



Muda Holdings Berhad
(10427-A)

2016

ANNUAL REPORT

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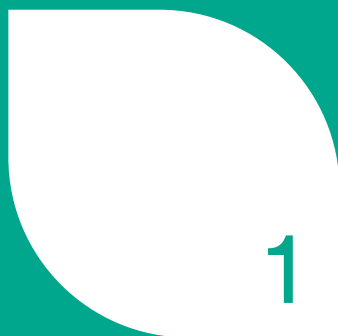
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CORPORATE INFORMATION

Directors

Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN (Non-Independent Non-Executive Chairman)
Dato' Azaman Bin Abu Bakar, DIMP (Managing Director)
Dato' Lim Wan Peng, DSPN (Executive Director)
Datuk Lim Chiun Cheong, DPSM (Deputy Managing Director)
Patrick Chin Yoke Chung, FCA (Senior Independent Non-Executive Director)
Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (Independent Non-Executive Director)
Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (Independent Non-Executive Director)

Audit Committee

Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN
Patrick Chin Yoke Chung, FCA
Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN
Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M)

Secretaries

Goh Ching Yee (MAICSA 0760803)
Lam Yoke Teng (MAICSA 7052983)
(Appointed on 22 February 2017)

Auditors

SJ Grant Thornton (Member of Grant Thornton International Ltd)
Chartered Accountants
Level 11, Sheraton Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel : 03-26924022 Fax : 03-27325119

Registered Office and Principal Place of Business

Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan
Tel : 03-78759549 Fax : 03-78738435

Registrar

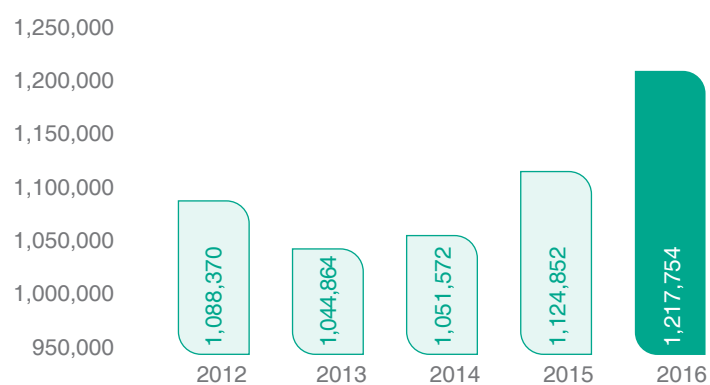
Muda Management Services Sdn Bhd
Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan
Tel : 03-78759549 Fax : 03-78751519

Stock Exchange Listing

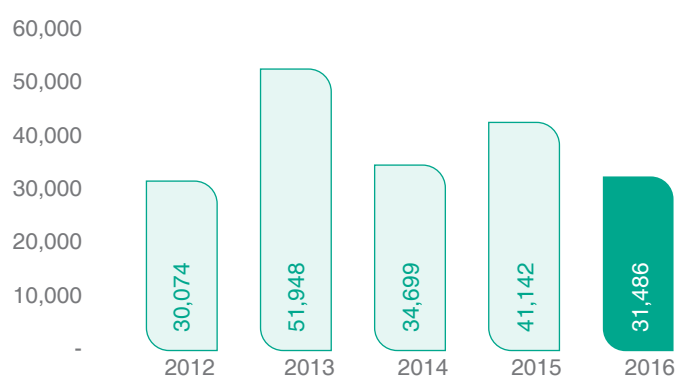
Main Market of Bursa Malaysia Securities Berhad

GROUP FINANCIAL HIGHLIGHTS

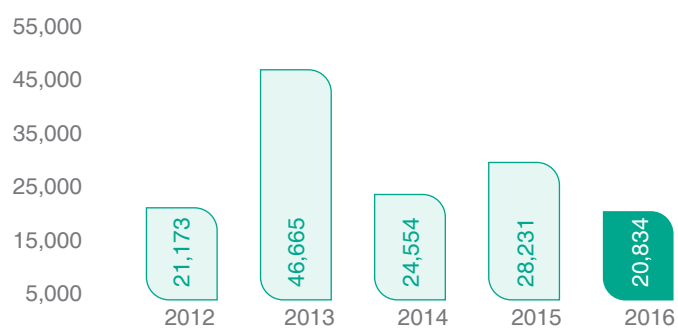
Revenue
(RM'000)



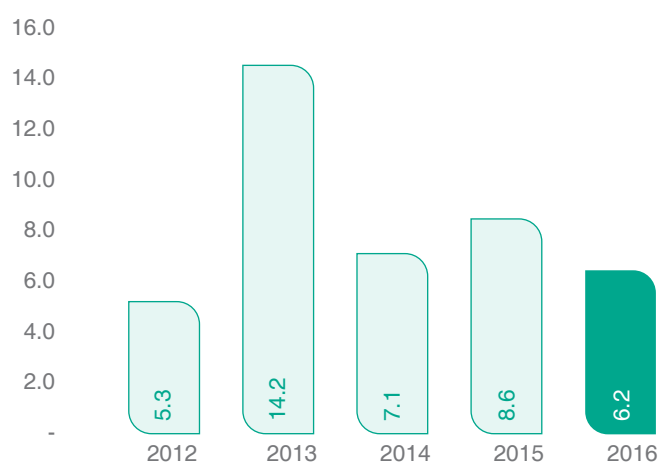
Profit Before
Tax (RM'000)



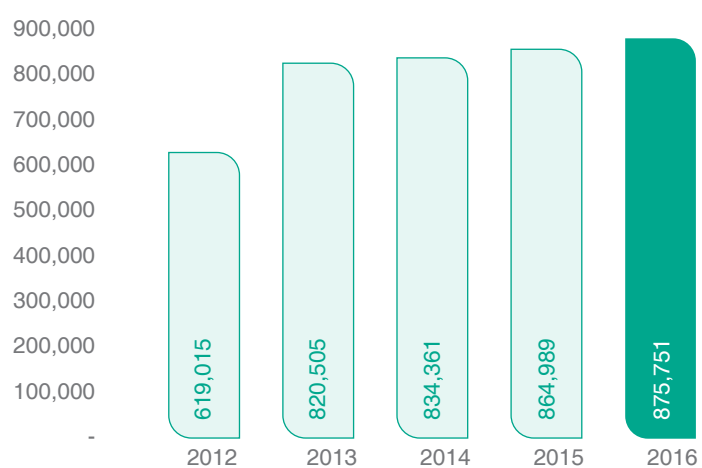
Profit After
Tax (RM'000)



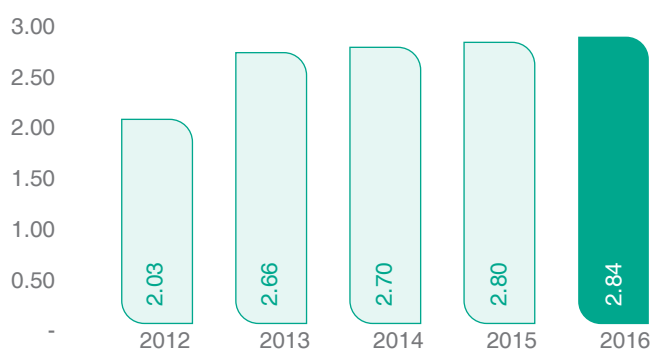
Earnings
Per Share
(sen)



Shareholders'
Equity
(RM'000)



Net Tangible
Assets
Per Share (RM)



GROUP FINANCIAL HIGHLIGHTS

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Key Operating Results					
Revenue	1,088,370	1,044,864	1,051,572	1,124,852	1,217,754
Gross profit	205,136	182,048	178,431	208,279	214,017
Profit before taxation	30,074	51,948	34,699	41,142	31,486
Taxation	(8,901)	(5,283)	(10,145)	(12,911)	(10,652)
Profit after taxation	21,173	46,665	24,554	28,231	20,834
Other Key Data					
Total assets	1,246,483	1,492,694	1,572,269	1,582,647	1,636,665
Total borrowings	499,631	502,467	556,482	517,876	527,328
Total liabilities	627,468	672,189	737,908	717,658	760,914
Shareholders' equity	619,015	820,505	834,361	864,989	875,751
Number of ordinary shares issued and fully paid ('000 shares)	303,686	305,051	305,051	305,051	305,051
Net tangible assets per share (RM)	2.03	2.66	2.70	2.80	2.84
Key Ratios					
Return on equity ¹	2.7%	5.4%	2.7%	3.1%	2.2%
Return on total assets ²	1.3%	2.9%	1.4%	1.7%	1.1%
Debt to equity ³	0.81	0.61	0.67	0.60	0.60

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

2. Net profit attributable to owners of the Company / Total assets

3. Total borrowings / Total equity

Per Share Information	2012	2013	2014	2015	2016
Market Price (RM)^	0.740	0.920	1.300	2.150	1.450
Basic earnings per share (sen)	5.3	14.2	7.1	8.6	6.2
Price earnings ratio	14.03	6.49	18.23	24.98	23.52
Net dividend per share (sen)	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	4.05	3.26	2.31	1.40	2.07

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

MESSAGE FROM OUR CHAIRMAN

I am pleased to report that the Group delivered a set of credible results for the year under review amidst challenging operating conditions and the fire incident that occurred in one of our paper mills in Tasek, Penang.



Results for FY 2016

Despite the demanding operating conditions and the sharp fall in the Malaysian ringgit, Group sales continued to grow to RM1.2 billion, mainly buoyed by improved selling price and sales volume.

Group profit after tax contracted by 26.2% to RM20.8 million being largely impacted by a loss of RM11.8 million due to a fire incident. The fire incident at Tasek Mill which caused a write off of Plant, Property & Equipment, Capital Work-in-Progress, Inventories and Incidental Cost of RM21.8 million in 2016 was compensated by the first interim payment of RM10.0 million in November 2016 and the second interim payment of RM13.0 million in February 2017 from the insurer. The second interim payment of RM13.0 million will be recognized as "Other Income" in the first quarter of 2017. The claim for compensation from the insurer has not been concluded.

The Group ended the financial year on a firmer footing and is well positioned to pursue further growth in 2017.

Dividend

The Board recommends a first and final single tier dividend of 3 sen per share which represents a payout of 43.9% of the Group's profit for the financial year.

Looking Forward

As we enter the new financial year with volatility of the ringgit and weak consumer sentiments, the Management will continue to closely monitor and respond to these developments while seeking to take advantage of opportunities that may arise. We have installed a new corrugating line at our Kajang plant which should be operational in 2017.

Acknowledgements

We are very privileged to have a Board with an extensive and broad range of skills and expertise, and I would like to convey my gratitude for their guidance and commitment. I also thank the management and staff for their enthusiasm, loyalty and dedication.

My appreciation goes to our shareholders, customers, suppliers and business partners for your ongoing trust and support and I look forward to a better relationship in the years ahead.

In closing, I am confident that amidst uncertainties in the economic outlook, a clear and purposeful business strategy will stand us in good stead and bring the Group forward and generate sustainable long-term returns for all shareholders.

TAN SRI LIM GUAN TEIK,
PSM, JMN, DMPN, DJN
Chairman

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

Muda Holdings Berhad commenced its business as a private limited company in the 1970s and was listed on Bursa Malaysia in 1984.

The Company was restructured into an investment holding company in 2005. The current business of the subsidiaries includes manufacturing of industrial paper, paper board and carton boxes, paper based food packaging and stationeries, paper bags, trading of paper and the operation of school bookshops.

The Group has total assets of RM1.6 billion with operational presence in Malaysia, Singapore, China and Australia. 70% of the Group's products are sold locally and the rest exported to Asia Pacific, Europe, Middle East and Africa.

Manufacturing Facilities

The Group operates two paper mills, seven corrugating plants and another plant producing paper based food packaging and stationery products. Except for a corrugating plant in Guangzhou China, the rest of the plants are located in West Malaysia.

The Group has established two main manufacturing sites in Kajang, Selangor and Tasek in Penang. In Kajang, the site houses a paper mill and a corrugating plant whereas in Tasek, the site has a paper mill, a corrugating plant and a factory producing paper based food packaging and stationery products.

In addition to the above, the Group has two corrugating plants in Johor Bahru and Melaka.



Waste Paper Collection Centres

To provide raw material to the paper mills, the Group has seven waste paper collection centres for the procurement of waste paper in the following locations:-

- Kajang
- Penang
- Butterworth
- Ipoh
- Melaka
- Batu Pahat
- Johor Bahru

Trading Activities

The Group also has a trading company to market the Group's paper as well as some imported specialty paper. In addition, the Group operates a trading company in Australia.

In Singapore, the Group operates a chain of school bookshops and a trading company for paper and stationery products.

Manufacturing Division

Paper Mills

The main products produced by the paper mills of the Group are corrugating medium, test liner, core board and laminated chip board.

In the second half of the year, the paper mill in Tasek commenced production of machine glazed (MG) paper made from virgin pulp, as the Group broadens its revenue stream into paper based food packaging products, raising the installed capacity of the paper mills to 490,000m/ton per year from 475,000m/ton.

Corrugating Plants

The Group's corrugating plants are strategically located and have a total capacity of 200,000m/ton per year. With the completion of a RM48 million investment in a new corrugating production line in Kajang, Selangor in 2017, total capacity will be raised to 240,000m/ton per year. About 30% of corrugating medium and test liner produced by the paper mills is for the consumption of the Group's corrugating plants.

Paper board and boxes produced by the corrugating plants are used by converters and manufacturers in the food, beverage, electronic, electrical, furniture and other industries.

Other Products

The Group also produces paper based food packaging and stationery products for the local and export market. With the availability of MG paper from the paper mill in Tasek, and the implementation of "no plastic bag" campaign by local authorities, revenue contribution from this business will gradually increase.

Trading Division

The principal source of revenue for the Trading Division is from the operation of school bookshops and trading of paper and stationery products by subsidiaries in Singapore.

Business Strategies

Manufacturing of paper and paper related products is the core business of the Group and it strives to maximize synergy from its paper mills and other manufacturing facilities. It emphasizes on continuous improvement in product quality, excellent customer service and new product development to create value for shareholders.

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights and share information

The following is the five-year historical financial data and share information of the Group.

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	1,088,370	1,044,864	1,051,572	1,124,852	1,217,754
Gross profit	205,136	182,048	178,431	208,279	214,017
Profit before taxation	30,074	51,948	34,699	41,142	31,486
Taxation	(8,901)	(5,283)	(10,145)	(12,911)	(10,652)
Profit after taxation	21,173	46,665	24,554	28,231	20,834
Shareholders' equity	619,015	820,505	834,361	864,989	875,751
Total assets	1,246,483	1,492,694	1,572,269	1,582,647	1,636,665
Total borrowings	499,631	502,467	556,482	517,876	527,328
Debt/Equity(%)	80.7%	61.2%	66.7%	59.9%	60.2%
Basic earnings per share (sen)	5.27	14.17	7.13	8.61	6.17
Net tangible assets per share (RM)	2.03	2.66	2.70	2.80	2.84
Dividend per share (sen)	3.00	3.00	3.00	3.00	3.00
Gross margin	18.8%	17.4%	17.0%	18.5%	17.6%
Return on equity	2.7%	5.4%	2.7%	3.1%	2.2%
Share information					
Share price - High (RM)	0.93	0.91	2.32	2.15	2.51
Share price - Low (RM)	0.65	0.63	0.86	1.03	1.40
Share price as at 31 December (RM)	0.74	0.92	1.30	2.15	1.45
Price earnings ratio (times)	14.03	6.49	18.23	24.98	23.52
Company market capitalisation (RM million)	225	281	397	656	442

Financial Review

The Group has maintained its gross margin between 17% to 19% and return on equity of 2% to 3.5% in the last five years. The exceptional return on equity of 5.4% registered in 2013 was due to a one time gain from the disposal of a subsidiary in Singapore.

Revenue

Revenue for the year is 8.3% higher than the preceding year and the increase was derived from the growth in the Manufacturing and Trading Divisions. Improvement in the domestic and global economy, though mild, contributed favorably to the Group's performance amidst a volatile ringgit and cost hikes.

In the Manufacturing Division, the increase in revenue from the sale of industrial paper accounted for almost half of the increase in revenue for the Group. There was an average 8.2% increase in selling price due to the weak exchange rate and the impact from tight paper supply in China during the later part of 2016. The Group also registered a 7.1% increase in revenue from the packaging side.

In the Trading Division, operation of school bookshops in Singapore contributed to the bulk of increase in the revenue for the Division.

Gross Margin

Gross margin for the year declined to 17.6% from 18.5% in 2015. The benefits of higher revenue was partially offset by higher raw material and energy cost. In 2016, the average cost of raw material and energy increased by 14% and 11% respectively. The increase in raw material cost is driven by tight supply from the domestic market and also an upward trend in international price of the commodity. Gas tariff rose by 17% in January and 5.95% in July 2016.

In the Trading Division, gross margin was maintained at the preceding year level as the operation was able to control its margin through economies of scale.

Other expenses incurred in the year dropped by 14.5% to RM10.13 million due to lower write off of inventories, but the reduction was partially offset by higher write off in property plant and equipment incurred in upgrading of production facilities.

Expenses

Distribution cost and administrative cost increased by 4.5% and 6.3% respectively due to increased transactions and operating costs.

Finance Expenses

The reduction in net finance cost for the year by 3% to RM24.9 million is due to lower borrowing for major part of the year compared to 2015.

Profit Before Tax

Profit before tax for the year was affected by RM11.8 million write off due to a fire in the paper mill in Tasek, resulting in a reduction of 23.5% compared to the preceding year. Without the write off, profit before tax for the year would have been 5.1% higher compared to the previous year.

Taxation

The reduction in taxation by 17.5% is due to lower profit before tax. There was no material tax credit arising from tax incentive recognized during the year.

Inventories

The increase in inventories by 17.6% to RM200.8 million is mainly due to inventory build up in the paper mills as a result of better output after upgrading of production facilities in the later part of the year. Higher cost of inventory is due to increased price and manufacturing cost.

Trade Receivables

The increase in receivables is mainly attributable to higher selling price.

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Trade Payable

The increase in trade payable is due to higher cost of raw material for both the paper mills and corrugating plants.

Non-Trade Payable

Changes in other payables is mainly due to higher cost of fuel and cost incurred in the re-building of the damaged warehouses in the Tasek mill.

Cash Flow Generated From Operations

Cash flow generated from operations has improved by RM7.0 million compared to 2015 due to higher operating profit before changes in working capital. However, the increased cash inflow was offset by increased inventories and receivables as explained above.

Cash and Bank Balances

The reduction in cash and bank balances in the year by RM17.6 million compared to 2015 is due to higher working capital incurred.

Total Borrowings

Total borrowings increased from RM517.9 million in 2015 to RM527.3 million due to capital expenditure incurred and higher level of inventories and receivables.

Total borrowings for the Group will be trending up due to higher cost of material and selling price of goods. In addition, capital expenditure planned for 2017 and higher output expected from the new corrugating machine in Kajang will result in higher borrowing in 2017.

Review of Operation

More than 85% of the increase in revenue for the year is contributed by the Manufacturing Division. Better average selling price and higher sales from the corrugating plants has cushioned the impact of higher cost in the Manufacturing Division. The remaining increase was contributed by trading operations in Singapore.

Paper Mills

Sales of industrial paper were stable during the year. The weak ringgit and tight paper supply situation in China developed during the later part of the year which resulted in better selling price, is translated into higher revenue despite flat sales volume. During the year, paper mills were faced with short supply of waste paper due to lower volume recovered from the domestic market and increased consumption by other local producers. The shortfall was substituted with imports which cost higher and this is expected to continue in 2017. The Group is beefing up its waste paper collection centres to mitigate the shortfall.

The Government has gradually reduced the subsidy on natural gas in the last few years. In 2016, the tariff was raised by 17% in January and 5.95% in July. Effective from 2017, Gas Malaysia Berhad has implemented a three-year Gas Cost Pass-Through (GCPT) mechanism and the tariff would be raised further until it reaches market price.

During the second half of the year, the Group has also commenced commercial production of MG paper. Progress will be gradual as it breaks into a new market.

The Group consistently upgrades its paper manufacturing facilities to maintain its quality and leadership. In 2016, the Group incurred RM28 million in capital expenditure to improve output, efficiency and quality in its paper mills.

Three blocks of warehouses, machineries, equipment, and inventories in the paper mill in Tasek, Penang were damaged due to a fire which occurred in August 2016. However, production lines were not affected. As at the date of this report, the damaged warehouses were restored and the company has placed orders with equipment suppliers to replace damaged equipment and machinery. The cost of rebuilding and replacement of damaged warehouses and equipment is estimated at RM20.0 million.

Corrugating Plants

The upward trend of prices of paper rolls in the last two years affected the profitability of the corrugating plants. However, the corrugating plants made some inroads in raising their selling price in the year.

In 2016, output from the corrugating plants increased by 2% compared with the preceding year. In view of the improving market and growth in the country's economy, the Group invested in a new corrugating machine in Kajang. This investment will raise the corrugating capacity of the Group to 240,000m/ton per year from the present 200,000m/ton per year. This increase is expected to eventually contribute positively to the profitability of the Group.

Trading Division

In the Trading Division, the majority of income is derived from the Singapore operation. Since the acquisition of Pacific Bookstores Pte Ltd which operates school bookshops, the Management has streamlined its processes, developed an online portal to improve customer satisfaction and sales. No major acquisition or expansion of this Division is planned for 2017.

Anticipated Risks

The Group uses waste paper as raw material for its paper mills and the volume of waste paper recovered from the domestic market was insufficient to meet the requirement of the paper mills. This situation is compounded by upward trend in international prices of waste paper and higher consumption by local producers and will translate into higher cost of production for the paper mills and higher working capital requirement in the Manufacturing Division. The Group has already started to enlarge its waste paper collection network to mitigate the risk of shortage.

The implementation of Gas Cost Pass-Through (GCPT) mechanism by Gas Malaysia Berhad will result in eventual elimination of subsidy for natural gas by the Government resulting in higher cost of energy.

Plants in the Group currently use bio mass and coal as alternative source of heat energy and to soften the impact of higher gas tariff, it will intensify investment in the paper mills to reduce energy cost and improve productivity.

In the corrugating industry, competition and the fluctuating demand from the electronic and electrical industries in Malaysia, compelled industry players to improve its cost and efficiency. In countering such risk, the Group has invested in a new corrugating machine in the Kajang Plant, which will commence commercial production in the first half of 2017. The highly automated machine will reduce dependence on labour force and help improve economies of scale.

Capital Expenditure

The Group has planned capital expenditure of RM110 million in 2017. These investments are mainly for upgrading, modernizing and replacement of existing plants and machineries to raise productivity.

Prospect

Consumption of paper correlates closely with business activities and growth in consumption. These positive developments will be translated into higher revenue for the Group.

