ADVANCED PACKAGING TECHNOLOGY (M) BHD.

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

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2018
(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	Datuk Ismail bin Haji Ahmad (Re-designated as Chairman on 31 May 2018) Tjin Kiat @ Tan Cheng Keat (Managing Director) Yeo Tek Ling (Finance Director) Dato' Haji Ghazali B. Mat Ariff Mah Siew Seng Ng Choo Tim Law Mong Yong Chee Chin Hung (Appointed on 1 June 2018) Eu Hock Seng (Resigned on 31 May 2018) Chee Sam Fatt (Resigned on 1 March 2018)
SECRETARY	Leong Shiak Wan (MAICSA 7012855) Zuriati Binti Yaacob (LS0009971)
AUDITORS	PKF AF 0911 Chartered Accountants
AUDIT COMMITTEE	Dato' Haji Ghazali B. Mat Ariff (Chairman) - Senior Independent Non-Executive Director Datuk Ismail bin Haji Ahmad - Independent Non-Executive Director Mah Siew Seng - Independent Non-Executive Director
REGISTERED OFFICE	Level 8, Symphony House Block D13, Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel: 03-7841 8000 Fax: 03-7841 8199
REGISTRAR & SHARE TRANSFER OFFICE	Boardroom Share Registrars Sdn. Bhd. Level 6, Symphony House Block D13, Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel: 03-7841 8000 Fax: 03-7841 8008
PRINCIPAL BANKER	CIMB Bank Berhad
STOCK EXCHANGE LISTING	Main Market of 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 2018.

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	1,045,334

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 2017, the Company paid an interim 6% single tier tax exempt dividend totalling RM1,146,734 on 25 January 2018.

In respect of the financial year ended 31 December 2017, the Company paid a final 4% single tier tax exempt dividend totalling RM764,489 on 25 July 2018.

In respect of the financial year ended 31 December 2018, the Company paid an interim 4% single tier tax exempt dividend totalling RM764,490 on 23 January 2019.

The Directors recommend a final 2% single tier tax exempt dividend totalling RM382,245 subject to the shareholders' approval at the Company's forthcoming Annual General Meeting.

ADVANCED PACKAGING TECHNOLOGY (M) BHD.
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Directors

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Ismail bin Haji Ahmad	
Tjin Kiat @ Tan Cheng Keat	
Yeo Tek Ling	
Dato' Haji Ghazali B. Mat Ariff	
Mah Siew Seng	
Ng Choo Tim	
Law Mong Yong	
Chee Chin Hung	- Appointed on 1 June 2018
Eu Hock Seng	- Resigned on 31 May 2018
Chee Sam Fatt	- Resigned on 1 March 2018

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 59 of the Companies Act, 2016, in Malaysia are as follows:

	Number of Ordinary Shares			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
In the Company:				
Direct interest:				
Tjin Kiat @ Tan Cheng Keat	1,565,900	-	-	1,565,900
Yeo Tek Ling	12,169	-	-	12,169
Ng Choo Tim	648,297	-	-	648,297
Law Mong Yong	459	-	-	459
Chee Chin Hung	-	966,493	-	966,493

The other Directors holding office at 31 December 2018 had no any interest in the Ordinary Shares and options over shares of the Company and of its related companies during the financial year according to the register required to be kept under Section 59 of the Companies Act, 2016 in Malaysia.

Directors' benefits

Since the end of the previous financial year, no director has received nor 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 the directors 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 share 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

As at 31 December 2018, the Company held 1,392,016 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 RM1,096,473 and further details are disclosed in Note 16 to the financial statements.

The APT Shares bought back are held as treasury shares in accordance with Section 113 subsection 5(b) of the Companies Act, 2016 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 there are no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 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 2018 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.
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Auditors

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

The auditors' remuneration amounted to RM33,000 as disclosed in Note 5 to the financial statements.

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

TJIN KIAT @ TAN CHENG KEAT

NG CHOO TIM

Selangor

- 8 APR 2019

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

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016 IN MALAYSIA

In the opinion of the Directors, the accompanying financial statements as set out on pages 13 to 64 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia, so as to give a true and fair view of financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the financial year ended on that date.

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

TJIN KIAT @ TAN CHENG KEAT

NG CHOO TIM

Selangor

- 8 APR 2019

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016 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 13 to 64 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, in Malaysia.

Subscribed and solemnly declared by the abovenamed TJIN KIAT @ TAN CHENG KEAT and YEO TEK LING at Bandar Baru Bangi in Selangor on - 8 APR 2019)

TJIN KIAT @ TAN CHENG KEAT

Before me,

COMMISSIONER FOR OATHS

YEO TEK LING
(MIA No.: 5756)

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD.
(Co. No. 82982-K)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ADVANCED PACKAGING TECHNOLOGY (M) BHD., which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 64.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

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

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD.
(Co. No. 82982-K)
(Incorporated in Malaysia)

(continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

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

Valuation of Defined Benefit Gratuity

The Company has recognised a provision for gratuity of RM2,524,788 as at 31 December 2018. As disclosed in Note 19 to the financial statements, the assumptions that underpin the valuation of the defined benefit retirement liability are subjective and based on judgements that affect the Company's distributable reserves. Uncertainty arises as a result of estimates made based on the Company's expectations and assumptions about employment trends and market conditions. As a result, the actual amounts charged to the statement of profit or loss by the Company may be significantly different to that recognised on the statement of financial position since small changes to the assumptions used in the calculation materially affect the provision calculated at amortised cost.

