



Muda Holdings Berhad

A large, abstract geometric pattern composed of numerous parallel, slightly curved lines in various shades of green, creating a sense of depth and movement. The pattern is located in the bottom-left and bottom-right corners of the page.

2019

ANNUAL REPORT

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CORPORATE INFORMATION

Directors	Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN (Non-Independent Non-Executive Chairman)
	Dato' Azaman Bin Abu Bakar, DIMP (Executive Deputy Chairman)
	Datuk Lim Chiun Cheong, DPSM (Managing Director)
	Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (Senior Independent Non-Executive Director)
	Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (Independent Non-Executive Director)
	Wong Choong Yee (Independent Non-Executive Director)
	Lim Siew Ling (Appointed on 1 January 2020 as Non-Independent Non-Executive Director)
	Lim Yen Wee (Appointed on 1 January 2020 as Non-Independent Non-Executive Director)

Audit Committee	Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN
	Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN
	Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M)
	Wong Choong Yee

Secretaries	Goh Ching Yee (MAICSA 0760803)
	Lam Yoke Teng (MAICSA 7052983)

Auditors	Grant Thornton Malaysia PLT
	(Member of Grant Thornton International Ltd)
	Chartered Accountants
	Level 11, Sheraton Imperial Court,
	Jalan Sultan Ismail,
	50250 Kuala Lumpur
	Tel : +(603) 2692 4022
	Fax : +(603) 2732 5119

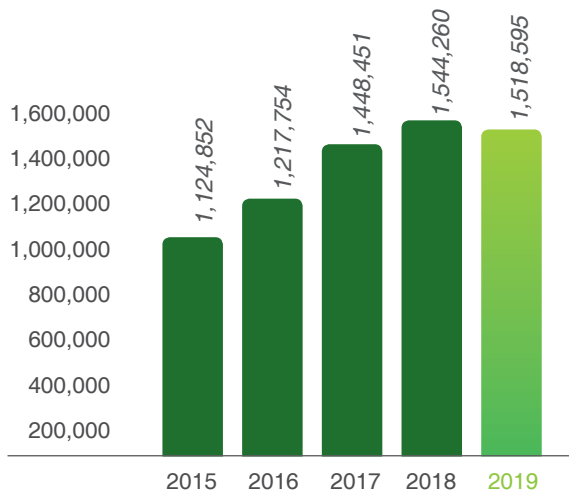
Registered Office & Principal Place of Business	Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan
	Tel : +(603) 7875 9549 Fax : +(603) 7873 8435

Registrar	Muda Management Services Sdn. Bhd.
	Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan
	Tel : +(603) 7875 9549 Fax : +(603) 7875 1519

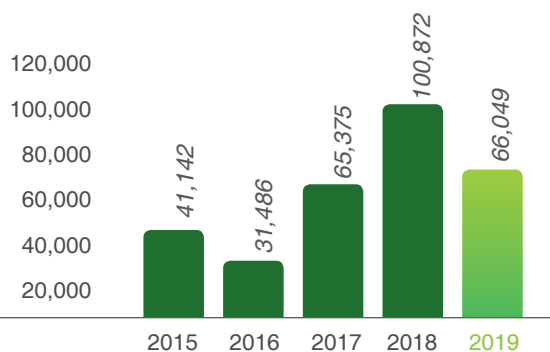
Stock Exchange Listing	Main Market of Bursa Malaysia Securities Berhad
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GROUP FINANCIAL HIGHLIGHTS

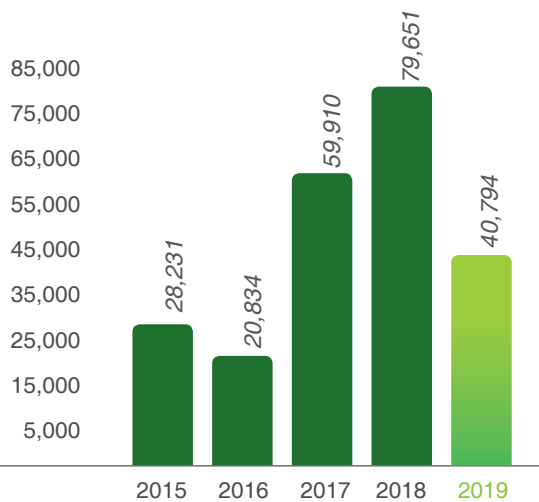
Revenue (RM'000)



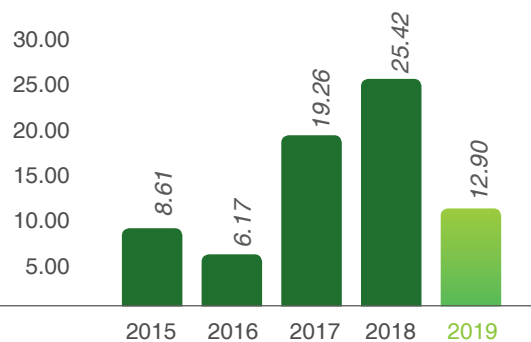
Profit Before Tax (RM'000)



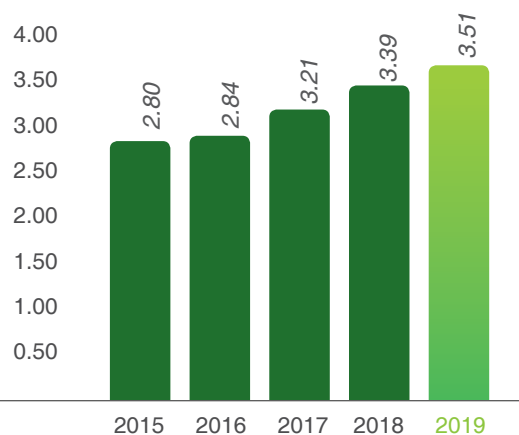
Profit After Tax (RM'000)



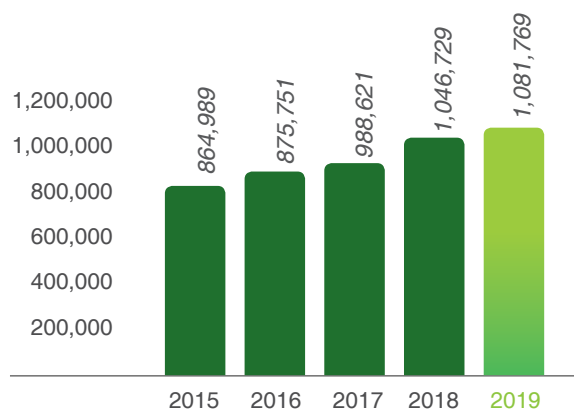
Earnings Per Share (sen)



Net Tangible Assets Per Share (RM)



Total Equity (RM'000)



GROUP FINANCIAL HIGHLIGHTS

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Key Operating Results					
Revenue	1,124,852	1,217,754	1,448,451	1,544,260	1,518,595
Gross profit	208,279	214,017	225,652	295,021	281,756
Profit before tax	41,142	31,486	65,375	100,872	66,049
Tax expense	(12,911)	(10,652)	(5,465)	(21,221)	(25,255)
Profit after tax	28,231	20,834	59,910	79,651	40,794
Net profit attributable to owners of the Company	26,255	18,807	58,766	77,534	39,337
Other Key Data					
Total assets	1,582,647	1,636,665	1,883,560	1,958,621	1,934,453
Total borrowings	517,876	527,328	618,113	631,089	552,094
Total liabilities	717,658	760,914	894,939	911,892	852,684
Total equity attributable to owners of the Company	841,027	851,552	964,639	1,022,667	1,057,597
Total equity	864,989	875,751	988,621	1,046,729	1,081,769
Number of ordinary shares issued and fully paid ('000 shares)	305,051	305,051	305,051	305,051	305,051
Net tangible assets per share (RM)	2.80	2.84	3.21	3.39	3.51
Key Ratios					
Return on equity ¹	3.1%	2.2%	6.1%	7.6%	3.7%
Debt to equity ²	0.60	0.60	0.63	0.60	0.51

1. Net profit attributable to owners of the Company / Total equity attributable to owners of the Company

2. Total borrowings / Total equity

Per Share Information	2015	2016	2017	2018	2019
Market Price (RM)^	2.15	1.45	1.33	1.79	1.41
Basic earnings per share (sen)	8.61	6.17	19.26	25.42	12.90
Price earnings ratio	24.98	23.52	6.90	7.04	10.93
Dividend per share (sen)	3.00	3.00	3.50	4.50	4.00
Dividend yield (%)	1.40	2.07	2.63	2.51	2.84

^ Market price represents last done price on the last trading day of December.

MESSAGE FROM OUR CHAIRMAN

On behalf of the Board, it gives me great pleasure to present the Annual Report for Muda Holdings Berhad for the financial year ended 31 December 2019 ("FY 2019").

Overview

After almost two years of trade tension between China and United States, negotiations between these two economic giants have finally been concluded with the United States agreeing to cancel some of its existing tariffs on Chinese goods at the end of 2019. This was a good sign when the phase one trade deal was signed off in early 2020 and signalled the beginning of some kind of resolution to the problem. It has given the market some assurance and breathing room for a while. Coincidentally, the sudden spurt in Coronavirus ("COVID-19") cases over the past few months across the globe has derailed economic activity in major countries.

In spite of the adverse world economy, I would like to report that the Group maintained its market position and achieved consistent profitability for FY 2019. This was made possible through our efforts which focused on meeting industry needs, proactive internal and external efficiencies and cost management initiatives.

Results for FY 2019

In 2019, the Group saw a decrease in revenue by 1.7% to RM1.52 billion and profit before tax dropped by 34.5% to RM66.05 million. Without the impairment of partially erected paper machines, the adjusted profit before tax stood at RM81.65 million, a decrease of 19.1% against the previous financial year.

Notwithstanding the lower selling prices for industrial paper and paper packaging products, the Manufacturing Segment delivered higher sales volume as a result of stronger domestic demand. Reduction in the selling prices caused gross profit margin to be compressed to 18.6% in 2019 compared to 19.1% in 2018.

In line with the Group's sustained growth, I am pleased to share with you that our net assets have strengthened by 3.3% to RM1.08 billion.

Dividend

For FY 2019 the Board recommends a first and final dividend of 4.0 sen per share to shareholders for the financial year ended 31 December 2019.

Changes in the Board

I would like to welcome Ms. Lim Siew Ling and Ms. Lim Yen Wee who joined the Board of Muda Holdings Berhad as Non-Independent Non-Executive Directors on 1 January 2020 and I look forward to their positive contributions.

Appreciation

On behalf of Muda's Board of Directors, I would like to express our appreciation to the Management and staff of the Muda Group for their continued dedication and effort. The same goes for our stakeholders, especially our suppliers, business partners, bankers and financiers — we thank you for your support to the Group and we hope that our relationship will continue to prosper as we continue on our journey forward together.

I would also like to express a special word of gratitude for our customers and shareholders who have remained loyal supporters all these years. I thank you for the faith that you have put in us. I would also like to express our gratitude to our regulators and governing authorities for the support and advice given to us during the year, and we look forward to your constructive feedback with regards to the development of the paper industry.

Last but not least, I would like to express my personal thanks to my Board members for their advice and contributions in guiding the Group. We would not have achieved our current position without your efforts. I look forward to having a better year in 2020.

Tan Sri Lim Guan Teik,
PSM, JMN, DMPN, DJN
Chairman

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Our core business in producing paper from recycled fibre and paper packaging products such as paper boxes, paper boards and paper-based food packaging and stationeries remained unchanged in 2019. In addition, we also operate more than 100 school bookshops and online bookstore in Singapore.

The Group operates two (2) paper mills, six (6) corrugated plants and a paper-based food packaging and stationery plant. The manufacturing operations are located in Selangor, Pulau Pinang, Melaka, Johor and Guangzhou. Operations in Malaysia generated 89% of the total revenue in 2019 and Singapore contributed about 10%.

Financial Performance

Revenue for the financial year ended 31 December 2019 of RM1.52 billion was 1.7% lower compared to previous financial year and profit after tax decreased by 48.8% to RM40.8 million from RM79.7 million a year ago.

The decrease in revenue was mainly attributable to the reduction in selling prices for industrial paper and paper packaging products which could not be mitigated by higher sales volume. The decline in profit after tax was mainly due to lower selling prices of industrial paper and paper packaging products in 2019 and impairment of RM15.6 million on partially erected paper machines which were no longer feasible due to the change in market trend and competition.

Manufacturing Division

Revenue achieved in 2019 was comparable to the preceding year. Revenue was mitigated by a significant improvement in sales volume for industrial paper and paper packaging products compared to the previous year. Overall, profit margin of the Group was adversely affected compared to 2018 which was caused by the higher percentage of decline in selling prices against the decline in purchase price of waste paper.

Installation of two new corrugated lines were completed in July 2018 and December 2018 in Merlimau and Johor Bahru respectively. With full year operations of the new corrugating line in Merlimau and Johor Bahru plants, the production capacity has improved by approximately 10% and 25% respectively. There is still scope to grow its production capacity as the new lines have not reached their rated output capacity.

Trading Division

Revenue for the financial year ended 31 December 2019 has decreased by 3.6% and reduction in profit by almost 21% compared to 2018. The deterioration in revenue and profit was mainly due to reduction in selling prices and sales volume of waste paper and wood free paper under the Trading Division.

Financial Highlights and Share Information

Historical financial data for the past 5 years are tabulated below for reference.

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	1,124,852	1,217,754	1,448,451	1,544,260	1,518,595
Gross profit	208,279	214,017	225,652	295,021	281,756
Profit before tax	41,142	31,486	65,375	100,872	66,049
Tax expense	(12,911)	(10,652)	(5,465)	(21,221)	(25,255)
Profit after tax	28,231	20,834	59,910	79,651	40,794
Total equity	864,989	875,751	988,621	1,046,729	1,081,769
Total assets	1,582,647	1,636,665	1,883,890	1,958,621	1,934,453
Total borrowings	517,876	527,328	618,113	631,089	552,094
Debt/Equity (%)	59.9%	60.2%	62.5%	60.3%	51.0%
Basic earnings per share (sen)	8.61	6.17	19.26	25.42	12.90
Net tangible assets per share (RM)	2.80	2.84	3.21	3.39	3.51
Dividend per share (sen)	3.00	3.00	3.50	4.50	4.00
Gross margin	18.5%	17.6%	15.6%	19.1%	18.6%
Return on equity	3.1%	2.2%	6.1%	7.6%	3.7%
Share information					
Share price - High (RM)	2.15	2.51	1.80	2.95	2.19
Share price - Low (RM)	1.03	1.40	1.29	1.14	1.41
Share price as at 31 December (RM)	2.15	1.45	1.33	1.79	1.41
Price earnings ratio (times)	24.98	23.52	6.90	7.04	10.93
Company market capitalisation (RM million)	656	442	406	546	430

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue for the financial year ended 31 December 2019 has reduced by 1.7% compared to previous financial year due to reduction in selling price of industrial paper and paper packaging products.

Gross profit margin

There was a reduction in gross profit margin from 19.1% in 2018 to 18.6% in 2019. This was mainly due to lower average selling prices of industrial paper and paper packaging products. Overall, when the drop in selling prices is more than the drop in the purchase price of waste paper, it has adversely affected the profit margin of the Group compared to 2018.

Expenses

Overall, there was an increase in expenses in 2019 compared to 2018, where distribution expenses increased due to increase in sales volume in 2019 compared to 2018. The increase in other expenses was mainly attributable to impairment of partially erected paper machines which were no longer feasible in view of change in market trend and competition.

Finance costs

Finance costs have reduced by 7.3% compared to preceding year due to lesser working capital financing required in view of the significant improvement in net cash generated from operating activities of RM124.75 million in 2019 compared to RM99.34 million in 2018.

Profitability

The Group delivered profit before tax of RM66.05 million in 2019 which was lower compared to 2018 of RM100.87 million. Without the impairment, profit before tax for the financial year ended 31 December 2019 would have been RM81.65 million.

Taxation

The effective tax rate of the Group was higher than the statutory tax rate mainly due to the higher non-deductible expenses and the lack of tax incentives available to offset against taxable income in the financial year 2019.

Financial Position

Total equity attributable to owners of the Company was at RM1.06 billion with profit attributable to owners of the Company of RM39.34 million in 2019. Gearing ratio of the Group has improved from 0.60 in 2018 to 0.51 in 2019.

Inventories

Inventory level at RM263.73 million was RM34.53 million lower compared to the preceding year of RM298.26 million due to lesser stock holding of finished goods as of 31 December 2019 compared to previous year.

Trade receivables

The reduction in trade receivables in 2019 compared to preceding year indicated that there was an improvement in trade receivables collection as reflected in the statements of cash flows where cash generated from operations has improved from RM153.93 million in 2018 to RM178.46 million in 2019.

Total borrowings

Total borrowings of the Group have reduced from RM631.09 million in 2018 to RM552.09 million in 2019. The net reduction of approximately RM79 million was mainly attributable to the lesser working capital financing used by the Group in view of the improvement of cash generated from operations.

Anticipated risk

Potential shortage of waste paper from local market is an inherent risk for the Group as it is a critical input for our manufacturing process. 2019 was a tough year for the waste paper agents as they encountered drastic drop in prices which prompted them to consider cessation of business. From time to time, the Group would render assistance to these waste paper agents to strengthen their operations for business continuity. In addition, the Group continues its effort to strengthen and expand collection by enlarging the suppliers' network to mitigate the risk.

The lockdown imposed in China to prevent the spread of COVID-19 has resulted in a sharp fall in demand. The outbreak has also caused disruption to the global supply chain for the manufacturing sector which is already felt by several countries that rely on supplies from China. Malaysia, being an open economy and China being one of its biggest partners, will not be spared from the impact of COVID-19. Muda Group will prepare itself to cushion the impact by looking into other readily available customer network to maintain its operations and sales at optimal level.

Acknowledging that the Group's credit exposure to the sales with credit terms granted, extension of credit terms to customers are assessed thoroughly from time to time to avoid the possibility of default in payments.

Capital Expenditure

There would be no major capital expenditure to be incurred in 2020. The Group will continue to carry out some minor upgrade to its plant and machineries. The Group will be prudent in implementing its capital expenditure and will continue to focus on improving efficiency and reduce wastage.

Prospect

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic. With the rapid spread of the COVID-19 pandemic, crisis measures were taken by the government of numerous countries worldwide including the imposition of travelling and movement restrictions and the suspension of many business operations.

The Government of Malaysia implemented the first 14-day Movement Control Order ("MCO") from 18 March 2020 to 31 March 2020 to curb the spread of COVID-19 infection in the country. All businesses except for those providing essential services were required to be closed. Conditional Movement Control Order was announced with the easing of regulations with its main goal to reopen the national economy in a controlled manner from 4 May 2020 to 9 June 2020. The recent Recovery Movement Control Order announced by the Government that took effect from 10 June 2020 will allow more businesses and social activities to resume in line with the improving COVID-19 situation in the country.

The Group's paper mills and carton plants were granted approval by the Ministry of International Trade and Industry ("MITI") to operate during the MCO period with an initial workforce of 50% as we were considered as part of the essential services along with strict standard operating procedures ("SOP"). The Group has resumed normal operation since 29 April 2020.

The Group has adhered strictly to the rules and SOP established by MITI, Ministry of Health and other related enforcement agencies. The Group has put into practice temperature screening for employees, sanitising at entry points and workplace, practise social distancing in the office, production floor, cafeteria, meeting rooms, prayer room and also personal hygiene and safety etiquette for the well-being of our employees and the public.

As the magnitude and duration of the spread of COVID-19 remains uncertain, the impact to the Group's performance and financial results for financial year ending 31 December 2020 cannot be ascertained accurately at this stage. At this juncture, the Board and Management are working fervently to bring the Group's operations to its optimal level and concurrently managing the Group's cash flows and operating results.

The Statement on Management Discussion and Analysis is made in accordance with a resolution of the Board of Directors dated 10 June 2020.

PROFILE OF DIRECTORS



TAN SRI LIM GUAN TEIK

PSM, JMN, DMPN, DJN

Non-Independent Non-Executive Chairman

Male, Malaysian, 85

Tan Sri Lim Guan Teik is currently the Non-Executive Chairman of the Company. He joined the Board of Muda Holdings Berhad in November 1983 and was appointed as the Managing Director in the same year. He held the position of Managing Director until his re-designation to Chairman cum Managing Director in May 1988. In 2004 he was appointed the Executive Chairman of the Company until his re-designation to Non-Executive Chairman of the Company in February 2007.

Tan Sri Lim Guan Teik is a member of the Audit Committee, Nominating Committee and Remuneration Committee and sits on the board of several local and overseas subsidiaries in the Group.

Tan Sri Lim Guan Teik graduated from Nanyang University of Singapore in 1960 with a Bachelor of Commerce Degree. He was one of the pioneers of the paper industry in the country and has been active in this industry since 1964. He was President of the Malaysian Pulp & Paper Manufacturers Association (MPPMA) from 1980 to 1992 and is currently one of the advisers to MPPMA. Tan Sri Lim Guan Teik was President of The Associated Chinese Chambers of

Commerce and Industry of Malaysia (ACCCIM) from 1998 to 2003 and The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor (KLSCCCI) from 1998 to 2003. He is currently the Honorary Life President of ACCCIM, KLSCCCI and the Malaysia-China Chamber of Commerce.

Tan Sri Lim Guan Teik is the father of Datuk Lim Chiun Cheong, the Managing Director of the Company. He is also the uncle of Lim Siew Ling and Lim Yen Wee, the Non-Independent Non-Executive Directors of the Company. Tan Sri Lim Guan Teik is a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed on Page 114 of this Report.

Tan Sri Lim Guan Teik attended all five Board of Directors' Meetings held during the financial year ended 31 December 2019 and has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five years.



**Dato' Azaman
Bin Abu Bakar**

DIMP

Executive Deputy Chairman
Male, Malaysian, 73

Dato' Azaman Bin Abu Bakar was appointed to the Board of Muda Holdings Berhad as Executive Director on 19 March 1985. He was re-designation to Deputy Chairman on 22 October 1992 until he assumed the post of Managing Director in April 2004 to May 2018. He is currently the Executive Deputy Chairman. He is Chairman of the Executive Committee and is a member of the Sustainability Committee. He also sits on the board of several local and overseas subsidiaries in the Group. Currently, he is the President of the Malaysian Pulp & Paper Manufacturers Association.

Dato' Azaman graduated from University of Malaya in 1969 with a Bachelor of Arts Degree and obtained a Master in Management Degree from Asian Institute of Management, Manila in 1978. He started his career as a marketing executive in Harper Gilfillan. He then joined Urban Development Authority (UDA) in 1974. His last position in UDA was that of Director in charge of property management and marketing.

Dato' Azaman is a major shareholder of Muda Holdings Berhad. He does not have any family relationship with any other directors and/or major shareholders of the Company. There is no business arrangement with the Company in which he has personal interest.

Dato' Azaman attended all five Board of Directors' Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five years.



**Datuk
Lim Chiun Cheong**

DPSM

Managing Director
Male, Malaysian, 56

Datuk Lim Chiun Cheong was appointed to the Board of Muda Holdings Berhad on 23 April 2004. He was appointed Executive Director in September 2005 until his re-designation to Deputy Managing Director in July 2006. He assumed the present position of Managing Director on 28 May 2018. He is a member of the Executive Committee and Sustainability Committee and sits on the board of several local and overseas subsidiaries in the Group. Currently, Datuk Lim Chiun Cheong is responsible for the management of the Manufacturing and Trading Divisions of the Group.

Datuk Lim Chiun Cheong obtained a Bachelor of Science Degree from Arizona State University, United States of America and a Bachelor of Law Degree from the University of Birmingham, United Kingdom in 1986 and 1989 respectively. He was called to the English and Malaysian Bar in 1990 and 1991 respectively. He joined the Group as Legal Assistant in October 1991 and thereafter served in various senior management positions in the Group from 1992 to 2005. He is a National Council Member of the Associated Chinese Chamber of Commerce and Industry of Malaysia, Council Member of the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor and a Committee Member of the Malaysian Pulp & Paper Manufacturers Association.

Datuk Lim Chiun Cheong is the son of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company. He is also the cousin of Lim Siew Ling and Lim Yen Wee, Non-Independent Non-Executive Directors of the Company. Datuk Lim Chiun Cheong is deemed a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed on Page 114 of this Report.

Datuk Lim Chiun Cheong attended all five Board of Directors Meetings of the Company during the financial year ended 31 December 2019. He has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five years.

PROFILE OF DIRECTORS

Datuk Nik Ibrahim Bin Nik Abdullah was appointed to the Board of Muda Holdings Berhad on 23 April 2004. Datuk Nik Ibrahim Bin Nik Abdullah has been a member of the Audit Committee since 28 February 2005 and was appointed Chairman of the Audit Committee on 2 January 2015. He is also Chairman of the Remuneration Committee and the Sustainability Committee, a member of the Executive Committee and the Nominating Committee. He assumed the role of Senior Independent Non-Executive Director on 28 June 2018.

Datuk Nik Ibrahim holds a B.A. (Hons) Economics Degree from University of Malaya. He joined Malaysian Industrial Development Authority (MIDA) in 1968 as an Economist and thereafter served in the Ministry of Finance as Assistant Secretary from 1970 to 1972. Datuk Nik Ibrahim returned to MIDA and served as Senior Economist from 1972 to 1974. He then joined Bank Pembangunan & Infrastruktur Malaysia Berhad as Manager and was promoted to General Manager, Chief Executive Officer and was the Chief Operating Officer prior to his retirement in March 2004. Datuk Nik Ibrahim sits on the board of a few other local companies.

Datuk Nik Ibrahim does not hold any shares in the Company and its subsidiaries and neither does he have any family relationship with any other directors and/or major shareholders of the Company. There is no business arrangement with the Company in which he has personal interest.

Datuk Nik Ibrahim attended all five Board of Directors Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five years.



**Datuk Nik Ibrahim
Bin Nik Abdullah**

PJN, JSM, AMN
Senior Independent
Non-Executive Director
Male, Malaysian, 76

Mr Lee Khim Sin was appointed to the Board of Muda Holdings Berhad on 25 June 2014. He has been a member of the Audit Committee, Nominating Committee and Remuneration Committee since 2 January 2015. He was appointed Chairman of the Nominating Committee on 28 June 2018.

Mr Lee Khim Sin is a qualified Chartered Accountant in England since 1969 and also holds a Bachelor of Arts Degree from Nanyang University of Singapore which he obtained in 1962. He was the managing partner of Hii & Lee (AF0458), a firm of Chartered Accountant in Sarawak and Sabah until his retirement in 2000. Whilst in practice as a chartered accountant for the last few decades, Mr Lee Khim Sin has been advising clients varying from small to large multinational enterprises in areas of corporate planning, management, mergers, acquisitions, investments and divestments of companies and businesses. Mr Lee Khim Sin has extensive experience in auditing and consulting services in manufacturing and property development industries. Mr Lee Khim Sin currently sits on the board of several public and private limited companies.

Mr Lee Khim Sin has a direct and deemed interest in 60,000 and 203,000 ordinary shares respectively in the Company. He does not hold any shares in any of the subsidiaries of the Company and neither does he have any family relationship with any other directors and/or major shareholders of the Company. There is no business arrangement with the Company in which he has personal interest.

Mr Lee Khim Sin attended all five Board of Directors Meetings held during the financial year ended 31 December 2019 and he has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five years.



Lee Khim Sin
KMN, PBK, CPA(M), FCA, CA(M)
Independent
Non-Executive Director
Male, Malaysian, 79



Wong Choong Yee

Independent
Non-Executive Director
Male, Malaysian, 59

Mr Wong Choong Yee was appointed to the Board of Muda Holdings Berhad on 21 August 2018 and is a member of the Audit Committee. In November 2019, Mr Wong Choong Yee was appointed a member of the Nominating Committee and Remuneration Committee.

Mr Wong Choong Yee holds a Diploma in Commerce (Cost & Management Accounting) from Tunku Abdul Rahman College and is an Associate Member of the Chartered Institute of Management Accountants and a Member of Malaysian Institute of Accountants. He began his career in the accounting field as an audit assistant in 1984 until 1988. From 1988 to 1994 he held several accounting positions in several public listed companies. In 1995 he joined Unico Holdings Berhad where he held several senior management positions until he left in 2001 to join Unico-Desa Plantations Berhad as General Manager – Finance Cum Company Secretary. His last position in Unico-Desa Plantations Berhad was that of General Manager – Risk Management when he left in 2007. He is currently the General Manager – Accounting Cum Company Secretary of Unico Holdings Berhad. He also sits on the board of several private limited companies.

Mr Wong Choong Yee does not hold any shares in the Company and its subsidiaries and neither does he have any family relationship with any other directors and/or major shareholders of the Company. There is no business arrangement with the Company in which he has personal interest.

Mr Wong Choong Yee attended all five Board of Directors Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five years.



Lim Siew Ling

Non-Independent
Non-Executive Director
Female, Malaysian, 49

Ms Lim Siew Ling was appointed to the Board of Muda Holdings Berhad as a Non-Independent Non-Executive Director on 1 January 2020.

Ms Lim Siew Ling holds a Bachelor of Business Administration from the University of Texas at San Antonio, Texas, United States of America and also a Master of Business Administration from Oklahoma City University, United States of America. She joined the Muda Group in January 2006 as Deputy General Manager in Intrapac Trading (M) Sdn Bhd and was the General Manager of Intra-Muda Holdings Sdn Bhd from July 2016 to December 2019. She is currently the Senior General Manager of Intra-Muda Holdings Sdn Bhd. Prior to joining the Muda Group, Ms Lim Siew Ling was with Expeditors International of Washington Inc. as Regional Account Manager based in Singapore from April 2003 to December 2005. From 1999 to 2001 she was with Expeditors (M) Sdn Bhd as Territory Sales Manager and Route Development Manager.

Ms Lim Siew Ling also sits on the board of several private limited companies in the Muda Group.

Ms Lim Siew Ling is the niece of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company and the cousin of Datuk Lim Chiun Cheong, the Managing Director of the Company and Ms Lim Yen Wee, a Non-Independent Non-Executive Director of the Company. Ms Lim Siew Ling does not hold any shares in the Company.

Ms Lim Siew Ling was appointed as Director only on 1 January 2020, hence attendance of meetings in 2019 was not applicable.

She has not been convicted of any offence and does not have any public sanction or penalty imposed against her by any regulatory bodies within the past five years.