The higher revenue augurs well for the Group, although challenges still remain, as cost of waste paper is expected to gradually rise. As the Group undertakes further capital expenditure, interest expenditure will increase. However, with better efficiency and improved competitiveness, the Group expects to deliver a reasonable level of profit in 2017.

This Statement on Management Discussion and Analysis is made in accordance with a resolution of the Board of Directors dated 24 March 2017.

DIRECTORS' PROFILE



1. Tan Sri Lim Guan Teik
2. Dato' Azaman Bin Abu Bakar
3. Dato' Lim Wan Peng
4. Datuk Lim Chiun Cheong

5. Datuk Nik Ibrahim Bin Nik Abdullah
6. Patrick Chin Yoke Chung
7. Mr Lee Khim Sin

1

TAN SRI LIM GUAN TEIK

PSM, JMN, DMPN, DJN

Non-Independent Non-Executive Chairman

Male, Malaysian, 82

Tan Sri Lim Guan Teik was appointed to the Board on 1 November 1983 and is currently the Non-Executive Chairman of the Company. During the period from November 1983 to February 2007, Tan Sri Lim Guan Teik held the following positions in the Company:-

- Managing Director from 30 November 1983 to 20 May 1988;
- Chairman cum Managing Director from 20 May 1988 to 23 April 2004;
- Executive Chairman from 23 April 2004 to 18 February 2007; and
- Non-Executive Chairman from 19 February 2007 to current.

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

Tan Sri Lim Guan Teik holds a Bachelor of Commerce Degree from Nanyang University of Singapore which he obtained in 1960. He was one of the early 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 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, Deputy Managing Director of the Company. He is the brother of Dato' Lim Wan Peng, an Executive Director of the Company. Tan Sri Lim Guan Teik is also a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed in Note 37.4 on Page 100 of this Report.

Tan Sri Lim Guan Teik attended all six (6) Board of Directors' Meetings held during the financial year ended 31 December 2016 and has not been convicted of any offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

DIRECTORS' PROFILE

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**Dato' Azaman
Bin Abu Bakar**

DIMP

Managing Director
Male, Malaysian, 70

Dato' Azaman Bin Abu Bakar was appointed to the Board as Executive Director on 19 March 1985 and is currently the Managing Director. During the period from March 1985 to April 2004, Dato' Azaman Bin Abu Bakar held the following positions:-

- Executive Director from 19 March 1985 to 21 October 1992;
- Deputy Chairman from 22 October 1992 to 22 March 2004; and
- Managing Director from 23 April 2004 to current.

He is Chairman of the Executive Committee and a member of the Remuneration Committee and 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 holds a Bachelor of Arts Degree from the University of Malaya and a Master in Management Degree from Asian Institute of Management, Manila which he obtained in 1969 and 1978 respectively.

He began his career as a marketing executive in Harper Gilfillan and 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 six (6) Board of Directors' Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Dato' Lim Wan Peng

DSPN

Executive Director
Male, Malaysian, 74

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Dato' Lim Wan Peng was appointed to the Board on 12 July 1976 and has been the Executive Director of the Company since 1985. Dato' Lim began his career with the Group when he joined Muda Paper Mills Sdn Bhd in 1970 as a Manager and thereafter held various senior positions in Muda Paper Mills Sdn Bhd. He has held the position of Managing Director of Muda Paper Mills Sdn Bhd and Federal Packages Sdn Bhd since 1981 and 1993 respectively. Presently, Dato' Lim oversees the business affairs and operations of the Manufacturing and Trading Divisions of the Group. He is a member of the Executive Committee and sits on the board of several local and overseas subsidiaries in the Group.

Dato' Lim is the brother of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company. He is also the uncle of Datuk Lim Chiun Cheong, the Deputy Managing Director of the Company. Dato' Lim Wan Peng is also a major shareholder of the Company. He is deemed to have interest in certain related party transactions in the Group as disclosed in Note 37.4 on Page 100 of this Report.

Dato' Lim attended all six (6) Board of Directors Meeting during the financial year ended 31 December 2016. He has not been convicted of any offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

4

Datuk Lim Chiun Cheong

DPSM
Deputy Managing Director
Male, Malaysian, 53

Datuk Lim Chiun Cheong was appointed a member of the Board on 23 April 2004. He was subsequently appointed as Executive Director on 1 September 2005 until re-designation to the present position as Deputy Managing Director on 1 July 2006. He is a member of the Executive Committee and sits on the board of several local and overseas subsidiaries in the Group. Currently, Datuk Lim Chiun Cheong is involved in the management of the Manufacturing and Trading Divisions of the Group.

Datuk Lim Chiun Cheong holds a Bachelor of Science Degree from Arizona State University and a Bachelor of Law Degree from the University of Birmingham, United Kingdom which he obtained 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 held several senior positions in the Group from 1992 to 2005. He is 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 and nephew of Dato' Lim Wan Peng, an Executive Director of the Company. Datuk Lim Chiun Cheong is also a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed in Note 37.4 on Page 100 of this Report.

Datuk Lim Chiun Cheong attended all six (6) Board of Directors Meetings of the Company during the financial year ended 31 December 2016. He has not been convicted of any offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

5

Datuk Nik Ibrahim Bin Nik Abdullah

PJN, JSM, AMN
Independent Non-Executive Director
Male, Malaysian, 73

Datuk Nik Ibrahim Bin Nik Abdullah was appointed to the Board on 23 April 2004. He is an Independent Non-Executive Director of the Company. Datuk Nik Ibrahim Bin Nik Abdullah has been a member of the Audit Committee since 28 February 2005 and became the Chairman of the Audit Committee on 2 January 2015. He is also Chairman of Remuneration Committee and a member of the Executive Committee and the Nominating Committee.

Datuk Nik Ibrahim Bin Nik Abdullah 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. He returned to MIDA and served as Senior Economist in 1972. Datuk Nik Ibrahim Bin Nik Abdullah then joined Bank Pembangunan Malaysia Berhad in 1974 as Manager and was promoted to General Manager and later to Chief Executive Officer/Managing Director. He retired in March 2004. Datuk Nik Ibrahim Bin Nik Abdullah sits on the board of a few other local companies.

Datuk Nik Ibrahim Bin Nik Abdullah 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 Bin Nik Abdullah attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

DIRECTORS' PROFILE

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Patrick Chin Yoke Chung

FCA

Senior Independent
Non-Executive Director
Male, Malaysian, 71

Mr Patrick Chin Yoke Chung was appointed to the Board on 29 July 1994. He is the Senior Independent Non-Executive Director of the Company. Mr Patrick Chin is a member of the Audit Committee and was Chairman of Audit Committee from 28 February 2005 until 2 January 2015. He is the Chairman of the Nominating Committee and a member of the Remuneration Committee.

Mr Patrick Chin Yoke Chung has been a Fellow Member of the Institute of Chartered Accountants in England and Wales since 1980. He joined Asian International Merchant Bankers Berhad in 1974 and was the Deputy General Manager prior to joining Morgan Grenfell (M) Sdn Bhd as Executive Director in 1994. He left Morgan Grenfell (M) Sdn Bhd in 1995 to assume the post of Chief Representative/Country Head of Bankers Trust Company until 1999. He was Chairman of Schroeder (Malaysia) Sdn Bhd in 2000. He sits on the Board of RHB Investment Bank Berhad.

Mr Patrick Chin Yoke Chung does not hold any shares in the Company and its subsidiaries and 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.

Mr Patrick Chin Yoke Chung attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

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Lee Khim Sin

KMN, PBK, CA(M), FCA, CPA(M)

Independent

Non-Executive Director
Male, Malaysian, 76

Mr Lee Khim Sin was appointed to the Board on 25 June 2014. He is an Independent Non-Executive Director of the Company. He has been a member of the Audit Committee, Nominating Committee and Remuneration Committee since 2 January 2015.

Mr Lee Khim Sin has been a member of the Institute of Chartered Accountants in England and Wales 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 public accountants in Sarawak and Sabah until his retirement in 2000. Whilst in practice as a public/chartered accountant for the last few decades, he 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. He currently sits on the board of several public and private limited companies.

Mr Lee Khim Sin has a direct shareholding of 60,000 shares 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 six (6) Board of Directors Meetings held during the financial year ended 31 December 2016 and he has not been convicted of any offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

KEY MANAGEMENT PROFILE



Mr Wong Mun Chen

Aged 52, Male, Malaysian. Mun Chen started his career with the Muda Group in March 1994 as an Accountant in the paper mill at Kajang, Selangor and left in July 1997 to start his own business venture. He rejoined the Muda Group in May 1998 as an Accountant in the paper mill at Tasek, Penang before being transferred to Muda Paper Converting Sdn Bhd as Deputy General Manager in July 1988. He then moved to Intrapac Trading (M) Sdn Bhd as General Manager in July 2004 until May 2005. He was the General Manager of Muda Packaging Industries Sdn Bhd from May 2005 until December 2011. Mun Chen is currently the General Manager of Muda Paper Mills Sdn Bhd at Kajang, Selangor, a position he held since January 2012. He also holds directorships in a few private limited companies in the Group.

Prior to joining the Muda Group, he was working in the accounting sector in both Singapore and Malaysia. He is a qualified accountant and a member of The Malaysian Institute of Accountants.

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 offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.



Mr Kok Lye Kheong

Aged 43, Male, Malaysian. Lye Kheong joined Muda Paper Mills Sdn Bhd in August 2004 as Deputy General Manager at Tasek, Penang and was later promoted to General Manager in 2014 and has held this position since then. Lye Kheong started his career by joining an accounting firm in Australia in 1997 and has in aggregate 19 years of experience in accounting and finance field. Currently, Lye Kheong holds directorships in several private limited companies in the Group.

Lye Kheong holds a Bachelor's degree of Commerce major in Accounting and Management Information System from the University of Deakin, Australia. He qualified as a Certified Practicing Accountant in Australia in 2000 and is a member of Malaysian Institute of Accountants.

Lye Kheong is the son-in-law of Dato' Lim Wan Peng, an Executive Director and major shareholder of the Company. There is no business arrangement with the Company in which he has personal interest.

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



Mr Tan Chaik Phoay

Aged 53, Male, Malaysian. Chaik Phoay joined Muda Paper Mills Sdn Bhd in June 1988 as Administrative Executive and rose to the rank of General Manager in 2004 and has held this position since then. He has more than 28 years of experience in the paper and paper converting industries. He is a member of the Industry/Community Advisory Panel (ICAPs) of Universiti Sains Malaysia, Penang and sits on the board of a local subsidiary in the Group.

Chaik Phoay holds a Bachelor's degree of Business Administration major in Finance from the University of Montevallo, USA which he obtained in 1988.

Chaik Phoay is the nephew of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company and Dato' Lim Wan Peng, an Executive Director of the Company who are major shareholders of the Company. Chaik Phoay is also the cousin of Datuk Lim Chiun Cheong, the Deputy Managing Director and a major shareholder of the Company. There is no business arrangement with the Company in which he has personal interest.

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

KEY MANAGEMENT PROFILE



Mr Teoh Hai Thow

Aged 42, Male, Malaysian. Hai Thow joined the Muda Group as an Executive Director and minority shareholder of Intrapac (Singapore) Pte Ltd in June 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 overseas subsidiaries in the Group.

Prior to joining the Muda 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 offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.



Mr Loo Ee Fah

Aged 46, 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 overseas subsidiary in the Group.

Prior to joining the Muda 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 offences within the past five years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Muda Holdings Berhad (Muda) is committed to achieving and maintaining the highest standard of corporate governance and believes that sound corporate governance practices are essential for delivering sustainable value, enhancing business strategies, maintaining investors' confidence and achieving the Group's corporate objectives.

The Board adopts the requirements and guidelines of the Malaysian Code on Corporate Governance 2012 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This Statement endeavors to portray the manner in which the Company has applied the principles and the extent of compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2012 (The Code).

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Board's Roles and Responsibilities

The Board is primarily responsible for the oversight and overall governance of the Group. The Board carries out its mandate by providing strategic guidance, oversee the business performance of the Group, effectively monitoring management goals and targets, implementing succession planning and ensuring overall accountability for the Group's growth in addition to ensuring the Group's internal control, risk management processes and reporting are firmly in place. The Board amongst others, assumes the following key roles and responsibilities:

- i. Development of corporate objectives and strategy with Management 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 health of the Company;
- iii. Reviewing and approving the Company's annual budgets, financial position, system of risk management and internal compliance and control, codes of conduct and legal compliance;
- iv. Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- v. Board and Executive Management development and succession planning;
- vi. Delegating appropriate powers to the Executive Directors and Senior Management to ensure effective day-to-day management of the business and monitoring the exercise of these powers;
- vii. Ensuring that the Company and its officers act legally, ethically and responsibly on all matters; and
- viii. Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communication strategy, encouraging effective participation at general meetings and, through the Chairman, being the key interface between the Company and its shareholders.

To efficiently provide strategic oversight of the Group, the Board delegates specific areas of responsibilities to Board Committees namely, the Executive Committee, the Audit Committee, the Nominating Committee and the Remuneration Committee. The purpose of the Board Committees is to assist the Board to effectively and efficiently fulfill its responsibilities, although the Board Committees do not replace the oversight responsibilities of the Board as a whole. The Board Committees will report the results of their significant activities to the Board or make recommendations to the Board where appropriate.

This formal structure of delegation is further cascaded by Executive Directors to the Senior Management team within the Group. The Management team will manage the companies in accordance with the directions and delegations of the Board and the responsibility of the Board to oversee the activities of Management in carrying out these delegated duties. The Board ensures that the Company complies with all its contractual, statutory and any other legal obligations including the requirements of any regulatory body. During Board meetings, our Directors actively participate, discuss, deliberate and appraise the matters requiring attention and decision. The Company's Code of Conduct for the Directors provides guidance for proper standard of conduct for the Board of Directors relating to viz-a-viz their duties and function and conflict of interest.

Each Board Committee is governed by clear terms of reference which have been approved by the Board. The Board may add, eliminate and change the charter or composition of any Board Committee at any time except to the extent that such change would violate the Company's Constitution, regulations or the listing standards of Bursa Malaysia Securities Berhad. Minutes of all Board Committee meetings are circulated to Board Members so that they are kept abreast of proceedings and matters discussed at such meetings. The Chairman of the relevant Board Committees also reports to the Board on key issues deliberated by the Board Committees at their respective meetings.

STATEMENT ON CORPORATE GOVERNANCE

The Chair of each Board Committee will, after consultation with the appropriate members of the Company's Management, determine the agenda for each meeting. The Chairman of the Board and other Committee members may suggest the inclusion of items to the agenda. Each Board Committee has their own terms of reference specifying the duties and responsibilities of the Board Committee and its members.

Board Charter

The Board has adopted a Board Charter which sets out the Board's strategic intent and outlines the Board's roles and responsibilities, mission, principles as well as the policies and strategic development of the Company. The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available for reference at the Company's website at www.muda.com.my.

Formalized Ethical Standards

In discharging its responsibilities, the Board is guided by the Muda Code of Conduct which sets out the business practices, standards and ethical conduct expected of all employees in the course of their employment with the Muda Group. In addition, Directors, officers and employees are required to observe and maintain high standards of integrity in carrying out their roles and responsibilities, and to comply with relevant and applicable laws and regulations, as well as with Company policies.

The Company has in place the Muda Whistling Policy & Procedures with a well-defined process to provide independent feedback channel through which staff may raise concerns freely without fear or repercussions in a safe and confidential manner. The Code of Conduct and Whistling Blowing Policy & Procedures are embedded in the Group's Employment Manual.

Strategies for Sustainability

The Group believes in developing long term sustainable business that delivers value to our stakeholders including our employees, suppliers, business partners, shareholders and the environment and the community we operate in. The Group recycles a substantial number of various grades of recovered paper yearly which would otherwise be dumped to the landfills. These recovered papers are collected through our regional collection centers in Peninsular Malaysia. To ensure availability of these recovered paper as continuous source of raw material to feed the Group's mills, new collection centers are set up whenever the need arises and new agents are constantly developed and/or appointed to increase the collection volume and to ensure availability of the desired grade of recovered paper. The Group also reaches out to schools and universities by creating awareness of the importance of waste separation and collection which can be an alternative source of fund raising to support the activities of schools and universities.

In caring for the environment and the community within our vicinity, we ensure minimum ink discharge by recycling waste ink into our production process, we have water treatment plants in Kajang, Selangor Darul Ehsan and Tasek, Penang to treat our waste water to ensure minimal discharge of effluents into the river and we have dust bag filter systems to reduce dust pollution. Our combined heat and power plant reduces the emission of carbon dioxide, nitrogen dioxide and sulphur dioxide and converts waste heat into process steam.

We value our employees and are committed to providing them with a healthy, safe and secure work place and we also provide various training and development opportunities to upgrade and enhance their skills and knowledge in order to maintain a set of highly competent and motivated employees.

To our shareholders, we are committed to delivering profits consistently and dividend payout to reward investors as well as to build the Company into becoming a sustainable organization. The form, frequency and number of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, the Company has been declaring dividends on an annual basis and any pay-out of dividend is clearly communicated to shareholders via announcements released to Bursa Malaysia Securities Berhad. For the year ended 31 December 2016, the Company has maintained its dividend payout of 3 sen per share which approximates 43.9% of the profit for the financial year 2016.

Access to Information and Advice

The Board's rights to all information pertaining to the Group and independent access to Management for information and clarification in furtherance of their duties are set out in the Board Charter. Besides, the Board Charter also provides for Directors, either as a group or individually to seek and obtain independent, professional advice where necessary, at the Company's expense, to discharge their duties effectively.

Directors have unrestricted access to Senior Management for information or updates regarding the Group. Senior Management will provide Directors with the required information or updates either personally or at meetings.

To facilitate productive and meaningful Board meetings, the proceeding is conducted in accordance with a structured agenda. The structured agenda together with comprehensive management reports and proposal papers are furnished to all Directors at least three (3) working days in advance of each Board meeting. This is to accord sufficient time for the Directors to review the materials and for Directors to be prepared to deal with the matters arising from such meetings and to enable them to better understand the issues beforehand, allowing for more time at such meetings for questions and to make informed decisions. All deliberations at Board meetings including dissenting views, are duly minuted as records of all proceedings. Decisions made, policies approved and follow up actions at Board Meetings will be communicated to Management after the Board meetings.

Senior Management and external auditors are normally invited to attend meeting to provide insights and professional views, advice and explanations on specific items on the meeting agenda.

Qualified Company Secretaries

The Board is supported by two qualified company secretaries who are members of a professional body. The Company Secretaries attend all the Board and Board Committee meetings and assist the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and that applicable rules and regulations are complied with as well as ensuring good information flow within the Board and its committees, between Senior Management and the Non-Executive Directors, facilitating orientation and assisting with professional development as required. The appointment and removal of the Company Secretaries is a matter which is approved by the Board.

PRINCIPLE 2 - STRENGTHEN COMPOSITION

Nominating Committee

The Nominating Committee is made up three members who are exclusively Independent Non-Executive Directors. The Senior Independent Non-Executive Director chairs the Nominating Committee. The composition of the Nominating Committee is set out below:

Mr Patrick Chin Yoke Chung	Chairman
Datuk Nik Ibrahim Bin Nik Abdullah	Member
Mr Lee Khim Sin	Member

The Nominating Committee is guided by written terms of reference, which are approved by the Board and which sets out the duties and responsibilities of the Nominating Committee. The Nominating Committee reviews the structure, size and composition of the Board. The Nominating Committee also identifies the balance of skills, knowledge and experience required for the Board to discharge its responsibilities effectively and nominates candidates to meet the needs and requirements of the Group.

The Nominating Committee meets as and when required and at least once a year. All the members attended the one Nominating Committee Meeting held in 2016.

Nomination for New Appointment and Re-election of Directors

The Nominating Committee is responsible for assessing the candidate proposed for directorship and will submit their recommendation 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.

New Directors are subject to re-election at an annual general meeting following their first appointment. The Company's Constitution provides that at every annual general meeting 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.

Board and Board Committees Evaluation and Individual Directors Self/Peer Evaluation

A formal evaluation process is in place to assess the performance and effectiveness of the Board and Board Committees as well as the performance of each Director and each Audit Committee member and is facilitated through the Nominating Committee annually. Each Director evaluates the performance of the Board and Board Committees. The Directors and Audit Committee members conduct peer assessment of the other Directors and the other Audit Committee members. The evaluation criteria include inter alia such as Board composition, Board meetings, Board functions, risk management, assessment of the various Board Committees and Directors' self and peer evaluation. Directors are also encouraged to give input on issues which do not fall under these categories, for instance addressing specific areas where improvement can be made. Each Director and each Board Committee member completes the evaluation form and submits on a confidential basis to the Company Secretaries who collate the responses and produce a report for the Chairman of the Nominating Committee for tabling to the Board. The Board would act on the results where appropriate.

STATEMENT ON CORPORATE GOVERNANCE

Remuneration Committee

The Remuneration Committee is made up of the following Directors: -

Datuk Nik Ibrahim Bin Nik Abdullah	Chairman
Dato' Azaman Bin Abu Bakar	Member
Mr Patrick Chin Yoke Chung	Member
Mr Lee Khim Sin	Member

The Remuneration Committee is made up of four (4) members, a majority of whom who are Independent Non-Executive Directors, including the Chairman. The main responsibility of the Remuneration Committee is to assist the Board in establishing a formal and transparent process for developing policies on executive remuneration and development. Such policies are submitted to the Board for approval. The Remuneration Committee also reviews the remuneration packages and service terms of individual Directors and Executive Directors. When carrying out its duties, the Remuneration Committee reviews and makes recommendations on the remuneration framework for the Board and key management personnel, for endorsement by the Board. When reviewing the performance bonus, remuneration and benefit policies and practices of the Company, the Remuneration Committee takes into account the performance of the Company and the Executive Directors and key management of the Group.

The Remuneration Committee reviews and recommends to the Board the remuneration packages of Executive Directors which takes into consideration the competency, experiences and the responsibilities undertaken by each Director. The remuneration of the Executive Directors comprises of basic salary, benefits-in-kind, fees and allowances that are competitive and reflective of their performance, duties and responsibilities. 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. Fees and benefits payable to Directors by the Company and its subsidiaries are subject to yearly approval of shareholders of the Company at the Annual General Meeting. The remuneration of the Executive Directors and Non-Executive Directors of the Company are set out on Page 94 and 95 of this Report.

The Remuneration Committee meets as and when required and at least once a year. All the members attended the one Remuneration Committee Meeting held in 2016.

PRINCIPLE 3 - REINFORCE INDEPENDENCE

Board Composition and Balance

The Board currently comprises a Non-Independent Non-Executive Chairman, a Managing Director, an Executive Director, a Deputy Managing Director and three (3) Independent Non-Executive Directors; the composition of which is in line with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. A brief profile of each of the Directors is presented on Page 16 to 19 of this Report.

