

2018

ANNUAL
REPORT



Muda Holdings Berhad
(10427-A)



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CORPORATE INFORMATION

Directors

Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN (Non-Independent Non-Executive Chairman)
 Dato' Azaman Bin Abu Bakar, DIMP (Executive Deputy Chairman)
 Datuk Lim Chiun Cheong, DPSM (Managing Director)
 Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (Senior Independent Non-Executive Director)
 Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (Independent Non-Executive Director)
 Wong Choong Yee (Independent Non-Executive Director) (Appointed on 21 August 2018)
 Patrick Chin Yoke Chung, FCA (Senior Independent Non-Executive Director) (Retired on 28 June 2018)
 Dato' Lim Wan Peng, DSPN (Executive Director) (Demised on 15 February 2019)
 Lim Yen Wee (Alternate Director to Dato' Lim Wan Peng) (Appointed on 3 December 2018 and ceased on 15 February 2019)

Audit Committee

Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN
 Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN
 Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M)
 Wong Choong Yee (Appointed as a member on 21 August 2018)
 Patrick Chin Yoke Chung, FCA (Ceased as a member on 28 June 2018)

Secretaries

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

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

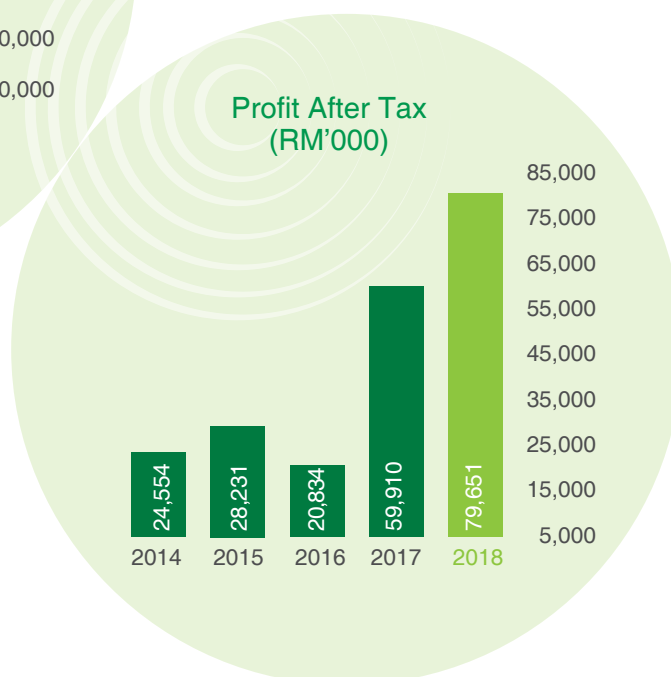
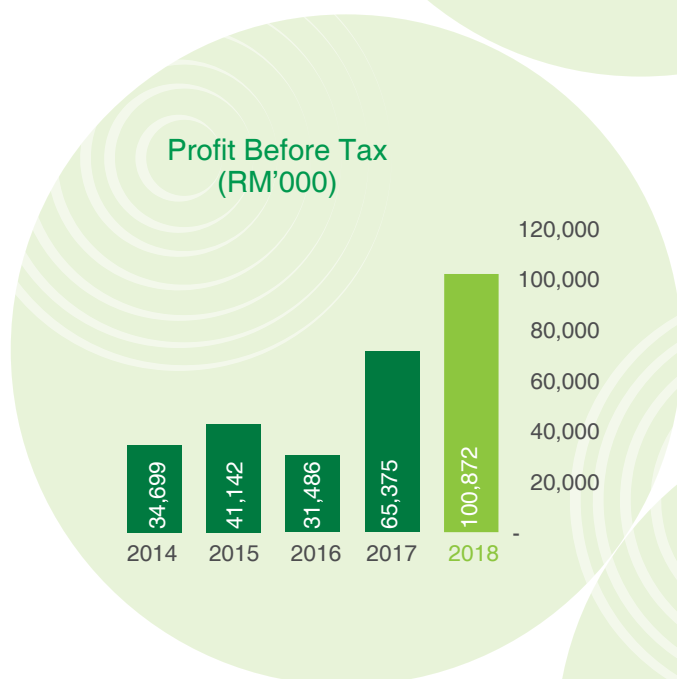
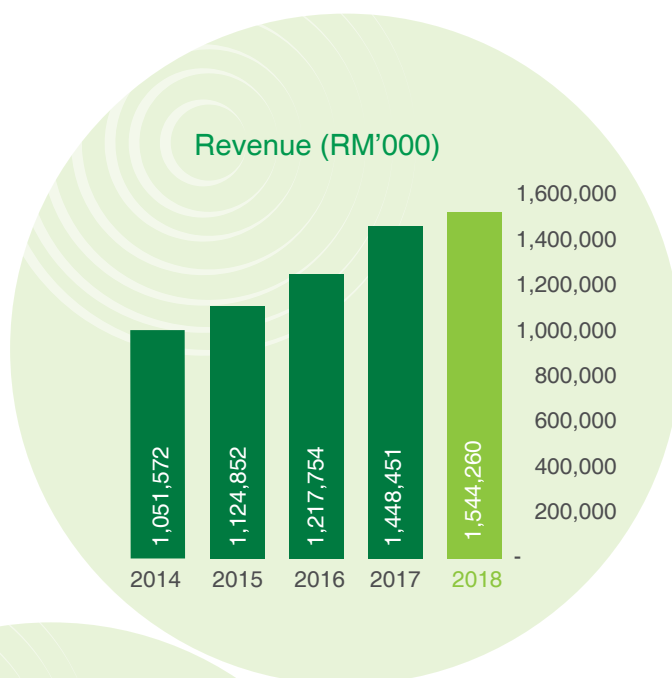
Registrar

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

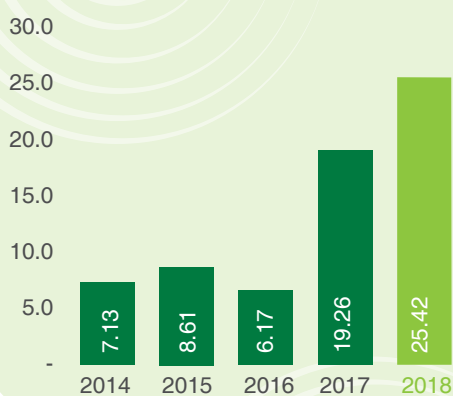
Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

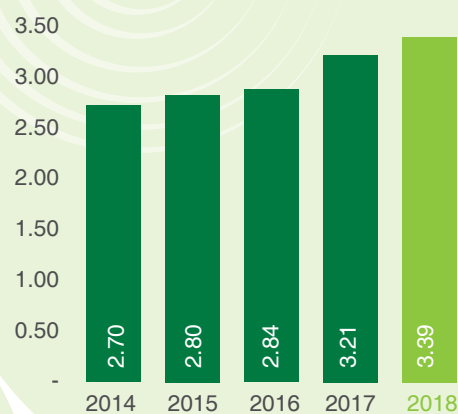
GROUP FINANCIAL HIGHLIGHTS



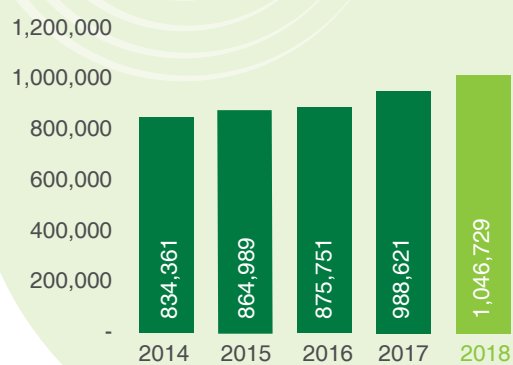
Earnings Per Share
(sen)



Net Tangible Assets
Per Share (RM)



Total Equity
(RM'000)



GROUP FINANCIAL HIGHLIGHTS

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Key Operating Results					
Revenue	1,051,572	1,124,852	1,217,754	1,448,451	1,544,260
Gross profit	178,431	208,279	214,017	225,652	295,021
Profit before tax	34,699	41,142	31,486	65,375	100,872
Tax expense	(10,145)	(12,911)	(10,652)	(5,465)	(21,221)
Profit after tax	24,554	28,231	20,834	59,910	79,651
Net profit attributable to owners of the Company	21,759	26,255	18,807	58,766	77,534
Other Key Data					
Total assets	1,572,269	1,582,647	1,636,665	1,883,560	1,958,621
Total borrowings	556,482	517,876	527,328	618,113	631,089
Total liabilities	737,908	717,658	760,914	894,939	911,892
Total equity attributable to owners of the Company	814,494	841,027	851,552	964,639	1,022,667
Total equity	834,361	864,989	875,751	988,621	1,046,729
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)	2.70	2.80	2.84	3.21	3.39
Key Ratios					
Return on equity ¹	2.7%	3.1%	2.2%	6.1%	7.6%
Debt to equity ²	0.67	0.60	0.60	0.63	0.60

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

2. Total borrowings / Total equity

Per Share Information	2014	2015	2016	2017	2018
Market Price (RM) [^]	1.30	2.15	1.45	1.33	1.79
Basic earnings per share (sen)	7.13	8.61	6.17	19.26	25.42
Price earnings ratio	18.23	24.98	23.52	6.90	7.04
Dividend per share (sen)	3.00	3.00	3.00	3.50	4.50
Dividend yield (%)	2.31	1.40	2.07	2.63	2.51

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

MESSAGE FROM OUR CHAIRMAN

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report for Muda Holdings Berhad ("Muda") for the financial year ended 31 December 2018.

Overview

In a year where we saw protectionist measures in the form of tariff increases imposed by the United States since the second quarter of 2018 and the retaliatory measures taken by its trading partners, especially China, leading to escalating trade conflicts that have taken a toll on global trade and global economic growth, the Group has performed well.

In an environment of rapidly challenging customer behavior and industry trends, I am pleased to report that the Group maintained its market position and achieved credible performance for the financial year ended 31 December 2018. This was made possible through our well executed strategies which focus on meeting industry preferences, disciplined investment, proactive internal and external efficiency and cost management initiatives and expansion of our production facilities.

Financial Results

In 2018, the Group saw an increase in revenue by 6.6% to RM1.54 billion and profit before tax surged by 54.3% to RM100.87 million. After elimination of final compensation for a fire which occurred in 2016, the adjusted profit before tax stood at RM97.76 million, an increase of 132.3% against last financial year.

The Manufacturing Segment continued to deliver strong performance with stronger domestic demand and higher selling price of industrial paper which has moved in tandem with international prices coupled with improved selling prices of the paper packaging products.

In line with the Group's sustained growth, I am equally pleased to report that our financial position continued to be strengthened with total assets expanding by 4.0% to RM1.96 billion from RM1.88 billion a year ago. Total shareholders' equity for the financial year ended 31 December 2018 improved by 5.9% to RM1.05 billion.

Dividend

The Board recommends a first and final single tier dividend of 4.5 sen per share to shareholders in respect of the financial year ended 31 December 2018.

Changes in the Board

I would like to welcome Mr Wong Choong Yee who joined the Board of Muda in August 2018 and I look forward to his positive contributions.

We are deeply saddened by the untimely demise of our Executive Director, the late Dato' Lim Wan Peng in February 2019. We acknowledge the invaluable contributions of the late Dato' Lim, who has been a Board member since 1976, towards the progress of the Group and that his presence will be greatly missed.

Our Appreciation

The good performance of the Company could not have been achieved without the dedication of our valued employees and we would like to extend our appreciation to them for the support, dedication and loyalty.

To my colleagues on the Board and Board of other companies in the Group, my utmost thanks for your guidance and wise counsel that has certainly helped steer Muda and its subsidiaries forward amidst opportunistic and challenging times.

On behalf of the Board of Directors, I wish to express our appreciation to the stakeholders of the Group such as our valued customers, business partners and shareholders for their unwavering confidence in the Group and look forward to working in partnership with them in the coming year with confidence.

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

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Our core business in producing paper from recycled fibre and paper packaging products such as paper boxes, paper boards and paper-based food packaging and stationeries remained unchanged in 2018. The output capacity from our paper packaging section has increased with the installation of two new corrugating lines which came onstream in the last quarter of 2018. Completion of the first phase of upgrading of one of our paper machines in Penang also contributed to the higher output.

The operation of more than 100 schools and online bookshops in Singapore remained status quo and there were acquisitions of 2 new subsidiaries in 2018 in Singapore. The acquisition of Wenfang Private Limited in the year is to strengthen the Group's leading position in the stationery market and gives the Group access to several renowned agency products in Singapore. The acquisition of Lonsing Packaging Industries Pte Ltd in the same year is for expansion of sales of the Group's food packaging products in Singapore.

Financial Performance

The Group delivered another commendable performance for the financial year ended 31 December 2018 where revenue was 6.6% higher at RM1.54 billion and profit before tax rose by 54.3% to RM100.87 million from RM65.38 million a year ago.

The strong performance achieved during the year was mainly driven by the Group's paper milling segment which saw gross production output, revenue and profit rose by 1.4%, 1.0% and 41.2% respectively against last year. The performance of the paper packaging segment has also improved wherein revenue and profit increased by 13.5% and 236.4% against 2017.

Manufacturing Division

The increase in revenue by 8.3% compared to the preceding year was contributed mainly by the favourable selling prices of industrial paper which have moved in tandem with international paper price. Overall, waste paper costs were on the downtrend throughout the financial year 2018 and contributed to the lower average raw material cost in paper milling segment. Pulp price trended upwards with price increase for short and long fibre by 32.9% and 15.1% respectively since early 2018. The hike in the selling prices for machine glazed paper was in tandem with increase in material cost.

The shutdown of one of our paper machines in Penang for upgrading to produce heavy substance core board in September 2017, has resumed production in November 2018. The second phase of upgrading of this particular machine is ongoing and will be completed in the fourth quarter of 2019. The full potential of increase in output from this machine will only be realised upon completion of the second phase of the upgrade.

Commercial run of the new corrugating line in Merlimau, Melaka commenced in July 2018 with increased output by 2,000 mt per month. The other new corrugating line in Johor Bharu, Johor was on commercial run only in December 2018 with rated output of 4,000 mt per month to replace two old corrugating machines. The full capacity impact from these two lines can only be realised in 2019.

Trading Division

External revenue for the year has deteriorated by approximately 5.0% compared to preceding year due to reduction in sales quantities. However, segment profit improved significantly by 39.7% compared to corresponding year which is attributable to the favourable unit cost in the trading of waste paper.

Financial Highlights and Share Information

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

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	1,051,572	1,124,852	1,217,754	1,448,451	1,544,260
Gross profit	178,431	208,279	214,017	225,652	295,021
Profit before tax	34,699	41,142	31,486	65,375	100,872
Tax expense	(10,145)	(12,911)	(10,652)	(5,465)	(21,221)
Profit after tax	24,554	28,231	20,834	59,910	79,651
Net profit attributable to owners of the Company	21,759	26,255	18,807	58,766	77,534
Total equity attributable to owners of the Company	814,494	841,027	851,552	964,639	1,022,667
Total equity	834,361	864,989	875,751	988,621	1,046,729
Total assets	1,572,269	1,582,647	1,636,665	1,883,560	1,958,621
Total borrowings	556,482	517,876	527,328	618,114	631,089
Debt/Equity (%)	66.7%	59.9%	60.2%	62.5%	60.3%
Basic earnings per share (sen)	7.13	8.61	6.17	19.26	25.42
Net tangible assets per share (RM)	2.70	2.80	2.84	3.21	3.39
Dividend per share (sen)	3.00	3.00	3.00	3.50	4.50
Gross margin	17.0%	18.5%	17.6%	15.6%	19.1%
Return on equity	2.7%	3.1%	2.2%	6.1%	7.6%
Share information					
Share price - High (RM)	2.32	2.15	2.51	1.80	2.95
Share price - Low (RM)	0.86	1.03	1.40	1.29	1.14
Share price as at 31 December (RM)	1.30	2.15	1.45	1.33	1.79
Price earnings ratio (times)	18.23	24.98	23.52	6.90	7.04
Company market capitalisation (RM million)	397	656	442	406	546

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue for the financial year ended 31 December 2018 improved by 6.6% compared to corresponding year in 2017 due to improved selling price of industrial paper and paper packaging products over last year.