Our audit procedures included, among others: enquiry with management on the nature or bases of the assumptions made, review of employment contracts, assessment of the capabilities of personnel involved in the assessment, perform reasonableness test on the provision by testing management's assumptions, data and model used and review of historical data in relation to the management assumptions made in the current financial year.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Statement of Risk Management and Internal Control, Statement of Corporate Governance, Audit Committee Report, Management Discussion and Analysis Report, Sustainability Statement and Directors' Report included in the annual report, but does not include the Chairman's Statement, the financial statements of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD.
(Co. No. 82982-K)
(Incorporated in Malaysia)

(continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

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

PKF

Accountants & business advisers

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD.
(Co. No. 82982-K)
(Incorporated in Malaysia)

(continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

PKF

PKF
AF 0911
CHARTERED ACCOUNTANTS

Sharinah

SHARINAH BINTI MOHAMED IQBAL
03285/10/2020 J
CHARTERED ACCOUNTANT

Kuala Lumpur

0 8 APR 2019

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 2018

	Note	2018 RM	2017 RM
Revenue	3	25,417,998	24,906,911
Other income		531,333	412,997
Changes in inventories of finished goods and work-in-progress		13,086	(302,977)
Raw materials used		(16,224,224)	(15,123,364)
Employee benefits expense	4	(3,823,833)	(3,850,262)
Depreciation of property, plant and equipment		(1,551,972)	(1,294,645)
Other expenses		(3,417,183)	(3,657,168)
Profit from operations		945,205	1,091,492
Interest income		255,837	286,972
Profit before tax	5	1,201,042	1,378,464
Tax expense	6	(155,708)	(202,812)
Profit and other comprehensive income for the financial year		1,045,334	1,175,652
Total comprehensive income attributable to owners of the Company		1,045,334	1,175,652
Basic earnings per ordinary share (sen)	7	5.47	6.15

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM Restated
ASSETS			
Non-current assets			
Property, plant and equipment	8	10,849,187	11,950,016
Other investment	9	5,000,000	5,000,000
		15,849,187	16,950,016
Current assets			
Inventories	10	3,879,931	4,100,109
Contract assets	11	582,560	203,976
Trade receivables	12	4,712,515	5,352,076
Non-trade receivables, deposits and prepayments	13	174,665	236,229
Tax recoverable		514,608	368,874
Fixed deposits with licensed banks	14	7,500,000	7,500,000
Cash and bank balances		4,248,352	2,952,350
		21,612,631	20,713,614
Total assets		37,461,818	37,663,630
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	20,504,250	20,504,250
Treasury shares	16	(1,096,473)	(1,096,473)
Retained profits	17	10,329,257	10,812,902
Total equity		29,737,034	30,220,679
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18	718,927	732,063
Provision for staff gratuity	19	2,524,788	2,423,146
		3,243,715	3,155,209
Current liabilities			
Trade payables	20	2,116,465	1,770,257
Non-trade payables and accruals	21	1,384,514	1,145,251
Amount due to directors	22	215,600	225,500
Dividend payable	23	764,490	1,146,734
		4,481,069	4,287,742
Total liabilities		7,724,784	7,442,951
TOTAL EQUITY AND LIABILITIES		37,461,818	37,663,630

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital RM	Non-distributable Treasury shares RM	Distributable Retained profits RM	Total RM
At 1 January 2017		20,504,250	(1,096,473)	11,874,606	31,282,383
Profit and other comprehensive income for the financial year		-	-	1,175,652	1,175,652
Dividends	23	-	-	(2,293,468)	(2,293,468)
Prior year adjustment	28	-	-	56,112	56,112
At 31 December 2017		20,504,250	(1,096,473)	10,812,902	30,220,679
Profit and other comprehensive income for the financial year		-	-	1,045,334	1,045,334
Dividends	23	-	-	(1,528,979)	(1,528,979)
At 31 December 2018		20,504,250	(1,096,473)	10,329,257	29,737,034

ADVANCED PACKAGING TECHNOLOGY (M) BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 RM	2017 RM
Cash flows from operating activities		
Profit before tax	1,201,042	1,378,464
Adjustments for:		
Depreciation of property, plant and equipment	1,551,972	1,294,645
Impairment on trade receivables	59,905	57,763
Interest income	(255,836)	(286,972)
Inventories written off	155,108	66,711
Inventories written down	9,505	5,668
Reversal of inventories written down	(13,339)	(9,785)
Investment income	(172,445)	(158,870)
Gain on disposal of property, plant and equipment	(499)	(4,716)
(Gain)/Loss on unrealised foreign exchange	(10,206)	25,573
Property, plant and equipment written off	11	437
Reversal of impairment on trade receivables no longer required	(57,763)	-
Provision for staff gratuity	110,915	107,159
(Reversal)/Amortised cost of provision for gratuity	(9,273)	43,140
Operating profit before working capital changes	2,569,097	2,519,217
Decrease in inventories	68,904	439,791
Decrease in receivables	709,189	1,853,908
Increase in contract assets	(378,584)	-
Decrease in amount due to directors	(9,900)	(12,100)
Increase/(Decrease) in payables	585,471	(693,656)
Cash generated from operations	3,544,177	4,107,160
Income tax paid	(314,578)	(607,065)
Net cash from operating activities	3,229,599	3,500,095