The size and composition of the Board is reviewed annually by the Nominating Committee to ensure alignment with the needs of the Group. The Nominating Committee is of the view that the current size and composition of the Board is appropriate for the scope and nature of the Group's operations and facilitate effective decision-making. In this regard, the Nominating Committee took into account the requirements of the Group's business and the need to avoid disruptions from changes to the composition of the Board and Board Committees. No individual or group dominates the Board's decision-making process.

The Board will, if possible, rotate the membership of these Board Committees to comply with the requirements of prevailing legislations and regulations. The Board acknowledges the value of experience and continuity and recognizes that at times, it may not be in the best interest of the Company or the Board to rotate certain Directors.

The Board is of the view that having regard to the size of the Company and the composition of the Board of Directors, the Board did not consider it necessary for a majority of the Board to be independent even though the Chairman is not an Independent Director as the Board has effective Independent Non-Executive Directors to provide balance within the workings of the Board and oversight for minority shareholders' interests. The Board does not have a policy on boardroom gender diversity. In its selection for Board representation, the Company believes in and provides equal opportunity to candidates with merit.

Assessment and Tenure of Independent Directors

The Board has adopted the definition set out in Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad of what constitutes an Independent Director in its review of the independence of each Director. The Code requires the Board to review annually the independence of the Independent Directors, and to review with particular rigor whether an Independent Director who has served for a period of more than nine years as a Director continues to be independent.

The Board has reviewed and affirmed the independence of Mr Lee Khim Sin who has served less than nine years as Independent Director. The Board has reviewed the independence of Mr Patrick Chin Yoke Chung and Datuk Nik Ibrahim Bin Nik Abdullah, each of whom has served as Independent Director for more than nine years. The Board is of the view that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. There are significant advantages to be gained from the long serving Independent Directors who possess tremendous insight and knowledge of the Company's business and affairs. The Board has determined that both Mr Patrick Chin Yoke Chung and Datuk Nik Ibrahim Bin Nik Abdullah are independent as they have continued to demonstrate independence in character and judgement in the discharge of their responsibilities as Directors and that there are no relationships or circumstances which affect or likely to affect their judgement and ability to discharge their responsibilities as Independent Directors.

Separation of Positions of Chairman and Chief Executive Officer

The offices of the Chairman of the Board and the Managing Director are held by separate individuals to maintain effective oversight and accountability at Board and Management level. As Chairman of the Board, Tan Sri Lim Guan Teik bears responsibility for the workings of the Board. Dato' Azaman Bin Abu Bakar, as Managing Director, bears responsibility for overall running of the business.

The Chairman leads the Board and ensures its effectiveness by, among other things, steering effective, productive and comprehensive discussions amongst Board members and the Management on strategic, business and other key issues pertinent to the business and the operations of the Group. In addition, the Chairman promotes a culture of openness and debate at Board meetings and also ensures with the support of the Company Secretaries, that Directors are provided with clear, complete and timely information to make sound and informed decisions.

The Chairman encourages active and effective engagement, participation by and contribution from all Directors and facilitates constructive relations among and between them and Management. With the full support of the Board, the Company Secretaries and the Management, the Chairman supports the Company in its bid to promote, attain and maintain higher standards of corporate governance and transparency. The Chairman also sees to it that there are overall effective communications to and with shareholders on the performance of the Group. In turn, the Executive Directors of the Group's business divisions are responsible for executing the Group's strategies and policies and are accountable to the Board for the conduct and performance of the respective business operations under their charge.

Mr Patrick Chin Yoke Chung is the Senior Independent Non-Executive Director who leads and coordinates the activities of the Independent Directors when necessary and appropriate. The Senior Independent Non-Executive Director is also available to address shareholders' concern which have not been resolved through the normal channels such as the Chairman, Managing Director or other Executive Directors has failed to resolve or for which such contact is inappropriate.

PRINCIPLE 4 - FOSTER COMMITMENT

The Board is satisfied that all Directors on the Board are professionals with extensive management, financial, accounting, investment and commercial backgrounds, who are capable of acting responsibly and are able to properly serve on the Board and any of the Board Committees to which such Directors are appointed despite competing commitments and demands on their time. The Board is also satisfied that all its members have committed their time towards fulfilling their roles and responsibilities as Directors of Muda. The attendance of the Directors at meetings of the Board during the financial year ended 31 December 2016 is as follows: -

Name of Director	Number of Meetings Attended
Tan Sri Lim Guan Teik	6/6
Dato' Azaman Bin Abu Bakar	6/6
Dato' Lim Wan Peng	6/6
Datuk Lim Chiun Cheong	6/6
Mr Patrick Chin Yoke Chung	6/6
Datuk Nik Ibrahim Bin Nik Abdullah	6/6
Mr Lee Khim Sin	6/6

STATEMENT ON CORPORATE GOVERNANCE

Directors have been routinely updated on development and changes in the operating environment, including revisions to accounting standards and laws and regulations affecting the Group. At the request of Directors, the Company will fund Directors' participation at industry conferences, seminars or any training program in connection with their duties and responsibilities as Directors of the Company. The Company Secretaries will bring to the Directors' attention seminars that may be of relevance or use to them. During the financial year, all the Board members attended the following training program organized by the Group: -

Name of Director/Course Title	Corporate Governance, Fraud and Business Continuity Management	Management Discussion & Analysis Statement, Business Sustainability and Corporate Governance
Date	30 March 2016	11 October 2016
Tan Sri Lim Guan Teik	√	√
Dato' Azaman Bin Abu Bakar	√	√
Dato' Lim Wan Peng	√	√
Datuk Lim Chiun Cheong	√	√
Patrick Chin Yoke Chung	√	√
Datuk Nik Ibrahim Bin Nik Abdullah	√	√
Lee Khim Sin	√	√

PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

The Company's Audit Committee's main responsibility is to assist the Board in the discharge of its responsibilities in the areas of internal control, financial and accounting practices, operation and compliance controls and assists and supports the Board's responsibilities to oversee the Group's operations in the following manner: -

- Provide a means for review of the Company's processes for producing financial data, its internal control and independence of the Group's external auditors and the Company's Internal Auditor.
- Reinforce the independence of the Group's external auditors.
- Reinforces the objectivity of the Company's Internal Audit function.

The Audit Committee comprises of four Directors (three of whom, including the Chairman, are Independent Non-Executive Director and one Non-Independent Non-Executive Director). The members of the Audit Committee are: -

- 1. Datuk Nik Ibrahim Bin Nik Abdullah** (Chairman)
(Independent Non-Executive Director)
- 2. Mr Patrick Chin Yoke Chung**
(Independent Non-Executive Director)
- 3. Tan Sri Lim Guan Teik**
(Non-Independent Non-Executive Director)
- 4. Mr Lee Khim Sin**
(Independent Non-Executive Director)

The Audit Committee's terms of reference include 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 Group Financial Controller, Internal Auditor and external auditors attend meetings at the invitation of the Audit Committee.

The Audit Committee reviews the integrity and reliability of the Group's quarterly and yearly financial statements prior to recommending them for approval of the Board of Directors as well as oversees the review of related party transactions conducted with the Group Financial Controller and any conflict of interest situations during the year.

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 met up with the external auditors twice in 2016 on 25 February 2016 and 14 November 2016 in the absence of the Executive Directors and Management.

The Audit Committee recommends to the Board the appointment or re-appointment or change of the external auditors, and their remuneration and terms of engagement. The appointment of the external auditors is subject to shareholders' approval at each annual general meeting of the Company. The Audit Committee reviews the independence and objectivity of the external auditors through discussions with them as well as an annual review of the volume and nature of non-audit services provided by the external auditors. The external auditors are required to declare their independence annually to the Audit Committee as specified by the Malaysian Institute of Accountants. The external auditors have provided the declaration in its annual audit plan presented to the Audit Committee of the Company on 25 August 2016. The Audit Committee is satisfied with the independence and objectivity of the external auditors.

The Audit Committee Report for the financial year ended 31 December 2016 which describes the Audit Committee's activities during the year are as set out on Page 32 to 34 of this Annual Report.

Directors' Responsibility Statement in respect of Audited Financial Statements

The Board is committed to provide a balance and meaningful assessment of the Company's financial performance, financial position and prospects at the end of each quarter and at the end of each financial year, primarily through the quarterly announcements to Bursa Malaysia Securities Berhad, audited financial statements and the Statement On Management Discussion and Analysis in the Annual Report. The Board, assisted by the Audit Committee, oversees the financial reporting process, reliability and accuracy of the financial reporting of the Muda Group. The Audit Committee reviews the financial statements and seeks explanations and additional information from the Executive Directors and Group Financial Controller in regard to the Group's financial performance and preparation of the financial statements. The Audit Committee reviews and discusses 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. Assurance statement is issued by the Board annually 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, 1965 and has made proper judgments and estimates that are prudent and reasonable.

PRINCIPLE 6 - RECOGNISE AND MANAGE RISKS

The Board is primarily responsible for the governance of risk and also has the overall responsibility for maintaining a system of internal control which provides reasonable assurance to the effectiveness and efficiency of the operations that ensure compliance with internal policies and procedures and applicable laws and regulations. The Company's Internal Audit function reviews the implementation of policies and procedures adopted and reports its findings to the Audit Committee to provide checks and balances.

The Board has established an in-house Internal Audit function which is headed by the Internal Audit Manager who reports directly to the Audit Committee. The Head of Internal Audit Department provides assurance to the Board that the internal control of the Group are operating effectively. 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 internal audit reports are tabled to the Audit Committee for review and deliberations and the Board is informed of any significant audit findings reported to the Audit Committee. The Internal Audit function also conducts annual review of recurrent related party transactions and submits to the Audit Committee for review.

The Company has adopted a risk management framework to enhance its risk management capabilities. The Board through the Audit Committee reviews the adequacy of the Group's risk management framework to ensure that robust risk management and internal control are in place. Key risks, mitigating measures and management actions are continuously identified, reviewed and monitored as part of the risk management process. Financial and operation key risk indicators are in place to track key risk exposures. Apart from the risk management process, significant transactions are comprehensively analyzed so that Management understands the risks involved before it is embarked upon. The Statement on Risk Management and Internal Control on Page 30 and 31 of this Report sets out the framework on risk management and internal control of the Group.

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.

In this regard, the Board also notes that no system of controls and risk management can provide absolute assurance the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities.

STATEMENT ON CORPORATE GOVERNANCE

Based on the system of internal control established and maintained by the Group, work performed by the internal auditors and external auditors and reviews performed by Management and various Board Committees and assurances from the Managing Director and Group Financial Controller, 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 2016 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

PRINCIPLE 7 - ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure

The Company believes in treating all shareholders fairly and equitably. It aspires to keep all shareholders and other stakeholders and analysts in Malaysia and beyond informed in a timely and consistent manner of its corporate activities, including changes (if any) in the Company or its businesses which are likely to materially affect the price of its shares.

The Company observes the Corporate Disclosure Guide issued by Bursa Malaysia Securities Berhad as well as disclosure requirements of the Listing Requirements of Bursa Malaysia Securities Berhad. The Company acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Company meets with fund managers, investment analysts and the media wherever necessary.

Leveraging on Information Technology for Effective Dissemination of Information

The Company maintains an official website at www.muda.com.my for the expeditious and effective dissemination of information through information technology. In addition to the Board Charter, the Annual Report, Terms of Reference of the Audit Committee, Terms of Reference of the Nominating Committee and Announcements are also available to shareholders in the Company's website.

PRINCIPLE 8 - STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encouraging Shareholders Participation at General Meetings

The Board recognizes the need for and the importance of effective communication with shareholders. It believes that annual general meetings (AGM) serve as an appropriate forum for shareholders to meet the Board and Senior Management, and to interact with them. Notice of AGM and annual report are sent to shareholders at least 21 days ahead of the AGM date to encourage shareholders to attend the AGM.

The Company's existing constitution allows all shareholders the right to appoint not more than two proxies to attend and vote on their behalf in shareholders' meetings. At general meetings, the Company sets out separate resolutions on each substantially separate issue and shareholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions to be passed.

Board members and Senior 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.

Communication and Engagement with Shareholders

In addition to shareholders participation at general meetings, the Board also encourages other channels of communication with shareholders. For this purpose, shareholders and other stakeholders may convey concerns relating to the Company to the Senior Independent Non-Executive Director at invest-info@muda.com.my or directed to Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

This Corporate Governance Statement is made in accordance with a resolution of the Board of Directors dated 24 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Statement on Risk Management and Internal Control for financial year 2016 presented to you by the Board of Directors is prepared in accordance with the requirements of Paragraph 15.26(b) of the Main Market Listing Requirements 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 recognised the importance and acknowledge their responsibilities for the risk management and internal control system of the Group. They have implemented processes to identify, evaluate and monitor and manage significant risks faced by the Group. The Board is assisted by the Management in implementing policies and procedures on risk and internal control. However, risk management and internal control systems of associate companies were not dealt with.

The internal control system was designed to manage the risks and provides reasonable assurance against material loss or failure and should not be relied upon to provide absolute assurance against material loss or failure.

Risk Management Framework

The Group has established a Risk Management Framework for the Group. Under the Framework, risks are broadly categorised into Strategic Risk, Operational Risk, Financial Risk and Compliance Risk. The impact of these risks on the Group are assessed at inherent and residual level based on a matrix of likelihood of occurrence and severity of impact. Companies in the Group are required to submit a risk management report based on the company’s assessment to the Board of Directors on half yearly basis.

The Board is assisted by the Audit Committee in reviewing the risk management system and internal control system of the Group. In the meetings to review the risk management reports, management personnel from subsidiary companies were invited to the meeting to attend to queries raised by members of the Audit Committee. The Audit Committee may make recommendations for Management’s consideration where necessary. Executive Directors also attended Audit Committee meetings to review the risk management reports.

During the year, an external consultant was engaged by one of the subsidiaries to facilitate workshops on risk identification and assessment as part of the operation’s improvement initiative.

In-House Internal Audit Department

The Group has an in-house Internal Audit Department which undertakes audit on operating units to determine the adequacy and effectiveness of the risk management and internal control system in the Group. The Internal Audit function makes recommendations to the Management of the operating unit audited to improve any weaknesses identified in the audit process. The results of the audit conducted by the Internal Audit Department are tabled and deliberated by the Audit Committee and Management of the operating units audited may be required to attend the meeting where the report is tabled.

The Internal Audit Department also systematically follow up on corrective actions taken to remedy weaknesses identified in the audit. The activities of the Internal Audit Department are set out in the Audit Committee Report on Page 34 of this Report.

Principal Risks

Principal risks identified by the Group and the mitigating actions are described on Page 31 of this Report. The principal risks are not necessarily set out in order of priority and the mitigating actions planned and taken do not provide absolute elimination of the principal risks identified.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Principal Risk	Mitigating Actions
a. Supply of raw material for manufacturing of paper Paper recovered from domestic market are inadequate to meet the demand of the Group's paper mills due to tight supply, increased demand and upward trend in international prices. The shortage of paper may lead to machine stoppage and impact profitability of the Group.	The Group is enlarging the coverage of the waste paper collection centres and establishing network of supplies from overseas.
b. Escalating energy gas tariff The Group uses gas to fire its boilers and Combined Heat and Power plants. The gradual upward adjustment in pricing of natural gas tariff to market price by Government will result in higher energy cost which is a major component cost in manufacturing of paper.	Plants in the Group also use biomass and coal as alternative source of heat energy. In addition, plants in the the Group are actively identifying and implementing measures to reduce steam and electricity consumption by replacing inefficient motors, machinery and equipment.
c. Credit Exposure and Liquidity The Group's domestic sales are mostly conducted on credit terms and the trade receivables is subject to the risk of delay in payment and bad debts. This may affect cash flow and profitability of the Group.	Granting and monitoring of credit given to customers are guided by the Group's Credit Control Policy and Procedures. Sufficient credit facilities are in place to fund operational requirements.
d. Fire Inventories and manufacturing processes are a source of fire risk for plants in the Group. The risk will be aggravated by dust, hot weather and drought.	Assets and business of the Group are adequately insured. In addition, plants in the Group are equipped with fire prevention and fire fighting equipment and systems. Planned upgrades of these facilities are ongoing to enhance protection of employees, business and assets of the Group. Storage of goods and manufacturing activities which are considered a fire risk are governed by standard operating procedures. Adequate training are provided to employees in collaboration with Bomba to handle an emergency situation should a fire occur.
e. Compliance with Department of Environment (DOE) Requirements Paper mills and corrugating plants in the Group are subject to regulatory controls in radioactive substance, emissions, effluent discharge and hazardous wastes. Serious breaches may lead to closure of plant and may pose a health hazard to our employees and communities.	The Group has installed equipment to collect dust and treat waste ink to reduce emissions and pollution. The Group also has effluent treatment plants to treat waste water to ensure minimal discharge of effluents to the rivers as required by DOE. The hazardous factory wastes are disposed through government approved contractors at designated dumpsites according to the rules of DOE.

Assurance from Managing Director and Group Financial Controller

The Company has received assurances from the Managing Director and Group Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Conclusion

Based on the results of the reviews undertaken by the Board of Directors, the Board 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.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 24 March 2017.

AUDIT COMMITTEE REPORT

The Board of Directors of Muda Holdings Berhad ("the Board") is pleased to present the report on Audit Committee for the financial year ended 31 December 2016.

COMPOSITION OF AUDIT COMMITTEE AND MEETINGS

The Audit Committee comprises of four (4) members, all of whom are Non-Executive Directors and three (3) of whom are independent. The Audit Committee Meetings held during 2016 are as follows:

Name of Audit Committee Member	Scheduled Meetings	Attendance
Datuk Nik Ibrahim Bin Nik Abdullah Chairman/Independent Non-Executive Director	8	8
Patrick Chin Yoke Chung Member/Senior Independent Non-Executive Director	8	8
Tan Sri Lim Guan Teik Member/Non-Independent Non-Executive Director	8	8
Lee Khim Sin Member/Independent Non-Executive Director	8	8

Mr. Patrick Chin Yoke Chung has been a Fellow Member of the Institute of Chartered Accountants in England and Wales since 1980 and Mr. Lee Khim Sin, a member of Malaysian Institute of Accountants, qualified as a Chartered Accountant in 1969.

SUMMARY OF AUDIT COMMITTEE ACTIVITIES

During the year, the Audit Committee carried out the following activities:

Financial Reporting

Reviewed the quarterly unaudited financial results and audited financial statements of Company before recommending for approval by the Board of Directors. The review was to ensure that the financial reporting and disclosures are in compliance with:

- Provisions of the Companies Act, 1965;
- Listing Requirements of Bursa Malaysia Securities Berhad;
- Applicable approved accounting standards in Malaysia; and
- Other legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with Management and the external auditors, the accounting principles and standards that were applied and accounting estimates and significant management judgements applied on the accounting policies.

Related Party Transactions

During the year, the Audit Committee reviewed the quarterly reports on recurrent related party transactions (RRPT) tabled by the Group Financial Controller and formed its opinion on the transactions. The reports were prepared and tabled to the Audit Committee in accordance with Policy and Procedures Governing RRPT in the Group.

In the year, the Audit Committee also conducted reviews of related party transactions associated with the disposal and acquisition of shares in subsidiary companies to and from related parties respectively.

AUDIT COMMITTEE REPORT

Internal Audit

- (a) Reviewed and approved the Annual Audit Plan to ensure adequate scope and comprehensive coverage over the key processes of the Group and the Company to ensure high risks areas are audited annually.
- (b) Assessed independence and objectivity of internal audit activities, reviewed effectiveness of audit processes and ensured appropriate and sufficient resources are provided to Internal Audit Department to achieve the approved audit plan.
- (c) Reviewed the internal audit reports which highlighted audit issues, recommendations and Management's responses and directed actions to be taken by the Management to rectify and improve the system of internal control.
- (d) Monitored the implementation of recommendations made by the Internal Audit Department arising from the audit carried out in order to obtain assurances that all key risks and controls of concerns have been fully addressed.
- (e) Reviewed the quarterly audit performance report on the progress of internal audit engagements against the approved internal audit plan, internal audit expenses, hiring and resignation of internal audit staff.
- (f) Reviewed related party transactions and recurrent related party transactions entered into by the Group and the Company with related parties to ensure that such transactions were undertaken in line with the Group's normal commercial terms and the internal control procedures with regards to such transactions are sufficient.

External Audit

- (a) Reviewed the external auditors scope of work and audit plan for the year and made recommendations to the Board on their re-appointment and remuneration.
- (b) Reviewed and discussed the external auditors' audit report, key audit matters and areas of concern highlighted including Management's responses to the concerns raised by the external auditors.
- (c) Discussed on significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements.
- (d) Assessed the independence and objectivity of the external auditors during the year and concluded that the external auditors remained independent and objective in relation to the audit engagements.

Others

- (a) Reviewed the half yearly risk management reports compiled by Management of operating units to ensure associated risks are adequately evaluated, managed and controlled.
- (b) Monitored and assessed the risk portfolio composition of significant activities of the Group.
- (c) Kept abreast of both current risk management techniques and theories, and any changes in the regulatory environment, and recommending the appropriate actions to be taken.

SUMMARY OF INTERNAL AUDIT ACTIVITIES

In discharging its duties, the Audit Committee is supported by an in-house Internal Audit function. The scope, authority and responsibilities of Internal Audit function sets out in the Internal Audit Charter approved by Audit Committee. The Internal Audit function reports directly to the Audit Committee. The Audit Committee regards the Internal Audit function as essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control within the Group and the Company.

The audit reviews the effectiveness of the internal control structures over the Group's key operating processes using rotation approach to local and oversea operation. Audit reviews performed on Paper Mills, Packaging, Converting and Trading Business Units to ensure compliance with internal policies, Standard Operating Procedures, Accounting Standards, relevant external rules and regulations.

In performing such reviews, recommendations for improvement and enhancements to the existing system of internal control and work processes are made in audit reports which were satisfactorily addressed by Management.

The total costs incurred for the Internal Audit function during the financial year ended 31 December 2016 was RM515,612 and the main activities of Internal Audit function in 2016 included:

- Operational review of Credit Control Management System of Paper Mills, Packaging and Trading business units;
- Performed compliance reviews for Project Management of Paper Mills;
- Operational review of Sales Order, Production Planning and Control, Procurement Management System of Packaging business units;
- Reviewed Internal Control On Financial Reporting of Trading business unit;
- Post Audit review to follow up on previous audit performed on paper roll store, engineering store, sales order management system and internal control over financial reporting assignment; and
- Reviewed related and recurrent related party transactions of the Group.

The Audit Committee Report is made in accordance with a resolution of the Board of Directors dated 24 March 2017.