Gross profit margin

There was a spike in gross profit margin from 15.6% in 2017 to 19.1% in 2018. This is mainly due to lower average waste paper cost and better production cost control and output in both paper mills and carton plants. In addition, better selling prices of industrial paper and paper packaging products contributed to the improvement in gross profit margin of the Group in 2018 compared to 2017.

Expenses

Overall, there was an increase in expenses in 2018 compared to 2017, where administrative expenses and other expenses increased by 5.4% and 32.9% respectively in 2018 compared to 2017. The increase in administrative expenses is due to the increase in salary. Other expenses increased by almost 32.9% due to the higher provision in doubtful debts and inventories written off in 2018 compared to previous year.

Finance costs

Finance costs has increased by 13.3% compared to preceding year due to higher utilisation of term loans and hire purchase facilities to finance capital expenditure incurred in 2018.

Profitability

The Group delivered better profitability in 2018 with profit before tax of RM100.87 million in 2018 which is a historical high against RM65.38 million in 2017 on the back of favourable cost of production and favourable selling prices for both industrial paper and paper packaging products.

Taxation

The effective tax rate of the Group is lower than the statutory tax rate is mainly due to the Special Reinvestment Allowance ("SRA") granted and with better utilisation of SRA against the statutory income due to higher profit before tax achieved in 2018.

Financial Position

Total equity attributable to owners of the Group was at RM1.02 billion with better profit after tax achieved in 2018. In 2018, 2 subsidiaries were acquired in Singapore, namely Lonsing Packaging Industries Pte Ltd and Wenfang Private Limited with the Group effective interest at 59.5% and 70.0% respectively. Gearing ratio of the Group is maintained at 0.60 in 2018 which is slightly better off compared to 0.63 in 2017.

Inventories

The increase in inventories compared to preceding year is mainly due to the higher volume of industrial paper held for subsequent sales at the end of 2018 compared to 2017.

Trade receivables

The reduction in trade receivables in 2018 compared to preceding year indicated that there was an improvement in trade receivables collection as shown in the statements of cash flows that cash generated from operations has improved from RM131.03 million in 2017 to RM153.93 million in 2018.

Total borrowings

Total borrowings of the Group have increased from RM618.11 million in 2017 to RM631.09 million in 2018. The net increase of RM12.98 million is mainly attributable to additional financing obtained via term loans and hire purchase facilities to finance our capital expenditure in 2018.

Anticipated risk

Potential shortage of waste paper from local market is an inherent risk for the Group as it is a critical input for our manufacturing process. The reduction in the issue of import permits for recovered paper and the imposition of stringent criteria by China for the import of recovered paper into their country, has substantially mitigated the risk of potential shortage of waste paper for the Group due to the availability of imports from United States and European Union as substitutes. Notwithstanding that, the Group continues its effort to strengthen and expand collection by setting up additional collection centres and enlarge the suppliers' network to mitigate the risk.

The higher inventory balance may expose the Group to liquidity risk which is subject to inventory turnover rate to trade receivables and debtors' turnover to collection. Accordingly, the Group has a team of highly motivated marketing personnel and good credit control policies in place to manage the inventories and trade receivables.

Acknowledging that increase in overhead costs especially electricity and gas tariff rates and other utility charges, is unavoidable, the Group is consistently sourcing for suitable alternative energy supply to ensure sustainability of its production process and also invest in new technologies and equipment to support the Group's drive to lower operating cost.

Capital Expenditure

There is no major capital expenditure incurred by the Group up to the date of this report. The Group will continue to carry out some minor upgrade on machinery, equipment and parts in all its manufacturing facilities. The Group will continue to focus on improving efficiency and maximise the existing assets' utilisation to maintain our competitiveness.

Prospect

It was forecasted by Rating Agency Malaysia that Malaysia's Gross Domestic Production will slow down to 4.6% in 2019 from 4.7% in 2018, as export growth moderates amid increased trade protectionism and slower Chinese import demand. Any further deterioration or widening of trade tensions will drag down both global trade and growth.

Barring any unforeseen circumstances, with the appropriate counter measures in place to improve efficiency, cost down and maximise assets' utilisation, the Board is confident that the Group will remain profitable.

The Statement on Management Discussion and Analysis is made in accordance with a resolution of the Board of Directors dated 1 April 2019.

PROFILE OF DIRECTORS



TAN SRI LIM GUAN TEIK

PSM, JMN, DMPN, DJN

Non-Independent Non-Executive Chairman

Male, Malaysian, 84

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, Nominating Committee and Remuneration Committee. He sits on the board of several local and foreign 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 Guan Teik was President of the Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM") and the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor ("KLSCCCI") from 1998 to 2003. He is currently the Honorary Life President of ACCCIM, KLSCCCI and the Malaysia-China Chamber of Commerce.

Tan Sri Lim Guan Teik is the father of Datuk Lim Chiun Cheong, the Managing Director of the Company. Tan Sri Lim Guan Teik is a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed on Page 111 of this Report.

Tan Sri Lim Guan Teik attended all 5 Board of Directors' Meetings held during the financial year ended 31 December 2018 and has not been convicted of any offences within the past 5 years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Dato' Azaman Bin Abu Bakar

DIMP
Executive Deputy Chairman
Male, Malaysian, 72



Datuk Lim Chiun Cheong

DPSM
Managing Director
Male, Malaysian, 55



Dato' Azaman Bin Abu Bakar was appointed to the Board as Executive Director on 19 March 1985 and is currently the Executive Deputy Chairman. During the period from March 1985 to May 2018, Dato' Azaman Bin Abu Bakar held the following positions:-

- a. Executive Director from 19 March 1985 to 21 October 1992;
- b. Deputy Chairman from 22 October 1992 to 22 March 2004; and
- c. Managing Director from 23 April 2004 to 28 May 2018.

He is Chairman of the Executive Committee and sits on the board of several local and foreign 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 5 Board of Directors' Meetings held during the financial year ended 31 December 2018. He has not been convicted of any offences within the past 5 years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Datuk Lim Chiun Cheong was appointed a member of the Board on 23 April 2004 and held the post of Executive Director from 1 September 2005 to 1 July 2006. He was the Deputy Managing Director from 1 July 2006 until re-designation to Managing Director on 28 May 2018. He is a member of the Executive Committee and sits on the board of several local and foreign subsidiaries in the Group. Currently, Datuk Lim Chiun Cheong is responsible for the operation 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. Datuk Lim Chiun Cheong is a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed on Page 111 of this Report.

Datuk Lim Chiun Cheong attended all 5 Board of Directors Meetings of the Company during the financial year ended 31 December 2018. He has not been convicted of any offences within the past 5 years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

PROFILE OF DIRECTORS

Datuk Nik Ibrahim Bin Nik Abdullah

PJN, JSM, AMN
Senior Independent
Non-Executive Director
Male, Malaysian, 75



Datuk Nik Ibrahim Bin Nik Abdullah was appointed to the Board on 23 April 2004 as Independent Non-Executive Director of the Company and became the Senior Independent Director of the Company on 28 June 2018. Datuk Nik Ibrahim Bin Nik Abdullah is the Chairman of the Audit Committee and Remuneration Committee and a member of the Nominating Committee. He is also a member of the Executive 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 5 Board of Directors Meetings held during the financial year ended 31 December 2018. He has not been convicted of any offences within the past 5 years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Mr Lee Khim Sin was appointed to the Board on 25 June 2014. He is an Independent Non-Executive Director of the Company. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee and was appointed Chairman of the Nominating Committee on 28 June 2018.

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 deemed interest in 60,000 shares 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 5 Board of Directors Meetings held during the financial year ended 31 December 2018 and he has not been convicted of any offences within the past 5 years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Lee Khim Sin

KMN, PBK, CA(M),
FCA, CPA(M)
Independent
Non-Executive Director
Male, Malaysian, 78





Wong Choong Yee

Independent
Non-Executive Director
Male, Malaysian, 58

Mr Wong Choong Yee was appointed to the Board on 21 August 2018 as an Independent Non-Executive Director of the Company. He is a member of the Audit Committee.

Mr Wong Choong Yee holds a Diploma in Commerce (Cost and Management Accounting) from Tunku Abdul Rahman College and is a member of Chartered Institute of Management Accountants and Malaysian Institute of Accountants.

Mr Wong Choong Yee began his career in the accounting field as an audit assistant in 1984 to 1988. He was with Ganda Holdings Berhad in 1988 to 1990 and thereafter was attached with several other public listed companies from 1990 to 2001. He joined Unico-Desa Plantations Berhad in 2001 as General Manager – Finance cum Company Secretary and held the post of General Manager - Risk Management when he left in 2007. He is currently the General Manager – Accounting Cum Company Secretary of Unico Holdings Berhad. Mr Wong Choong Yee also sits on the board of several other local companies.

Mr Wong Choong Yee does not hold any shares in the Company and 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 Wong Choong Yee attended the 2 Board of Directors Meetings since his appointment on 21 August 2018 to end of the financial year ended 31 December 2018 and he has not been convicted of any offences within the past 5 years and does not have any public sanction or penalty imposed on him by any regulatory bodies during the financial year.

PROFILE OF KEY MANAGEMENT

Teoh Hai Thow

Aged 46, Male, Malaysian. Hai Thow joined the Group as an Executive Director and minority shareholder of Intrapac (Singapore) Pte Ltd in January 1998. Hai Thow oversees the Intrapac (Singapore) Pte Ltd Group of businesses including marketing of paper products, wastepaper recovery, stationery distribution and school bookshop business. He also sits on the board of several foreign subsidiaries in the Group.

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

Hai Thow holds a Diploma in Accounting.

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

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

Loo Ee Fah

Aged 48, Male, Malaysian. Ee Fah was one of the senior management staff of Pacific Bookstores Pte Ltd when Intrapac (Singapore) Pte Ltd acquired an interest in Pacific Bookstores Pte Ltd in 2011. He held the post of Executive Director of Pacific Bookstores Pte Ltd since February 2013 and also sits on the board of another foreign subsidiary in the Group.

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

Ee Fah holds an Advance Diploma in Supply Chain Management.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Muda Holdings Berhad (“Muda”) subscribes to the objectives of the Malaysian Code of Corporate Governance (“MCCG”) and also acknowledges its role in protecting and enhancing shareholders’ value. The Directors believe that good corporate governance results in quantifiable long-term success and creation of long-term shareholders’ value as well as benefits for all other stakeholders. Hence the Board affirms its policy of adhering to the spirit of MCCG.

Set out below is an overview of the corporate governance practices of the Company during the financial year ended 31 December 2018. The overview statement is prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and is to be read together with the Corporate Governance Report 2018 of the Company (“CG Report”) which is available on the Company’s website at www.muda.com.my.

The CG Report provides the description of how the Company has applied each Practice as set out in MCCG throughout the financial year ended 31 December 2018.

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, Audit Committee, Nominating Committee, Remuneration Committee, Executive 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 Group.

In turn, the Executive Directors of the Group 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 from the Executive Committee and the Board. The Management ensures that the Company and the Group comply with all its contractual, statutory, regulatory and legal obligations in achieving its business goals and objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 requirements of Bursa Malaysia Securities Berhad. Minutes of all Board Committee meetings were 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.

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. Datuk Lim Chiun Cheong, as Managing Director, bears responsibility for overall running of the business.

1.4 Suitably Qualified and Competent Company Secretaries

The Board is supported by 2 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 and Committee 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 5 business days ahead of each Board and Committee 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 and Committee meetings including dissenting views, are duly minuted to form part of the records of all proceedings of Board and Committee meetings. Decisions made, policies approved and follow up actions arising from 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, which has been recently reviewed is available on 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 the 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 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 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

With the demise of an Executive Director on 15 February 2019, the Board currently has 6 Directors, comprising 2 executive members and 4 non-executive members, 3 of whom are independent. An Independent Non-Executive Director retired at the conclusion of the Annual General Meeting ("AGM") on 28 June 2018 and subsequently an Independent Non-Executive Director was appointed on 21 August 2018 to fill the vacancy. The Independent Non-Executive Directors currently account for 50% of the Board members which is in line with the best practices under Practice 4.1 recommended in the MCCG and Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 facilitates effective decision-making.

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

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. The profile of each of the Directors is presented on Page 13 to 16 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2018 is as follows: -

Name of Director	Number of Meetings Attended
Tan Sri Lim Guan Teik	5/5
Dato' Azaman Bin Abu Bakar	5/5
Datuk Lim Chiun Cheong	5/5
Datuk Nik Ibrahim Bin Nik Abdullah	5/5
Mr Lee Khim Sin	5/5
Mr Wong Choong Yee (Appointed on 21 August 2018)	2/2
Mr Patrick Chin Yoke Chung (Retired on 28 June 2018)	3/3
Dato' Lim Wan Peng (Demised on 15 February 2019)	5/5

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:

Name of Director/ Course Title	Sales & Service Tax	Key Disclosure Obligations of a Listed Company	2019 Budget Seminar	Dealings in Listed Securities, Closed Period & Insider Trading	Mandatory Accreditation Programme for Directors of Public Listed Companies
Tan Sri Lim Guan Teik	√	-	-	√	-
Dato' Azaman Bin Abu Bakar	-	-	-	√	-
Datuk Lim Chiun Cheong	-	-	-	√	-
Datuk Nik Ibrahim Bin Nik Abdullah	√	-	-	√	-
Mr Lee Khim Sin	√	-	-	√	-
Mr Wong Choong Yee (Appointed on 21 August 2018)	-	√	√	√	√
Dato' Lim Wan Peng (Demised on 15 February 2019)	-	-	-	√	-

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 MCCG 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 9 years as a Director continues to be independent.

The Independent Directors, namely Datuk Nik Ibrahim Bin Nik Abdullah, Mr Lee Khim Sin and Mr Wong Choong Yee have completed the Independent Director's Self-Assessment Form for 2018 and declared that they are capable of acting independently of management and that they do not have any economic and family relations with the Company, its major shareholders and Executive Directors of the Company. The Board has also reviewed and confirmed the independence of Datuk Nik Ibrahim Bin Nik Abdullah, who has served as an Independent Director for 15 years. The Board has also reviewed and affirmed the independence of Mr Lee Khim Sin and Mr Wong Choong Yee accordingly.

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 especially from long serving Independent Directors who possess tremendous insight and knowledge of the Company's business and affairs. They are capable of exhibiting vigilance and professional skepticism on all transactions tabled for Board approval, express disagreements to issues being deliberated, ask probing/ challenging questions on matters that require further attention and have demonstrated clarity of thought, objectivity in problem solving and offered considered advice to ensure that the Board is not unfairly biased towards the interests of the major shareholders, Executive Directors or members of the management team.