ADVANCED PACKAGING TECHNOLOGY (M) BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	2018 RM	2017 RM
Cash flows from investing activities		
Investment income received	172,445	158,870
Interest income received	255,836	286,972
Proceeds from disposal of property, plant and equipment	500	4,717
Acquisition of property, plant and equipment	(451,155)	(5,019,093)
Net cash used in investing activities	(22,374)	(4,568,534)
Cash flows from financing activities		
Dividends paid	(1,911,223)	(2,293,468)
Increase/(Decrease) in fixed deposits with licensed banks	1,000,000	(4,000,000)
Net cash used in financing activities	(911,223)	(6,293,468)
Net increase/(decrease) in cash and cash equivalents	2,296,002	(7,361,907)
Cash and cash equivalents at 1 January	2,952,350	10,314,257
Cash and cash equivalents at 31 December	5,248,352	2,952,350

Cash and cash equivalents

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

	2018 RM	2017 RM
Cash and bank balances	4,248,352	2,952,350
Fixed deposits with licensed banks with original maturities less than 3 months *(Note 14)*	1,000,000	-
	5,248,352	2,952,350

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

These financial statements are presented in the Ringgit Malaysia ("RM''), which is the Company's functional and presentation currency.

(a) Standards issued and effective

On 1 January 2018, the Company has also adopted the following new and amended MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2018.

Description	Effective for annual periods beginning on or after
• Annual improvements to MFRSs 2014-2016 cycle	
- Amendments to MFRS 1, First-time Adoptions of Malaysian Financial Reporting Standards	1 January 2018
- Amendments to MFRS 128, Investment in Associates and Joint Ventures	1 January 2018
• Amendments to MFRS 2, Share-based Payment: Classification and Measurements of Share-based Payment Transactions	1 January 2018
• Amendments to MFRS 4, Insurance Contracts: Applying MFRS 9 Financial Instrument with MFRS 4 Insurance Contracts	1 January 2018
• MFRS 9, Financial Instruments	1 January 2018
• MFRS 15, Revenue from Contracts with Customers	1 January 2018
• Clarifications to MFRS 15, Revenue from Contracts with Customers	1 January 2018
• Amendments to MFRS 140, Investment Property: Transfer of Investment property	1 January 2018
• IC Interpretation 22, Foreign Currency Transactions and Advance Consideration	1 January 2018

The Directors expect that the adoption of the new and amended MFRS and interpretation above will have no impact on the financial statements of the Company. The changes of accounting policies for the Company for the newly effective standards has been stated in Note 1(c).

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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 2015 - 2017 cycle	
- Amendments to MFRS 3, Business Combinations	1 January 2019
- Amendments to MFRS 11, Joint Arrangements	1 January 2019
- Amendments to MFRS 112, Income Taxes	1 January 2019
- Amendments to MFRS 123, Borrowing Costs	1 January 2019
• Amendments to MFRS 119, Employee Benefits: Plan Amendment, Curtailment and Settlement	1 January 2019
• Amendments to MFRS 2, Share-based Payment	1 January 2020
• Amendments to MFRS 3, Business Combinations	1 January 2020
• Amendments to MFRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2020
• Amendments to MFRS 14, Regulatory Deferral Accounts	1 January 2020
• Amendments to MFRS 101, Presentation of Financial Statements	1 January 2020
• Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
• Amendments to MFRS 134, Interim Financial Reporting	1 January 2020
• Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
• Amendments to MFRS 138, Intangible Assets	1 January 2020
• MFRS 16, Leases	1 January 2019
• MFRS 17, Insurance Contracts	1 January 2021
• Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128 Investment in Associate and Joint Ventures: Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture	Deferred
• Amendments to MFRS 9, Financial Instruments: Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 128, Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures	1 January 2019
• IC Interpretation 23, Uncertainty over Income Tax Treatments	1 January 2019
• Amendments to IC Interpretation 12, Service Concession Arrangements	1 January 2020

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: (continued)

Description	**Effective for annual periods beginning on or after**
• Amendments to IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
• Amendments to IC interpretation 20, Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
• Amendments to IC Interpretation 22, Foreign Currency Transactions and Advance Consideration	1 January 2020
• Amendments to IC Interpretation 132, Intangible Assets - Web Site Costs	1 January 2020

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:

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. Basis of preparation (continued)

(c) Explanation on change in accounting policy

MFRS 15 Revenue from Contracts with Customers

In the current financial year, the Company has adopted MFRS 15 Revenue from Contracts with Customers ("MFRS 15") effective for the annual financial period beginning on or after 1 January 2018. The date of initial application is as of the beginning of the first MFRS reporting period.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of (or prevent other entities from directing the use of), and obtain substantially all of the remaining benefits (or prevent other entities from obtaining the benefits) from the goods and services.

The Company elects to retrospectively apply MFRS 15 to contracts that are not complete on 1 January 2018 and recognise the cumulative effect of the change in the retained earnings on 1 January 2018.

