ADVANCED PACKAGING TECHNOLOGY (M) BHD.

Registration No.: 198201003236 (82982-K)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2020
(In Ringgit Malaysia)

ADVANCED PACKAGING TECHNOLOGY (M) BHD.
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Contents

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Datuk Ismail bin Haji Ahmad (Chairman) Yeo Tek Ling (Managing Director) Dato' Haji Ghazali B. Mat Ariff Mah Siew Seng Ng Choo Tim Law Mong Yong Pang Chong Yong (Appointed on 16 June 2020) Andrew Ling Yew Chung (Appointed on 18 June 2020) Pang Jun Jie (Appointed as Alternate Director on 15 March 2021)
SECRETARY	Leong Shiak Wan Practicing Certificate No. 202008002757 (MAICSA 7012855) Zuriati Binti Yaacob Practicing Certificate No. 202008003191 (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 12, Menara Symphony No. 5 Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Tel: 03-7890 4800 Fax: 03-7890 4650
REGISTRAR & SHARE TRANSFER OFFICE	Boardroom Share Registrars Sdn. Bhd. Level 11, Menara Symphony No.5 Jalan Prof. Khoo Kay Kim Seksyen 13, 46200 Petaling Jaya Selangor Darul Ehsan Tel: 03-7890 4700 Fax: 03-7890 4670
PRINCIPAL BANKER	CIMB Bank Berhad
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad

ADVANCED PACKAGING TECHNOLOGY (M) BHD.
Registration No.: 198201003236 (82982-K)
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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 2020.

Principal activities

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

There have been no significant changes in the nature of these activities during the financial year.

Results

	RM
Profit for the financial year	617,077

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

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend for the financial year ended 31 December 2020.

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	
Yeo Tek Ling	
Dato' Haji Ghazali B. Mat Ariff	
Mah Siew Seng	
Ng Choo Tim	
Law Mong Yong	
Pang Chong Yong	- Appointed on 16 June 2020
Andrew Ling Yew Chung	- Appointed on 18 June 2020
Pang Jun Jie	- Appointed as Alternate Director on 15 March 2021

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 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
In the Company:				
Direct interest:				
Yeo Tek Ling	12,169	-		12,169
Ng Choo Tim	648,297	-		648,297
Law Mong Yong	459	-		459
Pang Chong Yong	-	1,593,493	-	1,593,493

The other Directors holding office at 31 December 2020 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.

Director's remuneration and fee

Director's remuneration including benefits-in-kind of the Company are amounted to RM529,032 as disclosed in Note 4 to the financial statements.

Director's fee of the Company is amounted to RM212,500 as disclosed in Note 4 to the financial statements.

Indemnity and insurance for directors, officers and auditors

There was no indemnity given to or insurance effected to any director, officer or auditor of the Company.

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.

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 its 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 2020 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.

Significant event

Details of significant event is disclosed in Note 33 to the financial statement.

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

Auditors

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

The auditors' remuneration for the financial year ended 31 December 2020 amounted to RM35,000.

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

YEO TEK LING

NG CHOO TIM

Selangor

15 APR 2021

ADVANCED PACKAGING TECHNOLOGY (M) BHD.
Registration No.: 198201003236 (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 2020 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,

YEO TEK LING

NG CHOO TIM

Selangor 15 APR 2021

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016 IN MALAYSIA

I, YEO TEK LING, being the Director primarily responsible for the financial management of ADVANCED PACKAGING TECHNOLOGY (M) BHD., do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements as set out on pages 13 to 64 are in my opinion correct, and I 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 above-named at Bandar Baru Bangi in Selangor on 15 APR 2021)

YEO TEK LING
(MIA No.: 5756)

Before me,

PESURUHJAYA SUMPAH
PJS: B448
HAZLIN BINTI MOHAMED
01/01/2019-31/12/20..
MALAYSIA

COMMISSIONER FOR OATHS

NO. 29-2, JALAN 9/9C,
SEKSYEN 9,
43650 BANDAR BARU BANGI,
SELANGOR DARUL EHSAN.

PKF
Accountants &
business advisers

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD.
Registration No.: 198201003236 (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 2020, 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 2020, 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' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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.
Registration No.: 198201003236 (82982-K)
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(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 Company for 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
(Refer to Notes 1(d) (x) and 22 to the financial statements)

The Company has recognised a provision for gratuity of RM1,719,244 as at 31 December 2020. 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.

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

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.

PKF
Accountants & business advisers

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD.
Registration No.: 198201003236 (82982-K)
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(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.