PROFILE OF DIRECTORS



Lim Yen Wee

Non-Independent
Non-Executive Director
Female, Malaysian, 37

Ms Lim Yen Wee was appointed to the Board of Muda Holdings Berhad as a Non-Independent Non-Executive Director on 1 January 2020. She joined Muda Paper Mills Sdn Bhd, Tasek, Penang as an Intern in 2013 and held the position of Deputy General Manager from January 2014 to December 2019. She is currently the Senior General Manager of Muda Paper Converting Sdn Bhd. Prior to joining Muda Paper Mills Sdn Bhd she was attached to the University of Melbourne, Australia as Practical Demonstrator of Undergraduate Students and Researcher in the Department of Chemistry from 2005 to 2012.

Ms Lim Yen Wee holds a Bachelor of Biomedical Science Degree and Bachelor of Science (Honours) Degree from the University of Melbourne, Australia which she obtained in 2004 and 2005 respectively.

Ms Lim Yen Wee is the niece of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company and cousin of Datuk Lim Chiun Cheong, the Managing Director of the Company and Ms Lim Siew Ling, a Non-Independent Non-Executive Director of the Company. Ms Lim Yen Wee holds 230,000 ordinary shares in the Company.

Ms Lim Yen Wee was appointed as Director only on 1 January 2020, hence attendance of meetings in 2019 was not applicable.

She has not been convicted of any offence and does not have any public sanction or penalty imposed against her by any regulatory bodies within the past five years.

PROFILE OF KEY MANAGEMENT

Teoh Hai Thow

Aged 47, Male, Malaysian. Hai Thow joined the Group as an Executive Director and minority shareholder of Intrapac (Singapore) Pte Ltd in January 1998. Hai Thow oversees the Intrapac (Singapore) Pte Ltd Group of businesses including marketing of paper products, wastepaper recovery, stationery distribution and school bookshop business. He also sits on the board of several foreign subsidiaries in the Group.

Prior to joining the Group, Hai Thow worked in United Paper Industries Pte Ltd, a subsidiary of United Pulp & Paper Co. Ltd as an Accounts Clerk in April 1991 and was the Assistant Finance & Administration Manager in United Paper Industries Pte Ltd prior to his departure in April 1997.

Hai Thow holds a Diploma in Accounting.

Hai Thow does not have any family relationship with any other directors and/or major shareholders of the Company. There is no business arrangement with the Company in which he has personal interest.

He has not been convicted of any offence within the past 5 years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Loo Ee Fah

Aged 49, Male, Malaysian. Ee Fah was one of the senior management staff of Pacific Bookstores Pte Ltd when Intrapac (Singapore) Pte Ltd acquired an interest in Pacific Bookstores Pte Ltd in 2011. He held the post of Executive Director of Pacific Bookstores Pte Ltd since February 2013 and also sits on the board of another foreign subsidiary in the Group.

Prior to joining the Group, Ee Fah was the Operations Manager of United Paper Industries Pte Ltd from 1996 to 2005 when he left to join United Aviation Pte Ltd as one of the senior staff to set up the business of distribution of aircraft hardware to airlines in South East Asia until October 2010.

Ee Fah holds an Advance Diploma in Supply Chain Management.

He does not have any family relationship with any other directors and/or major shareholders of the Company. There is no business arrangement with the Company in which he has personal interest.

He has not been convicted of any offence within the past 5 years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Muda Holdings Berhad (“the Company” and together with its subsidiaries, the “Group”) is committed to observing and practicing good corporate governance which is essential to the sustainability of the Company’s business, long-term growth and value creation for stakeholders. The Company has adhered to the principles and guidelines of the Malaysian Code on Corporate Governance (“MCCG”).

This Corporate Governance Overview Statement (“CG Statement”) sets out the Company’s corporate governance practices and activities during the financial year ended 31 December 2019, with specific reference to the guidelines of the MCCG. The Corporate Governance Report (“the CG Report”) provides the description of how the Company has applied each Practice as set out in MCCG throughout the financial year ended 31 December 2019. The CG Statement is to be read together with the CG Report which is available on the Company’s website at www.muda.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

1.1 Board Strategies

The primary responsibility of the Company’s Board of Directors is to protect and enhance long-term shareholders’ value and to ensure that the Group is run in accordance with the best international management and corporate governance practices, appropriate to the needs and development of the Group.

The Board is responsible for general oversight of the Group’s activities and performance and for setting the Group’s overall strategic direction. It provides leadership and guidance on corporate strategies, business directions, risk policies and implementation of corporate objectives, thereby taking responsibility for the overall corporate governance of the Group.

The Board amongst others, assumes the following key roles and responsibilities:

- i Development of corporate objectives and strategies with Management to deliver sustainable business objectives and approving plans, new investments, divestments, major capital expenditure and operating expenditure and major funding activities proposed by Management;
- ii Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the financial health of the Company;
- iii Reviewing and approving the Company’s annual budget, financial statements, system of risk management and internal control, code of conduct and legal compliance;
- iv Ensuring that the Company and its officers act legally, ethically and responsibly on all matters; and
- v Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communication strategy and encouraging effective participation at general meetings.

In delegating responsibility for the day-to-day operation and leadership of the Group to the Executive Deputy Chairman and Managing Director (“Executive Directors”), Executive Committee and the management team, the Board has processes and systems in place to ensure that significant issues, risks and major strategic decisions are monitored at Board level. Additionally, to optimise operational efficiencies, financial authorisation and approval limits have been established for operating and capital expenditure while delegating authority to Management for those transactions below those limits.

To assist in the execution of its responsibilities, the Board has established several Board Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee and Sustainability Committee. These Board Committees function with the clearly defined terms of reference, which are reviewed on a regular basis.

The Board has overall responsibility to shareholders for ensuring that the Group is well managed and guided by its strategic objectives. In presenting the Group’s annual and quarterly financial statements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Group’s performance, position and prospects. Management provides to the Board with management accounts and other financial statements on a monthly basis. The Board is responsible for ensuring that the financial statements are prepared in accordance with the Companies Act, 2016 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and the Group.

1.2 Chairman of the Board

The Chairman leads the Board and is responsible for instilling good corporate governance practices and leadership of the Board and ensuring its effectiveness on all aspects of its role and setting its agenda. He presides over Board meetings and encourages positive contributions of all Directors at Board meetings and promotes an environment for open, robust and effective debate between all Board members and allows for constructive and dissenting views to be freely expressed. The Chairman is primarily responsible for the orderly conduct and effective working of the Board, and acts as a liaison between the Board and Management. The Chairman is non-executive and he is not involved in the day-to-day management of the Group.

1.3 Position of Chairman and CEO

To maintain effective supervision and accountability of the Board and the Management, the position of Chairman and Managing Director are held by different individuals and facilitate division of responsibilities between them as a check and balance mechanism. The Board believes that the separation of the roles and responsibilities of the Chairman and the Managing Director ensures an appropriate balance of power and authority.

The Chairman is responsible for leading the Board in discharging its duties effectively, and enhancing the Group's standards of corporate governance. The Chairman also provides clear leadership to the Board with respect to the Group's long term growth and strategy.

The Managing Director focuses on the business, organisational effectiveness and day-to-day management of the Group.

1.4 Suitably Qualified and Competent Company Secretaries

The Company Secretaries are responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system.

The Board is supported by two qualified company secretaries who are members of a professional body. The Company Secretaries ensure the Board procedures are adhered to at all times during meetings and advise the Board on matters including corporate governance issues and the Directors' responsibilities in complying with relevant legislation and regulations. The Company Secretaries are also responsible for ensuring communication flow between the Board and its Committees, and between Management and Independent and Non-Independent Non-Executive Directors. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and Management.

1.5 Meetings & Meeting Materials

The Board meets regularly. Board and Board Committee meetings are scheduled in advance in consultation with the Directors to ensure optimal attendance rates. Ad hoc Board and Board Committee meetings are convened as and when warranted by particular circumstances between these scheduled meetings. When exigencies prevent Directors from attending in person, Directors' participate by telephone conferencing or video conferencing. For the financial year ended 31 December 2019, five Board meetings were held.

To facilitate productive and meaningful Board and Board Committee meetings, the structured agenda together with comprehensive management reports and proposal papers are furnished to all Directors at least five business days ahead of each Board and Committee meeting to allow Directors to have sufficient time to peruse the issues to be deliberated at the Board and Board Committee meetings.

Management are invited to the Board and Board Committee meetings to present the subject matters, if applicable. The Board meetings are conducted based on a formal agenda on matters to be discussed with adequate time allocated for deliberation and the Chairman of the Board chairs the meetings with proper record of minutes kept by the Company Secretaries. Minutes of all Board Committee meetings were also circulated to Board Members so that they are kept abreast of proceedings and matters discussed at such meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2. Demarcation of Responsibilities Between Board, Board Committees and Management

2.1 Board Charter

The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter serves as a source of reference and primary induction literature to provide insights to prospective Board members and Management. The Board Charter is reviewed and updated periodically when necessary and is available on the Company's website at www.muda.com.my.

3. Good Business Conduct and Corporate Culture

3.1 Code of Business Conduct and Ethics and Directors' Code of Conduct

Under the Code of Business Conduct and Ethics and Directors' Code of Conduct, Directors must avoid any conflicts with the Company. Where a Director's personal or business interest interferes, or even appears to interfere, in any way with the interests of the Company, Directors must promptly disclose such interest at a meeting of the Directors or by sending a written notice to the Company Secretaries containing the details of the interest and the nature of the conflict and recuse themselves from participating in any discussion and decision on the transaction or proposed transaction in which the Director has an interest or is conflicted. This includes discussion at all levels within the Company, including, but not limited to, the Company's subsidiaries and any committees that are involved in the proposed transaction in order to prevent any risk of the Director acting in the interests of persons other than the Company, and will also prevent any appearance of impropriety on the part of the Company or the Director.

At the beginning of each calendar year, all Directors make written disclosure of their interest and position in corporations and firms pursuant to Section 221(4), Companies Act, 2016 which were duly read and noted at the first Board of Directors' Meeting of a calendar year.

The Code of Business Conduct and Ethics and Directors' Code of Conduct are available on the Company's website at www.muda.com.my.

3.2 Anti-Bribery and Anti-Corruption Policy

The Board has set up an Anti-Bribery and Anti-Corruption Policy in compliance with Section 17A of the Malaysian Anti-Corruption Commission Act, 2009 which came into effect on 1 June 2020. Under this new Section 17A, a commercial organisation (including listed issuer) may be found liable for acts of corruption committed by any persons associated with the organisation, such as its directors and employees.

The Anti-Bribery and Anti-Corruption Policy is available on the Company's website at www.muda.com.my.

3.3 Whistleblowing

The Group has adopted a Whistleblowing Policy to enable stakeholders to raise in confidence possible corporate misdemeanors without fear of intimidation or reprisal. This Whistleblowing Policy provides an avenue for stakeholders to raise a legitimate concern about any actual or suspected improprieties involving the resources of the Group at the earliest opportunity for expeditious investigation. The Group is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report violations in good faith.

II Board Composition

4.1 Composition of the Board

During the financial year ended 31 December 2019, the Board had six Directors, comprising two executive members and four non-executive members, three of whom are independent and the Independent Non-Executive Directors accounted for 50% of the Board members which is in line with Practice 4.1 recommended in the MCCG and Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are cognizant of the recommendation in the MCCG for the Board to comprise at least half of independent directors, and constantly assess the composition and size of the Board to ensure the needs of the Company are met. The three Independent Non-Executive Directors have a diverse range of skills and business acumen to provide effective oversight, strategic guidance and advice so that decisions taken by the Board were not unfairly biased towards the interests of a shareholder, member, Director or member of the management team.

The Board through its Nominating Committee, reviews annually the size and composition of the Board and each Board Committee and the skills and core competencies of its members, to ensure an appropriate balance and diversity of skills and experience. The Board and its Nominating Committee have upon their annual assessment, concluded that the current Board comprises the required range of talents, experience and knowledge to accomplish its roles and a diversity of background and distinguished records of leadership to make substantial contributions to the effective functioning of the Board.

During the year under review, the Directors have ensured their time commitment to discharge their duties effectively as they do not hold more than five directorships in public listed companies. The profile of each of the Directors is presented on Page 13 to 17 of this Annual Report.

The Directors remain fully committed in carrying out their duties and responsibilities as reflected by their attendance at the five Board meetings held during the financial year ended 31 December 2019 as follows:

Name of Director	Number of Meetings Attended
Tan Sri Lim Guan Teik	5 / 5
Dato' Azaman Bin Abu Bakar	5 / 5
Datuk Lim Chiun Cheong	5 / 5
Datuk Nik Ibrahim Bin Nik Abdullah	5 / 5
Mr Lee Khim Sin	5 / 5
Mr Wong Choong Yee	5 / 5

The Board acknowledges that the Directors' training is an ongoing process to continually develop and refresh their knowledge and skills and to update themselves on developments in the financial industry and business landscape. From time to time, the Directors attend training to keep abreast with current developments as well as the new statutory and regulatory requirements. The Company Secretaries will also bring to the Directors' attention seminars that may be of relevance or use to them. In addition to this, the Company invited external training provider to organise internal training programme for the Directors and Management.

During the financial year under review, all the Board members attended the following training program with the exception of Datuk Lim Chiun Cheong whose unusual tight business schedule in 2019 after the demise of an Executive Director, could not attend the scheduled internal training programme:

Name of Director	Course Title
Tan Sri Lim Guan Teik	Corporate Liability & Directors' Fiduciary Responsibilities
Dato' Azaman Bin Abu Bakar	Corporate Liability & Directors' Fiduciary Responsibilities
Datuk Nik Ibrahim Bin Nik Abdullah	PNB Leadership Forum 2019: Organisation Excellence & From Governance to Performance
	PNB Leadership Forum 2019
	Corporate Liability & Directors' Fiduciary Responsibilities
	Corporate Governance and Anti-Corruption
	Audit Oversight Board – Conversation with Audit Committee
	PNB Forum on YTI Memorial Lecture - The Diverse Facets of Leadership
Mr Lee Khim Sin	Corporate Liability & Directors' Fiduciary Responsibilities
Mr Wong Choong Yee	Fundamentals of Corporate Directorships:
	The role of the Board in Strategy & Risk Management Oversight
	Corporate Liability & Directors' Fiduciary Responsibilities

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.2 Tenure of Independent Directors

Out of the three Independent Non-Executive Directors, only one Independent Non-Executive Directors has served for more than twelve years. Through the Independent Directors' Self-Assessment exercise initiated by the Nominating Committee, the Independent Directors namely, Datuk Nik Ibrahim Bin Nik Abdullah, Mr Lee Khim Sin and Mr Wong Choong Yee have declared that they are capable of acting independently of management and that they do not have any economic and family relations with the Company, its major shareholders and Executive Directors of the Company.

The Board has reviewed with particular rigor on whether Datuk Nik Ibrahim Bin Nik Abdullah who has served for a period of sixteen years as a Director continues to be independent. The Board has also reviewed the independence of the other two Independent Non-Executive Directors, namely, Mr Lee Khim Sin and Mr Wong Choong Yee. The Board was satisfied that all the Independent Directors continued to demonstrate clarity of thought, bring about objective viewpoints to the discussion and in problem solving and offered considered advice and have moral courage to advocate professional views without fear or favor in deliberations during Board and Board Committee meetings to ensure that the decisions made are in the best interest of the Company.

The Nominating Committee and the Board hold the view that a Director's independence cannot be determined solely with reference to tenure of service. Instead, a Director's attitude, integrity, ability for dispassionate discourse, business knowledge or judgement, and the discharge of his duties and responsibilities in the best interest of the Group, are also valid criteria to determine his independence and effectiveness. They are capable of exhibiting vigilance and professional skepticism on all transactions tabled for Board approval, express disagreements to issues being deliberated, ask probing/challenging questions on matters that require further attention to ensure that the Board is not unfairly biased towards the interests of the major shareholders, the Executive Directors or members of the management team.

The Nominating Committee and the Board have determined that Datuk Nik Ibrahim Bin Nik Abdullah, who has served on the Board as Independent Director for a period of sixteen years, remain unbiased, objective and independent in expressing his opinion and in participating in the decision-making of the Board. The length of his service on the Board had not in any way interfered with his objective and independent judgement in carrying out his role as member of the Board and Board Committee. Furthermore, his pertinent expertise, skills, and detailed knowledge of the Group's businesses and operations enable him to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions. The Board will seek shareholders' approval at the forthcoming Annual General Meeting ("AGM") of the Company via two-tier voting process for Datuk Nik Ibrahim Bin Nik Abdullah to continue in office as an Independent Non-Executive Director of the Company in accordance with the recommendations of the MCCG.

4.3 Appointment of Board Members

The Nominating Committee is responsible for assessing the candidate proposed for directorship and will submit their recommendations to the Board. When assessing the suitability of Directors for appointment to the Board, the Nominating Committee will take into consideration expertise of the individual, business experience, integrity, skills, breadth of experience, knowledge of Company's business or industry, compatibility with other Board members and willingness to devote time and effort to the Board and taking into account an appropriate mix of core competencies for the Board to fulfill its roles and responsibilities. On appointment, a new Director is advised of his duties and obligations, lines of communication, including direct access to the Chairman, Company Secretaries and Management are immediately established which will provide a new Director with the opportunity to establish exchanges and to exercise his statutory duties.

The Company's Constitution provides that at every AGM of the Company, one-third of the Directors for the time being or if their number is not three or a multiple of three, then the number nearest one-third shall retire from office and shall be eligible for re-election. New Directors are subject to re-election at an AGM in the year following their appointment. The two Non-Independent Non-Executive Directors appointed on 1 January 2020 will be subject to retirement at the AGM to be held on 12 August 2020.

4.4 Gender Diversity

The Board recognises the benefit of diversity in fostering robust discussions and guarding against group thinking which in turn leads to better decision-making. The Board seeks to achieve and maintain a culture of diversity, not only to gender but also to skill-sets, experience, ethnicity, age, background and other personal attributes important to providing a range of perspectives. There were no female representation on the Board in the financial year ended 31 December 2019. However, with the appointment of two female Non-Independent Non-Executive Directors on 1 January 2020, gender diversity of 25% was introduced which is in line with Practice 4.5 of the MCCG.

4.5 New Candidates for Board Appointment

In identifying potential candidates for appointment of directors, the Board will rely on recommendations from existing Board Members and Management. The Board is of the view that internal sources or recommendations are reliable as the suitability of the candidate is more assured as an internal candidate has in depth understanding and knowledge of the Group's industry and business and the capability and experience of the candidate recommended by the Board members is known but the Board would not rule out other external sources for recruitment of a new director when the need arises.

During the financial year under review, Ms Lim Siew Ling and Ms Lim Yen Wee were recommended by the Executive Directors as candidates for consideration by the Nominating Committee for appointment to the Board as Non-Independent Non-Executive Directors of the Company at a date to be determined by the Board of Directors. Both Ms Lim Siew Ling and Ms Lim Yen Wee were subsequently appointed as members of the Board on 1 January 2020.

4.6 Nominating Committee

The role of the Nominating Committee is to assist the Board in ensuring the existence of the right mix of skills, knowledge, experience, qualities, gender, age and other attributes that are relevant and contribute to the effective functioning of the Board.

The Nominating Committee is made up of four members, three of whom are Independent Non-Executive Directors and one of whom is a Non-Independent Non-Executive Director. The composition of the Nominating Committee is set out below:

Mr Lee Khim Sin	Chairman
Datuk Nik Ibrahim Bin Nik Abdullah	Member
Tan Sri Lim Guan Teik	Member
Mr Wong Choong Yee <i>(Appointed as a member on 28 November 2019)</i>	Member

The Nominating Committee's responsibility, among others, is to identify and recommend the right candidate with the necessary skills, experience and competencies to be filled in the Board. Appointment matters are discussed in depth by the Nominating Committee before the entire Board makes the final decision on new appointment. The Nominating Committee has its own written Terms of Reference which deals with its authority and duties.

The Nominating Committee is required to meet at least once a year and whenever necessary. During the year under review, one Nominating Committee Meeting was held on 27 November 2019 and all the members attended the Nominating Committee Meeting except Mr Wong Choong Yee whose appointment was on 28 November 2019 and, inter alia, reviewed:

- the profile of the candidates nominated for directorship in the Company with recommendations made to the Board; and
- the attendance of all Board and Committee members, the composition of Independent Directors, Directors' training, Board composition and size and talent, knowledge and experience of Board members.

In considering the appointment of two new directors recommended by the Executive Directors at the Nominating Committee Meeting held in November 2019, the Nominating Committee reviewed the background, age, gender, position in the Group, education, family relationship with directors and major shareholders and their interest in shares of the Company. The Nominating Committee recommended that appointment of these two new female directors to the Board as their appointment has introduced 25% female representation on the Board and improved the average age of the Board too in 2020. These two new directors hold senior management positions in the Group and have firsthand knowledge and experience in the Group's paper industry. The Board approved that appointment of these two female Non-Independent Non-Executive Directors effective 1 January 2020 and letters setting out their terms of appointment, time commitment, roles and responsibilities, expectations of directors, disclosure of interests, disclosure of family relationships with directors and major shareholders of the Company etc. were issued to the new directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5. Overall Board Effectiveness

5.1 Annual Evaluation

The Board through the Nominating Committee and facilitated by the Company Secretaries had carried out the annual assessment to evaluate the performance of the Board, its Board Committees and each individual Director for the financial year under review. The assessment was carried out based on a questionnaire which is divided into the following sections:

- 1) Evaluation of Board Effectiveness;
- 2) Directors' Self/Peer Evaluation;
- 3) Assessment of Audit Committee Performance;
- 4) Evaluation of Audit Committee Members by the Board;
- 5) Assessment of Nominating Committee Performance;
- 6) Assessment of Remuneration Committee Performance; and
- 7) Independent Director's Self-Assessment.

In order to encourage open and frank evaluations, the evaluation process was managed by the Company Secretaries, who had forwarded the questionnaire to each Director, as well as collated the duly completed forms from each Director and referred the same to the Chairman of Nominating Committee. The Chair of the Nominating Committee will then report the summary of the results of the evaluation of the performance and all feedback received to the Board for further discussion and takes the necessary action, if any.

For the financial year ended 31 December 2019, the Directors and members of Board Committees carried out an evaluation to assess the performance of the Board and Board Committees as well as individual Director's self/peer assessment. The review assessed whether each of the Directors continues to discharge their respective duties and responsibilities effectively and the performance and effectiveness of the Board and Board Committees.

Since the members of the Nominating Committee are also members of the Audit Committee, the evaluation of the performance of the Audit Committee and each of its members was undertaken by the Board. The review of the terms of office and performance of the Audit Committee and its members in 2019 in accordance with Paragraph 15.20 of the Main Marketing Listing Requirements of Bursa Malaysia Securities Berhad revealed that the Audit Committee and its members have carried out their duties in accordance with the Terms of Reference of the Audit Committee.

The results of the annual assessment of performance of the Board and Board Committees as well as individual Director's self/peer assessment were reported and noted by the Board on 27 February 2020. The Board also noted that the average ratings for all criteria assessments were relatively high and concluded that there were no major weakness observed from the results of the evaluation exercise. The individual Directors had been effective as a whole in the overall discharge of their functions and responsibilities.

The Independent Directors have declared in the Independent Director's Self-Assessment that they do not have any economic and family relations with the Company, its major shareholders and Executive Directors of the Company and they are independent of thought and mind in the discharge of their duties and are capable of acting independently. Based on the evaluation, the Board is satisfied that all the Independent Directors continued to demonstrate conduct and behavior that are essential indicators of independence.

The Nominating Committee and the Board concluded that each of the Director has the requisite competence, integrity and character to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time and participation during the year under review.

(III) Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The Remuneration Committee assists the Board in establishing a formal and transparent process for developing policies on executive remuneration and development. The Remuneration Committee reviews the remuneration of the Directors and key management annually and submits its recommendations to the Board for endorsement on reward payments that reflect their respective contributions and achievements throughout the year. The Remuneration Committee also reviews the service terms of individual Directors and Executive Directors.

The remuneration package for Executive Directors is structured to link the rewards to financial performance and long term objectives of the Group aside from individual performance. The remuneration package comprises a number of separate elements such as basic salary, fees, allowances, bonuses and other benefits-in-kind. The remuneration of Non-Executive Directors takes into account their level and quality of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings. The remuneration of Non-Executive Directors consists of fees, attendance allowances and benefits-in-kind that commensurate with their roles, duties and responsibilities. Directors' fees and benefits payable to the Company's Non-Executive Directors by the Company and its subsidiaries are subject to yearly approval of shareholders at the Company's AGM.

6.2 Remuneration Committee

The Remuneration Committee is made up of four members, three of whom are Independent Non-Executive Directors and one of whom is a Non-Independent Non-Executive Director as follows:

Datuk Nik Ibrahim Bin Nik Abdullah	Chairman
Mr Lee Khim Sin	Member
Tan Sri Lim Guan Teik	Member
Mr Wong Choong Yee <i>(Appointed as a member on 28 November 2019)</i>	Member

The Remuneration Committee meets at least once a year and when necessary. Except Mr Wong Choong Yee who appointed on 28 November 2019, all the members attended the one Remuneration Committee Meeting held on 27 November 2019 wherein the Committee reviewed the recommendations for bonus and salary increment of senior management and promotions for approval of the Board. At the same meeting, the Remuneration Committee also reviewed the remuneration package of the Executive Directors and made recommendations for approval of the Board. The roles and responsibilities of the Remuneration Committee are governed by the Terms of Reference which has been recently reviewed is available on the Company's website at www.muda.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

7. Remuneration of Directors and Key Management

7.1 Details of Directors' Remuneration

Details of Directors' remuneration for financial year ended 31 December 2019 are as follows:

Name of Directors	Fees RM'000	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Executive Directors						
Dato' Azaman Bin Abu Bakar	162	1,296	320	270	70	2,118
Datuk Lim Chiun Cheong	243	1,008	320	294	41	1,906
Dato' Lim Wan Peng (deceased on 15 February 2019)	26	166	-	60	5	257
Total	431	2,470	640	624	116	4,281
Non-Executive Directors						
Tan Sri Lim Guan Teik	147	-	-	666	30	843
Datuk Nik Ibrahim Bin Nik Abdullah	60	-	-	156	1	217
Mr Lee Khim Sin	60	-	-	149	-	209
Mr Wong Choong Yee	60	-	-	146	-	206
Total	327	-	-	1,117	31	1,475

7.2 Remuneration of Top Five Key Management

Details of top 5 Key Management for financial year ended 31 December 2019 are as follows:

Name	Fees RM'000	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Dato' Azaman Bin Abu Bakar*	162	1,296	320	270	70	2,118
Datuk Lim Chiun Cheong*	243	1,008	320	294	41	1,906
Dato' Lim Wan Peng* (deceased on 15 February 2019)	26	166	-	60	5	257
Mr Teoh Hai Thow*	73	510	158	154	-	895
Mr Loo Ee Fah*	49	401	82	207	-	739
Total	553	3,381	880	985	116	5,915

Note * - Key Management personnel consist of Executive Directors of the Company and foreign subsidiaries

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit Committee

8. Effective and Independent Audit Committee

The Audit Committee's key role is to assist the Board to assess the risks and control environment, oversee the financial reporting process, review the integrity and reliability of the Group's quarterly and yearly financial statements and related announcements prior to recommending them for approval of the Board of Directors. The Chairman of the Audit Committee reports to Directors at Board meetings of any significant audit findings deliberated by the Audit Committee which require Board's attention and approval for implementation.

The Audit Committee also assists the Board amongst others, to oversee and evaluate the Group's external and internal audit functions, review any related party transactions and recurrent related party transactions and the relevant procedures to ensure compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

8.1 Members and Chairman of Audit Committee

The Audit Committee comprises of four Non-Executive Directors, three of whom are Independent Directors and the Chair is held by the Senior Independent Director, Datuk Nik Ibrahim Bin Nik Abdullah, who is not the Chairman of the Board. At least two members have relevant related financial management expertise and experience and the other members of the Audit Committee are financially literate and all members possess an appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the Terms of Reference of Audit Committee.

The members of the Audit Committee are:

Datuk Nik Ibrahim Bin Nik Abdullah
(Chairman) (Senior Independent Non-Executive Director)

Tan Sri Lim Guan Teik
(Non-Independent Non-Executive Director)

Mr Lee Khim Sin
(Independent Non-Executive Director)

Mr Wong Choong Yee
(Independent Non-Executive Director)

The term of office and performance of the Audit Committee and each of its members have been reviewed by the Board in compliance with Paragraph 15.20 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to ensure that the Audit Committee and members have carried out their duties in accordance with their Terms of Reference. The Terms of Reference which has been recently reviewed is available on the Company's website at www.muda.com.my.

8.2 Terms of Reference of Audit Committee

The Audit Committee's terms of reference include inter alia, the review of and deliberation on the Company's financial statements, the audit findings of the external auditors arising from their audit of the Group's financial statements and the audit findings and issues raised by the Internal Auditor together with Management's responses. The Audit Committee also assists the Board in meeting its responsibilities in respect of carrying out a robust assessment of the principle risks affecting the Group and reviewing and reporting on the systems and key elements of risk management as they affect the Group and reviewing the risk map and framework for presentation to the Board. The Audit Committee has explicit authority to investigate any matter within its terms of reference. It has full access to and the full cooperation of Management. It also has full discretion to invite any Director or executive officer to attend its meetings. In addition, the Audit Committee has direct access to the external auditor.

During the year, the Audit Committee reviewed the financial statements and sought explanations and additional information from the Executive Directors and Chief Financial Officer with regards to the Group's financial performance and preparation of the financial statements. The Audit Committee reviewed and discussed with the external auditors on its observations from the annual audit including appropriateness of accounting policies applied, the changes in accounting policies and the significant judgements and assumptions made by Management affecting the financial statements as well as compliance with approved accounting standards and regulatory requirements.

The Board has given an assurance statement to confirm to the best of its knowledge that the financial statements of the Group give a true and fair view of the state of affairs of the Group and are prepared in compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 and has made proper judgements and estimates that are prudent and reasonable.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Audit Committee has also reviewed with Management all the non-audit services provided by the external auditor to the Company and the Group in the financial year ended 31 December 2019 and the extent of services provided.

The Audit Committee has the policy embedded in its Terms of Reference which requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee in order to safeguard independence and to avoid potential disadvantage which may arise in view that a former key audit partner is deemed to be in advantageous position to exert significant influence over the audit and preparation of the audited financial statements. The Audit Committee does not comprise members who were partners of the incumbent external auditors Grant Thornton Malaysia PLT within the period of two years commencing on the date of their ceasing to be a partner of Grant Thornton Malaysia PLT.

