

ANNUAL
REPORT

2017

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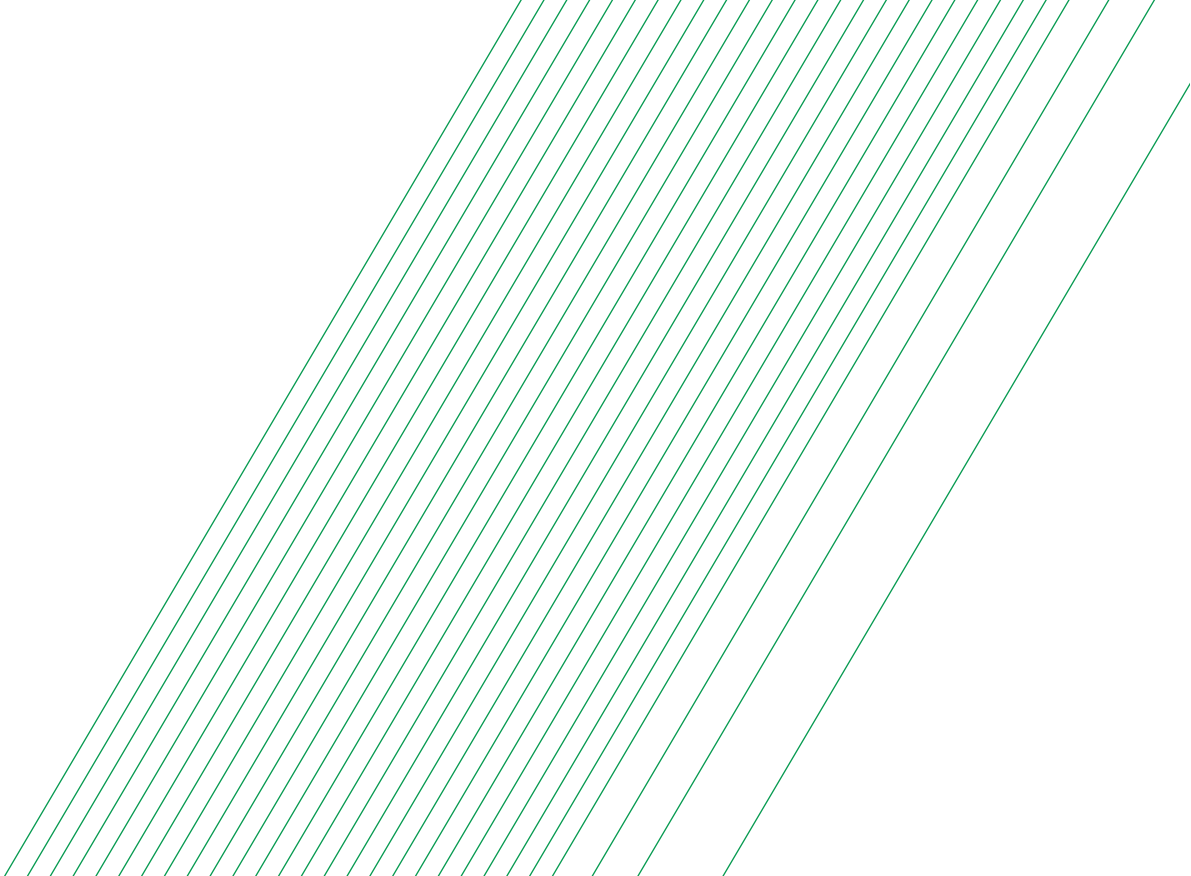
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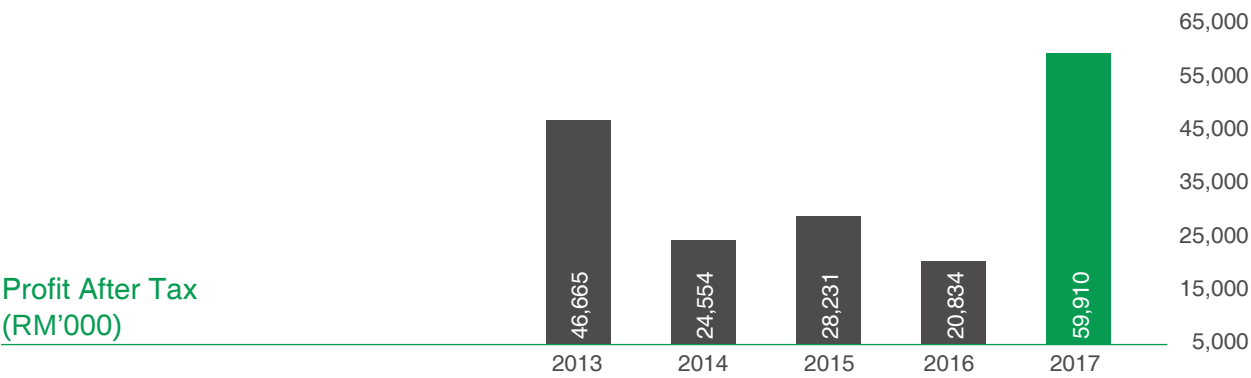
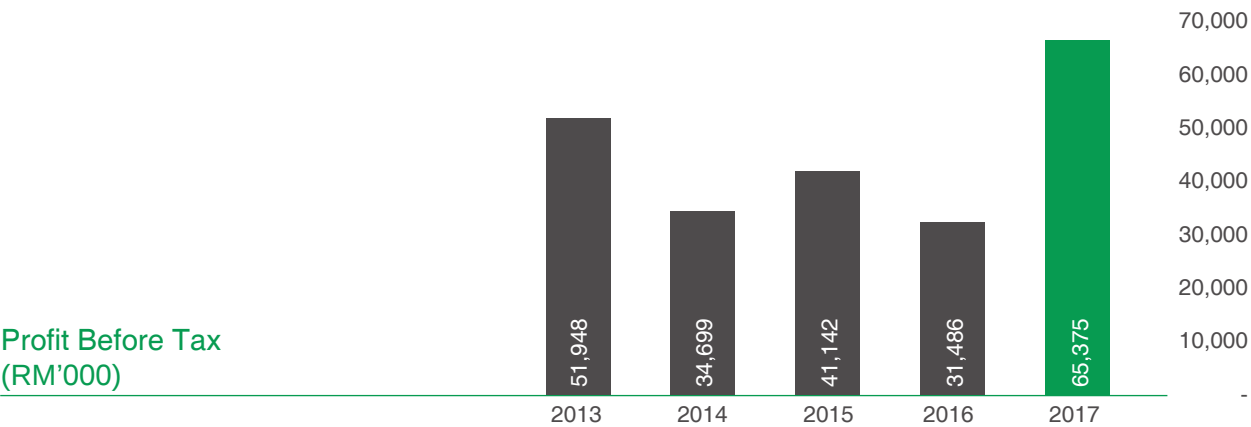
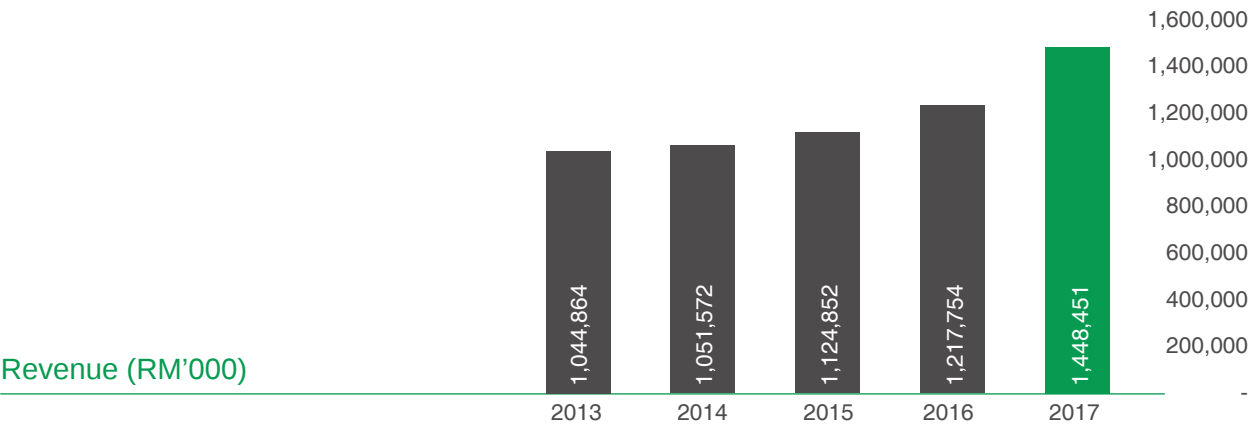
THE CORPORATION

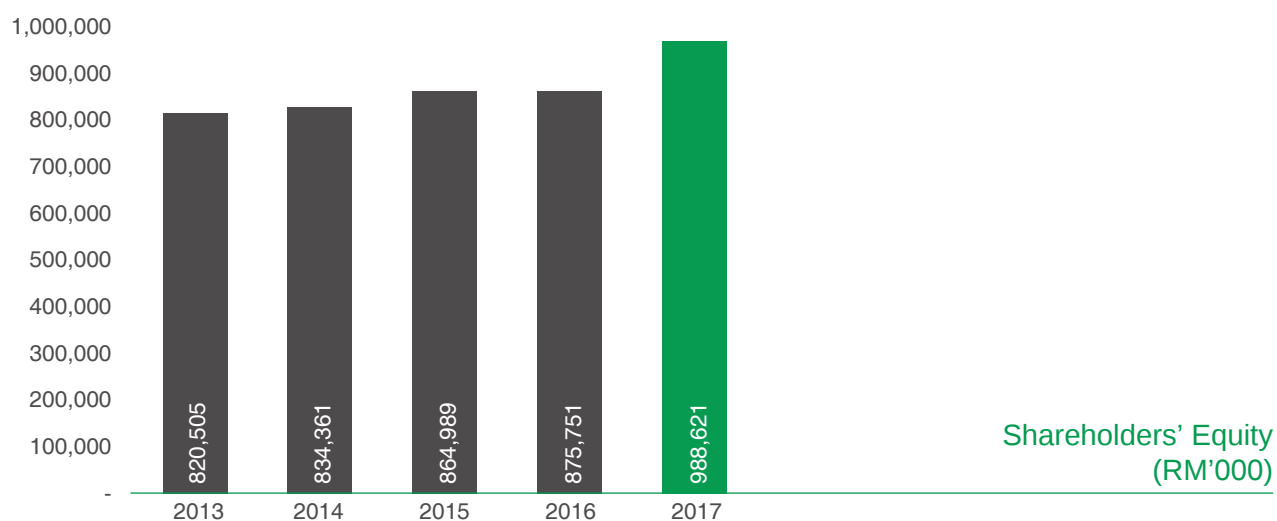
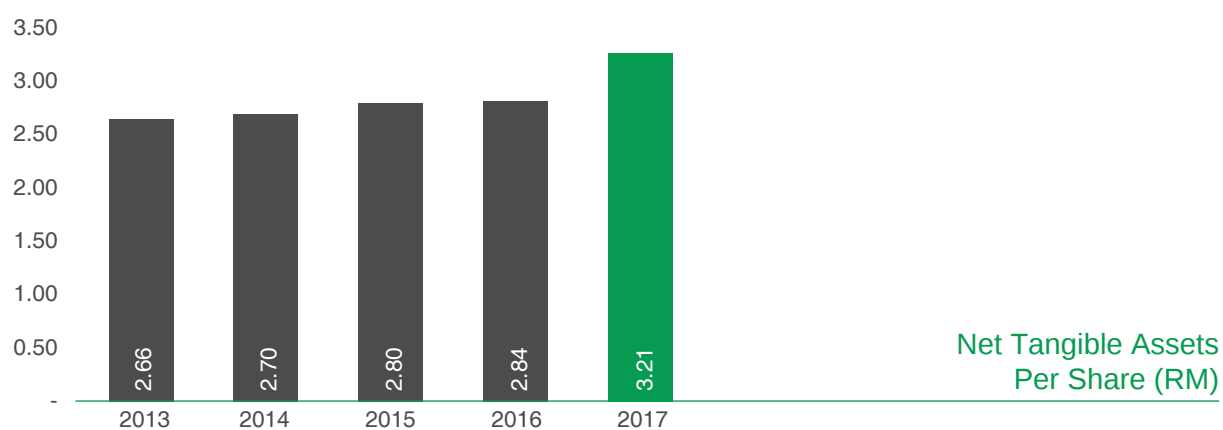
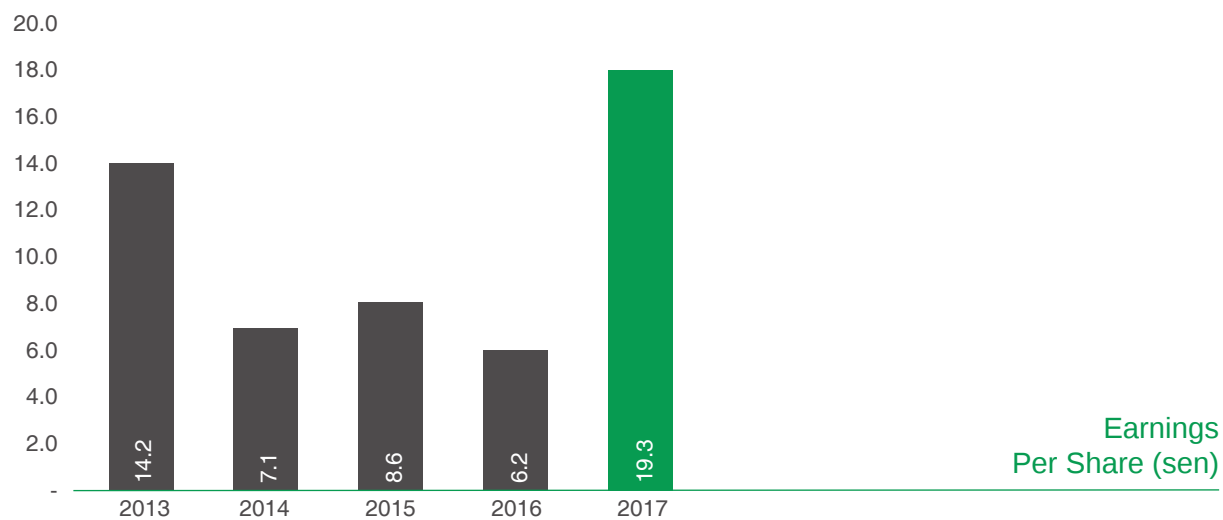
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CORPORATE INFORMATION

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	Grant Thornton Malaysia (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 & 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





GROUP FINANCIAL HIGHLIGHTS

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Key Operating Results					
Revenue	1,044,864	1,051,572	1,124,852	1,217,754	1,448,451
Gross profit	182,048	178,431	208,279	214,017	225,652
Profit before taxation	51,948	34,699	41,142	31,486	65,375
Taxation	(5,283)	(10,145)	(12,911)	(10,652)	(5,465)
Profit after taxation	46,665	24,554	28,231	20,834	59,910
Other Key Data					
Total assets	1,492,694	1,572,269	1,582,647	1,636,665	1,883,560
Total borrowings	502,467	556,482	517,876	527,328	618,113
Total liabilities	672,189	737,908	717,658	760,914	894,939
Shareholders' equity	820,505	834,361	864,989	875,751	988,621
Number of ordinary shares issued and fully paid ('000 shares)	305,051	305,051	305,051	305,051	305,051
Net tangible assets per share (RM)	2.66	2.70	2.80	2.84	3.21
Key Ratios					
Return on equity ¹	5.4%	2.7%	3.1%	2.2%	6.1%
Return on total assets ²	2.9%	1.4%	1.7%	1.1%	3.1%
Debt to equity ³	0.61	0.67	0.60	0.60	0.63

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	2013	2014	2015	2016	2017
Market Price (RM) [^]	0.92	1.30	2.15	1.45	1.33
Basic earnings per share (sen)	14.2	7.1	8.6	6.2	19.3
Price earnings ratio	6.49	18.23	24.98	23.52	6.90
Dividend per share (sen)	3.0	3.0	3.0	3.0	3.5
Dividend yield (%)	3.26	2.31	1.40	2.07	2.63

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

MESSAGE FROM OUR CHAIRMAN

The Group benefitted from continued strong demand and better prices, as a result from the improving regional and global economies.

In the paper milling division, supply of raw material which is waste paper, was more stable. The carton division did not perform so well, due to increase in the price of industrial paper which represents a major portion of its raw material cost.

The positive side of the carton business is that it is growing and demand is strong in most sectors that we operate in.

2017 was challenging due to the increase in prices of raw material and energy. Just like many other industries in the country, we faced labour shortage and difficulty in getting skilled workers. Through modernisation of our machines and processes, we succeeded in cutting manufacturing costs in many areas, both in the paper milling and carton divisions.

Revenue for the year was RM1.45 billion, which is an increase of 18.9% over that of the previous year. The Group delivered a profit of RM65.4 million and after elimination of payment from insurance claims for a fire which occurred in 2016, the adjusted profit before tax was RM42.1 million, slightly lower than the previous year.

The carton division will see a major transformation with 3 new corrugators, one already installed, and 2 more already ordered. This will modernise operations, cut costs and increase quality and delivery time.

Dividend

Based on the operational performance and the financial position of the Group, the Board of Directors recommends a higher first and final dividend of 3.5 sen per share to shareholders for the financial year ended 31 December 2017.