Accountants &
business advisers

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD.
Registration No.: 198201003236 (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 BINTI MOHAMED IQBAL
03285/10/2022 J
CHARTERED ACCOUNTANT

Kuala Lumpur

15 APR 2021

ADVANCED PACKAGING TECHNOLOGY (M) BHD.
Registration No.: 198201003236 (82982-K)
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Revenue	3	23,504,501	22,671,913
Other income		521,865	313,949
Changes in inventories of finished goods and work-in-progress		(76,140)	(6,438)
Raw materials used		(14,270,692)	(14,849,255)
Employee benefits expense	4	(3,895,193)	(3,865,386)
Depreciation of property, plant and equipment		(1,318,525)	(1,322,609)
Depreciation of right-of-use asset		(153,453)	(139,501)
Net gain/(loss) on impairment of financial assets	5	62,597	(63,301)
Other expenses		(3,862,173)	(3,306,574)
Profit/(Loss) from operations		512,787	(567,202)
Interest income		278,301	340,617
Finance costs	6	(2,196)	(733)
Profit/(Loss) before tax	7	788,892	(227,318)
Tax (expense)/income	8	(171,815)	83,651
Profit/(Loss) and other comprehensive income/(loss) for the financial year		617,077	(143,667)
Total comprehensive income/(loss) attributable to owners of the Company		617,077	(143,667)
Earnings/(Loss) per ordinary share (sen)	9		
- Basic		3.23	(0.75)
- Diluted		3.23	(0.75)

ADVANCED PACKAGING TECHNOLOGY (M) BHD.
Registration No.: 198201003236 (82982-K)
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
ASSETS			
Non-current assets			
Property, plant and equipment	10	6,798,783	6,921,684
Other investment	11	5,000,000	5,000,000
Right-of-use assets	12	2,711,737	2,697,708
		14,510,520	14,619,392
Current assets			
Inventories	13	3,853,540	3,544,952
Contract assets	14	1,073,171	572,895
Trade receivables	15	4,998,769	5,571,567
Non-trade receivables, deposits and prepayments	16	486,372	113,196
Tax recoverable		222,875	217,845
Fixed deposits with licensed banks	17	8,500,000	8,500,000
Cash and bank balances		3,542,280	3,303,037
		22,677,007	21,823,492
TOTAL ASSETS		37,187,527	36,442,884
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	18	20,504,250	20,504,250
Treasury shares	19	(1,096,473)	(1,096,473)
Retained profits	20	10,420,320	9,803,243
Total equity		29,828,097	29,211,020
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	687,608	601,014
Provision for staff gratuity	22	1,719,244	2,728,290
Lease liabilities	23	26,985	5,293
		2,433,837	3,334,597
Current liabilities			
Trade payables	24	2,647,859	2,075,815
Non-trade payables and accruals	25	2,039,330	1,577,893
Amount due to directors	26	212,500	236,782
Lease liabilities	23	25,904	6,777
		4,925,593	3,897,267
Total liabilities		7,359,430	7,231,864
TOTAL EQUITY AND LIABILITIES		37,187,527	36,442,884

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Share capital RM	Non-distributable Treasury shares RM	Distributable Retained profits RM	Total RM
At 1 January 2019		20,504,250	(1,096,473)	10,329,154	29,736,931
Loss and other comprehensive loss for the financial year		-	-	(143,667)	(143,667)
Dividend paid	27	-	-	(382,244)	(382,244)
At 31 December 2019		20,504,250	(1,096,473)	9,803,243	29,211,020
Profit and other comprehensive income for the financial year		-	-	617,077	617,077
At 31 December 2020		20,504,250	(1,096,473)	10,420,320	29,828,097

ADVANCED PACKAGING TECHNOLOGY (M) BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 RM	2019 RM
Cash flows from operating activities		
Profit/(Loss) before tax	788,892	(227,318)
Adjustments for:		
Depreciation of property, plant and equipment	1,318,525	1,322,609
Depreciation of right-of-use assets	153,453	139,501
Impairment on trade receivables	-	71,725
Interest income	(278,301)	(340,617)
Interest expense	2,196	733
Inventories written off	52,076	120,502
Inventories written down	3,907	1,856
Reversal of inventories written down	(3,955)	(13,266)
Investment income	(130,989)	(167,974)
Gain on disposal of property, plant and equipment	(13,355)	-
Loss/(Gain) on unrealised foreign exchange	2,960	(3,343)
Property, plant and equipment written off	228	2,351
Right-of-use assets written off	1	-
Reversal of impairment on trade receivables no longer required	(62,597)	(8,424)
Provision for staff gratuity	60,836	112,602
Addition of amortised cost of provision for gratuity	143,653	90,900
Operating profit before working capital changes	2,037,530	1,101,837
(Increase)/Decrease in inventories	(360,616)	225,887
Decrease/(Increase) in receivables	262,285	(862,868)
(Increase)/Decrease in contract assets	(500,276)	9,665
(Decrease)/Increase in amount due to Directors	(24,282)	21,182
Decrease in provision for staff gratuity	(1,213,535)	-
Increase in payables	1,030,455	158,056
Cash generated from operations	1,231,561	653,759
Income tax refunded	-	262,501
Income tax paid	(90,251)	-
Net cash from operating activities	1,141,310	916,260