The impact arising from the changes are disclosed in Note 28 to the financial statements.

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

MFRS 9 Financial instrument

In the current financial year, the Company has adopted MFRS 9, Financial Instruments ("MFRS 9") effective for the annual financial period beginning on or after 1 January 2018. The date of initial application is the date when the Company first applies the requirements of MFRS 9 and must be beginning of a reporting period after the issuance of MFRS 9 i.e. 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. Basis of preparation (continued)

(c) Explanation on change in accounting policy (continued)

MFRS 9 Financial instrument (continued)

(i) Under adoption of MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statement of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statement of financial position.

(ii) New expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a triggered event to have occurred before credit losses are recognised.

The adoption of the above MFRSs did not have any significant effect on the financial statements of the Company.

(d) 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.

1. Basis of preparation (continued)

(e) 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) Revenue recognition over time

The Company manufactures goods with customised specifications stated in the contracts with customers, thus based on management assessment at contract inception, these goods do not have alternative use to the Company. The Company has an enforceable right to payment for performance completed to date, as if the contract is terminated by the customer at any time, the Company always has the right to bill customers for the performance completed to date.

As a result, the Company recognises revenue over time using output method, based on appraisals of results achieved. Upon completion of manufacturing the goods, if all of these goods pass the quality control testing and not deliver to customers, the Company will recognise 99% of transaction price as revenue at the end of each reporting date. The remaining 1% of transaction price is recognised as revenue upon delivery of these goods to customers.

The revenue recognised during the year would differ if the Company use different method to recognise revenue from contracts with customers over time.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. Basis of preparation (continued)

(e) Critical accounting estimates and judgements (continued)

(iii) 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.

(iv) 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.

(v) Written-down of 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.

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. Basis of preparation (continued)

(e) Critical accounting estimates and judgements (continued)

(vii) Provision for Expected Credit Losses ("ECLs") of Trade Receivables

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on the payment profiles of sales over a period of 36 months before the end of the reporting period and the corresponding historical credit losses experienced within this period.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The historical observed default rates are updated and changes in the forward-looking estimates are analysed at every end of the reporting period.

(viii) 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.

(ix) 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. Basis of preparation (continued)

(e) Critical accounting estimates and judgements (continued)

(x) Provision for staff gratuity

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.

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.

(ii) Foreign currency transactions

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.

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. The foreign currency translation reserve is reclassified from equity to the profit and loss of the Company on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

(a) Foreign currencies (continued)

(ii) Foreign currency transactions (continued)

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:

	2018 RM	2017 RM
1 United States Dollar	4.088	4.062
1 Brunei Dollar	2.991	3.024
100 Japanese Yen	3.700	3.602
1 Singapore Dollars	2.991	3.096

(b) Revenue and other income

(i) Sale of goods

The Company manufactures and distributes flexible packaging materials to local and overseas customers. The sale of goods are identified in the contracts with customers: manufacturing and delivery of goods, which are non-distinct. As such, there is only one single performance obligation identified in the contract.

Transaction price is a fixed consideration which is stated in the contracts with customers. The Company recognises revenue over time as stated in Note 1(e)(i) to the financial statements.

No element of financing is deemed present as the sales are normally made with a credit term of 30 to 90 days, which is consistent with the market practice.

The Company does not offer return/refund options, explicit warranty on its products nor provide after-sales service.

(ii) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

(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.

(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.

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.

(d) Income tax

(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)

(d) Income tax (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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

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 costs.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

(e) Impairment

Unless specifically disclosed below, the Company generally applies the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Company elected not to restate the comparatives.

Current financial year

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost, expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balances. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

(e) Impairment (continued)

Current financial year (continued)

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

Previous financial year

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

(e) Impairment (continued)

Previous financial year (continued)

(i) Financial assets (continued)

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.

(ii) Impairment of non-financial assets

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.

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

(e) Impairment (continued)

Previous financial year (continued)

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

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. 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.

(f) 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.

2. Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

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 amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount 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.

(g) Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(i) Amortised costs

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

2. Summary of significant accounting policies (continued)

(g) Financial assets (continued)

Current financial year (continued)

(ii) Fair value through other comprehensive income

Equity investments

This category comprises investment in equity that is not held for trading, and the Company irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

Previous financial year

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

(g) Financial assets (continued)

Previous financial year (continued)

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

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.

(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.

(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.

2. Summary of significant accounting policies (continued)

(g) Financial assets (continued)

(iv) Available-for-sale financial assets (continued)

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.

(h) 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.

2. Summary of significant accounting policies (continued)

(h) Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sales.

(i) Contract asset

A contract asset is recognised when the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to Note 2(e)(i) to the financial statements.

(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 fair value with original maturities of three months or less, and are used by the Company in management of their short-term commitments. 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

Current financial year

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

(l) Financial liabilities (continued)

Previous financial year

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.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

(l) Financial liabilities (continued)

Previous financial year (continued)

(ii) Other financial liabilities measured at amortised cost (continued)

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.

(n) Earnings per ordinary share

The Company presents basic and diluted earnings per share data for its ordinary shares (''EPS'').

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all diluted potential ordinary shares, which comprises convertible notes and share granted to employees.