8.3 Assessment of External Auditors

The Company maintains a transparent relationship with its external auditors and seeks their professional advice to ensure that accounting standards are complied with. The Audit Committee has private meetings with the external auditors twice in 2019 on 27 February 2019 and 28 November 2019 without the presence of the Executive Directors and Management to enable exchange of views on issues requiring attention. In addition, the external auditors also attend AGM in order to address clarifications sought pertaining to the audited financial statements by shareholders and answer shareholders' questions relating to conduct of the statutory audit and the preparation and contents of their audit report.

The Audit Committee reviews the independence and objectivity of the external auditors through an annual assessment of the scope of audit, technical knowledge, supervisory ability, competency of audit team and scope and nature of non-audit services provided by the external auditors. The Audit Committee conducted an assessment of the external auditors for re-appointment for statutory audit where the Audit Committee members completed the prescribed assessment form. In view of the involvement of the Chief Financial Officer throughout the statutory audit process, he also participated in the annual assessment of the external auditors. The results of the assessment were compiled by the Chief Financial Officer for the Chair of the Audit Committee, who then reports the results to the Board.

In support of the assessment on independence, the external auditors provided the Audit Committee with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. Premised on the assessment result, the Audit Committee makes recommendations to the Board for re-appointment of external auditors accordingly.

The Board having considered the recommendation by the Audit Committee was satisfied that the external auditors have met the criteria and agreed that re-appointment of the external auditors be recommended to the shareholders for approval at AGM.

The Audit Committee Report for the financial year ended 31 December 2019 which describes the Audit Committee's activities during the year are set out on Page 33 and 34 of this Annual Report.

(II) Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group has in place a structured and systematic approach to risk management, and aims to mitigate the exposure through appropriate risk management strategies and internal controls. Risk management in the Group is a continuous and integrated process which has been incorporated into various planning, approval, execution, monitoring, review and reporting systems. The Group adopts the top-down as well as bottom-up approach on risk management to ensure the strategic, business, operations, financial reporting and information technology ("IT") risk exposures are identified and appropriately managed.

The Group undertakes a formal review of the adequacy and effectiveness of its risk management and internal control systems, including financial, operational and IT controls twice a year. The Management submits half yearly reports on review of the adequacy and effectiveness of its risk management and internal control to the Audit Committee for review and results of these reviews are presented to the Board to ensure that the risks are appropriately identified and managed such that residual risks are acceptable given the operational nature of the business.

The Statement on Risk Management and Internal Control provides an overview of the Group's risk management and internal control framework as well as the adequacy and effectiveness of the framework.

The Company's external auditors carry out, in the course of the statutory audit, an assessment of the risks of material misstatement of the financial statements of the Company and the Group, whether due to fraud or error, and highlight any material internal control weaknesses that have come to its attention during the conduct of normal audit procedures, which are designed primarily to enable it to express its opinion on the financial statements. Any material internal control weaknesses, identified during its audit and its recommendations, are reported to the Audit Committee.

Based on the system of internal control established and maintained by the Group, work performed by the internal auditor and external auditors and reviews performed by Management and various Board Committees and assurances from the Managing Director and Chief Financial Officer, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's risk management and internal control were adequate and effective for the financial year ended 31 December 2019 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

10. Internal Audit Function

The Internal Audit function which reports directly to the Audit Committee Chairman, is responsible for audit of the Group's system of internal control and the effectiveness of the processes that are put in place to identify, evaluate, manage and report risks.

The Internal Audit Manager is a holder of an Advance Diploma from the Association of Chartered and Certified Accountants and is supported by two suitably qualified Internal Audit Executives. The Internal Audit Manager has declared to the Board that the Internal Audit personnel have no direct operational responsibility or authority over any of the activities audited and are free from any relationships or conflict of interest which could impair their objectivity and independence.

The role of the Internal Audit function is to provide independent and objective reports on results of audit of the Group's system and effectiveness of its internal control, accounting policies and controls to the Board. The Internal audit function adopts the framework based on the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The Internal Audit Manager also provides assurance to the Board that the Group has established a sound system of internal control and that the Group's internal control system is satisfactory.

The Group's Internal Audit Department undertakes the audit work as set out in the Annual Audit Plan approved by the Audit Committee. The Internal Audit function assesses the operating effectiveness of risk management and internal control system in the Group and checks for compliance with internal policies and procedures and statutory/regulatory requirements. The audit reports were tabled to the Audit Committee for review and deliberation and the Board is informed of any significant audit findings reported to the Audit Committee. The Internal Audit function also conducts reviews of recurrent related party transactions and submits to the Audit Committee for review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(I) Communication with Stakeholders

11. Continuous Communication Between the Company and Stakeholders

In order to maintain high level of transparency and to provide wider dissemination of corporate and financial disclosures, all information that is made public such as Annual Report, quarterly results announcements, board charter, Terms of Reference of Board Committees and relevant policies of the Group and other corporate information and all the announcements released to Bursa Malaysia Securities Berhad are available on the Company's website at www.muda.com.my under "Investor Relations" section. The Company meets with fund managers, investment analysts and the media whenever necessary. The Company also permits the use of electronic means to issue the documents required to be sent to the shareholders under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board encourages shareholders' active participation at the AGM and endeavors to ensure all Board members, Management and the Group's external auditors are in attendance to respond to shareholders' queries.

The Board also encourages other channels of communication with shareholders. Shareholders and the public can also direct their queries at invest-info@muda.com.my or directed to Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

(II) Conduct of General Meetings

12. Shareholders Participation at General Meeting

The Board recognises the need for and the importance of effective communication with shareholders. It believes that an AGM serves as an appropriate forum for shareholders to meet the Board and Management, and to interact with them. Notice of AGM and annual report are sent to shareholders at least 28 days ahead of the AGM date to encourage shareholders to attend the AGM. This provides shareholders with sufficient time to review the Group's financial and operational performance for the financial year and to fully evaluate new resolutions being proposed to make informed voting decisions at the AGM.

Under the Company's Constitution, the Company may convene a general meeting by leveraging on technology to enable members of the Company to participate and exercise that right to speak and vote remotely. Shareholders who are unable to attend the meetings can appoint proxy to vote on their behalf. The Company's Constitution allows all shareholders the right to appoint not more than 2 proxies to attend and vote on their behalf in shareholders' meetings.

The Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, the resolutions being proposed and the business of the Group at every general meeting.

The Directors are mindful of the recommendation under the MCCG that all directors must attend general meetings and fully appreciate the need for their attendance at all such meetings. Management are present at each shareholders' meeting to respond to any questions from shareholders. The Company's external auditors are also present to address queries about the conduct of audit and preparation and contents of the Auditors' Report.

In addition, as and when necessary, a press conference will be held immediately following the conclusion of the general meetings where the Directors brief the press and answer relevant questions on the Group's operations and financial performance.

All resolutions put to general meetings will be voted by poll. An independent scrutineer is appointed to validate the votes cast at general meetings. Decisions for each resolution and the name of the independent scrutineer will be announced to Bursa Malaysia Securities Berhad on the same day. The summary of key matters discussed at the Company's AGM is available online at www.muda.com.my.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 10 June 2020.

AUDIT COMMITTEE REPORT

Audit Committee Composition

The Audit Committee ("AC") comprises three Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

The composition of AC complies with the requirements of Paragraph 15.09 (1) (c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

Members	Directorate & Designation
Datuk Nik Ibrahim Bin Nik Abdullah, Chairman	Senior Independent Non-Executive Director
Tan Sri Lim Guan Teik	Non-Independent Non-Executive Director
Mr Lee Khim Sin	Independent Non-Executive Director
Mr Wong Choong Yee	Independent Non-Executive Director

All AC members are of varied disciplines and profession; with two members being qualified accountants, a member who is a pioneer in the paper industry in Malaysia and another member who is an economist with banking experience. They collectively have the required skills and experience to discharge the AC functions and duties.

The AC's duties and responsibilities are set out in its Term of Reference, which is available at www.muda.com.my.

Audit Committee Meetings

A total of six meetings were held for the financial year ended 31 December 2019 ("Financial Year"). Members of the AC and the details of attendance are set out below:

Members	Attendance at Meetings Attended	Attendance at Meetings Held	Attendance %
Datuk Nik Ibrahim Bin Nik Abdullah	6	6	100
Tan Sri Lim Guan Teik	6	6	100
Mr Lee Khim Sin	6	6	100
Mr Wong Choong Yee	6	6	100

The AC meets on a scheduled basis during the Financial Year. The AC is assisted by an independent Internal Audit Department in carrying out its functions. The Head of Internal Audit presented the respective audit reports to the AC. The Chief Financial Officer and members of Senior Management are invited to attend meetings to provide assurance and commitment to the AC on the prompt resolution of key control issues highlighted by Internal Audit Department.

AC had two private sessions with the external auditors on 27 February 2019 and 28 November 2019 without the presence of the Management team.

The members of AC have attended conferences, seminars and training programs during the Financial Year. The details are set out in the Corporate Governance Overview Statement on Page 22 of this Annual Report.

AUDIT COMMITTEE REPORT

Summary of Audit Committee Activities during the Financial Year

During the Financial Year, the AC carried out the following activities in the discharge of its roles and responsibilities:

A. Financial Reporting

- (a) Reviewed the quarterly unaudited financial results and related announcements to Bursa Malaysia Securities Berhad, focusing on significant matters highlighted by Management including going concern assumptions, and ensured disclosures made were in compliance with the applicable accounting standards and regulatory requirements, before recommending to the Board for approval and releasing to Bursa Malaysia Securities Berhad;
- (b) Reviewed the consolidated audited financial statements of the Company and the Group together with external auditors, before recommending the same to the Board for approval; and
- (c) Reviewed the impact of changes in accounting policies and adoption of new accounting standards, together with significant matters as highlighted by external auditors in the financial statements.

B. External Audit

- (a) Reviewed the external auditors' Group Audit Plan, which outlines the responsibilities, scope of work, audit strategy and approach for the Financial Year and considered the audit fees together with Management, for recommendation to the Board for approval;
- (b) Reviewed the nature and fees for non-audit services provided by external auditors or its affiliates in accordance with the Group's Policy, Scope and Purpose on Non-Audit Services to ensure that such non-audit services did not compromise the objectivity and independence of the external auditors; and
- (c) Assessed the suitability, objectivity and independence of external auditors by evaluating, among others, the adequacy of technical knowledge, experience, skills, supervisory ability and competency of the engagement team assigned to the Group. It is noted that external auditors have confirmed their professional independence in accordance with By-laws (on Professional Ethics, Conducts and Practices) of the Malaysian Institute of Accountants via their engagement letter and presentation to AC.

The AC was satisfied that the external auditors were able to meet the audit requirement, statutory obligations and their professional independence and objectivity as external auditors of the Company. Following this assessment, the Board has accepted AC's recommendation to re-appoint Grant Thornton Malaysia PLT as external auditors of the Company at the forthcoming Annual General Meeting.

C. Internal Audit

- (a) Approved the Annual Audit Plan and reviewed the scope, functions, budget, competency and resources of Internal Audit Department, and that it had the necessary independence and authority to carry out its work professionally and with impartiality and expediency;
- (b) Reviewed Internal Audit Reports of the Company and ensured that appropriate and prompt remedial actions are taken by the Management on lapse of controls or procedures identified by Internal Audit Department;
- (c) Monitored that all recommended actions were implemented as per Management commitment date through Post Audit Assessments carried out by Internal Audit Department;
- (d) Reviewed the progress of Audit Plan, Audit Budget, Staff Competency and Resources on quarterly basis; and
- (e) Reviewed all the results of audit assessments annually with assigned audit ratings, audit findings remediation status and evaluation of company's compliance with controls stated in the Control Self-Assessment Questionnaires from reports prepared by Internal Audit Department.

D. Related & Recurrent Related Party Transactions

- (a) Reviewed recurrent related party transactions and significant related party transactions entered or to be entered into by the Company and the Group to ensure that the transactions were in the best interest of the Group, were fair and reasonable, were on the Group's normal commercial terms and not detrimental to the interest of the minority shareholders of the Company, for recommendation and
- (b) Reviewed and updated the processes and procedures on recurrent related party transactions/related party transactions to be in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Companies Act, 2016.

E. Risk Management

The AC reviewed and endorsed the Group's business units Risk Management Reports during the Financial Year. The details can be obtained from the Statement on Risk Management and Internal Control set out on Page 35 to 36 of this Annual Report.

F. Other Activities

The AC also reviewed and recommended for Board's approval, the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the Financial Year.

Summary of Internal Audit Function and Internal Audit Activities

The Group has an in-house internal audit department to assist AC in carrying out its function. The Internal Audit Department maintains its independence by reporting directly to the AC.

The Internal Audit's activities are guided by the Group's Internal Audit Charter that provides independence and reflects the roles, responsibilities, accountabilities which are aligned with the International Professional Practice Framework (IPPF) on Internal Auditing issued by the Institute of Internal Auditors. The Internal Audit Department is headed by Mr. Koh Thuan Hin who is a holder of an Advanced Diploma from Association of Chartered Certified Accountant with more than 20 years of experience in manufacturing, trading and service industry. He reports functionally to the AC and administratively to the Executive Deputy Chairman.

The Internal Audit Department adopts risk-based audit methodology, focusing on higher risk activities, material controls and consistent with the strategies of the Group in developing its audit plans which determines the priorities of internal audit activities.

The audits cover the review of adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirements, governance and management efficiency. The audit reports, which provide the results of audit concluded, are presented to AC for its review and deliberation. Key control issues and recommendations are highlighted to enable AC to execute its oversight function.

The Internal Audit Department has two full-time staff with adequate disciplines and experience to carry out their functions. The staff of Internal Audit function has no direct operational responsibility or authority over any of the activities audited and are free from any interference in the organisation that might impair their professional independence and objectivity.

The total cost incurred for maintaining the Internal Audit Department in 2019 was RM504,379.00 and the key audit activities undertaken for the Financial Year as part of the assurance process included:

1. Formulation of a risk-based audit plan by evaluating risk exposure relating to the achievement of the business units financial performance and tabulate this against the business units' Risk Management Report to ensure that key risks are considered and deliberated;
2. Audit reviews are performed on business units to ensure compliance with internal policies, standard operating procedures, accounting standards, relevant rules and regulations:
 - Assessment of production, planning and control management activities;
 - Assessment of inventory valuation system;
 - Assessment of procurement management processes;
 - Assessment of property, plant and equipment management activities;
 - Operational review of warehouse and logistics management;
 - Operational review of fire prevention risks, security, safety and health controls;
 - Performance and compliance review for capital expenditure project management;
 - Review on wastepaper purchase decision making and operational quality control;
 - Review of related and recurrent related party transactions; and
 - Post-audit review to follow up previous audit issues and status of remedial actions taken.
3. Investigation into activities or matters as requested by Management; and
4. Follow-up on implementation of management action plans to ensure that necessary actions have been taken to remedy any significant gaps identified through audit assignments.

This Audit Committee Report is made in accordance with resolution of the Board of Directors dated 10 June 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Statement on Risk Management and Internal Control is prepared in accordance with the requirement of Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad and the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers* endorsed by Bursa Malaysia Securities Berhad.

Roles and Responsibilities

The Board of Directors recognise the importance of the risk management and internal control system to the Group and acknowledge their responsibilities to implement risk management and internal control system to mitigate risks faced by the Group.

The Board is assisted by the Management in implementing policies and procedures on risk and internal control. They have implemented processes to identify, evaluate, monitor and manage significant risks faced by the Group. The internal control system was designed to provide reasonable assurance but not absolute assurance against material loss or failure.

Risk Management Framework

The Board of Directors of Muda Holdings Berhad is assisted by Audit Committee and the board members of subsidiary companies in overseeing the Group’s risk management and internal control system. Risk Management Framework (“Framework”) is implemented whereby major and active subsidiaries in the Group are required to carry out their individual risk assessment and manage in accordance with the Framework. Companies in the Group are required to identify and assess the risks and score it at gross and residual level based on the likelihood of occurrence and potential impact. These risks identified are broadly grouped into Strategic Risk, Operational Risk, Financial Risk and Compliance Risk and the outcome of the process is documented into a half yearly risk management reports to the Board of Directors.

The risk management reports prepared under the Framework are subject to review by the Audit Committee. Executive Directors and senior managers in the Group will attend the review and where necessary, the Audit Committee may make recommendation(s) for Management’s consideration.

In-House Internal Audit Department

The Group has established an in-house Internal Audit Department to assist the Board in determining the adequacy and effectiveness of risk management and internal control systems in the Group. The internal audit team reports to the Chairman of the Audit Committee and they undertake audit of risk management and internal control system of companies in the Group. The results of the audit are tabled, reviewed and discussed by the Audit Committee. If necessary, the respective management team from audited companies may be requested to join the meeting where the relevant audit findings were discussed.

The activities of the Internal Audit Department are explained in the Audit Committee Report on Page 34 of this Annual Report.

Principal Risks

The summary below shows the principal risks and mitigating measures of the Group which are not necessarily arranged in the terms of priority and the mitigating actions in place. The counter measures planned and implemented will only be able to reduce the principal risks and do not provide the absolute elimination.

Principal Risk	Mitigating Actions
a. Supply of raw material for manufacturing of paper Adequate supply of waste paper is key to continuous operations of the paper mills. Local demand has outpaced supply from domestic market resulting in risk of shortfall in supply from domestic market and increased cost.	The Group will strengthen its collection centres to maximise procurement of the material from local suppliers. At the same time, the paper mills are establishing network of supplies from overseas to mitigate the risk of shortfall in supply.
b. New entrants into local market With the new capacities from existing and new paper mills, Malaysia will become a net exporter of paper roll in the near future. The net selling price of paper roll is expected to be lower with the stiff competition.	Continue its effort to achieve gross output at optimum level in order to lower production costs and stay competitive by implementing productivity and quality improvement programmes.
c. Credit Exposure and Liquidity The Group's revenue is mostly made up of domestic sales with credit terms granted. Therefore, trade receivables are subject to the risk of delay in collections. This will cause additional provision for doubtful debts or bad debts written off which will impact the profitability of the Group. The tight cash inflows will in turn cause the delay in payments to suppliers which may lead to liquidity problem if the risks are not well managed.	Extension of credit term and credit period to customers are managed in accordance with Credit Control Policy and Procedures to mitigate the risks of bad debts. The level of inventories held by the Group is monitored from time to time to ensure that there is no over commitment in inventories. Besides, credit facilities of individual subsidiaries are reviewed from time to time to ensure that sufficient facilities are available for working capital.
d. Compliance with Department of Environment Requirements The manufacturing process of paper mills and carton plants in the Group produces waste, emission and effluent discharge which are required to comply with regulatory requirements. Breach of the regulation may result in plant closure and health hazards to employees and the community.	The Group has invested in waste water treatment plants and other equipments and facilities to ensure its handling and disposal of waste, emission and effluent to comply with the regulatory requirements.

Assurance from Managing Director and Chief Financial Officer

The Managing Director and Chief Financial Officer have provided assurance to the Company that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Review of This Statement

Pursuant to Paragraph 15.23 of the MMLR of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement for inclusion in the 2019 Annual Report, and have reported to the Board that nothing has come to their attention that cause them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*, nor is the Statement factually inaccurate.

Conclusion

The Board of Directors is of the opinion that the risk management and internal control system of the Group which have been set in place in the financial year and up to the date of this Statement is adequate and effective based on the results of the review undertaken by the Board.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 10 June 2020.

SUSTAINABILITY STATEMENT

The Group embraces the value of corporate responsibility and sustainability management in its business operations and activities. The Group's commitment towards the need for transparent business practices that encompass ethical values and respect at its workplace, the community and the environment.

In compliance to the requirements of Bursa Malaysia Securities Berhad under Paragraph 9.45(2) of the Main Market Listing Requirements (supplemented by Practice Note 9), the Board of Directors ("the Board") of Muda Holdings Berhad ("Muda") are adopting the recommendation by providing the sustainability statement of the Group's business on annual basis.

At this stage, the Group has embarked on initiatives to review our sustainability management approach, performance measurement and disclosure in the effort to strengthen our approach towards a sustainable business in Economic, Environmental and Social ("EES") aspects. This will involve developing new policies and procedures, implementing various initiatives and action plans, setting achievement goals, and report the sustainability data and information.

Governance Structure

Our sustainability framework is led from the top. A robust governance structure is crucial to ensure that we achieve our sustainability commitments. The Board leads the initiatives to embed sustainability considerations into the Group's strategy. A Sustainability Committee is set up to incorporate sustainability into the Muda Group's business processes and prepare the Group's sustainability reporting.

Stakeholder Engagement

Stakeholder engagement is a key element to ensure businesses continues to be relevant and has value added. To represent the interests of each identified stakeholder group, we have selected individual stakeholders using methods appropriate to the type of stakeholder. Stakeholders have been identified and profiled based on their influence on the Group or how they are impacted by the Group. Our approach is briefly illustrated in the Stakeholder Engagement Matrix below:

Stakeholders	Description	Engagement Method	Sustainability Issues
Customers	Our customers are converters, product manufacturers and distributors.	Customer feedback, factory visit and monthly meeting.	Product quality, cost and services.
Employees	Our employees are key enablers of all our business activities and provide value added service throughout the value chain.	Representative meeting, monthly briefing and training.	Prompt salary payment, performance management, learning & development, compensation and benefits.
Shareholders	The owners of the Company.	Annual General Meeting.	Profitability, sales performance, corporate governance and compliance.
Regulators	Government bodies that enforce compliance of the Group.	Income tax return, Sales Tax return, License renewal, Securities Commission declaration, Annual return, Declaration to Department of Environment and Department of Occupational Safety and Health ("DOSH").	Compliance with legal requirements, financial reporting, environmental compliance, occupational safety and health.
Bankers	Source of business and project financing.	Annual review of financial performance and financial position.	Financial health, solvency, loan covenants, default in repayment of interest and principals.
Competitors	Rivals of the Company.	Update on market condition.	Anti-competitive practices, business strategy and plan, market penetration.
Suppliers	Raw materials suppliers.	Monthly meeting and factory visit.	Waste paper and pulp source and pricing, imported medium and liner price comparison.
Local community	Population surrounding the business units.	Programme through corporate social responsibility.	Social and environmental issue, local community development.

We consistently engage with our stakeholders through multiple channels to obtain their views. Their feedback is imperative as they represent important barometers to measure the effectiveness of our sustainability initiatives.

Economic

At Muda, we strive to have a consistent supply of materials in addition to fair price for all the materials purchased. We work with various suppliers ranging from raw materials, chemicals and plant and machinery for our manufacturing activities. All our subsidiaries are undertaking sustainable approaches in purchasing and contracting activities to promote minimum wastage.

To contribute to our local economy, we support local supplies. In 2019, more than 70% of the raw materials were locally sourced for both the paper mills and carton plants.

For the financial year ended 31 December 2019, Muda recorded revenue of RM1.52 billion with profit after tax of RM40.79 million. By having consistent return from utilisation of its assets, Muda continued to distribute dividends to its shareholders which is highly dependent on the Group's financial performance.

As part of our effort to strengthen the Group's ethical conduct, we have adopted an Anti-Bribery and Anti-Corruption Policy which is in line with the Malaysian Anti-Corruption Commission (Amendments) Act 2018 which came into effect on 1 June 2020. We will incorporate the corruption risk as part of our annual risk assessment. As required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Anti-Bribery and Anti-Corruption Policy is available at the Company's website at www.muda.com.my.

Environment

Recovered paper is the main source of raw material in our production process (except for the MG Grade paper which uses 100% virgin pulp). Total recovered paper consumed by the Mill Division in 2017, 2018 and 2019 were as follows:

	2017	2018	2019
Muda Paper Mill Sdn Bhd – Kajang	272,000 MT	282,000 MT	287,000 MT
Muda Paper Mill Sdn Bhd – Tasek	202,000 MT	186,000 MT	197,400 MT
Total	474,000 MT	468,000 MT	484,400 MT

The recovery of waste paper will help to preserve the environment instead of disposing them to land fills or for burning. Muda Group is the pioneer in paper milling in Malaysia and has consistently promoted the recovery of waste paper with the following initiatives:

- Promote awareness of the 3Rs (Reduce, Reuse and Recycle) within our organisation, local community and charitable bodies, such as Tzu Chi Foundation. In 2019, we collected more than 224 MT waste paper from local community near our paper mill at Tasek, Penang.
- Providing technical and financial support to individuals who are keen to start up a business in waste paper collection.
- Increasing existing fibre utilisation (reduction of fibre wastage) and using technology instruments or chemical to improve the paper strength and reduce fibre consumptions.

As part of the initiative to reduce the reliance on fossil fuel, biomass energy is used as an alternative source of energy. From the data collected by our Tasek Mill, Penang, it was revealed that their utilisation of coal has reduced significantly from 63% in 2018 to 22% in 2019, whilst the utilisation of biomass has increased to 53% in 2019 from 28% in 2018.

As compliance is an important part in managing our environmental risk, we are committed to ensure full compliance with applicable environmental laws and regulations to reduce the environmental footprint. Both our Kajang and Tasek Paper Mills are equipped with biological effluent treatment plants where all the used water goes through a series of physical, chemical and biological treatment processes to ensure that the quality of the waste water discharged meets the standards prescribed under the Environmental Quality (Industrial Effluent) Regulations 2009. Our biological effluent treatment plants are consistently and properly maintained to ensure optimal operation level to prevent risk of breakdown as failure of our biological effluent treatments plant will result in contamination of the rivers. Our factories have also adhered strictly to the Environmental Quality (Schedule Wastes) Regulations 2005 for treatment and disposal of scheduled wastes from our factories such as sludge, ash and ink wastes. In financial year 2019, the Group did not breach any of the environmental laws and regulations.

SUSTAINABILITY STATEMENT

Social

The Group places great emphasis on maintaining a safe working environment at all the factories. To improve Group wide safety awareness amongst employees and to consistently reduce occupational hazards and accidents, we have:

- A Health and Safety Officer to head the Safety Department in each of our business units in Malaysia which is in line with the requirements of the DOSH.
- Training of safety awareness and review of safety procedures were held yearly to ensure that the staff are kept abreast of current practices. Inter-company fire drills and fire drills with the respective district fire department were held to improve the skills of the fire fighting team.
- Frequent inspection of machineries and equipment were carried out and site safety working procedures were strictly enforced to ensure safe working conditions.

A Health Week was organised by our companies in Penang to create awareness amongst employees on hypertension and diabetes and ways to manage stress. They also had a badminton competition at the end of 2019 to encourage communication and teamwork amongst employees while promoting a healthy lifestyle.



Our subsidiary in Johor held community-focused charitable events in early 2019 with visits to disabled care centre and orphanage during the festive seasons and donated cash and essential items. Team building activities were also held to promote the teamwork, better understanding amongst employees and to also promote a culture of diversity.



The Way Forward

The Group has always been a strong proponent of sustainable growth and will continue with its effort to build a sustainable business based on sustainable practices that will engage and take into account the interests of all the shareholders in a sustainable manner.

The Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 10 June 2020.

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 (the "Act") to prepare the financial statements for each financial year which have been set out in accordance with the applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the requirements of the Act in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- (i) adopted appropriate accounting policies and applied them consistently;
- (ii) made judgements and estimates that are reasonable and prudent; and
- (iii) prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

THE FINANCIALS

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

There were no significant changes in the nature of principal activities of the Company and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	40,794	18,565
Attributable to:-		
Owners of the Company	39,337	18,565
Non-controlling interests	1,457	-
	40,794	18,565

DIVIDENDS

The amount of dividends declared and paid since the end of the previous financial year were as follows:-

	RM'000
In respect of financial year ended 31 December 2018 and paid on 16 July 2019:-	
First and final single tier dividend of 4.5 sen per share	13,727

A first and final single tier dividend of 4.0 sen per share on 305,050,835 ordinary shares, amounting to RM12,202,033 was recommended by the Directors in respect of the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURES

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

There were no issuance of debentures during the financial year.

DIRECTORS OF THE COMPANY

The Directors who held office during the financial year and up to the date of this report are as follows:-

Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN (Non-Executive Chairman)*
 Dato' Azaman Bin Abu Bakar, DIMP (Executive Deputy Chairman)*
 Datuk Lim Chiun Cheong, DSPM (Managing Director)*
 Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (Senior Independent Non-Executive Director)
 Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (Independent Non-Executive Director)
 Wong Choong Yee (Independent Non-Executive Director)
 Dato' Lim Wan Peng, DSPN (Executive Director, demised on 15 February 2019)*
 Lim Yen Wee (Ceased to be Alternate Director to Dato' Lim Wan Peng on 15 February 2019)*
 Lim Siew Ling (Appointed on 1 January 2020 as Non-Independent Non-Executive Director)*
 Lim Yen Wee (Appointed on 1 January 2020 as Non-Independent Non-Executive Director)*

* Directors of the Company and subsidiaries

DIRECTORS' REPORT

LIST OF DIRECTORS OF SUBSIDIARIES

The Directors of subsidiaries who held office during the financial year and up to the date of this report are as follows:-

Beh Tee Chai	Lim Poh Beng
Chau Tien Dung	Lim Wah Kong
Chew Phai Cheng	Loo Ee Fah
Chua Hwee Hooi	Seow Tiong Hwa
Goh Ching Yee	Tan Chaik Phoay
Goh Chun Hui	Tan Kuo Keng
Hayakawa Naohiko	Tan Tee Sea
Kang Yiang Lip	Teoh Hai Thow
Kok Boon Hong	Wong Mun Chen
Kok Lye Kheong	Wu Zhi Jing
Lau Saw Khim	Yamashita Masashi

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016 (the "Act"), the interests and deemed interests in the shares of the Company or its subsidiaries or related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including their spouses or children) are as follows:-

Interests in the Company	Number of ordinary shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
Tan Sri Lim Guan Teik				
- direct interest	3,250,000	-	-	3,250,000
- deemed interest	124,302,313	-	-	124,302,313
Dato' Azaman Bin Abu Bakar				
- direct interest	100,000	-	-	100,000
- deemed interest	114,770,013	-	-	114,770,013
Datuk Lim Chiun Cheong				
- direct interest	715,500	-	-	715,500
- deemed interest	126,836,813	-	-	126,836,813
Lee Khim Sin				
- direct interest	60,000	-	-	60,000
- deemed interest	203,000	-	-	203,000

By virtue of the direct and deemed interest of Tan Sri Lim Guan Teik, Dato' Azaman Bin Abu Bakar and Datuk Lim Chiun Cheong in the Company, they are also deemed to have interest in shares of all the subsidiaries to the extent that the Company has an interest, under Section 8 of the Act.