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020 RM	2019 RM
Cash flows from investing activities			
Investment income received		130,989	167,974
Interest income received		278,301	340,617
Proceeds from disposal of property, plant and equipment		13,357	3
Acquisition of property, plant and equipment		(1,195,854)	(216,235)
Acquisition of right-of-use assets		(105,010)	-
Net cash (used)/from in investing activities		(878,217)	292,359
Cash flows from financing activities			
Interest paid		(2,196)	(733)
Dividends paid		-	(1,146,734)
Repayment of operating lease	(ii)	(21,654)	(6,467)
Net cash used in financing activities		(23,850)	(1,153,934)
Net increase in cash and cash equivalents		239,243	54,685
Cash and cash equivalents at 1 January		7,303,037	7,248,352
Cash and cash equivalents at 31 December	(i)	7,542,280	7,303,037

Notes:

(i) Cash and cash equivalents

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

	2020 RM	2019 RM
Cash and bank balances	3,542,280	3,303,037
Fixed deposits with licensed banks with original maturities less than 3 months (Note 17)	4,000,000	4,000,000
	7,542,280	7,303,037

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Notes:

(ii) Reconciliation of liabilities arising from financing activities

2020	**1 January RM**	**Cash flows RM**	**Non-cash acquisition RM**	**31 December RM**
Lease liabilities	12,070	(21,654)	62,473	52,889

2019	**1 January RM**	**Cash flows RM**	**Non-cash acquisition RM**	**31 December RM**
Lease liabilities	18,537	(6,467)	-	12,070

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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.

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 2020, the Company has adopted the following accounting standards, amendments and interpretations which are mandatory for annual financial periods beginning on or after 1 January 2020:

Description

- Amendments to MFRS 3, *Business Combinations*: Definition of Business
- Amendments to MFRS 4, *Insurance Contracts*: Extension of the Temporary Exemption from Applying MFRS 9
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures*: Interest Rate Benchmark Reform
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Material
- Amendments from other Standards:
  - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
  - Amendments to MFRS 3, *Business Combinations*
  - Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
  - Amendments to MFRS 7, *Financial Instruments: Disclosures*
  - Amendments to MFRS 9, *Financial Instruments*
  - Amendments to MFRS 15, Revenue *from Contracts with Customers*
  - Amendments to MFRS 101, *Presentation of Financial Statements*
  - Amendments to MFRS 107, *Statement of Cash Flows*
  - Amendments to MFRS 110, *Events after the Reporting Period*
  - Amendments to MFRS 116, *Property, Plant and Equipment*
  - Amendments to MFRS 119, *Employee Benefits*
  - Amendments to MFRS 128, *Investments in Associates and Joint Ventures*
  - Amendments to MFRS 132, *Financial instruments: Presentation*
  - Amendments to MFRS 134, *Interim Financial Reporting*

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

1. Basis of preparation (continued)

(a) Standards issued and effective (continued)

On 1 January 2020, the Company has adopted the following accounting standards, amendments and interpretations which are mandatory for annual financial periods beginning on or after 1 January 2020: (continued)

Description
- Amendments to MFRS 136, *Impairment of Assets*
- Amendments to MFRS 137, *Provision, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138, *Intangible Assets*
- Amendments to MFRS 140, *Investment Property*

The directors expect that the adoption of the new and amended MFRS above will have no impact on the financial statements of the Company.

(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**
• Amendments to MFRS 16, *Leases*: Covid-19-Related Rent Concessions	1 June 2020
• Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases*: Interest Rate Benchmark Reform - Phase 2	1 January 2021
• Amendments to MFRS 3, *Business Combinations*: Reference to the Conceptual Framework	1 January 2022
• Amendments to MFRS 116, *Property, Plant and Equipment*: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
• Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
• Annual improvements to MFRSs 2018 - 2020 cycle	
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*	1 January 2022
- Amendments to MFRS 9, *Financial Instruments*	1 January 2022
- Amendments to MFRS 16, *Leases*	1 January 2022
- Amendments to MFRS 141, *Agriculture*	1 January 2022

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

1. Basis of preparation (continued)

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

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**
• MFRS 17, *Insurance Contracts*	1 January 2023
• Amendments to MFRS 17, *Insurance Contracts*	1 January 2023
• Amendments to MFRS 101, *Presentation of Financial Statements*: Classifications of Liabilities as Current or Non-current	1 January 2023
• Amendments to MFRS 101, *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates	1 January 2023
• 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

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impact to the financial statements of the Company.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise as indicated in the summary of significant accounting policies.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

1. Basis of preparation (continued)

(d) Significant 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 have not yet been delivered 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 2020

1. Basis of preparation (continued)

(d) Significant 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 2020

1. Basis of preparation (continued)

(d) Significant 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 2020

1. Basis of preparation (continued)

(d) Significant 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.

(xi) Lease

(a) Lease term

In determining the lease term, management considers all fact and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(b) Incremental borrowing rate of leases

In determining the incremental borrowing rate, the Company uses interest rate ranges from 3.70% to 4.70% as a starting point and makes adjustments specific to the lease, from one (1) to three (3) years.

2. Summary of significant accounting policies

(a) Foreign currencies

(i) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(a) Foreign currencies (continued)

(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.

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:

	2020	**2019**
	RM	**RM**
1 United States Dollar	3.965	4.044
1 Brunei Dollar	2.991	3.000
100 Japanese Yen	3.969	3.820

2. Summary of significant accounting policies (continued)

(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(d)(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 and effective interest method.

