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Printing Since 1972



LINOCRAFT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8383

www.linocraftprinters.com

ANNUAL REPORT 2022





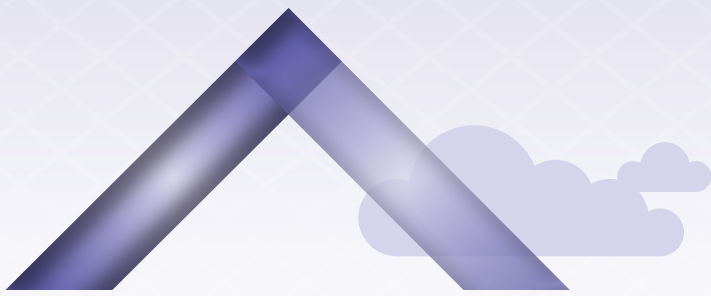
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This report, for which the directors (the “**Directors**”) of Linocraft Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of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



CONTENTS

03	Corporate Information
04	Chairman's Statement & Management Discussion and Analysis
15	Directors and Senior Management
18	Corporate Governance Report
30	Report of the Directors
42	Independent Auditor's Report
48	Consolidated Statement of Comprehensive Income
49	Consolidated Statement of Financial Position
51	Consolidated Statement of Changes in Equity
52	Consolidated Statement of Cash Flows
54	Notes to the Consolidated Financial Statements
112	Five-year Financial Summary



Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPLIANCE OFFICER

Mr. Tan Woon Chay

AUTHORISED REPRESENTATIVES

Mr. Tan Woon Chay
Mr. Lam Wing Tai

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lam Wing Tai

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

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

WEBSITE

www.linocraftprinters.com

STOCK CODE

8383



Chairman's Statement & Management Discussion and Analysis

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 August 2022 (the "**Financial Year**").

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

Since the outbreak of the COVID-19 pandemic ("**Pandemic**") in early 2020, a series of precautionary and control measures had been undertaken by governments across the world including Hong Kong, Malaysia and the Philippines. Despite the continuous outbreak of Pandemic, the Asian economy began to recover from the pandemic due to the increase in vaccination rates and reopening of the affected economic sectors.

In the past years, the Government of Malaysia ("**GOM**") announced the implementation of the Movement Control Order ("**MCO**") including MCO, conditional MCO and recovery MCO and the National Recovery Plan, which were extended several times and relaxed to difference phases in 2020 and 2021. On 11 October 2021, GOM had lifted interstate and international travel restrictions for residents fully vaccinated against COVID-19, as the country achieved its target of inoculating 90% of its adult population. On 8 March 2022, the GOM further announced that Malaysia would commence its transition to the endemic phase and reopen its borders from 1 April 2022.

Similarly, lockdown measures had been implemented in the Philippines since 2020. The Philippines Economic Zone Authority ("**PEZA**") headquarters published several memorandum circulars regarding the Covid-19 related advisories and The Government of Philippines declared the General Community Quarantine and Enhanced Community Quarantine measures in 2020 and 2021. On 10 February 2022, the Philippines had reopened its borders to tourists and visitors had no longer need to go through a mandatory quarantine if vaccinated.

Our employees were regularly tested and supplied with the necessary protective equipment and provided with private shuttle services instead of public transport to reduce the chances of contracting Covid-19. Daily employee health declaration is enforced by our Safety, Health & Environment team who also conducts symptom screening and contact tracing.

During the Financial Year, despite the business disruptions and control measures adopted in Malaysia and the Philippines, our management had adopted proactive strategies and policies to cope with the Pandemic including developing and obtaining new customers and streamlining manufacturing processes in the plant to improve cost efficiency. Meanwhile, relationships with existing customers have been enhanced and the management will closely monitor and remain alert for disruptions due to Pandemic and other potential issues.

Chairman's Statement & Management Discussion and Analysis

BUSINESS REVIEW

Our Group is a well-established integrated offset printing and packaging solutions provider in Malaysia with more than 50 years of experience. Moreover, the Group has also set foot in the Philippines in June 2016 to set up our printing and packaging production line to better serve our customers in the region. We principally provide offset printing services and packaging boxes, instruction manuals and inserts to our customers. We continue to focus on strengthening our market position in the offset printing and packaging industry.

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

The following table sets forth the details of our Group's revenue by types of products for the years ended 31 August 2022 and 2021:

	For the year ended 31 August			
	2022 RM'000	%	2021 RM'000	%
Sales of production products:				
— Packaging	202,529	74.6	186,643	72.6
— Inserts	54,906	20.2	48,487	18.9
— Instruction manuals	13,298	4.9	22,078	8.5
— Labels	660	0.3	20	—
	271,393	100.0	257,228	100.0

Our Group's total revenue amounted to approximately RM271.4 million and RM257.2 million for the years ended 31 August 2022 and 2021, respectively. Approximately 57.3% (2021: 67.1%) of our revenue was attributable to our customers in Malaysia, with the remaining from Singapore and the Philippines during the Financial Year.

Packaging

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

Our revenue from the production of packaging were approximately RM202.5 million and RM186.6 million for the years ended 31 August 2022 and 2021, respectively, representing approximately 74.6 % and 72.6% of our total revenue, respectively.



Chairman's Statement & Management Discussion and Analysis

Inserts

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

Our revenue from the production of inserts were approximately RM54.9 million and RM48.5 million for the years ended 31 August 2022 and 2021 respectively, representing approximately 20.2% and 18.9% of our total revenue, respectively.

Instruction Manuals

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

Our revenue from the production of instruction manuals were approximately RM13.3 million and RM22.1 million for the years ended 31 August 2022 and 2021, respectively, representing approximately 4.9% and 8.5% of our total revenue, respectively.

Labels

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

Our revenue from the production of labels were approximately RM0.66 million and RM0.02 million for the years ended 31 August 2022 and 2021 respectively, representing approximately 0.3% and 0% of our total revenue, respectively.

FUTURE PROSPECTS AND OUTLOOK

Our Group continues to focus on strengthening its market position in the offset printing and packaging industry as well as approaching reputable international brands from different industries to grow our business in Malaysia and the Philippines. We had adopted proactive strategies and policies to cope with the Pandemic including developing and obtaining new customers and streamlining manufacturing processes in the plant to improve cost efficiency.

At the time of writing, there remains significant uncertainty on the extent of the continuous impact from the Pandemic and the negative cross-border effects from the geo-political conflicts. These will result in uncertainties in the global economy. We expect financial year 2022/2023 to remain challenging to the Group.

The Directors will focus its efforts to closely monitor and review its business strategies and strive to create long term sustainable value for our Company and shareholders of the Company (the "**Shareholders**") in spite of the Pandemic.

Chairman's Statement & Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the Financial Year under review, the revenue increased by approximately 5.5% or approximately RM14.2 million as compared to that of the previous year. The increase in revenue was mainly due to the net effect of increase in sales of packaging and inserts and decrease in sales of instruction manuals. The revenue contributed by the top five customers decreased from approximately RM197.2 million for the year ended 31 August 2021 to approximately RM177.4 million for the Financial Year, which accounted for 76.7% and 65.4% of our total revenue for the corresponding years, respectively.

Cost of Sales

	For the year ended 31 August	
	2022 RM'000	2021 RM'000
Material costs	161,174	135,948
Direct labour	33,958	32,139
Manufacturing overheads	34,610	41,649
	229,742	209,736

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

In line with the increase in revenue, the cost of sales for the Financial Year increased by approximately 9.5% or RM20.0 million as compared to that of the previous year. During the Financial Year, the Group did not make any additional allowance for obsolete inventory (2021: RM5.3 million) as the remaining allowance of approximately RM4.0 million (2021: RM7.9 million) was considered adequate. The increase in cost of sales was mainly due to the increase in material costs as a result of stronger United States Dollar and inflation.

Gross Profit and Gross Profit Margin

Our gross profit decreased about 12.3% from approximately RM47.5 million for the year ended 31 August 2021 to approximately RM41.7 million for the Financial Year. Our overall gross profit margin decreased by 3.1% from approximately 18.5% for the year ended 31 August 2021 to approximately 15.4% for the Financial Year.

Other Operating Income

Other operating income mainly arose from disposal of property, plant and equipment, foreign exchange conversions and sales of scrap materials. During the Financial Year, the other operating income was approximately RM3.1 million (2021: RM2.6 million). Such increase was mainly caused by the sales of scrap materials of approximately RM5.5 million for the Financial Year (2021: RM4.1 million), which was partially offset by the loss on foreign exchange of approximately RM3.6 million for the Financial Year (2021: RM2.6 million).



Chairman's Statement & Management Discussion and Analysis

Distribution Costs

Our distribution expenses mainly consist of (i) salary expenses and staff benefit which mainly represents the expenses in salary and staff benefits payable to our marketing department; (ii) sales commission; (iii) entertainment and promotional expenses; and (iv) travelling and transport expenses. Our distribution expenses increased about 2.9% from approximately RM13.3 million for the year ended 31 August 2021 to approximately RM13.6 million for the Financial Year, which was mainly caused by the increase in transport expenses due to increase in demand from our customers.

Administrative expenses

The administrative expenses were approximately RM18.0 million for the year ended 31 August 2021 and approximately RM16.9 million for the Financial Year. Our administrative expenses mainly consist of (i) salary expenses and staff benefits which mainly represents the expenses in salary and staff benefits payable to our administrative staff including our Directors; (ii) professional fees such as legal consultancy fees; and (iii) others such as repair and maintenance for office equipment, bank charges and depreciation which mainly represents the depreciation expenses for the property, plant and equipment as well as the right-of-use assets.

Finance Costs

Finance costs represented interest on bank overdraft, bank borrowings and lease liabilities. For the years ended 31 August 2022 and 2021, financial costs amounted to approximately RM7.2 million and RM7.6 million, respectively.

Share of Loss of Joint Venture

Our Group has 50% equity interest in Linocraft Singapore Pte. Ltd, which engages in trading business for packaging and printing related products. As at 31 August 2022, the interest in a joint venture amounted to approximately RM139,000 (2021: RM162,000). The share of loss of a joint venture was approximately RM16,000 for the Financial Year (2021: RM3,000).

Income Tax (Credit)/Expense

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

Hong Kong Profits Tax is calculated at tiered rates of 8.25% (2021: 8.25%) on the first HK\$2 million and 16.5% (2021: 16.5%) on the remaining balance of the estimated assessable profits of the qualifying subsidiary operating in Hong Kong for the year.

Corporate income tax in Malaysia is calculated at the statutory rate of 24% (2021: 24%) on the estimated taxable profit for the Financial Year.

Companies in Malaysia with a paid up capital of RM2,500,000 and below can enjoy lower corporate tax rate in Malaysia of 17% (2021: 17%) on the first RM600,000 (2021: RM600,000) taxable profit and the remaining balance of the estimated taxable profit at tax rate of 24% (2021: 24%).