Shareholders' approval was obtained at the AGM held in 2018 to allow Datuk Nik Ibrahim Bin Nik Abdullah to continue as an Independent Non-Executive Director until the conclusion of next AGM of the Company in 2019. After having affirmed that Datuk Nik Ibrahim Bin Nik Abdullah who has served a cumulative term of 15 years as an Independent Non-Executive Director, has consistently demonstrated his independence in character and judgement in the discharge of his duties and responsibilities and has no economic and family relations with the Company, its major shareholders and Executive Directors which may affect or likely to affect his judgement and ability to discharge his duties and responsibilities as an independent director, the Board will seek shareholders' approval at the forthcoming AGM of the Company via two-tier voting process for Datuk Nik Ibrahim Bin Nik Abdullah to continue in office as an Independent Non-Executive Director of the Company in accordance with the recommendations of the MCCG.

4.3 Appointment of Board Members

The Nominating Committee is responsible for assessing the candidate proposed for directorship and will submit their recommendations to the Board. When assessing the suitability of Directors for appointment to the Board, the Nominating Committee will take into consideration expertise of the individual, business experience, integrity, skills, breadth of experience, knowledge of Company's business or industry, compatibility with other Board members and willingness to devote time and effort to the Board and taking into account an appropriate mix of core competencies for the Board to fulfill its roles and responsibilities. On appointment, a new Director is advised of his duties and obligations, lines of communication, including direct access to the Chairman, Company Secretaries and Management are immediately established which will provide a new Director with the opportunity to establish exchanges and to exercise his statutory duties. During the financial year, there was a new appointment to the Board to fill the vacancy after retirement of an Independent Non-Executive Director at the AGM on 28 June 2018.

The Company's Constitution provides that at every AGM of the Company, one-third of the Directors for the time being or if their number is not three or a multiple of three, then the number nearest one-third shall retire from office and shall be eligible for re-election. New Directors are subject to re-election at an AGM in the year following their appointment. The Independent Non-Executive Director appointed on 21 August 2018 will be subject to retirement at the AGM to be held on 27 June 2019.

4.4 Gender Diversity

The Board is conscious of the need to have boardroom gender diversity. In its selection of candidates for Board representation, the Company believes in and provides equal opportunity to candidates with merit. There has been no nomination of female candidates for consideration by the Nominating Committee in 2018.

4.5 New Candidates for Board Appointment

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

4.6 Nominating Committee

The Nominating Committee is made up of 3 members, 2 of whom are Independent Non-Executive Directors and 1 of whom is a Non-Independent Non-Executive Director. The composition of the Nominating Committee is set out below:

Mr Lee Khim Sin (Appointed as Chairman on 28 June 2018)	Chairman
Datuk Nik Ibrahim Bin Nik Abdullah	Member
Tan Sri Lim Guan Teik (Appointed as a member on 28 June 2018)	Member

The roles and responsibilities of the Nominating Committee are governed by the Terms of Reference which is available 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

During the year, 3 Nominating Committee Meetings were held and all the members attended the Nominating Committee Meetings held in 2018 and, inter alia, reviewed:

- i) the service contract of an Executive Director with recommendations made to the Board;
- ii) the profile of the candidate nominated for directorship in the Company with recommendations made to the Board; and
- iii) the attendance of all Board and Committee members, the composition of Independent Directors, Directors' training, Board composition and size and talent, knowledge and experience of Board members.

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, mission and governance, 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 the 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 Committees 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' accomplishments, strengths and weaknesses and to focus on areas where its/their performance and effectiveness could be enhanced and improved. Directors are also encouraged to give inputs on issues which do not fall under these categories, for instance addressing specific areas where improvements can be made.

The Chair of the Nominating Committees receives the completed questionnaires on a confidential basis and forwards the results for compilation by the Company Secretaries. The Chair of the Nominating Committee may, where necessary, has discussions with individual directors if clarification or interpretation is required. The Chair of the Nominating Committee also develops a report with assistance of the Company Secretaries for the Nominating Committee. Thereafter, the Chair of the Nominating Committee will report the results of the evaluation of the performance to the Board. The Board then reviews the results of the evaluation and the Nominating Committee's recommendations and takes the necessary action.

In 2018, the Directors and members of Board Committees undertook an assessment of the performance of the Board and Board Committees, as well as peer assessment of other Directors and other Audit Committee members. The Independent Non-Executive Directors also undertook an Independent Director's Self-Assessment exercise where they are required to disclose their economic relationship with the Company, their relationship with the Executive Directors, officer or major shareholders of the Company and their independence of thought and mind in the discharge of their duties. This annual assessment of the Board and Board Committees and the peer assessment of Directors and Board Committee members were reported to the Board on 27 February 2019 and accepted.

(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 were 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 the AGM.

6.2 Remuneration Committee

The Remuneration Committee is made up of 3 members, 2 of whom are Independent Non-Executive Directors and 1 of whom is a Non-Independent Non-Executive Director as follows:

Datuk Nik Ibrahim Bin Nik Abdullah	Chairman
Mr Lee Khim Sin	Member
Tan Sri Lim Guan Teik (Appointed as a member on 28 June 2018)	Member

The Remuneration Committee meets at least once a year and when necessary. All the members attended the 1 Remuneration Committee Meeting held in 2018 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 is available on the Company's website at www.muda.com.my.

7. Remuneration of Directors and Key Management

7.1 Details of Directors' Remuneration

Details of Directors' remuneration for financial year ended 31 December 2018 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	150	1,200	350	254	72	2,026
Dato' Lim Wan Peng	245	1,200	350	279	38	2,112
Datuk Lim Chiun Cheong	260	912	350	284	42	1,848
Total	655	3,312	1,050	817	152	5,986
Non-Executive Directors						
Tan Sri Lim Guan Teik	135	-	-	664	30	829
Datuk Nik Ibrahim Bin Nik Abdullah	60	-	-	165	1	226
Mr Lee Khim Sin	60	-	-	158	-	218
Mr Wong Choong Yee	25	-	-	90	-	115
Mr Patrick Chin Yoke Chung	30	-	-	318	1	349
Total	310	-	-	1,395	32	1,737

7.2 Remuneration of Top Five Key Management

Details of top 5 Key Management for financial year ended 31 December 2018 are as follows:

Name	Fees RM'000	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Dato' Azaman Bin Abu Bakar*	150	1,200	350	254	72	2,026
Dato' Lim Wan Peng*	245	1,200	350	279	38	2,112
Datuk Lim Chiun Cheong*	260	912	350	284	42	1,848
Mr Teoh Hai Thow*	69	467	158	40	-	734
Mr Loo Ee Fah*	57	395	122	142	-	716
Total	781	4,174	1,330	999	152	7,436

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 audit reports prepared by Internal Audit Department;
- Reinforces the independence of the Company's external auditors; and
- 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 and related announcements prior to recommending them for approval of the Board of Directors as well as oversees the review of related party transactions conducted by the Chief Financial Officer and any conflict of interest situations during the year.

8.1 Members and Chairman of Audit Committee

The Audit Committee comprises of 4 Directors; 3 of whom are Independent Non-Executive Directors and 1 of whom is a Non-Independent Non-Executive Director. The Chairman of the Audit Committee is not the Chairman of the Board. The Audit Committee has 2 members who are qualified accountants, a member who is a pioneer in the paper industry with the Chair who is an economist with extensive banking experience. The members of the Audit Committee are: -

1. **Datuk Nik Ibrahim Bin Nik Abdullah** (Chairman)
(Senior Independent Non-Executive Director)
2. **Tan Sri Lim Guan Teik**
(Non-Independent Non-Executive Director)
3. **Mr Lee Khim Sin**
(Independent Non-Executive Director)
4. **Mr Wong Choong Yee**
(Independent Non-Executive Director)
(Appointed as a member on 21 August 2018)

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 Chief Financial Officer, 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 Chief Financial Officer with regards to the Group's financial performance and preparation of the financial statements. The Audit Committee reviewed and discussed with the external auditors on its observations from the annual audit including appropriateness of accounting policies applied, the changes in accounting policies and the significant judgements and assumptions made by Management affecting the financial statements as well as compliance with approved accounting standards and regulatory requirements. 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 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 is available 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 2018 on 26 February 2018 and 22 November 2018 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 an annual assessment of the scope of audit, technical knowledge, supervisory ability, competency of audit team and scope and nature of non-audit services provided by the external auditors. In 2018, the Committee conducted an assessment of the external auditors for re-appointment for statutory audit where the Audit Committee members completed the prescribed assessment form. In view of the involvement of the Chief Financial Officer throughout the statutory audit process, he also participated in the annual assessment of the external auditors. The results of the assessment were compiled by the Chief Financial Officer for the Chair of the Audit Committee, who then reports the results to the Board.

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 21 August 2018 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 2018 which describes the Audit Committee's activities during the year are set out on Page 28 to 30 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 system 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 31 and 32 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 Chief Financial Officer, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's risk management and internal control were adequate and effective for the financial year ended 31 December 2018 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 Certified Accountants and is supported by 2 suitably qualified Internal Audit Executives. The Internal Audit Manager has declared to the Board that the Internal Audit personnel have no direct operational responsibility or authority over any of the activities audited and are free from conflict of interest and interference by any element in the organisation that might impair their 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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 Relations" section. The Company 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 at General Meeting

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

The Company's existing Constitution allows all shareholders the right to appoint not more than 2 proxies to attend and vote on their behalf in shareholders' meetings. At general meetings, the Company sets out separate resolutions on each substantially separate issues 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 are 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 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 1 April 2019.

AUDIT COMMITTEE REPORT

Overview

The Audit Committee of Muda Holdings Berhad is pleased to present the Audit Committee Report which provides an overview of the activities of the Internal Audit function, the financial reporting process, internal control system and risk management of the Group for the financial year ended 31 December 2018.

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 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.

Audit Committee Composition

The Audit Committee has 4 members, all of whom are Non-Executive Directors with a majority of them being Independent Directors as follows: -

Current Members	Membership / Directorate & Designation
Datuk Nik Ibrahim Bin Nik Abdullah	Chairman / Senior Independent Non-Executive Director
Tan Sri Lim Guan Teik	Member / Non-Independent Non-Executive Director
Mr Lee Khim Sin	Member / Independent Non-Executive Director
Mr Wong Choong Yee (Appointed as a member on 21 August 2018)	Member / Independent Non-Executive Director

Former Member	Membership / Directorate & Designation
Mr Patrick Chin Yoke Chung (Ceased as a member on 28 June 2018)	Member / Senior Independent Non-Executive Director

The Audit Committee has an independent Chairman who is not the Chairman of the Board to maintain accountability and effective oversight. The Chairman ensures that meetings are efficiently conducted and that all matters on the agenda are dealt with and he also encourages open discussions from all members. All the Audit Committee members are highly qualified individuals; with 2 of the members being qualified accountants, a member who is a pioneer in the paper industry in Malaysia and another who is an economist with extensive experience in the banking industry. They collectively have the required skills and experience to discharge the Audit Committee functions and duties. Mr Patrick Chin Yoke Chung has ceased to be a member of the Audit Committee upon his retirement on 28 June 2018.

The Audit Committee is a committee delegated by the Board and the Audit Committee has discharged its functions and carried out its duties and responsibilities in accordance with its terms of reference. The Terms of Reference is available on the Company's website at www.muda.com.my.

Audit Committee Meetings

During the year, 7 Audit Committee meetings were held and attendance of the members were as follows: -

Members	Attendance at Meetings		Attendance %
	Attended	Held	
Datuk Nik Ibrahim Bin Nik Abdullah	7	7	100
Tan Sri Lim Guan Teik	6	7	86
Mr Lee Khim Sin	7	7	100
Mr Wong Choong Yee (Appointed as a member on 21 August 2018)	2	2	100
Mr Patrick Chin Yoke Chung (Ceased as a member on 28 June 2018)	4	4	100

The Chief Financial Officer and the Head of Internal Audit function attended all Audit Committee meetings to brief and provide clarification on matters related to accounting and financial matter, risk management, related party transactions and internal audit activities. In addition, 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 Audit Committee meetings.

AUDIT COMMITTEE REPORT

External auditors also attended and briefed the Audit Committee on matters relating to external audit during the financial year and provided 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, the Audit Committee had 2 meetings with the external auditors without Management presence.

Minutes of Audit Committee meetings were prepared and tabled for confirmation at subsequent Audit Committee Meeting and thereafter circulated to the Board members for notation. In 2018, the Audit Committee reviewed and recommended the quarterly financial statements and audited annual financial statements for approval by the Board of Directors. The Audit Committee briefed the Board on the significant matters pertaining to audit, internal control and risk management.

Summary of Audit Committee Activities During the Financial Year

The Audit Committee has attended to the following matters during the financial year ended 31 December 2018 in the discharge of its functions and duties: -

Financial Reporting

- (a) Reviewed 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) Reviewed the consolidated audited financial statements of the Company and the Group and ensuring that the statements comply with the financial reporting standards and regulatory requirements, for recommendation to the Board for approval; and
- (c) Reviewed significant matters highlighted by the external auditors in the financial statements and significant judgements made by Management.

Internal and External Audit

- (a) Reviewed the external auditors' Group Audit Plan, which outlines the responsibilities, the scope of work, audit strategy and approach for the financial year ended 31 December 2018 and considered the audit fees together with Management for recommendation to the Board for approval;
- (b) Reviewed the nature and the fees for the non-audit services provided by the external auditors or its affiliate in accordance with the Group's Policy, Scope and Purpose on Non-Audit Services to ensure that such non-audit services did not compromise the objectivity and the independence of the external auditors;
- (c) Assessed the suitability, objectivity and independence of the external auditors by evaluating, among others, the adequacy of the technical knowledge, experience, skills, independence and objectivity, their audit engagement and the supervisory ability and competency of the engagement team assigned to the Group. Moreover, the external auditors have confirmed their professional independence in accordance with By-laws (on Professional Ethics, Conducts and Practice) of the Malaysian Institute of Accountants via their presentation to Audit Committee as well as their engagement letter. The Audit Committee was satisfied that the external auditors were able to meet the audit requirement and statutory obligations of the Company and also their professional independence and objectivity as external auditors of the Company. Following this assessment, the Board has accepted the Audit Committee's recommendation to re-appoint Grant Thornton Malaysia as external auditors of the Company at the forthcoming Annual General Meeting;
- (d) Approved the Annual Audit Plan, budget and scope of audit work, which includes conducting regular risk-based audit at Group level, ensured that the Internal Audit Department has the resources and financial budget to meet planned audit activities across the Group;
- (e) Reviewed the quality and results of internal audit activities and conformance to its Internal Audit Charter;
- (f) Assessed independence and objectivity of internal audit activities and reviewed effectiveness of audit process;
- (g) Reviewed audit reports and deliberated on audit issues raised, recommendations made and Management's responses;
- (h) Monitored implementation of recommendations made by Internal Audit Department arising from audit work performed to ensure that areas of concern have been satisfactorily addressed;
- (i) Updated on progress of internal audit engagements against approved internal audit plan, audit expenses, hiring and resignation of internal audit staff on quarterly basis; and
- (j) Reviewed report from Internal Audit on findings of Control Self-Assessment Questionnaire completed and submitted by the Management of respective operations.

Related Party Transactions

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

Risk Management

The Audit Committee has conducted 2 meetings in 2018 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. The details on the risk management and system of internal control in the Group can be obtained from the Statement on Risk Management and Internal Control set out on Page 31 and 32 of this Annual Report.

Other Activities

The Audit Committee has reviewed and recommended for Board's approval, the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2018.

Summary of Internal Audit Function and Internal Audit Activities

The scope, authority and responsibilities of Internal Audit function are set out in the Internal Audit Charter approved by the Audit Committee in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The Internal Audit function monitors the effectiveness of system of internal control and risk management across all the business units and reports its findings to Management and 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 Head of Internal Audit function, Mr. Koh Thuan Hin, a holder of an Advance Diploma from the Association of Chartered Certified Accountants who has a total of 21 years experience in manufacturing, trading and service industry, reports directly to the Audit Committee. The Internal Audit Department has 2 full-time staff with adequate 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 their professional independence and objectivity.