Changes in the Board

Mr Patrick Chin Yoke Chung, our Senior Independent Director who has served more than 25 years, will retire at this year's AGM. I would like to express my gratitude for his exemplary service and professionalism in the performance of his duties.

Acknowledgement

I am very proud of the Group's achievement and attribute our success to my fellow Board members and all our employees who comprise of hard working individuals with discipline and dedication. On behalf of the Board of Directors, I extend my thanks to all our shareholders, customers, suppliers and business partners for their continued support.

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

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The core business of the Group is in the manufacturing of industrial paper and paper packaging products such as paper board, boxes, bags and paper-based food packaging and stationery products. In addition, the Group also operates more than 100 school bookshops in Singapore.

The Group operates two (2) paper mills, six (6) corrugating plants and a paper-based food packaging and stationery plant. The manufacturing operations are located in Kajang, Selangor, Pulau Pinang, Melaka, Johor Bahru and Guangzhou, China. The Malaysian operations generate 88% of the revenue in 2017 and Singapore contributes about 10%.

Business Review

Recovery in the domestic and overseas economies has spurred the demand for paper and paper based packaging products in 2017 and it accounted for almost the entire 18.9% increase in revenue for the Group while the revenue from the Trading Division was maintained at 2016 level.

Manufacturing Division

In the Manufacturing Division, revenue climbed 22.2% compared to the preceding year due to the uptrend in the price of industrial paper and limited allocation from overseas manufacturers. The situation has resulted in domestic customers switching their orders to local manufacturers which boosted the revenue of the paper mills. There is a constant shortfall in the domestic supply of waste paper. However, the Group's procurement strategy for waste paper has ensured uninterrupted production in the Group's paper mills. The imposition of stringent import criteria for waste paper by China in July 2017 has somewhat improved supply of waste paper to countries such as Malaysia.

Output in the paper mills was maintained at the preceding year level even though one of the paper machines in Pulau Pinang, was stopped for capacity expansion from September 2017. In addition to the hike in the cost of waste paper, higher gas tariff during the year also impacted on production cost. However, the implementation of productivity improvement plans through upgrading/replacement of less efficient machinery resulted in improved margins.

For the paper packaging products, better domestic and global economies has stimulated demand for carton boxes which resulted in increased volume and margins were slightly squeezed due to higher cost of raw material.

Total output from the corrugating plants in the Group has improved compared to the preceding year and it is partly attributable to output from the new corrugating line in Kajang which came on stream in 2017. To modernise and expand the Group's carton facilities, a new corrugating line will be installed in Merlimau, Melaka and another unit in Johor Bahru, in 2018 to replace existing machines. This will increase the Group's corrugating plant capacity to 270,000 mt per year.

For the paper mills, the Group has earmarked RM28 million to expand production capacity of one of its paper machines in Pulau Pinang and the new capacity is expected to come on stream in the second half of 2018. The completion of this expansion will raise the capacity of the paper mills to 500,000 mt per year. Besides capacity expansion, the Group will continue to carry out minor upgrade on machine, equipment, parts, motors, etc. in all its manufacturing plants.

Trading Division

In the Trading Division, revenue for the year was maintained at the preceding year level as the bookshop operation consolidates its position. Limited supply and the upward trend in selling price have affected the revenue due to lower sales volume.

Financial Highlights and Share Information

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

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	1,044,864	1,051,572	1,124,852	1,217,754	1,448,451
Profit before taxation	51,948	34,699	41,142	31,486	65,375
Taxation	(5,283)	(10,145)	(12,911)	(10,652)	(5,465)
Profit after taxation	46,665	24,554	28,231	20,834	59,910
Shareholders' equity	820,505	834,361	864,989	875,751	988,621
Total assets	1,492,694	1,572,269	1,582,647	1,636,665	1,883,560
Total borrowings	502,467	556,482	517,876	527,328	618,113
Debt to equity	0.61	0.67	0.60	0.60	0.63
Basic earnings per share (sen)	14.2	7.1	8.6	6.2	19.3
Net tangible assets per share (RM)	2.66	2.70	2.80	2.84	3.21
Dividend per share (sen)	3.0	3.0	3.0	3.0	3.5
Gross margin	17.4%	17.0%	18.5%	17.6%	15.6%
Return on equity	5.4%	2.7%	3.1%	2.2%	6.1%
Share information					
Share price - High (RM)	0.91	2.32	2.15	2.51	1.80
Share price - Low (RM)	0.63	0.86	1.03	1.40	1.29
Share price as at 31 December (RM)	0.92	1.30	2.15	1.45	1.33
Price earnings ratio (times)	6.49	18.23	24.98	23.52	7.22
Company market capitalisation (RM million)	281	397	656	442	406

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Increase in demand and selling price of industrial paper and paper packaging products has contributed to the higher revenue in 2017 while revenue from the Trading Division remained at preceding year level. Out of the increase of 18.9%, more than 95% is derived from the paper mills and corrugating plants.

Gross Margin

The slide in gross margin for the Group from 17.6% in 2016 to 15.6% in 2017 is mainly due to a sharp rise in raw material cost in the first half of the year. The situation has improved in the second half of the year.

Expenses

Distribution and administrative cost has increased by 8.4% and 8.3% respectively due to increased transactions and higher administrative expenses.

Finance Cost

Finance cost has increased by 9.4% compared to the preceding year due to higher utilisation of short term borrowings to finance inventories and sales.

Profitability

The Group delivered a profit before tax of RM65.4 million for the year ended 31 December 2017 on the back of RM1.45 billion revenue. The adjusted profit before tax of RM42.1 million after eliminating the net compensation of RM23.3 million received from the insurer, is comparable against the adjusted profit of RM43.3 million in 2016.

Taxation

The combined effect of Special Reinvestment Allowance and the recognition of compensation received from the insurer for the fire in Pulau Pinang which is partially not subject to tax in the year has resulted in lower effective tax rate.

Financial Positions

Total equity for the Group has grown to RM988.6 million compared to RM875.8 million for the previous year due to recognition of revaluation surplus and net profit earned. Total assets of the Group has increased to RM1.9 billion from RM1.6 billion a year ago mainly due to revaluation surplus of RM87.9 million recognised in the year and higher inventory and trade receivable. Total liabilities of the Group has increased to RM895 million compared to RM760.9 million due to increase in borrowings and payables. Gearing of the Group is maintained at 0.6.

Inventories

The increase in inventories compared to the preceding year is due to a hike in raw material price and higher volume held at the end of year 2017 compared to 2016.

Trade Receivables

The increase in trade receivables is mainly due to higher selling price and volume in the Manufacturing Division during the last quarter of the year.

Total Borrowings

Total borrowings for the Group has increased from RM527.3 million in 2016 to RM618.1 million as at 31 December 2017 mainly due to higher working capital requirement arising from higher inventories, receivables and capital expenditure incurred during the year.

Anticipated Risks

Shortage of waste paper from the domestic market is a risk for the Group as it is a primary input in the manufacturing of paper. However, the stringent import criteria imposed by China has relieved the criticality of the risk due to availability of waste paper from other countries like US and European Union. Notwithstanding that, the Group will continue to strengthen its collection centres and enlarge its suppliers' network to mitigate the risk.

The increase in trade receivables from increased selling price and sales volume is exposing the Group to higher credit and liquidity risks due to potential bad debt and delayed payment from customers. The Group has put in place credit control policies to ensure that credit is granted to deserving customers only.

In addition to higher trade receivables, increased cost of inventory has raised the short term borrowings of the Group. The Group has secured adequate working capital lines to ensure that there is adequate funds.

Capital Expenditure

The Group has budgeted capital expenditure of RM100 million for 2018 which is mainly for capacity expansion, upgrading and improving efficiency. Major capital expenditure for 2018 includes the installation of new corrugating machines in Melaka and Johor Bahru, construction of a new factory in Air Keroh and minor capacity expansion for the paper mill in Pulau Pinang.

Prospect

The current downward trend in waste paper price is an added advantage for the Group as it is expected to cushion the impact of higher operating cost such as energy cost, labour cost and a potential hike in interest rate. Overall, the Group is confident that 2018 will be a profitable year.

This Statement on Management Discussion and Analysis is made in accordance with a resolution of the Board of Directors dated 26 March 2018.

PROFILE OF DIRECTORS

TAN SRI LIM GUAN TEIK

PSM, JMN, DMPN, DJN
Non-Independent Non-Executive Chairman
Male, Malaysian, 83



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 on Page 97 of this Report.

Tan Sri Lim Guan Teik attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2017 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.



**Dato' Azaman
Bin Abu Bakar**

DIMP
Managing Director
Male, Malaysian, 71



**Dato'
Lim Wan Peng**

DSPN
Executive Director
Male, Malaysian, 75

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 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 five (5) Board of Directors' Meetings held during the financial year ended 31 December 2017. 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 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 on Page 97 of this Report.

Dato' Lim attended four (4) out of the five (5) Board of Directors Meeting during the financial year ended 31 December 2017. 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.

PROFILE OF DIRECTORS

Datuk Lim Chiun Cheong

DPSM
Deputy Managing Director
Male, Malaysian, 54



Patrick Chin Yoke Chung

FCA
Senior Independent
Non-Executive Director
Male, Malaysian, 72



Datuk Lim Chiun Cheong was appointed to the Board on 23 April 2004. He was an Executive Director from 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 on Page 97 of this Report.

Datuk Lim Chiun Cheong attended all five (5) Board of Directors Meetings of the Company during the financial year ended 31 December 2017. 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 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 five (5) Board of Directors Meetings held during the financial year ended 31 December 2017. 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.



**Datuk Nik Ibrahim
Bin Nik Abdullah**

PJN, JSM, AMN
Independent
Non-Executive Director
Male, Malaysian, 74



Lee Khim Sin

KMN, PBK, CA(M),
FCA, CPA(M)
Independent
Non-Executive Director
Male, Malaysian, 77

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 as Manager in 1974 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 five (5) Board of Directors Meetings held during the financial year ended 31 December 2017. 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 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 and indirect interest in 60,000 and 203,000 shares respectively in the Company. He does not hold any shares in any of the subsidiaries of the Company and neither does he have any family relationship with any other directors and/or major shareholders of the Company. There is no business arrangement with the Company in which he has personal interest.

Mr Lee Khim Sin attended all five (5) Board of Directors Meetings held during the financial year ended 31 December 2017 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.

PROFILE OF KEY MANAGEMENT

MR TEOH HAI THOW

Aged 45, Male, Malaysian. Hai Thow joined the Muda Group as an Executive Director and minority shareholder of Intrapac (Singapore) Pte Ltd in January 1998. Hai Thow oversees the Intrapac (Singapore) Pte Ltd Group of businesses including marketing of paper products, wastepaper recovery, stationery distribution and school bookshop business. He also sits on the board of several 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 47, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Corporate Governance Overview Statement has been set out in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance 2017 ("the CG Code 2017").

The Board of Directors of Muda Holdings Berhad ("Muda") recognises the importance of practicing the highest standards of corporate governance throughout the Group 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 is pleased to report on the application of the Principles and Recommended Practices of the CG Code 2017 by the Company throughout the financial year ended 31 December 2017.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

1.1 Board Strategies

The Board is collectively responsible for the long term success of the Company and the delivery of sustainable value to its stakeholders. The Board governs and provides strategic goals and guidance, oversees the business performance of the Group, monitors management goals and targets and provides leadership in good corporate governance and ethical practices throughout the Group. The Board amongst others, assumes the following key roles and responsibilities:

- i. Development of corporate objectives and strategies with Management to deliver sustainable business objectives and approving plans, new investments, divestments, major capital expenditure and operating expenditure and major funding activities proposed by Management;
- ii. Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the financial health of the Company;
- iii. Reviewing and approving the Company's annual budget, financial statements, system of risk management and internal control, code of conduct and legal compliance;
- iv. 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 Management development and succession planning;
- vi. Delegating appropriate powers to the Executive Directors and 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 and encouraging effective participation at general meetings.

To efficiently provide strategic oversight of the Group, the Board delegates specific areas of responsibilities to Board Committees namely, Executive Committee, Audit Committee, Nominating Committee, Remuneration Committee and Sustainability Committee. The purpose of these Board Committees is to assist the Board to effectively and efficiently fulfill its responsibilities and do not replace the oversight responsibilities of the Board as a whole. The Board, assisted by the Audit Committee, oversees the financial reporting process and reliability of financial reporting of the Muda 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. The Executive Directors further delegate operational matters to Management. Management will manage the companies in accordance with the directions and delegations of the Executive Committee and the Board. The Management ensures that the Company and Group comply with all its contractual, statutory, regulatory and legal obligations in achieving its business goals and objectives.

Each Board Committee is governed by clear terms of reference which have been approved by the Board and which sets out the duties and responsibilities of the Board Committees. The Board may add, eliminate and change the terms of reference 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 on the activities, key issues deliberated and recommendations, if any, to the Board accordingly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

1.2 Chairman of the Board

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 ensures that Directors actively participate, discuss, deliberate and appraise matters requiring attention and decision. The Chairman also ensures support of the Company Secretaries to the Board and 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 high 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.

1.3 Position of Chairman and CEO

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 levels. 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.

1.4 Suitably Qualified and Competent 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 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.

1.5 Meetings & Meeting Materials

To facilitate productive and meaningful Board meetings, the proceedings are 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 five (5) business days ahead 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 to form part of the records of all proceedings of Board meetings. Decisions made, policies approved and follow up actions at Board meetings will be communicated to Management after the Board meetings.

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

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

2.1 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 was recently reviewed by the Board and is available at the Company's website at www.muda.com.my.

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.

3. Good Business Conduct and Corporate Culture

3.1 Code of Conduct

In discharging its responsibilities, the Board is guided by Company's Code of Conduct for Directors. The Code of Conduct for Directors provides guidance for proper standard of conduct for the Board of Directors relating to viz-a-viz their fiduciary duties and function and conflict of interest. In addition, the Muda Group has another set of Code of Conduct which sets out the business practices, standards and ethical conduct expected of all officers and employees in the course of their employment. In addition, 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 Muda policies. The Directors' Code of Conduct and Code of Conduct for Employees are now available on the Company's website at www.muda.com.my.

3.2 Whistleblowing

The Company has in place a Muda Whistleblowing 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 Whistleblowing Policy & Procedures is embedded in the Group's Employment Manual. There were no reports of malpractices and misconduct during the year.

(II) Board Composition

4.1 Composition of the Board

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; where the composition of independent directors is in line with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board is aware that the current board composition of Muda is not aligned with the desired practice of the CG Code 2017 which requires at least half of the board to comprise of independent 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 half of the Board to be independent as the Board has effective Independent Non-Executive Directors to provide balance within the workings of the Board and oversight for minority shareholders' interests and will not jeopardise independent board's deliberations and all decisions are made in the best interests of the Company. No individual or group dominates the Board's decision-making process.

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.

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 recognises that at times, it may not be in the best interest of the Company or the Board to rotate certain Directors.

The Board is satisfied that all Directors on the Board are professionals with extensive management, financial, legal, banking 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. A brief profile of each of the Directors is presented on Page 13 to 16 of this Annual Report.

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 2017 is as follows: -

Name of Director	Number of Meetings Attended
Tan Sri Lim Guan Teik	5/5
Dato' Azaman Bin Abu Bakar	5/5
Dato' Lim Wan Peng	4/5
Datuk Lim Chiun Cheong	5/5
Mr Patrick Chin Yoke Chung	5/5
Datuk Nik Ibrahim Bin Nik Abdullah	5/5
Mr Lee Khim Sin	5/5

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 organised by the Company:

Name of Director/Course Title	Decoding Transaction and RPT Rules & Key Disclosure Obligations of Listed Companies
Date	1 August 2017
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	✓

4.2 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 CG Code 2017 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 (9) years as a Director continues to be independent.

The Board has reviewed and affirmed the independence of Mr Lee Khim Sin who has served three (3) years as an Independent Director. The Board has also reviewed the independence of Mr Patrick Chin Yoke Chung and Datuk Nik Ibrahim Bin Nik Abdullah, each of whom has served as an Independent Director for more than twelve (12) 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 have remained independent as there are no relationships or circumstances which can affect or likely to affect their judgement and ability to discharge their responsibilities as Independent Directors and neither has the long tenure eroded their objectivity as they continued to demonstrate independence in character and judgement during Board and Board Committee meetings.

Shareholders' approval was obtained at the Annual General Meeting ("AGM") held in 2017 to allow Mr Patrick Chin Yoke Chung and Datuk Nik Ibrahim Bin Nik Abdullah to remain as Independent Non-Executive Director until the conclusion of next AGM of the Company in 2018.

Mr Patrick Chin Yoke Chung is retiring and is not seeking re-election at this year's AGM. Mr Patrick Chin's departure means the proportion of independent directors on the Board will fall temporarily after the AGM from current 42.8% to 33% and it is the Board's intension to restore that statistic with coming appointments.

In compliance with the CG Code 2017, the Board will seek shareholders' approval through a two-tier voting process at forthcoming AGM to retain Datuk Nik Ibrahim Bin Nik Abdullah as an Independent Director as he has served the Board for more than twelve (12) years.

4.3 Appointment of Board Members

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

New Directors are subject to re-election at an AGM in the year following their appointment. The Company's Constitution provides that at every AGM of the Company, one-third of the Directors for the time being or if their number is not three or a multiple of three, then the number nearest one-third shall retire from office and shall be eligible for re-election.