Chairman's Statement & Management Discussion and Analysis

Subsidiary located in Philippines was subject to Philippines income tax at the rate of 30% (2021: 30%) on the estimated taxable income during the year. Starting from the fourth taxable year after the year the business operations commenced, entities incorporated in the Philippines are required to pay tax equivalent to the higher of 30% (2021: 30%) regular corporate income tax ("RCIT") on taxable income and the 2% (2021: 2%) minimum corporate income tax ("MCIT") on gross income. Gross income is equivalent to revenue less direct costs. Any excess of the MCIT over RCIT can be carried forward and credited against RCIT for three succeeding taxable years.

The income tax credit for the Financial Year was approximately RM0.1 million (2021: income tax expenses of RM3.5 million).

Net Profit and Earnings per Share

As a result of the foregoing, our Group's net profit for the Financial Year was RM5.9 million (2021: RM7.3 million). The Group's basic and diluted earnings per share for the Financial Year was RM0.73 sen (2021: RM0.91 sen).

Liquidity, Financial Resources and Capital Structure

As at 31 August 2022,

- (a) the Group's net current assets were approximately RM15.0 million (2021: RM0.2 million) and the Group had cash and cash equivalents of RM11.6 million (2021: RM12.1 million), most of the cash and cash equivalents were denominated in Malaysian Ringgit (RM), United States Dollar (USD), Philippines Peso (Peso) and Hong Kong Dollar (HK\$);
- (b) the Group had bank borrowings and lease liabilities of approximately RM156.6 million (2021: RM151.0 million) and RM16.1 million (2021: RM21.8 million); bank borrowings and lease liabilities were denominated in RM, USD, Peso and HK\$;
- (c) the Group's current ratio was approximately 1.1 times (2021: 1.0 times). The gearing ratio is calculated based on the net debt divided by the adjusted equity plus net debt as at the respective year end. The Group's gearing ratio was approximately 67.8% (2021: 68.5%); and
- (d) the Group's total equity attributable to owners of the Company amounted to RM101.6 million (2021: RM95.0 million). The capital of the Company mainly comprises share capital and reserves.

DIVIDENDS

The Board does not recommend the payment of final dividends for the Financial Year (2021: nil).



Chairman's Statement & Management Discussion and Analysis

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

The Group has no significant investments, material acquisitions or disposals of subsidiaries and associated companies during the Financial Year.

CAPITAL COMMITMENTS

As at 31 August 2022, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RM0.2 million (2021: RM1.5 million).

PLEDGE OF ASSETS

At the 31 August 2022, certain of the Group's right-of-use assets and property, plant and equipment with net carrying amount of approximately RM16.9 million and approximately RM64.2 million (2021: RM24.8 million and RM63.0 million) were pledged as security.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 August 2022 and 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

Chairman's Statement & Management Discussion and Analysis

2. Risk of workplace hazards at production plant

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

3. Risk of breakdown of machinery at production plant

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

FOREIGN CURRENCY RISK

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

The management will monitor foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating results. During the Financial Year, our Group had foreign exchange forward contracts, details of which are disclosed in note 25 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 August 2022, the Group had a total of 974 (2021: 946) full-time employees. The Group recognises that our success in the printing and packaging industry is dependent on our employees. Our Group recruits our employees based on their working attitude, industry experience, educational background and interpersonal skills. The Group generally pays our employees a fixed salary and discretionary performance-based bonus that is paid yearly, subject to individual performance. Certain level of our staff qualify for sales target-based monthly incentives. For the Financial Year, the Group's staff costs, including Directors' emoluments, were approximately RM38.1 million (2021: RM37.6 million). The Group reviews the performance of our employees and such review results will be taken into account during the annual salary review and promotion appraisal period.

Chairman's Statement & Management Discussion and Analysis

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

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

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from 15 September 2017 (the "**Listing Date**"), the date on which the shares of the Company (the "**Shares**") were initially listed on GEM of the Stock Exchange (the "**Listing**"), to 31 August 2022 (the "**Relevant Period**") is set out below:

Business strategy	Implementation activities	Actual business progress during the Relevant Period
1. Diversified customer industry — continue to expand business in other industries such as fast moving consumer goods (" FMCG "), medical & cosmetics and food & beverage	<ul style="list-style-type: none"> — Recruitment of brand manager in Malaysia — Additional warehouse for Malaysia operations (Phase 1) — Additional warehouse for Malaysia operations (Phase 2) — Expansion of design and solutions and quality assurance facilities in Malaysia 	<p>The Group has recruited the brand manager during mid of June 2018.</p> <p>The Phase 1 construction of additional warehouse has been completed by September 2019.</p> <p>The Phase 2 construction of additional warehouse has been completed by September 2019.</p> <p>The expansion of design and solutions is yet to commence, the quality assurance office has been completed while the quality assurance laboratory has not yet commenced.</p>
2. Product line expansion — develop new products/services to increase revenue stream	<ul style="list-style-type: none"> — Development of new product line — adhesive labels in Malaysia — Setting up of low dust facilities in Malaysia for medical and cosmetics, and food and beverage packaging products (phase 1) — Renovation and improvement of factory in Malaysia — Setting up of low dust facilities in Malaysia for medical and cosmetics, and food and beverage packaging products (phase 2) 	<p>The Group is in the process of sourcing the adhesive labels machine.</p> <p>The setup has been completed.</p> <p>The renovation and improvement have been completed.</p> <p>The low dust facilities have been completed.</p>

Chairman's Statement & Management Discussion and Analysis

Business strategy	Implementation activities	Actual business progress during the Relevant Period
3. Geographical expansion — gain access to new markets	— Setting up of sample show room in Malaysia	To be commenced.
	— Replacement of equipment for Malaysia operations	The Company has acquired a new stitching machine to replace the old machine.
	— Purchase of new printing machine(s)	The Company has acquired the printing machine and it's up and running now.
	— Expansion of rigid box assembly line in Malaysia	Already completed.
	— Setting up full production facilities at Production Plant 2	The full production facilities at Production Plant 2 have been completed.
	— Renovation of Production Plant 2 at Light Industry & Science Park III in the Philippines	Renovation of Production Plant 2 at Light Industry & Science Park III has been completed.
	— Balance payment for VVLF offset printing press for Philippine operations	Balance of the payment has been paid.
	— Purchase of lorries for Philippine operations	The lorry was acquired in September 2018.
	— Recruitment of staff for Philippine team	Additional 6 staff have been recruited.
	— Hostel for Philippine team	The hostel has been rented for Philippine team.
— Setting up of plant in northern part of Malaysia, with post-press production facilities (finishing only)	To be commenced.	

Chairman's Statement & Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds from the Share Offer were approximately HK\$61.0 million, after deducting the listing related expenses. As at 31 August 2022, all of the unutilized proceeds (the “**Unutilized Proceeds**”) were deposited in the licensed bank in Hong Kong or Malaysia. During the Relevant Period, the net proceeds from the Share Offer have been applied as follows:

	Planned use of net proceeds as stated in the Prospectus		Actual use of proceeds used up to 31 August 2021	Balance of Unutilized Proceeds as at 31 August 2021	Actual use of proceeds used during the Financial Year	Balance of Unutilized Proceeds as at 31 August 2022	Expected timeline for Unutilized Proceeds
	%	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Diversified customer industry — expansion into other industries	10.1	6.0	5.0	1.0	0.2	0.8	31 August 2023
Product line expansion	23.3	14.2	10.4	3.8	0.6	3.2	31 August 2023
Geographical expansion	45.8	28.1	23.1	5.0	—	5.0	31 August 2023
Repayment of bank loan	11.7	7.1	7.1	—	—	—	
General working capital	9.1	5.6	5.6	—	—	—	
	100.0	61.0	50.9	9.8	0.8	9.0	

APPRECIATION

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

Ong Yoong Nyock

Chairman

Hong Kong, 30 November 2022

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ong Yoong Nyock, aged 70, was appointed as a Director of our Company on 21 April 2017 and re-designated as our executive Director on the same day. Mr. Ong is the chairman of the Board. He has been serving as a director of our Group since 8 August 1997. He is a seasoned entrepreneur with investments in various industries. Mr. Ong has 25 years of experience in the printing industry. Since January 1990, he has been serving as the managing director of Tiong Nam Logistics Holdings Bhd, a company listed on the Kuala Lumpur Stock Exchange (stock code: 8397) which is principally engaged in logistics and warehousing services where he is responsible for developing the company into a well-established total logistics company covering all the major routes of peninsular Malaysia and east Malaysia. Mr. Ong received his secondary school education from Sekolah Menengah Kebangsaan Gajah Berang, Melaka, Malaysia.

Mr. Tan Woon Chay (also known as Mr. Andrew Tan), aged 58, was appointed as a Director of our Company on 13 April 2017 and re-designated as our executive Director on 21 April 2017. Mr. Andrew Tan is the chief executive officer of the Group and a member of each of the Remuneration Committee and Nomination Committee. He joined our Group as marketing director in March 2004 and was appointed as managing director in March 2007. Mr. Andrew Tan has been responsible for the overall direction of our Group. From 2000 to 2004, Mr. Andrew Tan worked at Zaid Ibrahim & Co, a law firm in Malaysia, where he last held the position of senior associate. Mr. Andrew Tan received a bachelor's degree in law and economics from the University of Kent at Canterbury in the United Kingdom in July 1988. He was admitted as a member of the Honourable Society of the Inner Temple, London in January 1986 and was called to the bar by the said society in July 1991. He was also admitted to practice as an advocate and solicitor of the High Court in Malaya in December 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liew Weng Keat, aged 47, was appointed as an independent non-executive Director of our Company on 25 August 2017. Mr. Liew is the chairman of Nomination Committee and a member of Audit Committee. Mr. Liew has recently joined Cassini Systems Limited, in the capacity of Head of APAC, with the remit to grow and scale Cassini's Asia Pacific operations. Prior to this, Mr. Liew joined International Trading Room Software Ltd (now known as ITRS Group Limited) in London in May 1999 before being transferred to ITRS America from 2001 to 2006, with the last position being the vice president. Having spent five years in New York, Mr. Liew then relocated to Hong Kong to start-up ITRS Asia's business for Asia Pacific from February 2006 to August 2008. From August 2008 to May 2009, Mr. Liew was the head of sales of North East Asia at Financial Innovative Technology International Pte. Ltd. From June 2009 to March 2010, he was a technology director at ITRS Asia Limited. Since November 2009, Mr. Liew has been the global account director at ITRS Asia Limited, responsible for business development for the Asia Pacific region. He was an independent non-executive director for Worldgate Global Logistics Ltd, a company listed on the Stock Exchange (stock code: 8292) for the period from 17 June 2016 to 31 July 2019. Mr. Liew received a bachelor's degree of engineering and a bachelor's degree of science in mechanical engineering from the University of Manchester in the United Kingdom in July 1997 and received a master's degree of business administration from Richmond, The American International University in London in the United Kingdom in December 1999.

