1 January 2015 | 480,626 |
| Recognised in statements of profit or loss | 23,519 |
| At 31 December 2015 | 504,145 |
| | |
| At 1 January 2014 | 538,078 |
| Recognised in statements of profit or loss | (57,452) |
| At 31 December 2014 | 480,626 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 18. Provision for staff gratuity

| | 2015 RM | 2014 RM |
|---|---|---|
| At 1 January | 1,858,963 | 1,638,715 |
| Provision during the financial year | 102,851 | 269,483 |
| Utilisation | (11,977) | (49,235) |
| | 1,949,837 | 1,858,963 |
| Add: Amortised cost | 211,243 | - |
| At 31 December | 2,161,080 | 1,858,963 |

The discounted rates applied were ranging from 3.16% to 4.44% per annum.

## 19. Trade payables

The normal trade credit terms granted to the Company range from 30 to 90 days.

## 20. Non-trade payables and accruals

| | 2015 RM | 2014 RM |
|---|---|---|
| Non-trade payables | 258,719 | 381,454 |
| Accruals | 799,793 | 955,701 |
| | 1,058,512 | 1,337,155 |

## 21. Amounts due to Directors

Amounts due to Directors represent fees and are unsecured, interest-free and normally settled within one (1) year.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 22. Dividends

Dividends recognised by the Company are:

| | In respect of financial year | Gross dividend per share Sen | Amount of dividend RM | Date of payment |
|---|---|---|---|---|
| **2014** | | | | |
| Final single tier dividend | 2013 | 8.00 | 1,529,699 | 22 July 2014 |
| Single tier interim dividend | 2014 | 4.00 | 764,729 | 21 January 2015 |
| | | | 2,294,428 | |
| **2015** | | | | |
| Final single tier dividend | 2014 | 6.00 | 1,146,974 | 22 July 2015 |
| Single tier interim dividend | 2015 | 6.00 | 1,146,854 | 21 January 2016 |
| | | | 2,293,828 | |

The Directors recommend a final 6% single tier dividend totalling RM1,146,854 subject to the shareholders' approval at the Company's forthcoming Annual General Meeting. These financial statements do not reflect this final dividend which will only be accrued as a liability when approved by shareholders.

## 23. Segmental information

The Company is principally engaged in the manufacturing and distribution of flexible packaging materials in Malaysia. There is no other business component that is an operating segment with a distinct allocation of resources. As such, there are no separate reportable segments and segmental reporting.

**Major customers**

Revenue from three major customers arising from sales of the flexible packaging materials are RM7,065,140 (2014:RM6,815,837), RM3,244,302 (2014:RM3,006,067) and RM2,272,037 (2014:RM2,365,790) respectively.

## 24. Contingent liability

| | 2015 RM | 2014 RM |
|---|---|---|
| Bank guarantee given by financial institution to third party | 232,260 | 186,500 |
| Documentary credit | 554,939 | 353,765 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 25. Financial instruments

### Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables
(b) Available-for-sale financial assets
(c) Other financial liabilities measured at amortised cost

| | Carrying amount RM | Loans and receivables RM | Available for sale financial assets RM | Other financial liabilities measured at amortised cost RM |
|---|---|---|---|---|
| **2015** | | | | |
| **Financial assets** | | | | |
| Other investment | 5,000,000 | - | 5,000,000 | - |
| Trade receivables | 5,543,153 | 5,543,153 | - | - |
| Non-trade receivables, deposits and prepayments | 175,798 | 175,798 | - | - |
| Cash and cash equivalents | 13,072,253 | 13,072,253 | - | - |
| | 23,791,204 | 18,791,204 | 5,000,000 | - |
| **Financial liabilities** | | | | |
| Trade payables | 684,933 | - | - | 684,933 |
| Non-trade payables and accruals | 1,058,512 | - | - | 1,058,512 |
| Amount due to Directors | 237,600 | - | - | 237,600 |
| Provision for gratuity | 2,161,080 | | | 2,161,080 |
| Dividend payable | 1,146,854 | - | - | 1,146,854 |
| | 5,288,979 | - | - | 5,288,979 |

## 25. Financial instruments (continued)

### Categories of financial instruments (continued)

| | Carrying amount RM | Loans and receivables RM | Available for sale financial assets RM | Other financial liabilities measured at amortised cost RM |
|---|---|---|---|---|
| **2014** | | | | |
| **Financial assets** | | | | |
| Other investment | 5,000,000 | - | 5,000,000 | - |
| Trade receivables | 4,928,586 | 4,928,586 | - | - |
| Non-trade receivables, deposits and prepayments | 595,086 | 595,086 | - | - |
| Cash and cash equivalents | 12,443,580 | 12,443,580 | - | - |
| | 22,967,252 | 17,967,252 | 5,000,000 | - |
| **Financial liabilities** | | | | |
| Trade payables | 1,391,966 | - | - | 1,391,966 |
| Non-trade payables and Accruals | 1,337,155 | - | - | 1,337,155 |
| Amount due to Directors | 216,000 | - | - | 216,000 |
| Provision for gratuity | 1,858,963 | | | 1,858,963 |
| Dividend payable | 764,729 | - | - | 764,729 |
| | 5,568,813 | - | - | 5,568,813 |

### Financial risk management objectives and policies

The Company is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The following sections provide details regarding the Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