(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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(c) Employee benefits expense (continued)

(ii) Defined contribution plans (continued)

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 by 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(d) Income tax (continued)

(ii) Deferred tax (continued)

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.

(e) Borrowing costs

Borrowing costs 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.

Borrowing costs incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the profit or loss.

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 2020

2. Summary of significant accounting policies (continued)

(f) Impairment

(i) Financial assets

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 2020

2. Summary of significant accounting policies (continued)

(f) Impairment (continued)

(i) Financial assets (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.

(ii) Non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial 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.

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets (continued)

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. The 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 subsequent periods.

(g) Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(g) 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.

(h) Financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(h) Financial assets (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.

(i) Inventories

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

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

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

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.

(j) 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(f)(i) to the financial statements.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(l) 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.

(m) Financial liabilities

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.

(n) Leases

As a lessee

(i) Initial recognition and measurement

The Company recognised right-of-use asset and lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing. Thus, the Company uses their incremental borrowing rate as the discount rate.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(n) Leases (continued)

As a lessee (continued)

(i) Initial recognition and measurement (continued)

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

(ii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(o) 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.

(p) 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.

(q) 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.

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(r) Contingencies (continued)

(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.

(s) 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.

(t) 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.

3. Revenue

	2020 RM	2019 RM
Sales of packaging materials	23,504,501	22,671,913
Disaggregation of revenue:		
By primary geographical market:		
Malaysia	22,293,260	21,715,501
Mauritius	995,980	726,159
Brunei	215,261	230,253
	23,504,501	22,671,913

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

4. Employee benefits expense

	2020 RM	2019 RM
(a) Staff costs		
Salaries, wages, allowances, bonus and overtime	2,648,302	2,372,740
Contributions to defined contribution plan	239,950	221,182
Social security contributions	38,884	30,719
Other benefits	231,825	348,841
	3,158,961	2,973,482
(b) Directors' remuneration and fees		
Executive:		
Salaries and other emoluments	365,602	482,240
Contribution to defined contribution plan	78,937	103,680
Social security contributions	593	1,284
Other benefits - leave passage	10,000	18,000
Estimated money value of benefits-in-kind	5,300	18,625
	460,432	623,829
Non-executive:		
Allowances	68,600	51,700
Total Directors' remuneration	529,032	675,529
Director's fees		
Executive	30,000	60,000
Non-executive	182,500	175,000
Total Director's fees	212,500	235,000
Total Directors' remuneration and fees	741,532	910,529
Total Directors' remuneration and fees excluding benefits-in-kind	736,232	891,904
Total staff costs	3,895,193	3,865,386

5. Net gain/(loss) on impairment of financial assets

	2020 RM	2019 RM
Reversal of impairment loss of trade receivables no longer required	62,597	8,424
Impairment loss on trade receivables	-	(71,725)
	62,597	(63,301)

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

6. Finance costs

	2020 RM	2019 RM
Interest expense		
- lease liabilities	2,196	733

7. Profit/(Loss) before tax

	2020 RM	2019 RM
Profit/(Loss) before tax is arrived at after charging/(crediting)		
Auditors' remuneration		
- Statutory audit	35,000	35,000
- Non-statutory audit	7,000	7,000
Addition of amortised cost of provision for gratuity	143,653	90,900
Depreciation of property, plant and equipment	1,318,525	1,322,609
Depreciation of right-of-use asset	153,453	139,501
(Gain)/Loss on foreign exchange		
- realised	(3,298)	(21,483)
- unrealised	2,960	(3,343)
Gain on disposal of property, plant and equipment	(13,355)	-
Interest income		
- Interest income received from deposits placed with licensed banks	(185,767)	(258,772)
- Fixed return received from deposits placed with Islamic bank	(92,534)	(81,845)
Inventories written off	52,076	120,502
Inventories written down	3,907	1,856
Reversal of inventories written down	(3,955)	(13,266)
Investment income	(130,989)	(167,974)
Property, plant and equipment written off	228	2,351
Right-of-use assets written off	1	-
Provision for staff gratuity	60,836	112,602

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

8. Tax expense/(income)

	2020 RM	2019 RM
Current tax expense		
- current year	66,792	82,154
- under/(over)provision in prior years	18,429	(47,892)
	85,221	34,262
Deferred tax expense (Note 21)		
- current year	44,070	(117,584)
- under/(over)provision in prior years	42,524	(329)
	86,594	(117,913)
	171,815	(83,651)

Reconciliation of tax expense

	2020 RM	2019 RM
Profit/(Loss) before tax	788,892	(227,318)
Taxation computed at statutory tax rate of 24%	189,334	(54,556)
Non-deductible expenses	73,031	59,440
Non-taxable income	(151,503)	(40,314)
	110,862	(35,430)
Under/(Over)provision of current tax in prior years	18,429	(47,892)
Under/(Over)provision of deferred tax in prior years	42,524	(329)
	171,815	(83,651)