4.4 Gender Diversity

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. During the year the Nominating Committee has urged the Board Members to nominate suitable female candidates for consideration and review by the Nominating Committee for appointment to the Board. There has been no nomination of female candidates for consideration by the Nominating Committee in 2017.

4.5 New Candidates for Board Appointment

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

4.6 Nominating Committee

The Nominating Committee is made up of three (3) members who are all Independent Non-Executive Directors. The Senior Independent Non-Executive Director is the Chairman of 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 roles and responsibilities of the Nominating Committee are governed by the Terms of Reference which was reviewed by the Board recently in November 2017 and are on the Company's website at www.muda.com.my.

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 is required to meet at least once a year and whenever necessary. All the members attended the one (1) Nominating Committee Meeting held in 2017.

The Nominating Committee reviewed the attendance of all Board and Committee members, the composition of Independent Directors, Directors' training, Board composition and size and talent, knowledge, experience of Board members in November 2017.

5. Overall Board Effectiveness

5.1 Annual 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, Board Committees and their peers. The aim of the Board evaluation process is to gain an insight into how well the Board and its members are doing in meeting its objectives. The assessment encompassed evaluation on board activities, board functions, board effectiveness, risk management and assessment of the various Board Committees. Directors' self and peer evaluation consisted of evaluation of knowledge, understanding of Muda Group structure and organisation, the paper industry and operation, understanding of relevant regulations and legislation, attendance and participation at meetings, contributions to Board and Board Committee discussions, attitudes, understanding of fiduciary duties and experience. It is not intended to provide an exhaustive list of evaluation criteria but rather to provide a guideline for evaluating the Board's and Directors' accomplishment, strength and weaknesses and to focus on areas where its performance and effectiveness could be enhanced and improved. The Chair of the Nominating Committee receives the questionnaires on a confidential basis and summarises the results. The Chair of the Nominating Committee may have discussions with individual directors where clarification or interpretation is required. The Chair of the Nominating Committee develops a report for the Nominating Committee. The Nominating Committee reviews the questionnaires and develops recommendations for the Board to consider. The Board then reviews the results of the evaluation and the Nominating Committee's recommendations and takes the necessary action.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In 2017, the Directors and Audit Committee members conducted an assessment of the performance of the Board and Board Committee as well as peer assessment of other Directors and other Audit Committee members. Directors are also encouraged to give inputs on issues which do not fall under these categories, for instance addressing specific areas where improvement can be made. The results of the evaluation were compiled by the Company Secretaries for the Chair of the Nominating Committee. The Chair of the Nominating Committee reported the results of the evaluation of the performance of the Board, Board Committees and the peer assessment of Directors and Audit Committee members to the Board on 26 February 2018 with recommendation that the Chair of Board Committees take cognizance and react to the feedback from the evaluation exercise.

(III) Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The Remuneration Committee assists the Board in establishing a formal and transparent process for developing policies on executive remuneration and development. 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, 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, bonus, 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 Non-Executive Directors by the Company and its subsidiaries are subject to yearly approval of shareholders of the Company at an AGM.

6.2 Remuneration Committee

The Remuneration Committee is made up of three (3) members, all of whom are Independent Non-Executive Directors as follows:

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

The Remuneration Committee meets at least once a year and when necessary. All the members attended the one (1) Remuneration Committee Meeting held in 2017 wherein the Committee reviewed the recommendations for bonus and salary increment of senior management and promotions for approval of the Board. At the same meeting, the Remuneration Committee also reviewed the remuneration package of the Executive Directors and made recommendations for approval of the Board. The roles and responsibilities of the Remuneration Committee are governed by the Terms of Reference which was reviewed by the Board recently in November 2017 and are on the Company's website at www.muda.com.my.

7. Remuneration of Directors and Senior Management

7.1 Details of Directors' Remuneration

Details of Directors' remuneration for financial year ended 31 December 2017 are as follows:

Name of Directors	Fees RM'000	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors						
Dato' Azaman Bin Abu Bakar	140	1,128	300	241	72	1,881
Dato' Lim Wan Peng	211	1,128	300	273	38	1,950
Datuk Lim Chiun Cheong	226	840	300	258	41	1,665
Total	577	3,096	900	772	151	5,496
Non-Executive Director						
Tan Sri Lim Guan Teik	125	-	-	643	26	794
Mr Patrick Chin Yoke Chung	50	-	-	144	2	196
Datuk Nik Ibrahim Bin Nik Abdullah	50	-	-	150	1	201
Mr Lee Khim Sin	50	-	-	142	-	192
Total	275	-	-	1,079	29	1,383

7.2 Remuneration of Top Five Senior Management

Details of top five (5) senior management for financial year ended 31 December 2017 are as follows:

Name of Directors	Fees RM'000	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Dato' Azaman Bin Abu Bakar*	140	1,128	300	241	72	1,881
Dato' Lim Wan Peng*	211	1,128	300	273	38	1,950
Datuk Lim Chiun Cheong*	226	840	300	258	41	1,665
Mr Teoh Hai Thow	65	561	145	42	-	813
Mr Loo Ee Fah	53	438	163	147	-	801
Total	695	4,095	1,208	961	151	7,110

Note * - Executive Directors of the Company are included as part of the senior management team

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit Committee

8. Effective and Independent Audit Committee

The 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: -

- Provides 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 Audit.
- Reinforces the independence of the Company's external auditors.
- Reinforces the objectivity of the Company's Internal Audit function.

The Audit Committee also 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 by the Group Financial Controller and any conflict of interest situations during the year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

8.1 Members and Chairman of Audit Committee

The Audit Committee comprises of four (4) Directors; three (3) of whom are Independent Non-Executive Directors and one (1) of whom is a Non-Independent Non-Executive Director. The Chairman of the Audit Committee is not the Chairman of the Company. The Audit Committee has two (2) members who are qualified accountants, a member who is a pioneer in the paper industry and a member who is an economics graduate. 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**
(Senior Independent Non-Executive Director)
3. **Tan Sri Lim Guan Teik**
(Non-Independent Non-Executive Director)
4. **Mr Lee Khim Sin**
(Independent Non-Executive Director)

8.2 Terms of Reference of Audit Committee

The Audit Committee's terms of reference include inter alia, the review of and deliberation on the Company's financial statements, the audit findings of the external auditors arising from their audit of the Group's financial statements and the audit findings and issues raised by the Internal Auditor together with Management's responses. The Audit Committee also assists the Board in meeting its responsibilities in respect of carrying out a robust assessment of the principle risks affecting the Group and reviewing and reporting on the systems and key elements of risk management as they affect the Group and reviewing the risk map and framework for presentation to the Board. The Group Financial Controller, Internal Auditor and external auditors attend meetings at the invitation of the Audit Committee.

During the year, the Audit Committee reviewed the financial statements and sought explanations and additional information from the Executive Directors and Group Financial Controller with regards to the Group's financial performance and preparation of the financial statements. The Audit Committee reviewed and discussed with the external auditors on its observations from the annual audit including appropriateness of accounting policies applied, the changes in accounting policies and the significant judgements and assumptions made by Management affecting the financial statements as well as compliance with approved accounting standards and regulatory requirements. 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, 2016 and has made proper judgements and estimates that are prudent and reasonable.

The Audit Committee has the policy embedded in its Terms of Reference which requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee in order to safeguard independence and to avoid potential disadvantage which may arise in view that a former key audit partner is deemed to be in advantageous position to exert significant influence over the audit and preparation of the audited financial statements. The Terms of Reference was reviewed by the Board recently in November 2017 and are on the Company's website at www.muda.com.my.

8.3 Assessment of External Auditors

The Company maintains a transparent relationship with its external auditors and seeks their professional advice to ensure that accounting standards are complied with. The Audit Committee met with the external auditors twice in 2017 on 22 February 2017 and 24 November 2017 without Executive Directors' and Management's presence.

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 AGM 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. In addition, the Audit Committee conducted a review and assessment of the external auditors in 2017 for re-appointment for statutory audit by completing a prescribed assessment form. The results of this assessment and the recommendation of the Audit Committee was reported by the Chair of the Audit Committee to the Board.

The external auditors have declared their independence to the Audit Committee in its annual audit plan presented to the Audit Committee of the Company on 25 August 2017 as required by the Malaysian Institute of Accountants. 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 2017 which describes the Audit Committee's activities during the year are set out on Page 28 to 29 of this Annual Report.

(II) Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

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 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 analysed so that Management understands the risks involved before it is embarked upon. The Statement on Risk Management and Internal Control on Page 30 to 31 of this Report sets out in detail 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.

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 2017 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

10. Internal Audit Function

The Board has established an in-house Internal Audit function which is headed by the Internal Audit Manager, Mr. Koh Thuan Hin, who reports directly to the Audit Committee. The Internal Audit Manager is a holder of an Advance Diploma from the Association of Chartered and Certified Accountant and is supported by three (3) other suitably qualified and experienced Internal Audit Executives. The Internal Audit Manager has declared to the Board that the Internal Audit personnel have no direct operational responsibility or authority over any of the activities audited and are free from conflict of interest and interference by any element in the organisation that might impair professional independence and objectivity. The Internal Audit Manager also provides assurance to the Board that the Group has established a sound system of internal control and that the Group's internal control system is satisfactory.

The Internal Audit function assesses the operating effectiveness of risk management and internal control system in the Group and checks for compliance with internal policies and procedures and statutory/regulatory requirements. The audit reports are tabled to the Audit Committee for review and deliberation and the Board is informed of any significant audit findings reported to the Audit Committee. The Internal Audit function also conducts reviews of recurrent related party transactions and submits to the Audit Committee for review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

(I) Communication with Stakeholders

11. Continuous Communication Between the Company and Stakeholders

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 acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and the public at large. The Company maintains an official website at www.muda.com.my for the expeditious and effective dissemination of information through information technology. All the announcements released to Bursa Malaysia Securities Berhad, annual report, minutes of general meeting, board charter, terms of reference of board committees and the Code of Conduct for Directors and Employees are available on the Company's website at www.muda.com.my under "Investor Relation" section. The Company also meets with fund managers, investment analysts and the media whenever necessary.

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.

(II) Conduct of General Meetings

12. Shareholders Participation of General Meeting

The Board recognises the need for and the importance of effective communication with shareholders. It believes that an AGM serves as an appropriate forum for shareholders to meet the Board and Management, and to interact with them. Notice of AGM and annual report are sent to shareholders at least 28 days ahead of the AGM date to encourage shareholders to attend the AGM.

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 Management are present at each shareholders' meeting to respond to any questions from shareholders. The Company's external auditors is also present to address queries about the conduct of audit and preparation and contents of the Auditors' Report.

All resolutions set out in the notice of general meeting will be voted by poll. Poll processes will be explained during the general meetings and the poll results are verified by an appointed scrutineer. The summary of key matters discussed at the Company's AGM in financial year 2017 is available online at www.muda.com.my.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 26 March 2018.

A copy of the Corporate Governance Report on disclosure of application of the Malaysian Code of Corporate Governance 2017 can be obtained from Company's website at www.muda.com.my.

AUDIT COMMITTEE REPORT

Introduction

The Audit Committee was established on 30 June 1994 with the primary objective to assist the Board in fulfilling its statutory and fiduciary responsibilities by monitoring the Group's management of financial risk processes along with its accounting and financial reporting practices, reviewing the Group's business processes, ensuring the efficacy of the Group's system of internal control and maintaining an oversight of both external and internal audit functions on behalf of the Board.

Composition and Attendance

The Audit Committee has four (4) members, a majority of whom are Independent Non-Executive Directors. The Audit Committee has an independent Chairman who is not the Chairman of the Board. The Chairman ensures that the meetings are efficiently run and encourage open discussions from all members and also ensures that all matters on the agenda are dealt with. The Audit Committee members are qualified individuals; where two (2) members are qualified accountants, a member who is a pioneer in the paper industry in Malaysia and another member who has extensive experience in the banking industry and collectively, they have the required skills and experience to discharge the Committee functions and duties.

Six (6) Audit Committee meetings were held in 2017 which were attended by all the members as follows:-

Members	Membership/Designation	Attendance at meetings	
Datuk Nik Ibrahim Bin Nik Abdullah	Chairman/Independent Non-Executive Director	6/6	100%
Tan Sri Lim Guan Teik	Member/Non-Independent Non-Executive Director	6/6	100%
Patrick Chin Yoke Chung	Member/Senior Independent Non-Executive Director	6/6	100%
Lee Khim Sin	Member/Independent Non-Executive Director	6/6	100%

The Group Financial Controller and Internal Audit Manager are permanent invitees of the Audit Committee and attend all Audit Committee meetings to brief and provide clarification on financial matters, risk management, related party transactions and internal audit activities. Other members of senior management are also invited to attend Audit Committee meetings for specific agenda items to support detailed discussions especially in areas of audit and risk management during the Committee meetings.

External auditors also attend and brief the Committee on matters relating to external audit during the financial year and provide review of the financial position of the Group at the meetings. Time was set aside for the external auditors to meet with the Audit Committee in the absence of Management. During the financial year, two (2) private sessions were held between the Committee and external auditors.

Summary of Audit Committee Activities During the Financial Year

- (a) Review the unaudited quarterly financial results and the related announcements to Bursa Malaysia Securities Berhad including any change in accounting policies, significant matters highlighted by Management and compliance with accounting standards and regulatory requirements for recommendation to the Board for approval before release to Bursa Malaysia Securities Berhad;
- (b) Review the consolidated audited financial statements of the Company and Group and ensuring that the statements comply with the financial reporting standards, for recommendation to the Board for approval; and
- (c) Review significant matters highlighted by the external auditors in the financial statements and significant judgements made by Management.

Internal and External Audit

- (a) Review the external auditors' Group Audit Plan, which outlines the audit strategy and approach for the financial year ended 31 December 2017;
- (b) Consider together with Management the audit fees of the external auditors for recommendation to the Board for approval;
- (c) Approve the Annual Audit Plan and budget, which includes conducting regular risk based audit at Group level, ensure that the Internal Audit Department has the resources and financial budget to meet planned audit activities across the Group;
- (d) Review the quality and results of internal audit activity and conformance to its Internal Audit Charter;
- (e) Assess independence and objectivity of internal audit activities and review effectiveness of audit process;
- (f) Review audit reports and deliberate the audit issues raised, recommendations made and Management's responses;
- (g) Monitor implementation of recommendations made by Internal Audit Department arising from audit work performed to ensure that areas of concern have been satisfactory addressed; and
- (h) Update on progress of internal audit engagements against approved internal audit plan, audit expenses, hiring and resignation of internal audit staff on quarterly basis.

AUDIT COMMITTEE REPORT

Related Party Transactions

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

Risk Management

The Audit Committee had a meeting where it reviewed and evaluated the adequacy of risk management activities of various operating subsidiary companies. Under the Risk Management Framework implemented by the Group, the operating subsidiaries of the Group are required to carry out risk assessment and management where the subsidiaries identify and assess the risks and score the risks at gross and residual level based on the likelihood of occurrence and potential impact. More details on the risk management and internal control system in the Muda Group can be obtained from the Statement on Risk Management and Internal Control set out on Page 30 to 31 of this Annual Report.

External Auditors

In recommending the suitability of the external auditors for re-appointment at the forthcoming annual general meeting of the Company, the Audit Committee considered their suitability and independence by assessing, among others, the audit scope, the adequacy of their experience and resources, their audit engagement, the number and experience of their supervisory staff and professional staff assigned to the Group.

Summary of Internal Audit Function and Internal Audit Activities

The Head of Internal Audit function reports directly to the Audit Committee. Mr. Koh Thuan Hin, a holder of an Advance Diploma from the Association of Chartered and Certified Accountant who has a total of 20 years experiences in manufacturing, trading and service industry, is the Internal Audit Manager overseeing the Group's Internal Audit function. The Internal Audit Department has four (4) full-time staff with wide range of disciplines and experience to carry out their functions. The staff of the Internal Audit Department has no direct operational responsibility or authority over any of the activities audited and are free from interference by any element in the organisation that might impair professional independence and objectivity. During the financial year ended 31 December 2017, the total cost incurred by the internal audit function was RM504,838.00 (2016: RM515,612.00).

The scope, authority and responsibilities of internal audit function are set out in the Internal Audit Charter approved by 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.

The internal audit function monitors the internal control systems across all the business units and reports its findings to Management and the Audit Committee. The audit plan and audit scope is focused on the areas of greatest risk to the Company, using risk based approach to audit planning to maintain and strengthen best practices in corporate governance matters. Audit reviews are performed on business units in the Manufacturing and Trading Division to ensure compliance with internal policies, standard operating procedures, accounting standards, relevant external rules and regulations.

The key audit activities undertaken by the Internal Audit Department in 2017 as part of the assurance process included:

- (a) compliance assessment of credit control activities with Group policies and procedures;
- (b) Performance and compliance review for project management;
- (c) Review of fire prevention risks, safety and health controls;
- (d) Operational review of human resource management system;
- (e) Inventory valuation assessment;
- (f) Post audit review to follow up previous audit issues raised and status of remedial actions taken; and
- (g) Review related and recurrent party transactions.

This Audit Committee Report is made in accordance with a resolution of the Board of Directors dated 26 March 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Statement on Risk Management and Internal Control is prepared in accordance with 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 recognise the importance of the risk management and internal control system to the Group and acknowledge their responsibilities to implement risk management and internal control system to mitigate risks faced by the Group.