Save for the above, none of the other Directors in office at the end of the financial year held any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements of the Group or of the Company and of its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 35 to financial statements.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:-

- (a) to ascertain that action had been taken in relation to writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

- (a) any charge on assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

INDEMNITY AND INSURANCE COST

The Directors and officers of the Group and of the Company are covered by the Directors' and Officers' Liability Insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM42,000.

There was no indemnity given to, or insurance effected for the Auditors of the Company during the financial year.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 47 to the financial statements.

AUDITORS

The Auditors' remuneration is disclosed in Note 37 to the financial statements.

The Auditors, Messrs Grant Thornton Malaysia PLT (a conventional partnership was converted to a limited liability partnership on 1 January 2020), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 10 June 2020.

DATO' AZAMAN BIN ABU BAKAR
Director

DATUK LIM CHIUN CHEONG
Director

Kuala Lumpur

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

In the opinion of the Directors, the financial statements set out on pages 51 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

DATO' AZAMAN BIN ABU BAKAR

DATUK LIM CHIUN CHEONG

Kuala Lumpur
10 June 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Dato' Azaman Bin Abu Bakar, being the Director primarily responsible for the financial management of Muda Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 126, to the best of my knowledge and belief are correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory on)
10 June 2020)

DATO' AZAMAN BIN ABU BAKAR

Before me:

P.Valliamah (W.594)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Muda Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year.

Capitalisation of property, plant and equipment and capital work-in-progress

The risk

The Group holds a significant amount of property, plant and equipment with net carrying amount of RM1,145.3 million and capital work-in-progress of RM57.3 million as at 31 December 2019 as detailed in Notes 5 and 7 to the financial statements.

The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment and capital work-in-progress meets the specific recognition criteria as set out in MFRS 116 *Property, Plant and Equipment*, specifically in relation to assets constructed by the Group.

Our response

We have performed testing on the capitalisation process, assessing the nature of capital work-in-progress capitalised by the Group in order to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria as set out in MFRS 116.

We considered whether capitalisation of assets ceased when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the Group and that a consistent approach was applied by the Group across all operations.

Tax expense and the recognition of deferred tax assets

The risk

The management makes judgements and estimates in relation to tax issues and exposures of which its interpretation by the tax authorities could be significantly different from the estimates.

Referring to Note 12 to the financial statements, the Group has recognised RM0.7 million of deferred tax assets. This recognition involves judgement by management as to the likelihood of the realisation of these deferred tax assets. The expectation that the benefit of these assets will be realised depends on a number of factors, including appropriate taxable temporary differences, and whether there will be sufficient taxable profits in future periods to support its recognition.

The Group has recognised provisions against certain tax positions, the valuation of which is an inherently judgemental area.

Our response

We evaluated the management's assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by evaluating the Directors' future profits forecast and projections and the process which were drawn up, including testing the underlying calculations and comparing them to the latest Directors' approved budgets.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

We evaluated the management's key assumptions for long term growth rates in the projections by comparing them to historical results, economic and industry projections used to derive at the taxable profits.

We assessed the adequacy of the management's tax provisions by considering factors such as whether income is taxable or expenses are deductible and whether the provision addresses possible penalties and interest.

Inventory valuation

The risk

Referring to Note 13 to the financial statements. The Group holds inventories that amounted to RM263.7 million which is subject to a risk that the inventories become slow-moving or obsolete and rendering it not saleable or can only be sold at selling prices that are less than the carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence and in making an assessment of its adequacy due to risks of inventories not stated at the lower of cost or net realisable value.

Our response

We tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions, and considered the nature and suitability of historical data used in estimating the provisions. In doing so, we obtained an understanding on the ageing profile of inventories, the process for identifying specific problem inventories and historical loss rates.

Impairment on doubtful receivables

The risk

Referring to Note 14 to the financial statements. The Group has significant trade receivables amounted RM253.9 million as at the reporting date and is subject to credit risk exposures. We focus on this area as deriving the expected credit losses of receivables involves management's judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.

Our response

We have obtained an understanding of the Group's control over the trade receivables' collection process, how the Group identifies and assesses the loss allowance of trade receivables and how the Group makes the accounting estimates for loss allowance.

We have reviewed the application of the Group's policy for calculating the expected credit loss, considered the ageing of the trade receivables and testing the reliability thereon. In doing so, we have evaluated techniques and methodology applied for the expected credit loss approach and assessed the estimated future cash inflows by examining the historical collection records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information.

Provision for retirement benefit

The risk

The Group and the Company operates an unfunded defined benefit scheme with carrying amount of RM50.0 million and RM6.5 million respectively as at 31 December 2019. Management judgement is required in determining the key actuarial assumptions that underpin the calculation of the provision for retirement benefit. In particular, the discount rate, inflation rate, salary growth and mortality assumptions that could have material impact on the calculation of the liability. Further information is included in Note 26 to the financial statements.

Our response

The management has used external actuaries to assist them in computing the provision for retirement benefit. We evaluated the key actuarial assumptions that they made in relation to the valuations of liabilities and the assumptions around salary growth and mortality rates by comparing them to industry averages.

We have also assessed the competency and independence of the external actuaries used by the management in determining the actuarial assumptions. Competency has been assessed by confirming that the external actuaries do have sufficient experience.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, 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 and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company 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 financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

Other Matters

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

GRANT THORNTON MALAYSIA PLT
(201906003682 & AF: 0737)
CHARTERED ACCOUNTANTS

KISHAN NARENDRA JASANI
(NO.: 3223/12/21(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
10 June 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,145,330	1,157,844	20,934	21,760
Prepaid land lease payments	6	-	4,285	-	-
Capital work-in-progress	7	57,294	50,843	-	-
Investment properties	8	6,880	11,260	-	-
Investment in subsidiaries	9	-	-	238,561	226,178
Investment in associates	10	17,500	19,887	*	*
Intangible assets	11	11,663	11,649	-	-
Deferred tax assets	12	791	2,182	-	-
Total non-current assets		1,239,458	1,257,950	259,495	247,938
Current assets					
Inventories	13	263,730	298,256	-	-
Trade receivables	14	253,862	267,086	-	-
Other receivables	15	31,301	32,234	242	327
Amount due from subsidiaries	9.3	-	-	15,060	29,506
Amount due from associates	10.3	1,644	2,000	880	890
Financial assets at fair value through profit or loss	16	5,063	4,879	5,063	4,879
Derivative financial instruments	17	144	-	-	-
Tax recoverable		794	1,978	586	1,221
Cash and bank balances, deposits and short term placements	18	134,157	94,158	17,668	9,309
Total current assets		690,695	700,591	39,499	46,132
Asset included in disposal group as held for sale	19	4,300	80	-	-
TOTAL ASSETS		1,934,453	1,958,621	298,994	294,070
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the Company					
Share capital	20	159,471	159,471	159,471	159,471
Reserves	21	318,182	311,733	16,604	16,828
Retained earnings	22	579,944	551,463	112,994	107,932
Total equity attributable to owners of the Company		1,057,597	1,022,667	289,069	284,231
Non-controlling interests		24,172	24,062	-	-
Total equity		1,081,769	1,046,729	289,069	284,231
Non-current liabilities					
Finance lease liabilities	23	-	34,030	-	841
Borrowings	24	92,660	102,038	-	-
Lease liabilities	25	27,686	-	611	-
Provision for retirement benefit	26	49,981	50,756	6,485	5,936
Deferred tax liabilities	12	89,256	74,949	581	782
Total non-current liabilities		259,583	261,773	7,677	7,559

* Less than RM1,000

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current liabilities					
Trade payables	27	68,399	61,073	-	-
Other payables	28	88,496	91,128	2,006	2,040
Amount due to subsidiaries	9.3	-	-	12	12
Amount due to associates	10.3	1,294	533	-	-
Derivative financial instruments	17	-	14	-	-
Finance lease liabilities	23	-	17,003	-	228
Borrowings	24	404,297	458,592	-	-
Lease liabilities	25	17,364	-	230	-
Bank overdrafts	29	10,087	19,426	-	-
Tax payable		3,164	2,350	-	-
Total current liabilities		593,101	650,119	2,248	2,280
TOTAL LIABILITIES		852,684	911,892	9,925	9,839
TOTAL EQUITY AND LIABILITIES		1,934,453	1,958,621	298,994	294,070

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	30	1,518,595	1,544,260	28,026	26,969
Cost of sales		(1,236,839)	(1,249,239)	-	-
Gross profit		281,756	295,021	28,026	26,969
Other income	31	5,860	6,896	1,011	702
Distribution expenses		(91,834)	(86,906)	-	-
Administration expenses		(75,653)	(76,450)	(10,008)	(10,076)
Other expenses	32	(23,979)	(10,480)	(18)	(185)
Compensation received due to fire, net of expenses		-	3,110	-	-
Finance costs	33	(28,647)	(30,912)	(45)	(20)
Share of (loss)/profit of associates		(1,454)	593	-	-
Profit before tax		66,049	100,872	18,966	17,390
Tax (expense)/income	36	(25,255)	(21,221)	(401)	130
Profit for the financial year	37	40,794	79,651	18,565	17,520
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	26	-	3,484	-	(25)
Revaluation of property, plant and equipment		11,155	-	-	-
Tax effect on items that will not be reclassified to profit or loss	36	(800)	(7,255)	-	6
		10,355	(3,771)	-	(19)
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(1,210)	(2,012)	-	-
		(1,210)	(2,012)	-	-
Other comprehensive income/(loss) for the financial year, net of tax		9,145	(5,783)	-	(19)
Total comprehensive income for the financial year		49,939	73,868	18,565	17,501
Profit attributable to:-					
Owners of the Company		39,337	77,534	18,565	17,520
Non-controlling interests		1,457	2,117	-	-
		40,794	79,651	18,565	17,520
Total comprehensive income attributable to:-					
Owners of the Company		48,826	71,735	18,565	17,501
Non-controlling interests		1,113	2,133	-	-
Total comprehensive income for the financial year		49,939	73,868	18,565	17,501
Earnings per share attributable to owners of the Company					
Earnings per share					
- basic (sen)	38	12.90	25.42		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company					
	Share capital	Other reserve	Exchange fluctuation reserve	Revaluation reserve	Retained earnings	Total
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Balance at 1 January 2018	159,471	2,887	9,813	311,201	481,267	964,639
Effect of adoption of MFRS 9	-	-	-	-	(3,030)	(3,030)
Balance at 1 January 2018	159,471	2,887	9,813	311,201	478,237	961,609
Profit for the financial year	-	-	-	-	77,534	77,534
Other comprehensive (loss)/income for the financial year	-	-	(2,219)	(6,802)	3,222	(5,799)
Total comprehensive (loss)/income for the financial year	-	-	(2,219)	(6,802)	80,756	71,735
Realisation of revaluation reserve upon depreciation of revalued assets	-	-	-	(3,147)	3,147	-
Transactions with owners:-						
Acquisition of subsidiaries	9	-	-	-	-	(590)
First and final single tier dividend of 3.5 sen per share	39	-	-	-	(10,677)	(10,677)
Dividend paid to non-controlling interests	-	-	-	-	-	(1,403)
Total transactions with owners of the Company	-	-	-	-	(10,677)	(1,993)
Balance at 31 December 2018	159,471	2,887	7,594	301,252	551,463	1,022,667
						24,062
						1,046,729

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to owners of the Company					Distributable		Total equity RM'000
		Share capital RM'000	Other reserve RM'000	Exchange fluctuation reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	
Group									
Balance at 31 December 2018		159,471	2,887	7,594	301,252	551,463	1,022,667	24,062	1,046,729
Effect of adoption of MFRS 16	4	-	-	195	-	(364)	(169)	(25)	(194)
Balance at 1 January 2019		159,471	2,887	7,789	301,252	551,099	1,022,498	24,037	1,046,535
Profit for the financial year		-	-	-	-	39,337	39,337	1,457	40,794
Other comprehensive (loss)/income for the financial year		-	-	(866)	10,355	-	9,489	(344)	9,145
Total comprehensive (loss)/income for the financial year		-	-	(866)	10,355	39,337	48,826	1,113	49,939
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	(3,235)	3,235	-	-	-
Transactions with owners:-									
Issuance of shares by newly incorporated of subsidiaries	9	-	-	-	-	-	-	470	470
First and final single tier dividend of 4.5 sen per share	39	-	-	-	-	(13,727)	(13,727)	-	(13,727)
Dividend paid to non-controlling interests		-	-	-	-	-	-	(1,448)	(1,448)
Total transactions with owners of the Company		-	-	-	-	(13,727)	(13,727)	(978)	(14,705)
Balance at 31 December 2019		159,471	2,887	6,923	308,372	579,944	1,057,597	24,172	1,081,769

← Attributable to owners of the Company → ← Non-Distributable → Distributable					
Note	Share capital RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	
Company					
Balance at 1 January 2018	159,471	17,052	100,884	277,407	
Profit for the financial year	-	-	17,520	17,520	
Other comprehensive loss for the financial year	-	-	(19)	(19)	
Total comprehensive income for the financial year	-	-	17,501	17,501	
Realisation of revaluation reserve upon depreciation of revalued assets	-	(224)	224	-	
Transaction with owners:-					
First and final single tier dividend of 3.5 sen per share	-	-	(10,677)	(10,677)	39
Balance at 31 December 2018	159,471	16,828	107,932	284,231	
Profit and total comprehensive income for the financial year	-	-	18,565	18,565	
Realisation of revaluation reserve upon depreciation of revalued assets	-	(224)	224	-	
Transaction with owners:-					
First and final single tier dividend of 4.5 sen per share	-	-	(13,727)	(13,727)	39
Balance at 31 December 2019	159,471	16,604	112,994	289,069	

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
Note	2019 RM'000	Restated 2018 RM'000	2019 RM'000	2018 RM'000
OPERATING ACTIVITIES				
Profit before tax	66,049	100,872	18,966	17,390
Adjustments for:-				
Amortisation of prepaid land lease payments	-	328	-	-
Bad debts written off	307	417	-	-
Depreciation of property, plant and equipment	65,050	68,234	621	857
Depreciation of right-of-use assets	11,767	-	316	-
Fair value (gain)/loss on derivative financial instruments	(158)	44	-	-
Fair value (gain)/loss on financial assets at fair value through profit or loss	(10)	183	(10)	183
Impairment loss on doubtful trade receivables				
- current	4,894	4,984	-	-
- no longer required	(1,565)	(1,976)	-	-
Impairment loss on investment in associates	887	91	-	-
Interest expenses	28,647	30,912	45	20
Inventories written off	816	2,489	-	-
Inventories written down	179	2	-	-
Property, plant and equipment written off	222	1,038	3	*
Provision for retirement benefit	5,479	6,126	549	517
Dividend income	(174)	(227)	(20,506)	(19,415)
Fair value adjustments on investment properties	80	105	-	-
Gain on disposal of property, plant and equipment	(1,557)	(573)	(246)	(119)
Interest income	(851)	(708)	(396)	(210)
Reversal of inventories written down	(5)	(44)	-	-
Fair value gain arising from deemed disposal of subsidiaries	-	*	-	-
Impairment loss on capital work-in-progress	15,603	-	-	-
Share of loss/(profit) of associates	1,454	(593)	-	-
Unrealised (gain)/loss on foreign exchange	(181)	640	-	-
Operating profit/(loss) before working capital changes	196,933	212,344	(658)	(777)
Changes in working capital:-				
Inventories	33,519	(41,350)	-	-
Receivables	10,331	23,797	85	(109)
Payables	1,595	(16,722)	(34)	132
Bills payable	(63,923)	(24,143)	-	-
Associates	5	8	-	-
Cash generated from/(used in) operations	178,460	153,934	(607)	(754)
Retirement benefit paid	(2,366)	(1,894)	-	(603)
Dividend received	73	154	27,315	29,251
Dividend paid to owners of the Company	(13,727)	(10,677)	(13,727)	(10,677)
Dividends paid to non-controlling interests	(1,448)	(1,403)	-	-
Interest paid	(28,761)	(31,954)	(45)	(20)
Interest received	851	708	396	210
Tax paid	(9,333)	(9,727)	(83)	(83)
Tax refunded	1,002	196	116	7
Net cash generated from operating activities	124,751	99,337	13,365	17,331

* Less than RM1,000

		Group		Company	
	Note	2019 RM'000	Restated 2018 RM'000	2019 RM'000	2018 RM'000
INVESTING ACTIVITIES					
Capital work-in-progress incurred	A	(44,073)	(76,544)	-	-
Proceeds from disposal of property, plant and equipment		3,012	2,552	275	119
Purchase of property, plant and equipment	B	(14,094)	(21,860)	(143)	(147)
Purchase of investment properties		-	(367)	-	-
Additional investment in subsidiaries		-	-	(12,383)	(15,000)
Acquisition of subsidiaries, net of cash acquired	9.1	-	(3,491)	-	-
Net cash used in investing activities		(55,155)	(99,710)	(12,251)	(15,028)
FINANCING ACTIVITIES					
Proceeds from shares issued to non-controlling interest		470	-	-	-
Drawdown of revolving credit		4,229	5,048	-	-
Drawdown of onshore foreign currency loan		10,899	10,914	-	-
Drawdown of flexi financing loans		194,497	172,121	-	-
Drawdown of term loans		19,006	43,469	-	-
Repayment of flexi financing loans		(190,136)	(178,489)	-	-
Repayment of onshore foreign currency loan		(13,238)	(9,447)	-	-
Repayment of finance leases		-	(16,757)	-	(176)
Repayment of term loans		(24,881)	(15,481)	-	-
Repayment on lease liabilities	D	(20,990)	-	(228)	-
Repayment received from subsidiaries		-	-	7,463	1,278
Repayment received from associates		-	-	10	10
Repayment of bank overdraft		(9,339)	(7,289)	-	-
(Placement)/Withdrawal of fixed deposit pledged		(3)	1,874	-	-
Net cash (used in)/generated from financing activities		(29,486)	5,963	7,245	1,112
CASH AND CASH EQUIVALENTS					
Net changes		40,110	5,590	8,359	3,415
Effect of exchange rate changes		(114)	(1,474)	-	-
Brought forward		92,913	88,797	9,309	5,894
Carried forward	C	132,909	92,913	17,668	9,309

NOTES TO THE STATEMENTS OF CASH FLOWS

A. CAPITAL WORK-IN-PROGRESS INCURRED

	Group	
	2019 RM'000	2018 RM'000
Total additions	50,412	100,235
Purchase through lease arrangements	(6,339)	(23,691)
Cash payment	44,073	76,544

B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total additions	17,859	31,097	143	982
Purchase through lease arrangements	(3,765)	(3,488)	-	(835)
Purchase through term loans	-	(5,749)	-	-
Cash payment	14,094	21,860	143	147

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise of the following amounts:-

	Group		Company	
	2019 RM'000	Restated 2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	102,281	76,034	3,033	392
Fixed deposits with licensed banks	9,609	3,675	-	-
Short term placements with financial institutions	22,267	14,449	14,635	8,917
	134,157	94,158	17,668	9,309
Less: Fixed deposits pledged	(1,248)	(1,245)	-	-
	132,909	92,913	17,668	9,309

D. CASH OUTFLOWS FOR LEASES AS A LESSEE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Included in net cash from operating activities:-				
Payment relating to short-term leases	6,291	-	216	-
Payment relating to leases of low-value assets	173	-	-	-
Interest paid in relation to lease liabilities	3,138	-	44	-
Included in net cash from financing activities:-				
Payment of lease liabilities	20,990	-	228	-
Total cash outflows for leases	30,592	-	488	-

Reconciliation of liabilities arising from financing activities

Group	Note	Finance lease liabilities RM'000	Lease liabilities RM'000	Bankers acceptance RM'000	Flexi financing loans RM'000	Onshore foreign currency loan RM'000	Revolving credit RM'000	Term loans RM'000	Total RM'000
Balance as at 1 January 2018		40,297	-	344,904	17,847	872	90,570	96,908	591,398
Net cash flows		(16,757)	-	(24,143)	(6,368)	1,467	5,048	27,988	(12,765)
Non-cash changes		27,493	-	-	-	-	(40)	5,577	33,030
Balance as at 31 December 2018		51,033	-	320,761	11,479	2,339	95,578	130,473	611,663
Effect of adoption of MFRS 16	4	(51,033)	55,931	-	-	-	-	-	4,898
Balance at 1 January 2019		-	55,931	320,761	11,479	2,339	95,578	130,473	616,561
Net cash flows		-	(20,990)	(63,923)	4,361	(2,339)	4,229	(5,875)	(84,537)
Non-cash changes		-	10,109	-	-	-	(20)	(106)	9,983
Balance as at 31 December 2019		-	45,050	256,838	15,840	-	99,787	124,492	542,007
Company									
Balance as at 1 January 2018		410	-	-	-	-	-	-	410
Net cash flows		(176)	-	-	-	-	-	-	(176)
Non-cash changes		835	-	-	-	-	-	-	835
Balance as at 31 December 2018		1,069	-	-	-	-	-	-	1,069
Effect of adoption of MFRS 16	4	(1,069)	1,069	-	-	-	-	-	-
Balance at 1 January 2019		-	1,069	-	-	-	-	-	1,069
Net cash flows		-	(228)	-	-	-	-	-	(228)
Balance as at 31 December 2019		-	841	-	-	-	-	-	841

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. It is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company are located at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates. The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include any other entities.

The Company is principally engaged in investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements. There were no significant changes in the nature of principal activities of the Company and its subsidiaries during the financial year.

The financial statements of the Group and of the Company for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 10 June 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared under historical cost convention, unless otherwise indicated in the summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and its measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group and the Company.

The fair value of an asset or a liability is measured on the assumptions that market participants would act in their economic best interest when pricing the asset or liability. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The management oversees all the significant fair value measurements and regularly reviews the significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all financial information is presented in RM and has been rounded to the nearest thousand unless otherwise stated.

2.4 MFRSs

2.4.1 Adoption of new or revised MFRSs

The Group and the Company have applied the following standards, amendments to published standards and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 – *Leases*
- Amendments to MFRS 9 – *Financial Instruments*
- Amendments to MFRS 119 – *Employee Benefits*
- Amendments to MFRS 128 – *Investments in Associates and Joint Ventures*
- Annual Improvements to MFRSs 2015 - 2017 Cycle
- IC Interpretation 23 – *Uncertainty over Income Tax Treatments*

The adoption of the above MFRSs, amendments to published standards and IC Interpretations did not have any material impact on the current and prior year financial statements of the Group and of the Company except for those explanations as disclosed in Note 4 to the financial statements.

2.4.2 Standards issued but not yet effective

The following are MFRSs, Amendments to MFRSs and IC Interpretations with effective dates on or after 1 January 2020 issued by MASB and they have not been early adopted by the Group and the Company. The Group and the Company intend to adopt these amendments to the published standards and interpretations, if applicable, when they become effective.

(a) Amendments effective for financial year beginning on or after 1 January 2020

- Amendments to MFRS 2 – *Share-based Payment*
- Amendments to MFRS 3 – *Business Combinations*
- Amendments to MFRS 6 – *Exploration for and Evaluation of Mineral Resources*
- Amendments to MFRS 7 – *Financial Instruments: Disclosures*
- Amendments to MFRS 9 – *Financial Instruments*
- Amendments to MFRS 14 – *Regulatory Deferral Accounts*
- Amendments to MFRS 101 – *Presentation of Financial Statements*
- Amendments to MFRS 108 – *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134 – *Interim Financial Reporting*
- Amendments to MFRS 137 – *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138 – *Intangible Assets*
- Amendments to MFRS 139 – *Financial Instruments: Recognition and Measurement*
- Amendments to IC Interpretation 12 – *Service Concession Arrangements*
- Amendments to IC Interpretation 19 – *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 20 – *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132 – *Intangible Assets – Web Site Costs*

(b) Amendments effective for financial year beginning on or after 1 June 2020

- Amendment to MFRS 16 – *Leases*

(c) MFRS effective for financial year beginning on or after 1 January 2021

- MFRS 17 – *Insurance Contracts*

(d) Amendments effective for financial year beginning on or after 1 January 2022

- Amendments to MFRS 101 – *Presentation of Financial Statements*
- Amendments to MFRS 3 – *Business Combinations*
- Amendments to MFRS 116 – *Property, Plant and Equipment*
- Amendments to MFRS 137 – *Provisions, Contingent Liabilities and Contingent Assets*
- Annual Improvements to MFRS Standards 2018 - 2020

(e) Amendments effective for a date yet to be confirmed

- Amendments to MFRS 10 – *Consolidated Financial Statements*
- Amendments to MFRS 128 – *Investments in Associates and Joint Ventures*

The initial application of the MFRS and amendments to the published standards and interpretations is not expected to have any material impact on the financial statements of the Group and of the Company.

2.5 Significant accounting estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements except for the followings:-

2.5.1 Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed business losses, unabsorbed capital allowances and unabsorbed reinvestment allowances to the extent that it is probable that future taxable profit will be available against which all deductible temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits generated from operations.

The assessment of the probability of future taxable profit in which deferred tax assets can be utilised is based on the Group's latest approved budget or forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unabsorbed business losses or credit. If a positive forecast of taxable profit indicates the probable use of deductible temporary differences, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

2.5.2 Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their useful life. However, significant judgement is involved in estimating the useful life and residual value of property, plant and equipment which are subject to technological development and level of usage. Therefore, residual values of these assets and future depreciation charges may vary.

2.5.3 Valuation of property, plant and equipment and investment properties

The Group and the Company measure its land and buildings (under property, plant and equipment) and investment properties at revalued amount with changes in fair value being recognised in other comprehensive income and in profit or loss respectively. The Group and the Company engaged independent valuation specialists to determine fair values with sufficient regularity to ensure that the carrying amount or closing balance does not differ materially from the fair value of the land and buildings and investment properties at the reporting date.

The carrying amount or closing balance of the land and buildings and investment properties at the end of the reporting period, and the relevant revaluation bases, are disclosed in Notes 5 and 8 to the financial statements.

2.5.4 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present values of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. These estimates are most relevant to goodwill recognised by the Group.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill are disclosed in Note 11 to the financial statements.

Information about events and circumstances that led to the recognition or reversal of impairment loss on individual asset or cash-generating unit are disclosed in Notes 5 and 7 to the financial statements.

2.5.5 Provision for expected credit losses ("ECLs") for trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns such as customer type and rating and other forms of credit insurance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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. On each quarterly reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customers' actual default rate in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 14 to the financial statements.

2.5.6 Fair value measurement of financial instruments

Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

In estimating the fair value of financial asset or financial liability, the Group and the Company use market-observable data to the extent it is available. The management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the financial assets and financial liabilities. Where Level 1 inputs are not available, the management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date.

Information about the valuation techniques and inputs used in determining the fair value of various financial assets and financial liabilities are disclosed in the Note 44 to the financial statements.

2.5.7 Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.5.8 Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management considers the most reliable evidence available at the time the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

2.5.9 Defined benefit plan

The defined benefit liability is determined based on an actuarial valuation. An actuarial valuation involves making various assumptions regarding the discount rate, future salary growth and attrition rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. Further details of the assumptions used are disclosed in Note 26 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied to financial statements for the periods presented, unless otherwise stated.

3.1 Consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

In a business combination achieved in stages, the carrying value of the acquirer's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is classified as an asset or a liability will be recognised in accordance with MFRS 9 in the statement of profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. For instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities acquired are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of operation within that unit is disposed of, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group and the Company. Control exists when the Group and the Company are exposed, or have rights, to variable returns from their involvement with the entities and have the ability to affect those returns through their power over the entities. In circumstances when the voting rights are not more than half or when voting rights are not the dominant determinant of control, the Group and the Company use judgements to assess whether they have de facto control, control by other arrangements, or by holding substantive potential voting rights.

Consolidation of a subsidiary begins when the Group or the Company obtains control over the subsidiary and ceases when control over the subsidiary is lost.

Investment in subsidiaries is stated at cost and/or valuation in the Company's statement of financial position. Where an indication of impairment exists, the carrying amount of the subsidiaries is assessed and written down immediately to their recoverable amount. Upon disposal of investment in subsidiaries, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies to be in line with the Group's accounting policies.

3.1.3 Non-controlling interests

Non-controlling interests ("NCI") represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company. NCI in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Losses applicable to NCI in a subsidiary are allocated to NCI even though it may result in deficit to NCI.

3.1.4 Acquisition of NCI

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its NCI holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group reserves.

3.1.5 Changes in ownership in subsidiaries without loss of control

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

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3.1.6 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any NCI and other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising from the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as a financial asset depending on the level of influence retained.

3.1.7 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.1.8 Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income is also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Group's and the Company's statements of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. Fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

Land and buildings under revaluation model

The Group and the Company revalue its properties comprising land and buildings every 4 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation of properties held for own use are dealt with in other comprehensive income and are accumulated separately in equity in the revaluation reserve account. When a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation. On annual basis, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

When revalued assets are retired or disposed, the amounts included in the revaluation surplus reserve are transferred to retained earnings and are not reclassified to profit or loss.

3.2.2 Depreciation

Accumulated depreciation is based on the cost of an asset less its residual value. Significant components of individual asset are assessed separately and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

Freehold land is not depreciated but is subject to impairment test if there is any indication of impairment. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date the asset is completed and ready for use.

Depreciation of property, plant and equipment is computed over estimated useful life shown below:-

Leasehold land	Over the term of lease ranging from 31 to 870 years
Buildings	24 to 58 years
Computer systems	3 to 5 years
Electrical installation	10 to 15 years
Firefighting system	10 to 15 years
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 to 7 years
Plant and machinery	2 to 20 years
Tools and equipment	3 to 15 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and adjusted as appropriate.

3.2.3 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.3 Capital work-in-progress

Capital work-in-progress consists of property, plant and equipment under construction/installation for intended use. It is reclassified to property, plant and equipment once it is available for use. The amount is stated at cost and borrowing cost for qualifying assets is capitalised in accordance with accounting policy on borrowing cost.

Capital work-in-progress is not depreciated until the assets are ready for the intended use.

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3.4 Leased assets

Accounting policies applied until 31 December 2018

The Group and the Company as lessee

3.4.1 Finance leases

Property, plant and equipment acquired under lease arrangements which transfer substantially all the risks and rewards of ownership to the Group and the Company are classified as finance leases. The leased asset is measured at fair value of the leased asset or, if lower, at the present value of the minimum lease payments at inception. Initial direct costs are added to the amount recognised above. Leased asset is accounted in accordance with accounting policy applicable to that asset.