Mr. Teoh Cheng Tun, aged 47, was appointed as an independent non-executive Director of our Company on 25 August 2017. Mr. Teoh is the chairman of Remuneration Committee and a member of each of Audit Committee and Nomination Committee. He started his career as an associate at Zaid Ibrahim & Co, a legal services provider from 1999 to 2000. He served as an analyst at Rating Agency Malaysia Berhad (now known as RAM Holdings Group), a rating agency from 2001 to 2003 where he was involved in corporate credit rating. In 2004, he resumed practicing law by joining AB Teoh & Co. as a partner. He then founded CT Teoh & Partners (now known as Teoh & Teoh) in 2013 where he is now and he actively advises on property, banking, commercial and intellectual property related matters. Mr. Teoh received a bachelor's degree of commerce and a bachelor's degree of laws from the University of New South Wales in Australia in April 1998 and June 1999, respectively.



Directors and Senior Management

Mr. Choy Wing Keung David, aged 57, was appointed as an independent non-executive Director of our Company on 25 August 2017. Mr. Choy is the chairman of Audit Committee and a member of Remuneration Committee. He founded David Choy & Co., an accounting firm in 1997 where he has been a certified public accountant, providing audit, assurance and taxation. He also previously served as an independent non-executive director for Perfectech International Holdings Limited, a company listed on the Stock Exchange which was principally engaged in manufacturing and selling toy products (stock code: 765) from May 2007 to November 2016. Mr. Choy graduated from the Hong Kong Shue Yan College (now known as the Hong Kong Shue Yan University) in Hong Kong with a diploma in accountancy in 1989. He has been a practicing certified public accountant since 1997 and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants (now known as the Association of Chartered Certified Accountants).

SENIOR MANAGEMENT

Mr. Yong Hong Kai, aged 44, joined our Group in May 2016 and is the General Manager for Global Sales and Marketing of our Group. He is responsible for overseeing the marketing of our Group. In 2007, he joined CEVA Freight Holdings (Malaysia) Sdn. Bhd., a company principally engaged in logistics business where his last held position was assistant manager of business development. In 2009, he worked at HT Lubricant Sdn. Bhd., a company principally engaged in lubricant distribution where he held the position of industrial sales manager. In 2011, he joined our Group as the Marketing General Manager but left in 2015 and re-joined our Group with the same position in 2016. To support the global business expansion of the Group, his title had been revised to General Manager Global Sales and Marketing in 2022, Mr. Yong completed the course requirements of a bachelor's degree of engineering (info mechatronics) from the Queensland University of Technology in Australia in February 2003.

Mr. Robin Lee Che Kian, aged 45, joined our Group in March 2019. As an Operation Assistant General Manager, he is responsible to oversee the entire Malaysia and Philippines operations. He was employed by multiple world ranking Contract Manufacturers throughout his 17 years working experience, inclusive of Technocom Systems Sdn. Bhd. (a member of Venture Group), Benchmark Electronics Pte Ltd and Flextronics Manufacturing (Zhu Hai) Co. Ltd. His last held position was Operation Director in Flex Zhuhai Campus, where he managed a business unit consisting of 5,000 employees. Mr. Robin Lee received his diploma in Electronics and Electrical Engineering from Ming Hsin Technology of University in Taiwan in Year 2001.

Mr. Cosmos Lim Chen Ming, aged 55, joined our Group in April 2019 and is the Head of Finance and Corporate Compliance, responsible for overseeing the finance department of our Group. Mr. Lim started his career in 1991 working for Coopers & Lybrand (now PricewaterhouseCoopers) in London where he completed his professional examination by Institute of Chartered Accountants in England and Wales. In 1995 he transferred to Coopers & Lybrand, Kuala Lumpur and worked as Audit Manager. Subsequently, he worked with various investment banks at senior management level, specializing in corporate finance and advisory, debt capital markets and project advisory. Mr. Lim graduated with distinction from University of Wisconsin — Madison, USA where he obtained his Bachelor of Business Administration with double major in Accounting and Finance, Investment & Banking.

Directors and Senior Management

Mr. Tan Teck Sen, aged 40, joined our Group in July 2015 and is the corporate development manager of our Group, responsible for overseeing the corporate development of our Group. Mr. Tan started his professional career in 2005 as a graduate (finance and accounting) with Kerry Ingredients (M) Sdn Bhd, a company principally engaged in manufacturing and distributing application specific ingredients and flavours. In 2013, he worked at Kerry Group Business Services (ASPAC) Sdn Bhd, a company principally engaged in management services as a senior project accountant and was responsible for financial reporting. Mr. Tan received a bachelor's degree in accounting and marketing from the Curtin University of Technology in Australia in January 2005.

Ms. Cheng Yee Foon, aged 48, joined our group in December 2018 as the Assistant General Manager for Planning and Customer Service. She started her first job at Prelude Printing Sdn Bhd, and was the Production Manager. Subsequently Ms. Cheng joined Linocraft Printers Sdn Bhd, and worked for 10 years with last held position as the Senior Operations Manager. In 2012, she joined Venture Technocom Systems Sdn Bhd as a Program Manager. She achieved a Diploma in Computer Studies before she joined the printing industry in 1995.

Ms. Helen Tan, aged 62, joined our Group in May 2022 and is the Senior Procurement Manager of our Group, responsible for overseeing Philippines and Malaysia Procurement activities of our Group. Ms. Helen Tan started her professional career in 1980 as a Store Clerk in the warehouse department of Tai Wah Garments Industry Sdn. Bhd., a company principally engaged in garment manufacturing where she was responsible for stock and inventory control. She started her Purchasing and Materials Management since 1984 to 2019. She worked with US and Europe OEM, ODM and EMS Companies since 1988 to 2012 in Purchasing and Materials Management; with industries involvement of Electronic/Electrical, Automotive and Aviation. In 2018, she worked as a Contract Procurement Manager with a new set up Canadian company, Maple Tree Medical Devices Sdn Bhd, which manufactured medical devices. Ms. Helen Tan received Diploma of Purchasing and Materials Management from the Chartered Institute of Purchasing and Supply (CIPS), UK, in September 2008.

Ms. Chu Yoke Chin, aged 47, joined our Group in Jan 2022 and is the Human Resource Manager of our Group, responsible for overseeing the human resource of our Group. Ms. Chu started her professional career in 1995 as a General Affairs & Administration department of Sanyo Electronics (S) Pte Ltd., a company principally engaged in electronics part manufacturing where she was responsible for general affairs & administration, Ms Chu has worked as HR personnel in Singapore more than 10 years and has returned to work in Malaysia since 2006 as a HR & Administration Consultant for 9 years and with MNC Manufacturing companies in past 7 years as group HR & Administration Manager which she was responsible to manage the group function of human resources, administration and safety & health. Ms Chu is holding an Executive Diploma in Human Resource Management awarded from the University of Griffith in 2005, a competence Trainer of Certified Train-the-Trainer awarded from HRD Corp. in 2018, Ms Chu also completed her Certificate of Safety & Health Officer training awarded from National Institute of Safety and Health in 2019.



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules effective on or before 31 December 2021 (the "CG Code").

Furthermore, the Board will adopt the new CG Code (version with effect from 1 January 2022), the requirements under which shall apply to the Company's corporate governance report in the forthcoming financial year.

The Board is satisfied that, save for the deviations are set out in the relevant section as explained below, the Company had complied with all the applicable code provisions in the CG Code during the Financial Year.

SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Responsibilities

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

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

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

- formulating the Group's strategy and direction and monitoring the implementation thereof;
- deciding all material contracts, acquisitions, investments, divestments, disposals of assets or any significant capital expenditure;

- approving of the Group's financial statements, published reports, price sensitive announcement and other disclosure required under the GEM Listing Rules;
- developing, monitoring and reviewing the Group's corporate governance practices and the effectiveness of the Group's financial controls, internal control and risk management systems;
- Board appointment and other major appointments or removal; and
- monitoring the performance of the management.

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

Composition

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

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

Executive Directors

Mr. Ong Yoong Nyock (*Chairman*)

Mr. Tan Woon Chay (*Chief executive officer*)

Independent Non-executive Directors

Mr. Choy Wing Keung David

Mr. Liew Weng Keat

Mr. Teoh Cheng Tun

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

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

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

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

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



Corporate Governance Report

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

CONTINUING PROFESSIONAL DEVELOPMENT

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

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

MEETINGS OF BOARD AND DIRECTORS' ATTENDANCE RECORDS

During the Financial Year, the Board held 5 meetings and passed 4 written resolutions, at which the Directors discussed and approved, amongst other matters, (i) the Group's consolidated results for the year ended 31 August 2021, the first quarterly results for the three months ended 30 November 2021, the interim results for the six months ended 28 February 2022 and the third quarterly results for the nine months ended 31 May 2022; (ii) the environmental, social and governance report 2021; (iii) the change of address of Hong Kong Branch Share Registrar and Transfer Office; (iv) the effectiveness of the Group's internal control and risk management systems; and (v) the overall strategic direction and plan of business.

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

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

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

Apart from the above Board meetings, the chairman of the Board (the “**Chairman**”) held a meeting with all the INEDs without the presence of the executive Director during the Financial Year.

During the Financial Year, an annual general meeting of the Company (the “**AGM**”) was held on 19 January 2022 (the “**2022 AGM**”).

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

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the AGM. However, Mr. Ong Yoong Nyock (“**Mr. Ong**”), being the Chairman, was unable to attend the 2022 AGM due to his other prior engagement. Mr. Ong invited Mr. Liew Weng Keat, an INED to chair and answer questions from Shareholders at the 2022 AGM.

NON-COMPETITION UNDERTAKING

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

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

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

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

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

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

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

BOARD DIVERSITY POLICY

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

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

NOMINATION POLICY

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

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

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

Nomination Procedures

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

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

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



Corporate Governance Report

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

CHAIRMAN AND CHIEF EXECUTIVE

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

NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

Audit Committee

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

During the Financial Year, the Audit Committee held 5 meetings, at which the Audit Committee has reviewed and discussed, amongst other matter, (i) the Group's consolidated results for the year ended 31 August 2021, the first quarterly results for the three months ended 30 November 2021, the interim results for the six months ended 28 February 2022 and the third quarterly results for nine months ended 31 May 2022; (ii) audit planning; and (iii) the effectiveness of the Group's internal control and risk management systems and the Group's internal audit function and recommended to the Board for consideration the same.

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

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

Remuneration Committee

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

During the Financial Year, the Remuneration Committee held 2 meetings, at which the Remuneration Committee reviewed the remuneration packages for individual executive Directors and senior management and making recommendations to the Board.

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

Name of Directors	Number of attendance/number of meetings
Mr. Teoh Cheng Tun	2/2
Mr. Choy Wing Keung David	2/2
Mr. Tan Woon Chay	2/2

Corporate Governance Report

Nomination Committee

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

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

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

AUDITORS' REMUNERATION

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

Category of services	Amounts RM'000
Audit services — Annual audit	470
Non-audit services — Report on the continuing connected transactions	11

ACCOUNTABILITY AND AUDIT

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- establishing and constantly improving the risks management and internal control system;
- ensuring the Group's risk management including environmental, social and governance ("ESG") risk and internal control in compliance with the GEM Listing Rules requirements; and
- managing rather than eliminating the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

- segregating duties and functions of the respective operational departments of our Group;
- reviewing systems and procedures to identify, measure, manage and control risks; and
- updating the staff handbook, internal control manual and compliance manual where there are changes to business environment or regulatory guidelines.