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. Summary of significant accounting policies (continued)

(p) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(q) Operating segment

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

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

3. Revenue

	2018 RM	2017 RM
Sales of packaging materials	25,417,998	24,906,911

Disaggregation of revenue:

	2018 RM	2017 RM
By primary geographical market:		
Malaysia	23,978,991	23,488,640
Mauritius	1,151,667	1,029,059
Hong Kong	59,905	128,216
Brunei	227,435	260,996
	25,417,998	24,906,911

4. Employee benefits expense

	2018 RM	2017 RM
(a) Staff costs		
Salaries, wages, allowances, bonus and overtime	2,295,994	2,421,900
Contributions to defined contribution plan	235,413	245,823
Social security contributions	32,389	30,298
Other benefits	288,813	154,224
	2,852,609	2,852,245
(b) Directors' remuneration		
Executive:		
Salaries and other emoluments	563,026	570,571
Contribution to defined contribution plan	121,477	123,125
Social security contributions	1,421	1,421
Fees	52,800	52,800
Other benefits - leave passage	18,000	18,000
Estimated money value of benefits-in-kind	26,552	32,750
	783,276	798,667
Non-executive:		
Allowances	51,700	59,400
Fees	162,800	172,700
	214,500	232,100
Total Directors' remuneration	997,776	1,030,767
Total Directors' remuneration excluding benefits-in-kind	971,224	998,017
Total staff costs	3,823,833	3,850,262

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

5. Profit before tax

	2018 RM	2017 RM
Profit before tax is arrived at after charging/(crediting)		
Auditors' remuneration		
- Statutory audit	33,000	33,000
- Other services	7,000	7,000
(Reversal)/Amortised cost of provision for gratuity	(9,273)	43,140
Depreciation	1,551,972	1,294,645
(Gain)/Loss on foreign exchange		
- realised	(56,078)	(78,317)
- unrealised	(10,206)	25,573
Gain on disposal of property, plant and equipment	(499)	(4,716)
Impairment on trade receivables	59,905	57,763
Interest income		
- Interest income received from deposits placed with licensed banks	(151,686)	(202,280)
- Fixed return received from deposits placed with Islamic bank	(104,150)	(84,692)
Inventories written off	155,108	66,711
Inventories written down	9,505	5,668
Reversal of inventories written down	(13,339)	(9,785)
Investment income	(172,445)	(158,870)
Reversal of impairment on trade receivables no longer required	(57,763)	-
Property, plant and equipment written off	11	473
Provision for staff gratuity	110,915	107,159

6. Tax expense

	2018 RM	2017 RM
Current tax expense		
- current year	156,738	99,875
- under/(over)provision in prior years	12,106	(18,283)
	168,844	81,592
Deferred tax expense (Note 18)		
- current year	(107,462)	179,809
- under/(over)provision in prior years	94,326	(58,589)
	(13,136)	121,220
	155,708	202,812

Reconciliation of tax expense

	2018 RM	2017 RM
Profit before tax	1,201,042	1,378,464
Taxation computed at statutory tax rate of 24%	288,250	330,831
Non-deductible expenses	(168,848)	(13,018)
Non-taxable income	(70,126)	(38,129)
	49,276	279,684
Under/(Over)provision of current tax in prior year	12,106	(18,283)
Over provision of deferred tax in prior year	94,326	(58,589)
	155,708	202,812

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:

	2018	2017
Total comprehensive income attributable to owners of the Company (RM)	1,045,334	1,175,652
Weighted average number of ordinary shares in issue, net of treasury shares	19,112,234	19,112,234
Basic earnings per share (sen)	5.47	6.15

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.
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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

8. Property, plant and equipment

2018	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	5,327,543	32,884,179	733,421	1,061,372	40,745,515
Additions	-	-	421,975	29,180	-	451,155
Written off	-	-	-	(18,084)	-	(18,084)
Disposals	-	-	-	(22,525)	-	(22,525)
At 31 December	739,000	5,327,543	33,306,154	721,992	1,061,372	41,156,061
Accumulated depreciation						
At 1 January	242,085	2,872,207	24,287,153	533,089	860,965	28,795,499
Charge for the financial year	7,390	126,086	1,232,808	44,510	141,178	1,551,972
Written off	-	-	-	(18,073)	-	(18,073)
Disposals	-	-	-	(22,524)	-	(22,524)
At 31 December	249,475	2,998,293	25,519,961	537,002	1,002,143	30,306,874
Carrying amount						
At 31 December	489,525	2,329,250	7,786,193	184,990	59,229	10,849,187

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

8. Property, plant and equipment (continued)

2017	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	5,327,543	28,756,608	737,581	1,061,372	36,622,104
Additions	-	-	5,008,618	10,475	-	5,019,093
Disposals	-	-	(880,297)	-	-	(880,297)
Written off	-	-	(750)	(14,635)	-	(15,385)
At 31 December	739,000	5,327,543	32,884,179	733,421	1,061,372	40,745,515
Accumulated depreciation						
At 1 January	234,695	2,745,800	24,252,922	496,836	665,845	28,396,098
Charge for the financial year	7,390	126,407	914,858	50,870	195,120	1,294,645
Disposals	-	-	(880,296)	-	-	(880,296)
Written off	-	-	(331)	(14,617)	-	(14,948)
At 31 December	242,085	2,872,207	24,287,153	533,089	860,965	28,795,499
Carrying amount						
At 31 December	496,915	2,455,336	8,597,026	200,332	200,407	11,950,016

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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:

	2018 RM	2017 RM
At cost:		
Building	112,943	118,624
Plant, machinery and tools	18,083,065	17,909,925
Furniture, fittings and equipment	402,066	416,553
Motor vehicles	850,628	85,770
	19,448,702	18,530,872

9. Other investment

Fair value through other comprehensive income.