Leased payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Outstanding obligation due under finance lease arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease arrangements are allocated to profit or loss over the period of respective agreements.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

3.4.2 Operating leases

Leases where the Group and the Company do not assume substantially all the risk and benefits of ownership are classified as operating lease, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on straight-line basis over the lease period. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments. The payments are amortised over the lease terms which are below 50 years.

The Group and the Company as lessor

Where the Group and the Company act as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

Accounting policies applied from 1 January 2019

The Group and the Company as lessee

For any new contracts entered into on or after 1 January 2019, the Group and the Company consider whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group and the Company assess whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and the Company.
- The Group and the Company have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group and the Company have the right to direct the use of the identified asset throughout the period of use. The Group and the Company assess whether they have the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability on the statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group and the Company depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group and the Company also assess the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group and the Company measure the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statements of financial position, right-of-use assets have been included in property, plant and equipment.

The Group and the Company as lessor

The accounting policy under MFRS 16 has not changed from the previous accounting policy under MFRS 117 for lessor accounting.

Where the Group and the Company act as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

3.5 Investment property

3.5.1 Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials, direct labour, and other costs directly attributable to bring the investment property to a working condition for their intended use and borrowing costs are capitalised. It excludes costs of day-to-day servicing of an investment property. Where the fair value of the investment property under construction is not reliably determinable, it is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposed proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

3.5.2 Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

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When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.6 Intangible assets

3.6.1 Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted associates.

3.6.2 Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and accumulated impairment losses.

3.6.3 Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3.7 Financial instruments

3.7.1 Financial assets

3.7.1.1 Classification

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

The Group and the Company classify its financial assets in the following measurement categories:-

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

3.7.1.2 Recognition and derecognition

A financial asset is recognised in the statements of financial position when, and only when, the Group and the Company become party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3.7.1.3 Initial measurement

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

3.7.1.4 Subsequent measurement

Financial assets are subsequently measured at the four categories:-

(i) *Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost.

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade receivables, most of the other receivables, amount due from subsidiaries, amount due from associates and cash and cash equivalents.

(ii) *Fair value through other comprehensive income ("FVTOCI") (debt instruments)*

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVTOCI.

For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statements of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is reclassified from equity to profit or loss.

(iii) *Designated at fair value through other comprehensive income ("FVTOCI") (equity instruments)*

The Group's and the Company's management may make an irrevocable election at initial recognition to present subsequent changes in fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends are recognised as other income in the statements of profit or loss when the right of payment has been established, except when the benefits from such proceeds as a recovery of part of the cost of the financial asset, such gains are recorded in other comprehensive income. Equity instruments designated at FVTOCI are not subject to impairment assessment.

The Group and the Company have not elected to designate any equity investments at FVTOCI.

(iv) *FVTPL*

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Net changes in fair value is recognised at in profit or loss in the period which it arises.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify FVTOCI. Dividends on listed equity investments are also recognised in the statements of profit or loss when the right of payment has been established.

3.7.1.5 Impairment of financial assets

The Group and the Company assess on a forward-looking basis the expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs represent probability-weighted estimate of the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECLs reflects:-

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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ECLs are measured on either of the following basis:-

- 12-month ECLs: the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date; and
- Lifetime ECLs: the expected credit losses 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 (including extension options) over which the Group and the Company are exposed to credit risk.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group and the Company recognise an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

3.7.2 Financial liabilities

3.7.2.1 Classification

The Group and the Company classify its financial liabilities in the following measurement categories:-

- those to be measured subsequently at FVTPL; and
- those to be measured at amortised cost.

3.7.2.2 Recognition and derecognition

A financial liability is recognised in the statements of financial position when, and only when, the Group and the Company become party to the contractual provisions of the financial instrument.

A financial liability (or a part of a financial liability) is removed from its statements of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.7.2.3 Initial measurement

The Group and the Company initially measure a financial liability at its fair value plus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

3.7.2.4 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:-

(i) FVTPL

Financial liabilities at FVTPL include financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities designated upon initial recognition as at FVTPL.

At initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at FVTPL:-

- If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's and the Company's key management personnel.

Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses recognised on derivatives include exchange differences.

For financial liability that is designated as at FVTPL upon initial recognition, the Group and the Company recognise the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk in other comprehensive income and the remaining amount of the change in the fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

The Group's and the Company's financial liabilities at FVTPL include derivative liabilities.

The Group and the Company have not elected to designate any financial liability at FVTPL.

(ii) Amortised cost

Other financial liabilities not categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

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

The Group's and the Company's financial liabilities at amortised cost include lease liabilities, borrowings, amount due to subsidiaries, trade and most of the other payables. Borrowings are classified as current liabilities unless the Group and the Company have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.7.3 Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:-

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

3.7.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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3.8 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk such as foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Notes 17, 43 and 44 to the financial statements.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivatives are designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3.9 Impairment of non-financial assets

The Group and the Company assess at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell or value in use and it is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of 5 years.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually at the end of each reporting period, and when circumstances indicated that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.10 Inventories

Inventories are measured at lower of cost and net realisable value.

Cost of raw materials is determined using weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them into their existing location and condition. Cost of work-in-progress and finished goods include direct materials, labour and an appropriate proportion of manufacturing overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in the profit or loss in the period when the related inventory was subsequently used or was sold above its carrying amount.

3.11 Foreign currency

3.11.1 Foreign currency transactions

Transactions in other currencies are recorded in RM using exchange rates prevailing at the date of transaction. Similar approach for recording of transactions in currencies other than their respective functional currencies is adopted by other companies in the Group.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency of the Company at exchange rate at the reporting date. However, non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences arising from retranslation are recognised in profit or loss.

3.11.2 Operations denominated in functional currencies other than RM

Financial statements of foreign subsidiaries with functional currency other than RM are translated into RM for consolidation purpose. Assets and liabilities, including goodwill and fair value adjustments arising in an acquisition, are translated at year-end exchange rates and income and expenses are translated to RM at average rates during the financial year. Foreign currency differences arising from the consolidation are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the translation difference is allocated to NCI.

When interest in a foreign subsidiary is disposed totally or partially, resulting in loss of control, significant influence or joint control is lost, the cumulative amount in the exchange fluctuation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposed part of its interest but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign subsidiary is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item will form part of the net investment in the foreign subsidiary. Differences of such nature are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, bank balances, short-term demand deposits, fixed deposits and short-term placements which are readily convertible to known amount of cash and are not subject to risk of significant changes in value. To ensure consistency in statements of cash flows presentation, comparative figures have been restated.

3.13 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Classification of the asset (or disposal group) as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. Such assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which will continue to be measured in accordance with the applicable MFRSs. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets, investment property and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated and any equity-accounted investee is no longer equity accounted.

3.14 Equity instruments

Equity instruments are measured at cost on initial recognition and are not measured subsequently. Ordinary shares are classified as equity.

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3.15 Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will occur to settle the obligation, the provision is reversed.

Provisions are not recognised for future operating losses. If the Group and the Company have a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.16 Contingencies

(i) *Contingent liabilities*

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

(ii) *Contingent assets*

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

3.17 Borrowing costs

Borrowing costs are interest and other costs incurred by the Group and the Company in connection with the borrowing of funds. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. However, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets and it ceases or is suspended when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed or interrupted.

Investment income earned from the temporary investment of the specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.18 Employee benefits

3.18.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when employees' entitlement to future compensated absences increases. Other short-term non-accumulating compensated absences such as sick leave are recognised as and when it occurred.

3.18.2 Defined contribution plan

Defined contribution plans are post-employment benefit plan under which the Group and the Company pay fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to the respective country's statutory pension schemes.

3.18.3 Defined benefit plan

The Group and the Company operate an unfunded defined benefit plan for all eligible Malaysian Directors and employees. Net obligation in respect of defined benefit plan is calculated separately by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Net interest expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. The calculation is performed once every 3 years by a qualified actuary using the projected credit method.

The Group and the Company recognise actuarial gains and losses arising from remeasurement of defined benefit plan immediately in other comprehensive income and all expenses related to defined benefit plan in employee benefits are charged to profit or loss. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group and the Company recognise gains or losses on the settlement of a defined benefit plan when settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit liability being settled as determined on the date of settlement and the settlement price.

3.19 Revenue recognition

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as below:-

- i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer goods or services to the customer that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.
- v. Recognise revenue when (or as) the Group and the Company satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:-

- i. Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
- ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- iii. Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions are not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers:-

3.19.1 Sales of goods

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Group and the Company shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 30 to the financial statements.

3.19.2 Commission income

Commission income is recognised when the relevant services are completed.

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3.19.3 Management fee

Management fee is recognised when services are rendered.

3.20 Other income

3.20.1 Dividend income

Dividend income from investment is recognised when the Group's and the Company's right to receive payment is established.

3.20.2 Interest income

Interest income is recognised as it accrued using effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualified asset which is accounted for in accordance with the accounting policy on borrowing costs.

3.20.3 Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

3.21 Tax expenses

Tax expenses comprise current tax and deferred tax but exclude taxes arising from business combinations and items recognised directly in equity or other comprehensive income. Current and deferred tax are recognised as expenses or income in the profit or loss.

3.21.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous financial years. Tax payable (recoverable) for current and prior periods is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

3.21.2 Deferred tax

Deferred tax is provided using liability method for temporary differences between carrying amount of an asset or liability in the statements of financial position and its tax base at reporting date. However, deferred tax on temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination is not recognised because they affect neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group and the Company expect, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.5, the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rate enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets or liabilities will be realised simultaneously.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unabsorbed reinvestment allowance, being the tax incentive that is not a tax base of an asset, is recognised as deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

3.22 Related parties

A related party is a person or entity that is related to the Group and to the Company and it could be:-

- (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 the key management personnel of the Company, or of the Group, and
- (b) An entity is related to the Group if any of the following conditions applies:-
 - (i) The entity and the Group are members of the same group.
 - (ii) The entity is an associate or joint venture of the Group.
 - (iii) Both the Group and the entity are joint ventures of the same third party.
 - (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
 - (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

3.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Executive Directors to determine the resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprised mainly of corporate assets, head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, prepaid land lease payments, capital work-in-progress and intangible assets other than goodwill.

4. CHANGES IN ACCOUNTING POLICIES

4.1 MFRS 16 Leases

The Group and the Company have adopted MFRS 16 on 1 January 2019 using the modified retrospective method which the comparative information was not restated.

Upon the adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.63%.

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4.1.1 Effect of initial application

In summary, the adoption impact of MFRS 16 to the opening balances are as follows:-

Statements of financial position

Group	Note	Impact of change in accounting policy		
		31 December 2018 RM'000	MFRS 16 adjustments RM'000	1 January 2019 RM'000
Assets				
Property, plant and equipment	(1)(2)	1,157,844	8,989	1,166,833
Prepaid land lease payments	(1)	4,285	(4,285)	
Capital work-in-progress	(2)	50,843	-	50,843
Impact on assets		1,212,972	4,704	1,217,676
Liabilities				
Finance lease liabilities – current		17,003	(17,003)	-
Finance lease liabilities – non-current		34,030	(34,030)	-
Lease liabilities – current		-	19,370	19,370
Lease liabilities – non-current		-	36,561	36,561
Impact on liabilities	(3)	51,033	4,898	55,931
Equity				
Retained earnings		551,463	(364)	551,099
Non-controlling interests		24,062	(25)	24,037
Exchange fluctuation reserves		7,594	195	7,789
Impact on equity		583,119	(194)	582,925
Company				
Assets				
Property, plant and equipment	(2)	21,760	-	21,760
Impact on assets		21,760	-	21,760
Liabilities				
Finance lease liabilities – current		228	(228)	-
Finance lease liabilities – non-current		841	(841)	-
Lease liabilities – current		-	228	228
Lease liabilities – non-current		-	841	841
Impact on liabilities	(3)	1,069	-	1,069

Notes

- (1) Prepaid land lease payments consist of leasehold lands, which were reclassified to property, plant and equipment upon the adoption of MFRS 16. Prepaid land lease payments were previously carried at cost and amortised over the lease terms under MFRS 117. Subsequent to the reclassification, the leasehold lands are remeasured at fair value to be in line with the Group's accounting policy by applying revaluation model for the land and buildings under property, plant and equipment.
- (2) Right-of-use assets have been included in property, plant and equipment and capital work-in-progress. The right-of-use assets represent the right to use of the underlying asset during the lease term. The right-of-use assets are measured at cost less accumulated depreciation and impairment losses if any, and adjusted for any remeasurement of the lease liability.

The adjustments to property, plant and equipment and capital work-in-progress related to right-of-use assets are as follows:

	Group RM'000	Company RM'000
Finance type leases disclosed in Property, Plant and Equipment as at 31 December 2018	89,106	1,281
Finance type leases disclosed in Capital Work-In-Progress as at 31 December 2018	2,425	-
Add: Operating type leases (MFRS 16 adjustment made in Property, Plant and Equipment)	4,704	-
Right-of-use assets recognised as at 1 January 2019	96,235	1,281

- (3) The lease liabilities are measured at present value of the lease payments that are not paid at 1 January 2019 using its incremental borrowing rate. Subsequently, the lease liabilities are adjusted for interest and lease payments, as well as the impact of lease modifications if any.

	Group RM'000	Company RM'000
Operating lease commitments as at 31 December 2018 as disclosed in the financial statements	7,007	-
Less: Short-term leases recognised on a straight-line basis as expense	(1,566)	-
Less: Low-value leases recognised on a straight-line basis as expense	(207)	-
Weighted average incremental borrowing rate as at 1 January 2019	5.234 5.63%	-
Lease liabilities for leases classified as operating type leases	4,898	-
Add: Finance lease liability recognised as at 31 December 2018	51,033	1,069
Lease liability recognised as at 1 January 2019	55,931	1,069

The Group and the Company did not make any adjustment to the accounting for assets held as lessor under operating leases (Note 8) as a result of the adoption of MFRS 16.

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5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Total RM'000
Cost or valuation							
At 1.1.2018							
- cost	1,296	2,519	3,531	1,090,102	37,418	32,492	1,167,358
- valuation	245,895	134,113	315,284	-	-	-	695,292
	247,191	136,632	318,815	1,090,102	37,418	32,492	1,862,650
Additions	1,768	-	10,450	12,420	4,935	1,524	31,097
Addition through acquisition of subsidiaries	-	-	-	1,495	1,171	285	2,951
Transfer from capital work-in-progress	-	-	2,908	104,033	-	701	107,642
Transfer to investment properties	-	-	(380)	-	-	-	(380)
Disposals	-	-	-	(24,313)	(2,187)	(101)	(26,601)
Written off	-	-	-	(9,628)	(120)	(172)	(9,920)
Translation difference	-	-	(1,195)	(632)	(42)	(66)	(1,935)
At 31.12.2018	248,959	136,632	330,598	1,173,477	41,175	34,663	1,965,504
Cost or valuation							
At 1.1.2019							
- cost	3,064	2,519	16,889	1,173,477	41,175	34,663	1,271,787
- valuation	245,895	134,113	313,709	-	-	-	693,717
	248,959	136,632	330,598	1,173,477	41,175	34,663	1,965,504
Adjustment on transition to MFRS 16	-	4,284	2,481	-	2,224	-	8,989
Additions	35	-	1,910	8,264	4,843	2,807	17,859
Revaluation	-	11,155	-	-	-	-	11,155
Transfer from capital work-in-progress	1,839	-	2,284	24,469	-	167	28,759
Disposals	-	-	-	(33,292)	(2,949)	(68)	(36,309)
Written off	-	-	-	(4,152)	*	(229)	(4,381)
Translation difference	-	(303)	(479)	(434)	(30)	(32)	(1,278)
At 31.12.2019	250,833	151,768	336,794	1,168,332	45,263	37,308	1,990,298
Representing							
- cost	4,938	6,803	23,564	1,168,332	45,263	37,308	1,286,208
- valuation	245,895	144,965	313,230	-	-	-	704,090
At 31.12.2019	250,833	151,768	336,794	1,168,332	45,263	37,308	1,990,298

* Less than RM1,000

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Total RM'000
Accumulated depreciation							
At 1.1.2018	-	463	2,061	716,872	27,447	24,168	771,011
Charge for the financial year	-	2,320	7,760	51,480	3,909	2,765	68,234
Addition through acquisition of subsidiaries	-	-	-	1,192	807	219	2,218
Transfer to investment properties	-	-	(9)	-	-	-	(9)
Disposals	-	-	-	(22,490)	(2,039)	(93)	(24,622)
Written off	-	-	-	(8,610)	(120)	(152)	(8,882)
Translation difference	-	-	(8)	(614)	(27)	(45)	(694)
At 31.12.2018	-	2,783	9,804	737,830	29,977	26,862	807,256
Charge for the financial year	-	3,167	9,865	55,991	4,979	2,815	76,817
Disposals	-	-	-	(32,158)	(2,635)	(61)	(34,854)
Written off	-	-	-	(3,938)	-	(221)	(4,159)
Translation difference	-	(13)	(15)	(423)	(20)	(25)	(496)
At 31.12.2019	-	5,937	19,654	757,302	32,301	29,370	844,564
Accumulated impairment loss							
At 1.1.2018 / 31.12.2018 / 31.12.2019	-	-	-	404	-	-	404
Net carrying amount							
At 31.12.2018	248,959	133,849	320,794	435,243	11,198	7,801	1,157,844
At 31.12.2019	250,833	145,831	317,140	410,626	12,962	7,938	1,145,330

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Company	Leasehold land RM'000	Buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Total RM'000
Cost or valuation						
At 1.1.2018						
- cost	-	-	294	2,500	920	3,714
- valuation	17,800	2,700	-	-	-	20,500
	17,800	2,700	294	2,500	920	24,214
Additions	-	-	2	950	30	982
Disposal	-	-	-	(574)	-	(574)
Written off	-	-	-	-	(53)	(53)
At 31.12.2018	17,800	2,700	296	2,876	897	24,569
Cost or valuation						
At 1.1.2019						
- cost	-	-	296	2,876	897	4,069
- valuation	17,800	2,700	-	-	-	20,500
	17,800	2,700	296	2,876	897	24,569
Additions	-	-	-	-	143	143
Disposal	-	-	-	(631)	-	(631)
Written off	-	-	(3)	-	(102)	(105)
At 31.12.2019	17,800	2,700	293	2,245	938	23,976
Representing						
- cost	-	-	293	2,245	938	3,476
- valuation	17,800	2,700	-	-	-	20,500
At 31.12.2019	17,800	2,700	293	2,245	938	23,976
Accumulated depreciation						
At 1.1.2018	81	18	271	1,595	614	2,579
Charge for the financial year	324	67	3	369	94	857
Disposal	-	-	-	(574)	-	(574)
Written off	-	-	-	-	(53)	(53)
At 31.12.2018	405	85	274	1,390	655	2,809
Charge for the financial year	323	67	3	453	91	937
Disposal	-	-	-	(602)	-	(602)
Written off	-	-	(3)	-	(99)	(102)
At 31.12.2019	728	152	274	1,241	647	3,042
Net carrying amount						
At 31.12.2018	17,395	2,615	22	1,486	242	21,760
At 31.12.2019	17,072	2,548	19	1,004	291	20,934

The Group's and the Company's land and buildings are measured at revalued amounts, being fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's and of the Company's land and buildings were performed by independent professional valuers with appropriate recognised professional qualifications and recent experience in the location and category of property valued in the financial year 2017. The fair value of land was determined based on the comparison approach and fair value of buildings was determined using the depreciated replacement cost and comparison approach. There is no change to the valuation technique.

It would be impractical or would involve undue cost and effort to disclose the carrying amount that would have been recognised under cost model for land and buildings.

The net carrying amount of property, plant and equipment of the Group and of the Company which are under finance lease arrangements amounted to RM89,106,000 and RM1,281,000 in 2018 respectively.

At 31 December 2019, buildings with net carrying amount of RM21,916,000 (2018:RM22,845,000) have been pledged by certain foreign subsidiaries as security for banking facilities.

Included in the net carrying amounts of property, plant and equipment are right-of-use assets as follows:-

	Group	Company
	2019	2019
	RM'000	RM'000
Right-of-use assets		
Buildings	1,518	-
Plant and equipment	65,819	-
Motor vehicles	8,420	965
	75,757	965

Additions to the right-of-use assets of the Group during the financial year 2019 amounted to RM10,101,000.

Depreciation charge of right-of-use assets are as follows:-

	Group	Company
	2019	2019
	RM'000	RM'000
Buildings	1,671	-
Plant and equipment	7,140	-
Motor vehicles	2,956	316
	11,767	316

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6. PREPAID LAND LEASE PAYMENTS

	Group	
	2019 RM'000	2018 RM'000
Short term leasehold land		
At cost		
Brought forward	10,540	10,962
Adjustment on initial application of MFRS 16	(10,540)	-
	-	10,962
Transfer to investment properties	-	(200)
Translation difference	-	(222)
	-	10,540
Carried forward	-	10,540
Accumulated amortisation		
Brought forward	6,255	6,155
Adjustment on initial application of MFRS 16	(6,255)	-
	-	6,155
Amortisation for the financial year	-	328
Transfer to investment properties	-	(63)
Translation difference	-	(165)
	-	6,255
Carried forward	-	6,255
Net carrying amount	-	4,285
Amount to be amortised		
- Within 1 year	-	328
- Between 2 to 5 years	-	1,312
- After 5 years	-	2,645
	-	4,285

7. CAPITAL WORK-IN-PROGRESS

Group	Land and buildings RM'000	Plant, machinery and others RM'000	Total RM'000
At cost:-			
At 1.1.2018	3,582	53,625	57,207
Additions	19,447	80,788	100,235
Borrowing costs capitalised ranging from 5.2% to 7.3% per annum	-	1,043	1,043
Transfer to property, plant and equipment	(2,908)	(104,734)	(107,642)
Reclassification	(1,224)	1,224	-
At 31.12.2018	18,897	31,946	50,843
Additions	9,910	40,502	50,412
Borrowing costs capitalised ranging from 5.2% to 7.3% per annum	-	401	401
Impairment loss (Note 7.1)	-	(15,603)	(15,603)
Transfer to property, plant and equipment	(4,123)	(24,636)	(28,759)
At 31.12.2019	24,684	32,610	57,294

As of 31 December 2019, the net carrying amount of capital work-in-progress which is acquired under finance lease arrangement amounted to RM2,425,000 in 2018.

Included in the net carrying amounts of capital work-in-progress are right-of-use assets as follows:-

	Group
	2019 RM'000
Right-of-use assets	
Plant and equipment	3,685

Additions to the right-of-use assets of the Group during the financial year 2019 amounted to RM109,000.

7.1 Impairment loss

In financial year 2019, the impairment loss was made in relation to partially erected paper machines which are no longer feasible in view of change in market trend and competition.

The impairment loss is included in other expenses in the statements of profit or loss.

8. INVESTMENT PROPERTIES

	Group	
	2019 RM'000	2018 RM'000
Fair value:-		
Brought forward	11,260	10,490
Additions	-	367
Fair value adjustments	(80)	(105)
Transfer from property, plant and equipment (Note 5)	-	371
Transfer from prepaid land lease payments (Note 6)	-	137
Transfer to asset included in disposal group as held for sale (Note 19)	(4,300)	-
Carried forward	6,880	11,260

Investment properties comprise of freehold commercial property, leasehold land and buildings leased to third parties.

The fair value of investment properties are determined by external independent professional valuers with recent experience in the location and category of property being valued. The fair value of the investment properties are determined once a year based on the comparison approach and depreciated replacement cost approach.

Fair value of investment properties consists of:-

	Group	
	2019 RM'000	2018 RM'000
Buildings	1,540	3,550
Land	5,340	7,710

The following are recognised in profit or loss in respect of investment properties:-

	Group	
	2019 RM'000	2018 RM'000
Rental income from operating leases	155	129
Direct operating expenses		
- income generating investment properties	(8)	(8)
- non-income generating investment properties	(133)	(129)
Fair value adjustments recognised in other expenses	(80)	(105)

The investment properties are leased to tenants under operating leases with rentals receivable monthly.

Minimum lease payments receivable on leases of investment properties are as follows:-

	2019 RM'000
Within 1 year	155
Between 1 and 2 years	98
Between 2 and 3 years	13
	266

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9. SUBSIDIARIES

Investment in subsidiaries:-

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares		
- at cost	213,209	200,826
- at valuation	55,633	55,633
	268,842	256,459
Less: Allowance for impairment loss	(30,281)	(30,281)
	238,561	226,178

Details of subsidiaries at the end of the reporting period are as follows:-

Name of subsidiaries	Principal activities	Principal place of business	Proportion of effective ownership interest and voting power held by the Group	
			2019 %	2018 %
Central Malaya Paper Sdn. Bhd.	Trading of waste paper and investment holding	Malaysia	100	100
CMP Resources Sdn. Bhd.	Property holding	Malaysia	100	100
Federal Packages Sdn. Bhd.	Manufacture and sale of paper cartons and paper related products	Malaysia	100	100
Intra-Muda Holdings Sdn. Bhd.	Investment holding	Malaysia	100	100
Intrapac Trading (M) Sdn. Bhd.	Trading of paper products and acting as commission agent	Malaysia	100	100
K F Paper Products (Melaka) Sdn. Bhd.	Manufacture and sale of board sheets and paper related products	Malaysia	100	100
Kajang Paper Mills Sdn. Bhd.	Investment holding	Malaysia	100	100
Kotak Malaysia Holdings Sdn. Bhd.	Dormant	Malaysia	100	100
Kotak Malaysia (KOM) Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
MC Pack (Malaysia) Sdn. Bhd.	Manufacture and sale of paper packaging products	Malaysia	65	65
Muda Global Engineering Sdn. Bhd.	Engineering and fabrication services	Malaysia	100	100
Muda Land Development Sdn. Bhd.	Property holding	Malaysia	100	100
Muda Management Services Sdn. Bhd.	Management consultancy and general insurance agency	Malaysia	100	100
Muda Packaging Industries Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
Muda Paper Converting Sdn. Bhd.	Converting and sale of paper stationery and paper based food packaging products	Malaysia	100	100

Details of subsidiaries at the end of the reporting period are as follows:-

Name of subsidiaries	Principal activities	Principal place of business	Proportion of effective ownership interest and voting power held by the Group	
			2019 %	2018 %
Muda Paper Mills Sdn. Bhd.	Manufacture and sale of paper and paper related products	Malaysia	100	100
Muda Pasifik Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
RJ & R Holdings Sdn. Bhd.	Property holding	Malaysia	100	100
Intrapac (Singapore) Pte. Ltd.*	Trading in paper products, commission agent and investment holding	Republic of Singapore	70	70
Ee Sin Paper Products Pte. Ltd.*	Trading in school books, uniforms and stationery	Republic of Singapore	56	56
Pacific Bookstores Pte. Ltd.*	Operator of schools and online bookstores	Republic of Singapore	67	67
Lonsing Packaging Industries Pte. Ltd.*	Manufacture of packaging materials for food industry	Republic of Singapore	60	60
Wenfang Private Limited*	Import and distribution of stationery	Republic of Singapore	70	70
ESPP Viet Nam Company Limited*	Dormant	Republic of Vietnam	47	-
Intrapac (Australia) Pty. Ltd.*	Trading of paper and paper related products	Australia	100	100
Intrapac Resources & Supplies Pty. Ltd.*	Distribution and trading of packaging products and recycled material	Australia	95	-
Intrapac Investment Ltd.*	Investment holding	Hong Kong	100	100
Muda Packaging Industries (Qingyuan) Ltd.*	Manufacture and sale of corrugated cartons and paper related products	The People's Republic of China	100	100

* Subsidiaries not audited by Grant Thornton Malaysia PLT.

9.1 Acquisition and incorporation of subsidiaries

9.1.1 Incorporation of Intrapac Resources & Supplies Pty. Ltd.

On 1 January 2019, Intrapac (Australia) Pty. Ltd., a wholly-owned indirect subsidiary of the Company, incorporated a 95% owned subsidiary in Australia, known as Intrapac Resources & Supplies Pty. Ltd. ("IRS") with paid-up capital of AUD250,000 comprising of 250,000 ordinary shares. The principal activities of IRS are in distribution and trading of packaging products and recycled materials in Australia.

9.1.2 Incorporation of ESPP Viet Nam Company Limited

On 2 April 2019, Pacific Bookstores Pte. Ltd., an 66.5% indirect subsidiary of the Company has made capital contribution of VND4,798,500,000 into a new subsidiary incorporated in the Republic of Vietnam known as ESPP Viet Nam Company Limited which is equivalent to 70% of the total capital contribution of ESPP Viet Nam Company Limited.

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9.1.3 Acquisition of Lonsing Packaging Industries Pte. Ltd.

On 28 May 2018, Intrapac (Singapore) Pte. Ltd., a 70% subsidiary of the Company had acquired 85% equity interest in Lonsing Packaging Industries Pte. Ltd. ("Lonsing") for a cash consideration of SGD808,000 (equivalent to RM2,402,000). The acquisition of Lonsing will provide an opportunity for the Group to expand its sales of food packaging products in Singapore.

From date of acquisition, Lonsing had contributed revenue of RM8,650,000 and profit of RM483,000 to the Group. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have been RM14,569,000 and consolidated profit for the financial year would have been RM660,000.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Lonsing's net identifiable assets.

The fair value of the identifiable assets and liabilities of Lonsing as at the acquisition date was:-

	Fair value recognised on acquisition RM'000
Assets	
Property, plant and equipment	444
Inventories	592
Trade and other receivables	1,361
Cash and cash equivalents	1,030
	3,427
Liabilities	
Trade and other payables	(2,618)
Tax payable	(20)
Deferred tax liabilities	(42)
	(2,680)
Total net identifiable net assets at fair value	747
Non-controlling interest measured at fair value	(303)
Goodwill arising on acquisition	1,237
Total consideration for the equity interest acquired	1,681
Effect of the acquisition of Lonsing on statements of cash flows:-	
Total consideration for the parent equity interest acquired	1,681
Total consideration for the non-controlling interest equity interest acquired	721
Less: Cash and cash equivalents of the subsidiary acquired	(1,030)
Net cash outflow on acquisition	1,372

9.1.4 Acquisition of Wenfang Private Limited

On 12 October 2018, Intrapac (Singapore) Pte. Ltd., a 70% subsidiary of the Company had acquired 100% equity interest in Wenfang Private Limited ("Wenfang") for a cash consideration of SGD1,418,000 (equivalent to RM4,290,000). The acquisition of Wenfang will provide an opportunity for the Group to strengthen its leading position in the stationery market in Singapore.