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

Risk Management Framework

The Board is assisted by the Audit Committee and board of subsidiary companies in overseeing the Group's risk management and internal control system. The Board has also implemented a Risk Management Framework where major and active subsidiaries in the Group are required to carry out risk assessment and management in accordance with the Framework. Companies in the Group are required to identify and assess the risks and score it at gross and residual level based on the likelihood of occurrence and potential impact. These risks are then broadly grouped into Strategic Risk, Operational Risk, Financial Risk and Compliance Risk and the outcome of the process is documented into a half yearly risk management report to the Board of Directors.

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

In-House Internal Audit Department

The Group has established an in-house Internal Audit Department to assist the Board in determining the adequacy and effectiveness of risk management and internal control systems in the Group. The Department reports to the Chairman of the Audit Committee and it undertakes audit of risk management and internal control system of companies in the Group. The results of the audit are tabled, reviewed and discussed by the Audit Committee. Senior managers from companies audited may be requested to attend the meeting where the reports were discussed.

The activities of the Internal Audit Department are explained in the Audit Committee Report on Page 29 of this Annual Report.

Principal Risks

The following tables show the principal risks and mitigating measures of the Group which are not necessarily arranged in order of priority, and the mitigating actions planned and implemented. The measures planned and implemented will only reduce the principal risks and do not provide its absolute elimination.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Principal Risk	Mitigating Actions
a. Supply of raw material for manufacturing of paper Adequate supply of waste paper is crucial for continuous operation of the paper mills. Local demand has outpaced supply from domestic market resulting in risk of shortfall in supply from domestic market and increased cost.	The Group will strengthen its collection centres to maximise procurement of the material from local suppliers. At the same time, the paper mills are establishing network of supplies from overseas to mitigate the risk of shortfall in supply.
b. Fire The inherent nature of the material and processes in the paper industry is prone to fire risk which may result in loss of assets and threaten lives.	The Group has installed fire prevention and fire fighting equipment and automated sprinkler systems to mitigate the risk and impact of fire outbreak. The effectiveness of the above equipment and systems are reviewed periodically for improvement of risk. The Group also implements proper maintenance of equipment and systems, adopts standard operating procedures and training to mitigate the risk of fire and to enhance protection of employees and assets of the Group.
c. Liquidity The increase in price of raw material and finished goods has resulted in higher trade receivables and inventories value. The former is subject to the risks of bad debts or delay in payment and the latter incurs higher commitment of working capital which may lead to liquidity problem if the risks are not managed.	Extension of credit to customers are managed in accordance with Credit Control Policy and Procedures and the level of inventories held by the Group are monitored from time to time to mitigate the risk of bad debts and over in inventories respectively. Besides, credit facilities of subsidiaries are reviewed from time to time to ensure sufficient working capital.
d. Compliance with Department of Environment (DOE) Requirements The manufacturing process in paper mills and carton plants in the Group produces certain hazardous waste, emission and effluent discharge which must be within the standards set by DOE. Breach of the DOE standards may result in plant closure and health hazards to employees and the community where the Group operates.	The Group has invested in waste water treatment plants and other equipment or facilities to ensure its handling and disposal of waste, emission and effluent are in compliance with DOE requirements.

Assurance from Managing Director and Group Financial Controller

The Managing Director and Group Financial Controller have provided written assurance to the Company that the Group's risk management and internal control system is operating adequately and effectively with reliance on the activities of and reports issued by the Internal Audit Department, opinion and assurances provided by the Internal Audit function, risk management reports submitted by the operating subsidiaries on bi-annual basis and the review performed by the external auditors.

Review of This Statement

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement and have reported to the Board that nothing has come to their attention that cause them to believe that the Statement to be included in the Annual Report 2017 is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement factually inaccurate.

Conclusion

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

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 26 March 2018.

SUSTAINABILITY STATEMENT

Introduction

This Sustainability Statement is issued by the Company in accordance with Paragraph 29 of Part A Appendix 9C and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Governance Structure

The Group is committed to sustainability in all aspects of its business and the Board has established a Sustainability Committee with approved Terms of Reference to assist the Board in fulfilling its oversight responsibilities towards the Group's sustainability policies and management. The Committee reports to the Board and it consists of three (3) Directors, two (2) of whom are Executive Directors. The Committee is responsible for formulating, implementing and reviewing sustainability strategies, policies, performance and embedding sustainability in the day to day operations of the Group.

Scope

The scope for sustainability will include manufacturing operations engaged in paper milling, paper packaging products, paper-based food packaging and stationery products in Malaysia. The Group will extend the scope to include other operations by 2021 as it prioritises resources in embarking the sustainability journey and aligning its efforts with the economic, environmental and social impacts of the Group.

Plan

Sustainability is an evolving field with constant rapid developments and this is the first step in the Group's sustainability journey.

Senior managers from the paper mills and key corrugating plants have been tasked to assist the Committee in identifying sustainability matters from the operation, formulating plans and policies to implement sustainability in the Group and managing sustainability.

Methodology

The Group will make reference to guidance provided in Sustainability Reporting Guide and Sustainability Toolkits issued by Bursa Malaysia Securities Berhad in implementing sustainability in the Group.

This Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 26 March 2018.



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 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and in 2017 it also commenced provision of management services to the subsidiaries. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements. Except as disclosed above, there were no significant changes in the nature of principal activities of the Company and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	59,910	17,506
Attributable to:-		
Owners of the Company	58,766	17,506
Non-controlling interests	1,144	-
	59,910	17,506

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 2016 and paid on 20 July 2017:-	
First and final single tier dividend of 3.0 sen per share	9,152

A first and final single tier dividend of 3.5 sen per share on 305,050,835 ordinary shares, amounting to RM10,676,779 in respect of the financial year ended 31 December 2017, will be proposed for shareholders' approval at the forthcoming annual general meeting. This proposed dividend is not reflected in the current financial 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 2018.

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year except for transfer of share premium amounting to RM6,946,383 to share capital pursuant to Section 618(2) of the Companies Act, 2016.

There were no issuance of debentures during the financial year.

DIRECTORS OF THE COMPANY

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

Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN (Non-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)

* Directors of the Company and subsidiaries

DIRECTORS' REPORT

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

Ang Lee Yang (Resigned on 31 December 2017)	Chew Phai Cheng
Chua Hwee Hooi	Goh Ching Yee
Hayakawa Naohiko	Kok Boon Hong
Kok Lye Kheong	Lau Saw Khim
Lim Siew Ling	Lim Wah Kong
Loo Ee Fah	Seow Tiong Hwa
Tan Chaik Phoay	Tan Kuo Keng
Tan Tee Sea	Teoh Hai Thow
Wong Mun Chen	Wu Zhi Jing
Yamashita Masashi (Appointed on 30 June 2017)	Lim Yen Wee (Alternate Director to Dato' Lim Wan Peng) (Appointed on 30 November 2017)
Goh Tor Kheng (Demised on 24 April 2017)	Kamiya Kanehiro (Resigned on 30 June 2017)
Beh Tee Chai (Resigned on 31 December 2017)	Lim Wan Hoi (Demised on 2 March 2018)

Dato' Azaman Bin Abu Bakar and Mr Patrick Chin Yoke Chung will retire by rotation at the forthcoming Annual General Meeting in accordance with Article 74 of the Company's Constitution. Dato' Azaman Bin Abu Bakar, being eligible, offers himself for re-election whereas Mr. Patrick Chin Yoke Chung will not seek re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Tan Sri Lim Guan Teik				
- direct interest	3,250,000	-	-	3,250,000
- deemed interest	124,302,313	-	-	124,302,313
Dato' Azaman Bin Abu Bakar				
- direct interest	100,000	-	-	100,000
- deemed interest	114,770,013	-	-	114,770,013
Dato' Lim Wan Peng				
- direct interest	3,731,000	-	-	3,731,000
- deemed interest	116,545,413	-	-	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
- indirect interest	-	81,000	-	81,000

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 Muda Holdings Berhad, they are also deemed to have interest in shares of all the subsidiaries to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

Except as disclosed, none of the Directors in office at the end of the financial year held any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no 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.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 34 to financial statements.

OTHER STATUTORY INFORMATION

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

- (a) to ascertain that action had been taken in relation to writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including 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; 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.

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

DIRECTORS' REPORT

AUDITORS

The total amount of fees paid to or receivable by the auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 31 December 2017 amounted to RM39,000 and RM334,300 respectively.

There was no indemnity given to or insurance effected for the auditors of the Company.

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 March 2018.

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 43 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 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 26 March 2018.

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 43 to 109 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 26 day of
March 2018

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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 2017 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 43 to 109.

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 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Impairment on doubtful receivables

The risk

Referring 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 RM55.8 million. The key risk associated with the recoverability of billed trade receivables as management judgement is required in determining the completeness of 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

Referring to Note 12 to the financial statements. The Group holds an amount of inventories that amounted to RM258.9 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

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.

Tax expense and the recognition of deferred tax assets

The risk

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

Referring to Note 11 to the financial statements. The Group has recognised RM4.7 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 RM1,091.2 million and capital work-in-progress of RM57.2 million as at 31 December 2017 as detailed in Notes 4 and 6 to the financial statements.

The Group invested in capital projects with total capital work-in-progress of RM57.2 million as at 31 December 2017, out of which RM52.0 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.

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.

Goodwill

The risk

The Group holds a goodwill of RM10.0 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUDA HOLDINGS BERHAD

Provision for retirement benefit

The risk

The Group and the Company operates an unfunded defined benefit scheme with carrying amount of RM50.0 million and RM6.0 million respectively as at 31 December 2017. 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, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit 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 of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determined those matters that were of most 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, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Matters

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

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

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

Kuala Lumpur
26 March 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	1,091,235	932,211	21,635	15,234
Prepaid land lease payments	5	4,807	11,679	-	-
Capital work-in-progress	6	57,207	89,736	-	-
Investment property	7	10,490	11,180	-	-
Investment in subsidiaries	8	-	-	211,178	211,178
Investment in associates	9	19,665	20,882	*	*
Intangible assets	10	9,983	10,065	-	-
Deferred tax assets	11	4,730	6,317	-	-
Total non-current assets		1,198,117	1,082,070	232,813	226,412
Current assets					
Inventories	12	258,945	200,832	-	-
Trade receivables	13	297,687	234,122	-	-
Other receivables	14	28,948	24,694	218	248
Amount due from subsidiaries	8	-	-	40,838	32,229
Amount due from associates	9	1,349	1,714	900	920
Held-for-trading investments	15	4,835	4,608	4,835	4,608
Derivative financial instruments	16	30	-	-	-
Tax recoverable		1,733	2,103	1,193	1,392
Cash and bank balances, deposits and short term placements	17	91,916	86,522	5,894	5,928
Total current assets		685,443	554,595	53,878	45,325
TOTAL ASSETS		1,883,560	1,636,665	286,691	271,737
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the Company					
Share capital	18	159,471	152,525	159,471	152,525
Reserves	19	323,901	267,185	17,052	19,045
Unappropriated profits	20	481,267	431,842	100,884	92,459
Non-controlling interests		964,639 23,982	851,552 24,199	277,407 -	264,029 -
Total equity		988,621	875,751	277,407	264,029
Non-current liabilities					
Finance lease liabilities	21	26,919	24,597	273	145
Borrowings	22	83,058	63,415	-	-
Provision for retirement benefit	23	50,008	45,511	5,997	5,505
Deferred tax liabilities	24	58,698	44,989	966	-
Total non-current liabilities		218,683	178,512	7,236	5,650

* Less than RM1,000

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current liabilities					
Trade payables	25	79,969	62,837	-	-
Other payables	26	85,456	78,843	1,908	1,903
Amount due to subsidiaries	8	-	-	3	45
Derivative financial instruments	16	-	549	-	-
Finance lease liabilities	21	13,378	10,507	137	110
Borrowings	22	468,043	408,494	-	-
Bank overdrafts	27	26,715	20,315	-	-
Tax payable		2,695	857	-	-
Total current liabilities		676,256	582,402	2,048	2,058
TOTAL LIABILITIES		894,939	760,914	9,284	7,708
TOTAL EQUITY AND LIABILITIES		1,883,560	1,636,665	286,691	271,737

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 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	28	1,448,451	1,217,754	25,503	26,149
Cost of sales		(1,222,799)	(1,003,737)	-	-
Gross profit		225,652	214,017	25,503	26,149
Other income	29	10,482	12,003	625	422
Distribution expenses		(87,147)	(80,404)	-	-
Administration expenses		(72,537)	(67,006)	(9,101)	(9,122)
Other expenses	30	(7,886)	(10,125)	*	(2,039)
Compensation received due to fire, net of expenses		23,293	(11,767)	-	-
Finance costs	31	(27,285)	(24,942)	(22)	(15)
Share of profit/(loss) of associates		803	(290)	-	-
Profit before tax	32	65,375	31,486	17,005	15,395
Tax (expense)/income	35	(5,465)	(10,652)	501	134
Profit for the financial year		59,910	20,834	17,506	15,529
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		85,725	-	6,610	-
Tax effect on items that will not be reclassified to profit or loss	35	(17,593)	890	(1,586)	-
		68,132	890	5,024	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations, net of tax		(5,108)	560	-	-
		(5,108)	560	-	-
Other comprehensive income for the financial year, net of tax		63,024	1,450	5,024	-
Total comprehensive income for the financial year		122,934	22,284	22,530	15,529
Profit attributable to:-					
Owners of the Company		58,766	18,807	17,506	15,529
Non-controlling interests		1,144	2,027	-	-
		59,910	20,834	17,506	15,529
Total comprehensive income attributable to:-					
Owners of the Company		122,391	19,676	22,530	15,529
Non-controlling interests		543	2,608	-	-
Total comprehensive income for the financial year		122,934	22,284	22,530	15,529
Earnings per share attributable to owners of the Company					
Earnings per share					
- basic (sen)	36	19.26	6.17		

* Less than RM1,000

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Attributable to owners of the Company Non-Distributable Distributable										
Group	Note	Share capital RM'000	Share premium RM'000	Other reserve 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 1 January 2016		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 (loss)/income 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	37	-	-	-	-	-	(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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Attributable to owners of the Company										
Non-Distributable					Distributable					
Group	Note	Share capital	Share premium	Other reserve	Exchange fluctuation reserve	Revaluation reserve	Unappropriated profits	Total	Non-controlling interests	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 31 December 2016		152,525	6,946	-	14,320	245,919	431,842	851,552	24,199	875,751
Profit for the financial year		-	-	-	-	-	58,766	58,766	1,144	59,910
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	-	-	(2,850)	2,850	-	-
Other comprehensive income for the financial year		-	-	-	(4,507)	68,132	-	63,625	(601)	63,024
Total comprehensive (loss)/income for the financial year		-	-	-	(4,507)	65,282	61,616	122,391	543	122,934
Transition to no par value regime in 31 January 2017 ^		6,946	(6,946)	-	-	-	-	-	-	-
Transactions with owners:-										
First and final single tier dividend of 3.0 sen per share	37	-	-	-	-	-	(9,152)	(9,152)	-	(9,152)
Issuance of bonus shares by subsidiary		-	-	2,887	-	-	(3,039)	(152)	152	-
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	(912)	(912)
Total transactions with owners		-	-	2,887	-	-	(12,191)	(9,304)	(760)	(10,064)
Balance at 31 December 2017		159,471	-	2,887	9,813	311,201	481,267	964,639	23,982	988,621

^ The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM6,946,383 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

Company	Note	Attributable to owners of the Company				
		Non-Distributable		Distributable		
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Unappropriated profits RM'000	Total RM'000
Balance at 1 January 2016		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	37	-	-	-	(9,152)	(9,152)
Balance at 31 December 2016		152,525	6,946	12,099	92,459	264,029
Profit for the financial year		-	-	-	17,506	17,506
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	(71)	71	-
Other comprehensive income for the financial year		-	-	5,024	-	5,024
Total comprehensive income for the financial year		-	-	4,953	17,577	22,530
Transition to no par value regime on 31 January 2017 ^		6,946	(6,946)	-	-	-
Transaction with owners:-						
First and final single tier dividend of 3.0 sen per share	37	-	-	-	(9,152)	(9,152)
Balance at 31 December 2017		159,471	-	17,052	100,884	277,407