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

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



Corporate Governance Report

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

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

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

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

Procedures for Shareholders to send enquires to the Board

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

COMMUNICATION WITH THE SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

During the Financial Year, there were no changes in the constitutional documents of the Company. The amended and restated Memorandum and articles of association of the Company is available on the respective websites of the Stock Exchange (www.hkexnew.hk) and the Company.

DIVIDEND POLICY

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

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

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



Report of the Directors

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

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

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

BUSINESS REVIEW AND ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

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

FINANCIAL RESULTS AND FINANCIAL POSITION

The results of the Group for the Financial Year and the financial position of the Group and Company as at 31 August 2022 are set forth in the consolidated financial statements on pages 48 to 50 and 99 of this annual report.

FINAL DIVIDEND

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

TAX RELIEF AND EXEMPTION

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five years, as extracted from the audited consolidated financial statements of the Company, is set out on page 112 of this annual report. This summary does not form part of the consolidated financial statements for the Financial Year.

PROPERTY, PLANT AND EQUIPMENT

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

PROPERTIES

The Group did not hold any major property for development and/or sale or for investment purpose as at 31 August 2022.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 August 2022, the Company's reserves available for distribution to the Shareholders comprising share premium, merger reserve and accumulated losses amounted to approximately RM56.5 million.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

EQUITY-LINKED AGREEMENTS

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

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

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



Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the Financial Year, the five largest customers of the Group accounted for about 65.4% of the Group's total revenue and the largest customer accounted for about 30.5% of the total revenue.

During the Financial Year, the five largest suppliers of the Group accounted for about 32.0% of the Group's cost of sales and the largest supplier accounted for about 13.7% of the cost of sales.

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

CONTINUING CONNECTED TRANSACTION

Master Logistics Services Agreement

On 28 October 2020, the Company entered into the Master Logistics Services Agreement (the "**2020 Master Logistics Services Agreement**") to renew the term of the master logistics services agreement dated 25 August 2017 (the "**2017 Master Logistics Services Agreement**"). Pursuant to which our Company agreed to engage Tiong Nam Logistics Solutions Sdn Bhd ("**Tiong Nam Logistics**") or its associate companies to provide logistics services to our Group for a term of three years ending on 31 August 2023 effective from 1 September 2020.

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

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

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

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

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

As all of the applicable percentage ratios (excluding the profits ratio) under the GEM Listing Rules in respect of the highest annual cap for transactions contemplated were less than 25% and the highest annual cap was less than HK\$10,000,000, the transactions contemplated under the 2020 Master Logistics Services Agreement were subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Rule 20.74(2)(b) of the GEM Listing Rules.

The amount of the transactions entered into during the Financial Year was RM4.6 million (2021: RM3.8 million). Details of the continuing connected transactions for the Financial Year are set out in note 34 to the consolidated financial statements. The Company confirmed that it has complied with the relevant requirements in respect of the above continuing connected transactions in accordance with Chapter 20 of the GEM Listing Rules.

AUDITOR'S LETTER ON CONTINUING CONNECTED TRANSACTIONS

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

The Company's auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 32 to 33 of this report in accordance with Rule 20.54 of the GEM Listing Rules.



Report of the Directors

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Save as disclosed above, the Directors are not aware of any transactions which constituted a connected transaction or continuing connected transaction under the GEM Listing Rules during the Financial Year.

RELATED PARTY TRANSACTIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The Group is principally required to comply with the laws and regulations in relation to environmental protection in Malaysia, including the Environmental Quality Act 1974 and in the Philippine, including Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990; Clean Air Act of 1999; Ecological Solid Waste Management Act No. 9003 of 2000; and Clean Water Act of 2004.

The Group has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. To the best knowledge of the Directors, the Group was in compliance with applicable environmental laws and regulations in all material respects during the Financial Year. The ESG Report for the year ended 31 August 2022 containing all information required by the GEM Listing Rules will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company in due course.

PERMITTED INDEMNITY PROVISIONS

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

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



Report of the Directors

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

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

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

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

Mr. Ong Yoong Nyock and Mr. Liew Weng Keat will retire at the forthcoming AGM and all of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

BIOGRAPHIES OF DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' REMUNERATIONS

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

DIRECTORS' EMOLUMENT POLICY

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

DEFINED CONTRIBUTION RETIREMENT PLAN

The Group contributes to defined contribution retirement plans which are available for eligible employees in Malaysia, the Philippines and Hong Kong.

As required by the Employees Provident Fund Act 1991 of Malaysia, the Group makes contributions to the federal statutory body, Employees Provident Fund ("EPF"), which manages the compulsory savings plan and retirement planning for employees in Malaysia. In the Philippines, the Group is obligated to make contributions to the Social Security System ("SSS"), a state-run social insurance program. In Hong Kong, the Group operates the Mandatory Provident Fund scheme (the "MPF") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

Contributions to each of the EPF, SSS and MPF (collectively the "Schemes") by the Group and employees are calculated at certain percentages of employees' monthly salaries stipulated by the relevant government authorities. The assets of the MPF are held separately from those of the Group in an independently administered fund while EPF and SSS are state-managed. The obligation of the Group with respect to the Schemes is to make the specified contributions which are recognized as an expense in profit or loss when the services are rendered by the employees.

There are no forfeited contributions for the Schemes as the contributions are fully vested with the employees upon payment to the plans.

Report of the Directors

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

As at 31 August 2022, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules (“Model Code”) relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company

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

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Mr. Ong beneficially owns 50% of Charlecote Sdn. Bhd., (“Charlecote”) which in turn owns 70% of the issued share capital of Linocraft Investment Pte Limited (“Linocraft Investment”). Linocraft Investment owns 51% of the issued share capital of our Company. By virtue of the SFO, Mr. Ong is deemed to be interested in the Shares held by Linocraft Investment.

(ii) Interests in associated corporation of our Company

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

Note:

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

Save as disclosed above, as at 31 August 2022, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Model Code.

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

As at 31 August 2022, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Charlecote holds 70% of the issued share capital of Linocraft Investment, which in turn owns 51% of our Company. By virtue of the SFO, Charlecote is deemed to be interested in the Shares held by Linocraft Investment.
- (3) Mrs. Ong is the spouse of Mr. Ong. By virtue of the SFO, Mrs. Ong is deemed to be interested in the Shares held by Charlecote and Mr. Ong.
- (4) Stan Cam is owned as to 75% by Ralex Investment Holdings Limited. By virtue of the SFO, Ralex Investment Holdings Limited is deemed to be interested in the Shares held by Stan Cam.
- (5) Stan Cam is owned as to 75% by Ralex Investment Holdings Limited. Ralex Investment Holdings Limited is wholly-owned by Mr. Gan. By virtue of the SFO, Mr. Gan is deemed to be interested in the Shares held by Stan Cam.
- (6) Mrs. Amy Ong Lai Fong is the spouse of Mr. Gan. By virtue of the SFO, she is deemed to be interested in the Shares held by Mr. Gan.

Save as disclosed above, as at 31 August 2022, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

NON-COMPETITION UNDERTAKINGS

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

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

COMPETING INTERESTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

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

EVENT AFTER THE REPORTING PERIOD

Save for the continuous impact of the Pandemic as disclosed in this annual report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 August 2022 and up to the date of this annual report.

DONATION

During the Financial Year, the Group made a donation of RM10,000 to a school named PIBG SJK(C) FOON YEOW 3.

INDEPENDENT AUDITOR

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

On behalf of the Board

Linocraft Holdings Limited

Ong Yoong Nyock

Chairman

Hong Kong, 30 November 2022

Independent Auditor's Report



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TO THE SHAREHOLDERS OF LINO-CRAFT HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Linocraft Holdings Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 48 to 111, which comprise the consolidated statement of financial position as at 31 August 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

WRITE-DOWN ASSESSMENT OF INVENTORIES

Refer to summary of significant accounting policies in Note 4(g), accounting estimates and judgements in Note 5(iv) and disclosure of inventories in Note 22 to the consolidated financial statements.

As at 31 August 2022, the carrying value of inventories was approximately RM82,848,000 which represents 25% of the total assets of the Group and is considered quantitatively significant to the Group.

As disclosed in Note 5(iv) to the consolidated financial statements, in determining the net realisable value of inventories, the management performs regular reviews of the carrying values of inventories with reference to the inventory ageing report and projections of expected future sales or utilisation of individual items and their selling prices based on management's experience and judgement. A write-down will be made when it is expected that an item cannot be sold or utilised or the estimated net realisable value would fall below its carrying amount. In addition, the allocation of production overheads to be absorbed in inventories requires management experience and involves voluminous calculations for a large number of products can impact the carrying amount of work-in-progress and finished goods.

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

Our response:

Our audit procedures in relation to management's application of the write-down assessment of inventories included the following:

- Assessing whether the inventory write-down at the reporting date was calculated on a basis consistent with the Group's inventory provisioning policy by recalculating, on a sample basis, the write-down based on the percentages and other parameters set out in the Group's inventory provisioning policy;
- Assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, including purchase invoices, goods received notes and finished goods stock-in report;
- Checking, on a sample basis, the net realisable value of inventories sold subsequent to the end of the reporting period; and
- Evaluating the assumptions and estimates applied to the determination of the obsolescence provisions by performing analytical procedures and comparison to historical records, taking into account recent market developments.

Independent Auditor's Report

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

Refer to summary of significant accounting policies in Note 4(f)(ii), accounting estimates and judgements in Note 5(ii) and disclosure of trade receivables and credit risk in Notes 23 and 37(a) to the consolidated financial statements.

As at 31 August 2022, the Group had net trade receivables amounting to RM77,902,000 (net of allowance for ECLS of RM1,477,000). An impairment loss on trade receivables RM994,000 has been recognised during the year ended 31 August 2022.