From date of acquisition, Wenfang had contributed revenue of RM1,479,000 and profit of RM10,000 to the Group. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have been RM6,376,000 and consolidated profit for the financial year would have been RM7,010,000.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Wenfang's net identifiable assets.

The fair value of the identifiable assets and liabilities of Wenfang as at the acquisition date was:-

	Fair value recognised on acquisition RM'000
Assets	
Property, plant and equipment	289
Trade and other receivables	2,311
Amount due from a Director	888
Cash and cash equivalents	2,171
	5,659
Liabilities	
Trade and other payables	(1,562)
Tax payable	(64)
Finance lease liability	(318)
	(1,944)
Total net identifiable net assets at fair value	3,715
Non-controlling interest measured at fair value	(1,115)
Goodwill arising on acquisition	403
	3,003
Total consideration for the equity interest acquired	3,003
Effect of the acquisition of Wenfang on statements of cash flows:-	
Total consideration for the parent equity interest acquired	3,003
Total consideration for the non-controlling interest equity interest acquired	1,287
Less: Cash and cash equivalents of the subsidiary acquired	(2,171)
	2,119
Net cash outflow on acquisition	2,119

9.2 Details of non-wholly owned subsidiaries with material NCI

Non-wholly owned subsidiaries of the Group with material NCI are shown below:-

Intrapac (Singapore) Pte. Ltd. Group

	2019 RM'000	2018 RM'000
NCI percentage of ownership interest and voting interest	30%	30%
Profit allocated to NCI	1,282	1,855
Carrying amount of NCI	22,384	22,358

Summarised financial information in respect of the above subsidiaries with material NCI is set out below. The summarised financial information below is before intra-group eliminations.

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	2019 RM'000	2018 RM'000
As at 31 December		
Non-current assets	27,074	29,172
Current assets	74,853	72,702
Total assets	101,927	101,874
Non-current liabilities	(339)	(213)
Current liabilities	(23,902)	(22,801)
Total liabilities	(24,241)	(23,014)
Total equity	77,686	78,860
Equity attributable to owners of the Company	72,267	74,057
NCI	5,419	4,803
	77,686	78,860
Revenue	148,144	136,861
Profit for the financial year	3,215	4,456
Profit attributable to:		
Owners of the Company	2,747	3,943
NCI	468	513
	3,215	4,456
Total comprehensive income attributable to:		
Owners of the Company	2,712	3,943
NCI	468	513
	3,180	4,456
Dividends paid to NCI	(258)	(209)
Net cash inflow from operating activities	8,564	5,270
Net cash (outflow)/inflow from investing activities	(1,218)	848
Net cash outflow from financing activities	(6,538)	(1,223)
Net increase in cash and cash equivalents	808	4,895

9.3 Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are non-trade related, bear no interest, unsecured and repayable in cash on demand, except for amount due from subsidiaries amounting to RM60,000 (2018: RM60,000) is subject to interest ranging from 4% to 6% per annum.

10. ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	1,100	1,180	88	88
Fair value gain on remeasurement of remaining interest in KL Resources Pte. Ltd.	4,949	4,949	-	-
Transfer to asset included in disposal group as held for sale (Note 19)	-	(80)	-	-
Share of post-acquisition reserves	10,792	12,333	-	-
Translation difference	2,978	2,933	-	-
	19,819	21,315	88	88
Less: Allowance for impairment loss				
Brought forward	(1,466)	(1,375)	(88)	(88)
Charge for the financial year	(887)	(91)	-	-
Carried forward	(2,353)	(1,466)	(88)	(88)
Translation difference	34	38	-	-
	17,500	19,887	*	*

* Less than RM1,000

Investment in KL Resources Pte. Ltd. is measured at fair value, using significant unobservable inputs (Level 3). The fair value is computed using profit projections approved by management covering a five-year period, applying before-tax discount rate of 13%. The key assumption used in impairment test for the investment is that the associate will be able to maintain its gross margins as it will be able to pass on cost increases in the products to its customers.

10.1 Details of associates

Details of associates at the end of the reporting period are as follows:-

Name of associates	Principal activities	Principal place of business	Proportion of ownership interest and voting power held by the Group	
			2019 %	2018 %
Choice Impact Sdn. Bhd.	Property holding	Malaysia	49	49
KL Resources Pte. Ltd.*	Trading in waste paper and scrap	Republic of Singapore	24	24

* Associates not audited by Grant Thornton Malaysia PLT.

The above associates are accounted for using the equity method in the consolidated financial statements.

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10.2 Details of material associates

Summarised financial information in respect of the Group's material associates is set out below. The summarised financial information below represents amount shown in the associate's financial statements prepared in accordance with MFRSs.

KL Resources Pte. Ltd. Group

	2019 RM'000	2018 RM'000
Non-current assets	44,885	46,747
Current assets	25,601	35,733
Total assets	70,486	82,480
Non-current liabilities	(14,311)	(15,429)
Current liabilities	(17,095)	(21,777)
Total liabilities	(31,406)	(37,206)
Net assets of the associate	39,080	45,274
Proportion of the Group's ownership in KL Resources Pte. Ltd.	24%	24%
Carrying amount of the Group's interest in KL Resources Pte. Ltd.	9,237	10,701
Revenue	120,654	185,630
(Loss)/Profit and total comprehensive (loss)/income for the financial year	(6,287)	1,861
Group's share of (loss)/profit for the financial year	(1,623)	663

10.3 Amounts due from/(to) associates

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amounts due from associates				
- Trade related	709	1,060	-	-
- Non-trade related	935	940	880	890
	1,644	2,000	880	890
Amounts due to associates				
- Trade related	(1,294)	(533)	-	-

Amounts due from/(to) associates of the Group and of the Company are unsecured, bear no interest and repayable in cash on demand.

Currency exposure profile of amounts due to associates is as follows:-

	Group	
	2019 RM'000	2018 RM'000
Singapore Dollar	1,294	440
United States Dollar	-	93

11. INTANGIBLE ASSETS

Group	Goodwill RM'000	Intangible assets with finite life RM'000	Total RM'000
Cost			
At 1.1.2018	9,983	699	10,682
Addition arising from acquisition of subsidiaries	1,640	-	1,640
Translation difference	26	(2)	24
At 31.12.2018	11,649	697	12,346
Translation difference	14	2	16
At 31.12.2019	11,663	699	12,362
Accumulated amortisation			
At 1.1.2018	-	699	699
Translation difference	-	(2)	(2)
At 31.12.2018	-	697	697
Translation difference	-	2	2
At 31.12.2019	-	699	699
Net carrying amount			
At 31.12.2018	11,649	-	11,649
At 31.12.2019	11,663	-	11,663

The recoverable amount of goodwill arising from acquisition of the subsidiaries are determined based on a value-in-use calculation using profit projections approved by management covering a five-year period, applying before tax discount rates at 13.0% (2018: 7.0% to 13.0%). The other key assumption on which management has based its profit projections to undertake impairment testing is that the subsidiaries will be able to maintain its gross margins recorded during the current year under review as it will be able to pass on cost increases in products.

12. DEFERRED TAX ASSETS / LIABILITIES

12.1 Deferred tax assets

Deferred tax assets are attributable to the followings:-

	Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment	71	(3,072)
Revaluation of land and buildings	-	(3,957)
Provision for retirement benefit	484	1,449
Unabsorbed business losses	114	-
Unabsorbed reinvestment allowances	-	6,922
Others	122	840
	791	2,182

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Movement in temporary differences during the year:-

Group	1 January 2019 RM'000	Recognised in profit or loss RM'000	Exchange difference RM'000	Offset against deferred tax liabilities RM'000	31 December 2019 RM'000
2019					
Property, plant and equipment	(3,072)	4	-	3,139	71
Revaluation of land and buildings	(3,957)	(198)	-	4,155	-
Provision for retirement benefit	1,449	80	-	(1,045)	484
Unabsorbed business losses	-	115	(1)	-	114
Unabsorbed reinvestment allowances	6,922	-	-	(6,922)	-
Others	840	(665)	(2)	(51)	122
	2,182	(664)	(3)	(724)	791

	1 January 2018 RM'000	Effect of adopting MFRS 9 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Exchange difference RM'000	Offset against deferred tax liabilities RM'000	31 December 2018 RM'000
2018							
Property, plant and equipment	(7,457)	-	2,932	-	(7)	1,460	(3,072)
Revaluation of land and buildings	(6,521)	-	295	(207)	-	2,476	(3,957)
Provision for retirement benefit	2,446	-	(451)	(241)	-	(305)	1,449
Unabsorbed business losses	3,170	-	(54)	-	(1)	(3,115)	-
Unabsorbed capital allowances	153	-	(153)	-	-	-	-
Unabsorbed reinvestment allowances	11,885	-	(3,888)	-	-	(1,075)	6,922
Others	1,054	49	(262)	-	(1)	-	840
	4,730	49	(1,581)	(448)	(9)	(559)	2,182

12.2 Deferred tax liabilities

Deferred tax liabilities are attributable to the followings:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment	58,352	53,552	46	59
Revaluation of land and buildings	72,228	68,311	3,726	3,797
Provision for retirement benefit	(10,146)	(9,526)	(1,556)	(1,563)
Unabsorbed business losses	(1,583)	(2,904)	(845)	(782)
Unabsorbed capital allowances	(4,721)	(4,925)	(762)	(723)
Unabsorbed reinvestment allowances	(21,450)	(28,022)	-	-
Others	(3,424)	(1,537)	(28)	(6)
	89,256	74,949	581	782

Movement in temporary differences during the year:-

Group	1 January 2019 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Exchange difference RM'000	Offset against deferred tax assets RM'000	31 December 2019 RM'000
2019						
Property, plant and equipment	53,552	1,660	-	1	3,139	58,352
Revaluation of land and buildings	68,311	(1,015)	800	(23)	4,155	72,228
Provision for retirement benefit	(9,526)	425	-	-	(1,045)	(10,146)
Unabsorbed business losses	(2,904)	1,321	-	-	-	(1,583)
Unabsorbed capital allowances	(4,925)	204	-	-	-	(4,721)
Unabsorbed reinvestment allowances	(28,022)	13,494	-	-	(6,922)	(21,450)
Others	(1,537)	(1,836)	-	-	(51)	(3,424)
	74,949	14,253	800	(22)	(724)	89,256

	1 January 2018 RM'000	Effect of adopting MFRS 9 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Exchange difference RM'000	Offset against deferred tax assets RM'000	31 December 2018 RM'000
2018							
Property, plant and equipment	48,304	-	3,764	-	24	1,460	53,552
Revaluation of land and buildings	50,671	-	8,952	6,293	(81)	2,476	68,311
Provision for retirement benefit	(7,513)	-	(2,222)	514	-	(305)	(9,526)
Unabsorbed business losses	(826)	-	1,037	-	-	(3,115)	(2,904)
Unabsorbed capital allowances	(721)	-	(4,204)	-	-	-	(4,925)
Unabsorbed reinvestment allowances	(31,221)	-	4,274	-	-	(1,075)	(28,022)
Others	4	(785)	(755)	-	(1)	-	(1,537)
	58,698	(785)	10,846	6,807	(58)	(559)	74,949

Company	1 January 2019 RM'000	Recognised profit or loss RM'000	31 December 2019 RM'000
2019			
Property, plant and equipment	59	(13)	46
Revaluation of land and buildings	3,797	(71)	3,726
Provision for retirement benefit	(1,563)	7	(1,556)
Unabsorbed business losses	(782)	(63)	(845)
Unabsorbed capital allowances	(723)	(39)	(762)
Others	(6)	(22)	(28)
	782	(201)	581

	1 January 2018 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	31 December 2018 RM'000
2018				
Property, plant and equipment	81	(22)	-	59
Revaluation of land and buildings	3,868	(71)	-	3,797
Provision for retirement benefit	(1,439)	(118)	(6)	(1,563)
Unabsorbed business losses	(823)	41	-	(782)
Unabsorbed capital allowances	(721)	(2)	-	(723)
Others	-	(6)	-	(6)
	966	(178)	(6)	782

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12.3 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) for certain subsidiaries due to uncertainty of future taxable income of the subsidiaries. However, the deductible temporary differences, unabsorbed business losses, unabsorbed reinvestment allowances and unabsorbed capital allowances are available for offset against future taxable profits of the respective subsidiaries.

	Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment	(21,993)	(19,245)
Unabsorbed business losses	12,139	9,657
Unabsorbed capital allowances	21,006	23,822
Unabsorbed reinvestment allowances	38,811	36,860
Provision for retirement benefit	5,139	4,894
Others	207	144
	55,309	56,132

Included in the unabsorbed business losses is an amount of RM2,105,000 (equivalent to RMB3,588,000)(2018: RM1,870,000 (equivalent to RMB3,108,000)) (stated at gross) which will be expiring in financial years 2020 to 2024 for a subsidiary in China.

Under the Finance Act 2018, the remaining unabsorbed business losses and unabsorbed reinvestment allowances will be expiring in financial year 2025 under Malaysian tax legislation.

The unabsorbed capital allowances and other temporary differences do not expire under Malaysian tax legislation.

13. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
Raw materials	122,038	128,323
Consumables	34,283	29,254
Work-in-progress	7,112	6,514
Finished goods	98,192	131,235
Goods-in-transit	2,105	2,930
	263,730	298,256

Recognised in profit or loss:-

	Group	
	2019 RM'000	2018 RM'000
Inventories written down	179	2
Inventories written off	816	2,489
Reversal of inventories written down	(5)	(44)

14. TRADE RECEIVABLES

	Group	
	2019 RM'000	2018 RM'000
Trade receivables	265,741	276,021
Less: Allowances for impairment loss	(11,879)	(8,935)
	253,862	267,086

- 14.1** Normal trade credit terms granted to customers range from 24 to 120 days (2018: 30 to 120 days). Trade receivables are recognised at invoice amounts and they are non-interest bearing.

Included in trade receivables is an amount of RM479,000 (2018: RM617,000) due from subsidiaries of Asia File Corporation Bhd., a substantial shareholder of the Company.

- 14.2** Currency exposure profile of trade receivables is as follows:-

	Group	
	2019 RM'000	2018 RM'000
United States Dollar	19,024	21,065
Australian Dollar	2,930	3,576
Singapore Dollar	6,418	3,214
Euro	617	431

- 14.3** An impairment analysis performed at each reporting date using a provision of matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating, and other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

The following table provides information about the credit risk exposure on the Group's trade receivables using a provision of matrix:-

	Days past due					Total RM'000
	Current RM'000	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	More than 90 days RM'000	
2019						
Expected credit loss rate	0.5% - 9.5%	0.3% - 19.1%	1.0% - 20.8%	0.4% - 100%	2.5% - 100%	
Gross carrying amount	199,359	40,332	11,328	3,486	11,236	265,741
Expected credit loss	3,540	1,663	861	515	5,300	11,879
2018						
Expected credit loss rate	0.1% - 7.7%	0.1% - 14.8%	0.1% - 21.6%	0.1% - 21.8%	10.1% - 45.8%	
Gross carrying amount	217,654	38,537	6,714	2,769	10,347	276,021
Expected credit loss	2,646	1,145	376	288	4,480	8,935

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14.4 The movements in the allowance for impairment in respect of trade receivables during the year were as follows:-

Group	2019 RM'000	2018 RM'000
Brought forward	8,935	2,015
Adjustment on initial application of MFRS 9	-	3,924
Balance as at 1 January	8,935	5,939
Charge for the financial year	4,894	4,984
Reversal of impairment losses	(1,565)	(1,976)
Amount written off	(377)	-
Translation difference	(8)	(12)
Carried forward	11,879	8,935

14.5 Information on financial risk of trade receivables is disclosed in Note 43 to the financial statements.

15. OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits	19,481	12,684	71	69
Less: Allowances for impairment losses	(61)	(61)	-	-
	19,420	12,623	71	69
Non-trade receivables	2,269	1,733	111	92
Prepayments	8,596	10,275	60	166
Goods and Services Tax recoverable	1,016	7,603	-	-
	31,301	32,234	242	327

15.1 Impairment

The movement in the allowance in respect for impairment of other receivables during the year were as follows:-

	Group	
	2019 RM'000	2018 RM'000
Brought forward/ Carried forward	61	61

15.2 Currency exposure profile of other receivables is as follows:-

	Group	
	2019 RM'000	2018 RM'000
United States Dollar	2,470	2,075
China Renmimbi	40	-

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2019 RM'000	2018 RM'000
At fair value:-		
Quoted investment in Malaysia	5,063	4,879
Market value of quoted investment in Malaysia	5,063	4,879

17. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract/ Notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Current			
Non-hedging derivatives:-			
Forward currency contracts			
2019	20,617	144	-
2018	(5,222)	-	14

The Group uses forward currency contracts to manage transaction exposure and they have maturity period of less than 12 months.

These contracts are not designated as cash flow hedge or fair value hedge as they are not qualified for hedge accounting. The contract period is consistent with the currency transaction exposure and fair value changes exposure.

18. CASH AND BANK BALANCES, DEPOSITS AND SHORT TERM PLACEMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	102,281	76,034	3,033	392
Fixed deposits with licensed banks	9,609	3,675	-	-
Short term placements with financial institutions	22,267	14,449	14,635	8,917
	134,157	94,158	17,668	9,309

Fixed deposits amounting to RM1,248,000 (2018: RM1,245,000) of certain foreign subsidiaries are pledged as security for banking facilities, and hence are not available for general use.

Currency exposure profile of cash and bank balances, deposits and short term placements is as follows:-

	Group	
	2019 RM'000	2018 RM'000
United States Dollar	8,299	7,334
Singapore Dollar	2,206	1,796
Australia Dollar	637	2,376
Euro	68	163
Others	2,184	30

19. ASSET INCLUDED IN DISPOSAL GROUP AS HELD FOR SALE

	Group	
	2019 RM'000	2018 RM'000
Investment in associate (Note 10)	-	80
Investment properties		
- Leasehold land and building (Note 8)	4,300	-
	4,300	80

In November 2018, the Board of Directors of the Company has decided to dispose of its investment in an associate, Asia Pacific Printer & Packer Sdn. Bhd. for a consideration of RM80,000. The transaction was completed on 2 April 2019.

In December 2019, a sale and purchase agreement has been entered by a subsidiary with a third party for a disposal of an investment property of the Group. The transaction has yet to be completed.

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20. SHARE CAPITAL

	Group and Company			
	2019 Number of ordinary shares ('000)	2018 Number of ordinary shares ('000)	2019 RM'000	2018 RM'000
Issued and fully paid-up	305,051	305,051	159,471	159,471

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. An ordinary share carries one vote per share without restrictions and ranks equally with regard to the Company's residual assets.

21. RESERVES

- (a) Revaluation reserve consists of surplus from revaluation of properties and revaluation of investments in subsidiaries.
- (b) Exchange fluctuation reserve represents exchange differences arising from translation of financial statements of foreign operations whose functional currencies differ from the Group's presentation currency.
- (c) Other reserve consists of retained earnings capitalised as bonus shares by a subsidiary.

The above reserves are not available for distribution as dividends.

22. RETAINED EARNINGS

The Company is able to pay out all the retained earnings as dividends to its shareholders under the single tier system.

23. FINANCE LEASE LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Minimum lease payments				
- Within 1 year	-	19,572	-	272
- Between 2 to 5 years	-	36,951	-	912
	-	56,523	-	1,184
Less: Future finance charges on finance leases	-	(5,490)	-	(115)
Present value of finance lease liabilities	-	51,033	-	1,069
Present value of finance lease liabilities				
- Within 1 year	-	17,003	-	228
- Between 2 to 5 years	-	34,030	-	841
	-	51,033	-	1,069

Interest charges on finance leases of the Group and of the Company ranged from 4.4% to 7.8% and 4.4% to 4.8% respectively for the financial year ended 31 December 2018.

24. BORROWINGS

	Group	
	2019 RM'000	2018 RM'000
Current		
Secured:-		
Term loans	3,571	3,641
Revolving credit	587	3,008
Unsecured:-		
Bankers acceptance	256,838	320,761
Flexi financing loans	15,840	11,479
Onshore foreign currency loan	-	2,339
Revolving credit	99,200	92,570
Term loans	28,261	24,794
	404,297	458,592
Non-current		
Secured:-		
Term loans	1,785	1,821
Unsecured:-		
Term loans	90,875	100,217
	92,660	102,038
Total borrowings	496,957	560,630

Currency exposure profile of the borrowings is as follows:-

	Group	
	2019 RM'000	2018 RM'000
United States Dollar	-	2,339

Unsecured borrowings of other subsidiaries in the Group were obtained by way of negative pledge over the assets of the respective subsidiaries and corporate guarantee from the Company.

At 31 December 2019, buildings have been pledged by certain foreign subsidiaries as security for banking facilities as disclosed in Note 5 to the financial statements.

Term loans are repayable on monthly or quarterly basis.

Interest is charged at rates ranging from 2.9% to 6.5% (2018: 2.8% to 8.5%) per annum.

25. LEASE LIABILITIES

25.1 Lease liabilities are presented in the statements of financial position as follows:-

	Group	Company
	2019 RM'000	2019 RM'000
Lease liabilities		
Current	17,364	230
Non-current	27,686	611
Net present values	45,050	841

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25.2 Future minimum lease payments at 31 December 2019 are as follows:-

	← Minimum lease payment due →		
	Within 1 year RM'000	2 to 5 years RM'000	Total RM'000
Group			
31 December 2019			
Lease payments	19,527	29,657	49,184
Finance charges	(2,163)	(1,971)	(4,134)
Net present values	17,364	27,686	45,050
Company			
31 December 2019			
Lease payments	263	649	912
Finance charges	(33)	(38)	(71)
Net present values	230	611	841

25.3 Lease payments not recognised as a liability

The Group and the Company have elected not to recognise lease liabilities for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not recognised as lease liabilities and are expenses as incurred.

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:-

	Group	Company
	2019 RM'000	2019 RM'000
Short-term leases		
- Cost of sales	6,120	-
- Administrative expenses	171	216
Leases of low value assets	173	-
	6,464	216

26. PROVISION FOR RETIREMENT BENEFIT

The defined benefit plan, provided by the Group and the Company to all eligible Malaysian Directors and employees, pays a lump sum benefit which are defined by salary and period of service to qualified Directors and employees upon their retirement. The defined benefit plan is unfunded, benefits are paid directly by the Group and the Company and all the participants are active participants.

The plan exposes the Group and the Company to actuarial risks such as interest rate risk and inflation risk as explained below:-

26.1 Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit liability. A decrease in market yield on high quality corporate bonds will increase the Group's and the Company's defined benefit liability.

26.2 Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's and the Company's liability.

26.3 Movement in defined benefit plan

The following is the reconciliation of the Group's and of the Company's defined benefit liability presented in the statements of financial position for each reporting period:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Defined benefit liability brought forward	50,756	50,008	5,936	5,997
Current service costs	2,777	3,244	227	214
Past service costs - plan amendment	-	170	-	-
Net interests	2,702	2,712	322	303
Reclassification as gratuity	(3,888)	-	-	-
Remeasurement effect recognised in other comprehensive (income)/loss	-	(3,484)	-	25
Benefit paid	(2,366)	(1,894)	-	(603)
Defined benefit liability carried forward	49,981	50,756	6,485	5,936

26.4 Actuarial assumptions

Significant actuarial assumptions for the determination of the defined benefit liability are discount rate and future salary growth.

Core assumption

	Group	Company
Discount rate	5.5%	5.5%
Future salary growth	6.3%	6.3%

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while all other assumptions remained constant.

	Sensitivity analysis	Effect on defined benefit liability increase/ (decrease) RM'000	Effect on defined benefit liability increase/ (decrease) %
Group			
2019			
Discount rate	1.0% increase	(4,113)	(8%)
Future salary growth	1.0% increase	5,454	11%
2018			
Discount rate	1.0% increase	(4,058)	(8%)
Future salary growth	1.0% increase	4,836	10%
Company			
2019			
Discount rate	1.0% increase	(377)	(6%)
Future salary growth	1.0% increase	269	4%
2018			
Discount rate	1.0% increase	(296)	(5%)
Future salary growth	1.0% increase	343	6%

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The sensitivity analysis presented above may not be representative of the actual change in the defined benefit liability because it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the defined benefit liability has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit liability recognised in the statements of financial position.

26.5 Defined benefit plan expenses

Amount recognised in profit or loss related to the Group's and the Company's defined benefit plan is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current service costs	2,777	3,244	227	214
Past service cost – plan amendment	-	170	-	-
Net interests	2,702	2,712	322	303
Total expenses recognised in profit or loss	5,479	6,126	549	517

Amounts recognised in other comprehensive (income)/loss related to the Group's and the Company's defined benefit plan is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Actuarial (gain)/loss in defined benefit liability due to plan experience	-	(1,264)	-	6
Actuarial gain in defined benefit liability due to demographic assumption changes	-	(2,903)	-	(33)
Actuarial loss in defined benefit liability due to financial assumption	-	683	-	52
Remeasurement effect recognised in other comprehensive (income)/loss	-	(3,484)	-	25

All the impacts summarised above were included within items that will not be reclassified subsequently to profit or loss in the statements of profit or loss and other comprehensive income.

26.6 Other information on the defined benefit plan

The weighted average duration of the defined benefit liability of the Group and of the Company is 8.68 and 4.67 years respectively. The Group and the Company are expected to make benefit payment of RM2,911,000 and RM216,000 respectively in 2020 (RM2,407,000 and RM190,000 respectively in 2019).

27. TRADE PAYABLES

Currency exposure profile of trade payables are as follows:-

	Group	
	2019 RM'000	2018 RM'000
United States Dollar	1,921	2,279
China Renminbi	335	457
Singapore Dollar	4	14
Others	196	98

Normal trade credit terms granted by suppliers range from 7 to 120 days (2018: 30 to 120 days).

28. OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-trade payables	33,473	38,823	-	-
Deposits received	269	615	80	88
Accruals	51,926	48,705	1,926	1,952
Goods and Services Tax payable	1,640	1,537	-	-
Sales Tax payable	1,188	1,448	-	-
	88,496	91,128	2,006	2,040

Currency exposure profile of other payables are as follows:-

	Group	
	2019 RM'000	2018 RM'000
United States Dollar	1,647	3,897
Singapore Dollar	68	1,990
China Renminbi	691	1,270
Euro	430	270
Others	34	121

29. BANK OVERDRAFTS

	Group	
	2019 RM'000	2018 RM'000
Unsecured	10,087	19,426

Bank overdrafts of subsidiaries in Malaysia are unsecured. They are obtained against negative pledge over the assets of the respective subsidiaries and corporate guarantee from the Company.

Interest is charged at rates ranging from 5.3% to 8.5% (2018: 5.3% to 8.5%) per annum.

30. REVENUE

Revenue comprise of the following:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contract with customers	1,518,421	1,544,033	-	-
Revenue from other sources				
- Dividend income from subsidiaries	-	-	20,332	19,188
- Dividend income from quoted investment in Malaysia	174	227	174	227
- Management fees from subsidiaries	-	-	7,520	7,554
	1,518,595	1,544,260	28,026	26,969

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30.1 Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition in the following table:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000
2019				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	1,234,488	-	-	1,234,488
Trading of school books, uniforms and stationery	-	121,368	-	121,368
Trading of paper related products and agency commission earned	-	52,034	-	52,034
Others	110,435	-	96	110,531
	1,344,923	173,402	96	1,518,421
Primary geographical markets				
Malaysia	1,316,455	34,497	96	1,351,048
Republic of Singapore	14,604	133,534	-	148,138
The People's Republic of China	13,864	-	-	13,864
Australia	-	5,371	-	5,371
	1,344,923	173,402	96	1,518,421
Timing of revenue recognition				
Products and services transferred at a point in time	1,344,923	173,402	96	1,518,421
Revenue from contracts with customers	1,344,923	173,402	96	1,518,421
Other revenue	-	-	174	174
External revenue as reported in Note 46	1,344,923	173,402	270	1,518,595
2018				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	1,258,734	-	-	1,258,734
Trading of school books, uniforms and stationery	-	116,953	-	116,953
Trading of paper related products and agency commission earned	-	62,929	-	62,929
Others	105,385	-	32	105,417
	1,364,119	179,882	32	1,544,033
Primary geographical markets				
Malaysia	1,331,544	47,114	32	1,378,690
Republic of Singapore	8,650	128,208	-	136,858
The People's Republic of China	23,925	-	-	23,925
Australia	-	4,560	-	4,560
	1,364,119	179,882	32	1,544,033
Timing of revenue recognition				
Products and services transferred at a point in time	1,364,119	179,882	32	1,544,033
Revenue from contracts with customers	1,364,119	179,882	32	1,544,033
Other revenue	-	-	227	227
External revenue as reported in Note 46	1,364,119	179,882	259	1,544,260

31. OTHER INCOME

Other income comprise of the following material items:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bad debts recovered	132	70	-	-
Gain on disposal of property, plant and equipment	1,557	573	246	119
Gain on foreign exchange	-	-	-	-
- realised	-	1,072	-	-
- unrealised	181	-	-	-
Interest income	851	708	396	210
Impairment loss of doubtful trade receivables no longer required	1,565	1,976	-	-
Rental income	-	-	-	-
- third parties	646	747	297	318
Fair value gain on financial assets at FVTPL	10	-	10	-
Fair value gain arising from deemed disposal of subsidiaries	-	*	-	-
Fair value gain on derivative instruments	158	-	-	-
Reversal of inventories written down	5	44	-	-

* Less than RM1,000

32. OTHER EXPENSES

Other expenses comprise of the following material items:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bad debts written off	307	417	-	-
Fair value adjustments on investment properties	80	105	-	-
Fair value loss on derivative financial instruments	-	44	-	-
Fair value loss on financial assets at FVTPL	-	183	-	183
Impairment loss on capital work-in-progress	15,603	-	-	-
Impairment loss on doubtful trade receivables	4,894	4,984	-	-
Impairment loss on investment in associates	887	91	-	-
Inventories written down	179	2	-	-
Inventories written off	816	2,489	-	-
Loss on foreign exchange	-	-	-	-
- realised	888	-	-	-
- unrealised	-	640	-	-
Property, plant and equipment written off	222	1,038	3	*

* Less than RM1,000

33. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expenses on:-				
Bank overdrafts	1,082	2,070	1	3
Bankers acceptance	11,978	15,131	-	-
Finance lease	-	2,597	-	17
Flexi financing loans	607	744	-	-
Lease liabilities	3,138	-	44	-
Onshore foreign currency loan	67	69	-	-
Revolving credit	4,796	4,643	-	-
Term loans	6,979	5,651	-	-
Others	-	7	-	-
Recognised in profit or loss	28,647	30,912	45	20
Capitalised on qualifying assets:-				
- capital work-in-progress	401	1,043	-	-
	29,048	31,955	45	20

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34. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salary, wages and other allowances	175,136	179,452	5,098	5,143
Defined contribution plan	14,158	13,563	496	465
Defined benefit plan	5,479	6,126	549	517
	194,773	199,141	6,143	6,125

35. DIRECTORS' REMUNERATION

Remuneration of Directors of the Group and of the Company during the financial year are as follows:-

Group	Fees RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
2019						
Executive Directors	431	2,470	640	624	116	4,281
Non-Executive Directors	327	-	-	1,117	31	1,475
	758	2,470	640	1,741	147	5,756
2018						
Executive Directors	655	3,312	1,050	817	152	5,986
Non-Executive Directors	310	-	-	1,395	32	1,737
	965	3,312	1,050	2,212	184	7,723
Company						
2019						
Executive Directors	130	2,304	640	504	111	3,689
Non-Executive Directors	240	-	-	613	31	884
	370	2,304	640	1,117	142	4,573
2018						
Executive Directors	180	2,112	700	487	114	3,593
Non-Executive Directors	235	-	-	895	32	1,162
	415	2,112	700	1,382	146	4,755

The estimated monetary value of benefits provided to Directors of the Group and of the Company during the financial year by way of usage of the Company's and subsidiaries' assets and other benefits amounted to RM147,000 (2018: RM184,000) and RM142,000 (2018: RM146,000) respectively.