9. Earnings/(Loss) 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:

	2020	2019
Total comprehensive income/(loss) attributable to owners of the Company (RM)	617,077	(143,667)
Weighted average number of ordinary shares in issue, net of treasury shares	19,112,234	19,112,234
Basic earnings/(loss) per share (sen)	3.23	(0.75)
Diluted earnings/(loss) earnings per share (sen)	3.23	(0.75)

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

10. Property, plant and equipment

2020	Plant, machinery and tools RM	Furniture, fittings and equipment RM	Motor vehicles RM	Work-in-progress RM	Total RM
Cost					
At 1 January	33,470,090	704,030	708,312	-	34,882,432
Additions	221,044	80,624	-	894,186	1,195,854
Written off	(55,145)	(3,890)	-	-	(59,035)
Disposals	(1,633,573)	-	-	-	(1,633,573)
At 31 December	32,002,416	780,764	708,312	894,186	34,385,678
Accumulated depreciation					
At 1 January	26,718,833	555,325	686,590	-	27,960,748
Charge for the financial year	1,255,628	41,185	21,712	-	1,318,525
Written off	(55,086)	(3,721)	-	-	(58,807)
Disposals	(1,633,571)	-	-	-	(1,633,571)
At 31 December	26,285,804	592,789	708,302	-	27,586,895
Carrying amount					
At 31 December	5,716,612	187,975	10	894,186	6,798,783

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

10. Property, plant and equipment (continued)

2019	Leasehold land RM	Building RM	Plant, machinery and tools RM	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
Cost						
At 1 January (before restated)	739,000	5,327,543	33,306,154	721,992	1,061,372	41,156,061
Initial application of MFRS 16	(739,000)	(5,327,543)	-	-	-	(6,066,543)
At 1 January (after restated)	-	-	33,306,154	721,992	1,061,372	35,089,518
Additions	-	-	207,265	8,970	-	216,235
Written off	-	-	(43,329)	(24,512)	-	(67,841)
Disposals	-	-	-	(2,420)	(353,060)	(355,480)
At 31 December	-	-	33,470,090	704,030	708,312	34,882,432
Accumulated depreciation						
At 1 January (before restated)	249,475	2,998,293	25,519,961	537,002	1,002,143	30,306,874
Initial application of MFRS 16	(249,475)	(2,998,293)	-	-	-	(3,247,768)
At 1 January (after restated)	-	-	25,519,961	537,002	1,002,143	27,059,106
Charge for the financial year	-	-	1,240,174	44,929	37,506	1,322,609
Written off	-	-	(41,302)	(24,188)	-	(65,490)
Disposals	-	-	-	(2,418)	(353,059)	(355,477)
At 31 December	-	-	26,718,833	555,325	686,590	27,960,748
Carrying amount						
At 31 December	-	-	6,751,257	148,705	21,722	6,921,684

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

10. 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:

	2020 RM	2019 RM
At cost:		
Plant, machinery and tools	16,935,805	18,608,125
Furniture, fittings and equipment	471,817	388,077
Motor vehicles	708,312	590,368
	18,115,934	19,586,570

11. Other investment

	2020 RM	2019 RM
Investment in securities	5,000,000	5,000,000

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 2020 had interest rates ranging from 2.15% to 3.16% (2019: 3.11% to 3.63%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

12. Right-of-use assets

2020	**Lease rental RM**	**Leasehold land RM**	**Buildings RM**	**Total RM**
Cost				
At 1 January	20,110	739,000	5,327,543	6,086,653
Addition	62,473	-	105,010	167,483
Written off	-	-	(5,489)	(5,489)
As at 31 December	82,583	739,000	5,427,064	6,248,647
Accumulated depreciation				
At 1 January	8,379	256,865	3,123,701	3,388,945
Depreciation for the financial year	22,296	7,390	123,767	153,453
Written off	-	-	(5,488)	(5,488)
As at 31 December	30,675	264,255	3,241,980	3,536,910
Carrying amount				
At 31 December	51,908	474,745	2,185,084	2,711,737

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

12. Right-of-use assets (continued)

2019	**Lease rental RM**	**Leasehold land RM**	**Buildings RM**	**Total RM**
Cost				
At 1 January (before restated)	-	-	-	-
Initial application of MFRS 16	20,110	739,000	5,327,543	6,086,653
At 1 January (after restated)	20,110	739,000	5,327,543	6,086,653
Addition	-	-	-	-
As at 31 December	20,110	739,000	5,327,543	6,086,653
Accumulated depreciation				
At 1 January (before restated)	-	-	-	-
Initial application of MFRS 16	1,676	249,475	2,998,293	3,249,444
At 1 January (after restated)	1,676	249,475	2,998,293	3,249,444
Depreciation for the financial year	6,703	7,390	125,408	139,501
As at 31 December	8,379	256,865	3,123,701	3,388,945
Carrying amount				
At 31 December	11,731	482,135	2,203,842	2,697,708

Included under right-of-use assets are:

(i) The Company leases buildings and the contract term ranges from 2019 to 2023 for three (3) years.