The audit plan and audit scope are focused on the areas of greatest risk to the Group, 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. In addition, control-self assessments which encompass financial, operational, environmental and compliance controls are validated by the Internal Audit function during the audit review and reported to the Audit Committee. During the financial year ended 31 December 2018, the total cost incurred by the Internal Audit function was RM 521,735.00.

The key audit activities undertaken by the Internal Audit Department in 2018 as part of the assurance process included: -

- | | |
|--|---|
| (a) Compliance assessment of credit control activities with Group policies and procedures; | (e) Operational review of wastepaper receiving and storage management activities; |
| (b) Assessment of inventory valuation system; | (f) Operational review of fire prevention risks, security, safety and health controls; |
| (c) Assessment of procurement processes; | (g) Review of recurrent and related party transactions; and |
| (d) Operational review of human resource management system; | (h) Post audit review to follow up previous audit issues raised and status of remedial actions taken. |

This Audit Committee Report is made in accordance with a resolution of the Board of Directors dated 1 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

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

Roles and Responsibilities

The Board of Directors recognised the importance of the risk management and internal control system to the Group and acknowledged 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 of Directors of Muda Holdings Berhad is assisted by the Audit Committee and the Board members of subsidiary companies in overseeing the Group's risk management and internal control system. Risk Management Framework is implemented whereby major and active subsidiaries in the Group are required to carry out their individual 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 identified are broadly grouped into Strategic Risk, Operational Risk, Financial Risk and Compliance Risk and the outcome of the process is documented into a half yearly risk management reports to the Board of Directors.

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

In-House Internal Audit Department

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

The activities of the Internal Audit Department are explained in the Audit Committee Report on Page 28 to 30 of this Report.

Principal Risks

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

Principal Risk	Mitigating Actions
a. Supply of raw material for manufacturing of paper Adequate supply of waste paper is key to continuous operations of the paper mills. Local demand has outpaced supply from domestic market resulting in risk of shortfall in supply from domestic market and increased cost.	The Group will strengthen its collection centres to maximise procurement of the material from local suppliers. At the same time, the paper mills are establishing network of supplies from overseas to mitigate the risk of shortfall in supply.
b. 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 threatened lives.	The Group has installed fire prevention and fire-fighting equipment and system 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 operating procedures and training to ensure proper production floor setup and enhance employees' awareness of the potential fire threat.
c. Liquidity The increase in revenue has resulted in higher trade receivables which is subject to the risks of bad debts or delay in payment that may lead to liquidity problem if the risk is not well managed.	Extension of credit term and credit period to customers are managed in accordance with the Group's Credit Control Policy and Procedures to mitigate the risks of bad debts. Besides, credit facilities of individual subsidiaries are reviewed from time to time to ensure sufficient facilities is available for working capital.
d. Compliance with Department of Environment requirements The manufacturing process in paper mills and carton plants in the Group produces waste, emission and effluent discharge which are required to comply with regulatory requirements. Breach of the regulations may result in plant closure and health hazards to employees and the community.	The Group has invested in waste water treatment plant and other equipment or facilities to ensure its handling and disposal of waste, emission and effluent comply with the regulatory requirements.

Assurance from Managing Director and Chief Financial Officer

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

Review of This Statement

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement for inclusion in the Annual Report 2018, and have reported to the Board that nothing has come to their attention that cause them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*, nor is the Statement factually inaccurate.

Conclusion

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

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 1 April 2019.

SUSTAINABILITY STATEMENT

In compliance to the requirements of Bursa Malaysia Securities Berhad under Paragraph 9.45(2) of the Main Market Listing Requirements (supplemented by Practice Note 9), the Board of Directors (the “Board”) of Muda Holdings Berhad (“Muda”) are adopting the recommendations by providing the sustainability statement of the Group’s business and its economic, environmental and social impact.

Governance Structure

A robust governance structure is crucial to ensure that we achieve our sustainability commitments. The Board leads the initiatives to embed sustainability considerations into the Group’s strategy. A Sustainability Committee is set up to incorporate sustainability into the Group’s business processes and prepare the Group’s sustainability reporting. As sustainability is a journey, and as the Group moves forward, the Board will, through engagement with Management and external advisers, if required, to ascertain and develop a formal approach to sustainability so as to provide a more detailed and comprehensive perspective on sustainability.

Stakeholder Engagement

To represent the interests of each identified stakeholder group, we selected individual stakeholders using methods appropriate to the type of stakeholder. Stakeholders have been identified and profiled based on their influence on the Group or how they are impacted by the Group. Our approach is briefly illustrated in the Stakeholder Engagement Matrix below:

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

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

Economic

As a public listed company, Muda is principally responsible to its shareholders in securing and growing their financial asset. Generally, companies generate return to its shareholders in two ways: by distributing dividends and via appreciation of its share price, which is highly dependent in the long run of the Group’s financial performance.

Muda constantly strives to achieve economic sustainability by utilising its assets efficiently and effectively which allows continued generation of profitability over time.

Environment

Recovered paper is the main source of raw material for the production of recycled paper. Total recovered paper consumed by the mill division in 2016, 2017 and 2018 was as follows:

	2016	2017	2018
Muda Paper Mill – Kajang	272,000 mt	272,000 mt	282,000 mt
Muda Paper Mill – Tasek	206,000 mt	202,000 mt	186,000 mt
Total	478,000 mt	474,000 mt	468,000 mt

The recovery of waste paper will help to preserve the environment as wastepaper will be diverted away from land fills or for burning. Being the pioneer in the paper milling industry, we have consistently promoted the recovery of waste paper through the following initiatives:

- Working together with schools and institutions of higher learning to promote awareness of the 3Rs (Reduce, Reuse and Recycle) through event sponsorship by providing financial support and resources for the campaigns and related activities. 13 schools in Kuala Lumpur and Selangor as well as charitable organisation such as Tzu Chi in Melaka were involved.
- Providing technical and financial support to individuals interested in the business of recovered paper collections.
- Intensify reduction of recycled fibre wastage through recovery of fine recycled fibre lost in the paper making process for reuse in production.
- Use of innovative technology, instruments and chemicals to improve the paper quality and strength.

Paper milling is an energy intensive industry as it requires substantial amount of electricity for the paper making process and steam energy for drying of paper. To improve energy efficiency and to reduce the carbon footprint to the environment, our Kajang Mill has invested in 3 units of gas fired combined heat and power generation plant with total power generating capacity of 15MW per hour. The cogeneration plant is cooler, cleaner and greener and has been certified as environmentally friendly under the Clean Development Mechanism of the Kyoto Protocol. The waste heat generated by the gas turbine is captured in a heat recovery steam generator and used for heating or to produce process steam of up to 13MT per hour per unit for paper drying process. By doing so, this helps to reduce the energy cost as well as reduction in greenhouse gas emissions to our environment.

Being a responsible corporate citizen and to ensure zero contamination of the water source for our community, both Kajang Mill and Tasek Mill are equipped with biological effluent treatment plants to treat waste water from the paper making through a series of chemical and biological treatment process to attain the quality standards set by the Environmental Quality (Industrial Effluent) Regulations 2009 before discharge to the river. The waste water quality discharged from our paper mills are consistently within the predetermined perimeters imposed by the DOE.

Social

The Group emphasizes on the safe working environment at all the factories. In order to improve the safety awareness amongst employees and to consistently reduce occupational accidents, our safety department has implemented comprehensive safety programme which includes:

- Healthy and Safety Officer is employed by each business unit in Malaysia which is in line with the requirements of the Department of Safety and Health.
- Safety awareness training and ongoing review of safety procedures were introduced to the staff.
- Frequent inspection of machineries and site safety working procedures to detect unsafe conditions.

The Group is working towards zero harm goals through continuous improvements of its system, processes and culture.

The Way Forward

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

The Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 1 April 2019.

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

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

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

In preparing the financial statements, the Directors have:

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

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act, 2016.

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



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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 2018.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	79,651	17,520
Attributable to:-		
Owners of the Company	77,534	17,520
Non-controlling interests	2,117	-
	79,651	17,520

DIVIDENDS

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

	RM'000
In respect of financial year ended 31 December 2017 and paid on 19 July 2018:-	
First and final single tier dividend of 3.5 sen per share	10,677

A first and final single tier dividend of 4.5 sen per share on 305,050,835 ordinary shares, amounting to RM13,727,288 was recommended by the Directors in respect of the financial year ended 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.

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 (Redesignated from Managing Director to Executive Deputy Chairman on 28 May 2018)*
 Datuk Lim Chiun Cheong, DPSM (Redesignated from Deputy Managing Director to Managing Director on 28 May 2018)*
 Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (Senior Independent Non-Executive Director)
 Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (Independent Non-Executive Director)
 Wong Choong Yee (Appointed on 21 August 2018 as an Independent Non-Executive Director)
 Patrick Chin Yoke Chung, FCA (Senior Independent Non-Executive Director, retired on 28 June 2018)
 Dato' Lim Wan Peng, DSPN (Executive Director, demised on 15 February 2019)*
 Lim Yen Wee (Appointed on 3 December 2018 and ceased to be Alternate Director to Dato' Lim Wan Peng on 15 February 2019)*

* Directors of the Company and subsidiaries

LIST OF DIRECTORS OF SUBSIDIARIES

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

Beh Tee Chai	Lim Wah Kong
Chew Phai Cheng	Lim Yen Wee (Appointed on 21 February 2019)
Chua Hwee Hooi	Loo Ee Fah
Goh Ching Yee	Seow Tiong Hwa
Goh Chun Hui (Appointed on 1 January 2019)	Tan Chaik Phoay
Hayakawa Naohiko	Tan Kuo Keng
Kang Yiang Lip	Tan Tee Sea
Kok Boon Hong	Teoh Hai Thow
Kok Lye Kheong	Wong Mun Chen
Lau Saw Khim	Wu Zhi Jing
Lim Poh Beng	Yamashita Masashi
Lim Siew Ling	Lim Wan Hoi (Demised on 2 March 2018)

Datuk Lim Chiun Cheong and Lee Khim Sin will retire by rotation in accordance with Article 74 of the Company's Constitution and Wong Choong Yee will retire in accordance with Article 79 of the Company's Constitution, being eligible, offer themselves for 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 "Act"), the interests and deemed interests in the shares of the Company or its subsidiaries or related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including their spouses or children) are as follows:-

Interests in the Company	Number of ordinary shares			At 31.12.2018
	At 1.1.2018	Bought	Sold	
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	6,000	-	116,551,413
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
- deemed interest	81,000	122,000	-	203,000
	At date of appointment	Bought	Sold	At 31.12.2018
Lim Yen Wee (Alternate Director)				
- direct interest	120,000	-	-	120,000
- deemed interest	120,162,413	-	-	120,162,413

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

DIRECTORS' REPORT

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

DIRECTORS' BENEFITS

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

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 37 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 their obligations as and when they fall due;
- (b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

INDEMNITY AND INSURANCE COST

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

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

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 48 to the financial statements.

AUDITORS

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

The Auditors' remuneration is disclosed in Note 35 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 1 April 2019.

DATO' AZAMAN BIN ABU BAKAR
Director

DATUK LIM CHIUN CHEONG
Director

Kuala Lumpur

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 46 to 123 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 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 1 April 2019.

DATO' AZAMAN BIN ABU BAKAR

DATUK LIM CHIUN CHEONG

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 the financial statements set out on pages 46 to 123 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Kuala Lumpur in	)	
the Federal Territory this 1 st day of	)	
April 2019	)	DATO' AZAMAN BIN ABU BAKAR

Before me:

P.Valliamah (W.594)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Muda Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 123.

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 2018, 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 14 to the financial statements. We focused on this area because the Group has trade receivables that are past due but not impaired amounting RM58.4 million and the amount provided under the expected credit loss model amounted to RM8.9 million. The key risk associated with the recoverability of billed trade receivables as management judgement is required in determining the adequacy of trade receivables' provision by considering the expected recoverability of the trade receivables as at year end.

Our response

We have challenged management's assumptions in calculating the impairment on doubtful receivables. This includes reviewing the ageing of receivables, 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, challenged the expected credit loss model developed by the Group and tested the operating effectiveness of the relevant control procedures that management has in place.

Inventory valuation

The risk

Referring to Note 13 to the financial statements. The Group holds inventories that amounted to RM298.3 million which is subject to a risk that the inventories become slow-moving or obsolete and rendering it not saleable or can only be sold at selling prices that are less than the carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence and in making an assessment of its adequacy due to risks of inventories not stated at the lower of cost or net realisable value.

Our response

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

Tax expense and the recognition of deferred tax assets

The risk

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

Referring to Note 12 to the financial statements, the Group has recognised RM2.2 million of deferred tax assets. This recognition involves judgement by management as to the likelihood of the realisation of these deferred tax assets. The expectation that the benefit of these assets will be realised depends on a number of factors, including appropriate taxable temporary differences, and whether there will be sufficient taxable profits in future periods to support its recognition.

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

Our response

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

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

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

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 RM1,157.8 million and capital work-in-progress of RM50.8 million as at 31 December 2018 as detailed in Notes 5 and 7 to the financial statements.

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

Our response

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

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

Provision for retirement benefit

The risk

The Group and the Company operates an unfunded defined benefit scheme with carrying amount of RM50.8 million and RM5.9 million respectively as at 31 December 2018. 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 26 to the financial statements.