As disclosed in Note 5(ii) to the consolidated financial statements, in determining the loss allowance for trade receivables, the Group measures the ECLS at an amount equal to lifetime ECLS, which is calculated using a provision matrix.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLS is a significant estimate. The amount of ECLS is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

Our response:

Our audit procedures in relation to management's allowance for ECLS assessment of trade receivables included the following:

- Obtaining an understanding of the model adopted by management in estimating lifetime ECLS and key internal controls which oversee credit control, debt collection and estimation of lifetime ECLS;
- Checking the ageing analysis of the trade receivables, on a sample basis;
- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgement, including checking the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and
- Checking subsequent settlement of the year end trade receivables balances on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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



Independent Auditor's Report

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

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

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

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

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

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

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

BDO Limited

Certified Public Accountants

Li Pak Ki

Practising Certificate number: P01330

Hong Kong, 30 November 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2022

	Notes	2022 RM'000	2021 RM'000
Revenue	7	271,393	257,228
Cost of sales		(229,742)	(209,736)
Gross profit		41,651	47,492
Other operating income	8	3,058	2,565
Distribution costs		(13,648)	(13,269)
Administrative expenses		(16,940)	(18,019)
Other operating expenses		(1,217)	(280)
Profit from operation		12,904	18,489
Finance costs	14	(7,169)	(7,630)
Share of loss of a joint venture	19	(16)	(3)
Profit before income tax expense	9	5,719	10,856
Income tax credit/(expense)	15	134	(3,541)
Profit for the year		5,853	7,315
Other comprehensive income, net of tax <i>Items that may be reclassified subsequently to profit or loss</i>			
— Exchange differences on translation of foreign operations		751	(96)
— Share of exchange difference on translation of a foreign joint venture	19	(6)	(2)
Other comprehensive income for the year		745	(98)
Total comprehensive income for the year		6,598	7,217
		RM	RM
Earnings per share			
Basic and diluted earnings per share	16	0.73 sen	0.91 sen

Consolidated Statement of Financial Position

As at 31 August 2022

	Notes	2022 RM'000	2021 RM'000
Non-current assets			
Property, plant and equipment	17	102,560	101,311
Right-of-use assets	18	28,551	34,861
Interest in a joint venture	19	139	162
Rental deposits		406	405
Deferred tax assets	21	3,493	3,048
Total non-current assets		135,149	139,787
Current assets			
Inventories	22	82,848	87,283
Trade and other receivables, deposits and prepayments	23	95,958	74,066
Amount due from a related company	24	42	39
Tax recoverable		1,851	—
Cash and cash equivalents	39(a)	11,551	12,143
Total current assets		192,250	173,531
Current liabilities			
Trade and other payables	26	45,069	37,630
Bank borrowings	27	122,193	120,725
Amounts due to related companies	28	1,666	827
Derivative financial instruments	25	416	233
Lease liabilities	29	7,916	11,767
Tax payable		—	2,167
Total current liabilities		177,260	173,349
Net current assets		14,990	182
Total assets less current liabilities		150,139	139,969

Consolidated Statement of Financial Position

As at 31 August 2022

	Notes	2022 RM'000	2021 RM'000
Non-current liabilities			
Bank borrowings	27	34,416	30,263
Lease liabilities	29	8,143	10,024
Deferred tax liabilities	21	5,999	4,699
Total non-current liabilities		48,558	44,986
Net assets		101,581	94,983
Capital and reserves			
Share capital	30	4,304	4,304
Reserves	31	97,277	90,679
Total equity		101,581	94,983

Tan Woon Chay
Director

Ong Yoong Nyock
Director

Consolidated Statement of Changes in Equity

For the year ended 31 August 2022

	Share capital (Note 30) RM'000	Reserves			Retained earnings RM'000	Total RM'000
		Share premium RM'000	Merger reserve RM'000	Exchange reserve RM'000		
Balance at 1 September 2020	4,304	35,967	8,548	(1,766)	40,713	87,766
Profit for the year	—	—	—	—	7,315	7,315
Other comprehensive income	—	—	—	(98)	—	(98)
Total comprehensive income	—	—	—	(98)	7,315	7,217
Balance at 31 August 2021 and 1 September 2021	4,304	35,967	8,548	(1,864)	48,028	94,983
Profit for the year	—	—	—	—	5,853	5,853
Other comprehensive income	—	—	—	745	—	745
Total comprehensive income	—	—	—	745	5,853	6,598
Balance at 31 August 2022	4,304	35,967	8,548	(1,119)	53,881	101,581

Consolidated Statement of Cash Flows

For the year ended 31 August 2022

	Notes	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Profit before income tax expense		5,719	10,856
Adjustments for:			
Allowance for obsolete inventories, net	9	—	5,261
Depreciation of property, plant and equipment	17	7,517	7,049
Depreciation of right-of-use assets	18	8,951	7,274
Allowance for expected credit losses	23	994	7
Finance costs	14	7,169	7,630
Fair value loss on derivative financial instruments		183	233
Share of loss in a joint venture		16	3
Unrealised loss on foreign exchange		622	2,627
Loss/(Gain) on disposal of property, plant and equipment		7	(1)
Gain on lease modification		(13)	(24)
Operating profit before working capital changes		31,165	40,915
Decrease/(Increase) in inventories		4,435	(42,688)
(Increase)/Decrease in trade and other receivables, deposits and prepayments		(22,871)	17,520
Increase/(Decrease) in trade and other payables		7,439	(3,381)
Cash generated from operations		20,168	12,366
Income taxes paid		(3,182)	(1,352)
Net cash generated from operating activities		16,986	11,014
Cash flows from investing activities			
Repayment of amount due from a related company		(3)	(9)
Purchase of property, plant and equipment		(5,707)	(12,618)
Proceeds from disposal of property, plant and equipment		134	915
Net cash used in investing activities		(5,576)	(11,712)

Consolidated Statement of Cash Flows

For the year ended 31 August 2022

	Notes	2022 RM'000	2021 RM'000
Cash flows from financing activities			
Proceeds from bank borrowings	39(b)	816,531	871,987
Repayment of bank borrowings	39(b)	(810,910)	(851,471)
Interest paid on bank borrowings	39(b)	(6,166)	(5,894)
Advance from related companies	39(b)	839	147
Repayment of principal portion of lease payments	39(b)	(13,048)	(13,447)
Interest paid on lease liabilities	14, 39(b)	(1,003)	(1,736)
Net cash used in financing activities		(13,757)	(414)
Net decrease in cash and cash equivalents		(2,347)	(1,112)
Effects of exchange rate changes on cash and cash equivalents		1,755	(1,491)
Cash and cash equivalents at beginning of year		12,143	14,746
Cash and cash equivalents at end of year		11,551	12,143



Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values as at the end of each reporting period.

The functional currency of the Company is Hong Kong dollars (“HK\$”), while the consolidated financial statements are presented in Malaysian Ringgit (“RM”), which is the functional currency of the Company’s major operating subsidiaries. As the Group mainly operates in Malaysia, the directors of the Company (“the Directors”) consider that it is more appropriate to adopt RM as the Group’s and the Company’s presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of HKFRSs — effective on 1 September 2021

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

None of these amended HKFRSs has a material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

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

Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before intended use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1 First-time Adoption of International Financial Reporting Standards, HKFRS 9 Financial Instruments, Illustrative Examples accompanying HKFRS 16 Leases, HKAS 41 Agriculture ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 1 and HK Interpretation 5 (Revised)	Classification of Liabilities as Current or Non-current and Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after 1 January 2024.

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

Amendments to HKAS 16 — Property, Plant and Equipment — Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRSs — Annual Improvements to HKFRSs 2018–2020 Cycle

The annual improvements amend a number of standards, including:

- HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9 Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16 Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Interpretation 21 Levies, the acquirer applies HK(IFRIC)-Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8 — Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a group develops an accounting estimate to achieve the objective set out by an accounting policy.

Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and HK Interpretation 5 (Revised) — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (Revised) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (Revised) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors do not anticipate the application of the amendments and revision listed above will have an impact on the Group’s consolidated financial statements in the future.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The Directors anticipate that the application of these amendments may have an impact on the Group’s consolidated financial statements in future periods should such transaction arise.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Business combination and basis of consolidation

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(b) Subsidiaries

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements

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

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

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

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

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

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

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

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

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

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

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

(e) Leasing

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing (Continued)

Right-of-use asset

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

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

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Lease liability

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments

(i) Financial assets

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

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

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

Debt instruments

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

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

(ii) Impairment loss on financial assets

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortised cost

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (Continued)

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

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

(g) Inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition

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

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

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

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. The normal credit term is 0–90 days upon delivery.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sales of goods

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

(ii) Other income

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income tax

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

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for taxable temporary differences arising on investments in subsidiaries and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets or liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currency

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

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

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

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

(k) Employee benefits

(i) Short-term employee benefits

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee benefits (Continued)

(ii) Defined contribution retirement plan

The Group operates a number of defined contribution plans in Malaysia, the Philippines and Hong Kong. As required by the Employees Provident Fund Act 1991 of Malaysia, the Company's subsidiaries incorporated in Malaysia make contributions to statutory pension schemes, the Employee Provident Fund ("EPF"), which are defined contribution retirement plans for employees in Malaysia. The contributions are made based on a percentage of the employees' basic salaries and are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

As required under the Philippines Republic Act (R.A.) No. 7641 ("R.A. 7641"), the Company's subsidiary incorporated in the Philippines makes contributions to a defined contribution retirement plan that provides the minimum benefit guarantee mandated under R.A. 7641. Under R.A. 7641, companies are required to pay a minimum benefit equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year, to employees with at least five years of services.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salaries to the maximum mandatory contributions as required by the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short-term nature. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Contributions to MPF Scheme are recognised as an expense in profit or loss when the services are rendered by the employees.

There are no forfeited contributions for these defined contribution plans as the contributions are fully vested with the employees upon payment to these plans.

(iii) Termination benefits

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

(m) Provisions and contingent liabilities

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

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

(n) Segment reporting

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OR ESTIMATION UNCERTAINTY

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

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

(i) Useful lives of property, plant and equipment

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

(ii) Provision for ECLs on trade receivables

The Group measures the ECLs at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

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

(iii) Income taxes

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

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

(iv) Estimated net realisable value of inventories

The Group's management performs regular reviews of the carrying values of inventories with reference to the inventory ageing report and projections of expected future sales or utilisation of individual items and their selling prices based on management's experience and judgement. A write-down will be made when it is expected that an item cannot be sold or utilised or the estimated net realisable value would fall below its carrying amount. In addition, the allocation of production overheads to be absorbed in inventories requires management experience and involves voluminous calculations for a large number of products can impact the carrying amount of work-in-progress and finished goods.

(v) Incremental borrowing rate

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

6. SEGMENT INFORMATION

(a) Business segment

The Group has been operating in one operating and reportable segment, being printing and manufacture of instruction manuals, insert, packaging products and printed paper labels. The chief operating decision maker makes decisions based on the historical financial information of the Group prepared in accordance with HKFRSs as a whole about resources allocation and performance assessment. Accordingly, only entity-wide disclosure, major customers and geographic information are presented.

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than deferred tax assets ("Specified non-current assets").

	Revenue from external customers	
	2022 RM'000	2021 RM'000
Malaysia	155,470	172,637
Singapore	11,122	6,649
Philippines	104,801	77,942
	271,393	257,228

	Specified non-current assets	
	2022 RM'000	2021 RM'000
Malaysia	98,929	104,121
Philippines	32,298	32,345
Others	429	273
	131,656	136,739

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

6. SEGMENT INFORMATION (Continued)

(c) Information about major customers

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

	Revenue from external customers	
	2022 RM'000	2021 RM'000
Customer A	82,793	75,149
Customer B	N/A*	58,667
Customer C	28,140	N/A*

* The corresponding customers did not contribute more than 10% of total revenue of the Group during the year ended 31 August 2022 and 2021 respectively.