CORPORATE SOCIAL RESPONSIBILITY

Environment, Community and the Market Place

Muda Holdings Berhad believes that the concept of corporate social responsibility involves the Company taking voluntary actions to contribute to a better community and a cleaner environment through its various business activities and social investment. The Muda Group is fully dedicated to operating the Group's business based on ethical values and respect for the community, its employees, the environment, its shareholders and other stakeholders.

While striving to meet shareholders' expectation for sound financial returns through regular dividend payment and to meet customers' expectations, we have a responsible sourcing policy and a comprehensive network to collect recovered paper which is reused to produce pulp. Our efforts in the use of recovered paper indirectly reduces the demand for wood resource and reduces disposal to landfills which are responsible for unsightly environmental degradation and an important source of greenhouse and methane emissions. We have made efforts to limit the environmental impact of our production process by the adoption of as a Combined Heat and Power Plant that generates power through burning of natural gas. The waste heat from the exhaust gas which has a temperature of 500 degrees Celsius is then channelled to a heat recovery steam generator which converts waste heat into process steam. The cogeneration of electricity and steam not only ensures lower fuel consumption but also ensure that there will be substantial reductions in the emission of carbon dioxide and sulphur dioxide. Our mills and carton plants are ISO 9001 certified and all our carton plants in Malaysia are ISO 14001 certified which reflects that effective environmental management system are in place.

Both our paper mills in Selangor and Penang are equipped with an efficient effluent treatment systems to ensure minimal discharge of effluents into the rivers so that the communities within our locale will not be adversely impacted by our activities. To ensure zero pollution to rivers and for the wellbeing of our communities and employees, all hazardous factory waste is disposed to through Government approved licensed contractors at designated dumpsites, dust generated from our manufacturing activities are removed through our dust bag filter systems and waste ink are recycled into our production process. The Group abides by the standards set by the Government and local authorities on the quality of waste water discharged and the level of dust emitted which will translate into reduction of cost of legal compliance and prevent costly conflict with local communities and regulatory authorities. Monthly reports on schedule waste are submitted to the Department of Environment (DOE) and the relevant local authorities. The quality of our waste water is constantly monitored to ensure compliance with DOE's discharge standards.



The Group continued with its campaign to "RE-USE, REDUCE AND RECYCLE" in 2016 to raise awareness on the benefits of recycling among employees, customers and suppliers through various campaigns. Our employees were at Sekolah Jenis Kebangsaan Cina Lai Meng and Sekolah Jenis Kebangsaan Cina Tai Thung to create awareness of the various grades of recovered paper, the benefits of recycling and how recovered paper are turned into "industrial grade paper". Factory visits to our paper mills were organised for the Department of Environment, Universiti Sains Malaysia, Tzu Chi Recycling Committee and Taiwan Buddhist Tzu Chi Foundation of Malaysia to understand paper recycling manufacturing process.

To inculcate the spirit of volunteerism within our employees and to build a culture of helping and forging stronger bond with our communities in areas that we operate, the Group organised "gotong royong" to rid of "Aedes" and "Zika" mosquitoes at Taman Tasek Maju, Seberang Perai Selatan and Sekolah Kebangsaan Seri Tasek respectively. In addition to assisting the community at Kampung Haji Abdullah with their "clean up" program, the Group resurfaced roads, repaired damaged drains, build road humps and barriers and installed signages to improve safety in the community.





Workplace and Human Capital

The Group recognises its diverse workforce and their talent as the success of the Group is a reflection of the quality and skill of its people. The Group is committed to seeking out and retaining the finest human talent to ensure consistent business growth. The Group's human capital is developed and strengthened through continuous training and professional development to help boost the hard and soft skills of our employees, to position them in good stead to take up challenges in the dynamic business environment we operate in. As such, both external and in-house training programmes are provided or conducted on a regular basis to enhance the skill and knowledge as well as job performance of its employees. Emphasis is placed on employee's development plans, talent management, leadership development for managers and employees' performance management. Incentives are provided to staff upon attainment of work related qualifications to promote professionalism and excellence amongst employees. The Group appreciates long service employees and 87 awards were given in 2016 in recognition of the contributions, loyalty and dedication of these long service employees.

At the Muda Group, safety of our workforce is our utmost priority. We care about the welfare of our people and promote health, safety and wellbeing at all levels of our business. Every business unit and factories have in place Safety and Health Committee, safety procedures and the best practices that have gained industry recognition in the form of certifications and awards. We aim to create a safe workplace for everyone that works and visits our factories to prevent any incidents. Initiatives to increase awareness of safety at work includes regular in house and external training were organised for all employees to ensure that they are competent and are capable of handling emergencies and are equipped with basic safety knowledge. The Group is working towards zero harm goals through continuous improvement of its systems, processes and culture. The Group has in place Emergency Response Teams to prepare employees in the event of crisis or emergency.

In caring for our employees' health, audiometric tests are conducted by external consultants to ensure zero risk of hearing impairment and tests on exposure to radiation required by the Atomic Energy Licensing Board for Radiations Protection Officer and Radiations Protections Supervisor are also carried out yearly to ensure occupational safety, reduction of potential work hazards and for protection of employees' wellbeing. Protective gears and safety equipment are provided to its factory and production staff/workers for protection against hazardous environment and for safety. Preventive measures such as safety briefing and fire drills were conducted on site to enable the employees to better understand certain safety issues and enhance their preparedness in times of emergency. Our Emergency Response Teams at our Tasek and Kajang locality frequently participate in competitions organised by the State Fire & Rescue Department of Penang and Selangor and have won numerous prizes over the years.

This Corporate Social Responsibility Report is made in accordance with a resolution of the Board of Directors dated 24 March 2017.



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 2016.

Principal Activities

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are disclosed in Note 8 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.

Results

	Group RM'000	Company RM'000
Profit for the financial year	20,834	15,529
Attributable to:-		
Owners of the Company	18,807	15,529
Non-controlling interests	2,027	-
	20,834	15,529

Dividends

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

	RM'000
In respect of financial year ended 31 December 2015 and paid on 14 July 2016:-	
First and final single tier dividend of 3.0 sen per share (6.0%)	9,152

A first and final single tier dividend of 6% on 305,050,835 ordinary shares, amounting to RM9,151,525 in respect of the financial year ended 31 December 2016, will be proposed for shareholders' approval at the forthcoming Annual General Meeting. This proposed dividend is not reflected in the current year's financial statements. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of unappropriated profits in the financial year ending 31 December 2017.

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.

Directors Of The Company

The Directors in office since the date of last report are:-

Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN (Non-Independent Non-Executive Chairman)
Dato' Azaman Bin Abu Bakar, DIMP (Managing Director)
Dato' Lim Wan Peng, DSPN (Executive Director)
Datuk Lim Chiun Cheong, DPSM (Deputy Managing Director)
Patrick Chin Yoke Chung, FCA (Senior Independent Non-Executive Director)
Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (Independent Non-Executive Director)
Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (Independent Non-Executive Director)

Tan Sri Lim Guan Teik and Dato' Lim Wan Peng will retire by rotation at the forthcoming Annual General Meeting in accordance with Article 74 of the Company's Articles of Association and being eligible, offers themselves for re-election.

With the enforcement of the Companies Act, 2016 on 31 January 2017, the age limit for Directors previously provided under Section 129(1) of the Companies Act, 1965 has been removed. Hence, there will be no retirement and re-appointment of Directors above the age of 70 years at the forthcoming Annual General Meeting.

DIRECTORS' REPORT

Directors' Interests

According to the Register of Directors' Shareholdings, beneficial interests of those who were Directors at the end of financial year in shares of the Company are as follows:-

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
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	114,870,013	-	(100,000)	114,770,013
Dato' Lim Wan Peng				
- direct interest	3,731,000	-	-	3,731,000
- deemed interest	116,520,413	25,000	-	116,545,413
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

By virtue of the direct and indirect interest of Tan Sri Lim Guan Teik, Dato' Azaman Bin Abu Bakar, Dato' Lim Wan Peng 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 6A of the Companies Act, 1965.

Except as disclosed, none of the Directors 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 arrangements 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 has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Issue Of Shares And Debentures

There were no issuance of shares or debentures during the financial year.

Other Statutory Information

Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:-

- 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
- to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in financial statements of the Group and of the Company 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 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, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its 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, other than the fire incident as disclosed in Note 42 to the financial statements; 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.

Significant Events

The significant events are disclosed in Note 42 to the financial statements.

Auditors

The Auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March 2017.

TAN SRI LIM GUAN TEIK

DATO' AZAMAN BIN ABU BAKAR

Kuala Lumpur

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) DIRECTORS
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STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 47 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March 2017.

TAN SRI LIM GUAN TEIK

DATO' AZAMAN BIN ABU BAKAR

Kuala Lumpur

STATUTORY DECLARATION

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 to the best of my knowledge and belief, the financial statements set out on pages 47 to 113 and the supplementary information set out in page 114 are correct and I make this solemn declaration conscientiously believing the same 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 this day of
24 March 2017

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DATO' AZAMAN BIN ABU BAKAR

Before me:

S. ARULSAMY (W.490)
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 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statement 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 47 to 113.

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 2016, 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, 1965 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment on doubtful receivables

The risk

Refer to Note 13 to the financial statements. We focused on this area because the Group has trade receivables that are past due but not impaired amounted to RM48.5 million. The key risk associated with the recoverability of billed trade receivables as management judgement is required in determining the completeness of the trade receivables provision and in assessing its adequacy through considering the expected recoverability of the year end trade receivables.

Our response

We have challenged management's assumptions in calculating the impairment on doubtful receivables. This includes reviewing the ageing of receivables in comparison to previous years, testing the integrity of ageing by calculating the due date for a sample of invoices and reviewing the level of bad debts written off in the current year against the prior year. We also checked the recoverability of outstanding receivables through examination of subsequent cash receipts and tested the operating effectiveness of the relevant control procedures that management has in place.

Inventory valuation

The risk

Refer to Note 12 to the financial statements. The Group holds an amount of inventories that amounted to RM200.8 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 for 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 market.

Our response

For finished goods amounting to RM89.1 million and raw materials amounting to RM75.6 million, 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

Tax expense and the recognition of deferred tax assets

The risk

The Group has overseas operations and in the normal course of business, the Directors make judgements and estimates in relation to tax issues and exposures of which its final outcome could be significantly different from the estimates.

Refer to Note 11 to the financial statements. The Group has recognised RM6.3 million of deferred tax assets and 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 Directors' 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.

We evaluated the Directors' key assumptions for long term growth rates in the projections by comparing them to historical results, economic and industry projections used by assessing the cost of capital for the Group.

We assessed the adequacy of the Directors' tax provisions by considering factors such as whether the matter represents permanent or temporary differences, and whether the provision addresses possible penalties and interest.

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 RM932.2 million and capital work-in-progress of RM89.7 million as at 31 December 2016 as detailed in Notes 4 and 6 to the financial statements.

The Group continues to invest in significant capital projects with total capital work-in-progress of RM89.7 million as at 31 December 2016, out of which RM44.0 million relates to the Group's capital project in Penang.

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 and management judgement in assigning appropriate useful lives.

Our response

We have performed testing on the design and implementation of key controls around 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.

Furthermore, we challenged the useful lives assigned with reference to the Group's historical experience, our understanding of the future utilisation of assets by the Group and by reference to the depreciation policies applied by third parties operating similar assets.

Goodwill

The risk

The Group holds a goodwill of RM10.1 million on the statement of financial position, as detailed in Note 10 to the financial statements.

The determination of the recoverable amount of goodwill is a key judgement area as small changes in assumptions made, notably in respect of the future performance of the business and the discount rates applied to future cash flows projections can result in material different outcomes.

Our response

We evaluated the Directors' future cash flows projections, and the process which they were drawn up, including testing the underlying calculations and comparing them to the latest Directors' approved segment budgets. We challenged the Directors' key assumptions for long term growth rates in the projections by comparing them to historical results, and economic and industry forecasts, and the discount rate used by assessing the cost of capital for the Group.

Provision for retirement benefit

The risk

The Group and the Company operate an unfunded defined benefit scheme with carrying amount of RM45.5 million and RM5.5 million respectively as at 31 December 2016. 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 increases and mortality assumptions that could have material impact on the calculation of the liability. Further information is included in Note 23 to the financial statements.

Our response

Management has used pension specialists to assist them in computing the provision for retirement benefit. We evaluated the key actuarial assumptions they made in relation to the valuations of liabilities and the assumptions around salary increases 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. Competence has been assessed by confirming that the actuaries do have sufficient experience.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprise 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, 1965 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

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 is 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 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 significant 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, 1965 in Malaysia, we also report the following:-

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its Malaysia subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 43, page 114 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

TAN CHEE BENG
(NO.: 2664/02/19(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
24 March 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Non-current assets					
Property, plant and equipment	4	932,211	903,172	15,234	15,904
Prepaid land lease payments	5	11,679	12,205	-	-
Capital work-in-progress	6	89,736	96,706	-	-
Investment property	7	11,180	7,022	-	-
Investment in subsidiaries	8	-	-	211,178	210,678
Investment in associates	9	20,882	20,689	*	*
Intangible assets	10	10,065	9,979	-	-
Deferred tax assets	11	6,317	7,840	-	-
Total non-current assets		1,082,070	1,057,613	226,412	226,582
Current assets					
Inventories	12	200,832	170,747	-	-
Trade receivables	13	234,122	224,439	-	-
Other receivables	14	24,694	29,062	248	258
Amount due from subsidiaries	8	-	-	32,229	22,653
Amount due from associates	9	1,714	867	920	936
Held-for-trading investments	15	4,608	4,478	4,608	4,478
Derivative financial instruments	16	-	43	-	-
Tax recoverable		2,103	1,719	1,392	1,332
Cash and bank balances, deposits and short term placements	17	86,522	93,679	5,928	9,945
Total current assets		554,595	525,034	45,325	39,602
TOTAL ASSETS		1,636,665	1,582,647	271,737	266,184
Equity And Liabilities					
Equity attributable to owners of the Company					
Share capital	18	152,525	152,525	152,525	152,525
Share premium		6,946	6,946	6,946	6,946
Reserves	19	260,239	265,325	12,099	12,259
Unappropriated profits	20	431,842	416,231	92,459	85,922
Non-controlling interests		851,552	841,027	264,029	257,652
Total equity		875,751	864,989	264,029	257,652
Non-current liabilities					
Finance lease liabilities	21	24,597	24,071	145	255
Borrowings	22	63,415	80,000	-	-
Provision for retirement benefit	23	45,511	41,226	5,505	5,036
Deferred tax liabilities	24	44,989	40,518	-	134
Total non-current liabilities		178,512	185,815	5,650	5,425

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current liabilities					
Trade payables	25	62,837	46,159	-	-
Other payables	26	78,843	69,045	1,903	1,827
Amount due to subsidiaries	8	-	-	45	1,143
Derivative financial instruments	16	549	-	-	-
Finance lease liabilities	21	10,507	9,270	110	137
Borrowings	22	408,494	394,031	-	-
Tax payable		857	2,834	-	-
Bank overdrafts	27	20,315	10,504	-	-
Total current liabilities		582,402	531,843	2,058	3,107
TOTAL LIABILITIES		760,914	717,658	7,708	8,532
TOTAL EQUITY AND LIABILITIES		1,636,665	1,582,647	271,737	266,184

* Less than RM1,000

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 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	28	1,217,754	1,124,852	26,149	10,739
Cost of sales		(1,003,737)	(916,573)	-	-
Gross profit		214,017	208,279	26,149	10,739
Other income		12,003	9,885	422	709
Distribution expenses		(80,404)	(76,967)	-	-
Administration expenses		(67,006)	(63,016)	(9,122)	(8,668)
Other expenses		(10,125)	(11,845)	(2,039)	(64)
Loss due to fire	42	(11,767)	-	-	-
Finance costs		(24,942)	(25,726)	(15)	(23)
Share of (loss)/profit of associates		(290)	532	-	-
Profit before tax	29	31,486	41,142	15,395	2,693
Tax (expense)/income	30	(10,652)	(12,911)	134	(28)
Profit for the financial year		20,834	28,231	15,529	2,665
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligation	23	-	(1,522)	-	(269)
Tax effect on items that will not be reclassified to profit or loss	30	890	365	-	65
		890	(1,157)	-	(204)
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations, net of tax		560	14,044	-	-
		560	14,044	-	-
Other comprehensive income/(loss) for the financial year, net of tax		1,450	12,887	-	(204)
Total comprehensive income for the financial year		22,284	41,118	15,529	2,461
Profit attributable to:-					
Owners of the Company		18,807	26,255	15,529	2,665
Non-controlling interests		2,027	1,976	-	-
		20,834	28,231	15,529	2,665
Total comprehensive income attributable to:-					
Owners of the Company		19,676	35,685	15,529	2,461
Non-controlling interests		2,608	5,433	-	-
Total comprehensive income for the financial year		22,284	41,118	15,529	2,461
Earnings per share attributable to owners of the Company					
Earnings per share					
- basic (sen)	31	6.17	8.61		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Attributable to owners of the Company					Distributable		Total equity RM'000
		Share capital RM'000	Share premium RM'000	Exchange fluctuation reserve RM'000	Revaluation reserve RM'000	Unappropriated profits RM'000	Total RM'000	Non-controlling interests RM'000	
Balance at 1 January 2015		152,525	6,946	3,730	253,265	398,028	814,494	19,867	834,361
Profit for the financial year		-	-	-	-	26,255	26,255	1,976	28,231
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	(2,296)	2,296	-	-	-
Other comprehensive income/(loss) for the financial year		-	-	10,626	-	(1,196)	9,430	3,457	12,887
Total comprehensive income/(loss) for the financial year		-	-	10,626	(2,296)	27,355	35,685	5,433	41,118
Transactions with owners:-									
First and final single tier dividend of 3.0 sen per share	32	-	-	-	-	(9,152)	(9,152)	-	(9,152)
Dividend paid to non-controlling interests		-	-	-	-	-	-	(1,338)	(1,338)
Total transactions with owners		-	-	-	-	(9,152)	(9,152)	(1,338)	(10,490)
Balance at 31 December 2015		152,525	6,946	14,356	250,969	416,231	841,027	23,962	864,989

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

← Attributable to owners of the Company →
 ← Non-Distributable → Distributable

Group	Note	Share capital RM'000	Share premium RM'000	Exchange fluctuation reserve RM'000	Revaluation reserve RM'000	Unappropriated profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 31 December 2015		152,525	6,946	14,356	250,969	416,231	841,027	23,962	864,989
Profit for the financial year		-	-	-	-	18,807	18,807	2,027	20,834
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	(2,381)	2,381	-	-	-
Realisation of revaluation reserve upon write off of revalued assets		-	-	-	(2,669)	2,669	-	-	-
Other comprehensive income for the financial year		-	-	(21)	-	890	869	581	1,450
Total comprehensive income/(loss) for the financial year		-	-	(21)	(5,050)	24,747	19,676	2,608	22,284
Transactions with owners:-									
First and final single tier dividend of 3.0 sen per share	32	-	-	-	-	(9,152)	(9,152)	-	(9,152)
Acquisition of non-controlling interests	8	-	-	(42)	-	(146)	(188)	(2,661)	(2,849)
Disposal to non-controlling interests	8	-	-	27	-	162	189	1,220	1,409
Dividend paid to non-controlling interests		-	-	-	-	-	-	(930)	(930)
Total transactions with owners		-	-	(15)	-	(9,136)	(9,151)	(2,371)	(11,522)
Balance at 31 December 2016		152,525	6,946	14,320	245,919	431,842	851,552	24,199	875,751

		Attributable to owners of the Company				
		Non-Distributable		Distributable		
	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Unappropriated profits RM'000	Total RM'000
Company						
Balance at 1 January 2015		152,525	6,946	12,419	92,453	264,343
Profit for the financial year		-	-	-	2,665	2,665
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	(160)	160	-
Other comprehensive loss for the financial year		-	-	-	(204)	(204)
Total comprehensive (loss)/income for the financial year		-	-	(160)	2,621	2,461
Transaction with owners:-						
First and final single tier dividend of 3.0 sen per share	32	-	-	-	(9,152)	(9,152)
Balance at 31 December 2015		152,525	6,946	12,259	85,922	257,652
Profit for the financial year		-	-	-	15,529	15,529
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	(160)	160	-
Total comprehensive (loss)/income for the financial year		-	-	(160)	15,689	15,529
Transaction with owners:-						
First and final single tier dividend of 3.0 sen per share	32	-	-	-	(9,152)	(9,152)
Balance at 31 December 2016		152,525	6,946	12,099	92,459	264,029

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating Activities				
Profit before tax	31,486	41,142	15,395	2,693
Adjustments for:-				
Amortisation of prepaid land lease payments	463	463	-	-
Bad debts written off	262	326	-	-
Capital work-in-progress written off	1,078	9	-	-
Depreciation	57,627	53,586	750	870
Fair value gain/(loss) on derivative instruments	592	(246)	-	-
Fair value loss on held-for-trading investments	39	59	39	59
Impairment on doubtful receivables				
- current	3,229	3,855	-	-
- no longer required	(4,319)	(351)	-	-
Impairment loss on investment in subsidiaries	-	-	2,000	-
Interest expenses	24,942	25,726	15	23
Inventories written off	14,894	4,576	-	-
Inventories written down	105	516	-	-
Property, plant and equipment written off	11,064	535	-	-
Provision for retirement benefit	4,768	3,961	469	185
Dividend income	(169)	(127)	(26,149)	(10,739)
Fair value gain adjustments on investment property	(1,004)	(60)	-	-
Gain on disposal of property, plant and equipment	(269)	(1,056)	*	(309)
Interest income	(588)	(700)	(216)	(324)
Inventories written back	(9)	*	-	-
Reversal of inventories written down	(186)	(141)	-	-
Share of loss/(profit) of associates	290	(532)	-	-
Unrealised (gain)/loss on foreign exchange	(1,827)	1,867	-	-
Operating profit/(loss) before working capital changes	142,468	133,408	(7,697)	(7,542)
Changes in working capital:-				
Inventories	(45,022)	12,380	-	-
Receivables	(3,621)	(40,622)	10	(26)
Payables	25,478	666	77	250
Bills payable	10,808	13,820	-	-
Associates	(841)	1,404	-	-
Cash generated from/(used in) operations	129,270	121,056	(7,610)	(7,318)
Retirement benefit paid	(483)	(352)	-	-
Dividend received	173	598	15,275	13,625
Dividend paid to shareholders	(9,152)	(9,152)	(9,152)	(9,152)
Dividends paid to non-controlling interests	(930)	(1,338)	-	-
Interest paid	(25,724)	(28,062)	(15)	(23)
Interest received	588	700	216	324
Tax paid	(6,305)	(3,020)	(60)	(65)
Tax refunded	184	185	-	96
Net cash from/(used in) operating activities	87,621	80,615	(1,346)	(2,513)

* Less than RM1,000

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Investing Activities					
Capital work-in-progress incurred	A	(67,331)	(18,120)	-	-
Proceeds from disposal of property, plant and equipment		458	3,378	*	440
Purchase of property, plant and equipment	B	(18,458)	(15,861)	(81)	(779)
Purchase of investment property		-	(32)	-	-
Additional investment in subsidiaries		-	-	(2,500)	(1,500)
Acquisition of non-controlling interests	8.2	(1,899)	-	-	-
Proceeds from disposal of partial interest in subsidiary that does not involve loss of control	8.1	700	-	-	-
Net cash used in investing activities		(86,530)	(30,635)	(2,581)	(1,839)
Financing Activities					
Proceeds from finance leases		3,849	6,022	-	-
Repayment of revolving credit		(1,700)	(6,300)	-	-
Drawdown of onshore foreign currency loan		2,500	1,734	-	-
Drawdown of flexi financing loans		147,342	238,338	-	-
Drawdown of term loans		25,600	378	-	-
Repayment of flexi financing loan		(140,885)	(248,624)	-	-
Repayment of onshore foreign currency loan		(4,234)	-	-	-
Repayment of finance leases		(10,577)	(9,028)	(137)	(322)
Repayment of term loans		(41,596)	(40,347)	-	-
Repayment received from subsidiaries		-	-	31	2,636
Repayment received from associates		8	9	16	10
Placement of fixed deposit pledged		(649)	(119)	-	-
Net cash (used in)/from financing activities		(20,342)	(57,937)	(90)	2,324
Cash And Cash Equivalents					
Net changes		(19,251)	(7,957)	(4,017)	(2,028)
Effect of exchange rate changes		1,634	3,918	-	-
Brought forward		82,209	86,248	9,945	11,973
Carried forward	C	64,592	82,209	5,928	9,945

* Less than RM1,000

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Notes To The Statements Of Cash Flows

A. Capital Work-In-Progress Incurred

	Group	
	2016 RM'000	2015 RM'000
Total addition	67,331	25,937
Purchase through finance lease arrangements	-	(7,817)
Cash payment	67,331	18,120

B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total addition	26,936	18,782	81	859
Purchase through finance lease arrangements	(8,478)	(2,921)	-	(80)
Cash payment	18,458	15,861	81	779

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	68,135	76,982	45	77
Fixed deposits with licensed banks	10,480	4,979	-	-
Short term placements with financial institutions	7,907	11,718	5,883	9,868
Bank overdrafts	(20,315)	(10,504)	-	-
	66,207	83,175	5,928	9,945
Less: Fixed deposits pledged	(1,615)	(966)	-	-
	64,592	82,209	5,928	9,945

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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 is located at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

The financial statements of the Group and the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 March 2017.