Our response

The Management has used external actuaries to assist them in computing the provision for retirement benefit. We evaluated the key actuarial assumptions that they made in relation to the valuations of liabilities and the assumptions around salary 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. Competency has been assessed by confirming that the external 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 comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUDA HOLDINGS BERHAD

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

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

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

TAN CHEE BENG
(NO.: 2664/02/21(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
1 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,157,844	1,091,235	21,760	21,635
Prepaid land lease payments	6	4,285	4,807	-	-
Capital work-in-progress	7	50,843	57,207	-	-
Investment properties	8	11,260	10,490	-	-
Investment in subsidiaries	9	-	-	226,178	211,178
Investment in associates	10	19,887	19,665	*	*
Intangible assets	11	11,649	9,983	-	-
Deferred tax assets	12	2,182	4,730	-	-
Total non-current assets		1,257,950	1,198,117	247,938	232,813
Current assets					
Inventories	13	298,256	258,945	-	-
Trade receivables	14	267,086	297,687	-	-
Other receivables	15	32,234	28,948	327	218
Amount due from subsidiaries	9.4	-	-	29,506	40,838
Amount due from associates	10.3	2,000	1,349	890	900
Financial assets at fair value through profit or loss	16	4,879	-	4,879	-
Held-for-trading investments	17	-	4,835	-	4,835
Derivative financial instruments	18	-	30	-	-
Tax recoverable		1,978	1,733	1,221	1,193
Cash and bank balances, deposits and short term placements	19	94,158	91,916	9,309	5,894
Total current assets		700,591	685,443	46,132	53,878
Asset included in disposal group as held for sale	20	80	-	-	-
TOTAL ASSETS		1,958,621	1,883,560	294,070	286,691
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the Company					
Share capital	21	159,471	159,471	159,471	159,471
Reserves	22	311,733	323,901	16,828	17,052
Retained earnings	23	551,463	481,267	107,932	100,884
Total equity attributable to owners of the Company		1,022,667	964,639	284,231	277,407
Non-controlling interests		24,062	23,982	-	-
Total equity		1,046,729	988,621	284,231	277,407
Non-current liabilities					
Finance lease liabilities	24	34,030	26,919	841	273
Borrowings	25	102,038	83,058	-	-
Provision for retirement benefit	26	50,756	50,008	5,936	5,997
Deferred tax liabilities	27	74,949	58,698	782	966
Total non-current liabilities		261,773	218,683	7,559	7,236

* Less than RM1,000

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current liabilities					
Trade payables	28	61,073	79,969	-	-
Other payables	29	91,128	85,456	2,040	1,908
Amount due to subsidiaries	9.4	-	-	12	3
Amount due to associates	10.3	533	-	-	-
Derivative financial instruments	18	14	-	-	-
Finance lease liabilities	24	17,003	13,378	228	137
Borrowings	25	458,592	468,043	-	-
Bank overdrafts	30	19,426	26,715	-	-
Tax payable		2,350	2,695	-	-
Total current liabilities		650,119	676,256	2,280	2,048
TOTAL LIABILITIES		911,892	894,939	9,839	9,284
TOTAL EQUITY AND LIABILITIES		1,958,621	1,883,560	294,070	286,691

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 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	31	1,544,260	1,448,451	26,969	25,503
Cost of sales		(1,249,239)	(1,222,799)	-	-
Gross profit		295,021	225,652	26,969	25,503
Other income	32	6,896	10,482	702	625
Distribution expenses		(86,906)	(87,147)	-	-
Administration expenses		(76,450)	(72,537)	(10,076)	(9,101)
Other expenses	33	(10,480)	(7,886)	(185)	*
Compensation received due to fire, net of expenses		3,110	23,293	-	-
Finance costs	34	(30,912)	(27,285)	(20)	(22)
Share of profit of associates		593	803	-	-
Profit before tax	35	100,872	65,375	17,390	17,005
Tax (expense)/income	38	(21,221)	(5,465)	130	501
Profit for the financial year		79,651	59,910	17,520	17,506
Other comprehensive (loss)/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
Remeasurement of defined benefit liability	26	3,484	-	(25)	-
Tax effect on items that will not be reclassified to profit or loss	38	(7,255)	(17,593)	6	(1,586)
		(3,771)	68,132	(19)	5,024
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(2,012)	(5,108)	-	-
		(2,012)	(5,108)	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(5,783)	63,024	(19)	5,024
Total comprehensive income for the financial year		73,868	122,934	17,501	22,530
Profit attributable to:-					
Owners of the Company		77,534	58,766	17,520	17,506
Non-controlling interests		2,117	1,144	-	-
		79,651	59,910	17,520	17,506
Total comprehensive income attributable to:-					
Owners of the Company		71,735	122,391	17,501	22,530
Non-controlling interests		2,133	543	-	-
Total comprehensive income for the financial year		73,868	122,934	17,501	22,530
Earnings per share attributable to owners of the Company					
Earnings per share					
- basic (sen)	39	25.42	19.26		

* 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 2018

	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	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2017		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 (loss)/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 on 31 January 2017 [^]		6,946	(6,946)	-	-	-	-	-	-	-
Transactions with owners:-										
First and final single tier dividend of 3.0 sen per share	40	-	-	-	-	-	(9,152)	(9,152)	-	(9,152)
Issuance of bonus shares by subsidiary		-	-	2,887	-	-	(3,039)	(152)	152	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(912)	(912)
Total transactions with owners of the Company		-	-	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. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

←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	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 31 December 2017		159,471	-	2,887	9,813	311,201	481,267	964,639	23,982	988,621
Effect of adoption of MFRS 9		-	-	-	-	-	(3,030)	(3,030)	(60)	(3,090)
Balance at 1 January 2018		159,471	-	2,887	9,813	311,201	478,237	961,609	23,922	985,531
Profit for the financial year		-	-	-	-	-	77,534	77,534	2,117	79,651
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	-	(3,147)	3,147	-	-	-
Other comprehensive (loss)/income for the financial year		-	-	-	(2,219)	(6,802)	3,222	(5,799)	16	(5,783)
Total comprehensive (loss)/income for the financial year		-	-	-	(2,219)	(9,949)	83,903	71,735	2,133	73,868
Transactions with owners:-										
Acquisition of subsidiaries	9	-	-	-	-	-	-	-	(590)	(590)
First and final single tier dividend of 3.5 sen per share	40	-	-	-	-	-	(10,677)	(10,677)	-	(10,677)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(1,403)	(1,403)
Total transactions with owners of the Company		-	-	-	-	-	(10,677)	(10,677)	(1,993)	(12,670)
Balance at 31 December 2018		159,471	-	2,887	7,594	301,252	551,463	1,022,667	24,062	1,046,729

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company				
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
Company					
Balance at 1 January 2017	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	-	-	-	(9,152)	(9,152)
Balance at 31 December 2017	159,471	-	17,052	100,884	277,407
Profit for the financial year	-	-	-	17,520	17,520
Realisation of revaluation reserve upon depreciation of revalued assets	-	-	(224)	224	-
Other comprehensive loss for the financial year	-	-	-	(19)	(19)
Total comprehensive income for the financial year	-	-	(224)	17,725	17,501
Transaction with owners:-					
First and final single tier dividend of 3.5 sen per share	-	-	-	(10,677)	(10,677)
Balance at 31 December 2018	159,471	-	16,828	107,932	284,231

[^] 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. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members 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 2018

Note	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
OPERATING ACTIVITIES				
Profit before tax	100,872	65,375	17,390	17,005
Adjustments for:-				
Amortisation of prepaid land lease payments	328	314	-	-
Bad debts written off	417	73	-	-
Capital work-in-progress written off	-	178	-	-
Depreciation of property, plant and equipment	68,234	62,101	857	776
Fair value loss/(gain) on derivative financial instruments	44	(579)	-	-
Fair value loss on financial assets at fair value through profit or loss	183	-	183	-
Fair value gain on held-for-trading investments	-	(4)	-	(4)
Impairment loss on doubtful trade receivables				
- current	4,984	1,451	-	-
- no longer required	(1,976)	(3,279)	-	-
Impairment loss on investment in associates	91	1,375	-	-
Reversal of impairment loss of property, plant and equipment	-	(314)	-	-
Interest expenses	30,912	27,285	20	22
Inventories written off	2,489	788	-	-
Inventories written down	2	*	-	-
Property, plant and equipment written off	1,038	545	*	*
Provision for retirement benefit	6,126	5,376	517	492
Dividend income	(227)	(223)	(19,415)	(18,584)
Fair value adjustments on investment properties	105	690	-	-
Gain on disposal of property, plant and equipment	(573)	(529)	(119)	(143)
Interest income	(708)	(575)	(210)	(153)
Reversal of inventories written down	(44)	(138)	-	-
Deficit on revaluation of properties	-	1,043	-	-
Fair value gain arising from deemed disposal of subsidiaries	*	-	-	-
Impairment loss on doubtful other receivables	-	61	-	-
Reversal of deficit on revaluation of properties	-	(2,767)	-	-
Share of profit of associates	(593)	(803)	-	-
Unrealised loss on foreign exchange	640	1,559	-	-
Operating profit/(loss) before working capital changes	212,344	159,003	(777)	(589)
Changes in working capital:-				
Inventories	(41,350)	(59,372)	-	-
Receivables	23,797	(69,398)	(109)	30
Payables	(16,722)	24,711	132	5
Bills payable	(24,143)	75,729	-	-
Associates	8	359	-	-
Cash generated from/(used in) operations	153,934	131,032	(754)	(554)
Retirement benefit paid	(1,894)	(879)	(603)	-
Dividend received	154	-	29,251	10,757
Dividend paid to owners of the Company	(10,677)	(9,152)	(10,677)	(9,152)
Dividends paid to non-controlling interests	(1,403)	(912)	-	-
Interest paid	(31,954)	(27,980)	(20)	(22)
Interest received	708	575	210	153
Tax paid	(9,727)	(7,319)	(83)	(75)
Tax refunded	196	839	7	155
Net cash generated from operating activities	99,337	86,204	17,331	1,262

* Less than RM1,000

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
INVESTING ACTIVITIES				
Capital work-in-progress incurred	(76,544)	(51,100)	-	-
Proceeds from disposal of property, plant and equipment	2,552	1,299	119	143
Purchase of property, plant and equipment	(21,860)	(23,489)	(147)	(267)
Purchase of investment properties	(367)	-	-	-
Additional investment in subsidiaries	-	-	(15,000)	-
Acquisition of subsidiaries, net of cash acquired	(3,491)	-	-	-
Net cash used in investing activities	(99,710)	(73,290)	(15,028)	(124)
FINANCING ACTIVITIES				
Drawdown of revolving credit	5,048	11,500	-	-
Drawdown of onshore foreign currency loan	10,914	5,438	-	-
Drawdown of flexi financing loans	172,121	172,997	-	-
Drawdown of term loans	43,469	26,906	-	-
Repayment of flexi financing loans	(178,489)	(173,315)	-	-
Repayment of onshore foreign currency loan	(9,447)	(4,566)	-	-
Repayment of finance leases	(16,757)	(7,538)	(176)	(145)
Repayment of term loans	(15,481)	(43,398)	-	-
Repayment received from/(to) subsidiaries	-	-	1,278	(1,047)
Repayment received from associates	-	6	10	20
Withdrawal/(Placement) of fixed deposit pledged	1,874	(1,504)	-	-
Net cash generated from/(used in) financing activities	13,252	(13,474)	1,112	(1,172)
CASH AND CASH EQUIVALENTS				
Net changes	12,879	(560)	3,415	(34)
Effect of exchange rate changes	(1,474)	(1,950)	-	-
Brought forward	62,082	64,592	5,894	5,928
Carried forward	73,487	62,082	9,309	5,894

* Less than RM1,000

NOTES TO THE STATEMENTS OF CASH FLOWS

A. CAPITAL WORK-IN-PROGRESS INCURRED

	Group	
	2018 RM'000	2017 RM'000
Total additions	100,235	64,778
Purchase through finance lease arrangements	(23,691)	(8,286)
Purchase through term loans	-	(5,392)
Cash payment	76,544	51,100

B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total additions	31,097	30,503	982	567
Purchase through finance lease arrangements	(3,488)	(4,454)	(835)	(300)
Purchase through term loans	(5,749)	(2,560)	-	-
Cash payment	21,860	23,489	147	267

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	76,034	72,164	392	168
Fixed deposits with licensed banks	3,675	11,351	-	-
Short term placements with financial institutions	14,449	8,401	8,917	5,726
Bank overdrafts	(19,426)	(26,715)	-	-
	74,732	65,201	9,309	5,894
Less: Fixed deposits pledged	(1,245)	(3,119)	-	-
	73,487	62,082	9,309	5,894

Reconciliation of liabilities arising from financing activities

	Finance lease liabilities RM'000	Bankers acceptance RM'000	Flexi financing loans RM'000	Onshore foreign currency loan RM'000	Revolving credit RM'000	Term loans RM'000	Total RM'000
Group							
Balance as at 1 January 2017	35,104	269,175	18,165	-	79,070	105,499	507,013
Net cash flows	(7,538)	75,729	(318)	872	11,500	(16,492)	63,753
Non-cash changes	12,731	-	-	-	-	7,901	20,632
Balance as at 31 December 2017	40,297	344,904	17,847	872	90,570	96,908	591,398
Net cash flows	(16,757)	(24,143)	(6,368)	1,467	5,048	27,988	(12,765)
Non-cash changes	27,493	-	-	-	(40)	5,577	33,030
Balance as at 31 December 2018	51,033	320,761	11,479	2,339	95,578	130,473	611,663
Company							
Balance as at 1 January 2017	255	-	-	-	-	-	255
Net cash flows	(145)	-	-	-	-	-	(145)
Non-cash changes	300	-	-	-	-	-	300
Balance as at 31 December 2017	410	-	-	-	-	-	410
Net cash flows	(176)	-	-	-	-	-	(176)
Non-cash changes	835	-	-	-	-	-	835
Balance as at 31 December 2018	1,069	-	-	-	-	-	1,069

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. GENERAL INFORMATION

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates. The financial statements of the Company as at and for the financial year ended 31 December 2018 do not include any other entities.

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

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 1 April 2019.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

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

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

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

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

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

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

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

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

2.3 Functional and presentation currency

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

2.4 MFRSs

2.4.1 Adoption of new or revised MFRSs

The 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 except for those explanations as disclosed in Note 4 to the financial statements.

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 pronouncements. The initial application of the new standards, amendments and interpretations is 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 MFRS 16 Leases

MFRS 16, *Leases* becomes mandatory with annual periods beginning on or after 1 January 2019. The new Standard replaces the guidance in 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*.

Essentially, the new Standard requires all lease arrangements ("right of use assets") to be recognised on the statements of financial position. The structure of the statements of profit or loss will change as the previous lease expense will be replaced by a depreciation charge on the right of use assets and the interest expense on the corresponding lease liability. The related cash flows will be divided into a repayment of the lease liability and interest portion, thus changing the structure of the cash flows.

As of 31 December 2018, the Group has non-cancellable operating lease commitments of RM6,722,000.

A preliminary assessment indicates that RM5,130,000 of these arrangements relate to leases other than short-term leases and leases of low value assets with the threshold less than United States Dollar 5,000. Hence, the Group will recognise right of use assets of RM4,703,000 and corresponding lease liability of RM4,841,000 in respect of all these leases.

Accordingly, there will not be any material impact to the Group gearing ratio, results of operations, operating cash flows and earnings before income tax, depreciation and amortisation.

The Group will apply MFRS 16 for the first time using the modified retrospective method which the comparative amounts for the year prior to the first adoption of the new Standard will not be restated.

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 results could differ from these estimates.

2.5.1 Deferred tax assets

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 unabsorbed business losses or credit. If a positive forecast of taxable income indicates the probable use of deductible temporary differences, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

2.5.2 Depreciation of property, plant and equipment

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

2.5.3 Valuation of property, plant and equipment and investment properties

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

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

2.5.4 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present values of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. These estimates are most relevant to goodwill recognised by the Group. Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill are disclosed in Note 11 to the financial statements.

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

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. On each quarterly reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

2.5.6 Fair value measurement of financial instruments

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the Note 45 to the financial statements.

2.5.7 Income taxes

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

2.5.8 Inventories

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

2.5.9 Defined benefit plan

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method from the 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 as incurred 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 classified as an asset or liability will be recognised in accordance with MFRS 9 in the statement of profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. For instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group and the Company. Control exists when the Group and the Company are exposed, or have rights, to variable returns from its involvement with the entities and have 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 and the Company use judgements to assess whether they have de facto control, control by other arrangements, or by holding substantive potential voting rights.

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

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

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

3.1.3 Non-controlling interests

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

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

3.1.4 Acquisition of non-controlling interests

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

3.1.5 Changes in ownership in subsidiaries without loss of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and 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

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

3.1.7 Transactions eliminated on consolidation

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

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

3.1.8 Associates

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

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

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

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

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not 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.

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

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

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

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

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

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

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

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

Property, plant and equipment under revaluation model

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

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Surpluses arising from revaluation of properties held for own use are dealt with in other comprehensive income and are accumulated separately in equity in the revaluation reserve account. When a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation. When revalued assets are retired or disposed, the amounts included in the revaluation surplus reserve are transferred to retained earnings and are not reclassified to profit or loss.

3.2.2 Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. 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. 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	24 to 58 years
Computer systems	3 to 5 years
Electrical installation	10 to 15 years
Firefighting system	10 to 15 years
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 to 7 years
Plant and machinery	2 to 20 years
Tools and equipment	3 to 15 years

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

3.2.3 Subsequent 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.

3.3 Capital work-in-progress

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

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

3.4 Leased assets

3.4.1 Finance leases

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

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

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

3.4.2 Operating leases

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

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

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

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

3.5 Investment property

3.5.1 Investment property carried at fair value

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

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

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

3.5.2 Reclassification to/from investment property

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

When the use of a property changes such that it is 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 is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted associates.