7. REVENUE

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

	2022 RM'000	2021 RM'000
Sales of production products transferred at a point in time:		
— Instruction manual	13,298	22,078
— Label	660	20
— Insert	54,906	48,487
— Packaging	202,529	186,643
	271,393	257,228

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

7. REVENUE (Continued)

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

	31 August 2022 RM'000	31 August 2021 RM'000
Receivables (Note 23)	77,902	63,687

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

8. OTHER OPERATING INCOME

	2022 RM'000	2021 RM'000
(Loss)/gain on disposal of property, plant and equipment	(7)	1
(Loss)/gain on foreign exchange:		
— realised	(2,935)	27
— unrealised	(622)	(2,627)
Sales of scrap materials	5,547	4,097
Other income	1,075	1,067
	3,058	2,565

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

9. PROFIT BEFORE INCOME TAX EXPENSE

	2022 RM'000	2021 RM'000
Profit before income tax expense is arrived at after charging/(crediting):		
Carrying amount of inventories sold*	229,742	204,475
Allowance for obsolete inventories, net	—	5,261
Cost of sales	229,742	209,736
Auditor's remuneration		
Auditor of the Company		
— Audit services	470	309
— Non-audit services	11	10
Other auditors		
— Audit services	74	97
— Non-audit services	11	11
	566	427
Audit fee		
— Provision for the year	566	506
— Overprovision in respect of prior year	—	(79)
	566	427
Depreciation of property, plant and equipment (Note 17)	7,517	7,049
Depreciation of right-of-use assets (Note 18)	8,951	7,274
Allowance for expected credit losses (Note 23)	994	7
Loss/(gain) on disposal of property, plant and equipment	7	(1)
Employee costs (Note 11)	38,134	37,570

* For the years ended 31 August 2022 and 2021, cost of inventories sold included RM41,026,000 (2021: RM35,261,000) relating to employee benefit expenses and depreciation charges, which are also included in the respective total amounts disclosed separately above.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 August 2022, nor has any dividend been proposed since the end of reporting period (2021: Nil).

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

11. EMPLOYEE COSTS

	2022 RM'000	2021 RM'000
Employee costs (including directors) comprise:		
Wages and salaries	35,040	34,339
Short-term non-monetary benefits	266	509
Contributions to retirement benefit schemes	2,828	2,722
	38,134	37,570

12. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

Year ended 31 August 2022:

	Fees RM'000	Salaries and other benefits RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
<i>Executive directors</i>				
Ong Yoong Nyock	—	953	17	970
Tan Woon Chay	—	3,176	263	3,439
<i>Independent non-executive directors</i>				
Choy Wing Keung David	131	—	—	131
Liew Weng Keat	131	—	—	131
Teoh Cheng Tun	131	—	—	131
	393	4,129	280	4,802

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

12. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 August 2021:

	Fees RM'000	Salaries and other benefits RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
<i>Executive directors</i>				
Ong Yoong Nyock	—	1,050	29	1,079
Tan Woon Chay	—	4,433	324	4,757
<i>Independent non-executive directors</i>				
Choy Wing Keung David	127	—	—	127
Liew Weng Keat	127	—	—	127
Teoh Cheng Tun	127	—	—	127
	381	5,483	353	6,217

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two (2021: two) Directors for the year ended 31 August 2022. The emoluments of the remaining three (2021: three) highest paid individuals for the year ended 31 August 2022 were as follows:

	2022 RM'000	2021 RM'000
Salaries and other benefits	1,227	1,004
Contributions to retirement benefit schemes	105	122
	1,332	1,126

The emoluments of each of the above non-director highest paid individuals were all within the band of nil to RM547,300 (approximately nil to HK\$1,000,000) and nil to RM530,600 (approximately nil to HK\$1,000,000) for the year ended 31 August 2022 and 31 August 2021, respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

14. FINANCE COSTS

	2022 RM'000	2021 RM'000
Interest on bank overdrafts	572	249
Interest on bank borrowings	5,594	5,645
Interest on lease liabilities	1,003	1,736
	7,169	7,630

15. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax (credit)/expense in the consolidated statement of comprehensive income represents:

	2022 RM'000	2021 RM'000
Current tax — Corporate income tax in Malaysia		
— Charge for the year	—	3,119
— (Over)/Under provision in respect of prior years	(836)	43
	(836)	3,162
Deferred tax (Note 21)	702	379
Income tax (credit)/expense	(134)	3,541

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

Hong Kong Profits Tax is calculated at tiered rates of 8.25% on the first HK\$2 million and 16.5% (2021: 16.5%) on the remaining balance of the estimated assessable profits of the qualifying subsidiary operating in Hong Kong for the year.

Corporate income tax in Malaysia is calculated at the statutory rate of 24% (2021: 24%) on the estimated taxable profit for the years ended 31 August 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

15. INCOME TAX (CREDIT)/EXPENSE (Continued)

Companies in Malaysia with a paid up capital of RM2,500,000 and below can enjoy lower corporate tax rate in Malaysia of 17% (2021: 17%) on the first RM600,000 (2021: RM600,000) taxable profit and the remaining balance of the estimated taxable profit at tax rate of 24% (2021: 24%).

Subsidiary located in Philippines was subject to Philippines income tax at the rate of 30% (2021: 30%) on the estimated taxable income during the year. Starting from the fourth taxable year after the year the business operations commenced, entities incorporated in the Philippines are required to pay tax equivalent to the higher of 30% (2021: 30%) regular corporate income tax ("RCIT") on taxable income and the 2% (2021: 2%) minimum corporate income tax ("MCIT") on gross income. Gross income is equivalent to revenue less direct costs. Any excess of the MCIT over RCIT can be carried forward and credited against RCIT for three succeeding taxable years.

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

	2022 RM'000	2021 RM'000
Profit before income tax expense	5,719	10,856
Tax calculated at the domestic tax rates	1,466	2,694
Tax effect of expenses not deductible for tax purposes	1,743	2,623
Tax effect of revenue not taxable for tax purposes	(1,146)	(471)
Effect of tax exemption granted to Malaysia subsidiary	(1,361)	(1,348)
(Over)/Under provision of tax expense in prior year	(836)	43
Income tax (credit)/expense	(134)	3,541

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

16. EARNINGS PER SHARE

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

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

	2022 RM'000	2021 RM'000
Earnings		
Profit for the year attributable to owners of the Company	5,853	7,315
Shares		
Weighted average number of ordinary shares in issue during the year	800,000,000	800,000,000

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential ordinary shares in issue during the years ended 31 August 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM'000	Plant and machinery RM'000	Equipment, furniture and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Construction in progress RM'000	Total RM'000
Cost:							
At 1 September 2020	34,448	61,814	11,341	10,315	1,015	19,319	138,252
Additions	—	5,872	1,708	3,599	661	778	12,618
Disposals	—	(1,155)	(10)	—	—	—	(1,165)
Written off	—	—	(14)	—	—	—	(14)
Transfer upon completion	18,711	—	—	—	—	(18,711)	—
Transfer from right-of-use assets	—	2,521	—	—	671	—	3,192
Exchange realignment	—	(753)	(98)	(134)	(20)	—	(1,005)
At 31 August and 1 September 2021	53,159	68,299	12,927	13,780	2,327	1,386	151,878
Additions	—	2,170	1,075	2,400	—	62	5,707
Disposals	—	(306)	(70)	—	—	—	(376)
Transfer from right-of-use assets	—	6,957	—	—	—	—	6,957
Exchange realignment	—	(1,133)	(147)	(210)	(24)	—	(1,514)
At 31 August 2022	53,159	75,987	13,785	15,970	2,303	1,448	162,652
Accumulated depreciation:							
At 1 September 2020	4,790	26,741	5,509	4,653	752	—	42,445
Charge for the year	481	4,051	1,093	1,015	409	—	7,049
Disposals	—	(261)	(1)	—	—	—	(262)
Written off	—	—	(3)	—	—	—	(3)
Transfer from right-of-use assets	—	1,000	—	—	542	—	1,542
Exchange realignment	—	(147)	(24)	(23)	(10)	—	(204)
At 31 August and 1 September 2021	5,271	31,384	6,574	5,645	1,693	—	50,567
Charge for the year	777	3,855	1,089	1,590	206	—	7,517
Disposals	—	(200)	(35)	—	—	—	(235)
Transfer from right-of-use assets	—	2,679	—	—	—	—	2,679
Exchange realignment	—	(311)	(45)	(73)	(7)	—	(436)
At 31 August 2022	6,048	37,407	7,583	7,162	1,892	—	60,092
Net carrying amount:							
At 31 August 2022	47,111	38,580	6,202	8,808	411	1,448	102,560
At 31 August 2021	47,888	36,915	6,353	8,135	634	1,386	101,311

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2022 RM'000	2021 RM'000
Assets pledged as security for borrowings (Note 27)		
— Freehold land and buildings	47,111	47,888
— Plant and machinery	17,110	15,142
	64,221	63,030

18. RIGHT-OF-USE ASSETS

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

	Leased properties RM'000	Equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000
At 1 September 2020	7,467	927	838	28,650	37,882
Additions	6,248	—	—	—	6,248
Depreciation	(3,368)	(464)	(261)	(3,181)	(7,274)
Transfer to property, plant and equipment	—	—	(129)	(1,521)	(1,650)
Modification	(137)	—	—	—	(137)
Exchange differences	(197)	—	(11)	—	(208)
At 31 August 2021	10,013	463	437	23,948	34,861
Additions	7,726	—	—	—	7,726
Depreciation	(5,263)	(463)	(190)	(3,035)	(8,951)
Transfer to property, plant and equipment	—	—	—	(4,278)	(4,278)
Modification	(298)	—	—	—	(298)
Exchange differences	(501)	—	(8)	—	(509)
At 31 August 2022	11,677	—	239	16,635	28,551

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

18. RIGHT-OF-USE ASSETS (Continued)

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

	2022 RM'000	2021 RM'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost	11,677	10,013

The Group has leases contracts for various offices, warehouses, general office equipment, motor vehicles and printing assets used in its operations. Rental contracts are typically made for fixed periods of 1 to 3 years. The leases contracts contain only fixed lease payments. The payment terms are common in Malaysia, the Philippines and Hong Kong where the Group operates. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The Group has renewal options in 5 of the leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of renewal options are exercisable only by the Group and not by the respective lessors.

No rent concession was received during the years ended 31 August 2022 and 2021.

19. INTEREST IN A JOINT VENTURE

	2022 RM'000	2021 RM'000
Represented by: Share of net assets	139	162

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

Name	Place of incorporation, operation and principal activities	Percentage of ownership interests	
		As at 31 August	
		2022	2021
Linocraft Singapore Pte. Ltd. ("LSPL")	General wholesale print and packing products in Singapore	50%	50%

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

19. INTEREST IN A JOINT VENTURE (Continued)

The Group has 50% (2021: 50%) interest in a joint venture, LSPL, a separate structured vehicle incorporated and operating in Singapore. The primary activity of LSPL is general wholesale print and packing products, which is in line with the Group's strategy to expand the printing division.