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, 1965 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company are 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 are 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 measurement 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.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest thousand ('000) except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2.4 MFRSs

2.4.1 Adoption of new or revised MFRSs

The accounting policies adopted by the Group and by the Company are consistent with those of the prior financial year except for the new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year. Application of the new and revised MFRSs and interpretations has no material impact on financial statements of the Group and of the Company.

Several other amendments are effective for the first time in financial year ended 31 December 2016. However, they do not impact the annual financial statements of the Group and of the Company.

The nature and impact of the amendments to MFRSs with effective date on or after 1 January 2016 are described below:-

2.4.1.1 Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment entities applying the consolidation exception

The amendments clarified that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarified that only a subsidiary that is not an investment entity itself and provide support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. The adoption of these amendments do not have any financial impact on the Group and the Company.

2.4.1.2 Amendments to MFRS 101 Disclosure initiative

The amendments aim to improve the presentation and disclosure in financial statements and are designed to encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. Since the amendments only affect disclosures, the adoption of these amendments did not have any material impact on the Group and the Company.

2.4.1.3 Amendments to MFRS 116 and MFRS 138 Clarification of acceptable methods of depreciation and amortisation

The amendments clarified that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

2.4.1.4 Amendments to MFRS 127 Equity method in separate financial statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and elect to change to the equity method in their separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to MFRS. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

2.4.1.5 Annual Improvements to MFRSs 2012 – 2014 Cycle

Amendments to MFRS 7 Financial instruments disclosure

The amendments provided additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7. The amendments also clarify the applicability of disclosures of offsetting financial assets and financial liabilities to condensed interim financial report. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

Amendment to MFRS 119 Employee benefits

The amendments clarified that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at the currency level. The adoption of the amendment is not expected to have any financial impact on the Group and the Company.

Amendment to MFRS 134 Interim financial reporting

The amendments required entities to disclose information in the notes to the interim financial statements if not disclosed elsewhere in the interim financial report. The amendments required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included with the greater interim financial report such as in the management commentary or risk report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.

2.4.2 Standards issued but not yet effective

At the date of authorisation of these financial statements, MASB has approved certain new standards, amendments and interpretations to existing standards which are not yet effective, and have not been early adopted by the Group and the Company.

The management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. The initial application of the new standards, amendments and interpretations are not expected to have any material impact to the financial statements of the Group and the Company except as mentioned below:-

Amendment to MFRS 107 Disclosure initiative

The amendment to MFRS 107 requires entity to provide disclosures on changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

Amendment to MFRS 112 Recognition of deferred tax assets for unrealised losses

The amendments to MFRS 112 clarified the accounting treatment of deferred tax assets for unrealised losses on fixed-rate debt instruments measured at fair value. The adoption of the amendment is not expected to have any financial impact on the Group and the Company.

Annual improvements to MFRSs 2014-2016 - Amendments to MFRS 12 Disclosure of interest in other entities

The amendments to MFRS 12 clarifies the applicability of this standard to an entity's interest in other entities which are classified as held for sale or discontinued operations.

Amendments to MFRS 140 Transfer of investment property

The amendment clarified that an entity is allowed to transfer a property to or from investment property account only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions for the use of the property does not provide evidence of a change in use.

IC Interpretation 22 Foreign currency transactions and advance consideration

This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

MFRS 9 Financial instruments

MFRS 9 replaces MFRS139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new “expected credit loss model” under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group’s and the Company’s investment in unquoted shares will be measured at fair value through other comprehensive income.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 9.

MFRS 15 Revenue from contracts with customers

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

This standard will come into effect on or after 1 January 2018 with early adoption permitted. The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

MFRS 16 Leases

MFRS 16 introduces a single accounting model for lessees and eliminated the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group and the Company are required to account for major part of their operating leases in the statements of financial position by recognising the “right-of-use” assets and these lease liability, thus increasing the assets and liabilities of the Group and the Company. The financial effect arising from this standard is still being assessed by the Group and the Company.

2.5 Significant accounting estimates and judgements

The preparation of financial statements for the Group and the Company requires the use of certain judgements, estimates and assumptions. Accounting estimates and judgements are being constantly reviewed against historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. However, because of uncertainty in determining future events and its impact, actual result could differ from the estimates reported.

Significant management judgements

The following items in the financial statements are significantly affected by management judgements in the application of accounting policies:-

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed tax losses, unabsorbed capital allowances, unabsorbed reinvestment allowances and unabsorbed tax credits to the extent that it is probable that taxable profit will be available against which all deductible temporary differences, unabsorbed tax losses and unabsorbed capital allowances can be utilised. Significant 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 together with future tax planning strategies.

Key sources of estimation uncertainties

Key assumptions concerning the future and accounting estimates at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

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 subjected to technological development and level of usage. Therefore, residual values of these assets and future depreciation charges may vary.

Impairment of property, plant and equipment and prepaid land lease payments

The Group carried out impairment tests where there are indications of impairment based on a variety of estimation including value-in-use of cash-generating unit to which the property, plant and equipment and the prepaid land lease payments are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount 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. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

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.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill are disclosed in Note 10 to financial statements.

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors such as probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments are considered in determining whether there is objective evidence of impairment. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

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 result 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.

Deferred tax assets

The assessment of the probability of future taxable income 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 unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, 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 is assessed individually by management based on the specific facts and circumstances.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

Fair value measurement and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting. Significant judgment 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 an asset or a liability, the Group uses market-observable data to the extent it is available. 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 assets and liabilities. Where Level 1 inputs are not available, 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. For the valuation of land and buildings, the Group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the Notes 4, 7, 9 and 39 to the financial statements.

Pension benefit

The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Further details about the assumptions used are given in Note 23 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 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method from the date, 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 off and included in administrative expenses.

When the Group acquires a business, it assesses the financial 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, 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 deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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 of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of 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 is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its 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 uses judgements to assess whether it has 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 into line with the Group's accounting policies.

3.1.3 Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company. It is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separate from equity attributable to owners of the Company.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even though it may result in deficit to non-controlling interest.

3.1.4 Acquisition of non-controlling interests

The Group treats 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 non-controlling interest holders. Any difference between share of net assets before and after the change by the Group, and any consideration received or paid, is adjusted in the 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 non-controlling interests 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.

3.1.6 Loss of control

When the Group ceases to have control of a subsidiary, the Group derecognises the assets and liabilities, non-controlling interests and other components of equity related to the subsidiary. Surplus or deficit arising from the loss of control is recognised in profit or loss.

Any interest retained by the Group in the entity is remeasured to its fair value at the date when the control is lost and surplus or deficit arising from the remeasurement is recognised in profit or loss. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

3.1.7 Eliminations on consolidation

All intra-group balances, income and expenses and unrealised gains and losses resulting 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 using the equity method less any impairment losses. 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.

The share of the result of an associate by the Group is reflected in profit or loss. It is profit attributable to equity holders of the associate, unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

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. Should the associate subsequently report profits, the Group will only resume to recognise its share of profits in the associate after losses previously not recognised by the Group is fully absorbed.

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 re-measured. 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.

Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

The Group determines at the end of each reporting period whether there is any objective evidence of impairment to the investments in the associates. If applicable, the Group will recognise the difference between the recoverable amount of the associates and their carrying value and recognise the difference in the "share of profit of associates" in profit or loss.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

Property, plant and equipment are initially recognised in the financial statements as an asset only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item recognised can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bring 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.

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.

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

Subsequent to initial recognition, property, plant and equipment with the exception of land and buildings, are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are shown at market value provided by independent professional valuers on an open market value basis, less subsequent accumulated depreciation and impairment losses. Land and buildings are revalued when indicators of material changes in value exists or at interval of not more than 5 years. Any revaluation increase is credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increase of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the profit or loss. Each year difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss and depreciation based on the asset's original cost is transferred from revaluation reserve to unappropriated profits. Upon disposal of revalued assets, the attributable revaluation surplus remaining in revaluation reserve is transferred to unappropriated profits.

3.2.2 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term.

Freehold land is not depreciated but is subject to impairment test if there is indication of impairment. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. 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:-

Long leasehold land	Over the term of lease ranging from 50 to 870 years
Buildings	28 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.

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3.2.3 Subsequent measurement

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.

At end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicated that its carrying amount may not be recovered fully. A write down is made if the carrying amount exceeds the recoverable amount. Recoverable amount is the net selling price of the property, plant and equipment, i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

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

3.3 Assets acquired under lease arrangements

3.3.1 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 is 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.

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.

3.3.2 Operating leases

Leases in which 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 statement 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.

3.3.3 Prepaid land lease payments

Leasehold land with lease period below 50 years at inception is classified as prepaid land lease and the cost is amortised over the lease period on straight line basis.

The Group has applied MFRS 117 Leases and restated the revalued prepaid land lease payments to their original costs and any revaluation surplus is retrospectively adjusted in financial year ended 31 December 2012 in accordance with requirements of MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards.

3.4 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.

3.5 Investment property

3.5.1 Investment property carried at fair value

Investment property is property held either to earn rental income or for capital appreciation or 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 property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

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 bringing 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.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. 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 upon disposal or when the investment property is permanently withdrawn from its use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of investment property is recognised in profit or loss. However, when an investment property that was previously classified as property, plant and equipment is sold, any related amount in the revaluation reserve is transferred to unappropriated profits.

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 unappropriated profits; the transfer is not made through profit or loss.

When the use of an investment property changes and resulted in it being reclassified as property, plant and equipment, the 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 are 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 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.7 Financial instruments

3.7.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group and the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial instrument carried at fair value through profit or loss, which are measured initially at fair value.

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3.7.2 Financial assets - Categories and subsequent measurement

The Group and the Company categorise financial instruments as follows and all financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment:-

3.7.2.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprised of financial assets which are held for trading or those designated at fair value through profit or loss upon initial recognition. All derivative financial instruments (including separated embedded derivatives) which are acquired principally for the purpose of selling in the near term and contingent consideration in a business combination fall into this category, except for those that are financial guarantee contracts or those designated and effective as hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

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

3.7.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using effective interest method, less provision for impairment. Gains and losses from loans and receivables are recognised in profit or loss through amortisation process or upon derecognition or impairment. Discounting is omitted where the effect of discounting is immaterial in subsequent measurement.

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

Financial assets included in loans and receivables are cash and cash equivalents, amount due from associates, amount due from subsidiaries, trade and other receivables.

3.7.2.3 Held-to-maturity investments

Held-to-maturity investments comprised of non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. The losses arising from impairment are recognised in profit or loss.

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

3.7.2.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gain and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign currency differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a classification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognised in profit or loss. Dividends on available-for-sale equity are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

3.7.3 Financial liabilities - Categories and subsequent measurement

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

3.7.3.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

3.7.3.2 Other liabilities measured at amortised cost

Other financial liabilities including borrowings, amount due to subsidiaries, and trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. 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.

3.7.3.3 Financial guarantee contracts

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

Financial guarantee contracts are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the specified debtor fails to make payment to the holder of the financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

3.7.4 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset has expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred assets, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The Group and the Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.7.5 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 and the Company may enter 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 16 and 39 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 is 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 assets

3.9.1 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 the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five 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 cash-generating unit'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 as 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.

3.9.2 Financial assets

All financial assets (except for financial assets categorised as investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

3.9.2.1 Trade and other receivables and other financial assets carried at amortised cost

An impairment loss in respect of loans and receivables is recognised in profit or loss. The Group and the Company consider factors such as significant delay in payment, default or the probability of insolvency of the loan and receivables to determine whether there is objective evidence that an impairment loss has occurred. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

When loan and receivables becomes uncollectible, it is written off against the allowance account. For certain categories of financial assets, such as trade receivables, assets not impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience with industry group, increase in cases of delayed payments and observable changes in economic conditions.

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

3.9.2.2 Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are factors considered in determining whether there is objective evidence that available-for-sale financial assets is impaired.

Impairment in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income.

3.10 Inventories

Inventories are stated 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 in which it occurs.

3.11 Foreign currency transactions and balances

3.11.1 Foreign currency transactions

The functional currency of the Company is RM and 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 currency is adopted by other companies in the Group.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency 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 exchange rate when the fair value was determined.

Foreign currency differences arising from retranslation are recognised in profit or loss except for differences arising from the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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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 non-controlling interest.

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 translation 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 non-controlling interest. When the Group disposes only part of an associate or joint venture while retaining significant influence or joint control, 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 comprised of cash on hand, bank balances, short term demand deposits, fixed deposits, bank overdrafts and short term placements which are readily convertible to known amount of cash and are not subject to risk of significant changes in value.

Bank overdrafts are shown in current liabilities in the statements of financial position. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledge deposits.

3.13 Equity and reserves

Share capital represents the nominal value of shares that have been issued. Ordinary shares are equity instruments and they are contracts evidencing residual interest in the assets of the Company after deducting all of its liabilities.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit.

Revaluation reserve within equity comprises gains resulting from revaluation of property, plant and equipment and revaluation of investment in subsidiaries.

Exchange fluctuation reserve consists of foreign currency translation differences arising from the translation of Group's net investment in foreign entities.

Unappropriated profits include current and prior period unappropriated profits.

All transactions with owners of the Company are recorded separately within equity.

3.14 Dividends

Final dividends proposed are not reflected in shareholders' equity as an appropriation of unappropriated profits until they have been approved by the shareholders in a general meeting. Upon approval by the shareholders, final dividends are deducted from unappropriated profits.

Interim dividends are recognised as liability when they are declared.

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 be required 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

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

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. They are recognised as expenses in the profit or loss in the period incurred. However, borrowing costs directly attributable to finance 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 the activities necessary to prepare the qualifying asset for its intended use is 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 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 plans

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 Retirement benefit

The Group and the Company operates an unfunded defined benefit plan for all eligible Malaysian Directors and employees. Net obligation in respect of defined benefit plan is calculated separately for each plan 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. The calculation is performed once every three years by a qualified actuary using the projected credit method.

The Group and the Company recognises 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 recognises 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 obligation being settled as determined on the date of settlement and the settlement price.

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3.19 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3.19.1 Sales of goods

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates and taxes. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3.19.2 Dividend income

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

3.19.3 Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis using effective interest method in profit or loss.

3.19.4 Rental income

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

3.19.5 Management fee

Management fee is recognised when services are rendered.

3.20 Income tax

Income tax comprises of 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 is recognised as an expense or income in the profit or loss.

3.20.1 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).

3.20.2 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 expects, 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 property 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 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 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 and investment tax allowance, being tax incentives 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 to offset against the unutilised tax incentive credit.

3.20.3 Goods and service tax

Supply of goods and services in Malaysia and other jurisdiction is subject to goods and services tax.

The net amount of such taxes recoverable from, or payable to, the relevant authorities is included as part of "other receivables" or "other payables" in the statements of financial position.

Revenues, expenses and assets are recognised net of the amount of such taxes. If such taxes incurred on the purchase of assets is not recoverable from the authorities, the taxes incurred are recognised as part of the cost of acquisition of the asset.

3.21 Related parties

A related party is a person or entity that is related to the Group and to the Company and they 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 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 benefits 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.

3.22 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 related 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.

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4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Long 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 1.1.2015							
- cost	5,941	6,903	3,239	941,235	31,460	25,625	1,014,403
- valuation	210,923	105,280	233,717	-	-	-	549,920
	216,864	112,183	236,956	941,235	31,460	25,625	1,564,323
Additions	3,249	505	708	8,688	3,811	1,821	18,782
Transfer from capital work-in-progress	1,895	-	3,925	29,120	-	118	35,058
Disposals	-	-	(10)	(5,120)	(4,233)	(80)	(9,443)
Written off	-	-	(1)	(8,328)	-	(202)	(8,531)
Translation difference	-	-	1,412	3,024	137	652	5,225
At 31.12.2015	222,008	112,688	242,990	968,619	31,175	27,934	1,605,414
Cost or valuation							
At 1.1.2016							
- cost	11,085	7,408	7,861	968,619	31,175	27,934	1,054,082
- valuation	210,923	105,280	235,129	-	-	-	551,332
	222,008	112,688	242,990	968,619	31,175	27,934	1,605,414
Additions	638	406	1,478	16,183	4,782	3,449	26,936
Transfer from capital work-in-progress	-	-	11,846	61,755	-	404	74,005
Transfer to investment properties	-	(3,260)	-	-	-	-	(3,260)
Disposals	-	-	-	(1,091)	(627)	(65)	(1,783)
Written off	(9)	-	(5,824)	(10,555)	(539)	(743)	(17,670)
Reclassification	-	-	-	235	-	(235)	-
Translation difference	-	-	91	(383)	(38)	72	(258)
At 31.12.2016	222,637	109,834	250,581	1,034,763	34,753	30,816	1,683,384
Representing							
- cost	11,714	7,814	21,185	1,034,763	34,753	30,816	1,141,045
- valuation	210,923	102,020	229,396	-	-	-	542,339
	222,637	109,834	250,581	1,034,763	34,753	30,816	1,683,384
Accumulated depreciation							
At 1.1.2015	-	1,535	7,331	607,658	23,979	18,995	659,498
Charge for the financial year	-	1,765	5,562	41,503	2,941	1,815	53,586
Disposals	-	-	(1)	(3,102)	(3,939)	(79)	(7,121)
Written off	-	-	-	(7,797)	-	(199)	(7,996)
Translation difference	-	-	64	2,898	129	466	3,557
At 31.12.2015	-	3,300	12,956	641,160	23,110	20,998	701,524
Charge for the financial year	-	1,760	5,755	44,764	3,201	2,147	57,627
Transfer to investment properties	-	(106)	-	-	-	-	(106)
Disposals	-	-	-	(934)	(599)	(61)	(1,594)
Written off	-	-	(413)	(5,370)	(338)	(485)	(6,606)
Reclassification	-	-	-	33	-	(33)	-
Translation difference	-	-	8	(393)	(31)	26	(390)
At 31.12.2016	-	4,954	18,306	679,260	25,343	22,592	750,455
Accumulated impairment loss							
At 1.1.2015/31.12.2015/1.1.2016/31.12.2016	-	-	314	404	-	-	718
Net carrying amount							
At 31.12.2015	222,008	109,388	229,720	327,055	8,065	6,936	903,172
At 31.12.2016	222,637	104,880	231,961	355,099	9,410	8,224	932,211

Company	Long 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 1.1.2015						
- cost	-	-	285	3,926	702	4,913
- valuation	11,500	3,400	-	-	-	14,900
	11,500	3,400	285	3,926	702	19,813
Additions	-	-	-	693	122	815
Transfer from subsidiary	-	-	-	43	1	44
Disposal	-	-	-	(1,991)	-	(1,991)
At 31.12.2015	11,500	3,400	285	2,671	825	18,681
Representing						
- cost	-	-	285	2,671	825	3,781
- valuation	11,500	3,400	-	-	-	14,900
	11,500	3,400	285	2,671	825	18,681
Additions	-	-	9	-	72	81
Transfer to subsidiary	-	-	-	-	(1)	(1)
Written off	-	-	-	-	(51)	(51)
At 31.12.2016	11,500	3,400	294	2,671	845	18,710
Representing						
- cost	-	-	294	2,671	845	3,810
- valuation	11,500	3,400	-	-	-	14,900
At 31.12.2016	11,500	3,400	294	2,671	845	18,710
Accumulated depreciation						
At 1.1.2015	244	72	263	2,793	395	3,767
Charge for the financial year	195	58	2	516	99	870
Disposal	-	-	-	(1,860)	-	(1,860)
At 31.12.2015	439	130	265	1,449	494	2,777
Charge for the financial year	195	58	3	394	100	750
Transfer to subsidiary	-	-	-	-	*	*
Written off	-	-	-	-	(51)	(51)
At 31.12.2016	634	188	268	1,843	543	3,476
Net carrying amount						
At 31.12.2015	11,061	3,270	20	1,222	331	15,904
At 31.12.2016	10,866	3,212	26	828	302	15,234

*Less than RM1,000

Note

The Group's and the Company's land and buildings are stated 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 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 2013. 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.