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3.6.2 Other intangible assets

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

3.6.3 Amortisation

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

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

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

3.7 Financial instruments

3.7.1 Financial assets

3.7.1.1 Classification

Accounting policies applied until 31 December 2017

The Group and the Company categorise financial assets as follows:-

- Financial assets at fair value through profit or loss
- Loans and receivables

Accounting policies applied from 1 January 2018

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

From 1 January 2018, the Group and the Company classify its financial assets in the following measurement categories:-

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

3.7.1.2 Recognition and derecognition

Accounting policies applied until 31 December 2017

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

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 risks 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 asset, 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.

Accounting policies applied from 1 January 2018

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

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

3.7.1.3 Initial measurement

Accounting policies applied until 31 December 2017

Financial assets are measured initially at fair value plus transaction 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.

Accounting policies applied from 1 January 2018

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

3.7.1.4 Subsequent Measurement

Accounting policies applied until 31 December 2017

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:-

(i) 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.

(ii) 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 most of the other receivables.

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Accounting policies applied from 1 January 2018

Financial assets are subsequently measured at the four categories:-

(i) *Amortised cost*

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

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

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

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

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

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

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

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

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

(iv) *FVTPL*

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

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

3.7.1.5 Impairment of financial assets

Accounting policies applied until 31 December 2017

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.

(i) *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 loans 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.

Accounting policies applied from 1 January 2018

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

The measurement of ECLs reflects:-

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

ECLs are measured on either of the following basis:-

- 12-month ECLs: the portion of lifetime expected credit losses that result from possible default events on a financial instrument within the 12 months after the reporting date; and
- Lifetime ECLs: the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group and the Company are exposed to credit risk.

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

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

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

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

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3.7.2 Financial liabilities

3.7.2.1 Classification

Accounting policies applied until 31 December 2017

The Group and the Company categorise financial liabilities as follows:-

- Financial liabilities at fair value through profit or loss
- Other liabilities measured at amortised cost

Accounting policies applied from 1 January 2018

From 1 January 2018, the Group and the Company classify its financial liabilities in the following measurement categories:-

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

3.7.2.2 Recognition and derecognition

Accounting policies applied until 31 December 2017

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

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.

Accounting policies applied from 1 January 2018

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

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

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

3.7.2.3 Initial measurement

Accounting policies applied until 31 December 2017

Accounting policies applied from 1 January 2018

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

3.7.2.4 Subsequent measurement

Accounting policies applied until 31 December 2017

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

(i) 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.

(ii) Other liabilities measured at amortised cost

Other financial liabilities including finance lease liabilities, borrowings, amount due to subsidiaries, and trade and most of the 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.

Accounting policies applied from 1 January 2018

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

(i) FVTPL

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

At initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:-

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

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

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

The Group's and the Company's financial liabilities at fair value through profit or loss include derivative liability.

The Group and the Company have not elected to designate any financial liability at fair value through profit or loss.

(ii) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

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

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

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3.7.3 Financial guarantee contracts

Accounting policies applied until 31 December 2017

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.

Accounting policies applied from 1 January 2018

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

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

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

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

3.7.4 Offsetting of financial instruments

Accounting policies applied until 31 December 2017

Accounting policies applied from 1 January 2018

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.

3.8 Derivative financial instruments

Accounting policies applied until 31 December 2017

Accounting policies applied from 1 January 2018

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk such as foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Notes 18 and 45 to the financial statements.

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

3.9 Impairment of non-financial assets

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

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

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

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

3.10 Inventories

Inventories are 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 when the related inventory was subsequently used or was sold above its carrying amount.

3.11 Foreign currency

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.

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 while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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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 pledged deposits.

3.13 Non-current assets held for sale

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

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

3.14 Equity instruments

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

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

(i) *Contingent liabilities*

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

(ii) *Contingent assets*

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

3.17 Borrowing costs

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

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

3.18 Employee benefits

3.18.1 Short term employee benefits

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

3.18.2 Defined contribution plan

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

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

3.18.3 Defined benefit plan

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

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

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

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3.19 Revenue recognition

The Group and the Company apply five-step model revenue recognition under MFRS 15 *Revenue from Contracts with Customers* effective 1 January 2018. The adoption of this standard results in changes in the accounting policy for revenue recognition, and has no material financial impact from the MFRS 118 *Revenue* applied previously.

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as set out in this Standards:-

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

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

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

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

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

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

3.19.1 Sales of goods

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Group and the Company shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 31 to the financial statements.

3.19.2 Commission income

Commission income is recognised when the relevant services are completed.

3.19.3 Dividend income

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

3.19.4 Interest income

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

3.19.5 Management fee

Management fee is recognised when services are rendered.

3.19.6 Rental income

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

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 properties are carried at their fair value in accordance with the accounting policy set out in Note 3.5, the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the 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.

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3.20.3 Indirect taxes

Supply of goods and services in Malaysia and other jurisdiction is subject to Goods and Services Tax ("GST").

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.

During the financial year, GST in Malaysia was reset at standard rate of 0% with effective on 1 June 2018 and Sales and Services Tax ("SST") was enacted with effective on 1 September 2018 to replace GST.

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 of the Group, and

(b) An entity is related to the Group if any of the following conditions applies:-

- (i) The entity and the Group are members of the same group.
- (ii) The entity is an associate or joint venture of the Group.
- (iii) Both the Group and the entity are joint ventures of the same third party.
- (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
- (v) The entity is a post-employment benefit plan for the 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.

4. CHANGES IN ACCOUNTING POLICIES

4.1 MFRS 9 *Financial Instruments*

The Group and the Company have adopted MFRS 9 on 1 January 2018. MFRS 9 introduces new requirements which have resulted in changes in accounting policies for recognition, classification and measurement of financial instruments and impairment of financial assets, while the hedge accounting requirements under this Standard are not relevant to the Group and the Company.

The Group and the Company have applied MFRS 9 retrospectively on the initial application date in accordance with the transitional provision and the comparative information was not restated.

4.1.1 Classification and measurement of financial instruments

Financial assets

Under MFRS 9, at initial recognition, financial assets are classified and measured at amortised cost, FVTOCI and FVTPL. The classification above depends on the Group's and the Company's business model for managing the financial assets and the terms of contractual cash flows. Based on the assessment, the financial assets held by the Group and the Company as at 1 January 2018 are reclassified to the following categories:-

		Measurement category		Group Carrying amount as at 1 January 2018		Company Carrying amount as at 1 January 2018	
	Note	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:-							
Asset held-for trading							
- Investment in unit trusts	(1)	FVTPL	FVTPL	4,835	4,835	4,835	4,835
Derivative financial instruments	(1)	FVTPL	FVTPL	30	30	-	-
Trade receivables	(2)	LAR*	Amortised cost	297,687	293,763	-	-
Other receivables	(2)	LAR*	Amortised cost	19,385	19,385	163	163
Amount due from subsidiaries	(2)	LAR*	Amortised cost	-	-	40,838	40,838
Amount due from associates	(2)	LAR*	Amortised cost	1,349	1,349	900	900
Cash and bank balances	(2)	LAR*	Amortised cost	72,164	72,164	168	168
Fixed deposits with licensed banks	(2)	LAR*	Amortised cost	11,351	11,351	-	-
Short term placements	(3)	LAR*	FVTPL	8,401	8,401	5,726	5,726

* LAR - Loans and Receivables

Note:-

- (1) Asset held-for-trading investment and derivative financial instruments were classified as fair value through profit or loss. The Group and the Company manage the financial assets with the objective of realising cash flows through the sale of the assets. There is no change in the classification of these financial assets.
- (2) Trade receivables, other receivables, amount due from subsidiaries, amount due from associates, cash and bank balances and fixed deposits with licensed banks that were previously classified as loans and receivables are now reclassified to amortised cost. The Group and the Company intend to hold the assets to maturity to collect contractual cash flows and these cash flows are solely payments of principal and interest on the principal amount outstanding.
- (3) Short term placements were previously classified as loans and receivables are now classified as fair value through profit or loss in accordance with the business model. The Group and the Company manage the financial assets with the objective of both collecting the contractual cash flows and selling financial assets.

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Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:-

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's and the Company's assessment did not identify any requirements to reclassify financial liabilities at 1 January 2018 and they have not designated any financial liabilities at FVTPL and they have no intention to do so.

4.1.2 Impairment of financial assets

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group applied the simplified approach and calculated expected credit losses based on lifetime expected credit losses on all trade receivables. The Group established a provision matrix that is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

	Group RM'000
Trade receivables	
Loss allowances at 31 December 2017 under MFRS 139	2,015
Additional impairment recognised at 1 January 2018	3,924
Loss allowances at 1 January 2018 under MFRS 9	5,939

4.1.3 Effect on initial application

The following table is a reconciliation of the carrying amounts on the impact of adopting MFRS 9 as at 1 January 2018:-

	Original (MFRS 139) Carrying amount as at 31 December 2017 RM'000	Reclassification and Remeasurement RM'000	Impairment RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Group				
Cash and cash equivalents				
Liquid investment - LAR	8,401	(8,401)	-	-
Liquid investment - FVTPL	-	8,401	-	8,401
Trade receivables				
Opening balance	297,687	-	-	297,687
Increase in allowance for impairment	-	-	(3,924)	(3,924)
Total trade receivables	297,687	-	(3,924)	293,763
Deferred tax assets				
Opening balance	4,730	-	-	4,730
Deferred tax related to allowance for impairment*	-	-	49	49
Total deferred tax assets	4,730	-	49	4,779

Group	Original (MFRS 139) Carrying amount as at 31 December 2017 RM'000	Reclassification and Remeasurement RM'000	Impairment RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Retained earnings				
Opening balance	481,267	-	-	481,267
Increase in allowance for impairment on trade receivables	-	-	(3,030)	(3,030)
Total retained earnings	481,267	-	(3,030)	478,237
Non-controlling interests				
Opening balance	23,982	-	-	23,982
Non-controlling interests related to allowance for impairment	-	-	(60)	(60)
Total non-controlling interests	23,982	-	(60)	23,922
Deferred tax liabilities				
Opening balance	58,698	-	-	58,698
Deferred tax related to allowance for impairment*	-	-	(785)	(785)
Total deferred tax liabilities	58,698	-	(785)	57,913
Company				
Cash and cash equivalents				
Liquid investment - LAR	5,726	(5,726)	-	-
Liquid investment - FVTPL	-	5,726	-	5,726

* The impacts relate to net deferred tax assets recognised on the additional allowance for impairment under MFRS 9. However, certain subsidiaries of the Group do not recognise deferred tax assets under MFRS 112 *Income Taxes*.

4.2 MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a comprehensive framework for determining how and when revenue is recognised. Under MFRS 15, revenue is recognised when control of the goods or services transfers to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods and services.

The Group manufactures and sells industrial paper and packaging products, trading of school books, uniforms and stationery, paper and paper related products and acts as a commission agent. The Group sells to customers solely based on purchase orders. The Group also enters into a variety of arrangements with customers, including pricing arrangements and master supply arrangements which outline the terms under which the Group does businesses with specific customers.

The Company provides management services to its subsidiaries.

Revenue is recognised for these arrangements over time or at a point in time depending on the Group's evaluation of when the customer obtains control of the promised goods or services. The Group has reviewed its performance obligations, customer contracts and evaluated the impact of MFRS 15 based on the amount and timing of revenue recognition.

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. Detailed disclosure on disaggregated revenue is shown in Note 31 to the financial statements.

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In conclusion, the adoption of MFRS 15 has no significant impact on the substance of the principles applied by the Group and the Company to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Group and the Company remain generally unaltered. No adjustment to the opening balance of retained earnings has been made as there are no changes in timing of the revenue recognition.

5. 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 1.1.2017							
- 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
Cost or valuation							
At 1.1.2018							
- cost	1,296	2,519	3,531	1,090,102	37,418	32,492	1,167,358
- valuation	245,895	134,113	315,284	-	-	-	695,292
	247,191	136,632	318,815	1,090,102	37,418	32,492	1,862,650
Additions	1,768	-	10,450	12,420	4,935	1,524	31,097
Addition through acquisition of subsidiaries	-	-	-	1,495	1,171	285	2,951
Transfer from capital work-in-progress	-	-	2,908	104,033	-	701	107,642
Transfer to investment properties	-	-	(380)	-	-	-	(380)
Disposals	-	-	-	(24,313)	(2,187)	(101)	(26,601)
Written off	-	-	-	(9,628)	(120)	(172)	(9,920)
Translation difference	-	-	(1,195)	(632)	(42)	(66)	(1,935)
At 31.12.2018	248,959	136,632	330,598	1,173,477	41,175	34,663	1,965,504
Representing							
- cost	3,064	2,519	16,889	1,173,477	41,175	34,663	1,271,787
- valuation	245,895	134,113	313,709	-	-	-	693,717
At 31.12.2018	248,959	136,632	330,598	1,173,477	41,175	34,663	1,965,504

* 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 1.1.2017	-	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
Charge for the financial year	-	2,320	7,760	51,480	3,909	2,765	68,234
Addition through acquisition of subsidiaries	-	-	-	1,192	807	219	2,218
Transfer to investment properties	-	-	(9)	-	-	-	(9)
Disposals	-	-	-	(22,490)	(2,039)	(93)	(24,622)
Written off	-	-	-	(8,610)	(120)	(152)	(8,882)
Translation difference	-	-	(8)	(614)	(27)	(45)	(694)
At 31.12.2018	-	2,783	9,804	737,830	29,977	26,862	807,256
Accumulated impairment loss							
At 1.1.2017/31.12.2017/31.12.2018	-	-	-	404	-	-	404
Net carrying amount							
At 31.12.2017	247,191	136,169	316,754	372,826	9,971	8,324	1,091,235
At 31.12.2018	248,959	133,849	320,794	435,243	11,198	7,801	1,157,844

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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 1.1.2017						
- 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
Disposal	-	-	-	(640)	-	(640)
Written off	-	-	-	-	(23)	(23)
At 31.12.2017	17,800	2,700	294	2,500	920	24,214
Cost or valuation						
At 1.1.2018						
- cost	-	-	294	2,500	920	3,714
- valuation	17,800	2,700	-	-	-	20,500
	17,800	2,700	294	2,500	920	24,214
Additions	-	-	2	950	30	982
Disposal	-	-	-	(574)	-	(574)
Written off	-	-	-	-	(53)	(53)
At 31.12.2018	17,800	2,700	296	2,876	897	24,569
Representing						
- cost	-	-	296	2,876	897	4,069
- valuation	17,800	2,700	-	-	-	20,500
At 31.12.2018	17,800	2,700	296	2,876	897	24,569
Accumulated depreciation						
At 1.1.2017	634	188	268	1,843	543	3,476
Charge for the financial year	227	60	3	392	94	776
Revaluation	(780)	(230)	-	-	-	(1,010)
Disposal	-	-	-	(640)	-	(640)
Written off	-	-	-	-	(23)	(23)
At 31.12.2017	81	18	271	1,595	614	2,579
Charge for the financial year	324	67	3	369	94	857
Disposal	-	-	-	(574)	-	(574)
Written off	-	-	-	-	(53)	(53)
At 31.12.2018	405	85	274	1,390	655	2,809
Net carrying amount						
At 31.12.2017	17,719	2,682	23	905	306	21,635
At 31.12.2018	17,395	2,615	22	1,486	242	21,760

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.