^ The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM6,946,383 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
OPERATING ACTIVITIES					
Profit before tax		65,375	31,486	17,005	15,395
Adjustments for:-					
Amortisation of prepaid land lease payments		314	463	-	-
Bad debts written off		73	262	-	-
Capital work-in-progress written off		178	1,078	-	-
Depreciation		62,101	57,627	776	750
Fair value (gain)/loss on derivative instruments		(579)	592	-	-
Fair value (gain)/loss on held-for-trading investments		(4)	39	(4)	39
Impairment on doubtful receivables					
- current		1,451	3,229	-	-
- no longer required		(3,279)	(4,319)	-	-
Impairment loss on investment in subsidiaries		-	-	-	2,000
Impairment loss on investment in associates		1,375	-	-	-
Reversal of impairment loss of property, plant and equipment		(314)	-	-	-
Interest expenses		27,285	24,942	22	15
Inventories written off		788	14,894	-	-
Inventories written down		*	105	-	-
Property, plant and equipment written off		545	11,064	*	-
Provision for retirement benefit		5,376	4,768	492	469
Dividend income		(223)	(169)	(18,584)	(26,149)
Fair value loss/(gain) adjustments on investment property		690	(1,004)	-	-
Gain on disposal of property, plant and equipment		(529)	(269)	(143)	*
Interest income		(575)	(588)	(153)	(216)
Inventories written back		*	(9)	-	-
Reversal of inventories written down		(138)	(186)	-	-
Deficit on revaluation of properties		1,043	-	-	-
Impairment on other receivables		61	-	-	-
Reversal of deficit on revaluation of properties		(2,767)	-	-	-
Share of (profit)/loss of associates		(803)	290	-	-
Unrealised loss/(gain) on foreign exchange		1,559	(1,827)	-	-
Operating profit/(loss) before working capital changes		159,003	142,468	(589)	(7,697)
Changes in working capital:-					
Inventories		(59,372)	(45,022)	-	-
Receivables		(69,398)	(3,621)	30	10
Payables		24,711	25,478	5	77
Bills payable		75,729	10,808	-	-
Associates		359	(841)	-	-
Cash generated from/(used in) operations		131,032	129,270	(554)	(7,610)
Retirement benefit paid		(879)	(483)	-	-
Dividend received		-	173	10,757	15,275
Dividend paid to shareholders		(9,152)	(9,152)	(9,152)	(9,152)
Dividends paid to non-controlling interests		(912)	(930)	-	-
Interest paid		(27,980)	(25,724)	(22)	(15)
Interest received		575	588	153	216
Tax paid		(7,319)	(6,305)	(75)	(60)
Tax refunded		839	184	155	-
Net cash from/(used in) operating activities		86,204	87,621	1,262	(1,346)

* Less than RM1,000

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
INVESTING ACTIVITIES					
Capital work-in-progress incurred	A	(51,100)	(67,331)	-	-
Proceeds from disposal of property, plant and equipment		1,299	458	143	*
Purchase of property, plant and equipment	B	(23,489)	(18,458)	(567)	(81)
Additional investment in subsidiaries		-	-	-	(2,500)
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		(73,290)	(86,530)	(424)	(2,581)
FINANCING ACTIVITIES					
Proceeds from finance leases		4,779	3,849	300	-
Drawdown/(Repayment) of revolving credit		11,500	(1,700)	-	-
Drawdown of onshore foreign currency loan		5,438	2,500	-	-
Drawdown of flexi financing loans		172,997	147,342	-	-
Drawdown of term loans		26,906	25,600	-	-
Repayment of flexi financing loan		(173,315)	(140,885)	-	-
Repayment of onshore foreign currency loan		(4,566)	(4,234)	-	-
Repayment of finance leases		(12,317)	(10,577)	(145)	(137)
Repayment of term loans		(43,398)	(41,596)	-	-
Repayment received from subsidiaries		-	-	(1,047)	31
Repayment received from associates		6	8	20	16
Placement of fixed deposit pledged		(1,504)	(649)	-	-
Net cash used in financing activities		(13,474)	(20,342)	(872)	(90)
CASH AND CASH EQUIVALENTS					
Net changes		(560)	(19,251)	(34)	(4,017)
Effect of exchange rate changes		(1,950)	1,634	-	-
Brought forward		64,592	82,209	5,928	9,945
Carried forward	C	62,082	64,592	5,894	5,928

* Less than RM1,000

NOTES TO THE STATEMENTS OF CASH FLOWS

A. CAPITAL WORK-IN-PROGRESS INCURRED

	Group	
	2017 RM'000	2016 RM'000
Total additions	64,778	67,331
Purchase through finance lease arrangements	(13,678)	-
Cash payment	51,100	67,331

B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total additions	30,503	26,936	567	81
Purchase through finance lease arrangements	(4,454)	(8,478)	(300)	-
Purchase through term loans	(2,560)	-	-	-
Cash payment	23,489	18,458	267	81

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	72,164	68,135	168	45
Fixed deposits with licensed banks	11,351	10,480	-	-
Short term placements with financial institutions	8,401	7,907	5,726	5,883
Bank overdrafts	(26,715)	(20,315)	-	-
	65,201	66,207	5,894	5,928
Less: Fixed deposits pledged	(3,119)	(1,615)	-	-
	62,082	64,592	5,894	5,928

Reconciliation of liabilities arising from financing activities

	1 January 2017 RM'000	Cash flows RM'000	Other RM'000	31 December 2017 RM'000
Group				
Loans and borrowings				
- Finance lease liabilities	35,104	(7,538)	12,731	40,297
- Borrowings				
- Banker's acceptance	269,175	-	75,729	344,904
- Flexi financing loan	18,165	(318)	-	17,847
- Onshore foreign currency loan	-	872	-	872
- Revolving credit	79,070	11,500	-	90,570
- Term loans	105,499	(16,492)	7,901	96,908
	471,909	(4,438)	83,630	551,101
Total liabilities from financing activities	507,013	(11,976)	96,361	591,398

	1 January 2017 RM'000	Cash flows RM'000	Other RM'000	31 December 2017 RM'000
Company				
Loans and borrowings				
- Finance lease liabilities	255	(145)	300	410
Total liabilities from financing activities	255	(145)	300	410

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 in 2017 it also commenced provision of management services. Principal activities of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

The financial statements of the Group and of the Company for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 March 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements of the Group and of the Company 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 measurements and regularly reviews the significant unobservable inputs and valuation adjustments.

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

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 2017

2.4 MFRSs

2.4.1 Adoption of new or revised MFRSs

The accounting policies adopted by the Group and 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 2017. 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 2017 are described below:-

2.4.1.1 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 amendment is not expected to have any financial impact on the Group and the Company.

2.4.1.2 Amendment to MFRS 112 Income Tax: Recognition of deferred tax assets for unrealised losses

The amendments clarify whether deferred tax assets should be recognised for unrealised losses on fixed-rate debt instrument measured at fair value. The decreases in value of a debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this. An example is when an entity holds a fixed-rate debt instrument (measured at fair value) and expects to collect all the contractual cash flows.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in OCI, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

2.4.1.3 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. The adoption of these amendment is not expected to have any financial impact on the Group and the Company.

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 of the Company except as mentioned below:-

2.4.2.1 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.

2.4.2.2 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.

2.4.2.3 MFRS 9 Financial instruments

MFRS 9 replaces MFRS 139 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. Overall, the Group and the Company expect no significant impact on its statement of financial position.

2.4.2.4 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. Overall, the Group and the Company expect no significant impact on its statement of financial position.

2.4.2.5 MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today’s accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

This standard will come into effect on or after 1 January 2019 with early adoption permitted. The adoption of MFRS 16 will result in a change in accounting policy. Overall, the Group and the Company expect no significant impact on its statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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.

2.5.1 Significant management judgements

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

2.5.1.1 *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

2.5.1.2 *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.

2.5.1.3 *Leases*

In applying the classification of leases in MFRS 117, management considers some of its leases of leasehold land as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

2.5.2 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:-

2.5.2.1 *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.

2.5.2.2 *Revaluation of property, plant and equipment*

The Group measures its land and buildings at revalued amount with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair values as at 30 September 2017.

The carrying amount of the land and buildings at the end of the reporting period, and the relevant revaluation bases, are disclosed in Note 4 to the financial statements.

2.5.2.3 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.

2.5.2.4 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.

2.5.2.5 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.

2.5.2.6 Income taxes

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

2.5.2.7 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.

2.5.2.8 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

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2.5.2.9 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 42 to the financial statements.

2.5.2.10 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 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 acquired 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 in 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

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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 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 are classified as finance leases. The leased asset is measured at fair value of the leased asset or, if lower, at the present value of the minimum lease payments at inception. Initial direct costs are added to the amount recognised above. Leased asset is accounted in accordance with accounting policy applicable to that asset.

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

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 statements of financial position. Property interest held under an operating lease, which is held to earn rental income or capital appreciation or both, is classified as investment property and measured using fair value model.

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

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 become 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 comprise 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 comprise 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 are 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 derecognise 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 42 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 comprise 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.

Prior to Companies Act, 2016 which came into operation on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on 31 January 2017 and subsequent period, incremental external costs directly attributable to the issuance of new shares are charged to profit or loss.

Revaluation reserve within equity comprises gains resulting from revaluation of land and buildings in 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 all 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 expenses

3.18.1 Short term employee benefits

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

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

The Group and the Company recognise gains or losses on the settlement of a defined benefit plan when settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit 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 Tax expenses

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

3.20.1 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 services 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 1.1.2016							
- 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 property	-	(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
Cost or valuation							
At 1.1.2017							
- 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
Additions	1,296	2,519	3,531	15,728	4,064	3,365	30,503
Transfer from capital work-in-progress	7,566	-	40,182	49,905	171	*	97,824
Transfer from prepaid land lease payments	-	8,126	-	-	-	-	8,126
Revaluation	15,692	15,579	25,218	-	-	-	56,489
Disposals	-	-	-	(3,366)	(1,497)	(114)	(4,977)
Written off	-	-	-	(6,909)	(32)	(344)	(7,285)
Reclassification	-	574	(215)	694	-	(1,053)	-
Translation difference	-	-	(482)	(713)	(41)	(178)	(1,414)
At 31.12.2017	247,191	136,632	318,815	1,090,102	37,418	32,492	1,862,650
Representing							
- cost	1,296	2,519	3,531	1,090,102	37,418	32,492	1,274,975
- valuation	245,895	134,113	315,284	-	-	-	587,675
	247,191	136,632	318,815	1,090,102	37,418	32,492	1,862,650

* Less than RM1,000

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
Accumulated depreciation							
At 1.1.2016	-	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 property	-	(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
Charge for the financial year	-	1,829	6,689	47,266	3,645	2,672	62,101
Transfer from prepaid land lease payments	-	1,635	-	-	-	-	1,635
Revaluation	-	(7,955)	(23,445)	-	-	-	(31,400)
Disposals	-	-	-	(2,615)	(1,481)	(111)	(4,207)
Written off	-	-	-	(6,367)	(32)	(341)	(6,740)
Reclassification	-	-	517	1	-	(518)	-
Translation difference	-	-	(6)	(673)	(28)	(126)	(833)
At 31.12.2017	-	463	2,061	716,872	27,447	24,168	771,011
Accumulated impairment loss							
At 1.1.2016/31.12.2016	-	-	314	404	-	-	718
Reversal	-	-	(314)	-	-	-	(314)
At 31.12.2017	-	-	-	404	-	-	404
Net carrying amount							
At 31.12.2016	222,637	104,880	231,961	355,099	9,410	8,224	932,211
At 31.12.2017	247,191	136,169	316,754	372,826	9,971	8,324	1,091,235

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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 1.1.2016						
- 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
	11,500	3,400	294	2,671	845	18,710
Additions	-	-	-	469	98	567
Revaluation	6,300	(700)	-	-	-	5,600
Written off	-	-	-	-	(23)	(23)
Disposal	-	-	-	(640)	-	(640)
At 31.12.2017	17,800	2,700	294	2,500	920	24,214
Representing						
- cost	-	-	294	2,500	920	3,714
- valuation	17,800	2,700	-	-	-	20,500
At 31.12.2017	17,800	2,700	294	2,500	920	24,214
Accumulated depreciation						
At 1.1.2016	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
Charge for the financial year	227	60	3	392	94	776
Revaluation	(780)	(230)	-	-	-	(1,010)
Written off	-	-	-	-	(23)	(23)
Disposal	-	-	-	(640)	-	(640)
At 31.12.2017	81	18	271	1,595	614	2,579
Net carrying amount						
At 31.12.2016	10,866	3,212	26	828	302	15,234
At 31.12.2017	17,719	2,682	23	905	306	21,635

*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 2017. The fair value of land was determined based on the comparison approach and fair value of buildings was determined using the depreciated replacement cost and comparison approach. There is no change to the valuation technique.

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 RM65,249,506 (2016: RM56,470,764) and RM654,893 (2016: RM450,491) respectively.

5. PREPAID LAND LEASE PAYMENTS

	Group	
	2017 RM'000	2016 RM'000
Short term leasehold land		
Brought forward	19,322	19,483
Transfer to property, plant and equipment	(8,126)	-
Translation difference	(234)	(161)
Carried forward	10,962	19,322
Accumulated amortisation		
Brought forward	7,643	7,278
Amortisation for the financial year	314	463
Transfer to property, plant and equipment	(1,635)	-
Translation difference	(167)	(98)
Carried forward	6,155	7,643
Net carrying amount	4,807	11,679
Amount to be amortised		
- Within 1 year	314	463
- Between 2 to 5 years	1,256	1,852
- After 5 years	3,237	9,364
	4,807	11,679

6. CAPITAL WORK-IN-PROGRESS

Group	Land and buildings RM'000	Plant, machinery and others RM'000	Total RM'000
At cost:-			
At 1.1.2016	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
Additions	12,057	52,721	64,778
Borrowing costs capitalised ranging from 5.2% to 7.3% per annum	-	695	695
Transfer to property, plant and equipment	(47,748)	(50,076)	(97,824)
Reclassification	15,288	(15,288)	-
Written off	-	(178)	(178)
At 31.12.2017	3,582	53,625	57,207

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7. INVESTMENT PROPERTY

	Group	
	2017 RM'000	2016 RM'000
Fair value:-		
Brought forward	11,180	7,022
Transfer from property, plant and equipment	-	3,154
Fair value adjustments	(690)	1,004
Carried forward	10,490	11,180

Investment property comprises of freehold commercial property, leasehold land and buildings leased to third parties. The leases contain a cancellable period of 2 (2016: 2) years with renewal period of 1 (2016: 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	
	2017 RM'000	2016 RM'000
Buildings	2,210	1,810
Land	6,790	7,790

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

	Group	
	2017 RM'000	2016 RM'000
Rental income	1,077	632
Direct operating expenses		
- income generating investment property	25	292
- non-income generating investment property	17	2

8. SUBSIDIARIES

Investment in subsidiaries:-

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares		
- at cost	185,826	185,826
- at valuation	55,633	55,633
	241,459	241,459
Less: Allowance for impairment loss	(30,281)	(30,281)
	211,178	211,178

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

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	
			2017 %	2016 %
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

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Name of subsidiaries	Principal activities	Place of incorporation	Proportion of effective ownership interest and voting power held by the Group	
			2017 %	2016 %
Ee Sin Paper Products Pte. Ltd.*	Trading in school books, uniforms and stationery	Republic of Singapore	56	56
Pacific Bookstores Pte. Ltd.*	Operator of school and online bookstores	Republic of Singapore	67	67
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 Grant Thornton Malaysia

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 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 a 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 amounted to RM1,899,000.

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:-

Intrapac (Singapore) Pte. Ltd. Group	2017 RM'000	2016 RM'000
NCI percentage of ownership interest and voting interest	30%	30%
Profit allocated to NCI	215	341
Carrying amount of NCI	4,395	4,349

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 intra-group eliminations.

Intrapac (Singapore) Pte. Ltd. Group	2017 RM'000	2016 RM'000
Non-current assets	26,915	27,595
Current assets	71,386	75,160
Total assets	98,301	102,755
Non-current liabilities	(198)	(241)
Current liabilities	(19,039)	(23,128)
Total liabilities	(19,237)	(23,369)
Equity attributable to owners of the company	79,064	79,386
Non-controlling interest	4,395	4,349
Revenue	140,446	141,329
Expenses	(135,707)	(134,203)
Profit for the financial year	4,739	7,126
Profit attributable to owners of the company	4,524	6,785
Profit attributable to the non-controlling interest	215	341
Profit for the financial year	4,739	7,126
Total comprehensive income attributable to owners of the company	4,524	6,785
Total comprehensive income attributable to non-controlling interests	215	341
Total comprehensive income for the financial year	4,739	7,126
Dividends paid to non-controlling interests	(1,559)	(898)
Net cash inflow from operating activities	1,668	11,310
Net cash outflow from investing activities	(1,184)	(3,716)
Net cash outflow from financing activities	(3,514)	(1,375)
Net cash (outflow)/inflow	(3,030)	6,219

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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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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	11,902	11,468	-	-
Translation difference	2,975	3,285	-	-
	21,006	20,882	88	88
Less: Allowance for impairment loss				
Brought forward	-	-	(88)	(88)
Charge for the financial year	(1,375)	-	-	-
Carried forward	(1,375)	-	(88)	(88)
Translation difference	34	-	-	-
	19,665	20,882	*	*

* 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	
			2017 %	2016 %
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
KL Resources Pte. Ltd.*	Trading in waste paper and scrap	Republic of Singapore	24	24

* Associates not audited by Grant Thornton Malaysia

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

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.