36. TAX EXPENSE/(INCOME)

Tax recognised in profit or loss

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax expense				
Current year	10,080	9,769	79	70
Under/(Over) provision in prior years	258	(975)	523	(22)
Total current tax recognised in profit or loss	10,338	8,794	602	48
Deferred tax expense				
Origination and reversal of temporary differences	12,632	12,939	(183)	(127)
Under provision in prior years	3,306	267	53	20
Effect of changes in tax rate	-	195	-	-
Realisation of deferred tax upon depreciation of revalued assets	(1,021)	(974)	(71)	(71)
Total deferred tax recognised in profit or loss	14,917	12,427	(201)	(178)
Total tax expense/(income)	25,255	21,221	401	(130)

Reconciliation of tax expense/(income) applicable to profit before tax at statutory tax rate to tax expense/(income) at the effective tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	66,049	100,872	18,966	17,390
Tax at Malaysian statutory tax rate of 24%	15,852	24,209	4,552	4,174
Tax effects in respect of:-				
Expenses not deductible for tax purposes	8,571	5,302	500	510
Income not subject to tax	(861)	(899)	(5,156)	(4,741)
Realisation of deferred tax upon depreciation of revalued assets	(1,021)	(974)	(71)	(71)
Under/(Over) provision in prior years				
- Current tax	258	(975)	523	(22)
- Deferred tax	3,306	267	53	20
Movement on deferred tax assets not recognised	(198)	(600)	-	-
Utilisation of reinvestment allowances	(337)	(5,952)	-	-
Reversal of previously recognised deferred tax assets	-	1,007	-	-
Effect of different tax rate for fair value in investment properties	(18)	223	-	-
Different tax rates of foreign subsidiaries	(297)	(387)	-	-
	25,255	21,221	401	(130)

Tax recognised in other comprehensive income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revaluation of land and buildings	800	6,500	-	-
Remeasurement of defined benefit liability	-	755	-	(6)
	800	7,255	-	(6)

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37. PROFIT FOR THE FINANCIAL YEAR

Profit for the financial year is arrived after charging/(crediting):-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration:-				
- Audit fees				
Grant Thornton Malaysia PLT	375	357	44	42
Other Auditors	268	234	-	-
- Non-audit fees				
Grant Thornton Malaysia PLT	202	414	56	57
Material expenses/(income)				
Amortisation of prepaid land lease payments	-	328	-	-
Depreciation of property, plant and equipment	65,050	68,234	621	857
Depreciation of right-of-use assets	11,767	-	316	-
Compensation received due to fire, net of expenses	-	(3,110)	-	-
Progressive payment received from insurer	-	(3,223)	-	-
Incidental cost	-	113	-	-
Expenses arising from leases				
Expense relating to short-term leases	6,291	-	216	-
Expense relating to lease of low-value assets	173	-	-	-
Rental of equipment	-	610	-	-
Rental of motor vehicles	-	4,977	-	-
Rental of premises paid to				
- a subsidiary	-	-	-	216
- third parties	-	3,491	-	-
- a company in which certain Directors have interest	-	140	-	-

During the financial year, gratuity of RM3,888,000 was paid by the Group upon the demise of a Director. The amount was provided for as part of the retirement benefit as disclosed in Note 26.3 to the financial statements.

38. EARNINGS PER SHARE

Basic

Earnings per share is calculated based on the Group's profit for the financial year attributable to owners of the Company of RM39,337,000 (2018: RM77,534,000) and weighted average number of ordinary shares in issue during the financial year of 305,050,835 (2018: 305,050,835).

Diluted

Earnings per share is not computed as there was no dilutive potential equity instrument in issue that gave diluted effect to the earnings per share.

39. DIVIDENDS

	Group and Company RM'000
Recognised in the year	
2019	
First and final single tier dividend for financial year 2018:-	
4.5 sen per share	13,727
2018	
First and final single tier dividend for financial year 2017:-	
3.5 sen per share	10,677

After the end of the reporting period, a first and final single tier dividend of 4.0 sen per share on 305,050,835 ordinary shares, amounting to RM12,202,033 will be recognised in subsequent financial period upon approval by the shareholders of the Company.

40. COMMITMENTS

40.1 Capital commitments

Capital expenditure not provided for in the financial statements is as follows:-

	Group	
	2019 RM'000	2018 RM'000
Contracted but not provided for	23,442	24,094
Authorised but not contracted for	32,570	11,208
	56,012	35,302
Made up of:-		
Land and buildings	22,391	9,553
Plant and machineries	31,841	24,731
Computer system and others	1,780	1,018
	56,012	35,302

40.2 Rental commitments

Minimum rentals payable under the non-cancellable operating lease in the future and not provided for in the financial statements are as follows:-

	Group	
	2019 RM'000	2018 RM'000
- Within 1 year	-	3,996
- Between 2 to 5 years	-	3,011
	-	7,007

From 1 January 2019, the Group has recognised right-of-use assets (included in property, plant and equipment) for these leases, except for short-term and low-value leases, as disclosed in Notes 4 and 5 to the financial statements.

40.3 Maintenance commitments

Minimum maintenance commitments payable in the future in respect of the following are not provided for in the financial statements:-

	Group	
	2019 RM'000	2018 RM'000
Authorised and contracted for:-		
- Maintenance for plant and machinery		
- Within 1 year	3,027	3,061
- Between 2 to 5 years	4,095	7,020
- More than 5 years	-	323
	7,122	10,404

41. CONTINGENT LIABILITIES

Unsecured:-

Guarantees given to financial institutions for credit facilities granted to subsidiaries
Guarantees given to third parties for supply of goods and services to subsidiaries

	Company	
	2019 RM'000	2018 RM'000
	1,242,491	1,209,368
	5,647	7,220
	1,248,138	1,216,588

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42. RELATED PARTY

The Group has related party relationship with its shareholders, subsidiaries and associates, Directors and key management personnel.

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 9, 10 and 14 to the financial statements.

Related party transactions have been entered into the normal course of business under normal trade terms. Related party transactions of the Group and of the Company are as follows:-

42.1 Transactions with subsidiaries

	Company	
	2019 RM'000	2018 RM'000
Rental expenses payable	-	216
Lease rental payable	216	-
Secretarial and statutory records maintenance fee payable	120	115
Stationery expenses payable	12	12
Office administration fee payable	480	396
Share registration fee payable	120	180
Interest income	57	52
Dividend income receivable	20,332	19,188
Management fee receivable	7,520	7,554

42.2 Transactions with associates

	Group	
	2019 RM'000	2018 RM'000
Sales of goods	808	2,316
Purchase of goods	8,908	4,415
Dividend income receivable	82	154
Management fee receivable	73	72

42.3 Recurrent related party transactions with substantial shareholder

	Group	
	2019 RM'000	2018 RM'000
Sale of goods to:-		
- Asia File Products Sdn. Bhd.	1,595	2,119
- AFP Composite Sdn. Bhd.	256	186
	1,851	2,305

Both of the customers are subsidiaries of Asia File Corporation Bhd., a substantial shareholder of the Company.

42.4 Transaction with certain Directors

	Group	
	2019 RM'000	2018 RM'000
Tri-yen Enterprise Sdn. Bhd.		
Rental expenses payable	-	140
Lease rental payable	144	-

Tri-yen Enterprise Sdn. Bhd. is a company in which certain Directors namely, Tan Sri Lim Guan Teik and Datuk Lim Chiun Cheong have or are deemed to have substantial financial interest.

42.5 Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel consist of Executive Directors of the Company and foreign subsidiaries.

The remuneration of key management personnel of the Group during the financial year are as follows:-

	Group	
	2019 RM'000	2018 RM'000
Fees, salaries, bonus and other emoluments	5,799	7,284
Benefit-in-kind	116	152
	5,915	7,436

43. FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. It has established policies and procedures to ensure effective management of credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risk.

The following sections explain key risks faced by the Group and the Company. Financial assets and financial liabilities of the Group and of the Company are summarised in Note 3.7 to the financial statements.

43.1 Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company adopt the policy of dealing with its customers of appropriate standing to mitigate credit risk and those customers who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate risk of bad debts.

For other financial assets, the Group and the Company adopt the policy of dealing with the reputable institutions. The Group's and the Company's exposure to credit risk arising from cash and cash equivalents, bills receivables and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit ratings and have no history of default.

In respect of trade and other receivables, the Group and the Company are not subject to any significant credit risk exposure to a single counterparty or a group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

An impairment analysis is performed at each reporting date using a provision of matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

Information regarding the Group's exposure to credit risk and ECLs for trade receivables is disclosed in Note 14 to the financial statements.

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43.1.1 Exposure to credit risk

Maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of financial assets recognised at reporting date summarised below:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets:-				
Short term placements	22,267	14,449	14,635	8,917
Cash and bank balances	102,281	76,034	3,033	392
Fixed deposits with licensed banks	9,609	3,675	-	-
Trade receivables	253,862	267,086	-	-
Other receivables	21,689	14,356	182	161
Amount due from subsidiaries	-	-	15,060	29,506
Amount due from associates	1,644	2,000	880	890
Carrying amount	411,352	377,600	33,790	39,866

The Group and the Company continuously monitor credit standing of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk control. External credit ratings and/or reports on customers and other counterparties may also be used for credit assessment purposes.

The Company provides secured financial guarantees to financial institutions in respect of credit facilities granted to certain subsidiaries. The maximum exposure to credit risk is as disclosed in Note 41 as at the reporting date. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default in payment.

43.2 Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting the obligations as and when they fall due. The Group and the Company are exposed to liquidity risk arising from payables, lease liabilities, loans and borrowings and they maintain certain levels of cash and cash equivalents and bank credit facilities deemed adequate by management to ensure they have sufficient liquidity to meet the obligations as and when they fall due.

43.2.1 Analysis of financial liabilities by remaining contractual maturity period

The following is a summary of the financial liabilities of the Group and of the Company according to maturity period:-

	Current Within 1 year RM'000	Non-current 2 to 5 years RM'000	Non-current More than 5 years RM'000
Group			
2019			
Non-derivative financial liabilities			
Borrowings	420,490	99,630	2,224
Lease liabilities	19,527	29,657	-
Trade payables	68,399	-	-
Other payables	85,668	-	-
Amount due to associates	1,294	-	-
Total undiscounted financial liabilities	595,378	129,287	2,224

	Current Within 1 year RM'000	Non-current 2 to 5 years RM'000	More than 5 years RM'000
2018			
<i>Non-derivative financial liabilities</i>			
Borrowings	485,817	91,966	20,153
Finance lease liabilities	19,572	36,951	-
Trade payables	61,073	-	-
Other payables	88,143	-	-
Amount due to associates	533	-	-
	655,138	128,917	20,153
<i>Derivative financial liabilities</i>			
Forward currency contract			
- outflow	5,236	-	-
- inflow	(5,222)	-	-
Total undiscounted financial liabilities	655,152	128,917	20,153
Company			
2019			
<i>Non-derivative financial liabilities</i>			
Lease liabilities	263	649	-
Other payables	2,006	-	-
Amount due to subsidiaries	12	-	-
Total undiscounted financial liabilities	2,281	649	-
Financial guarantee *	1,248,138	-	-
2018			
<i>Non-derivative financial liabilities</i>			
Finance lease liabilities	272	912	-
Other payables	2,040	-	-
Amount due to subsidiaries	12	-	-
Total undiscounted financial liabilities	2,324	912	-
Financial guarantee *	1,216,588	-	-

* This exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holders as at the end of the reporting period.

The above amounts reflected the contractual undiscounted cash flows of the financial liabilities, which may differ from carrying values of the liabilities at the end of the financial year.

43.3 Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash flows of financial instruments of the Group and of the Company. The Group's and the Company's interest rate management objective is to manage the interest expenses to be consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The Group's and the Company's borrowings at variable interest rates are exposed to the risk of change in cash flows due to changes in interest rate. Investment in equity securities, short term receivables and payables are not significantly exposed to any interest rate risk.

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43.3.1 Interest rate sensitivity analysis

The Group and the Company are exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The following is interest rate profile of the significant interest-bearing financial instruments, based on carrying amounts as at the reporting date:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
<u>Financial asset</u>				
Fixed deposits with licensed banks	9,609	3,675	-	-
<u>Financial liabilities</u>				
Lease liabilities	(45,050)	-	(841)	-
Finance lease liabilities	-	(51,033)	-	(1,069)
	(45,050)	(51,033)	(841)	(1,069)
Net financial liabilities	(35,441)	(47,358)	(841)	(1,069)
Floating rate instruments				
<u>Financial asset</u>				
Short term placements with financial institutions	22,267	14,449	14,635	8,917
<u>Financial liabilities</u>				
Bankers acceptance	(256,838)	(320,761)	-	-
Flexi financing loans	(15,840)	(11,479)	-	-
Onshore foreign currency loan	-	(2,339)	-	-
Revolving credit	(99,787)	(95,578)	-	-
Term loans	(124,492)	(130,473)	-	-
Bank overdrafts	(10,087)	(19,426)	-	-
Total financial liabilities	(507,044)	(580,056)	-	-
Net financial (liabilities)/assets	(484,777)	(565,607)	14,635	8,917

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2018: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group		Company	
	Effect on profit for the financial year 25bp increase RM'000	25bp decrease RM'000	Effect on profit for the financial year 25bp increase RM'000	25bp decrease RM'000
2019	(921)	921	28	(28)
2018	(1,075)	1,075	17	(17)

43.4 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases transactions denominated in currency other than functional currencies of the Group's respective entities. The currencies giving rise to this risk are primarily United States Dollar (USD), Australia Dollar (AUD), Singapore Dollar (SGD) and Euro (EURO) and China Renminbi (RMB).

The Group uses forward exchange contracts to hedge its foreign currency risk and the contract period is less than one year.

Carrying amounts of the Group's exposure to foreign currency risk are as follows:-

Group	USD RM'000	AUD RM'000	SGD RM'000	EURO RM'000	RMB RM'000	Others RM'000
2019						
Trade and other receivables	21,494	2,930	6,418	617	40	-
Deposits, cash and bank balances	8,299	637	2,206	68	559	1,625
Trade and other payables	(3,568)	-	(72)	(430)	(1,026)	(230)
Amount due to associates	-	-	(1,294)	-	-	-
Net exposure	26,225	3,567	7,258	255	(427)	1,395
2018						
Trade and other receivables	23,140	3,576	3,214	431	-	-
Deposits, cash and bank balances	7,334	2,376	1,796	163	-	30
Trade and other payables	(6,176)	-	(2,004)	(270)	(1,727)	(219)
Amount due to associates	(93)	-	(440)	-	-	-
Borrowings	(2,339)	-	-	-	-	-
Net exposure	21,866	5,952	2,566	324	(1,727)	(189)

43.4.1 Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit or loss with regards to the Group's financial assets and financial liabilities and the RM/USD exchange rate, RM/AUD exchange rate, RM/SGD exchange rate, RM/EURO exchange rate, RM/RMB exchange rate and RM/Others exchange rate assuming all other things being equal.

A +/-5% (2018: +/-5%) change in the RM/USD, RM/AUD, RM/SGD, RM/EURO, RM/RMB and RM/Others exchange rates at the reporting period is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the RM had strengthened against the USD, AUD, SGD, EURO, RMB and Others, then the impact would be as follows:-

Group	Effect on profit for the financial year						Total RM'000
	USD RM'000	AUD RM'000	SGD RM'000	EURO RM'000	RMB RM'000	Others RM'000	
2019	(1,311)	(178)	(363)	(13)	22	(70)	(1,913)
2018	(1,093)	(298)	(128)	(16)	86	10	(1,439)

If the RM had weakened against the USD, AUD, SGD, EURO, RMB and Others, then the impact on profit for the financial year would be strengthened.

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

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43.5 Other price risk sensitivity analysis

The Group and the Company are exposed to equity price risk due to fluctuation in prices of quoted securities under financial assets at fair value through profit or loss (Note 16). The movements in quoted price of these securities are monitored continuously.

An increase or decrease of 1% (2018: 1%) in the prices of the quoted securities would result in an increase or decrease of RM39,000 (2018: RM37,000) to the profit or loss of the Group and of the Company.

44. FAIR VALUE MEASUREMENT

44.1 Group

44.1.1 Fair value measurement of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group at reporting date approximate their fair values because they are floating rate instruments which are re-priced to market rates on or near reporting date or they have a short maturity period.

The following table summarises the methods used in determining the fair value of financial assets and liabilities on a recurring basis as at 31 December 2019 and 31 December 2018:-

Financial assets / Financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2019 RM'000	2018 RM'000		
1) Foreign currency forward contracts	Assets 144	Liabilities 14	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties
2) Financial assets at FVTPL	Assets 5,063	Assets 4,879	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and Level 2 in 2019 and 2018.

44.1.2 Fair value measurement of non-financial assets

The following table summarises the methods used in determining the fair value of non-financial assets on a recurring basis as at 31 December 2019 and 31 December 2018:-

Non-financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2019 RM'000	2018 RM'000				
1) Property, plant and equipment	Land 390,189	Land 377,225	Level 3	Land Comparison approach which reflects recent market transactions for similar properties.	Land Adjustment for factors such as plot size, location, encumbrances and current use.	Land The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as starting point for valuation.
	Buildings 297,547	Buildings 304,865		Buildings Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Buildings Adjustment for factors such as physical deterioration, functional and economic obsolescence.	Buildings Depreciation is deducted to reflect the current condition of the buildings and structures.
2) Investment property	Land 4,882	Land 7,252	Level 3	Land Comparison approach which reflects recent market transactions for similar properties.	Land Adjustment for factors such as plot size, location, encumbrances and current use.	Land The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as starting point for valuation.
	Buildings 1,998	Buildings 4,008		Buildings Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Buildings Adjustment for factors such as physical deterioration, functional and economic obsolescence.	Buildings Depreciation is deducted to reflect the current condition of the buildings and structures.

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The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:-

	← Property, plant and equipment →				← Investment properties →			
	Land		Buildings		Land		Buildings	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Brought forward	377,225	379,545	304,865	313,223	7,252	6,832	4,008	3,658
Additions to Level 3 since the last valuation	-	-	-	-	-	36	-	331
Transfer from property, plant and equipment	-	-	-	-	-	-	-	371
Transfer to investment properties	-	-	-	(371)	-	-	-	-
Transfer from prepaid land lease payments	-	-	-	-	-	137	-	-
Transfer to asset included in disposal group as held for sale	-	-	-	-	(2,400)	-	(1,900)	-
Adjustment on transition to MFRS 16	4,284	-	-	-	-	-	-	-
Revaluation	11,155	-	-	-	-	-	-	-
Income/(Expenses) recognised in profit or loss:-								
- Increase/(Decrease) in fair value of land and buildings	-	-	-	-	30	247	(110)	(352)
- Depreciation	(2,164)	(2,320)	(7,025)	(7,094)	-	-	-	-
Translation difference	(311)	-	(293)	(893)	-	-	-	-
Carried forward	390,189	377,225	297,547	304,865	4,882	7,252	1,998	4,008

	Investment properties			
	Land		Buildings	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total amount included in profit or loss for unrealised gains/(losses) on Level 3 assets	30	247	(110)	(352)

44.2 Company

44.2.1 Fair value measurement of financial instruments

The carrying amount of financial asset of the Company at reporting date approximates its fair value because it is floating rate instrument which is re-priced to market rates on or near reporting date or it has a short maturity period.

The following table summarises the methods used in determining the fair value of financial assets on a recurring basis as at 31 December 2019 and 31 December 2018:-

Financial assets / Financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2019 RM'000	2018 RM'000		
Financial assets at FVTPL	Assets 5,063	Assets 4,879	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and Level 2 in 2019 and 2018.

44.2.2 Fair value measurement of non-financial assets

The following table summarises the methods used in determining the fair value of non-financial assets on a recurring basis as at 31 December 2019 and 31 December 2018:-

Non-financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2019 RM'000	2018 RM'000				
Property, plant and equipment	Land 17,072	Land 17,395	Level 3	Land Comparison approach which reflects recent market transactions for similar properties.	Land Adjustment for factors such as plot size, location, encumbrances and current use.	Land The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as starting point for valuation.
	Buildings 2,548	Buildings 2,615		Buildings Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Buildings Adjustment for factors such as physical deterioration, functional and economic obsolescence.	Buildings Depreciation is deducted to reflect the current condition of the buildings and structures.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:-

	Property, plant and equipment			
	Land		Buildings	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Brought forward	17,395	17,719	2,615	2,682
Expenses recognised in profit or loss:-				
- Depreciation	(323)	(324)	(67)	(67)
Carried forward	17,072	17,395	2,548	2,615

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45. CAPITAL MANAGEMENT

The primary capital management objective of the Group and of the Company is to achieve sustainable growth and maximise return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

No changes were made in the objectives, policies or processes for managing capital during the financial year ended 31 December 2019 and 31 December 2018.

The Group manages the mixture of equity and borrowings to ensure that gearing ratio of the Group does not exceed 1.5 and consolidated shareholders' equity is not less than RM400,000,000 to comply with the covenants of certain loan and credit facilities taken by certain subsidiaries. Shareholders' equity and gearing ratio at the end of 2019 and 2018 are reported below:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings (including lease liabilities/finance lease liabilities and bank overdraft)	552,094	631,089	841	1,069
Total equity	1,081,769	1,046,729	289,069	284,231
Debt-to-equity ratio	0.51	0.60	*	*

* Less than 0.1

46. OPERATING SEGMENTS – GROUP

The management identifies the Group's manufacturing and trading operations as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The following summary describes the operations in each of the Group's reportable segments:-

Manufacturing segment : Manufacture of various types of industrial paper, corrugated cartons, paper bags, paper stationery and paper based food packaging products.

Trading segment : Trading in paper, recovered paper and stationery products.

Other non-reportable segments comprise of operations related to investment holding, property holding, management consultancy, general insurance agency services and engineering and fabrication services.

Transfer prices between operating segments are on negotiated basis.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports. Segment profit is used to measure performance as the management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operates within these industries.

Analysis of the Group's revenue, results, assets, liabilities and other information by operating segment are shown below:-

	Manufacturing		Trading		Others		Eliminations		Note	Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000		2019 RM'000	2018 RM'000
Revenue											
External revenue	1,344,923	1,364,119	173,402	179,882	270	259	-	-		1,518,595	1,544,260
Intersegment revenue	22,619	24,118	201,931	227,689	7,313	7,733	(231,863)	(259,540)	A	-	-
Total revenue	1,367,542	1,388,237	375,333	407,571	7,583	7,992	(231,863)	(259,540)		1,518,595	1,544,260
Results											
Segment profit	93,767	122,113	8,651	10,458	26,419	31,189	(33,538)	(33,277)	B	95,299	130,483
Interest income	206	120	251	500	800	561	(406)	(473)		851	708
Finance cost	(28,712)	(29,929)	(1,049)	(1,223)	(143)	(214)	1,257	454		(28,647)	(30,912)
Depreciation and amortisation	(71,490)	(64,760)	(3,911)	(2,678)	(1,416)	(1,124)	-	-		(76,817)	(68,562)
Share of (loss)/profit of associates	-	-	(1,454)	593	-	-	-	-		(1,454)	593
Other non-cash (expenses)/income	(19,208)	(8,214)	(636)	737	332	77	-	-	C	(19,512)	(7,400)
Assets											
Segment assets	1,701,826	1,733,791	141,661	137,379	60,218	51,755	-	-	D	1,903,705	1,922,925
Investment in associates	-	-	17,500	19,887	-	-	-	-		17,500	19,887
Additions to non-current assets other than financial instruments and deferred tax assets	65,827	120,107	2,255	12,386	590	982	-	-	E	68,672	133,475
Segment liabilities	(167,820)	(164,017)	(30,938)	(30,966)	(9,412)	(8,521)	-	-	F	(208,170)	(203,504)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A. Intersegment revenues are eliminated on consolidation.

B. The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in the profit or loss:-

	2019 RM'000	2018 RM'000
Segment profit	95,299	130,483
Interest income	851	708
Finance costs	(28,647)	(30,912)
Share of (loss)/profit of associates	(1,454)	593
Profit before tax	66,049	100,872

C. Other major non-cash (expenses)/income consist of the following items as presented in the respective notes to the financial statements:-

	2019 RM'000	2018 RM'000
Impairment loss on investment in associates	(887)	(91)
Impairment loss on capital work-in-progress	(15,603)	-
Impairment loss on doubtful trade receivables	(4,894)	(4,984)
Bad debts written off	(307)	(417)
Fair value gain/(loss) on derivative financial instruments	158	(44)
Fair value gain/(loss) on financial assets at FVTPL	10	(183)
Property, plant and equipment written off	(222)	(1,038)
Inventories written down	(179)	(2)
Inventories written off	(816)	(2,489)
Fair value adjustments on investment properties	(80)	(105)
Impairment loss on doubtful trade receivables no longer required	1,565	1,976
Reversal of inventories written down	5	44
Gain on disposal of property, plant and equipment	1,557	573
Unrealised gain/(loss) on foreign exchange	181	(640)
	(19,512)	(7,400)

D. The following items are added to segment assets to arrive at total assets reported in the statements of financial position:-

	2019 RM'000	2018 RM'000
Segment assets	1,903,705	1,922,925
Intangible assets	11,663	11,649
Investment in associates	17,500	19,887
Deferred tax assets	791	2,182
Tax recoverable	794	1,978
Total assets	1,934,453	1,958,621

E. Additions to non-current assets other than financial instruments and deferred tax assets consist of:-

	2019 RM'000	2018 RM'000
Property, plant and equipment	17,859	31,830
Capital work-in-progress	50,813	101,278
Investment properties	-	367
	68,672	133,475

F. The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:-

	2019 RM'000	2018 RM'000
Segment liabilities	(208,170)	(203,504)
Finance lease liabilities	-	(51,033)
Lease liabilities	(45,050)	-
Borrowings and bank overdrafts	(507,044)	(580,056)
Tax payable	(3,164)	(2,350)
Deferred tax liabilities	(89,256)	(74,949)
Total liabilities	(852,684)	(911,892)

Geographical information

The Group's revenue and non-current assets information based on geographical location are as follows:-

	Revenue		Non-current assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia*	1,351,222	1,378,917	1,181,094	1,202,717
Republic of Singapore	148,138	136,858	8,790	8,349
The People's Republic of China	13,864	23,925	13,956	7,214
Australia	5,371	4,560	17,327	17,601
	1,518,595	1,544,260	1,221,167	1,235,881

* Company's home country

Non-current assets information presented above consist of the following items as presented in the statements of financial position:-

	2019 RM'000	2018 RM'000
Property, plant and equipment	1,145,330	1,157,844
Prepaid land lease payments	-	4,285
Capital work-in-progress	57,294	50,843
Investment properties	6,880	11,260
Intangible assets	11,663	11,649
	1,221,167	1,235,881

Major customers

The Group does not have any revenue from a single external customer which represents 10% or more of the Group's revenue.

47. SUBSEQUENT EVENT

The Coronavirus ("COVID-19") pandemic was announced by the World Health Organisation on 11 March 2020. The COVID-19 pandemic has caused disruptions to businesses and various macroeconomics globally.

The Group and the Company consider that the effects relating to this outbreak to be a non-adjusting event as it did not exist as at 31 December 2019. Hence, the current conditions arising from this outbreak do not have any impact to the carrying amounts reported for the financial year ended 31 December 2019.

As at the date of issuance of the financial statements, the pandemic is still evolving and unpredictable. It is therefore not practicable for the Group and the Company to estimate the financial effects of COVID-19 at this juncture but shall closely monitor and manage the Group's and the Company's operations to minimise the impact of COVID-19.