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

The net carrying amount of property, plant and equipment of the Group and of the Company which are under finance lease arrangements amounted to RM88,646,000 (2017: RM65,250,000) and RM1,281,000 (2017: RM655,000) respectively.

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

6. PREPAID LAND LEASE PAYMENTS

	Group	
	2018 RM'000	2017 RM'000
Short term leasehold land		
At cost:		
Brought forward	10,962	19,322
Transfer to property, plant and equipment	-	(8,126)
Transfer to investment properties	(200)	-
Translation difference	(222)	(234)
Carried forward	10,540	10,962
Accumulated amortisation		
Brought forward	6,155	7,643
Amortisation for the financial year	328	314
Transfer to property, plant and equipment	-	(1,635)
Transfer to investment properties	(63)	-
Translation difference	(165)	(167)
Carried forward	6,255	6,155
Net carrying amount	4,285	4,807
Amount to be amortised		
- Within 1 year	328	314
- Between 2 to 5 years	1,312	1,256
- After 5 years	2,645	3,237
	4,285	4,807

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7. CAPITAL WORK-IN-PROGRESS

Group	Land and buildings RM'000	Plant, machinery and others RM'000	Total RM'000
At cost:-			
At 1.1.2017	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			
Written off	15,288	(15,288)	-
	-	(178)	(178)
At 31.12.2017	3,582	53,625	57,207
Additions	19,447	80,788	100,235
Borrowing costs capitalised ranging from 5.2% to 7.3% per annum	-	1,043	1,043
Transfer to property, plant and equipment	(2,908)	(104,734)	(107,642)
Reclassification	(1,224)	1,224	-
At 31.12.2018	18,897	31,946	50,843

As of 31 December 2018, the net carrying amount of capital work-in-progress which is acquired under finance lease arrangement amounted to RM2,273,000 (2017: RM2,481,000).

8. INVESTMENT PROPERTIES

	Group	
	2018 RM'000	2017 RM'000
Fair value:-		
Brought forward	10,490	11,180
Additions	367	-
Fair value adjustments	(105)	(690)
Transfer from property, plant and equipment	371	-
Transfer from prepaid land lease payments	137	-
Carried forward	11,260	10,490

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

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

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

	Group	
	2018 RM'000	2017 RM'000
Buildings	2,560	2,210
Land	7,710	6,790

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

	Group	
	2018 RM'000	2017 RM'000
Rental income	747	1,077
Direct operating expenses		
- income generating investment properties	(8)	(25)
- non-income generating investment properties	(129)	(17)

9. SUBSIDIARIES

Investment in subsidiaries:-

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares		
- at cost	200,826	185,826
- at valuation	55,633	55,633
	256,459	241,459
	(30,281)	(30,281)
Less: Allowance for impairment loss	226,178	211,178

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	
			2018 %	2017 %
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 paper packaging products	Malaysia	65	65

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Name of subsidiaries	Principal activities	Place of incorporation	Proportion of effective ownership interest and voting power held by the Group	
			2018 %	2017 %
Muda Global Engineering Sdn. Bhd.	Engineering and fabrication services	Malaysia	100	100
Muda Land Development Sdn. Bhd.	Property holding	Malaysia	100	100
Muda Management Services Sdn. Bhd.	Management consultancy and general insurance agency	Malaysia	100	100
Muda Packaging Industries Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
Muda Paper Converting Sdn. Bhd.	Converting and sale of paper stationery and paper based food packaging products	Malaysia	100	100
Muda Paper Mills Sdn. Bhd.	Manufacture and sale of paper and paper related products	Malaysia	100	100
Muda Pasifik Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
RJ & R Holdings Sdn. Bhd.	Property holding	Malaysia	100	100
Intrapac (Singapore) Pte. Ltd.*	Trading in paper products, commission agent and investment holding	Republic of Singapore	70	70
Ee Sin Paper Products Pte. Ltd.*	Trading in school books, uniforms and stationery	Republic of Singapore	56	56
Pacific Bookstores Pte. Ltd.*	Operator of schools and online bookstores	Republic of Singapore	67	67
Lonsing Packaging Industries Pte. Ltd.*	Manufacture of packaging materials for food industry	Republic of Singapore	60	-
Wenfang Private Limited*	Import and distribution of stationery	Republic of Singapore	70	-
Intrapac (Australia) Pty. Ltd.*	Trading in paper and paper related products	Australia	100	100
Intrapac Investment Ltd.*	Investment holding	Hong Kong	100	100
Intrapac (UK) Ltd.*	Struck off on 27 April 2018	United Kingdom	-	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

9.1 Acquisition of subsidiaries

9.1.1 Acquisition of Lonsing Packaging Industries Pte. Ltd.

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

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

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

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

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

9.1.2 Acquisition of Wenfang Private Limited

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

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

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

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

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

9.2 Dormant subsidiary struck off

On 27 April 2018, the Group has struck off its dormant wholly-owned subsidiary, Intrapac (UK) Ltd., a company incorporated in United Kingdom. The write off of the subsidiary did not have any significant impact on the statements of financial position of the Group for the financial year ended 2018.

9.3 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

	2018 RM'000	2017 RM'000
NCI percentage of ownership interest and voting interest	30%	30%
Profit allocated to NCI	513	215
Carrying amount of NCI	4,803	4,395

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

	2018 RM'000	2017 RM'000
As at 31 December		
Non-current assets	29,172	26,915
Current assets	72,702	71,386
Total assets	101,874	98,301
Non-current liabilities	(213)	(198)
Current liabilities	(22,801)	(19,039)
Total liabilities	(23,014)	(19,237)
Net assets	78,860	79,064
Year ended 31 December		
Revenue	136,861	140,446
Profit and total comprehensive income for the financial year	4,456	4,739
Dividends paid to non-controlling interests	(150)	(1,559)
Net cash inflow from operating activities	5,270	1,668
Net cash inflow/(outflow) from investing activities	848	(1,184)
Net cash outflow from financing activities	(1,223)	(3,514)
Net increase/(decrease) in cash and cash equivalents	4,895	(3,030)

9.4 Amounts due from/(to) subsidiaries

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

10. ASSOCIATES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 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	-	-
Transfer to asset included in disposal group as held for sale (Note 20)	(80)	-	-	-
Share of post-acquisition reserves	12,333	11,902	-	-
Translation difference	2,933	2,975	-	-
	21,315	21,006	88	88
Less: Allowance for impairment loss				
Brought forward	(1,375)	-	(88)	(88)
Charge for the financial year	(91)	(1,375)	-	-
Carried forward	(1,466)	(1,375)	(88)	(88)
Translation difference	38	34	-	-
	19,887	19,665	*	*

* Less than RM1,000

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

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10.1 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	
			2018 %	2017 %
Asia Pacific Printer & Packer Sdn. Bhd. (Note 20)	Trading of printing, packing materials and other related products	Malaysia	-	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.

10.2 Details of material associates

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

KL Resources Pte. Ltd. Group

	2018 RM'000	2017 RM'000
Non-current assets	46,747	52,007
Current assets	35,733	29,745
Total assets	82,480	81,752
Non-current liabilities	(15,429)	(20,275)
Current liabilities	(21,777)	(17,752)
Total liabilities	(37,206)	(38,027)
Net assets of the associate	45,274	43,725
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.	10,701	10,335
Revenue	185,630	218,586
Profit and total comprehensive income for the financial year	1,861	327
Group's share of profit for the financial year	663	406

10.3 Amounts due from/(to) associates

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amounts due from associates				
- Trade related	1,060	407	-	-
- Non-trade related	940	942	890	900
	2,000	1,349	890	900

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amounts due to associates				
- Trade related	(533)	-	-	-

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

Currency exposure profile of amounts due from/(to) associates is as follows:-

	Group	
	2018 RM'000	2017 RM'000
Singapore Dollar	-	330

11. INTANGIBLE ASSETS

Group	Goodwill RM'000	Intangible assets with finite life RM'000	Total RM'000
Cost			
At 1.1.2017	10,065	713	10,778
Translation difference	(82)	(14)	(96)
At 31.12.2017	9,983	699	10,682
Addition arising from acquisition of subsidiaries	1,640	-	1,640
Translation difference	26	(2)	24
At 31.12.2018	11,649	697	12,346
Accumulated amortisation			
At 1.1.2017	-	713	713
Translation difference	-	(14)	(14)
At 31.12.2017	-	699	699
Translation difference	-	(2)	(2)
At 31.12.2018	-	697	697
Net carrying amount			
At 31.12.2017	9,983	-	9,983
At 31.12.2018	11,649	-	11,649

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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 7.0% to 13.0% (2017: 5.0% to 13.0%). The other key assumption on which management has based its profit projections to undertake impairment testing is that the subsidiaries will be able to maintain its gross margins recorded during the current year under review as it will be able to pass on cost increases in products.

12. DEFERRED TAX ASSETS

Deferred tax assets are attributable to the followings:-

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	(3,072)	(7,457)
Revaluation of land and buildings	(3,957)	(6,521)
Provision for retirement benefit	1,449	2,446
Unabsorbed business losses	-	3,170
Unabsorbed capital allowances	-	153
Unabsorbed reinvestment allowances	6,922	11,885
Others	840	1,054
	2,182	4,730

Movement in temporary differences during the year:-

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

	1 January 2017 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Exchange difference RM'000	31 December 2017 RM'000
2017 Group					
Property, plant and equipment	(7,868)	422	-	(11)	(7,457)
Revaluation of land and buildings	(4,596)	(714)	(1,211)	-	(6,521)
Provision for retirement benefit	2,312	134	-	-	2,446
Unabsorbed business losses	3,301	(130)	-	(1)	3,170
Unabsorbed capital allowances	304	(149)	-	(2)	153
Unabsorbed reinvestment allowances	12,423	(538)	-	-	11,885
Others	441	613	-	-	1,054
	6,317	(362)	(1,211)	(14)	4,730

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

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	(20,033)	13,617
Revaluation of land and buildings	-	(49,462)
Unabsorbed business losses	7,787	8,371
Unabsorbed capital allowances	23,822	33,775
Unabsorbed reinvestment allowances	36,909	42,233
Provision for retirement benefit	4,894	7,396
Others	49	-
	53,428	55,930

Included in the unabsorbed business losses is an amount of RM2,205,000 (equivalent to RMB3,665,000) (2017: RM3,120,000 (equivalent to RMB5,008,000))(stated at gross) which will be expiring in financial years 2020 to 2021 for a subsidiary in China.

Under the recent gazetted Finance Act 2018, the remaining unabsorbed business losses and unabsorbed reinvestment allowances will be expiring in financial year 2026 under Malaysian tax legislation.

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

13. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
Raw materials	128,323	132,298
Consumables	29,254	27,159
Work-in-progress	6,514	7,117
Finished goods	131,235	91,525
Goods-in-transit	2,930	846
	298,256	258,945

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Recognised in profit or loss:-

	Group	
	2018 RM'000	2017 RM'000
Inventories written down	2	*
Inventories written off	2,489	788
Reversal of inventories written down	(44)	(138)

* Less than RM1,000

14. TRADE RECEIVABLES

	Group	
	2018 RM'000	2017 RM'000
Trade receivables	276,021	299,702
Less: Allowances for impairment loss	(8,935)	(2,015)
	267,086	297,687

- 14.1** Normal trade credit terms granted to customers range from 30 to 120 days (2017: 30 to 120 days). Trade receivables are recognised at invoice amounts and they are non-interest bearing.

Included in trade receivables is an amount of RM617,000 (2017: RM632,000) due from subsidiaries of Asia File Corporation Bhd., a substantial shareholder of the Company.

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

	Group	
	2018 RM'000	2017 RM'000
United States Dollar	21,065	17,887
Australian Dollar	3,576	5,014
Singapore Dollar	3,214	1,185
Euro	431	528

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

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

		Days past due				
	Current RM'000	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	More than 90 days RM'000	Total RM'000
2018						
Expected credit loss rate	0.1% - 7.7%	0.1% - 14.8%	0.1% - 21.6%	0.1% - 21.8%	10.1% - 45.8%	
Gross carrying amount	217,654	38,537	6,714	2,769	10,347	276,021
Gross carrying amount (Excluding individual impaired)	217,653	38,527	6,667	2,589	6,903	272,339
Expected credit loss (Collective)	2,645	1,135	329	108	1,036	5,253
Expected credit loss (Individual)	1	10	47	180	3,444	3,682

	Days past due					Total RM'000
	Current RM'000	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	More than 90 days RM'000	
2017						
Expected credit loss rate	0.1% - 5.8%	0.1% - 9.0%	0.2% - 11.9%	0.2% - 12.8%	0.3% - 13.1%	
Gross carrying amount	241,978	38,659	10,151	2,512	6,402	299,702
Gross carrying amount (Excluding individual impaired)	241,978	38,507	9,830	2,438	5,039	297,792
Expected credit loss (Collective)	2,626	786	252	123	242	4,029
Expected credit loss (Individual)	-	152	321	74	1,363	1,910

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

Group	Individual impairment RM'000	Collective impairment RM'000	Total RM'000
2018			
Brought forward	1,915	100	2,015
Adjustment on initial application of MFRS 9	(5)	3,929	3,924
Balance as at 1 January 2018 under MFRS 9	1,910	4,029	5,939
Charge for the financial year	3,046	1,938	4,984
Reversal of impairment losses	(1,266)	(710)	(1,976)
Translation difference	(8)	(4)	(12)
Carried forward	3,682	5,253	8,935
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

14.5 Information on financial risk of trade receivables is disclosed in Note 44 to the financial statements.

15. OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits	12,684	17,107	69	71
Less: Allowances for impairment losses	(61)	(61)	-	-
	12,623	17,046	69	71
Non-trade receivables	1,733	2,339	92	92
Prepayments	10,275	5,330	166	55
GST recoverable	7,603	4,233	-	-
	32,234	28,948	327	218

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15.1 Impairment

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

	Group	
	2018 RM'000	2017 RM'000
Brought forward	61	-
Charge for the financial year	-	61
Carried forward	61	61

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

	Group	
	2018 RM'000	2017 RM'000
United States Dollar	2,075	3,809

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2018 RM'000	2017 RM'000
At fair value:-		
Quoted investment in Malaysia	4,879	-
Market value of quoted investment in Malaysia	4,879	-

17. HELD-FOR-TRADING INVESTMENTS

	Group and Company	
	2018 RM'000	2017 RM'000
At fair value:-		
Held-for-trading investments		
Quoted in Malaysia	-	4,835
Market value of quoted investment in Malaysia	-	4,835

18. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Group			
Current			
Non-hedging derivatives:-			
Forward currency contracts			
2018	(5,222)	-	14
2017	2,059	30	-

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

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

19. CASH AND BANK BALANCES, DEPOSITS AND SHORT-TERM PLACEMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	76,034	72,164	392	168
Fixed deposits with licensed banks	3,675	11,351	-	-
Short term placements with financial institutions	14,449	8,401	8,917	5,726
	94,158	91,916	9,309	5,894

Fixed deposits amounting to RM1,245,000 (2017: RM3,119,000) of certain foreign subsidiaries are pledged as security for banking facilities, and hence are not available for general use.

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

	Group	
	2018 RM'000	2017 RM'000
United States Dollar	7,334	10,345
Singapore Dollar	1,796	1,688
Australian Dollar	2,376	1,083
Euro	163	798
Others	30	29

20. ASSET INCLUDED IN DISPOSAL GROUP AS HELD FOR SALE

	Group	
	2018 RM'000	2017 RM'000
Investment in associate (Note 10)	80	-

In November 2018, the Board of Directors has decided to dispose of its investment in associate, Asia Pacific Printer & Packer Sdn. Bhd. for a consideration of RM80,000. The transaction has yet to be completed.