KL Resources Pte. Ltd. Group	2017 RM'000	2016 RM'000
Non-current assets	52,007	41,424
Current assets	29,745	34,124
Total assets	81,752	75,548
Non-current liabilities	(20,275)	(17,395)
Current liabilities	(17,752)	(13,399)
Total liabilities	(38,027)	(30,794)
Net assets of the associate	43,725	44,754
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.	10,335	10,578
Revenue	218,586	150,393
Expenses	(218,259)	(148,133)
Profit/Total comprehensive income for the financial year	327	2,260
Group's share of profit for the financial year	406	592

9.3 Amount due from associates

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount due from associates				
- Trade related	407	766	-	-
- Non-trade related	942	948	900	920
	1,349	1,714	900	920

Amount due from 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	
	2017 RM'000	2016 RM'000
Singapore Dollar	330	-

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10. INTANGIBLE ASSETS

Group	Goodwill RM'000	Intangible assets with finite life RM'000	Total RM'000
Cost			
At 1.1.2016	9,979	698	10,677
Translation difference	86	15	101
At 31.12.2016	10,065	713	10,778
Translation difference	(82)	(14)	(96)
At 31.12.2017	9,983	699	10,682
Accumulated amortisation			
At 1.1.2016	-	698	698
Translation difference	-	15	15
At 31.12.2016	-	713	713
Translation difference	-	(14)	(14)
At 31.12.2017	-	699	699
Net carrying amount			
At 31.12.2016	10,065	-	10,065
At 31.12.2017	9,983	-	9,983

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% to 13% (2016: 5% to 13%). 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	
	2017 RM'000	2016 RM'000
Brought forward	6,317	7,840
Recognised in profit or loss	(362)	(1,525)
Recognised in other comprehensive income	(1,211)	-
Translation difference	(14)	2
	4,730	6,317

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

	Group	
	2017 RM'000	2016 RM'000
Property, plant and equipment	(7,457)	(7,868)
Real property gains tax on investment property	(207)	(79)
Revaluation reserve on land and buildings	(6,314)	(4,517)
Provision for retirement benefit	2,446	2,312
Unabsorbed business losses	3,170	3,301
Unabsorbed capital allowances	153	304
Unabsorbed reinvestment allowances	11,885	12,423
Others	1,054	441
	4,730	6,317

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, unabsorbed special reinvestment allowances and unabsorbed capital allowances are available for offset against future taxable profits of the respective subsidiaries.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment	850	(10,565)	-	(2,117)
Revaluation reserve on land and buildings	(14,056)	(9,711)	-	(9,711)
Unabsorbed business losses	10,081	9,777	-	3,429
Unabsorbed capital allowances	36,910	22,128	-	3,006
Unabsorbed reinvestment allowances	25,159	23,028	-	-
Unabsorbed special reinvestment allowances	16,072	-	-	-
Real property gain tax on investment properties	(35,406)	-	-	-
Provision for retirement benefit	8,658	7,522	-	5,505
Others	313	1,790	-	-
	48,581	43,969	-	112

12. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Raw materials	132,298	75,616
Consumables	27,159	27,574
Work-in-progress	7,117	5,482
Finished goods	91,525	89,115
Goods-in-transit	846	3,045
	258,945	200,832

Recognised in profit or loss:-

	Group	
	2017 RM'000	2016 RM'000
Inventories written down	*	105
Inventories written off ⁽¹⁾	788	14,894
Inventories written back	*	(9)
Reversal of inventories written down	(138)	(186)

(1) Includes RM13,478,000 written off in prior financial year due to fire as disclosed in Note 32.

* 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.

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13. TRADE RECEIVABLES

	Group	
	2017 RM'000	2016 RM'000
Trade receivables	299,702	237,975
Less: Allowances for impairment losses	(2,015)	(3,853)
	<u>297,687</u>	<u>234,122</u>

13.1 Normal trade credit terms granted to customers ranged from 30 to 90 days (2016: 30 to 90 days). Trade receivable is recognised at invoiced amounts and it is non-interest bearing.

Included in trade receivables is an amount of RM632,270 (2016: RM673,966) 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	
	2017 RM'000	2016 RM'000
US Dollar	17,887	15,491
Australian Dollar	5,014	6,751
Singapore Dollar	1,185	735
Euro	528	-
Others	9	344

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

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	241,922	185,596
Past due, not impaired		
Past due 1-30 days	38,535	32,637
Past due 31-60 days	9,829	10,886
Past due 61-90 days	2,438	4,066
Past due more than 90 days	4,963	937
	<u>55,765</u>	<u>48,526</u>
Past due and impaired	2,015	3,853
Trade receivables	<u>299,702</u>	<u>237,975</u>

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 RM55,765,000 (2016: RM48,526,000) 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 and include an amount of RM1,099,157 (2016: RMNil) due from a customer which was rescheduled.

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 2017			
Brought forward	3,753	100	3,853
Charge for the financial year	1,451	-	1,451
Reversal of impairment losses	(3,279)	-	(3,279)
Translation difference	(10)	-	(10)
Carried forward	1,915	100	2,015
Year 2016			
Brought forward	4,600	479	5,079
Charge for the financial year	3,229	-	3,229
Reversal of impairment losses	(3,940)	(379)	(4,319)
Impairment loss written off	(129)	-	(129)
Translation difference	(7)	-	(7)
Carried forward	3,753	100	3,853

13.5 Information on financial risk of trade receivables is disclosed in Note 41 to the financial statements.

14. OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits	17,107	11,010	71	76
Less: Allowances for impairment losses	(61)	-	-	-
	17,046	11,010	71	76
Non-trade receivables	2,339	3,695	92	101
Prepayments	5,330	7,928	55	71
GST recoverable	4,233	2,061	-	-
	28,948	24,694	218	248

14.1 Impairment

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

	2017 RM'000	2016 RM'000
Brought forward	-	-
Charge for the financial year	61	-
Carried forward	61	-

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

	Group	
	2017 RM'000	2016 RM'000
US Dollar	3,809	3,134
Others	406	330

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15. HELD-FOR-TRADING INVESTMENTS

	Group and Company	
	2017 RM'000	2016 RM'000
At fair value:-		
Held-for-trading investments		
Quoted in Malaysia	4,835	4,608
Market value of quoted investment in Malaysia	4,835	4,608

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				
2017	2,059	2,059	2,029	30
2016	9,998	9,998	10,547	(549)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	72,164	68,135	168	45
Fixed deposits with licensed banks	11,351	10,480	-	-
Short term placements with financial institutions	8,401	7,907	5,726	5,883
	91,916	86,522	5,894	5,928

Fixed deposits amounting to RM3,119,000 (2016: RM1,615,000) of certain foreign subsidiaries are pledged as security for bank overdrafts and trade finance facilities, and hence are not available for general use.

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

	Group	
	2017 RM'000	2016 RM'000
US Dollar	10,345	9,139
Singapore Dollar	1,688	3,420
Australian Dollar	1,083	1,759
Euro Dollar	798	483
Others	29	857

18. SHARE CAPITAL

	Group and Company			
	2017 Number of ordinary shares ('000)	2016 Number of ordinary shares ('000)	2017 RM'000	2016 RM'000
Issued and fully paid up:-				
Brought forward	305,051	305,051	152,525	152,525
- Transition to no par value regime on 31 January 2017 (Note 19)	-	-	6,946	-
Carried forward	305,051	305,051	159,471	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	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable					
Share premium	(a)	-	6,946	-	6,946
Revaluation reserve	(b)	311,201	245,919	17,052	12,099
Exchange fluctuation reserve	(c)	9,813	14,320	-	-
Other reserve	(d)	2,887	-	-	-
Total		323,901	267,185	17,052	19,045

- (a) The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 618(3) of the Companies Act, 2016.

The movements in the share premium of the Group and of the Company are as follows:-

	2017 RM'000	2016 RM'000
Brought forward	6,946	6,946
Movement during the financial year:-		
- Transition to no par value regime on 31 January 2017*	(6,946)	-
Carried forward	-	6,946

* The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Group's and the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Group and the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM6,946,383 for purchase as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

- (b) Revaluation reserve consists of surplus from revaluation of properties and revaluation of investments in subsidiaries.
- (c) 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.
- (d) Other reserves consist of unappropriated profit capitalised as bonus shares by a subsidiary.

The above reserves are not available for distribution as dividends.

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20. UNAPPROPRIATED PROFITS

The Company is able to pay out all the unappropriated profits as dividends to its shareholders 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 (2016: RM84,594,000).

21. FINANCE LEASE LIABILITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payments				
- Within 1 year	15,433	12,307	153	119
- Between 2 to 5 years	29,042	26,526	292	151
	44,475	38,833	445	270
Less: Future finance charges on finance leases	(4,178)	(3,729)	(35)	(15)
Present value of finance lease liabilities	40,297	35,104	410	255
Present value of finance lease liabilities				
- Within 1 year	13,378	10,507	137	110
- Between 2 to 5 years	26,919	24,597	273	145
	40,297	35,104	410	255

Interest charged on finance leases of the Group and the Company ranged from 4.4% to 7.8% and 4.4% to 4.8% (2016: 3.8% to 7.8% and 4.4% to 4.8%) per annum respectively.

22. BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
Current		
Unsecured:-		
Bankers acceptance	344,904	269,175
Flexi financing loan	17,847	18,165
Onshore foreign currency loan	872	-
Revolving credit	90,570	79,070
Term loans	13,850	42,084
	468,043	408,494
Non-current		
Unsecured:-		
Term loans	83,058	63,415
Total borrowings	551,101	471,909

Currency exposure profile of the borrowings is as follows:-

	Group	
	2017 RM'000	2016 RM'000
US Dollar	872	-
Others	407	550

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 1.6% to 8.3% (2016: 3.5% 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Defined benefit obligation brought forward	45,511	41,226	5,505	5,036
Current service costs	2,931	2,555	207	201
Net interests	2,445	2,213	285	268
Benefit paid	(879)	(483)	-	-
Defined benefit obligation carried forward	50,008	45,511	5,997	5,505

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	(4,426)	(9%)
Rate of salary increase	6.0%	1.0% increase	5,035	10%
Company				
Discount rate	5.4%	1.0% increase	(322)	(6%)
Rate of salary increase	6.0%	1.0% increase	344	6%

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current service costs	2,931	2,555	207	201
Net interests	2,445	2,213	285	268
Total expenses recognised in profit or loss	5,376	4,768	492	469

23.6 Other information on the defined benefit plan

The weighted average duration of the benefit obligation of the Group and the Company is 11.2 and 7.7 years respectively. The Group and the Company are expected to make benefit payment of RM681,104 (2016: RM539,612) and RM175,368 (2016: RM156,915) respectively in 2018.

24. DEFERRED TAX LIABILITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Brought forward	44,989	40,518	-	134
Recognised in profit or loss	(2,709)	5,362	(620)	(134)
Recognised in other comprehensive income	16,382	(890)	1,586	-
Translation difference	36	(1)	-	-
Carried forward	58,698	44,989	966	-

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment	48,304	56,317	81	-
Real property gains tax				
- property, plant and equipment	4,588	5,743	-	-
- investment property	183	167	-	-
Revaluation reserve of land and buildings	45,900	27,115	3,868	-
Provision for retirement benefit	(7,513)	(6,842)	(1,439)	-
Unabsorbed business losses	(826)	(273)	(823)	-
Unabsorbed capital allowances	(721)	(89)	(721)	-
Unabsorbed reinvestment allowances	(27,039)	(37,157)	-	-
Unabsorbed special reinvestment allowances	(4,182)	-	-	-
Others	4	8	-	-
	58,698	44,989	966	-

25. TRADE PAYABLES

Currency exposure profile of trade payables is as follows:-

	Group	
	2017 RM'000	2016 RM'000
US Dollar	6,121	5,250
Others	790	1,148

Normal trade credit terms granted by suppliers ranged from 60 to 90 days (2016: 60 to 90 days).

26. OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-trade payables	39,323	34,938	-	-
Deposits received	692	731	88	87
Accruals	43,555	41,547	1,787	1,816
GST payable	1,886	1,627	33	-
	85,456	78,843	1,908	1,903

Currency exposure profile of other payables is as follows:-

	Group	
	2017 RM'000	2016 RM'000
US Dollar	2,005	2,656
Singapore Dollar	1,999	2,031
Euro Dollar	881	263
Others	454	591

Included in non-trade payables is unsecured loans of RM373,800 (2016: RM645,500) taken by a foreign subsidiary in 2016. Interest is charged at 5.3% (2016: 4.8%) per annum and payable on quarterly basis.

27. BANK OVERDRAFTS

	Group	
	2017 RM'000	2016 RM'000
Secured	3,119	1,615
Unsecured	23,596	18,700
	26,715	20,315

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

Interest is charged at rates ranging from 7.1% to 8.5% (2016: 5.3% to 8.4%) per annum.

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28. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of goods and services	1,448,228	1,217,514	-	-
Dividend income	-	-	-	-
- Unquoted subsidiaries	-	-	18,361	25,980
- Quoted investment in Malaysia	223	169	223	169
Management fees from subsidiaries	-	-	6,919	-
Others	-	71	-	-
	1,448,451	1,217,754	25,503	26,149

29. OTHER INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bad debts recovered	-	18	-	-
Dividend income	-	-	-	-
- unquoted associate	-	173	-	-
Fair value gain adjustments on investment property	-	1,004	-	-
Gain on disposal of property, plant and equipment	529	269	143	*
Gain on foreign exchange	-	-	-	-
- realised	149	943	-	-
- unrealised	-	1,827	-	-
Interest income	575	588	153	216
Impairment loss on doubtful receivables no longer required	3,279	4,319	-	-
Reversal of impairment loss of property, plant and equipment	314	-	-	-
Inventories written back	*	9	-	-
Rental income	-	-	-	-
- third parties	1,077	1,138	322	206
Fair value gain on derivative instruments	579	-	-	-
Fair value gain on held-for-trading investments	4	-	4	-
Reversal of deficit on revaluation of properties	2,767	-	-	-
Reversal of inventories written down	138	186	-	-

* Less than RM1,000

30. OTHER EXPENSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bad debts written off	73	262	-	-
Capital work-in-progress written off	178	-	-	-
Deficit on revaluation of properties	1,043	-	-	-
Fair value loss adjustment on investment properties	690	-	-	-
Fair value loss on derivative instruments	-	592	-	-
Fair value loss on held-for-trading investments	-	39	-	39
Impairment on doubtful receivables	1,451	3,229	-	-
Impairment on other investments	61	-	-	-
Impairment loss on investment in subsidiaries	-	-	-	2,000
Impairment loss on investment in associates	1,375	-	-	-
Inventories written down	*	105	-	-
Inventories written off	788	1,416	-	-
Loss on foreign exchange	-	-	-	-
- unrealised	1,559	-	-	-
Property, plant and equipment written off	545	4,237	*	-

* Less than RM1,000

31. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expenses on:-				
Bank overdrafts	2,552	1,587	4	*
Bankers acceptance	12,681	11,373	-	-
Finance lease	2,260	2,144	18	15
Flexi financing loan	799	640	-	-
Revolving credit	4,327	3,973	-	-
Term loans	4,591	5,212	-	-
Others	75	13	-	-

* Less than RM1,000

32. PROFIT BEFORE TAX

Other than those disclosed in Notes 29, 30 and 31, profit for the financial year is derived after taking into consideration of the following:-

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental of equipment	538	587	-	-
Rental of motor vehicles	4,397	4,300	-	-
Rental of premises paid to				
- subsidiaries	-	-	216	216
- third parties	2,731	2,285	-	-
- company in which certain Directors have interest	120	120	-	-
Compensation received due to fire, net of expenses	(23,293)	11,767	-	-
Progressive payment received from insurer	(24,813)	10,000	-	-
Assets written off:-				
- Property, plant and equipment	-	(6,827)	-	-
- Capital work-in-progress	-	(1,078)	-	-
- Inventories	-	(13,478)	-	-
Incidental cost	1,544	(384)	-	-
Disposal of scrap due to fire incident	(24)	-	-	-

33. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salary, wages and other allowances	153,592	141,873	4,438	4,427
Defined contribution plan	13,055	12,377	428	421
Provision for retirement benefit	5,376	4,768	492	469
	172,023	159,018	5,358	5,317

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34. DIRECTORS' REMUNERATION

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

Group	Fees RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
2017						
Executive Directors	577	3,096	900	772	151	5,496
Non-Executive Directors	275	-	-	1,079	29	1,383
Total	852	3,096	900	1,851	180	6,879
2016						
Executive Directors	613	2,880	840	754	151	5,238
Non-Executive Directors	278	480	-	586	29	1,373
Total	891	3,360	840	1,340	180	6,611
Company						
2017						
Executive Directors	150	1,968	600	458	113	3,289
Non-Executive Directors	200	-	-	578	29	807
Total	350	1,968	600	1,036	142	4,096
2016						
Executive Directors	150	1,824	560	441	124	3,099
Non-Executive Directors	200	-	-	565	29	794
Total	350	1,824	560	1,006	153	3,893

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 RM180,000 (2016: RM180,000) and RM142,000 (2016: RM153,000) respectively.