(ii) Leasehold land and buildings of the Company with carrying amount of RM2,659,829 (2019: RM2,685,977).

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

13. Inventories

	2020 RM	2019 RM
At cost:		
Raw materials	3,331,810	2,957,388
Work-in-progress	333,606	409,747
Consumables	188,124	175,360
Goods in transit	-	2,457
	3,853,540	3,544,952
Recognised in profit or loss		
Inventories recognised as cost of production	14,971,799	15,439,645
Write-down to net realisable value	3,907	1,856
Inventories written off	52,076	120,502
Reversal of inventories written down	(3,955)	(13,266)

14. Contract assets

	2020 RM	2019 RM
Contract assets	1,073,171	572,895

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

15. Trade receivables

	2020 RM	2019 RM
Trade receivables	5,059,378	5,694,773
Less: Impairment	(60,609)	(123,206)
	4,998,769	5,571,567

The movement in impairment of trade receivables are as follows:

	2020 RM	2019 RM
Impairment:		
At 1 January	123,206	59,905
Additions	-	71,725
Reversal	(62,597)	(8,424)
At 31 December	60,609	123,206

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

15. Trade receivables (continued)

The Company's normal trade credit term ranges from 30 to 90 days (2019: 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.

16. Non-trade receivables, deposits and prepayments

	2020 RM	**2019 RM**
Non-trade receivables	14,011	16,141
Deposits	415,314	19,980
Prepayments	12,838	17,603
Others	44,209	59,472
	486,372	113,196

Included in non-trade receivables of the Company are staff loans of RM14,011 (2019: RM16,141) which bear interest at 4.00% (2019: 4.00%) per annum.

Included in the deposits, are down payment amounting to RM395,184 (2019: Nil) for the acquisition of property, plant and equipment.

17. Fixed deposits with licensed banks

	2020 RM	**2019 RM**
Deposits placed with licensed banks	4,500,000	4,500,000
Deposits placed with Islamic bank	4,000,000	4,000,000
	8,500,000	8,500,000
Maturities less than 3 months	4,000,000	4,000,000
Maturities more than 3 months	4,500,000	4,500,000
	8,500,000	8,500,000

The deposits as at 31 December 2020 bear interest at rates ranging from 1.75% to 3.45% (2019: 3.25% to 3.55%) per annum.

Deposits placed with licensed banks have maturity periods ranging from 30 days to 365 days (2019: 30 days to 365 days).

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

18. Share capital

	2020	2019	2020	2019
	Number of Ordinary Shares		RM	RM
Issued and fully paid:				
At 1 January/31 December	20,504,250	20,504,250	20,504,250	20,504,250

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares are carrying one (1) vote per share without restriction and rank equally with regards to the Company's residual interests.

19. Treasury shares

	2020	2019	2020	2019
	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 2019, the number of outstanding Ordinary Shares in issue after deducting the treasury shares was 19,112,234 (2019: 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 2020.

20. 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.

21. Deferred tax liabilities

	2020 RM	2019 RM
At 1 January	601,014	718,927
Transferred to profit or loss (Note 8)	86,594	(117,913)
At 31 December	687,608	601,014

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

21. Deferred tax liabilities (continued)

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

	Property, plant and equipment
Deferred tax liabilities of the Company:	
At 1 January 2020	1,227,313
Recognised in statements of profit or loss	(14,616)
At 31 December 2020	1,212,697
At 1 January 2019	1,308,262
Recognised in statements of profit or loss	(80,949)
At 31 December 2019	1,227,313

	Unabsorbed capital allowances RM	Provisions RM	Total RM
Deferred tax assets of the Company:			
At 1 January 2020	-	626,299	626,299
Recognised in statements of profit or loss	175,437	(276,647)	(101,210)
At 31 December 2020	175,437	349,652	525,089
At 1 January 2019	-	589,335	589,335
Recognised in statements of profit or loss	-	36,964	36,964
At 31 December 2019	-	626,299	626,299

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

22. Provision for staff gratuity

	2020 RM	2019 RM
At 1 January	2,466,742	2,354,140
Provision during the financial year	60,836	112,602
Paid out/Adjusted during the financial year	(1,213,535)	-
	1,314,043	2,466,742
Add: Amortised cost		
At 1 January	261,548	170,648
Additional	143,653	90,900
	405,201	261,548
At 31 December	1,719,244	2,728,290

The discounted rates applied in the computation of the present value of retirement gratuities ranged from 1.75% to 3.85% (2019: 2.80% to 3.76%) per annum.

23. Lease liabilities

The following table summarises the carrying amount of the Company's right-of-use assets and the movements during the year:

	2020 RM	2019 RM
Representing:		
Current liabilities	25,904	6,777
Non-current liabilities	26,985	5,293
	52,889	12,070
Recognised in profit or loss:		
Interest expense on lease liabilities	2,196	733

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

23. Lease liabilities (continued)

(i) The total cash outflow for leases for the financial year ended 31 December 2020 is RM23,850; (2019: RM7,200) and

(ii) the lease liabilities are payable as follows:

	2020 RM	2019 RM
Present value of lease liabilities:		
Repayable within one year	25,904	6,777
Repayable between one to two years	26,985	5,293
	52,889	12,070

24. Trade payables

The normal trade credit terms granted to the Company ranging from 30 to 90 days (2019: 30 to 90 days).