In the opinion of the Directors, unreasonable expenses would be incurred in obtaining the original costs of assets valued in those years.

The net carrying amount of property, plant and equipment of the Group and of the Company which are under finance lease arrangements amounted to RM56,470,764 (2015: RM50,828,959) and RM450,491 (2015: RM705,817) respectively.

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5. PREPAID LAND LEASE PAYMENTS

	Group	
	2016 RM'000	2015 RM'000
Short term leasehold land		
Brought forward	19,483	18,471
Translation difference	(161)	1,012
Carried forward	19,322	19,483
Accumulated amortisation		
Brought forward	7,278	6,163
Amortisation for the financial year	463	463
Translation difference	(98)	652
Carried forward	7,643	7,278
Net carrying amount	11,679	12,205
Amount to be amortised		
- Within 1 year	463	463
- Between 2 to 5 years	1,852	1,852
- After 5 years	9,364	9,890
	11,679	12,205

6. CAPITAL WORK-IN-PROGRESS

Group	Land and buildings RM'000	Plant, machinery and others RM'000	Total RM'000
At cost:-			
At 1.1.2015	7,619	95,881	103,500
Additions	3,358	22,579	25,937
Borrowing costs capitalised ranging from 5.6% to 6.1% per annum	-	2,336	2,336
Transfer to property, plant and equipment	(5,820)	(29,238)	(35,058)
Written off	-	(9)	(9)
At 31.12.2015	5,157	91,549	96,706
Additions	19,205	48,126	67,331
Borrowing costs capitalised ranging from 5.6% to 6.1% per annum	-	782	782
Transfer to property, plant and equipment	(11,846)	(62,159)	(74,005)
Reclassification	11,469	(11,469)	-
Written off	-	(1,078)	(1,078)
At 31.12.2016	23,985	65,751	89,736

The net carrying amount of capital work-in-progress of the Group which are under finance lease arrangement amounted to RMNil (2016: RM980,356).

7. INVESTMENT PROPERTY

	Group	
	2016 RM'000	2015 RM'000
Fair value:-		
Brought forward	7,022	6,930
Additions	-	32
Transfer from property, plant and equipment	3,154	-
Fair value adjustments	1,004	60
Carried forward	11,180	7,022

Investment property comprises of freehold commercial property, leasehold land and buildings leased to third parties. The leases contain a cancellable period of 2 (2015: 2) years with renewal period of 1 (2015: 1) year. No contingent rents are charged.

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

Fair value of investment property held under lease term is as follows:-

	Group	
	2016 RM'000	2015 RM'000
Buildings	1,810	2,342
Land	7,790	3,200

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

	Group	
	2016 RM'000	2015 RM'000
Rental income	632	616
Direct operating expenses		
- income generating investment property	292	75
- non-income generating investment property	2	-

8. SUBSIDIARIES

Investment in subsidiaries:-

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares		
- at cost	185,826	183,326
- at valuation	55,633	55,633
Less: Allowance for impairment loss	241,459 (30,281)	238,959 (28,281)
	211,178	210,678

Investment in subsidiaries are impaired at reporting date when the net asset of the subsidiary is lower than cost of investment.

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

Name of subsidiaries	Principal activities	Place of incorporation	Proportion of effective ownership interest and voting power held by the Group	
			2016 %	2015 %
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 and provision of management services	Malaysia	100	100
Intrapac Trading (M) Sdn. Bhd.	Trading in 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 packaging materials	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 products related to stationery and food packaging	Malaysia	100	100
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 board 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

Name of subsidiaries	Principal activities	Place of incorporation	Proportion of effective ownership interest and voting power held by the Group	
			2016 %	2015 %
Ee Sin Paper Products Pte. Ltd.*	Trading in school books, uniforms and stationery	Republic of Singapore	56	42
Pacific Bookstores Pte. Ltd.*	Operator of school and online bookstores	Republic of Singapore	67	70
Intrapac (Australia) Pty. Ltd.*	Trading in paper and paper related products	Australia	100	100
Intrapac Investment Ltd.*	Investment holding	Hong Kong	100	100
Intrapac (UK) Ltd.*	Dormant	United Kingdom	100	100
Muda Packaging Industries (Qingyuan) Ltd.*	Manufacture and sale of corrugated cartons and related products	The People's Republic of China	100	100

* Subsidiaries not audited by SJ Grant Thornton

8.1 Disposal of interest in a subsidiary without loss of control

On 1 July 2016, the Group's subsidiary, Intrapac (Singapore) Pte. Ltd. completed the disposal of 5% of equity interest in Pacific Bookstores Pte. Ltd. ("Pacific") to a non-controlling interest for a cash consideration of RM1,026,660. As a result of this disposal, Intrapac (Singapore) Pte. Ltd. decrease its ownership in Pacific from 100% to 95%.

The carrying amount of Pacific's net assets in the Group's financial statements at the date of disposal was RM24,034,069. The Group recognised an increase in non-controlling interest of RM1,220,000, an increase in unappropriated profits of RM162,000 and an increase in exchange fluctuation reserve of RM27,000. The net cash inflow arising from the disposal is amounted to RM700,000.

The following summarises the effect of changes in the equity interest in Pacific Bookstore Pte. Ltd. that is attributable to owners of the Company as at 31 December 2016:-

	2016 RM'000
Equity interest at 1 January	16,874
Effect of decrease in Group's ownership interest	189
Share of comprehensive income	1,851
Equity interest at 31 December	18,914

8.2 Acquisition of additional equity in a subsidiary

On 1 November 2016, Intrapac (Singapore) Pte. Ltd. completed acquisition of 40,000 shares (20%) in Ee Sin Paper Products Pte. Ltd. ("Ee Sin") from its non-controlling interests for a cash consideration of RM2,848,795. As a result of this acquisition, Intrapac (Singapore) Pte. Ltd. increased its ownership in Ee Sin from 60% to 80%.

The carrying amount of Ee Sin's net assets in the Group's financial statements at the date of acquisition was RM13,332,491. The Group recognised an decrease in non-controlling interest of RM2,661,000, a decrease in unappropriated profits of RM146,000 and a decrease in exchange fluctuation reserve of RM42,000. The net cash outflow for the acquisition is amounted to RM1,899,000.

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The following summarises the effect of changes in the equity interest in Ee Sin that is attributable to owners of the Company as at 31 December 2016:-

	2016 RM'000
Equity interest at 1 January	6,145
Effect of decrease in Group's ownership interest	(188)
Share of comprehensive income	2,930
Equity interest at 31 December	8,887

8.3 Details of non-wholly owned subsidiaries with material non-controlling interests

Non-wholly owned subsidiaries of the Group with material non-controlling interests ("NCI") are shown below:-

	2016 RM'000	2015 RM'000
Intrapac (Singapore) Pte. Ltd. Group		
NCI percentage of ownership interest and voting interest	30%	30%
Profit allocated to NCI	341	215
Carrying amount of NCI	4,349	5,390

Summarised financial information in respect of the above subsidiaries with material non-controlling interests is set out below. The summarised financial information below is before intragroup eliminations.

	2016 RM'000	2015 RM'000
Intrapac (Singapore) Pte. Ltd. Group		
Non-current assets	27,595	25,764
Current assets	75,160	69,286
Total assets	102,755	95,050
Non-current liabilities	(241)	-
Current liabilities	(23,128)	(19,887)
Total liabilities	(23,369)	(19,887)
Equity attributable to owners of the company	79,386	75,163
Non-controlling interest	4,349	5,390
Revenue	141,329	129,051
Expenses	(134,203)	(122,968)
Profit for the financial year	7,126	6,083
Profit attributable to owners of the company	6,785	5,868
Profit attributable to the non-controlling interest	341	215
Profit for the financial year	7,126	6,083
Total comprehensive income attributable to owners of the company	6,785	5,868
Total comprehensive income attributable to non-controlling interests	341	215
Total comprehensive income for the financial year	7,126	6,083
Dividends paid to non-controlling interests	(898)	(1,275)
Net cash inflow from operating activities	11,310	7,352
Net cash outflow from investing activities	(3,716)	(162)
Net cash outflow from financing activities	(1,375)	(3,927)
Net cash inflow	6,219	3,263

8.4 Amount due from/(to) subsidiaries

Amount due from/(to) subsidiaries are non-trade related, bear no interest, unsecured and repayable in cash on demand.

9. ASSOCIATES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	1,180	1,180	88	88
Fair value gain on remeasurement of remaining interest in KL Resources Pte. Ltd.	4,949	4,949	-	-
Share of post-acquisition reserves	11,468	11,712	-	-
Translation difference	3,285	2,848	-	-
	20,882	20,689	88	88
Less: Allowance for impairment loss	-	-	(88)	(88)
	20,882	20,689	*	*

* Less than RM1,000

Investment in associates is impaired when the Company's or the Group's share of net assets in the associate at reporting date is lower than cost of investment.

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.

9.1 Details of associates

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

Name of associates	Principal activities	Place of incorporation	Proportion of ownership interest and voting power held by the Group	
			2016 %	2015 %
Asia Pacific Printer & Packer Sdn. Bhd.	Trading of printing, packing materials and other related products	Malaysia	40	40
Choice Impact Sdn. Bhd.	Property holding	Malaysia	49	49
Timly Enterprise Company LDA *	Wholesaler, retailer, importer, exporter and distributor of any kind of groceries products and office stationeries	Democratic Republic of Timor-Leste	17	17
KL Resources Pte. Ltd.*	Trading in waste paper and scrap	Republic of Singapore	24	24
Asia Recycling Resources Pte. Ltd.*	Trading in waste paper and scrap	Republic of Singapore	17	17
Impetus Conceptus Pte. Ltd.*	Provider of waste management services and trading in waste paper and scrap	Republic of Singapore	17	17
KL Logistics Pte. Ltd.*	Provider of logistic services	Republic of Singapore	24	24

* Associates not audited by SJ Grant Thornton

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

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9.2 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 amounts shown in the associate's financial statements prepared in accordance with MFRSs.

	2016 RM'000	2015 RM'000
KL Resources Pte. Ltd. Group		
Non-current assets	41,424	44,369
Current assets	34,124	26,612
Total assets	75,548	70,981
Non-current liabilities	(17,395)	(19,422)
Current liabilities	(13,399)	(9,868)
Total liabilities	(30,794)	(29,290)
Net assets of the associate	44,754	41,691
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.	10,578	9,854
Revenue	150,393	141,674
Expenses	(148,133)	(142,142)
Profit/(loss)/Total comprehensive income/(loss) for the financial year	2,260	(468)
Group's share of profit/(loss) for the financial year	592	(6)
Dividend received from associate during the financial year	-	598

9.3 Amount due from/(to) associates

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amount due from/(to) associates				
- Trade related	766	(90)	-	-
- Non-trade related	948	957	920	936
	1,714	867	920	936

Amount 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 amount due to associates is as follows:-

	Group	
	2016 RM'000	2015 RM'000
Singapore Dollar	-	642

10. INTANGIBLE ASSETS

Group	Goodwill RM'000	Intangible assets with finite life RM'000	Total RM'000
Cost			
At 1.1.2015	9,467	608	10,075
Translation difference	512	90	602
At 31.12.2015	9,979	698	10,677
Translation difference	86	15	101
At 31.12.2016	10,065	713	10,778
Accumulated amortisation			
At 1.1.2015	-	608	608
Translation difference	-	90	90
At 31.12.2015	-	698	698
Translation difference	-	15	15
At 31.12.2016	-	713	713
Net carrying amount			
At 31.12.2015	9,979	-	9,979
At 31.12.2016	10,065	-	10,065

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 5% - 13% (2015: 10%). 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.

11. DEFERRED TAX ASSETS

	Group	
	2016 RM'000	2015 RM'000
Brought forward	7,840	8,295
Recognised in profit or loss	(1,525)	(361)
Recognised in other comprehensive income	-	(101)
Translation difference	2	7
	6,317	7,840

Deferred tax assets are made up of tax effect on temporary differences arising from:-

	Group	
	2016 RM'000	2015 RM'000
Property, plant and equipment	(7,868)	(7,516)
Real property gains tax on investment property	(79)	(79)
Revaluation reserve on land and buildings	(4,517)	(4,622)
Provision for retirement benefit	2,312	2,033
Unabsorbed business losses	3,301	3,762
Unabsorbed capital allowances	304	273
Unabsorbed reinvestment allowance	12,423	13,152
Others	441	837
	6,317	7,840

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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 and absence of Group relief. 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		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment	(18,517)	(15,447)	(2,117)	-
Revaluation of land and buildings	(9,711)	-	(9,711)	-
Unabsorbed business losses	9,488	4,742	3,429	-
Unabsorbed capital allowances	22,191	17,047	3,006	-
Unabsorbed reinvestment allowances	23,028	23,028	-	-
Provision for retirement benefit	7,522	1,769	5,505	-
Others	1,790	1,582	-	-
	35,791	32,721	112	-

12. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Raw materials	75,616	65,241
Consumables	27,574	27,483
Work-in-progress	5,482	6,345
Finished goods	89,115	69,372
Goods-in-transit	3,045	2,306
	200,832	170,747

Recognised in profit or loss:-

	Group	
	2016 RM'000	2015 RM'000
Inventories written down	105	516
Inventories written off ⁽¹⁾	14,894	4,576
Inventories written back	(9)	*
Reversal of inventories written down	(186)	(141)

⁽¹⁾ Includes RM13,478,000 written off due to fire as disclosed in Note 42(b).

* Less than RM1,000

Inventories written down is reversed and recognised in profit or loss when the related inventories were subsequently used or were sold above their carrying amounts.

13. TRADE RECEIVABLES

	Group	
	2016 RM'000	2015 RM'000
Trade receivables	237,975	229,518
Less: Allowances for impairment losses	(3,853)	(5,079)
	234,122	224,439

- 13.1** Normal trade credit terms granted to customers ranged from 30 to 90 days (2015: 30 to 90 days). Trade receivable is recognised at invoice amounts and it is non-interest bearing.

Included in trade receivables is an amount of RM673,966 (2015: RM1,004,059) due from subsidiaries of Asia File Corporation Bhd., a substantial shareholder of the Company.

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

	Group	
	2016 RM'000	2015 RM'000
US Dollar	15,491	14,964
Australian Dollar	6,751	4,867
Singapore Dollar	735	764
Others	344	502

- 13.3** The ageing analysis of trade receivables of the Group are as follows:-

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	185,596	169,162
Past due, not impaired		
Past due 1-30 days	32,637	37,211
Past due 31-60 days	10,886	11,348
Past due 61-90 days	4,066	3,751
Past due more than 90 days	937	2,967
Past due and impaired	48,526	55,277
	3,853	5,079
Trade receivables	237,975	229,518

13.3.1 Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are due from creditworthy customers with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

13.3.2 Receivables that are past due but not impaired

The Group has trade receivables amounting to RM48,526,000 (2015: RM55,277,000) that are past due at the reporting date but not impaired. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are past due but not impaired to be good. These receivables are unsecured.

13.4 Impairment

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

Group	Individual impairments RM'000	Collective impairments RM'000	Total RM'000
Year 2016			
Brought forward	4,600	479	5,079
Charge for the financial year	3,229	-	3,229
Reversal of impairment losses	(3,971)	(348)	(4,319)
Impairment loss written off	(129)	-	(129)
Translation difference	(7)	-	(7)
Carried forward	3,722	131	3,853

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Group	Individual impairments RM'000	Collective impairments RM'000	Total RM'000
Year 2015			
Brought forward	1,375	176	1,551
Charge for the financial year	3,530	325	3,855
Reversal of impairment losses	(329)	(22)	(351)
Impairment loss written off	(6)	-	(6)
Translation difference	30	-	30
Carried forward	4,600	479	5,079

13.5 Information on financial risk of trade receivables is disclosed in Note 38 to the financial statements.

14. OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-trade receivables	3,695	2,155	101	97
Deposits	11,010	12,251	76	71
Prepayments	7,928	14,339	71	90
GST receivable	2,061	317	-	-
	24,694	29,062	248	258

Currency exposure profile of other receivables is as follows:-

	Group	
	2016 RM'000	2015 RM'000
US Dollar	3,134	2,138
Others	330	975

15. HELD-FOR-TRADING INVESTMENTS

	Group and Company	
	2016 RM'000	2015 RM'000
At fair value:-		
Held-for-trading investments		
Quoted in Malaysia	4,608	4,478
Market value of quoted investment in Malaysia	4,608	4,478

16. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Current				
Non-hedging derivatives:-				
Forward currency contracts				
2016	9,998	9,998	10,547	(549)
2015	17,037	17,037	16,994	43

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 or fair value hedges and do not qualify for hedge accounting. The contract period is consistent with the currency transaction exposure and fair value changes exposure.

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	68,135	76,982	45	77
Fixed deposits with licensed banks	10,480	4,979	-	-
Short term placements with financial institutions	7,907	11,718	5,883	9,868
	86,522	93,679	5,928	9,945

Fixed deposits amounting to RM1,615,000 (2015: RM966,000) of certain foreign subsidiaries are pledged as security for bank overdrafts and trade finance facilities, and hence are not available for general use.

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

	Group	
	2016 RM'000	2015 RM'000
US Dollar	9,139	12,321
Singapore Dollar	3,420	6,789
Australian Dollar	1,759	1,593
Others	1,340	467

18. SHARE CAPITAL

	Group and Company 2016		2015	
	Unit'000	RM'000	Unit'000	RM'000
Authorised:-				
Ordinary shares of RM0.50 each	400,000	200,000	400,000	200,000
Issued and fully paid-up:-				
Ordinary shares of RM0.50 each	305,051	152,525	305,051	152,525

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 rank equally with regard to the Company's residual assets.

19. RESERVES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable				
Revaluation reserve	245,919	250,969	12,099	12,259
Exchange fluctuation reserve	14,320	14,356	-	-
Total	260,239	265,325	12,099	12,259

Revaluation reserve consists of surplus from revaluation of properties and revaluation of investments in subsidiaries.

Exchange fluctuation reserve represents exchange differences arising from translation of financial statements of foreign operations whose functional currencies differed from the Group's presentation currency.

The above reserves are not available for distribution as dividends.

20. UNAPPROPRIATED PROFITS

The Company is able to pay out all the unappropriated profits as dividends to its shareholder under the single tier system.

The Company has sufficient tax exempt income to distribute dividends out of its unappropriated profits as at financial year end to the extent of RM84,594,000 (2015: RM84,594,000).

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21. FINANCE LEASE LIABILITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Minimum lease payments				
- Within 1 year	12,307	11,038	119	152
- Between 2 to 5 years	26,526	26,373	151	270
	38,833	37,411	270	422
	(3,729)	(4,070)	(15)	(30)
Less: Future finance charges on finance leases				
Present value of finance lease liabilities	35,104	33,341	255	392
Present value of finance lease liabilities				
- Within 1 year	10,507	9,270	110	137
- Between 2 to 5 years	24,597	24,071	145	255
	35,104	33,341	255	392

Interest charged on finance leases of the Group and the Company ranged from 3.8% to 7.8% and 4.4% to 4.8% (2015: 4.4% to 7.8% and 4.4% to 4.8%) per annum respectively.

22. BORROWINGS

	Group	
	2016 RM'000	2015 RM'000
Current		
Unsecured:-		
Bankers' acceptance	269,175	258,367
Flexi financing loan	18,165	11,708
Onshore foreign currency loan	-	1,734
Revolving credit	79,070	80,770
Term loans	42,084	41,452
	408,494	394,031
Non-current		
Unsecured:-		
Term loans	63,415	80,000
Total borrowings	471,909	474,031

Currency exposure profile of the borrowings is as follows:-

	Group	
	2016 RM'000	2015 RM'000
US Dollar	-	1,734
Others	550	-

Revolving credit and other banking facilities of certain foreign subsidiaries are secured by fixed and floating charge on account receivables amounting to RMNil (2015: RM3,782,169), fixed deposits of subsidiaries, corporate guarantee from the Company and joint and several guarantee of Directors of the foreign subsidiaries.

Unsecured borrowings and unsecured term loans 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.

Term loans are repayable on monthly or quarterly basis.

Interest is charged at rates ranging from 3.5% to 8.1% (2015: 1.1% to 8.1%) per annum.

23. 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 benefits 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:-

23.1 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 obligation. A decrease in market yield on high quality corporate bonds will increase the Group's and the Company's defined benefit liability.

23.2 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.

23.3 Movement in defined benefit plan

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Defined benefit obligation brought forward	41,226	36,095	5,036	4,582
Current service costs	2,555	2,460	201	93
Net interests	2,213	1,501	268	92
Remeasurement effect recognised in other comprehensive income	-	1,522	-	269
Benefit paid	(483)	(352)	-	-
Defined benefit obligation carried forward	45,511	41,226	5,505	5,036

23.4 Actuarial assumptions

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase. 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.

	Core assumption	Sensitivity analysis	Effect on defined benefit obligation increase/(decrease) RM'000	Effect on defined benefit obligation increase/(decrease)
Group				
Discount rate	5.4%	1.0% increase	(4,291)	(9%)
Rate of salary increase	6.0%	1.0% increase	4,894	11%
Company				
Discount rate	5.4%	1.0% increase	(340)	(6%)
Rate of salary increase	6.0%	1.0% increase	366	7%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation 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 obligation 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 obligation liability recognised in the statements of financial position.

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23.5 Defined benefit plan expenses

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current service costs	2,555	2,460	201	93
Net interests	2,213	1,501	268	92
Total expenses recognised in profit or loss	4,768	3,961	469	185

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Actuarial (gain)/loss in defined benefit obligation due to plan experience	-	(197)	-	124
Actuarial loss in defined benefit obligation due to financial assumption	-	1,719	-	145
Total expenses recognised in other comprehensive income	-	1,522	-	269

All the expenses 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.

23.6 Other information on the defined benefit plan

The weighted average duration of the benefit obligation of the Group and the Company as at 31 December 2016 is 11.2 and 7.7 years respectively. The Group and the Company are expected to make benefit payment RM539,612 (2015: RM406,779) and RM156,915 (2015: RM139,906) respectively in 2017.

24. DEFERRED TAX LIABILITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bought forward	40,518	32,517	134	171
Recognised in profit or loss	5,362	8,430	(134)	28
Recognised in other comprehensive income	(890)	(466)	-	(65)
Translation difference	(1)	37	-	-
Carried forward	44,989	40,518	-	134

The above deferred tax liabilities are made up of tax effect on temporary differences arising from:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment	56,317	54,598	-	515
Real property gains tax				
- property, plant and equipment	5,743	5,833	-	-
- investment property	167	36	-	-
Revaluation reserve of land and buildings	27,115	30,895	-	2,372
Provision for retirement benefit	(6,842)	(7,420)	-	(1,209)
Unabsorbed business losses	(273)	(1,142)	-	(823)
Unabsorbed capital allowances	(89)	(721)	-	(721)
Unabsorbed reinvestment allowances	(37,157)	(41,564)	-	-
Others	8	3	-	-
	44,989	40,518	-	134

25. TRADE PAYABLES

Currency exposure profile of trade payables is as follows:-

	Group	
	2016 RM'000	2015 RM'000
US Dollar	5,250	4,294
Others	1,148	929

Normal trade credit terms granted by suppliers ranged from 60 to 90 days (2015: 60 to 90 days).

26. OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-trade payables	34,938	26,306	-	-
Deposits received	731	299	87	11
Accruals	41,547	40,819	1,816	1,816
GST payable	1,627	1,621	-	-
	78,843	69,045	1,903	1,827

Currency exposure profile of other payables is as follows:-

	Group	
	2016 RM'000	2015 RM'000
US Dollar	2,656	2,820
Singapore Dollar	2,031	1,990
Others	854	254

Included in non-trade payables is loans of RM645,500 (2015: RMNil) taken by a foreign subsidiary in 2016. Interest is charged at 4.8% p.a. (2015: Nil) and payable on quarterly basis.

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27. BANK OVERDRAFTS

	Group	
	2016 RM'000	2015 RM'000
Unsecured	20,315	10,504

Bank overdrafts of subsidiaries in Malaysia are unsecured. They are obtained against negative pledge on assets of respective subsidiaries and guaranteed by the Company.

Bank overdrafts of certain foreign subsidiaries are secured by fixed and floating charge on account receivables amounting to RMNil (2015: RM3,782,169) and fixed deposits of the respective borrowers.

Interest is charged at rates ranging from 5.3% to 8.4% (2015: 6.2% to 8.6%) per annum.

28. REVENUE

Revenue for the Group represents sales of goods and services to customers, net of discounts, allowances and taxes.

Revenue for the Company represents dividend income.

29. PROFIT BEFORE TAX

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax is determined:-				
After charging:-				
Amortisation of prepaid land lease payments	463	463	-	-
Auditors' remuneration				
- Company's auditors				
- statutory audit	318	292	37	35
- other	160	160	45	45
- other external auditors	207	193	-	-
- under provision in prior year for other external auditors	17	3	-	-
Bad debts written off	262	326	-	-
Capital work-in-progress written off	-	9	-	-
Depreciation	57,627	53,586	750	870
Directors' remuneration				
- fee	903	883	350	350
- other emoluments	5,540	5,287	3,390	3,223
Fair value loss on derivative instruments	592	-	-	-
Fair value loss on held-for-trading investments	39	59	39	59
Impairment on doubtful receivables	3,229	3,855	-	-
Impairment loss on investment in subsidiaries	-	-	2,000	-
Interest expenses				
- Bank overdrafts	1,587	1,681	*	1
- Bankers' acceptance	11,373	11,003	-	-
- Finance lease	2,144	1,477	15	22
- Flexi financing loan	640	855	-	-
- Onshore foreign currency loan	13	20	-	-
- Revolving credit	3,973	4,335	-	-
- Term loans	5,212	6,355	-	-
Inventories written down	105	516	-	-
Inventories written off	1,416	4,576	-	-
Loss on foreign exchange				
- unrealised	-	1,867	-	-
Property, plant and equipment written off	4,237	535	-	-
Provision for retirement benefit	4,768	3,961	469	185
Rental of equipment	587	618	-	-
Rental of motor vehicles	4,300	4,292	-	-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental of premises paid to				
- subsidiaries	-	-	216	197
- third parties	2,285	2,143	-	-
- company in which certain Directors have interest	120	114	-	-
Loss due to fire (Refer to Note 42(b))	11,767	-	-	-
And crediting:-				
Bad debts recovered	18	5	-	-
Dividend income				
- unquoted subsidiaries	-	-	25,980	10,612
- quoted investment in Malaysia	169	127	169	127
- unquoted associate	173	598	-	-
Fair value gain on derivative instruments	-	246	-	-
Fair value gain adjustments on investment property	1,004	60	-	-
Gain on disposal of property, plant and equipment	269	1,056	*	309
Gain on foreign exchange				
- realised	943	5,026	-	-
- unrealised	1,827	-	-	-
Interest income				
- others	588	700	216	324
Impairment on doubtful receivables no longer required	4,319	351	-	-
Inventories written back	9	*	-	-
Rental income				
- third parties	1,138	986	206	64
Reversal of inventories written down	186	141	-	-

* Less than RM1,000

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 RM178,000 (2015: RM145,000) and RM151,000 (2015: RM147,000) respectively.

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

	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Group				
2016				
Executive Directors	613	4,474	151	5,238
Non-Executive Directors	278	1,066	29	1,373
Total	891	5,540	180	6,611
2015				
Executive Directors	602	4,228	116	4,946
Non-Executive Directors	281	1,059	29	1,369
Total	883	5,287	145	6,315
Company				
2016				
Executive Directors	150	2,825	124	3,099
Non-Executive Directors	200	565	29	792
Total	350	3,390	153	3,891
2015				
Executive Directors	150	2,633	118	2,901
Non-Executive Directors	200	590	29	819
Total	350	3,223	147	3,720

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Remuneration of the Directors is analysed as follows:-

From RM	to RM	Group			
		Executive Directors	2016 Non Executive Directors	Executive Directors	2015 Non Executive Directors
150,001	200,000	-	3	-	2
200,001	250,000	-	-	-	1
750,001	800,000	-	1	-	1
1,350,001	1,400,000	-	-	-	-
1,450,001	1,500,000	-	-	1	-
1,500,001	1,550,000	-	-	-	-
1,550,001	1,600,000	1	-	-	-
1,600,001	1,650,000	-	-	-	-
1,700,001	1,750,000	-	-	1	-
1,750,001	1,800,000	-	-	1	-
1,800,001	1,850,000	1	-	-	-
1,850,001	1,900,000	1	-	-	-
		3	4	3	4

30. TAX EXPENSE/(INCOME)

Tax recognised in profit or loss

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
In Malaysia				
Current year	3,873	3,621	-	-
Over provision in prior years	(413)	(18)	-	-
Deferred tax liabilities/assets recognised in profit or loss	7,610	9,487	(92)	70
Realisation of deferred tax upon depreciation of revalued assets	(731)	(704)	(42)	(42)
	10,339	12,386	(134)	28
Outside Malaysia				
Current year	284	577	-	-
Under/(Over) provision in prior years	21	(60)	-	-
Deferred tax assets recognised in profit or loss	8	8	-	-
	313	525	-	-
Total	10,652	12,911	(134)	28

Reconciliation of tax expense at statutory tax rate and effective tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	31,486	41,142	15,395	2,693
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	7,557	10,285	3,695	673
Tax effects in respect of:-				
Expenses not deductible for tax purposes	7,525	7,521	2,489	2,158
Income not subject to tax	(2,663)	(191)	(6,327)	(2,766)
Realisation of deferred tax upon depreciation of revalued assets	(731)	(704)	(42)	(42)
(Over)/Under provision in prior years				
- Current tax	(392)	(78)	-	-
- Deferred tax liabilities/assets	(968)	(2,098)	24	5
Movement on deferred tax assets not recognised	737	(817)	27	-
Tax effect of share of results of associates	(45)	(79)	-	-
Unabsorbed reinvestment allowances granted during the financial year	-	(151)	-	-
Utilisation of business loss brought forward	(86)	-	-	-
Different tax rates of subsidiaries in overseas	(282)	(387)	-	-
Effect of changes in deferred tax assets/liabilities rate	-	(390)	-	-
Total	10,652	12,911	(134)	28

Tax recognised in other comprehensive income

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Remeasurement of defined benefit obligation	-	(365)	-	(65)
Realisation of deferred tax liabilities upon write off of revalued assets	(890)	-	-	-
	(890)	(365)	-	(65)

Income tax savings arising from tax losses

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax arising from utilisation of prior year tax losses previously unrecognised	1,556	1,311	-	-

- The Company's unabsorbed capital allowances and unabsorbed business losses which can be carried forward to offset against future taxable profit amounted to approximately RM3,006,000 (2015: RM3,006,000) and RM3,429,000 (2015: RM3,429,000) respectively.
- The Group's unabsorbed business losses, unabsorbed capital allowances and unabsorbed reinvestment allowances which can be carried forward to offset against future taxable profit amounted to approximately RM24,380,000 (2015: RM27,046,000), RM23,828,000 (2015: RM19,343,000) and RM229,612,000 (2015: RM251,011,000) respectively.
- Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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31. EARNINGS PER SHARE

(a) Basic

Earnings per share is calculated based on the Group's profit for the financial year attributable to owners of the Company of RM18,807,000 (2015: RM26,255,000) and weighted average number of ordinary shares in issue during the financial year of 305,050,835 (2015: 305,050,835).

(b) Diluted

There is no diluted earnings per share because the Company does not have any convertible financial instruments as at the end of the financial year.

32. DIVIDENDS

Group and Company
RM'000

Recognised in the year

2016

First and final single tier dividend for financial year 2015:-
3.0 sen per share (6%)

9,152

2015

First and final single tier dividend for financial year 2014:-
3.0 sen per share (6%)

9,152

At the forthcoming Annual General Meeting, a first and final single tier dividend, in respect of financial year ended 31 December 2016, of 6.0% on 305,050,835 ordinary shares, amounting to a dividend payable of RM9,151,525 will be proposed for shareholders' approval. The financial statements for current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profits in the financial year ending 31 December 2017.

33. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Staff costs	159,018	147,054	5,317	4,829

The following items were included in employee benefits expenses:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
a. Defined contribution plan	12,377	11,297	421	408
b. Directors' emoluments	5,540	5,287	3,390	3,223
c. Provision for retirement benefit	4,768	3,961	469	185

34. COMMITMENTS

34.1 Capital commitments

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

	Group	
	2016 RM'000	2015 RM'000
Authorised and contracted for	37,853	33,018
Authorised but not contracted for	10,280	20,223
	48,133	53,241
Made up of:-		
Land and buildings	22,313	16,756
Plant and machineries	24,770	36,198
Computer system and others	1,050	287
	48,133	53,241

34.2 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	
	2016 RM'000	2015 RM'000
- Within 1 year	1,487	1,718
- Between 2 to 5 years	504	914
	1,991	2,632

34.3 Maintenance commitments

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

	Group	
	2016 RM'000	2015 RM'000
Authorised and contracted for:-		
- Maintenance for plant and machinery		
- Within 1 year	3,318	3,174
- Between 2 to 5 years	11,112	12,697
- More than 5 years	3,154	4,494
	17,584	20,365

35. OPERATING LEASE ARRANGEMENTS

Minimum lease payments receivable under the non-cancellable operating leases as at end of the year but not recognised as receivables are as follows:-

	Group	
	2016 RM'000	2015 RM'000
Within 1 year	-	90

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36. CONTINGENT LIABILITIES

	Company	
	2016 RM'000	2015 RM'000
Unsecured:-		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,070,661	1,010,605
Guarantees given to third parties for supply of goods and services to subsidiaries	7,353	7,183
	1,078,014	1,017,788

37. RELATED PARTY DISCLOSURES

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 8, 9 and 13 to the financial statements.

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

37.1 Transactions with subsidiaries

	Company	
	2016 RM'000	2015 RM'000
Rental	216	197
Secretarial and statutory records maintenance fee	115	109
Stationery expenses	10	4
Office administration fee	420	456
Share registration fee incurred	176	144
Dividend income received	25,980	10,612
Property, plant and equipment transfer from subsidiary	-	44
Property, plant and equipment transfer to subsidiary	*	-

*Less than RM1,000

37.2 Transactions with associates

	Group	
	2016 RM'000	2015 RM'000
Sales of goods	2,772	2,205
Purchase of goods	1,938	1,664
Dividend income received	173	598
Management fee	72	68

37.3 Recurrent related party transactions with major shareholder

	Group	
	2016 RM'000	2015 RM'000
Sale of goods to:-		
- Asia File Products Sdn Bhd	1,747	2,231
- AFP Composite Sdn Bhd	349	313
	2,096	2,544

Both of the customers are subsidiaries of Asia File Corporation Berhad, a major shareholder.

37.4 Transaction with certain Directors

	Group	
	2016 RM'000	2015 RM'000
Rental paid to Tri-yen Enterprise Sdn. Bhd.	120	114

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

37.5 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 the Company either directly or indirectly. The key management personnel include all Directors of the Group and certain members of senior management of the Group.

The remuneration of key management personnel of the Group during the financial year are as follows:-

	Group	
	2016 RM'000	2015 RM'000
Salaries, bonus and other emoluments	8,447	11,097
Benefit-in-kind	209	302
	8,656	11,399

38. FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group is 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 its management. Financial assets and liabilities of the Group are summarised in Note 3.7.

38.1 Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing with customers of appropriate standing to mitigate credit risk and 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 adopts the policy of dealing with reputable institutions.

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38.1.1 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Classes of financial assets:-				
Short term placements	7,907	11,718	5,883	9,868
Cash and bank balances	68,135	76,982	45	77
Fixed deposits with licensed banks	10,480	4,979	-	-
Trade receivables	234,122	224,439	-	-
Other receivables	14,705	14,406	177	168
Amount due from subsidiaries	-	-	32,229	22,653
Amount due from associates	1,714	867	920	936
Carrying amount	337,063	333,391	39,254	33,702

The Group continuously monitors credit standing of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. External credit ratings and/or reports on customers and other counterparties may also be used.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements.

38.1.2 Credit risk concentration

In respect of trade and other receivables, the Group is not subjected to 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. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are past due but not impaired to be good.

38.1.3 Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 13 to the financial statements. Deposits with banks and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and have no history of default.

38.1.4 Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 to the financial statements.

38.1.5 Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The maximum exposure to credit risk is as disclosed in Note 36 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 on repayment.

38.2 Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its obligations as and when they fall due. The Group and the Company is exposed to liquidity risk arising from payables, loans and borrowings and it maintains a level of cash and cash equivalents and bank credit facilities deemed adequate by management to ensure it has sufficient liquidity to meet its obligations as and when they fall due.

38.2.1 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			
2016			
<i>Non-derivative financial liabilities</i>			
Bank borrowings	434,007	56,684	25,248
Finance lease liabilities	12,307	26,526	-
Trade payables	62,837	-	-
Other payables	77,216	-	-
	586,367	83,210	25,248
<i>Derivative financial liabilities</i>			
Forward currency contract			
- outflow	10,547	-	-
- inflow	(9,998)	-	-
Total undiscounted financial liabilities	586,916	83,210	25,248
Company			
2016			
<i>Non-derivative financial liabilities</i>			
Finance lease liabilities	119	151	-
Other payables	1,903	-	-
Amount due to subsidiaries	45	-	-
Total undiscounted financial liabilities	2,067	151	-
Financial guarantee*	1,078,014	-	-
Group			
2015			
<i>Non-derivative financial liabilities</i>			
Bank borrowings	410,885	76,682	12,518
Finance lease liabilities	11,038	26,373	-
Trade payables	46,159	-	-
Other payables	67,424	-	-
Total undiscounted financial liabilities	535,506	103,055	12,518
Company			
2015			
<i>Non-derivative financial liabilities</i>			
Finance lease liabilities	152	270	-
Other payables	1,827	-	-
Amount due to subsidiaries	1,143	-	-
Total undiscounted financial liabilities	3,122	270	-
Financial guarantee*	1,017,788	-	-

* 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.

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38.3 Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash flow of financial instruments of the Group. The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The Group's borrowings at variable interest rates are exposed to the risk of change in cash flow due to changes in interest rate. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

38.3.1 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial asset				
Fixed deposits with licensed banks	10,480	4,979	-	-
Financial liability				
Other payable	(646)	-	-	-
Finance lease liabilities	(35,104)	(33,341)	(255)	(392)
	(35,750)	(33,341)	(255)	(392)
Net financial liabilities	(25,270)	(28,362)	(255)	(392)
Floating rate instruments				
Financial asset				
Short term placements with financial institutions	7,907	11,718	5,883	9,868
Financial liabilities				
Bankers' acceptance	(269,175)	(258,367)	-	-
Flexi financing loan	(18,165)	(11,708)	-	-
Onshore foreign currency loan	-	(1,734)	-	-
Revolving credit	(79,070)	(80,770)	-	-
Term loans	(105,499)	(121,452)	-	-
Bank overdrafts	(20,315)	(10,504)	-	-
Total financial liabilities	(492,224)	(484,535)	-	-
Net financial (liabilities)/assets	(484,317)	(472,817)	5,883	9,868

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2015: +/-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 RM'000	Effect on profit for the financial year RM'000	Effect on profit for the financial year RM'000	Effect on profit for the financial year RM'000
2016 (+/- 25bp)	(1,211)	1,211	15	(15)
2015 (+/- 25bp)	(1,182)	1,182	25	(25)

38.4 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 US Dollar (USD), Australian Dollar (AUD) and Singapore Dollar (SGD).

The Group uses forward exchange contracts to hedge its foreign currency risk and the contract period is less than one year.

The Group is also exposed to currency translation risk arising from its net investment in foreign subsidiaries in Republic of Singapore, Australia, Hong Kong, China and United Kingdom. The investments are not hedged because the investments are long term in nature.

Carrying amounts of the Group's exposure to foreign currency risk are as follows:-

Group	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000
2016				
Trade and other receivables	18,625	6,751	735	674
Deposits, cash and bank balances	9,139	1,759	3,420	1,340
Trade and other payables	(7,906)	-	(2,031)	(2,002)
Borrowings	-	-	-	(550)
Net exposure	19,858	8,510	2,124	(538)
2015				
Trade and other receivables	17,102	4,867	764	1,477
Deposits, cash and bank balances	12,321	1,593	6,789	467
Amount due to associates	-	-	(642)	-
Trade and other payables	(7,114)	-	(1,990)	(1,183)
Borrowings	(1,734)	-	-	-
Net exposure	20,575	6,460	4,921	761

38.4.1 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 and RM/SGD exchange rate assuming all other things being equal.

A +/-5% (2015: +/-5%) change in the RM/USD, RM/AUD, RM/SGD 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 and others, then the impact would be as follows:-

Group	Effect on profit for the financial year				
	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000	Total RM'000
2016	(993)	(426)	(106)	27	(1,498)
2015	(1,029)	(323)	(246)	(38)	(1,636)

If the RM had weakened against the USD, AUD, SGD and others, then the impact on profit for the financial year would be the opposite.

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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38.5 Other price risk sensitivity analysis

The Group and the Company is exposed to equity price risk due to fluctuation in prices of quoted securities under held-for-trading investments (Note 15). The movements in quoted price of these securities are monitored continuously.

An increase or decrease of 1% (2015: 1%) in the prices of the quoted securities would result in an increase or decrease of RM46,080 (2015: RM44,780) to the profit or loss of the Group and of the Company.

39. FAIR VALUE MEASUREMENT

The carrying amounts of financial assets and liabilities of the Group and of the Company 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.

39.1 Group

39.1.1 Fair value measurement of financial instruments

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 2016 and 31 December 2015:-

Financial assets / Financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2016 RM'000	2015 RM'000		
1) Foreign currency forward contracts	Liabilities 549	Assets 43	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) Held-for-trading investments	Assets 4,608	Assets 4,478	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and Level 2 in 2016 and 2015.

39.1.2 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 2016 and 31 December 2015:-

Non-financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2016 RM'000	2015 RM'000				
1) Property, plant and equipment	Land 311,659	Land 316,670	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 189,030	Buildings 198,886		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 7,932	Land 3,842	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 3,248	Buildings 3,180		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 property →			
	Land		Buildings		Land		Buildings	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Brought forward	316,670	318,527	198,886	202,918	3,842	3,760	3,180	3,170
Additions	-	-	-	-	-	32	-	-
Transfer from property, plant and equipment	-	-	-	-	3,154	-	-	-
Transfer to investment properties	(3,154)	-	-	-	-	-	-	-
Gains/(Expenses) recognised in profit or loss:-								
- Increase in fair value of land and building	-	-	-	-	936	50	68	10
- Depreciation	(1,857)	(1,857)	(4,664)	(4,684)	-	-	-	-
- Written off	-	-	(5,411)	-	-	-	-	-
Translation difference	-	-	219	652	-	-	-	-
Carried forward	311,659	316,670	189,030	198,886	7,932	3,842	3,248	3,180

	Group Investment property			
	Land		Buildings	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total amount included in profit or loss for unrealised gains or losses on Level 3 assets	936	50	68	10

39.2 Company

39.2.1 Fair value measurement of financial instruments

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 2016 and 31 December 2015:-

Financial assets / Financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2016 RM'000	2015 RM'000		
Held-for-trading investments	Assets 4,608	Assets 4,478	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and Level 2 in 2016 and 2015.

39.2.2 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 2016 and 31 December 2015:-

Non-financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2016 RM'000	2015 RM'000				
Property, plant and equipment	Land 10,866	Land 11,061	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 3,212	Buildings 3,270		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:-

	Company Property, plant and equipment			
	Land		Buildings	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Brought forward	11,061	11,256	3,270	3,328
Expenses recognised in profit or loss:-				
- Depreciation	(195)	(195)	(58)	(58)
Carried forward	10,866	11,061	3,212	3,270

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40. CAPITAL MANAGEMENT

The primary capital management objective of the Group 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 year ended 31 December 2016 and 2015.

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 2016 and 2015 are reported below:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Borrowings	527,328	517,876	255	392
Total equity	875,751	864,989	264,029	257,652
Debt-to-equity ratio	0.602	0.599	0.001	0.002

The Group has complied with Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad which requires the Group to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital of the Company and shareholders' equity of not less than RM40 million.