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

Summarised financial information of the joint venture is presented below:

	2022 RM'000	2021 RM'000
Current assets	728	891
Non-current assets	—	—
Current liabilities	(450)	(568)
Non-current liabilities	—	—
Net assets	278	323
Group's share of the net assets of the joint venture	139	162
	2022 RM'000	2021 RM'000
Revenue	1,752	2,137
Loss for the year	(33)	(6)
Other comprehensive income	(12)	(4)
Total comprehensive income for the year	(45)	(10)
Aggregate amount of the Group's share of a joint venture		
Profit or loss	(16)	(3)
Other comprehensive income	(6)	(2)
Total comprehensive income	(22)	(5)

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

20. INVESTMENT IN GOLF CLUB MEMBERSHIP

	2022 RM'000	2021 RM'000
Golf club membership at cost	20	20
Less: accumulated impairment loss	(20)	(20)
	—	—

21. DEFERRED TAX

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

	Accelerated tax depreciation RM'000	Reinvestment allowance RM'000	Tax losses RM'000	Others RM'000	Total RM'000
At 1 September 2020	(4,240)	889	1,309	840	(1,202)
(Charged)/Credited to profit or loss for the year	(2,190)	(624)	1,809	626	(379)
Exchange differences	—	—	(70)	—	(70)
At 31 August 2021 and 1 September 2021	(6,430)	265	3,048	1,466	(1,651)
(Charged)/Credited to profit or loss for the year	(1,801)	289	598	212	(702)
Exchange differences	—	—	(153)	—	(153)
At 31 August 2022	(8,231)	554	3,493	1,678	(2,506)

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

	2022 RM'000	2021 RM'000
Deferred tax assets, net	3,493	3,048
Deferred tax liabilities, net	(5,999)	(4,699)
	(2,506)	(1,651)

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

22. INVENTORIES

	As at 31 August	
	2022 RM'000	2021 RM'000
Raw materials	47,444	44,156
Work-in-progress	17,476	25,814
Finished goods	21,891	25,232
	86,811	95,202
Less: allowance for obsolete inventories	(3,963)	(7,919)
	82,848	87,283

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 RM'000	2021 RM'000
Trade receivables from:		
— Joint venture	450	568
— Third parties	77,452	63,119
	77,902	63,687
Deposits and prepayments	15,398	9,893
Other receivables	2,658	486
	95,958	74,066

The ageing analysis of trade debtors (net of impairment losses), based on invoice dates, as at 31 August 2022 and 2021 is as follows.

	2022 RM'000	2021 RM'000
Within 1 month	23,614	20,193
1 to 2 months	38,075	20,801
2 to 3 months	12,326	18,067
Over 3 months	3,887	4,626
	77,902	63,687

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The Group usually grants credit period ranging from 0 to 90 days (2021: 0 to 90 days) to its trade customers.

At the end of each of the reporting periods, the Group applies the practical expedient to estimate the ECLs based on a provision matrix for trade receivables of the Group. Based on the impairment assessment, an allowance of ECL of RM994,000 (2021: allowance of RM7,000) was provided for the year ended 31 August 2022. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

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

	2022 RM'000	2021 RM'000
Balance at the beginning of the year	483	476
Allowance for ECLs recognised during the year	994	7
Balance at the end of the year	1,477	483

For all other receivables, ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The Group measures the loss allowance equal to 12-month ECLs as there had been no significant increase in credit risk since initial recognition. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. No additional impairment for other receivables as at 31 August 2022 (2021: Nil) as the ECLs are immaterial.

24. AMOUNTS DUE FROM A RELATED COMPANY

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

	As at 31 August	
	2022 RM'000	2021 RM'000
Pentino Sdn Bhd*	42	39
Maximum outstanding amount during the year	42	39

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

* The related company and the Company have common directors.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

25. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 August	
	2022 RM'000	2021 RM'000
Financial liabilities at fair value through profit and loss		
— Foreign exchange forward contract(s)	416	233

The principal terms of the outstanding foreign exchange forward contracts of the Group which had not been designated as hedging instruments were as follows:

	As at 31 August	
	2022	2021
Notional amount	USD1,500,000	USD3,000,000
Average contract rate	USD1:RM4.2020	USD1:RM4.15
Maturity date	8 Sep 2022	From 1 Sep 2021 to 8 Sep 2021

As at 31 August 2022, the derivative financial instruments are measured at fair value and are with financial institutions. The fair values of the foreign exchange forward contracts are determined based on the underlying conditions in the contracts and the market information at the valuation date including observable market inputs such as forward rates. The net gain or loss on change in fair value of derivative financial instruments of RM183,000 (2021: RM233,000) had been recognised in profit or loss for the year ended 31 August 2022.

26. TRADE AND OTHER PAYABLES

	2022 RM'000	2021 RM'000
Trade payables	34,131	23,591
Accruals	5,492	9,062
Deposit received	1,062	1,071
Other payables	4,384	3,906
	10,938	14,039
	45,069	37,630

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

26. TRADE AND OTHER PAYABLES (Continued)

Included in trade and other payables are trade creditors with the following ageing analysis, based on invoice dates, as at 31 August 2022 and 2021:

	2022 RM'000	2021 RM'000
Current or less than 1 month	19,105	8,082
1 to 3 months	12,665	8,794
More than 3 months but less than 12 months	1,590	5,533
More than 12 months	771	1,182
	34,131	23,591

27. BANK BORROWINGS

	2022 RM'000	2021 RM'000
Secured		
Secured and interest-bearing bank borrowings	127,742	142,549
Bank overdraft	28,867	8,439
	156,609	150,988
Bank borrowings are scheduled to be repaid as follows:		
— on demand or within one year	122,193	120,725
— more than one year, but not exceeding two years	14,433	9,890
— more than two years, but not exceeding five years	16,427	13,541
— after five years	3,556	6,832
	156,609	150,988
Amount due within one year included in current liabilities	(122,193)	(120,725)
Amount included in non-current liabilities	34,416	30,263

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

27. BANK BORROWINGS (Continued)

Notes:

- (a) Bank borrowings are interest bearing at the banks' base lending rate adjusted by certain basis points per annum. The weighted average effective interest rates of the Group's bank borrowings as at 31 August 2022 ranged from 2.00% to 6.78% (2021: 2.13% to 9.22%) per annum.
- (b) As at 31 August 2022, the carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contains repayment on demand clause amounted to RM31,675,000 (2021: RM24,795,000).

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

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

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

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

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

- Freehold land and buildings with net carrying amount of RM47,111,000 (2021: RM47,888,000) as at 31 August 2022 (Note 17);
- Plant and machinery with net carrying amount of RM17,110,000 (2021: RM15,142,000) as at 31 August 2022 (Note 17); and
- Personal guarantees from Mr. Ong Yoong Nyock, Mr. Tan Woon Chay and a director of Linocraft Malaysia Printers Sdn Bhd (the "Linocraft Malaysia").

28. AMOUNTS DUE TO RELATED COMPANIES

As at 31 August 2022 and 2021, the amounts due to related companies in which a Director has interests are non-trade related, unsecured, with no fixed terms of repayment and interest free.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

29. LEASE LIABILITIES

The movement of the Group's lease liabilities during the years ended 31 August 2022 and 2021 are as follows:

	RM'000
At 1 September 2020	28,994
Additions	6,405
Interest expense	1,736
Lease payments	(15,183)
Modifications	(161)
At at 31 August 2021	21,791
Additions	7,627
Interest expense	1,003
Lease payments	(14,051)
Modifications	(311)
At at 31 August 2022	16,059

Future lease payments are due as follows:

	Minimum lease payments 31 August 2022 RM'000	Interest 31 August 2022 RM'000	Present value 31 August 2022 RM'000
Not later than one year	8,375	(459)	7,916
Later than one year but not later than two years	4,139	(212)	3,927
Later than two year but not later than five years	4,389	(173)	4,216
	16,903	(844)	16,059
	Minimum lease payments 31 August 2021 RM'000	Interest 31 August 2021 RM'000	Present value 31 August 2021 RM'000
Not later than one year	12,374	(607)	11,767
Later than one year but not later than two years	7,045	(184)	6,861
Later than two year but not later than five years	3,205	(42)	3,163
	22,624	(833)	21,791

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

29. LEASE LIABILITIES (Continued)

The present value of future lease payments are analysed as:

	2022 RM'000	2021 RM'000
Current liabilities	7,916	11,767
Non-current liabilities	8,143	10,024
	16,059	21,791

Others

	2022 RM'000	2021 RM'000
Short-term leases expenses	3,527	1,661
Low-value assets leases expenses	444	670

The Group's total cash outflow for leases was RM18,022,000 in 2022 (2021: RM17,514,000).

30. SHARE CAPITAL

	2022 RM'000	2021 RM'000
Ordinary shares Issued and fully paid	4,304	4,304

As at 31 August 2022 and 2021, the share capital balance represented the issued share capital of the Company. Details of the movements in the authorised and issued and fully paid share capital of the Company are summarised as follows:

	Number of shares	Amount RM'000	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
<i>Authorised:</i>			
At 1 September 2020, 31 August 2021 and 31 August 2022	5,000,000,000	27,284	50,000
<i>Issued and fully paid :</i>			
At 1 September 2020, 31 August 2021 and 31 August 2022	800,000,000	4,304	8,000

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

31. RESERVES

The Group

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

Merger reserve

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

Exchange reserve

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

The Company

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

	Share premium RM'000	Exchange reserve RM'000	Merger reserve* RM'000	Accumulated losses RM'000	Total RM'000
At 1 September 2020	35,967	(483)	39,289	(16,229)	58,544
Loss for the year	—	—	—	(2,477)	(2,477)
Other comprehensive income	—	(518)	—	—	(518)
At 31 August 2021 and 1 September 2021	35,967	(1,001)	39,289	(18,706)	55,549
Loss for the year	—	—	—	(79)	(79)
Other comprehensive income	—	1,349	—	—	1,349
At 31 August 2022	35,967	348	39,289	(18,785)	56,819

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

32. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

At 31 August 2022

	Note	2022 RM'000	2021 RM'000
Non-current assets			
Investments in subsidiaries		41,090	38,455
Current assets			
Other receivables		30	27
Amounts due from subsidiaries		26,518	24,174
Cash and cash equivalents		581	3,110
		27,129	27,311
Current liabilities			
Accruals		693	525
Amounts due to subsidiaries		6,403	5,388
		7,096	5,913
Net current assets		20,033	21,398
Net assets		61,123	59,853
Capital and reserves			
Share capital	30	4,304	4,304
Reserves	31	56,819	55,549
Total equity		61,123	59,853

Tan Woon Chay
Director

Ong Yoong Nyock
Director

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

33. INVESTMENTS IN SUBSIDIARIES

Name	Country/place and date of incorporation	Country/place of operation and principal activities	Particulars of issued and fully paid up share capital/ registered capital	Percentage of ownership interests/voting rights/ profit share	
				Directly	Indirectly
Linocraft International Limited	BVI, 26 January 2017	BVI, Investment holdings	US\$10,000	100%	—
Linocraft Group Limited	BVI, 14 February 2017	BVI, Investment holdings	US\$1,000	—	100%
Linocraft Malaysia	Malaysia, 28 June 1972	Malaysia, Printing and manufacture of instruction manuals, packaging products and printed paper labels	RM23,000,000	—	100%
Linocraft Printers Philippines Inc.	Philippines, 9 June 2016	Philippines, Printing and manufacture of instruction manuals, packaging products and printed paper labels	Peso10,000,000	—	99%
Grace Key Limited	BVI, 16 August 2016	BVI, Investment holdings	US\$1,000	—	100%
Eden Grace Hong Kong Limited	Hong Kong, 12 October 2016	Hong Kong, Provide supporting services to other Group's entities	HK\$100,000	—	100%
Linopulp Sdn Bhn.	Malaysia, 20 November 2020	Malaysia, Manufacture of pulp, paper and paperboard	RM100	—	100%
珠海市東駿彩盒包裝有限公司 Linocraft Packaging Zhuhai Co., Ltd. ⁽ⁱ⁾⁽ⁱⁱ⁾	PRC, 26 February 2010	PRC, Dormant	RMB500,000	—	70%

(i) The English name is for identification purpose only. The official name of the company is in Chinese.