THE PROPERTIES & SHAREHOLDINGS

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PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2019

Location	Description of Property	Land Area (Sq. Metre)	Existing Use	Net Carrying Amount RM'000	Age of Building (Approx. Years)	Date of (A) Acquisition / (B) Revaluation / (C) Fair Value
CENTRAL MALAYA PAPER SDN. BHD.						
No. 15, Jalan Wawasan 2 Kawasan Perindustrian Sri Gading 83009 Batu Pahat, Johor Darul Takzim 60 Years Lease Expiring 2053	Industrial Building	5,026	Office & Warehouse	2,257	20	(B) 16-08-17
No. 1A, Jalan Taman Teknologi Cheng 2 Taman Teknologi Cheng 75250 Melaka 99 Years Lease Expiring 2096	Industrial Building	5,304	Office & Warehouse	3,627	16	(B) 17-08-17
No. 2, Persiaran Rishah 14 Kawasan Perindustrian Silibin 30100 Ipoh, Perak Darul Ridzuan 60 Years Lease Expiring 2045	Industrial Building	1,600	Office & Warehouse	820	31	(C) 29-07-19
No. 101-D, Lintang Kampung Jawa 11900 Bayan Lepas, Penang 60 Years Lease Expiring 2041	Industrial Building	1,339	Office & Warehouse	2,621	28	(B) 15-08-17
No. 4858, Jalan Permatang Pauh 13400 Butterworth, Penang 99 Years Lease Expiring 2064	Industrial Building	266	Office & Warehouse	670	35	(C) 31-07-19
No. 23, Jalan Padu Kawasan Perindustrian Tampoi 80350 Johor Bahru, Johor Darul Takzim 60 Years Lease Expiring 2044	Industrial Building	6,070	Office & Warehouse	4,405	29	(B) 15-08-17
No. 1, Persiaran Perusahaan Kledang Utara 1/3 Kawasan Perindustrian Negara Jaya 31450 Ipoh, Perak Darul Ridzuan 90 Years Lease Expiring 2082	Industrial Building	3,039	Office & Warehouse	3,388	22	(A) 07-02-17
CMP RESOURCES SDN. BHD.						
Plot 79, Lorong Perusahaan Maju 4 Kawasan Perusahaan Prai, Mukim 6 Daerah Seberang Prai Tengah 13600 Prai, Penang 60 Years Lease Expiring 2052	Industrial Building	9,337	Office & Warehouse	6,368	19	(B) 15-08-17
FEDERAL PACKAGES SDN. BHD.						
Lot 401, Mukim 2 Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	11,124	Vacant	800	-	(C) 01-08-19
Lot 401, Mukim 1 Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	10,370	Vacant	2,200	-	(B) 14-08-17
Lot 134, Jalan Tasek 14120 Simpang Ampat Daerah Seberang Perai Selatan, Penang Freehold	Industrial Land	12,375	Open Storage Yard	1,670	-	(B) 15-08-17

PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2019

Location	Description of Property	Land Area (Sq. Metre)	Existing Use	Net Carrying Amount RM'000	Age of Building (Approx. Years)	Date of (A) Acquisition / (B) Revaluation / (C) Fair Value
Lot 415, Jalan Tasek 14120 Simpang Ampat Daerah Seberang Perai Selatan, Penang Freehold	Industrial Building	73,370	Office, Factory & Warehouse	46,505	26	(B) 15-08-17
Lot 10017, Mukim 2 Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	6,032	Vacant	1,310	-	(B) 15-08-17
Lot 96, Mukim 2 Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	5,754	Vacant	1,090	-	(A) 04-03-17
INTRAPAC (AUSTRALIA) PTY. LTD.						
Unit 12, 5 Meridian Place Baulkham Hills New South Wales, Australia Freehold	Office & Warehouse	889	Office & Warehouse	8,278	16	(B) 22-08-17
26 Babbage Drive Dandenong South Victoria, Australia Freehold	Office & Warehouse	1,999	Office & Warehouse	8,563	2	(A) 24-08-18
KOTAK MALAYSIA (KOM) SDN. BHD.						
Lot 11 & 12, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2072	Industrial Building	16,156	Office & Factory	8,528	5 - 46	(B) 16-08-17
No. 136, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2070	Industrial Building	21,600	Office, Factory & Warehouse Pending Occupation	28,070	-	(B) 16-08-17
K F PAPER PRODUCTS (MELAKA) SDN. BHD.						
Lot 1-9, Jalan Usaha 2 Taman Perindustrian Merlimau 77300 Merlimau, Melaka 99 Years Lease Expiring 2088	Industrial Building	51,770	Office, Factory & Warehouse	16,945	9	(B) 17-08-17
MUDA HOLDINGS BERHAD						
Lot 7, Jalan 51A/241 46100 Petaling Jaya Selangor Darul Ehsan 99 Years Lease Expiring 2072	Industrial Building	4,662	Office & Warehouse	19,620	46	(B) 16-08-17
MUDA LAND DEVELOPMENT SDN. BHD.						
Apartment FL2-1 & FL2-2 Jalan Pantai, Batu 2, Corus Paradise 71000 Port Dickson Negeri Sembilan Darul Khusus 99 Years Lease Expiring 2087	Apartment	167	Holiday Apartments	329	28	(B) 14-08-17

Location	Description of Property	Land Area (Sq. Metre)	Existing Use	Net Carrying Amount RM'000	Age of Building (Approx. Years)	Date of (A) Acquisition / (B) Revaluation / (C) Fair Value
No. E-14, Block E, Jalan Gereja, Greenhill Resort Tanah Rata, 39000 Cameron Highlands Pahang Darul Makmur 45 Years Lease Expiring 2037	Apartment	84	Holiday Apartments	250	26	(B) 12-08-17
Unit BG1-BG8, B1-1 to B1-8, B2-1 to B2-8, B3-1 to B3-8, B4-1 to B4-8 Rumah Pangsa Kajang Indah Taman Kajang Indah 43000 Kajang, Selangor Darul Ehsan Freehold	5 Storey Flats	2,140	Workers' Hostel	2,609	26	(B) 15-08-17
MUDA PACKAGING INDUSTRIES SDN. BHD.						
Lot 86818 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	48,363	Office & Factory	75,847	4 - 42	(B) 15-08-17
PT 87921 (FKA Lot 2373) 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	12,899	Warehouse	12,071	27	(B) 15-08-17
Lot 57979 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Land	2,986	Car Park	2,721	-	(B) 15-08-17
Lot 57977 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Agricultural Land	3,879	Vacant	1,250	-	(B) 15-08-17
MUDA PACKAGING INDUSTRIES (QINGYUAN) LTD.						
9th Area Longtang Industrial Development Zone Qingyuan, Guangdong, China 46 Years Lease Expiring 2044	Industrial Building	36,698	Office & Factory	13,538	21	(B) 19-09-17
MUDA PAPER MILLS SDN. BHD.						
Lot 1062, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	11,539	Warehouse	11,041	5 - 28	(B) 15-08-17
Lot 8868, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Land	8,215	Open Storage Yard	6,630	-	(B) 15-08-17

PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2019

Location	Description of Property	Land Area (Sq. Metre)	Existing Use	Net Carrying Amount RM'000	Age of Building (Approx. Years)	Date of (A) Acquisition / (B) Revaluation / (C) Fair Value
Lot 8869 & 8871, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	22,063	Warehouse	27,767	3 - 19	(B) 15-08-17
Lot 11207, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan 99 Years Lease Expiring 2070	Industrial Building	87,499	Office, Factory & Warehouse	120,758	2 - 49	(B) 15-08-17
Lot 17667, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan 99 Years Lease Expiring 2093	Industrial Building	4,000	Warehouse	2,912	26	(B) 15-08-17
Lot 37065, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan 99 Years Lease Expiring 2093	Industrial Building	17,522	Warehouse & Water Treatment Plant	17,090	4 - 27	(B) 15-08-17
Lot 5235, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Building	21,271	Office, Factory & Open Storage Yard	23,222	2 - 8	(B) 15-08-17
Lot 1572, Taman Perindustrian Kidamai 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Land	23,750	Open Storage Yard	19,800	-	(B) 15-08-17
Lot 5744, Taman Perindustrian Kidamai 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Land	43,934	Open Storage Yard	28,380	-	(B) 15-08-17
Lot 34133, Mukim of Kapar District of Klang Selangor Darul Ehsan 99 Years Lease Expiring 2089	Residential Land	12,060	Vacant	3,900	-	(C) 29-07-19
Lot 771 & 782, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Land	10,986	Vacant	2,300	-	(B) 15-08-17
No. 789, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	25,864	Office, Factory & Warehouse	19,666	2 - 12	(B) 15-08-17
Lot 153, 156, 157, 160, 161, 162, 163 & 164 Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	112,917	Office, Factory, Warehouse & Water Treatment Plant	95,787	1 - 54	(B) 15-08-17
Lot 123, 165, 166 & 10006 (FKA Lot 444) Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	22,487	Warehouse	12,198	2 - 12	(B) 15-08-17

Location	Description of Property	Land Area (Sq. Metre)	Existing Use	Net Carrying Amount RM'000	Age of Building (Approx. Years)	Date of (A) Acquisition / (B) Revaluation / (C) Fair Value
Lot 155, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang 999 Years Lease Expiring 2880	Industrial Building	12,906	Factory & Water Treatment Plant	4,102	1 - 54	(B) 15-08-17
Lot 775, 824, 10216, 10217, 10279 (FKA Lot 774) & 10286 (FKA Lot 823) Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	41,917	Factory & Water Treatment Plant	23,456	4	(B) 15-08-17
Lot 10278 (FKA Lot 777) Jalan Seberang Tasek, 14120 Simpang Ampat, Penang Seberang Perai Selatan, Freehold	Industrial Building	19,749	Factory & Water Treatment Plant	8,035	4	(B) 15-08-17
Lot 10226, 10227 & 10228 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Land	20,215	Storage Yard	6,750	-	(B) 15-08-17
Lot 149, 725, 729 & 730 Kampung Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Agricultural Land	61,042	Vacant	4,600	-	(B) 15-08-17
No. 22, Lorong Bakap Indah 10 Taman Bakap Indah 14200 Sungai Bakap, Penang Freehold	Double Storey Terrace House	205	Staff Hostel	519	6	(B) 15-08-17
MUDA PASIFIK SDN. BHD.						
No. 9, Jalan Persiaran Teknologi Taman Teknologi Johor 81400 Senai, Johor Darul Takzim 60 Years Lease Expiring 2063	Industrial Building	38,360	Office & Factory	24,950	16	(B) 15-08-17
RJ & R HOLDINGS SDN. BHD.						
No. 401, Block A Glomac Business Centre Jalan SS6/1, Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Freehold	Office	290	Office	990	25	(C) 31-07-19

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

Audit and Non-Audit Fees

The amount of the audit fees and non-audit fees paid to the Company's external auditor and its local affiliates by the Company and the Group in respect of the services carried out during the financial year ended 31 December 2019 are as follows:

	Company (RM)	Group (RM)
Audit fees	44,000	374,500
Non-audit fees	56,300	201,650
Total	<u>100,300</u>	<u>576,150</u>

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders during the financial year under review.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MAY 2020

No. of Issued Shares	305,050,835
Class of Shares	Ordinary Shares
Voting Rights	One vote per ordinary share

Range of Shareholdings	No. of Shareholders	No. of Issued Shares	% of Issued Shares
Less than 100	487	18,352	0.01
100 to 1,000	893	580,689	0.19
1,001 to 10,000	3,871	16,402,469	5.38
10,001 to 100,000	949	27,192,206	8.91
100,001 to less than 5% of issued shares	110	102,081,019	33.46
5% and above of issued shares	3	158,776,100	52.05
Total	6,313	305,050,835	100.00

Directors' Direct and Deemed Interest in the Company and its Related Corporations

Other than as disclosed below, there are no other Directors of the Company who has an interest, direct or deemed, in shares of the Company and its related corporations.

Name	Direct Interest		Deemed Interest	
	No of Shares	%	No of Shares	%
Tan Sri Lim Guan Teik	3,250,000	1.07	124,302,313 *	40.75
Dato' Azaman Bin Abu Bakar	100,000	0.03	114,770,013 *	37.62
Datuk Lim Chiun Cheong	715,500	0.23	126,836,813 *	41.58
Lee Khim Sin	60,000	0.02	203,000 *	0.07
Lim Yen Wee	230,000	0.08	-	-

By virtue of their interests in shares of Muda Holdings Berhad ("Muda"), Tan Sri Lim Guan Teik, Dato' Azaman Bin Abu Bakar, Datuk Lim Chiun Cheong, Lee Khim Sin and Lim Yen Wee are also deemed interested in shares of all subsidiaries of Muda to the extent that Muda has an interest.

Substantial Shareholders (as shown in the Register of Substantial Shareholders)

Name	Direct Interest		Deemed Interest	
	No of Shares	%	No of Shares	%
Tan Sri Lim Guan Teik	3,250,000	1.07	124,302,313 *	40.75
Dato' Azaman Bin Abu Bakar	100,000	0.03	114,770,013 *	37.62
Datuk Lim Chiun Cheong	715,500	0.23	126,836,813 *	41.58
Malaysia Nominees (Tempatan) Sendirian Berhad				
Pledged Securities Account For Hartaban Holdings Sdn. Bhd.	83,650,000	27.42	-	-
Hartaban Holdings Sdn. Bhd.	20,300,000	6.66	93,659,013 ^	30.70
Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73	125,315,413 *	41.08
Sin Poay Sim	2,677,700	0.88	114,849,013 *	37.65
Datin Cheong Koon Hooi	5,000,000	1.64	114,849,013 *	37.65
Asia File Corporation Bhd.	6,261,400	2.05	54,826,100 ^	17.97
Lim & Khoo Sdn. Bhd.	54,826,100	17.97	-	-
Lim Soon Huat	1,390,000	0.46	61,087,500 ^	20.03
Prestige Elegance (M) Sdn. Bhd.	-	-	61,087,500 ^	20.03
Datin Khoo Saw Sim	-	-	61,087,500 ^	20.03

Notes:

* Deemed to have interest in shares of Muda held by persons deemed to be connected with the Directors as defined under Section 197 of the Companies Act, 2016 and by other corporations by virtue of Section 8(4) of the Companies Act, 2016.

^ Deemed to have interest in shares of Muda held by other corporations by virtue of Section 8(4) of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MAY 2020

30 Largest Shareholders as per Record of Depositors as at 20 May 2020

No.	Name	No. of Shares	%
1	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Hartaban Holdings Sdn. Bhd. (01-00794-000)	83,650,000	27.42
2	Lim & Khoo Sdn Bhd	54,826,100	17.97
3	Hartaban Holdings Sdn Bhd	20,300,000	6.66
4	Styme Sdn Bhd	10,009,013	3.28
5	Beh Phaik Hooi	9,618,200	3.15
6	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Lim Siew Lee (PB)	9,150,000	3.00
7	Teoh Chin Chia	6,687,200	2.19
8	Lim Guan Teik Holdings Sdn. Bhd.	6,500,900	2.13
9	Asia File Corporation Bhd.	6,261,400	2.05
10	Datin Cheong Koon Hooi	5,000,000	1.64
11	Lim Siew Lee	4,107,800	1.35
12	Tan Sri Lim Guan Teik	3,250,000	1.07
13	Sin Poay Sim	2,677,700	0.88
14	Cheah Sok In	2,327,400	0.76
15	Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73
16	Ooi Chin Hock	2,155,600	0.71
17	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mak Tian Meng (MY3136)	1,588,600	0.52
18	Yeong Cheong Thye @ Yeong Yue Chai	1,489,000	0.49
19	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	1,439,500	0.47
20	Lim Soon Huat	1,390,000	0.46
21	Lucy Khoo	1,279,000	0.42
22	Lee Fook Yuen	1,000,000	0.33
23	MSM International Adjusters (Malaysia) Sdn Bhd	999,800	0.33
24	Tri-Yen Enterprise Sdn Bhd	890,000	0.29
25	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	825,098	0.27
26	Leong Yuet Ling	800,000	0.26
27	Datuk Lim Chiun Cheong	715,500	0.23
28	Wong Yoke Fong @ Wong Nyok Fing	626,100	0.21
29	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Azaman Bin Abu Bakar (49347 HKIU)	611,000	0.20
30	Lim Siew Lee	533,000	0.17
Total		242,944,811	79.64

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Ninth Annual General Meeting of Muda Holdings Berhad (“the Company”) will be held at Ground Floor, Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 12 August 2020 at 11.00 a.m. through live streaming and online remote voting via the Remote Participation and Voting (“RPV”) Facilities which are available at Boardroom Share Registrars Sdn Bhd Online website at <https://boardroomlimited.my/> to transact the following businesses:

A G E N D A

As Ordinary Business

- | | | |
|---|---|---|
| 1 | To receive the Audited Financial Statements for financial year ended 31 December 2019 together with the Directors’ and Auditors’ Reports thereon. | (Please refer to Explanatory Note D) |
| 2 | To approve the payment of a First and Final Single Tier Dividend of 4.0 sen per share for the financial year ended 31 December 2019. | Ordinary Resolution 1 |
| 3 | To approve the payment of Directors’ fees of RM370,000.00 to Directors of the Company in respect of financial year ended 31 December 2019. | Ordinary Resolution 2 |
| 4 | To approve the payment of Directors’ remuneration and benefits to Non-Executive Directors of up to an amount of RM1,450,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. | Ordinary Resolution 3 |
| 5 | To re-elect Tan Sri Lim Guan Teik who retires in accordance with Article 81 of the Company’s Constitution. | Ordinary Resolution 4 |
| 6 | To re-elect Datuk Nik Ibrahim Bin Nik Abdullah who retires in accordance with Article 81 of the Company’s Constitution. | Ordinary Resolution 5 |
| 7 | To re-elect Ms Lim Siew Ling who retires in accordance with Article 85 of the Company’s Constitution. | Ordinary Resolution 6 |
| 8 | To re-elect Ms Lim Yen Wee who retires in accordance with Article 85 of the Company’s Constitution. | Ordinary Resolution 7 |
| 9 | To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 8 |

As Special Business

- | | | |
|----|---|-------------------------------|
| 10 | To consider and if thought fit, to pass the following Ordinary Resolution: | |
| | Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016 | |
| | “That pursuant to Section 75 and 76 of the Companies Act, 2016, the Directors be and are hereby authorised to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.” | Ordinary Resolution 9 |
| 11 | To consider and if thought fit, to pass the following Ordinary Resolution: | |
| | Retention as an Independent Non-Executive Director | |
| | “That subject to the passing of Ordinary Resolution 5, Datuk Nik Ibrahim Bin Nik Abdullah be retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2017 until the conclusion of the next Annual General Meeting.” | Ordinary Resolution 10 |
| 12 | To transact any other ordinary business which may be properly transacted at an Annual General Meeting. | |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the First and Final Single Tier Dividend of 4.0 sen per share in respect of financial year ended 31 December 2019, if approved at the Forty-Ninth Annual General Meeting, will be payable on Wednesday, 23 September 2020 to depositors and shareholders listed in the Record of Depositors and Register of Members on 28 August 2020.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares transferred to depositor's securities account before 4.00 p.m. on 28 August 2020 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board
Goh Ching Yee (MAICSA 0760803)
Lam Yoke Teng (MAICSA 7052983)
Secretaries

25 June 2020
Petaling Jaya

Notes:-

A. Conduct of Forty-Ninth Annual General Meeting ("49th AGM") Via Remote Participation and Electronic Voting

1. Due to the unprecedented circumstances arising from the measures that have been implemented nationally to limit the spread of Coronavirus Disease ("COVID-19") and in particular the Government of Malaysia's official guidance on practicing of social distancing and avoidance of large gathering and having regard for the wellbeing of the public and safety of our shareholders, the Company will conduct the 49th AGM entirely via remote participation and electronic voting (collectively referred to as "online AGM"). The online AGM will be streamed from the venue stated above.
2. The Company invites shareholders to participate in the 49th AGM from their home or office and follow the entire proceedings as the AGM will be conducted electronically or remotely using the Remote Participation and Voting ("RPV") Facilities described in the Administrative Guide for Shareholders which is published on our website at <http://www.muda.com.my> and will be sent to shareholders. With the RPV Facilities, you may exercise your right as a shareholder of the Company to participate, including posing questions to the Board/Management of the Company and vote at the AGM from the comfort of your home or office.

B. General Meeting Record of Depositors ("General Meeting ROD")

The Company will be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting ROD as at 4 August 2020 in accordance with Article 56 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depository) Act 1991. Only a member whose name appears in the General Meeting ROD as at 4 August 2020 shall be entitled to attend, speak and vote at the 49th AGM of the Company or appoint a proxy or proxies to attend and/or vote on his/her behalf.

C. Appointment of Proxy

1. A member entitled to attend, participate, speak and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, participate, speak and vote in his/her stead. A proxy need not be a member of the Company. Since the 49th AGM will be conducted on a fully virtual basis, a member who is unable to attend and vote at the meeting may appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the Proxy Form. For Corporate Shareholder, Authorised Nominee and Exempt Authorised Nominee, you may also appoint a proxy who is not the Chairman of the Meeting.
2. A member other than an Exempt Authorised Nominee shall be entitled to appoint not more than 2 proxies to attend and vote at the same meeting. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. If the appointor is a corporation, the Proxy Form must be executed under the hand of an officer or attorney duly authorised or under its common seal.
4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Duly completed Proxy Form must be deposited at the office of the Company's Share Registrar, Muda Management Services Sdn Bhd at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time for holding the 49th AGM.

D. Item 1 of Agenda on Audited Financial Statements for the Financial Year Ended 31 December 2019

Item 1 of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence is not put forward for voting.

E. First and Final Single Tier Dividend

Pursuant to Section 131 of the Companies Act, 2016, a company may only make distribution to the shareholders out of profits of the company available if the company is solvent. The Board of Directors has on 27 February 2020 considered the amount of dividend and decided to recommend the same for shareholders' approval.

The Directors are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 23 September 2020 in accordance with the requirements under Section 132(2) and (3) of the Companies Act, 2016.

F. Payment of Directors' Fees and Directors' Remuneration to Non-Executive Directors for the Financial Year 2020

Section 230(1) of the Companies Act, 2016 provides, inter alia, that "the fees" of the directors and "any benefits" payable to directors of a listed company and its subsidiaries shall be approved at a general meeting. The Company is seeking shareholders' approval for:

- (a) Payment of Directors' fees of RM370,000.00 to 7 Directors of the Company pursuant to Ordinary Resolution 2; and
- (b) Remuneration and benefits payable to Non-Executive Directors of the Company in aggregate of RM1,450,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company pursuant to Ordinary Resolution 3.

G. Re-election of Directors who retire under Article 81 of the Company's Constitution

Article 81 of the Company's Constitution provides that at each Annual General Meeting, one-third of the Directors for the time being or if their number is not three or a multiple of three, then the number nearest one-third shall retire from office so that all Directors shall retire from office at least once in every 3 years.

Tan Sri Lim Guan Teik and Datuk Nik Ibrahim Bin Nik Abdullah retire under Article 81 of the Company's Constitution at the 49th AGM of the Company and have offered themselves for re-election at the 49th AGM of the Company.

H. Re-election of Directors who retire under Article 85 of the Company's Constitution

Article 85 of the Company's Constitution provides that directors appointed at any time, and from time to time, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next following annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Ms Lim Siew Ling and Ms Lim Yen Wee who were appointed Directors of the Company on 1 January 2020, retire under Article 85 of the Company's Constitution at the 49th AGM of the Company and have offered themselves for re-election at the 49th AGM of the Company.

I. Ordinary Resolution 9 – Proposed Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016

This is a renewal of the mandate obtained from members of the Company at the last Annual General Meeting ("the previous mandate"). No new ordinary shares were issued under the previous mandate.

The proposed Ordinary Resolution 9 to seek authority to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016, is a renewal of the previous mandate and if passed, will enable the Directors of the Company to issue up to a maximum of 10% of the issued and paid-up share capital of the Company for the time being. This authorisation will give flexibility to the Directors for any possible fund-raising activities, including but not limited to further placing of shares, for purpose of funding future investment projects, working capital and or acquisitions by the issuance of shares in the Company to such persons at any time the Directors deem appropriate, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of next Annual General Meeting of the Company.

J. Ordinary Resolution 10 - Proposed Retention of an Independent Non-Executive Director

The Board of Directors of the Company has determined that Datuk Nik Ibrahim Bin Nik Abdullah, who has served a cumulative term of 16 years, has consistently demonstrated his independence in character and judgement in the discharge of his duties and responsibilities and that there are no relationships or circumstances which may affect or likely to affect his judgement and ability to discharge his responsibilities as an Independent Director.

The Company has obtained shareholders' approval through a two-tier voting process at the last Annual General Meeting to retain Datuk Nik Ibrahim Bin Nik Abdullah as an Independent Director until the conclusion of this Annual General Meeting. The Board recommends that shareholders' approval be obtained through a two-tier voting process at the 49th AGM of the Company for Datuk Nik Ibrahim Bin Nik Abdullah to remain in office as an Independent Director of the Company in accordance with the Malaysian Code on Corporate Governance 2017 until the conclusion of the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No individual is seeking election as Director at the 49th AGM of the Company.

PROXY FORM

Forty-Ninth Annual General Meeting

CDS Account No.	No. of Shares Held

I/We.....NRIC No. /Passport No. /Company No.
of.....
being a member/members of **MUDA HOLDINGS BERHAD**, hereby appoint:-

Full Name (In Block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			
Full Name (In Block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Forty-Ninth Annual General Meeting of the Company to be held at Ground Floor, Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan (*Broadcast Venue*) on Wednesday, 12 August 2020 at 11.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated with an "X" in the appropriate box below. If you do not indicate how your proxy should vote on any resolution, the proxy shall vote as he thinks fit or, at his discretion, abstain from voting.

ITEM	RESOLUTION	FOR	AGAINST
1	To approve the payment of a First and Final Single Tier Dividend of 4.0 sen per share.		
2	To approve the payment of Directors' fees of RM370,000.00 to the Directors for financial year ended 31 December 2019.		
3	To approve the payment of Directors' remuneration and benefits to Non-Executive Directors of up to an amount of RM1,450,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.		
4	To re-elect Tan Sri Lim Guan Teik as a Director in accordance with Article 81 of the Company's Constitution.		
5	To re-elect Datuk Nik Ibrahim Bin Nik Abdullah as a Director in accordance with Article 81 of the Company's Constitution.		
6	To re-elect Ms Lim Siew Ling who retires in accordance with Article 85 of the Company's Constitution.		
7	To re-elect Ms Lim Yen Wee who retires in accordance with Article 85 of the Company's Constitution.		
8	To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
9	To authorise Directors to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016.		
10	To retain Datuk Nik Ibrahim Bin Nik Abdullah as an Independent Non-Executive Director.		

Dated this day of, 2020

.....
Signature of Shareholder/ Common Seal

IMPORTANT: Please read the notes overleaf

Telephone No.....

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Stamp

THE SECRETARY
MUDA HOLDINGS BERHAD
LOT 7, JALAN 51A/241
46100 PETALING JAYA
SELANGOR DARUL EHSAN
MALAYSIA

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Notes

A. Conduct of Forty-Ninth Annual General Meeting ("49th AGM") Via Remote Participation and Electronic Voting

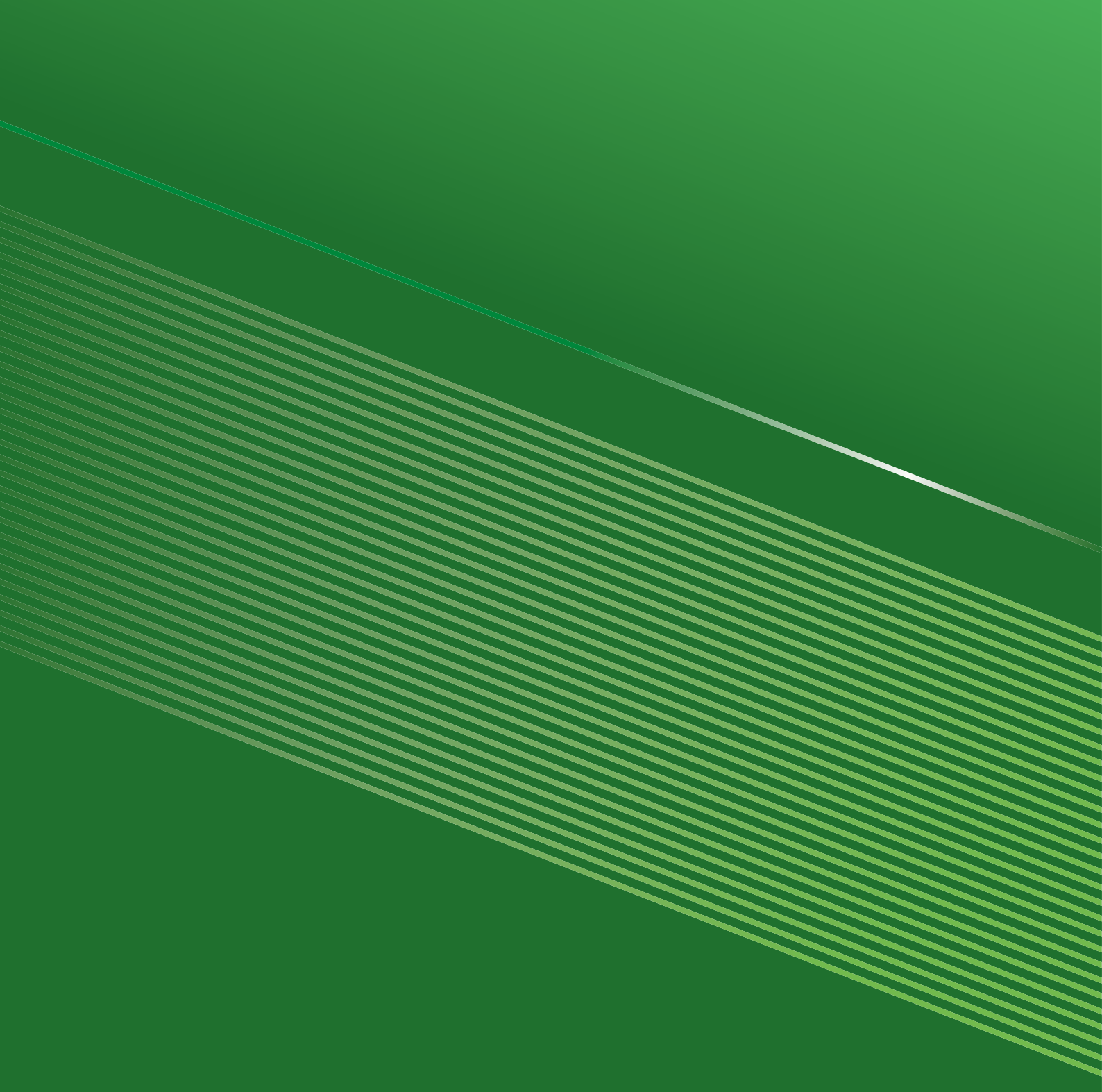
1. Due to the unprecedented circumstances arising from the measures that have been implemented nationally to limit the spread of Coronavirus Disease ("COVID-19") and in particular the Government of Malaysia's official guidance on practicing of social distancing and avoidance of large gathering and having regard for the wellbeing of the public and safety of our shareholders, the Company will conduct the 49th AGM entirely via remote participation and electronic voting (collectively referred to as "online AGM"). The online AGM will be streamed from the venue stated above.
2. The Company invites shareholders to participate in the 49th AGM from their home or office and follow the entire proceedings as the AGM will be conducted electronically or remotely using the Remote Participation and Voting ("RPV") Facilities described in the Administrative Guide for Shareholders which is published on our website at <http://www.muda.com.my> and will be sent to shareholders. With the RPV Facilities, you may exercise your right as a shareholder of the Company to participate, including posing questions to the Board/Management of the Company and vote at the AGM from the comfort of your home or office.

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Muda Holdings Berhad

(Company No: 197101000036 [10427-A])

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Selangor Darul Ehsan,
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