Other investment represents investments in Fixed Income Fund Account with Amfunds Management Berhad and is classified as Fair value through other comprehensive income.

This investment as at 31 December 2018 had interest rates ranging from 3.02% to 3.64% (2017: 2.84% to 3.33%) per annum.

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

10. Inventories

	2018 RM	2017 RM Restated
At cost:		
Raw materials	3,277,685	3,535,650
Work in-progress	366,140	400,541
Finished goods	50,044	2,556
Consumables	186,062	160,087
Goods in-transit	-	1,275
	3,879,931	4,100,109

	2018 RM	2017 RM Restated
Recognised in profit or loss		
Inventories recognised as cost of production	16,815,448	15,985,274
Write-down to net realisable value	9,505	5,668
Inventories written off	155,108	66,711
Reversal of inventories written down	(13,339)	(9,785)

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

11. Contract assets

	2018 RM	2017 Restated RM
Contract assets	582,560	203,976

The contract assets primarily related to the Company's rights to consideration for work completed but not yet billed at the reporting date.

12. Trade receivables

	2018 RM	2017 RM
Trade receivables	4,772,420	5,409,839
Less: Impairment	(59,905)	(57,763)
	4,712,515	5,352,076

The movement in impairment of trade receivables was as follows:

	2018 RM	2017 RM
Impairment:		
At 1 January	57,763	-
Additions	59,905	57,763
Reversal	(57,763)	-
At 31 December	59,905	57,763

The Company's normal trade credit term ranges from 30 to 90 days (2017: 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

13. Non-trade receivables, deposits and prepayments

	2018 RM	2017 RM
Non-trade receivables	37,460	254,303
Deposits	19,980	18,040
Prepayments	57,364	21,073
Others	59,861	80,131
	174,665	373,547
Less: Impairment		
At 1 January	(137,318)	(137,318)
Written off	137,318	-
At 31 December	-	(137,318)
	174,665	236,229

Included in non-trade receivables of the Company are staff loans of RM 37,460 (2017: RM27,755) which bear interest at 4% (2017: 4%) per annum.

14. Fixed deposits with licensed banks

	2018 RM	2017 RM
Deposits placed with licensed banks	4,500,000	4,500,000
Deposits placed with Islamic bank	3,000,000	3,000,000
	7,500,000	7,500,000
Maturities less than 3 months	1,000,000	-
Maturities more than 3 months	6,500,000	7,500,000
	7,500,000	7,500,000

The deposits as at 31 December 2018 bear interest at rates ranging from 3.25% to 4.20% (2017: 3.00% to 3.15%) per annum.

Deposits placed with licensed banks have maturity periods ranging from 30 days to 365 days (2017: 30 days to 365 days).

15. Share capital

	2018 Number of Ordinary Shares	2017 Number of Ordinary Shares	2018 RM	2017 RM
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 2018

16. Treasury shares

	2018	2017	2018	2017
	Number of Ordinary Shares		RM	RM
At 1 January/31 December	1,392,016	1,392,016	1,096,473	1,096,473

(i) As at 31 December 2018, the number of outstanding Ordinary Shares in issue after deducting the treasury shares was 19,112,234 (2017: 19,112,234).

(ii) The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 113 subsection 5 (b) of Companies Act, 2016 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 had been sold or cancelled as at 31 December 2018.

17. Retained profits

Under the single tier system introduced by the Finance Act, 2007 in Malaysia 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.

18. Deferred tax liabilities

	2018 RM	2017 RM
At 1 January	732,063	610,843
Transferred to profit or loss (Note 6)	(13,136)	121,220
At 31 December	718,927	732,063

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

	Property, plant and equipment
Deferred tax liabilities of the Company:	
At 1 January 2018	1,295,461
Recognised in statements of profit or loss	12,801
At 31 December 2018	1,308,262

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

18. Deferred tax liabilities (continued)

	Property, plant and equipment
Deferred tax liabilities of the Company:	
At 1 January 2017	1,149,461
Recognised in statements of profit or loss	146,000
At 31 December 2017	1,295,461

	Provision RM
Deferred tax assets of the Company:	
At 1 January 2018	563,398
Recognised in statements of profit or loss	25,937
At 31 December 2018	589,335
At 1 January 2017	538,618
Recognised in statements of profit or loss	24,780
At 31 December 2017	563,398

19. Provision for staff gratuity

	2018 RM	2017 RM
At 1 January	2,243,225	2,136,066
Provision during the financial year	110,915	107,159
	2,354,140	2,243,225
Add: Amortised cost		
At 1 January	179,921	136,781
Additional	-	43,140
Reversal	(9,273)	-
	170,648	179,921
At 31 December	2,524,788	2,423,146

The discounted rates applied in the computation of the present value of retirement gratuities ranged from 3.43% to 4.78% (2017: 2.99% to 4.60%) per annum.