(ii) The legal entity is private limited company.

34. RELATED PARTY TRANSACTIONS

(a) As at 31 August 2022 and 2021, Mr. Ong Yoong Nyock and Mr. Tan Woon Chay provided personal guarantees to secure for the bank borrowings and banking facilities granted to the Group (Note 27).

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

	2022 RM'000	2021 RM'000
Fees, wages and salaries	4,522	5,864
Contribution to retirement benefits schemes	280	353
	4,802	6,217

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

34. RELATED PARTY TRANSACTIONS (Continued)

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

Related party relationship	Common director	Interest	Name/Company name	Type of transactions	Year ended	
					2022 RM'000	2021 RM'000
An entity controlled by Ong Yoong Nyock, a Director	Ong Yoong Nyock	84% (Note (i))	TIONG NAM LOGISTICS SOLUTIONS SDN BHD	Logistics services fees paid to a related company (Note (i))	4,581	3,790
An entity controlled by Chua Sui Keng, a director of Linocraft Malaysia	Chua Sui Keng	25%	GF EQUIPMENT RENTAL SDN BHD	Lease payments of equipment to related companies	596	709
				Interest on lease liabilities of equipment to related companies	27	32
Joint venture	Tan Woon Chay	50% held by Linocraft Malaysia	Linocraft Singapore Pte. Ltd.	Purchases from the Group	1,637	1,979

Notes:

- (i) TIONG NAM LOGISTICS SOLUTIONS SDN BHD is owned as to approximately 32.56% by Mr. Ong Yoong Nyock and as to approximately 51.28% by his spouse as at 31 August 2022. Moreover, the related party transactions in respect of logistics services fees paid or payable to TIONG NAM LOGISTICS SOLUTIONS SDN BHD above also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

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

35. CAPITAL COMMITMENTS

	2022 RM'000	2021 RM'000
Commitments for the acquisition of: Landed property	177	1,517

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2022 RM'000	2021 RM'000
Financial assets measured at amortised cost		
— Trade and other receivables and deposits	82,077	65,564
— Amounts due from a related company	42	39
— Cash and cash equivalents	11,551	12,143
	93,670	77,746
Financial liabilities measured at amortised cost		
— Trade and other payables	45,069	37,630
— Bank borrowings	156,609	150,988
— Amounts due to related companies	1,666	827
	203,344	189,445
— Lease liabilities	16,059	21,791
	219,403	211,236
Financial liabilities at FVTPL		
— Derivative financial instruments	416	233

(a) Financial instruments not measured at fair value

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

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

The fair values of the non-current portion of the lease liabilities and bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for lease liabilities and bank borrowings as at 31 August 2022 and 2021 was assessed to be insignificant. The carrying values of the non-current portion of lease liabilities and bank borrowings also approximate their fair values as at 31 August 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

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

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 2 and Level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about Level 2 fair value measurements

The fair value of foreign exchange forward contracts is determined based on the forward exchange rate at the reporting date.

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

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 the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at 31 August 2022	Level 1	Level 2	Level 3
	HK\$	HK\$	HK\$
Financial liabilities at FVTPL			
— Foreign exchange forward contract	—	416	—
As at 31 August 2021			
Financial liabilities at FVTPL			
— Foreign exchange forward contracts	—	233	—

There were no transfer between the levels of the fair value hierarchy during the period.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

37. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

The Group applies the simplified approach to provide for ECLs of trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

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

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

	2022 RM'000	2021 RM'000
Largest customer	27,503	23,445
Five largest customers	50,818	46,760

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 August 2022 and 2021:

At 31 August 2022

	Expected loss rate (%)	Gross carrying amount (RM'000)	Loss allowance (RM'000)
Current (not past due)	0.43%	58,094	249
1-30 days past due	0.89%	13,876	124
31-60 days past due	1.11%	4,795	53
61-90 days past due	5.27%	664	35
More than 90 days past due	52.1%	1,950	1,016
		79,379	1,477

At 31 August 2021

	Expected loss rate (%)	Gross carrying amount (RM'000)	Loss allowance (RM'000)
Current (not past due)	0.00%	46,285	2
1-30 days past due	0.03%	12,731	4
31-60 days past due	0.19%	3,113	6
61-90 days past due	1.81%	937	17
More than 90 days past due	41.12%	1,104	454
		64,170	483

Other receivables measured at amortised cost are subject to the ECLs model and the loss allowances are limited to 12-month ECLs as there has not been a significant increase in credit risk since initial recognition. The ECLs of other receivables as at 31 August 2022 and 2021 were determined to be immaterial.

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

37. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

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

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

	Carrying amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
At 31 August 2022						
Trade and other payables	45,069	45,069	45,069	—	—	—
Bank borrowings	156,609	161,575	124,370	15,717	17,740	3,748
Amounts due to related companies	1,666	1,666	1,666	—	—	—
Financial liabilities at FVTPL	416	416	416	—	—	—
Lease liabilities	16,059	16,903	8,375	4,139	4,389	—
	219,819	225,629	179,896	19,856	22,129	3,748

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

37. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	Carrying amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
At 31 August 2021						
Trade and other payables	37,630	37,630	37,630	—	—	—
Bank borrowings	150,988	155,448	122,207	10,251	15,158	7,832
Amounts due to related companies	827	827	827	—	—	—
Financial liabilities at FVTPL	233	233	233	—	—	—
Lease liabilities	21,791	22,624	12,374	7,045	3,205	—
	211,469	216,762	173,271	17,296	18,363	7,832

(c) Interest rate risk

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

All of the Group's bank borrowings as at 31 August 2022 and 2021 bore interest at floating rates whereas its lease liabilities bore interest at fixed rates. Details of bank borrowings and lease liabilities are disclosed in Notes 27 and 29 to the consolidated financial statements, respectively.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Directors consider that the Group is also exposed to fair value interest rate risk in relation to its fixed rate bank deposits.

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

At 31 August 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately RM1,163,000 (2021: RM1,134,000). The changes in interest rates do not affect the Group's other component of equity.

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

37. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

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

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

	2022 RM'000	2021 RM'000
Trade receivables	39,417	28,116
Cash and cash equivalents	4,124	3,606
Trade payables	(2,250)	(2,516)
	41,291	29,206

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

	2022 RM'000	2021 RM'000
USD appreciated by 5%	2,065	1,460

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

38. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 August 2022 and 2021.

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

The gearing ratios as at 31 August 2022 and 2021 were as follows:

	2022 RM'000	2021 RM'000
Trade and other payables	45,069	37,630
Bank borrowings	156,609	150,988
Amounts due to related companies	1,666	827
Lease liabilities	16,059	21,791
Less: Cash and cash equivalents	(11,551)	(12,143)
Net debts	207,852	199,093
Equity attributable to owners of the Group	101,581	94,983
Capital and net debts	309,433	294,076
Gearing ratio	67%	68%

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

39. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2022 RM'000	2021 RM'000
Cash and bank balances	11,551	12,143
Significant non-cash transactions are as follows:		
Financing activities		
Assets acquired under lease arrangement	7,627	6,405

(b) Reconciliation arising from financing activities

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

	Amounts due to related companies (Note 28) RM'000	Bank loans and other borrowings (Note 27) RM'000	Lease liabilities (Note 29) RM'000
At 1 September 2021	827	150,988	21,791
Changes from financing cash flows:			
Advance from related companies	839	—	—
New borrowings from banks	—	816,531	—
Repayment of bank loans	—	(810,910)	—
Interest paid	—	(6,166)	(1,003)
Lease payments	—	—	(13,048)
	839	150,443	7,740
Other changes:			
New leases	—	—	7,627
Interest expenses	—	6,166	1,003
Modifications	—	—	(311)
Total other changes	—	6,166	8,319
At 31 August 2022	1,666	156,609	16,059

Notes to the Consolidated Financial Statements

For the year ended 31 August 2022

39. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation arising from financing activities (Continued)

	Amounts due to related companies (Note 28) RM'000	Bank loans and other borrowings (Note 27) RM'000	Lease liabilities (Note 29) RM'000
At 1 September 2020	680	130,472	28,994
Changes from financing cash flows:			
Advance from related companies	147	—	—
New borrowings from banks	—	871,987	—
Repayment of bank loans	—	(851,471)	—
Interest paid	—	(5,894)	(1,736)
Lease payments	—	—	(13,447)
	827	145,094	13,811
Other changes:			
New leases	—	—	6,405
Interest expenses	—	5,894	1,736
Modifications	—	—	(161)
Total other changes	—	5,894	7,980
At 31 August 2021	827	150,988	21,791

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 November 2022.

Five-year Financial Summary

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

RESULTS

	For the year ended 31 August				
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	179,975	205,290	223,406	257,228	271,393
Cost of sales	(143,396)	(175,252)	(184,466)	(209,736)	(229,742)
Gross profit	36,579	30,038	38,940	47,492	41,651
Other operating income	6,892	7,242	6,757	2,565	3,058
Distribution costs	(16,860)	(9,767)	(12,150)	(13,269)	(13,648)
Administrative expenses	(15,425)	(13,437)	(18,696)	(18,019)	(16,940)
Other operating expenses	(135)	(172)	(879)	(280)	(1,217)
Profit from operation	11,051	13,904	13,972	18,489	12,904
Finance costs	(4,304)	(5,395)	(8,221)	(7,630)	(7,169)
Share of profit/(loss) of a joint venture	62	(5)	(4)	(3)	(16)
Profit before income tax expenses	6,809	8,504	5,747	10,856	5,719
Income tax credit/(expense)	203	(1,870)	(2,724)	(3,541)	134
Profit for the year	7,012	6,634	3,023	7,315	5,853
Attributable to: Owners of the Company	7,012	6,634	3,023	7,315	5,853

ASSETS AND LIABILITIES

	As at 31 August				
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Total assets	229,851	259,667	297,307	313,318	327,399
Total liabilities	(151,108)	(174,303)	(209,541)	(218,335)	(225,818)
Total equity	78,743	85,364	87,766	94,983	101,581