41. OPERATING SEGMENTS – GROUP

Management currently 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 is comprised 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 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000		2016 RM'000	2015 RM'000
Revenue											
External revenue	1,029,990	949,244	187,525	175,467	239	141	-	-		1,217,754	1,124,852
Intersegment revenue	37,533	31,735	206,695	156,392	-	-	(244,228)	(188,127)	A	-	-
Total revenue	1,067,523	980,979	394,220	331,859	239	141	(244,228)	(188,127)		1,217,754	1,124,852
Results											
Segment profit	52,150	70,287	9,977	8,912	24,158	9,931	(30,155)	(23,494)	B	56,130	65,636
Interest income	103	178	673	661	286	385	(474)	(524)		588	700
Finance cost	(24,220)	(25,249)	(956)	(704)	(253)	(289)	487	516		(24,942)	(25,726)
Depreciation and amortisation	(55,284)	(51,332)	(1,858)	(1,661)	(948)	(1,056)	-	-		(58,090)	(54,049)
Share of results of associates	31	63	(321)	469	-	-	-	-		(290)	532
Other non-cash (expenses)/income	(24,801)	(9,744)	315	742	837	(887)	-	-	C	(23,649)	(9,889)
Assets											
Segment assets	1,433,610	1,385,504	125,576	113,699	38,112	43,217	-	-	D	1,597,298	1,542,420
Investment in associates	139	107	20,743	20,582	-	-	-	-		20,882	20,689
Additions to non-current assets other than financial instruments and deferred tax assets	91,913	43,921	3,055	2,112	81	1,054	-	-	E	95,049	47,087
Segment liabilities	(146,078)	(120,121)	(34,251)	(28,807)	(7,411)	(7,502)	-	-	F	(187,740)	(156,430)

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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:-

	2016 RM'000	2015 RM'000
Segment profit	56,130	65,636
Interest income	588	700
Finance costs	(24,942)	(25,726)
Share of results of associates	(290)	532
Profit before tax	31,486	41,142

C. Other major non-cash (expenses)/income consist of the following items as presented in the respective notes to the financial statements:-

	2016 RM'000	2015 RM'000
Impairment on doubtful receivables	(3,229)	(3,855)
Bad debts written off	(262)	(326)
Capital work-in-progress written off	(1,078)	(9)
Fair value (loss)/gain on derivative instruments	(592)	246
Fair value loss on held-for-trading investments	(39)	(59)
Property, plant and equipment written off	(11,064)	(535)
Inventories written down	(105)	(516)
Inventories written off	(14,894)	(4,576)
Fair value gain adjustments on investment property	1,004	60
Impairment on doubtful receivables no longer required	4,319	351
Reversal of inventories written down	186	141
Gain on disposal of property, plant and equipment	269	1,056
Unrealised gain/(loss) on foreign exchange	1,827	(1,867)
Inventories written back	9	*
	(23,649)	(9,889)

* Less than RM1,000

D. The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:-

	2016 RM'000	2015 RM'000
Segment assets	1,597,298	1,542,420
Intangible assets	10,065	9,979
Investment in associates	20,882	20,689
Deferred tax assets	6,317	7,840
Tax recoverable	2,103	1,719
Total assets	1,636,665	1,582,647

E. Additions to non-current assets other than financial instruments and deferred tax assets consist of:-

	2016 RM'000	2015 RM'000
Property, plant and equipment	26,936	18,782
Capital work-in-progress	68,113	28,273
Investment property	-	32
	95,049	47,087

F. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

	2016 RM'000	2015 RM'000
Segment liabilities	(187,740)	(156,430)
Finance lease liabilities	(35,104)	(33,341)
Borrowings and bank overdrafts	(492,224)	(484,535)
Tax payable	(857)	(2,834)
Deferred tax liabilities	(44,989)	(40,518)
Total liabilities	(760,914)	(717,658)

Geographical information

The Group's revenue and non-current assets information based on geographical location are as follows:-

	Revenue		Non-current assets	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia *	1,056,834	977,723	1,034,209	1,009,435
Republic of Singapore	141,306	127,797	6,852	5,182
The People's Republic of China	14,313	14,884	7,365	8,145
Australia	5,301	4,448	6,445	6,322
	1,217,754	1,124,852	1,054,871	1,029,084

* Company's home country

Non-current assets information presented above consist of the following items as presented in the statements of financial position:-

	2016 RM'000	2015 RM'000
Property, plant and equipment	932,211	903,172
Prepaid land lease payments	11,679	12,205
Capital work-in-progress	89,736	96,706
Investment property	11,180	7,022
Intangible assets	10,065	9,979
	1,054,871	1,029,084

Major customers

The Group does not have any revenue from a single external customer which represents 10% or more of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

42. SIGNIFICANT EVENTS

Significant events during the financial year

- (a) On 28 June 2016, the Group's subsidiary, Intrapac (Singapore) Pte. Ltd. entered into an agreement to dispose 5% of equity interest in Pacific Bookstores Pte. Ltd. to a non-controlling interest for a cash consideration of SGD344,332. The transaction was completed on 1 July 2016.
- (b) A fire occurred on 17 August 2016 at one of the Group's paper mills in Tasek, Penang belonging to Muda Paper Mills Sdn. Bhd.. The fire destroyed three warehouses with finished goods and other assets such as forklifts, machinery and parts. Paper production lines at the plant were not affected in the fire and the plant resumed production on 19 August 2016.

The loss incurred from the fire after accounting for the first progress payment from the insurer, charged to the profit and loss for the financial year ended 31 December 2016, is as follows:-

	RM'000	RM'000
Progressive payment received from insurer		10,000
Assets written off:-		
- Property, plant and equipment	(6,827)	
- Capital work-in-progress	(1,078)	
- Inventories	(13,478)	
Incidental cost	(384)	(21,767)
Net loss due to fire		<u>(11,767)</u>

A second progress payment of RM13 million was paid by the insurer on 17 February 2017. The claim for compensation from the insurer has not been concluded.

- (c) On 2 September 2016, the Group's subsidiary, Intrapac (Singapore) Pte. Ltd. entered into a Share Purchase Agreement to acquire 40,000 shares (20%) in Ee Sin Paper Products Pte. Ltd. from its non-controlling interest for a cash consideration of SGD950,000. The transaction was completed on 1 November 2016.

Subsequent event after the financial year

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

43. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdown of unappropriated profits as at the reporting date that has been prepared in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Realised	391,819	375,224	90,021	83,565
- Unrealised	13,854	17,165	2,438	2,357
	405,673	392,389	92,459	85,922
Total unappropriated profits from associates				
- Realised	1,210	367	-	-
	406,883	392,756	92,459	85,922
Consolidation adjustments	24,959	23,475	-	-
	431,842	416,231	92,459	85,922

The above disclosures were reviewed and approved by the Board of Directors in accordance with a resolution of the Directors on 24 March 2017.



The Properties & Shareholdings

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PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2016

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	1,522	17	(B) 26-08-13
No. 1A, Jalan Taman Teknologi Cheng 2 Taman Teknologi Cheng 75250 Melaka 99 Years Lease Expiring 2096	Industrial Building	5,304	Office & Warehouse	3,413	13	(B) 26-08-13
No. 2, Persiaran Rishah 14 Kawasan Perindustrian Silibin 30100 Ipoh, Perak Darul Ridzuan 60 Years Lease Expiring 2045	Industrial Building	1,600	Office & Warehouse	607	28	(B) 26-08-13
No. 101-D, Lintang Kampung Jawa 11900 Bayan Lepas, Penang 60 Years Lease Expiring 2041	Industrial Building	1,339	Office & Warehouse	769	25	(B) 26-08-13
No. 4858, Jalan Permatang Pauh 13400 Butterworth, Penang 99 Years Lease Expiring 2064	Industrial Building	266	Office & Warehouse	600	32	(C) 01-11-16
No. 23, Jalan Padu Kawasan Perindustrian Tampoi 80350 Johor Bahru, Johor Darul Takzim 60 Years Lease Expiring 2044	Industrial Building	6,070	Office & Warehouse	3,184	26	(B) 26-08-13
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	3,516	16	(B) 26-08-13
FEDERAL PACKAGES SDN BHD						
Lot 401 (formerly known as Lot 372) Mukim 2, Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	11,124	Vacant	900	-	(C) 31-10-16
Lot 401, Mukim 1 Daerah Seberang Perai Selatan Penang Freehold	Agricultural Land	10,370	Vacant	1,942	-	(B) 26-08-13
Lot 134, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Land	12,375	Open Storage Yard	1,500	-	(B) 26-08-13
Lot 415, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	73,370	Office, Factory & Warehouse	38,744	23	(B) 26-08-13

PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2016

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 10017, Mukim 2 Seberang Perai Selatan Penang Freehold	Agricultural Land	6,032	Vacant	877	-	(A) 14-07-15
INTRAPAC (AUSTRALIA) PTY LTD						
Unit 12, 5 Meridian Place Baulkham Hills New South Wales, Australia Freehold	Office & Warehouse	889	Office & Warehouse	6,419 (A\$1,978,858)	13	(B) 20-06-13
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	6,811	3 - 43	(B) 26-08-13
No. 136, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2070	Industrial Land	21,600	Vacant	5,530	-	(B) 26-08-13
Lot 1-9, Jalan Usaha 2 Taman Perindustrian Merlimau 77300 Merlimau, Melaka 99 Years Lease Expiring 2088	Industrial Building	51,770	Office & Factory	13,969	6	(A) 23-01-13
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	14,079	43	(B) 26-08-13
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	296	25	(B) 26-08-13
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	209	23	(B) 26-08-13
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	2,010	23	(B) 26-08-13

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
MUDA PACKAGING INDUSTRIES SDN BHD						
Lot 57496 & 57976 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	48,363	Office & Factory	57,836	1 - 39	(B) 06-08-13
Lot 2373, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	12,899	Warehouse	10,217	24	(B) 06-08-13
Lot 57979 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Land	2,986	Car Park	2,587	-	(B) 06-08-13
Lot 57977 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Agricultural Land	3,879	Vacant	1,734	-	(B) 26-08-13
MUDA PACKAGING INDUSTRIES (QINGYUAN) LTD						
9th Area Longtang Industrial Development Zone Qingyuan, Guangdong, China 45 Years Lease Expiring 2044	Industrial Building	36,698	Office & Factory	7,094 (RMB10,989,819)	23	(B) 28-08-13
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	11,713	2 - 25	(B) 06-08-13
Lot 8868, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Land	8,215	Open Storage Yard	6,496	-	(B) 06-08-13
Lot 8869 & 8871, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	22,063	Warehouse	26,211	1 - 16	(B) 06-08-13
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	113,459	2 - 46	(B) 06-08-13
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	2,688	23	(B) 06-08-13

PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2016

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 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	15,757	1 - 24	(B) 06-08-13
Lot 5235, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Building	21,271	Office, Factory & Open Storage Yard	20,348	4 - 5	(B) 26-08-13
Lot 1572, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Land	23,750	Open Storage Yard	17,794	-	(B) 26-08-13
Lot 5744, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Land	43,934	Open Storage Yard	28,535	-	(B) 26-08-13
Lot 34133, Mukim of Kapar District of Klang Selangor Darul Ehsan 99 Years Lease Expiring 2089	Residential Land	12,060	Vacant	4,000	-	(C) 24-10-16
No. 1, Jalan Kilang Larkin Industrial Estate 80350 Johor Bahru Johor Darul Takzim 60 Years Lease Expiring 2031	Industrial Building	14,012	Office & Warehouse	4,700	34	(C) 31-10-16
Lot 771 & 782, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Land	10,986	Vacant	2,194	-	(B) 26-08-13
No. 789, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	25,868	Office, Factory & Warehouse	14,870	9	(B) 15-09-14
Lot 153, 156, 157, 160, 161, 162 & 163 Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	108,740	Office, Factory, Warehouse & Water Treatment Plant	58,668	1 - 51	(B) 31-07-13
Lot 123, 165, 166 & 444 Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	22,955	Warehouse	9,509	9	(B) 31-07-13
Lot 155, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang 999 Years Lease Expiring 2880	Industrial Building	12,906	Factory & Water Treatment Plant	2,802	51	(B) 31-07-13

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 774, 775, 822, 823, 824, 10216 & 10217 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	50,520	Factory & Water Treatment Plant	13,761	1	(B) 26-08-13
Lot 777, Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	21,246	Factory & Water Treatment Plant	5,853	1	(B) 26-08-13
Lot 772, 784 & 785 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Land	22,073	Storage Yard	5,789	-	(B) 26-08-13
Lot 149, 725, 729 & 730 Kampung Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Agricultural Land	61,042	Vacant	4,451	-	(B) 26-08-13
Lot 164, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	4,217	Factory	2,289	1	(A) 13-03-13
No. 22, Lorong Bakap Indah 10 Taman Bakap Indah 14200 Sungai Bakap Penang Freehold	Double Storey Terrace House	205	Staff Hostel	498	3	(A) 19-11-13
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	22,592	14	(B) 26-08-13
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	980	22	(C) 03-11-16

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 audit fees paid to the external auditors of the Company for the Company and the Group for the financial year were RM37,000.00 and RM317,800.00 respectively.

The amount of non-audit fees paid to the external auditors of the Company for the Company and the Group for the financial year were RM44,800.00 and RM159,560.00 respectively.

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests during the financial year under review.

ANALYSIS OF SHAREHOLDINGS

AS AT 21 MARCH 2017

Issued Share Capital	305,050,835 ordinary shares
Class of Shares	Ordinary Shares
Voting Rights	One vote per ordinary share

Size of Holdings	No. of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	458	18,625	0.01
100 to 1,000	640	414,152	0.14
1,001 to 10,000	3,657	14,951,198	4.90
10,001 to 100,000	824	23,244,090	7.62
100,001 to less than 5% of issued shares	124	107,646,670	35.29
5% and above of issued shares	3	158,776,100	52.04
Total	5,706	305,050,835	100.00

Directors' Direct and Indirect 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 indirect, in shares of the Company and its related corporations.

Name	Direct Interest		Indirect Interest		
	No of Shares	%	No of Shares	%	%
Tan Sri Lim Guan Teik	3,250,000	1.06	124,302,313	*	40.75
Dato' Azaman Bin Abu Bakar	100,000	0.03	114,770,013	*	37.62
Dato' Lim Wan Peng	3,731,000	1.22	116,545,413	*	38.21
Datuk Lim Chiun Cheong	715,500	0.23	126,836,813	*	41.58
Lee Khim Sin	60,000	0.01	-	-	-

By virtue of their interests in shares of Muda Holdings Berhad (MHB), Tan Sri Lim Guan Teik, Dato' Azaman Bin Abu Bakar, Dato' Lim Wan Peng, Datuk Lim Chiun Cheong and Lee Khim Sin are also deemed interested in shares of all subsidiaries of MHB to the extent that MHB has an interest.

Substantial Shareholders (as shown in the Register of Substantial Shareholders)

Name	Direct Interest		Indirect Interest		
	No of Shares	%	No of Shares	%	%
Tan Sri Lim Guan Teik	3,250,000	1.06	124,302,313	*	40.75
Dato' Azaman Bin Abu Bakar	100,000	0.03	114,770,013	*	37.62
Dato' Lim Wan Peng	3,731,000	1.22	116,545,413	*	38.21
Datuk Lim Chiun Cheong	715,500	0.23	126,836,813	*	41.58
Lim Wan Hoi	320,500	0.11	117,206,213	*	38.42
Hartaban Holdings Sdn Bhd	20,300,000	6.65	93,659,013	^	30.70
Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73	125,315,413	*	41.08
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 MHB 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 MHB held by other corporations by virtue of Section 8(4) of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 21 MARCH 2017

30 Largest Shareholders as per Record of Depositors as at 21 March 2017

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	6.65
4	Lim Siew Lee	13,257,800	4.34
5	Styme Sdn Bhd	10,009,013	3.28
6	Beh Phaik Hooi	9,618,200	3.15
7	Lim Guan Teik Holdings Sdn Bhd	6,500,900	2.13
8	Asia File Corporation Bhd	6,261,400	2.05
9	Dato' Lim Wan Peng	3,731,000	1.22
10	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)	3,354,800	1.09
11	Tan Sri Lim Guan Teik	3,250,000	1.06
12	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHB INV)	2,731,000	0.89
13	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (AFFIN AM B EQ)	2,533,000	0.83
14	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For RHB Kidsave Trust	2,313,000	0.75
15	Sin Poay Sim	2,295,200	0.75
16	Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73
17	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For RHB Smart Treasure Fund	1,994,000	0.65
18	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Mak Tian Meng (MY0343)	1,509,600	0.49
19	Tan Tian Soon	1,502,000	0.49
20	Lim Soon Huat	1,390,000	0.45
21	Lucy Khoo	1,279,000	0.41
22	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For RHB Private Fund-Series 3	1,055,000	0.34
23	Datin Cheong Koon Hooi	1,026,900	0.33
24	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Lim Ka Kian (PB)	1,000,000	0.32
25	MSM International Adjusters (Malaysia) Sdn Bhd	999,800	0.32
26	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For RHB Dana Hazeem	890,000	0.29
27	Tri-Yen Enterprise Sdn Bhd	890,000	0.29
28	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-ASING)	810,000	0.26
29	Leong Yuet Ling	800,000	0.26
30	Datuk Lim Chiun Cheong	715,500	0.23
Total		242,730,113	79.44

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Sixth Annual General Meeting of the Company will be held at Ground Floor, Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 20 June 2017 at 11.00 a.m. 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 2016 together with the Directors' and Auditors' Reports thereon. | (Please refer to Explanatory Note D) |
| 2. To declare a First and Final Single Tier Dividend of 3 sen per share for the financial year ended 31 December 2016. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors' fees of RM350,000 to Directors of the Company in respect of financial year ended 31 December 2016. | Ordinary Resolution 2 |
| 4. To approve the payment of Directors' remuneration and benefits to Directors of the Company of up to an amount of RM8,500,000 from 1 February 2017 until the next Annual General Meeting of the Company. | Ordinary Resolution 3 |
| 5. To re-elect the following Directors who are retiring by rotation pursuant to Article 74 of the Company's Constitution: | |
| a) Tan Sri Lim Guan Teik | Ordinary Resolution 4 |
| b) Dato' Lim Wan Peng | Ordinary Resolution 5 |
| 6. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration. | Ordinary Resolution 6 |

As Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications thereto:-

- | | |
|--|-----------------------|
| 7. Authority to Issue Shares Pursuant to Section 75 of the Companies Act, 2016 | |
| "That pursuant to Section 75 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 7 |
| 8. Retention as Independent Non-Executive Director | |
| "That Mr Patrick Chin Yoke Chung be retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting." | Ordinary Resolution 8 |
| 9. Retention as Independent Non-Executive Director | |
| "That Datuk Nik Ibrahim Bin Nik Abdullah be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting." | Ordinary Resolution 9 |
| 10. 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 3 sen per share in respect of financial year ended 31 December 2016, if approved at the Forty-Sixth Annual General Meeting, will be payable on Thursday, 20 July 2017 to depositors and shareholders listed in the Record of Depositors and Register of Members on 30 June 2017.

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 30 June 2017 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

28 April 2017
Petaling Jaya

Notes:-

A. Appointment of Proxy

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. A member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (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.
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. Any alteration to the Proxy Form must be initialed. The Proxy Form duly completed must be deposited at the Registered Office of the Company at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

B. Completion of Proxy Form

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed and illegible. The Proxy Form transmitted by fax to the Company shall be treated as invalid.

C. Members Entitled to Attend Forty-Sixth Annual General Meeting

Only a depositor whose name appears in the Record of Depositors as at 13 June 2017 (General Meeting Record of Depositors) shall be eligible to be present and vote at the Forty-Sixth Annual General Meeting of the Company or to appoint a proxy or proxies to attend and/or vote on his/her behalf.

D. Item 1 of Agenda on Audited Financial Statements for the Financial Year Ended 31 December 2016

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 22 February 2017 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 20 July 2017 in accordance with the requirements under Section 132(2) and (3) of the Companies Act, 2016.

F. Directors' Remuneration

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. Hence, shareholders' approval is sought for:-

- (a) Payment of Directors' fees of RM350,000 to seven (7) Directors of the Company pursuant to Ordinary Resolution 2; and
- (b) Directors' remuneration and benefits payable to Directors of the Company in aggregate of RM8,500,000 for the seventeen months from 1 February 2017 until the next Annual General Meeting of the Company pursuant to Ordinary Resolution 3.

The estimated amount of RM8,500,000 for the seventeen month period is derived from a total of RM6,000,000 for financial year ending 31 December 2017 and the balance of RM2,500,000 for the period from 1 January 2018 until the next Annual General Meeting in 2018. Payment of the remuneration and benefits to Directors of the Company will be made by the Company and its subsidiaries, where appropriate, on a monthly basis and/or as and when it is incurred.

G. Re-election of Directors who retire in accordance with Article 74 of the Company's Constitution

Article 74 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 three years.

Hence two (2) Directors are to retire in accordance with Article 74 of the Company's Constitution.

H. Ordinary Resolution 7 – Proposed Authority to Issue Shares Pursuant to Section 75 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 7 to seek authority to issue shares pursuant to Section 75 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.

I. Ordinary Resolution 8 & 9 - Proposed Retention of Independent Non-Executive Directors

The Board of Directors of the Company has assessed the independence of the Independent Directors namely, Mr Patrick Chin Yoke Chung and Datuk Nik Ibrahim Bin Nik Abdullah, who have served a cumulative term of more than nine (9) years each as Independent Directors of the Company. After this assessment, the Board of Directors was satisfied that the two (2) Independent Directors have remained objective and independent in participating in deliberations and decision making of the Board and Board Committees and have continuously demonstrated independence in expressing their views and carrying out their role as members of the Board, Audit Committee, Nominating Committee and Remuneration Committee. The Company has obtained shareholders' approval in last Annual General Meeting to retain these two (2) Independent Directors. The Board recommends that shareholders' approval be obtained at the Forty-Sixth Annual General Meeting of the Company to retain Mr Patrick Chin Yoke Chung and Datuk Nik Ibrahim Bin Nik Abdullah as Independent Directors of the Company in accordance with the Malaysian Code on Corporate Governance 2012 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 Forty-Sixth Annual General Meeting of the Company.

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PROXY FORM

MUDA HOLDINGS BERHAD

Forty-Sixth 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-Sixth Annual General Meeting of the Company to be held at Ground Floor, Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 20 June 2017 at 11.00 a.m. and at any adjournment thereof.

My/our proxy is to vote indicated below with an "X" in the appropriate space 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	AGENDA			
1.	To receive the Audited Financial Statements for financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon.			
		RESOLUTION	FOR	AGAINST
2.	To approve payment of a First and Final Single Tier Dividend of 3 sen per share.	1		
3.	To approve Directors' fees of RM350,000 for financial year ended 31 December 2016.	2		
4.	To approve the payment of Directors' remuneration and benefits to Directors of the Company of up to an amount of RM8,500,000 from 1 February 2017 until the next Annual General Meeting of the Company.	3		
5.	To re-elect Tan Sri Lim Guan Teik pursuant to Article 74 of the Company's Constitution.	4		
6.	To re-elect Dato' Lim Wan Peng pursuant to Article 74 of the Company's Constitution.	5		
7.	To re-appoint Messrs SJ Grant Thornton as Auditors of the Company and to authorize the Directors to fix their remuneration.	6		
8.	To authorise Directors to issue shares pursuant to Section 75 of the Companies Act, 2016.	7		
9.	To retain Mr Patrick Chin Yoke Chung as Independent Non-Executive Director.	8		
10.	To retain Datuk Nik Ibrahim Bin Nik Abdullah as Independent Non-Executive Director.	9		

Dated this day of, 2017

.....
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

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3. If the appointor is a corporation, the Proxy Form must be executed under the hand of an officer or attorney duly authorised.
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