## 25. Financial instruments (continued)

### Credit risk

The Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and non-trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that might have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Company's major concentration of credit risk relates to the amounts owing by 7 major customers which constituted approximately 75% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:

| | **2015 RM** | **2014 RM** |
|---|---:|---:|
| Malaysia | 5,283,361 | 4,872,827 |
| Mauritius | 259,792 | - |
| Hong Kong | - | 36,709 |
| Brunei | - | 19,050 |
| | 5,543,153 | 4,928,586 |

## 25. Financial instruments (continued)

### Credit risk (continued)

Ageing analysis

The ageing analysis of the Company's trade receivables is as follows:

| | Gross Amount RM | Individual Impairment RM | Carrying Value RM |
|---|---|---|---|
| **2015** | | | |
| Not past due : | 5,188,774 | - | 5,188,774 |
| Past due: | | | |
| - less than 3 months | 447,852 | (93,473) | 354,379 |
| | 5,636,626 | (93,473) | 5,543,153 |

The Directors have assessed the recoverability of trade receivable and are of the view that collective impairment is not required as at the year end.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired

The Company believes that no impairment allowance is necessary in respect of these trade receivables. They are companies which have substantially good collection track record and no recent history of default.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 25. Financial instruments (continued)

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from interest-earning financial assets and liabilities. The Company's policy is to obtain the most favourable interest rates available. Any surplus funds of the Company will be placed with licensed financial institutions to generate interest income.

Information relating to the Company's exposure to the interest rate risk of the financial liabilities is disclosed in their respective notes to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

| | 2015<br>Increase /<br>(Decrease)<br>RM | 2014<br>Increase /<br>(Decrease)<br>RM |
|---|---|---|
| **Effects on profit after taxation** | | |
| Increase of 10 basis points | 15,000 | 15,000 |
| Decrease of 10 basis points | (15,000) | (15,000) |

### Market risk

The Company's principal exposure to market risk arises mainly from the economic performance of Malaysia.

### Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is US Dollar ("USD") and Brunei Dollar ("BND"). The exposure of foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

## 25. Financial instruments (continued)

### Foreign currency risk (continued)

The Company's exposure to foreign currency is as follows:

| | United States Dollar | Brunei Dollar | Total |
|---|---|---|---|
| **2015** | **RM** | **RM** | **RM** |
| **Financial assets** | | | |
| Trade receivables | 259,792 | - | 259,792 |
| **Financial liability** | | | |
| Non-trade payables and accruals | 173,716 | 5,100 | 178,816 |
| Net currency exposure | 86,076 | (5,100) | 80,976 |
| **2014** | **RM** | **RM** | **RM** |
| **Financial assets** | | | |
| Trade receivables | 36,709 | 19,050 | 55,759 |
| **Financial liability** | | | |
| Trade payables | 311,698 | - | 311,698 |
| Net currency exposure | (274,989) | 19,050 | (255,939) |

<u>Foreign currency risk sensitivity analysis</u>

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

| | 2015 % | 2014 % | 2015 RM Increase/ (Decrease) | 2014 RM Increase/ (Decrease) |
|---|---|---|---|---|
| **Effect on profit after tax** | | | | |
| USD / RM | | | | |
| Strengthened by | 5.00 | 5.00 | 4,304 | (13,749) |
| Weakened by | 5.00 | 5.00 | (4,304) | 13,749 |
| BND / RM | | | | |
| Strengthened by | 5.00 | 5.00 | (255) | 953 |
| Weakened by | 5.00 | 5.00 | 255 | (953) |

## 25. Financial instruments (continued)

### Liquidity risk

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

## 26. Fair values

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short term maturity of the financial instruments.

(ii) The fair value of other investments is equivalent to the carrying value as at the end of the reporting period.

The aggregate fair values and the carrying amounts of the financial asset carried on the statement of financial position as at 31 December are as below:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Carrying amount RM** | **Fair value RM** | **Carrying amount RM** | **Fair value RM** |
| **Financial asset:** | | | | |
| Other investment | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |

<u>Fair value hierarchy</u>

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Input for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company does not have any financial liabilities carried at fair value or any financial instruments classified as Level 1 and Level 2 as at reporting date.

## 26. Fair values (continued)

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|---|---|---|---|---|
| **2015** | | | | |
| **Financial asset** | | | | |
| Other investment | - | - | 5,000,000 | 5,000,000 |
| **2014** | | | | |
| **Financial asset** | | | | |
| Other investment | - | - | 5,000,000 | 5,000,000 |

## 27. Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2015.

Under the requirements of Bursa Malaysia Practice Note 17, the Company is required to maintain a shareholders' equity equal to or not less than the 25% of the issued and paid up capital (excluding treasury shares). The Company has complied with this requirement. There are no other external capital requirements imposed on the Company.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

## 28. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of retained earnings of the Company as at 31 December into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Listing Requirements, are as follows:

| | 2015<br>RM | 2014<br>RM |
|---|---|---|
| Retained earnings of the Company | | |
| - Realised | 10,395,231 | 9,622,151 |
| - Unrealised | 892,300 | 1,168,993 |
| | 11,287,531 | 10,791,144 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

## 29. General information

The Company is incorporated and domiciled in Malaysia, is listed on Bursa Malaysia Securities Berhad.

The Company is principally engaged in the manufacturing and distribution of flexible packaging materials.

There has been no significant change in the nature of these activities during the financial year.

The registered office of the Company is located at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 2, Jalan P/2A, Kawasan MIEL, Bangi Industrial Estate, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016. .