25. Non-trade payables and accruals

	2020 RM	2019 RM
Non-trade payables	1,138,454	769,312
Accruals	900,876	808,581
	2,039,330	1,577,893

26. Amount due to directors

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

27. Dividend payable

Dividends recognised by the Company are:

	In respect of financial year	Gross dividend per share Sen	Amount of dividend RM	Date of payment
2019				
Final single tier tax exempt dividend	2018	2.00	382,244	25 July 2019

28. 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 RM10,681,833 (2019: RM10,603,914), RM2,391,279 (2019: RM3,178,546) and RM995,980 (2019: RM1,119,651) respectively.

29. Contingent liability

	2020 RM	2019 RM
Bank guarantee given by financial institution to third party	232,515	219,389

30. Capital commitments

	2020 RM	2019 RM
Capital expenditure not provided for in the financial statements are as follows:		
Property, plant and equipment		
Authorised and contracted for	1,192,314	-

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. Financial instruments

Categories of financial instruments

(a) Financial assets at fair value through other comprehensive income (“FVOCI”);
(b) Financial assets measured at amortised cost (“AC”); and
(c) Financial liabilities measured at amortised cost (“AC”).

	Carrying amount RM	FVOCI RM	AC RM
2020			
Financial assets			
Other investment	5,000,000	5,000,000	-
Trade receivables	4,998,769	-	4,998,769
Non-trade receivables and deposits (excluding prepayments)	473,534	-	473,534
Fixed deposits with licensed banks	8,500,000	-	8,500,000
Cash and cash equivalents	3,542,280	-	3,542,280
	22,514,583	5,000,000	17,514,583
Financial liabilities			
Trade payables	2,647,859	-	2,647,859
Non-trade payables and accruals	2,039,330	-	2,039,330
Amount due to directors	212,500	-	212,500
Provision for gratuity	1,719,244	-	1,719,244
Lease liabilities	52,889	-	52,889
	6,671,822	-	6,671,822

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. Financial instruments (continued)

Categories of financial instruments (continued)

	Carrying amount RM	FVOCI RM	AC RM
2019			
Financial assets			
Other investment	5,000,000	5,000,000	-
Trade receivables	5,571,567	-	5,571,567
Non-trade receivables and deposits (excluding prepayments)	95,593	-	95,593
Fixed deposits with licensed banks	8,500,000	-	8,500,000
Cash and cash equivalents	3,303,037	-	3,303,037
	22,470,197	5,000,000	17,470,197
Financial liabilities			
Trade payables	2,075,815	-	2,075,815
Non-trade payables and accruals	1,577,893	-	1,577,893
Amount due to directors	236,782	-	236,782
Provision for gratuity	2,728,290	-	2,728,290
Lease liability	12,070	-	12,070
	6,630,850	-	6,630,850

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. Financial instruments (continued)

Net gains and (losses) arising from financial instruments

	2020 RM	2019 RM
Fair value through other comprehensive income		
Investment income	130,989	167,974
Financial assets measured at amortised cost		
Impairment loss on trade receivables	-	(71,725)
Interest income	278,301	340,617
Realised (loss)/gain on foreign exchange	(21,025)	2,972
Reversal of impairment loss on trade receivables	62,597	8,424
Unrealised gain/(loss) on foreign exchange	66	(1,984)
	319,939	278,304
Financial liabilities measured at amortised cost		
Addition of amortised cost of provision for gratuity	(143,653)	(90,900)
Realised gain on foreign exchange	24,323	18,511
Unrealised (loss)/gain on foreign exchange	(3,026)	5,327
Interest expense	(2,196)	(733)
Provision for staff gratuity	(60,836)	(112,602)
	(185,388)	(180,397)
	265,540	265,881

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, market risk, foreign currency risk, interest rate 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, market risk, foreign currency risk, interest rate 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. 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 70% (2019: 80%) 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:

	2020 RM	2019 RM
Malaysia	4,989,880	5,278,190
Mauritius	-	242,783
Brunei	8,889	50,594
	4,998,769	5,571,567

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. Financial instruments (continued)

Credit risk (continued)

<u>Ageing analysis</u>

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

2020	**Gross carrying amount RM**	**Loss allowances RM**	**Net carrying amount RM**
Not past due:	4,800,178	-	4,800,178
Past due:			
- less than 3 months	207,719	(9,128)	198,591
	5,007,897	(9,128)	4,998,769
Credit impaired			
Individually impaired	51,481	(51,481)	-
	5,059,378	(60,609)	4,998,769
2019			
Not past due:	5,445,144	-	5,445,144
Past due:			
- less than 3 months	135,551	(9,128)	126,423
	5,580,695	(9,128)	5,571,567
Credit impaired			
Individually impaired	114,078	(114,078)	-
	5,694,773	(123,206)	5,571,567

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 recognise any allowance for impairment losses.