20. Trade payables

The normal trade credit terms granted to the Company range from 30 to 90 days (2017: 30 to 90 days).

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

21. Non-trade payables and accruals

	2018 RM	2017 RM
Non-trade payables	530,720	428,104
Accruals	853,794	717,147
	1,384,514	1,145,251

22. Amount due to directors

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

23. Dividends

Dividends recognised by the Company are:

	In respect of financial year	Gross dividend per share Sen	Amount of dividend RM	Date of payment
2017				
Final single tier tax exempt dividend	2016	6.00	1,146,734	20 July 2017
Interim single tier tax exempt dividend	2017	6.00	1,146,734	25 January 2018
			2,293,468	
2018				
Final single tier tax exempt dividend	2017	4.00	764,489	25 July 2018
Interim single tier tax exempt dividend	2018	4.00	764,490	23 January 2019
			1,528,979	

The Directors recommend a final 2% single tier tax exempt dividend totalling RM382,245 subject to the shareholders' approval at the Company's forthcoming Annual General Meeting, and which is further subject to the Company's compliance with all applicable laws and regulations concerning dividends. These financial statements do not reflect this final dividend which will only be accrued as a liability when approved by shareholders.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

24. 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 sale of flexible packaging materials are RM9,012,485 (2017: RM7,591,459), RM2,989,901 (2017: RM2,510,127) and RM2,188,703 (2017: RM1,738,780) respectively.

25. Contingent liabilities

	2018 RM	2017 RM
Bank guarantee given by financial institution to third party	230,016	211,215
Documentary credit	-	64,164

26. Commitments

Rent and commitments

The future minimum lease payments under non-working operating leases are as follows:

	2018 RM	2017 RM
Within one year	22,600	12,050
Between one to two years	16,250	21,300
	38,850	33,350

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

27. Financial instruments

Categories of financial instruments

Current financial year

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

(a) Fair value through other comprehensive income; and
(b) Amortised cost ("AC")

	Carrying amount RM	Fair value through other comprehensive income RM	AC RM
2018			
Financial assets			
Other investment	5,000,000	5,000,000	-
Trade receivables	4,712,515	-	4,712,515
Non-trade receivables and deposits (excluding prepayments)	117,301	-	117,301
Fixed deposits with licensed banks	7,500,000	-	7,500,000
Cash and cash equivalents	4,248,352	-	4,248,352
	21,578,168	5,000,000	16,578,168
Financial liabilities			
Trade payables	2,116,465	-	2,116,465
Non-trade payables and accruals	1,384,514	-	1,384,364
Amount due to directors	215,600	-	215,600
Provision for gratuity	2,524,788	-	2,524,788
Dividend payable	764,490	-	764,640
	7,005,857	-	7,005,857

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

27. Financial instruments (continued)

Categories of financial instruments (continued)

Previous financial year

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

(a) Loans and receivables
(b) Available for sale financial assets; and
(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
2017				
Financial assets				
Other investment	5,000,000	-	5,000,000	-
Trade receivables	5,352,076	5,352,076	-	-
Non-trade receivables and deposits (excluding prepayments)	215,156	215,156	-	-
Fixed deposits with licensed banks	7,500,000	7,500,000	-	-
Cash and cash equivalents	2,952,350	2,952,350	-	-
	21,019,582	16,019,582	5,000,000	-
Financial liabilities				
Trade payables	1,770,257	-	-	1,770,257
Non-trade payables and accruals	1,145,251	-	-	1,145,251
Amount due to directors	225,500	-	-	225,500
Provision for gratuity	2,423,146	-	-	2,423,146
Dividend payable	1,146,734	-	-	1,146,734
	6,710,888	-	-	6,710,888

27. Financial instruments (continued)

Net gains and losses arising from financial instruments

	2018 RM	2017 RM
Fair value through other comprehensive income		
Investment income	172,445	-
Available for sales financial assets		
Investment income	-	158,870
Financial assets measured at amortised cost		
Impairment loss on trade receivables	(59,905)	-
Interest income	255,836	-
Realised(loss)/gain on foreign exchange	(1,112)	-
Unrealised gain/(loss) on foreign exchange	10,206	-
	205,025	-
Loan and receivables		
Impairment loss on trade receivables	-	(57,763)
Interest income	-	286,972
Realised(loss)/gain on foreign exchange	-	12,673
Unrealised gain/(loss) on foreign exchange	-	(26,160)
	-	215,722
Financial liabilities measured at amortised cost		
Reversal/(Amortised) cost of provision for gratuity	9,273	(43,140)
Realised gain/(loss) on foreign exchange	57,190	65,644
Unrealised (loss)/gain on foreign exchange	-	587
Provision for staff gratuity	(110,915)	(107,159)
	(44,452)	(84,068)
	333,018	290,524

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.

27. Financial instruments (continued)

Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from the individual characteristics of each customer.