35. TAX EXPENSE/(INCOME)

Tax recognised in profit or loss

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
In Malaysia				
Current year	7,090	3,873	95	-
Under/(Over) provision in prior years	354	(413)	24	-
Deferred tax liabilities/assets recognised in profit or loss	(1,164)	7,610	(571)	(92)
Realisation of deferred tax upon depreciation of revalued assets	(745)	(731)	(49)	(42)
	5,535	10,339	(501)	(134)
Outside Malaysia				
Current year	121	284	-	-
Under provision in prior years	247	21	-	-
Deferred tax assets recognised in profit or loss	(438)	8	-	-
	(70)	313	-	-
Total	5,465	10,652	(501)	(134)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	65,375	31,486	17,005	15,395
Tax at Malaysian statutory tax rate of 24%	15,690	7,557	4,081	3,695
Tax effects in respect of:-				
Expenses not deductible for tax purposes	2,258	7,525	1,581	2,489
Income not subject to tax	(5,263)	(2,663)	(6,138)	(6,327)
Realisation of deferred tax upon depreciation of revalued assets	(745)	(731)	(49)	(42)
Under/(Over) provision in prior years				
- Current tax	601	(392)	24	-
- Deferred tax liabilities/assets	184	(968)	-	24
Movement on deferred tax assets not recognised	1,107	737	-	27
Tax effect of share of results of associates	(22)	(45)	-	-
Utilisation of business loss brought forward	(84)	(86)	-	-
Unabsorbed reinvestment allowances granted during the financial year	(8,386)	-	-	-
Different tax rates of subsidiaries in overseas	125	(282)	-	-
Total	5,465	10,652	(501)	(134)

Tax recognised in other comprehensive income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revaluation of land and buildings	17,593	-	1,586	-
Realisation of deferred tax liabilities upon write off of revalued assets	-	(890)	-	-
	17,593	(890)	1,586	-

- (a) 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 (2016: RM3,006,000) and RM3,429,000 (2016: RM3,429,000) respectively.
- (b) The Group's unabsorbed business losses, unabsorbed capital allowances, unabsorbed reinvestment allowances, and unabsorbed special reinvestment allowances which can be carried forward to offset against future taxable profit amounted to approximately RM26,731,000 (2016: RM24,669,000), RM40,552,000 (2016: RM23,766,000), RM187,343,000 (2016: RM229,612,000) and RM33,497,000 (2016: RMNil) respectively.
- (c) Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

36. 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 RM58,766,000 (2016: RM18,807,000) and weighted average number of ordinary shares in issue during the financial year of 305,050,835 (2016: 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.

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37. DIVIDENDS

Group and Company RM'000

Recognised in the year

2017

First and final single tier dividend for financial year 2016:-
3.0 sen per share

9,152

2016

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

9,152

At the forthcoming Annual General Meeting, a first and final single tier dividend, in respect of financial year ended 31 December 2017, of 3.5 sen per share on 305,050,835 ordinary shares, amounting to RM10,676,779 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 2018.

38. COMMITMENTS

38.1 Capital commitments

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

	Group	
	2017 RM'000	2016 RM'000
Authorised and contracted for	49,972	37,853
Authorised but not contracted for	19,598	10,280
	69,570	48,133
Made up of:-		
Land and buildings	5,178	22,313
Plant and machineries	62,285	24,770
Computer system and others	2,107	1,050
	69,570	48,133

38.2 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	
	2017 RM'000	2016 RM'000
- Within 1 year	1,946	1,487
- Between 2 to 5 years	2,134	504
	4,080	1,991

38.3 Maintenance commitments

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

	Group	
	2017 RM'000	2016 RM'000
Authorised and contracted for:-		
- Maintenance for plant and machinery		
- Within 1 year	3,004	3,318
- Between 2 to 5 years	8,785	11,112
- More than 5 years	1,602	3,154
	13,391	17,584

39. CONTINGENT LIABILITIES

	Company	
	2017 RM'000	2016 RM'000
Unsecured:-		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,069,450	1,070,661
Guarantees given to third parties for supply of goods and services to subsidiaries	7,269	7,353
	1,076,719	1,078,014

40. 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:-

40.1 Transactions with subsidiaries

	Company	
	2017 RM'000	2016 RM'000
Rental expenses	216	216
Secretarial and statutory records maintenance fee	115	115
Stationery expenses	12	10
Office administration fee	420	420
Share registration fee incurred	187	176
Dividend income received	18,361	25,980
Property, plant and equipment transfer to subsidiary	-	*
Management fee	6,919	-

*Less than RM1,000

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40.2 Transactions with associates

	Group	
	2017 RM'000	2016 RM'000
Sales of goods	2,759	2,772
Purchase of goods	4,169	1,938
Dividend income received	-	173
Management fee	75	72

40.3 Recurrent related party transactions with major shareholder

	Group	
	2017 RM'000	2016 RM'000
Sale of goods to:-		
- Asia File Products Sdn Bhd	2,262	1,747
- AFP Composite Sdn Bhd	331	349
	2,593	2,096

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

40.4 Transaction with certain Directors

	Group	
	2017 RM'000	2016 RM'000
Rental paid to Tri-yen Enterprise Sdn. Bhd.	120	120

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.

40.5 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 consist of Executive Directors of the Company and Executive Directors of subsidiaries in Singapore.

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

	Group	
	2017 RM'000	2016 RM'000
Fees, salaries, bonus and other emoluments	6,959	9,026
Benefit-in-kind	151	209
	7,110	9,235

41. 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.

41.1 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.

41.1.1 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Classes of financial assets:-				
Short term placements	8,401	7,907	5,726	5,883
Cash and bank balances	72,164	68,135	168	45
Fixed deposits with licensed banks	11,351	10,480	-	-
Trade receivables	297,687	234,122	-	-
Other receivables	19,385	14,705	163	177
Amount due from subsidiaries	-	-	40,838	32,229
Amount due from associates	1,349	1,714	900	920
Carrying amount	410,337	337,063	47,795	39,254

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.

41.1.2 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.

41.1.3 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.

41.1.4 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.

41.1.5 Financial guarantees

The Company provides secured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The maximum exposure to credit risk is as disclosed in Note 39 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.

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41.2 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 are 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.

41.2.1 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	More than 5 years RM'000
Group			
2017			
Non-derivative financial liabilities			
Bank borrowings	498,461	79,782	14,178
Finance lease liabilities	15,433	29,042	-
Trade payables	79,969	-	-
Other payables	83,570	-	-
Total undiscounted financial liabilities	677,433	108,824	14,178
Company			
2017			
Non-derivative financial liabilities			
Finance lease liabilities	153	292	-
Other payables	1,875	-	-
Amount due to subsidiaries	3	-	-
Total undiscounted financial liabilities	2,031	292	-
Financial guarantee*	1,076,719	-	-
Group			
2016			
Non-derivative financial liabilities			
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
Derivative financial liabilities			
Forward currency contract			
- outflow	10,547	-	-
- inflow	(9,998)	-	-
Total undiscounted financial liabilities	586,916	83,210	25,248
Company			
2016			
Non-derivative financial liabilities			
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	-	-

* 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.

41.3 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.

41.3.1 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial asset				
Fixed deposits with licensed banks	11,351	10,480	-	-
Financial liabilities				
Other payable	(374)	(646)	-	-
Finance lease liabilities	(40,297)	(35,104)	(410)	(255)
	(40,671)	(35,750)	(410)	(255)
Net financial liabilities	(29,320)	(25,270)	(410)	(255)
Floating rate instruments				
Financial asset				
Short term placements with financial institutions	8,401	7,907	5,726	5,883
Financial liabilities				
Banker's acceptance	(344,904)	(269,175)	-	-
Flexi financing loan	(17,847)	(18,165)	-	-
Onshore foreign currency loan	(872)	-	-	-
Revolving credit	(90,570)	(79,070)	-	-
Term loans	(96,908)	(105,499)	-	-
Bank overdrafts	(26,715)	(20,315)	-	-
Total financial liabilities	(577,816)	(492,224)	-	-
Net financial (liabilities)/assets	(569,415)	(484,317)	5,726	5,883

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2016: +/-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
2017 (+/- 25bp)	(1,424)	1,424	14	(14)
2016 (+/- 25bp)	(1,211)	1,211	15	(15)

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41.4 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), Singapore Dollar (SGD) and Euro Dollar (EURO).

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, United Kingdom and Europe. 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	EURO RM'000	Others RM'000
2017					
Trade and other receivables	21,696	5,014	1,185	528	415
Deposits, cash and bank balances	10,345	1,083	1,688	798	29
Trade and other payables	(8,126)	-	(1,999)	(881)	(1,244)
Amount due to associates	-	-	(330)	-	-
Borrowings	(872)	-	-	-	(407)
Net exposure	23,043	6,097	544	445	(1,207)
2016					
Trade and other receivables	18,625	6,751	735	-	674
Deposits, cash and bank balances	9,139	1,759	3,420	483	857
Trade and other payables	(7,906)	-	(2,031)	(263)	(1,739)
Borrowings	-	-	-	-	(550)
Net exposure	19,858	8,510	2,124	220	(758)

41.4.1 Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit or loss with regards to the Group's financial assets and financial liabilities and the RM/USD exchange rate, RM/AUD exchange rate, RM/SGD exchange rate and RM/EURO exchange rate assuming all other things being equal.

A +/-5% (2016: +/-5%) change in the RM/USD, RM/AUD, RM/SGD, RM/EURO and RM/Others exchange rates at the reporting period is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the RM had strengthened against the USD, AUD, SGD, EURO 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	EURO RM'000	Others RM'000	Total RM'000
2017	(1,152)	(305)	(28)	(22)	60	(1,447)
2016	(993)	(426)	(106)	-	27	(1,498)

If the RM had weakened against the USD, AUD, SGD, EURO 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.

41.5 Other price risk sensitivity analysis

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

An increase or decrease of 1% (2016: 1%) in the prices of the quoted securities would result in an increase or decrease of RM48,350 (2016: RM46,080) to the profit or loss of the Group and of the Company.

42. 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.

42.1 Group

42.1.1 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 2017 and 31 December 2016:-

Financial assets / Financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2017 RM'000	2016 RM'000		
1) Foreign currency forward contracts	Assets 30	Liabilities 549	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 4,835	Assets 4,608	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and Level 2 in 2017 and 2016.

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42.1.2 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 2017 and 31 December 2016:-

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
	2017 RM'000	2016 RM'000				
1) Property, plant and equipment	Land 373,334	Land 311,659	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 295,134	Buildings 189,030		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 6,832	Land 7,932	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 3,658	Buildings 3,248		Buildings Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Buildings Adjustment for factors such as physical deterioration, functional and economic obsolescence.	Buildings Depreciation is deducted to reflect the current condition of the buildings and structures.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:-

	← Property, plant and equipment →				← Investment property →			
	Land	Buildings	Land	Buildings	Land	Buildings	Land	Buildings
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Brought forward	311,659	316,670	189,030	198,886	7,932	3,842	3,248	3,180
Transfer from property, plant and equipment	-	-	-	-	-	3,154	-	-
Transfer to investment properties	-	(3,154)	-	-	-	-	-	-
Transfer from capital work-in-progress	7,566	-	40,182	-	-	-	-	-
Transfer into level 3	20,796	-	32,225	-	-	-	-	-
Income/(Expenses) recognised in profit or loss:-								
- Increase in fair value of land and building	192	-	2,568	-	(1,100)	936	410	68
- Depreciation	(1,829)	(1,857)	(5,749)	(4,664)	-	-	-	-
- Written off	-	-	-	(5,411)	-	-	-	-
Gains recognised in other comprehensive income:-								
- Revaluation of land and building	34,950	-	37,160	-	-	-	-	-
Translation difference	-	-	(282)	219	-	-	-	-
Carried forward	373,334	311,659	295,134	189,030	6,832	7,932	3,658	3,248

	Group Investment property			
	Land	Buildings	Land	Buildings
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total amount included in profit or loss for unrealised gains or losses on Level 3 assets	(1,100)	936	410	68

42.2 Company

42.2.1 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 2017 and 31 December 2016:-

Financial assets / Financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2017 RM'000	2016 RM'000		
Held-for-trading investments	Assets 4,835	Assets 4,608	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and Level 2 in 2017 and 2016.

42.2.2 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 2017 and 31 December 2016:-

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
	2017 RM'000	2016 RM'000				
Property, plant and equipment	Land 17,719	Land 10,866	Level 3	Land Comparison approach which reflects recent market transactions for similar properties.	Land Adjustment for factors such as plot size, location, encumbrances and current use.	Land The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as starting point for valuation.
	Buildings 2,682	Buildings 3,212		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		
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Brought forward	10,866	11,061	3,212	3,270
Expenses recognised in profit or loss:-				
- Depreciation	(227)	(195)	(60)	(58)
Gain/(Loss) recognised in other comprehensive income:-				
- Revaluation of land and building	7,080	-	(470)	-
Carried forward	17,719	10,866	2,682	3,212

43. 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 2017 and 2016.

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 2017 and 2016 are reported below:-

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Borrowings	618,113	527,328	410	255
Total equity	988,621	875,751	277,407	264,029
Debt-to-equity ratio	0.63	0.60	*	*

* Less than 0.1

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.

44. 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 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.

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Analysis of the Group's revenue, results, assets, liabilities and other information by operating segment are shown below:-

	Manufacturing			Trading			Others		Eliminations		Note	Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000		2017 RM'000	2016 RM'000
Revenue													
External revenue	1,259,416	1,029,990	188,810	187,525		239	225		-	-		1,448,451	1,217,754
Intersegment revenue	34,827	37,533	267,041	206,695		-	7,106		(308,974)	(244,228)	A	-	-
Total revenue	1,294,243	1,067,523	455,851	394,220	7,331	239	7,331	239	(308,974)	(244,228)		1,448,451	1,217,754
Results													
Segment profit	88,021	52,150	7,488	9,977	32,837	24,158	(37,064)	(30,155)			B	91,282	56,130
Interest income	183	103	592	673	441	286	(641)	(474)				575	588
Finance cost	(26,315)	(24,220)	(1,195)	(956)	(391)	(253)	616	487				(27,285)	(24,942)
Depreciation and amortisation	(59,012)	(55,284)	(2,412)	(1,858)	(991)	(948)	-	-				(62,415)	(58,090)
Share of results of associates	29	31	774	(321)	-	-	-	-				803	(290)
Other non-cash income/(expenses)	2,371	(24,801)	(1,338)	315	(1,186)	837	-	-			C	(153)	(23,649)
Assets													
Segment assets	1,664,675	1,433,610	132,139	125,576	50,635	38,112	-	-			D	1,847,449	1,597,298
Investment in associates	168	139	19,497	20,743	-	-	-	-				19,665	20,882
Additions to non-current assets other than financial instruments and deferred tax assets	88,355	91,913	7,054	3,055	567	81	-	-			E	95,976	95,049
Segment liabilities	(172,673)	(146,078)	(33,940)	(34,251)	(8,820)	(7,411)	-	-			F	(215,433)	(187,740)

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:-

	2017 RM'000	2016 RM'000
Segment profit	91,282	56,130
Interest income	575	588
Finance costs	(27,285)	(24,942)
Share of results of associates	803	(290)
Profit before tax	65,375	31,486

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

	2017 RM'000	2016 RM'000
Impairment loss on associates	(1,375)	-
Reversal of impairment loss of property, plant and equipment	314	-
Impairment on doubtful receivables	(1,451)	(3,229)
Impairment on other investment	(61)	-
Bad debts written off	(73)	(262)
Capital work-in-progress written off	(178)	(1,078)
Deficit on revaluation of properties	(1,043)	-
Reversal of deficit on revaluation of properties	2,767	-
Fair value gain/(loss) on derivative instruments	579	(592)
Fair value gain on held-for-trading investments	4	(39)
Property, plant and equipment written off	(545)	(11,064)
Inventories written down	*	(105)
Inventories written off	(788)	(14,894)
Fair value (loss)/gain adjustments on investment property	(690)	1,004
Impairment on doubtful receivables no longer required	3,279	4,319
Reversal of inventories written down	138	186
Gain on disposal of property, plant and equipment	529	269
Unrealised (loss)/gain on foreign exchange	(1,559)	1,827
Inventories written back	*	9
	(153)	(23,649)

* 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:-

	2017 RM'000	2016 RM'000
Segment assets	1,847,449	1,597,298
Intangible assets	9,983	10,065
Investment in associates	19,665	20,882
Deferred tax assets	4,730	6,317
Tax recoverable	1,733	2,103
Total assets	1,883,560	1,636,665

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

	2017 RM'000	2016 RM'000
Property, plant and equipment	30,503	26,936
Capital work-in-progress	65,473	68,113
	<u>95,976</u>	<u>95,049</u>

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

	2017 RM'000	2016 RM'000
Segment liabilities	(215,433)	(187,740)
Finance lease liabilities	(40,297)	(35,104)
Borrowings and bank overdrafts	(577,816)	(492,224)
Tax payable	(2,695)	(857)
Deferred tax liabilities	(58,698)	(44,989)
Total liabilities	<u>(894,939)</u>	<u>(760,914)</u>

Geographical information

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

	Revenue		Non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia *	1,279,511	1,056,834	1,149,419	1,034,209
Republic of Singapore	140,426	141,306	6,968	6,852
The People's Republic of China	23,776	14,313	7,839	7,365
Australia	4,738	5,301	9,496	6,445
	<u>1,448,451</u>	<u>1,217,754</u>	<u>1,173,722</u>	<u>1,054,871</u>

* Company's home country

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

	2017 RM'000	2016 RM'000
Property, plant and equipment	1,091,235	932,211
Prepaid land lease payments	4,807	11,679
Capital work-in-progress	57,207	89,736
Investment property	10,490	11,180
Intangible assets	9,983	10,065
	<u>1,173,722</u>	<u>1,054,871</u>

Major customers

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

THE PROPERTIES & SHAREHOLDINGS

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PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2017