Deposits

Credit risks on deposits are mainly arising from deposits paid for hostel 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 recognise any allowance for impairment losses.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. 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	Total
2020	**RM**	**RM**	**RM**	**RM**
Financial assets				
Trade receivables	-	8,889	-	8,889
Financial liability				
Non-trade payables	-	-	(112,680)	(112,680)
Net currency exposure	-	8,889	(112,680)	(103,791)
2019				
Financial assets				
Trade receivables	242,783	50,594	-	293,377
Financial liability				
Non-trade payables	(12,890)	-	(163,476)	(176,366)
Net currency exposure	229,893	50,594	(163,476)	117,011

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. 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:

	2020 %	**2019** %	**2020 RM Increase/ (Decrease)**	**2019 RM Increase/ (Decrease)**
Effect on profit after tax				
USD / RM				
Strengthened by	5.00	5.00	-	8,736
Weakened by	5.00	5.00	-	(8,736)
BND / RM				
Strengthened by	5.00	5.00	338	1,923
Weakened by	5.00	5.00	(338)	(1,923)
JPY / RM				
Strengthened by	5.00	5.00	(4,282)	(6,212)
Weakened by	5.00	5.00	4,282	6,212

Interest rate risk

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

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

Effective interest rates and repricing analysis

The following table shows information on the Company's exposure to interest rate risk.

	Effective interest rate per annum %	**Less than one year** RM	**Between one and five years** RM	**Total** RM
2020				
Financial assets				
Fixed deposit with licensed bank	1.75 – 3.45	8,500,000	-	8,500,000
Other investment	2.15 – 3.16	-	5,000,000	5,000,000
		8,500,000	5,000,000	13,500,000

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. Financial instruments (continued)

Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

	Effective interest rate per annum %	Less than one year RM	Between one and five years RM	Total RM
2020				
Financial liability				
Lease liabilities	3.70 – 4.70	(25,904)	(26,985)	(52,889)
		8,474,096	4,973,015	13,447,111
2019				
Financial assets				
Fixed deposit with licensed bank	3.25 – 3.55	8,500,000	-	8,500,000
Other investment	3.11 – 3.63	-	5,000,000	5,000,000
		8,500,000	5,000,000	13,500,000
Financial liability				
Lease liability	4.70	(6,777)	(5,293)	(12,070)
		8,493,223	4,994,707	13,487,930

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:

	2020 Increase/ (Decrease) RM	2019 Increase/ (Decrease) RM
Effects on profit after taxation		
Increase of 10 basis points	10,220	10,251
Decrease of 10 basis points	(10,220)	(10,251)

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. Financial instruments (continued)

Liquidity risk (continued)

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
2020				
Trade payables	2,647,859	2,647,859	2,647,859	-
Non-trade payables and accruals	2,039,330	2,039,330	2,039,330	-
Amount due to directors	212,500	212,500	212,500	-
Provision for gratuity	1,719,244	1,719,244	-	1,719,244
Lease liabilities	52,889	55,350	27,600	27,750
	6,671,822	6,674,283	4,927,289	1,746,994
2019				
Trade payables	2,075,815	2,075,815	2,075,815	
Non-trade payables and accruals	1,577,893	1,577,893	1,577,893	-
Amount due to directors	236,782	236,782	236,782	-
Provision for gratuity	2,728,290	2,728,290	-	2,728,290
Lease liability	12,070	12,600	7,200	5,400
	6,630,850	6,631,380	3,897,690	2,733,690

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.

(iii) The fair value of lease liability is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

31. Financial instruments (continued)

Fair values (continued)

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:

	2020		2019	
	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
Financial liability:				
Lease liabilities	52,889	52,889	12,070	12,070

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 has any financial liabilities carried at fair value or any financial instruments classified as Level 1 and Level 2 as at reporting date.

	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
2020				
Financial asset				
Other investment	-	-	5,000,000	5,000,000
Financial liability				
Lease liabilities	-	-	52,889	52,889
2019				
Financial asset				
Other investment	-	-	5,000,000	5,000,000
Financial liability				
Lease liability	-	-	12,070	12,070

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

32. 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 response to 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 2020.

Under the requirements of Bursa Malaysia Practice Note 19, 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 for the financial year ended 31 December 2020.

There are no other external capital requirements imposed on the Company.

33. Significant event

The directors of the Company are of the opinion that the outbreak of the COVID-19 may affect the business performance and position of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that resulted in delays in commencement of work and delivery of products to customers. Meanwhile, due to inherent nature and unpredictability of future development of the pandemic and market sentiment, the extent of the impact depends on (i) ongoing precautionary measures introduced by each country to address this pandemic and (ii) the durations of the pandemic. Accordingly, the financial impact of the COVID-19 outbreak to the Company cannot be reasonably estimated as at this juncture. The directors will continue to monitor the situations and respond proactively to mitigate the impact on the Company's financial performance and financial position.

34. 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 have been no significant change in the nature of these activities during the financial year.

The registered office of the Company is located at Level 12, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 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 15 APR 2021