Trade receivables and contract assets

At each reporting date, the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay amounts subject to the write-off. Nevertheless, trade receivables and contract asset that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Credit risk concentration profile

The Company's major concentration of credit risk relates to the amounts owing by 8 major customers which constituted approximately 81% (2017: 74%) 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:

	2018 RM	**2017 RM**
Malaysia	4,427,843	5,041,901
Mauritius	243,504	230,466
Hong Kong	-	59,209
Brunei	41,168	20,500
	4,712,515	5,352,076

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

27. Financial instruments (continued)

Credit risk (continued)

Ageing analysis

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

2018	Gross Amount RM	Loss allowances RM	Net amount RM
Not past due :	4,564,843	-	4,564,843
Past due:			
- less than 3 months	207,577	(59,905)	147,672
	4,772,420	(59,905)	4,712,515

Comparative information under MFRS 139, Financial instruments: Recognition and Measurement

2017	Gross amount RM	Individual impairment RM	Collective impairment RM	Carrying amount RM
Not past due	4,849,831	-	-	4,849,831
Past due:				
- less than 3 months	560,008	(57,763)	-	502,245
	5,409,839	(57,763)	-	5,352,076

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

Deposits

Credit risks on deposits are mainly arising from deposits paid for office buildings rented. These deposits will be refunded at the end of each lease terms. The Company manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

27. Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's financial position or cash flows.

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"), Brunei Dollar ("BND") and Japanese Yen ("JPY"). The exposure of foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

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

	USD	**BND**	**JYP**	**SGD**	**Total**
2018	**RM**	**RM**	**RM**	**RM**	**RM**
Financial assets					
Trade receivables	243,504	41,168	-	-	284,672
Financial liability					
Non-trade payables	(192,000)	-	(15,713)	-	(207,713)
Net currency exposure	51,504	41,168	(15,713)	-	76,959
2017					
Financial assets					
Trade receivables	289,675	20,500	-	-	310,175
Financial liability					
Trade payable	(102,995)	-	-	-	(102,995)
Non-trade payables	(192,000)	-	-	(18,172)	(210,172)
Net currency exposure	(5,320)	20,500	-	(18,172)	(2,992)

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

27. Financial instruments (continued)

Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

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:

	2018 %	2017 %	2018 RM Increase/ (Decrease)	2017 RM Increase/ (Decrease)
Effect on profit after tax				
USD / RM				
Strengthened by	5.00	5.00	1,957	(202)
Weakened by	5.00	5.00	(1,957)	202
BND / RM				
Strengthened by	5.00	5.00	1,564	799
Weakened by	5.00	5.00	(1,564)	(799)
JPY / RM				
Strengthened by	5.00	5.00	(597)	-
Weakened by	5.00	5.00	597	-
SGD / RM				
Strengthened by	5.00	5.00	-	(691)
Weakened by	5.00	5.00	-	691

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.

The Company primary interest rate risk relates to interest earning from fixed deposits with licensed banks and other investment.

	2018 RM	2017 RM
Fixed deposits with licensed banks	7,500,000	7,500,000
Other investment	5,000,000	5,000,000
	12,500,000	12,500,000

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

27. Financial instruments (continued)

Interest rate risk (continued)

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:

	2018 Increase/ (Decrease) RM	2017 Increase/ (Decrease) RM
Effects on profit after taxation		
Increase of 10 basis points	9,500	9,500
Decrease of 10 basis points	(9,500)	(9,500)

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.

Maturity analysis

The table below summarises the maturity profile of the Company financial liabilities as at the reporting period based on undiscounted contractual payments.

	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	More than 1 year RM
2018				
Trade payables	2,116,465	2,116,465	2,116,465	-
Non-trade payables and accruals	1,384,364	1,384,364	1,384,364	-
Amount due to directors	215,600	215,600	215,600	-
Provision for gratuity	2,524,788	2,524,788	-	2,524,788
Dividend payable	764,640	764,640	764,640	-
	7,005,857	7,005,857	4,481,069	2,524,788
2017				
Trade payables	1,770,257	1,770,257	1,770,257	-
Non-trade payables and accruals	1,145,251	1,145,251	1,145,251	-
Amount due to directors	225,500	225,500	225,500	-
Provision for gratuity	2,423,146	2,423,146	-	2,423,146
Dividend payable	1,146,734	1,146,734	1,146,734	-
	6,710,888	6,710,888	4,287,742	2,423,146

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

27. Financial instruments (continued)

Liquidity risk (continued)

It is not expected the cash flows included in the maturity analysis could occur significantly earlier, or at significant different amount.

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:

	2018		2017	
	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

Fair value hierarchy

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

27. Financial instruments (continued)

Fair values (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2018				
Financial asset				
Other investment	-	-	5,000,000	5,000,000
2017				
Financial asset				
Other investment	-	-	5,000,000	5,000,000

28. Significant changes in accounting policies

During the year, the Company adopted MFRS 15, Revenue from Contracts with Customers on their financial statements. The Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards.

The following tables summarise the impacts arising from the adoption of MFRS 15 to the Company's financial statements.

Statement of financial position:

	As previously reported RM	MFRS 15 adjustments RM	As restated RM
Current assets			
Inventories	4,247,973	(147,864)	4,100,109
Contract assets	-	203,976	203,976
	4,247,973	56,112	4,304,085
Equity attributable to owners of the company			
Retained profits	10,756,790	56,112	10,812,902

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

29. 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 2018.

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.

30. 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 8 April 2019.