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	1,721	18	(B) 16-08-17
No. 1A, Jalan Taman Teknologi Cheng 2 Taman Teknologi Cheng 75250 Melaka 99 Years Lease Expiring 2096	Industrial Building	5,304	Office & Warehouse	3,781	14	(B) 17-08-17
No. 2, Persiaran Rishah 14 Kawasan Perindustrian Silibin 30100 Ipoh Perak Darul Ridzuan 60 Years Lease Expiring 2045	Industrial Building	1,600	Office & Warehouse	655	29	(B) 14-08-17
No. 101-D, Lintang Kampung Jawa 11900 Bayan Lepas, Penang 60 Years Lease Expiring 2041	Industrial Building	1,339	Office & Warehouse	734	26	(B) 15-08-17
No. 4858, Jalan Permatang Pauh 13400 Butterworth, Penang 99 Years Lease Expiring 2064	Industrial Building	266	Office & Warehouse	600	33	(C) 15-08-17
No. 23, Jalan Padu Kawasan Perindustrian Tampoi 80350 Johor Bahru Johor Darul Takzim 60 Years Lease Expiring 2044	Industrial Building	6,070	Office & Warehouse	3,394	27	(B) 15-08-17
No. 1, Persiaran Perusahaan Kledang Utara 1/3 Kawasan Perindustrian Negara Jaya 31450 Ipoh, Perak Darul Ridzuan 90 Years Lease Expiring 2082	Industrial Building	3,039	Office & Warehouse	3,176	20	(A) 07-02-17
CMP RESOURCES SDN BHD						
Plot 79, Lorong Perusahaan Maju 4 Kawasan Perusahaan Prai, Mukim 6 Daerah Seberang Prai Tengah 13600 Prai, Penang 60 Years Lease Expiring 2052	Industrial Building	9,337	Office & Warehouse	3,928	17	(B) 15-08-17
FEDERAL PACKAGES SDN BHD						
Lot 401, Mukim 2 Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	11,124	Vacant	800	-	(C) 14-08-17
Lot 401, Mukim 1 Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	10,370	Vacant	2,200	-	(B) 14-08-17
Lot 134, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Land	12,375	Open Storage Yard	1,670	-	(B) 15-08-17

Location	Description of property	Land area (Sq metre)	Existing use	Net carrying amount RM'000	Age of building (Approx. years)	Date of (A) acquisition / (B) revaluation / (C) fair value
Lot 415, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	73,370	Office, Factory & Warehouse	46,839	24	(B) 15-08-17
Lot 10017, Mukim 2 Seberang Perai Selatan Penang Freehold	Agricultural Land	6,032	Vacant	810	-	(B) 15-08-17
Lot 96, Mukim 2 Seberang Perai Selatan Penang Freehold	Agricultural Land	5,754	Vacant	1,090	-	(A) 04-03-17
INTRAPAC (AUSTRALIA) PTY LTD						
Unit 12, 5 Meridian Place Baulkham Hills New South Wales, Australia Freehold	Office & Warehouse	889	Office & Warehouse	9,318	14	(B) 22-08-17
KOTAK MALAYSIA (KOM) SDN BHD						
Lot 11 & 12, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2072	Industrial Building	16,156	Office & Factory	8,939	3 - 44	(B) 16-08-17
No. 136, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2070	Industrial Land	21,600	Vacant	6,270	-	(B) 16-08-17
K F PAPER PRODUCTS (MELAKA) SDN BHD						
Lot 1-9, Jalan Usaha 2 Taman Perindustrian Merlimau 77300 Merlimau Melaka 99 Years Lease Expiring 2088	Industrial Building	51,770	Office & Factory	17,442	7	(B) 17-08-17
MUDA HOLDINGS BERHAD						
Lot 7, Jalan 51A/241 46100 Petaling Jaya Selangor Darul Ehsan 99 Years Lease Expiring 2072	Industrial Building	4,662	Office & Warehouse	20,402	44	(B) 16-08-17
MUDA LAND DEVELOPMENT SDN BHD						
Apartment FL2-1 & FL2-2 Jalan Pantai, Batu 2, Corus Paradise 71000 Port Dickson Negeri Sembilan Darul Khusus 99 Years Lease Expiring 2087	Apartment	167	Holiday Apartments	339	26	(B) 14-08-17

PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2017

Location	Description of property	Land area (Sq metre)	Existing use	Net carrying amount RM'000	Age of building (Approx. years)	Date of (A) acquisition / (B) revaluation / (C) fair value
No. E-14, Block E, Jalan Gereja, Greenhill Resort Tanah Rata, 39000 Cameron Highlands Pahang Darul Makmur 45 Years Lease Expiring 2037	Apartment	84	Holiday Apartments	277	24	(B) 12-08-17
Unit BG1-BG8, B1-1 to B1-8, B2-1 to B2-8, B3-1 to B3-8, B4-1 to B4-8 Rumah Pangsa Kajang Indah Taman Kajang Indah 43000 Kajang Selangor Darul Ehsan Freehold	5 Storey Flats	2,140	Workers' Hostel	2,748	24	(B) 15-08-17
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	77,160	2 - 40	(B) 15-08-17
Lot 2373, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	12,899	Warehouse	10,583	25	(B) 15-08-17
Lot 57979 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Land	2,986	Car Park	2,738	-	(B) 15-08-17
Lot 57977 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Agricultural Land	3,879	Vacant	1,250	-	(B) 15-08-17
MUDA PACKAGING INDUSTRIES (QINGYUAN) LTD						
9th Area Longtang Industrial Development Zone Qingyuan, Guangdong, China 45 Years Lease Expiring 2044	Industrial Building	36,698	Office & Factory	7,529	24	(B) 19-09-17
MUDA PAPER MILLS SDN BHD						
Lot 1062, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	11,539	Warehouse	11,093	3 - 26	(B) 15-08-17
Lot 8868, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Land	8,215	Open Storage Yard	6,630	-	(B) 15-08-17

Location	Description of property	Land area (Sq metre)	Existing use	Net carrying amount RM'000	Age of building (Approx. years)	Date of (A) acquisition / (B) revaluation / (C) fair value
Lot 8869 & 8871, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	22,063	Warehouse	28,174	1 - 17	(B) 15-08-17
Lot 11207, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan 99 Years Lease Expiring 2070	Industrial Building	87,499	Office, Factory & Warehouse	125,396	1 - 47	(B) 15-08-17
Lot 17667, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan 99 Years Lease Expiring 2093	Industrial Building	4,000	Warehouse	2,990	24	(B) 15-08-17
Lot 37065, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan 99 Years Lease Expiring 2093	Industrial Building	17,522	Warehouse & Water Treatment Plant	17,662	2 - 25	(B) 15-08-17
Lot 5235, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Building	21,271	Office, Factory & Open Storage Yard	23,374	5 - 6	(B) 15-08-17
Lot 1572, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Land	23,750	Open Storage Yard	19,800	-	(B) 15-08-17
Lot 5744, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Land	43,934	Open Storage Yard	28,380	-	(B) 15-08-17
Lot 34133, Mukim of Kapar District of Klang Selangor Darul Ehsan 99 Years Lease Expiring 2089	Residential Land	12,060	Vacant	3,900	-	(C) 21-08-17
No. 1, Jalan Kilang Larkin Industrial Estate 80350 Johor Bahru Johor Darul Takzim 60 Years Lease Expiring 2031	Industrial Building	14,012	Office & Warehouse	4,200	35	(C) 15-08-17
Lot 771 & 782, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Land	10,986	Vacant	2,300	-	(B) 15-08-17
No. 789, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	25,864	Office, Factory & Warehouse	19,825	1 - 10	(B) 15-08-17

PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2017

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 153, 156, 157, 160, 161, 162, 163 & 164 Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	112,917	Office, Factory, Warehouse & Water Treatment Plant	96,800	1 - 52	(B) 15-08-17
Lot 123, 165, 166 & 444 Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	22,487	Warehouse	12,500	10	(B) 15-08-17
Lot 155, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang 999 Years Lease Expiring 2880	Industrial Building	12,906	Factory & Water Treatment Plant	3,519	52	(B) 15-08-17
Lot 774, 775, 823, 824, 10216 & 10217 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Land	41,917	Factory & Water Treatment Plant	23,131	2	(B) 15-08-17
Lot 777, Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Land	19,749	Factory & Water Treatment Plant	7,385	2	(B) 15-08-17
Lot 10226, 10227 & 10228 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Land	20,215	Storage Yard	6,750	-	(B) 15-08-17
Lot 149, 725, 729 & 730 Kampung Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Agricultural Land	61,042	Vacant	4,600	-	(B) 15-08-17
No. 22, Lorong Bakap Indah 10 Taman Bakap Indah 14200 Sungai Bakap, Penang Freehold	Double Storey Terrace House	205	Staff Hostel	547	4	(B) 15-08-17
MUDA PASIFIK SDN BHD						
No. 9, Jalan Persiaran Teknologi Taman Teknologi Johor 81400 Senai Johor Darul Takzim 60 Years Lease Expiring 2063	Industrial Building	38,360	Office & Factory	29,067	15	(B) 15-08-17
RJ & R HOLDINGS SDN BHD						
No. 401, Block A Glomac Business Centre Jalan SS6/1, Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Freehold	Office	290	Office	990	23	(C) 16-08-17

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

Fees for statutory audit paid to the external auditors by the Company and the Group for the financial year amounted to RM39,000.00 and RM334,300.00 respectively.

Fees for non-audit services paid to the external auditors by the Company and the Group for the financial year amounted to RM51,500.00 and RM172,268.00 respectively.

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders during the financial year under review.

ANALYSIS OF SHAREHOLDINGS

AS AT 21 MARCH 2018

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	469	18,480	0.01
100 to 1,000	756	491,980	0.16
1,001 to 10,000	3,562	14,592,177	4.78
10,001 to 100,000	866	25,474,153	8.35
100,001 to less than 5% of issued shares	136	105,697,945	34.65
5% and above of issued shares	3	158,776,100	52.05
Total	5,792	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	203,000	*	0.07

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.

30 Largest Shareholders as per Record of Depositors as at 21 March 2018

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	Tan Sri Lim Guan Teik	3,250,000	1.06
11	Ong Lei Im	3,125,000	1.02
12	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ronie Tan Choo Seng (8058147)	2,500,000	0.81
13	Sie Liang Chan	2,348,500	0.76
14	Sin Poay Sim	2,295,200	0.75
15	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)	2,286,100	0.74
16	Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73
17	Ooi Chin Hock	1,500,000	0.49
18	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Mak Tian Meng (MY0343)	1,499,600	0.49
19	Lim Soon Huat	1,390,000	0.45
20	Lucy Khoo	1,279,000	0.41
21	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ronie Tan Choo Seng (MARGIN)	1,100,000	0.36
22	Datin Cheong Koon Hooi	1,026,900	0.33
23	Jony Raw @ Raw Jony	1,003,000	0.32
24	MSM International Adjusters (Malaysia) Sdn Bhd	999,800	0.32
25	Tri-Yen Enterprise Sdn Bhd	890,000	0.29
26	Leong Yuet Ling	800,000	0.26
27	Datuk Lim Chiun Cheong	715,500	0.23
28	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Law Yean Chye	700,000	0.22
29	Wong Yoke Fong @ Wong Nyok Fing	626,100	0.20
30	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CRST SM ESG)	625,000	0.20
Total		240,351,013	78.65

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Seventh Annual General Meeting of the Company will be held at Ground Floor, Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan on Thursday, 28 June 2018 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 2017 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 3.5 sen per share for the financial year ended 31 December 2017. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors' fees of RM350,000.00 to Directors of the Company in respect of financial year ended 31 December 2017. | Ordinary Resolution 2 |
| 4. To approve the payment of Directors' remuneration and benefits to Non-Executive Directors of up to an amount of RM836,500.00 from this Annual General Meeting until the next Annual General Meeting of the Company. | Ordinary Resolution 3 |
| 5. To re-elect Dato' Azaman Bin Abu Bakar who is retiring by rotation in accordance with Article 74 of the Company's Constitution. | Ordinary Resolution 4
(Please refer to Explanatory Note G) |
| 6. To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

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 Sections 75 and 76 of the Companies Act, 2016 | |
| "That pursuant to Sections 75 and 76 of the Companies Act, 2016, the Directors be and are hereby authorised to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." | Ordinary Resolution 6 |
| 8. Retention as an Independent Non-Executive Director | |
| "That Datuk Nik Ibrahim Bin Nik Abdullah be retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2017 until the conclusion of the next Annual General Meeting." | Ordinary Resolution 7 |
| 9. To transact any other ordinary business which may be properly transacted at an Annual General Meeting. | |

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the First and Final Single Tier Dividend of 3.5 sen per share in respect of financial year ended 31 December 2017, if approved at the Forty-Seventh Annual General Meeting, will be payable on Thursday, 19 July 2018 to depositors and shareholders listed in the Record of Depositors and Register of Members on 29 June 2018.

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 29 June 2018 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

30 April 2018
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-Seventh Annual General Meeting

Only a depositor whose name appears in the Record of Depositors as at 21 June 2018 (General Meeting Record of Depositors) shall be eligible to be present and vote at the Forty-Seventh 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 2017

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 26 February 2018 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 19 July 2018 in accordance with the requirements under Section 132(2) and (3) of the Companies Act, 2016.

NOTICE OF ANNUAL GENERAL MEETING

F. Payment of Directors' Fees and Directors' Remuneration to Non-Executive Directors for the Financial Year 2018

Section 230(1) of the Companies Act, 2016 provides, inter alia, that "the fees" of the directors and "any benefits" payable to directors of a listed company and its subsidiaries shall be approved at a general meeting. The Company is seeking shareholders' approval for:

- (a) Payment of Directors' fees of RM350,000.00 to seven (7) Directors of the Company pursuant to Ordinary Resolution 2; and
- (b) Remuneration and benefits payable to Non-Executive Directors of the Company in aggregate of RM836,500.00 from this Annual General Meeting until the next Annual General Meeting of the Company pursuant to Ordinary Resolution 3.

G. Re-election of Directors who retire 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.

Dato' Azaman Bin Abu Bakar and Mr Patrick Chin Yoke Chung are retiring in accordance with Article 74 of the Company's Constitution at the Forty-Seventh Annual General Meeting of the Company.

Dato' Azaman Bin Abu Bakar being eligible, has offered himself for re-election at the Forty-Seventh Annual General Meeting of the Company in accordance with Article 74 of the Company's Constitution.

Mr Patrick Chin Yoke Chung will not be seeking re-election and will retire at the conclusion of the Forty-Seventh Annual General Meeting.

H. Ordinary Resolution 6 – Proposed Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

This is a renewal of the mandate obtained from members of the Company at the last Annual General Meeting ("the previous mandate"). No new ordinary shares were issued under the previous mandate.

The proposed Ordinary Resolution 6 to seek authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016, is a renewal of the previous mandate and if passed, will enable the Directors of the Company to issue up to a maximum of 10% of the issued and paid up share capital of the Company for the time being. This authorisation will give flexibility to the Directors for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment projects, working capital and or acquisitions by the issuance of shares in the Company to such persons at any time the Directors deem appropriate, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of next Annual General Meeting of the Company.

I. Ordinary Resolution 7 - Proposed Retention of an Independent Non-Executive Director

The Board of Directors of the Company has assessed the independence of Datuk Nik Ibrahim Bin Nik Abdullah, who has served a cumulative term of more than twelve (12) years. The Board has determined that Datuk Nik Ibrahim Bin Nik Abdullah has remained independent as there are no relationships or circumstances which can affect or likely to affect his judgement and ability to discharge his responsibilities as an Independent Director and neither has the long tenure eroded his objectivity as he continued to demonstrate independence in character and judgement during Board and Board Committee meetings.

The Company has obtained shareholders' approval in the last Annual General Meeting to retain Datuk Nik Ibrahim Bin Nik Abdullah as an Independent Director until the conclusion of this Annual General Meeting. The Board recommends that shareholders' approval be obtained through a two-tier voting process at the Forty-Seventh Annual General Meeting of the Company to retain Datuk Nik Ibrahim Bin Nik Abdullah as an Independent Director of the Company in accordance with the Malaysian Code on Corporate Governance 2017 until the conclusion of the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No individual is seeking election as Director at the Forty-Seventh Annual General Meeting of the Company.

PROXY FORM

MUDA HOLDINGS BERHAD

Forty-Seventh 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-Seventh Annual General Meeting of the Company to be held at Ground Floor, Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan on Thursday, 28 June 2018 at 11.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated with an "X" in the appropriate box below. If you do not indicate how your proxy should vote on any resolution, the proxy shall vote as he thinks fit or, at his discretion, abstain from voting.

ITEM	AGENDA			
1.	To receive the Audited Financial Statements for financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon.			
		RESOLUTION	FOR	AGAINST
2.	To declare a First and Final Single Tier Dividend of 3.5 sen per share.	1		
3.	To approve the payment of Directors' fees of RM350,000.00 to Directors for financial year ended 31 December 2017.	2		
4.	To approve the payment of Directors' remuneration and benefits to Non-Executive Directors of up to an amount of RM836,500.00 from this Annual General Meeting until the next Annual General Meeting of the Company.	3		
5.	To re-elect Dato' Azaman Bin Abu Bakar as a Director in accordance with Article 74 of the Company's Constitution.	4		
6.	To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration.	5		
7.	To authorise Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	6		
8.	To retain Datuk Nik Ibrahim Bin Nik Abdullah as an Independent Non-Executive Director.	7		

Dated this day of, 2018

.....
Signature of Shareholder/ Common Seal

IMPORTANT: Please read the notes overleaf

Telephone No.....

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Stamp

THE SECRETARY
MUDA HOLDINGS BERHAD
LOT 7, JALAN 51A/241
46100 PETALING JAYA
SELANGOR DARUL EHSAN
MALAYSIA

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Notes

A. 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.
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MUDA HOLDINGS BERHAD

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