21. SHARE CAPITAL

	Group and Company			
	2018 Number of ordinary shares ('000)	2017 Number of ordinary shares ('000)	2018 RM'000	2017 RM'000
Issued and fully paid-up:-				
Brought forward	305,051	305,051	159,471	152,525
- Transition to no par value regime on 31 January 2017 (Note 22)	-	-	-	6,946
Carried forward	305,051	305,051	159,471	159,471

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

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22. RESERVES

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable					
Share premium	(a)	-	-	-	-
Revaluation reserve	(b)	301,252	311,201	16,828	17,052
Exchange fluctuation reserve	(c)	7,594	9,813	-	-
Other reserve	(d)	2,887	2,887	-	-
Total		311,733	323,901	16,828	17,052

- (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 Act.

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

	2018 RM'000	2017 RM'000
Brought forward	-	6,946
Movement during the financial year:-		
- Transition to no par value regime on 31 January 2017*	-	(6,946)
Carried forward	-	-

* 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 of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act.

- (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 differ from the Group's presentation currency.
- (d) Other reserve consists of retained earnings capitalised as bonus shares by a subsidiary.

The above reserves are not available for distribution as dividends.

23. RETAINED EARNINGS

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

24. FINANCE LEASE LIABILITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum lease payments				
- Within 1 year	19,572	15,433	272	153
- Between 2 to 5 years	36,951	29,042	912	292
	56,523	44,475	1,184	445
Less: Future finance charges on finance leases	(5,490)	(4,178)	(115)	(35)
Present value of finance lease liabilities	51,033	40,297	1,069	410
Present value of finance lease liabilities				
- Within 1 year	17,003	13,378	228	137
- Between 2 to 5 years	34,030	26,919	841	273
	51,033	40,297	1,069	410

Interest charges on finance leases of the Group and of the Company ranged from 4.4% to 7.8% and 4.4% to 4.8% (2017: 4.4% to 7.8% and 4.4% to 4.8%) per annum respectively.

25. BORROWINGS

	Group	
	2018 RM'000	2017 RM'000
Current		
Secured:-		
Term loans	3,641	-
Revolving credit	3,008	-
Unsecured:-		
Bankers acceptance	320,761	344,904
Flexi financing loans	11,479	17,847
Onshore foreign currency loan	2,339	872
Revolving credit	92,570	90,570
Term loans	24,794	13,850
	458,592	468,043
Non-current		
Secured:-		
Term loans	1,821	-
Unsecured:-		
Term loans	100,217	83,058
	102,038	83,058
Total borrowings	560,630	551,101

Currency exposure profile of the borrowings is as follows:-

	Group	
	2018 RM'000	2017 RM'000
United States Dollar	2,336	872
Others	-	407

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

At 31 December 2018, buildings have been pledged by certain foreign subsidiaries as security for banking facilities disclosed in Note 5 to the financial statements.

Term loans are repayable on monthly or quarterly basis.

Interest is charged at rates ranging from 2.8% to 8.5% (2017: 1.6% to 8.3%) per annum.

26. PROVISION FOR RETIREMENT BENEFIT

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

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

26.1 Interest rate risk

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

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26.2 Inflation risk

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

26.3 Movement in defined benefit plan

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Defined benefit liability brought forward	50,008	45,511	5,997	5,505
Current service costs	3,244	2,931	214	207
Past service costs – plan amendment	170	-	-	-
Net interests	2,712	2,445	303	285
Remeasurement effect recognised in other comprehensive (income)/loss	(3,484)	-	25	-
Benefit paid	(1,894)	(879)	(603)	-
Defined benefit liability carried forward	50,756	50,008	5,936	5,997

26.4 Actuarial assumptions

Significant actuarial assumptions for the determination of the defined benefit liability are discount rate and future salary growth. 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 liability increase/ (decrease) RM'000	Effect on defined benefit liability increase/ (decrease) %
Group				
Discount rate	5.5%	1.0% increase	(4,058)	(8%)
Future salary growth	6.3%	1.0% increase	4,836	10%
Company				
Discount rate	5.5%	1.0% increase	(296)	(5%)
Future salary growth	6.3%	1.0% increase	343	6%

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

26.5 Defined benefit plan expenses

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current service costs	3,244	2,931	214	207
Past service cost – plan amendment	170	-	-	-
Net interests	2,712	2,445	303	285
Total expenses recognised in profit or loss	6,126	5,376	517	492

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Actuarial (gain)/loss in defined benefit liability due to plan experience	(1,264)	-	6	-
Actuarial gain in defined benefit liability due to demographic assumption changes	(2,903)	-	(33)	-
Actuarial loss in defined benefit liability due to financial assumption	683	-	52	-
Remeasurement effect recognised in other comprehensive (income)/loss	(3,484)	-	25	-

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

26.6 Other information on the defined benefit plan

The weighted average duration of the defined benefit liability of the Group and of the Company is 9.10 and 5.46 years respectively. The Group and the Company are expected to make benefit payment of RM2,407,000 and RM190,000 respectively in 2019 (RM681,000 and RM175,000 respectively in 2018).

27. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the followings:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment	53,552	48,304	59	81
Revaluation of land and buildings	68,311	50,671	3,797	3,868
Provision for retirement benefit	(9,526)	(7,513)	(1,563)	(1,439)
Unabsorbed business losses	(2,904)	(826)	(782)	(823)
Unabsorbed capital allowances	(4,925)	(721)	(723)	(721)
Unabsorbed reinvestment allowances	(28,022)	(31,221)	-	-
Others	(1,537)	4	(6)	-
	74,949	58,698	782	966

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Movement in temporary differences during the year:-

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

	1 January 2017 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Exchange difference RM'000	31 December 2017 RM'000
2017 Group					
Property, plant and equipment	56,317	(7,975)	-	(38)	48,304
Revaluation of land and buildings	33,025	1,190	16,382	74	50,671
Provision for retirement benefit	(6,842)	(671)	-	-	(7,513)
Unabsorbed business losses	(273)	(553)	-	-	(826)
Unabsorbed capital allowances	(89)	(632)	-	-	(721)
Unabsorbed reinvestment allowances	(37,157)	5,936	-	-	(31,221)
Others	8	(4)	-	-	4
	44,989	(2,709)	16,382	36	58,698

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

	1 January 2017 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Exchange difference RM'000	31 December 2017 RM'000
2017 Company					
Property, plant and equipment	-	81	-	-	81
Revaluation of land and buildings	-	2,282	1,586	-	3,868
Provision for retirement benefit	-	(1,439)	-	-	(1,439)
Unabsorbed business losses	-	(823)	-	-	(823)
Unabsorbed capital allowances	-	(721)	-	-	(721)
	-	(620)	1,586	-	966

28. TRADE PAYABLES

Currency exposure profile of trade payables are as follows:-

	Group	
	2018 RM'000	2017 RM'000
United States Dollar	2,372	6,121
Renminbi	457	442
Singapore Dollar	454	-
Others	98	164

Normal trade credit terms granted by suppliers range from 30 to 120 days (2017: 30 to 120 days).

29. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-trade payables	38,823	39,323	-	-
Deposits received	615	692	88	8
Accruals	48,705	43,555	1,952	1,787
GST payable	1,537	1,886	-	33
SST payable	1,448	-	-	-
	91,128	85,456	2,040	1,908

Currency exposure profile of other payables are as follows:-

	Group	
	2018 RM'000	2017 RM'000
United States Dollar	3,897	2,005
Singapore Dollar	1,990	1,999
Renminbi	1,270	443
Euro	270	881
Others	121	10

In 2017, included in non-trade payables are unsecured loans of RM374,000 taken by a foreign subsidiary in 2016. The interest is charged at 5.3% per annum and payable on quarterly basis. The unsecured loans were fully settled in 2018.

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30. BANK OVERDRAFTS

	Group	
	2018 RM'000	2017 RM'000
Secured	-	3,119
Unsecured	19,426	23,596
	19,426	26,715

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

Interest is charged at rates ranging from 5.3% to 8.5% (2017: 5.3% to 8.5%) per annum.

31. REVENUE

Revenue comprise of the following:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contract with customers	1,544,033	1,448,228	-	-
Revenue from other sources				
- Dividend income from subsidiaries	-	-	19,188	18,361
- Dividend income from quoted investment in Malaysia	227	223	227	223
- Management fees from subsidiaries	-	-	7,554	6,919
	1,544,260	1,448,451	26,969	25,503

31.1 Disaggregation of revenue from contracts with customers

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

	Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000
2018				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	1,258,734	-	-	1,258,734
Trading of school books, uniforms and stationery	-	116,953	-	116,953
Trading of paper related products and agency commission earned	-	62,929	-	62,929
Others	105,385	-	32	105,417
	1,364,119	179,882	32	1,544,033
Primary geographical markets				
Malaysia	1,331,544	47,114	32	1,378,690
Republic of Singapore	8,650	128,208	-	136,858
The People's Republic of China	23,925	-	-	23,925
Australia	-	4,560	-	4,560
	1,364,119	179,882	32	1,544,033
Timing of revenue recognition				
Products and services transferred at a point in time	1,364,119	179,882	32	1,544,033
Revenue from contracts with customers	1,364,119	179,882	32	1,544,033
Other revenue	-	-	227	227
External revenue as reported in Note 47	1,364,119	179,882	259	1,544,260

	Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000
2017				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	1,172,949	-	-	1,172,949
Trading of school books, uniforms and stationery	-	118,283	-	118,283
Trading of paper related products and agency commission earned	-	70,527	-	70,527
Others	86,467	-	2	86,469
	1,259,416	188,810	2	1,448,228
Primary geographical markets				
Malaysia	1,235,640	43,646	2	1,279,288
Republic of Singapore	-	140,426	-	140,426
The People's Republic of China	23,776	-	-	23,776
Australia	-	4,738	-	4,738
	1,259,416	188,810	2	1,448,228
Timing of revenue recognition				
Products and services transferred at a point in time	1,259,416	188,810	2	1,448,228
Revenue from contracts with customers	1,259,416	188,810	2	1,448,228
Other revenue	-	-	223	223
External revenue as reported in Note 47	1,259,416	188,810	225	1,448,451

32. OTHER INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bad debts recovered	70	-	-	-
Gain on disposal of property, plant and equipment	573	529	119	143
Gain on foreign exchange				
- realised	1,072	149	-	-
Interest income	708	575	210	153
Impairment loss of doubtful trade receivables no longer required	1,976	3,279	-	-
Reversal of impairment loss of property, plant and equipment	-	314	-	-
Rental income				
- third parties	747	1,077	318	322
Fair value gain on derivative financial instruments	-	579	-	-
Fair value gain arising from deemed disposal of subsidiaries	*	-	-	-
Fair value gain on held-for-trading investments	-	4	-	4
Reversal of deficit on revaluation of properties	-	2,767	-	-
Reversal of inventories written down	44	138	-	-

* Less than RM1,000

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33. OTHER EXPENSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bad debts written off	417	73	-	-
Capital work-in-progress written off	-	178	-	-
Deficit on revaluation of properties	-	1,043	-	-
Fair value adjustments on investment properties	105	690	-	-
Fair value loss on derivative financial instruments	44	-	-	-
Fair value loss on financial assets at FVTPL	183	-	183	-
Impairment loss on doubtful trade receivables	4,984	1,451	-	-
Impairment loss on doubtful other receivables	-	61	-	-
Impairment loss on investment in associates	91	1,375	-	-
Inventories written down	2	*	-	-
Inventories written off	2,489	788	-	-
Loss on foreign exchange				
- unrealised	640	1,559	-	-
Property, plant and equipment written off	1,038	545	*	*

* Less than RM1,000

34. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expenses on:-				
Bank overdrafts	2,070	2,552	3	4
Bankers acceptance	15,131	12,681	-	-
Finance lease	2,597	2,260	17	18
Flexi financing loans	744	799	-	-
Onshore foreign currency loan	69	-	-	-
Revolving credit	4,643	4,327	-	-
Term loans	5,651	4,591	-	-
Others	7	75	-	-
Recognised in profit or loss	30,912	27,285	20	22
Capitalised on qualifying assets:-				
- capital work-in-progress	1,043	695	-	-
	31,955	27,980	20	22

35. PROFIT BEFORE TAX

Other than those disclosed in Notes 32, 33 and 34, profit before tax is derived after taking into consideration the following expenses/(income):-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration:-				
- Audit fees				
Grant Thornton Malaysia	357	334	42	39
Other Auditors	234	198	-	-
- Non-audit fees				
Grant Thornton Malaysia	414	172	57	52
Amortisation of prepaid land lease payments	328	314	-	-
Depreciation of property, plant and equipment	68,234	62,101	857	776
Rental of equipment	610	538	-	-
Rental of motor vehicles	4,977	4,397	-	-
Rental of premises paid to				
- subsidiaries	-	-	216	216
- third parties	3,491	2,731	-	-
- company in which certain Directors have interest	140	120	-	-
Compensation received due to fire, net of expenses	(3,110)	(23,293)	-	-
Progressive payment received from insurer	(3,223)	(24,813)	-	-
Incidental cost	113	1,544	-	-
Disposal of scrap due to fire incident	-	(24)	-	-

36. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salary, wages and other allowances	179,452	153,592	5,143	4,438
Defined contribution plan	13,563	13,055	465	428
Provision for retirement benefit	6,126	5,376	517	492
	199,141	172,023	6,125	5,358

37. 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
2018						
Executive Directors	655	3,312	1,050	817	152	5,986
Non-Executive Directors	310	-	-	1,395	32	1,737
	965	3,312	1,050	2,212	184	7,723
2017						
Executive Directors	577	3,096	900	772	151	5,496
Non-Executive Directors	275	-	-	1,079	29	1,383
	852	3,096	900	1,851	180	6,879

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Company	Fees RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
2018						
Executive Directors	180	2,112	700	487	114	3,593
Non-Executive Directors	235	-	-	895	32	1,162
	415	2,112	700	1,382	146	4,755
2017						
Executive Directors	150	1,968	600	458	113	3,289
Non-Executive Directors	200	-	-	578	29	807
	350	1,968	600	1,036	142	4,096

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 RM184,000 (2017: RM180,000) and RM146,000 (2017: RM142,000) respectively.

38. TAX EXPENSE/(INCOME)

Tax recognised in profit or loss

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
Current year	9,769	7,211	70	95
(Over)/Under provision in prior years	(975)	601	(22)	24
Total current tax recognised in profit or loss	8,794	7,812	48	119
Deferred tax expense				
Origination and reversal of temporary differences	12,939	(1,786)	(127)	(571)
Under provision in prior years	267	184	20	-
Effect of changes in tax rate	195	-	-	-
Realisation of deferred tax upon depreciation of revalued assets	(974)	(745)	(71)	(49)
Total deferred tax recognised in profit or loss	12,427	(2,347)	(178)	(620)
Total tax expense/(income)	21,221	5,465	(130)	(501)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	100,872	65,375	17,390	17,005
Tax at Malaysian statutory tax rate of 24%	24,209	15,690	4,174	4,081
Tax effects in respect of:-				
Expenses not deductible for tax purposes	5,302	2,258	510	1,581
Income not subject to tax	(899)	(5,208)	(4,741)	(6,138)
Realisation of deferred tax upon depreciation of revalued assets (Over)/Under provision in prior years	(974)	(745)	(71)	(49)
- Current tax	(975)	601	(22)	24
- Deferred tax	267	184	20	-
Movement on deferred tax assets not recognised	(600)	1,023	-	-
Tax effect of share of results of associates	-	(22)	-	-
Utilisation of reinvestment allowances	(5,952)	(8,386)	-	-
Reversal of previously recognised deferred tax assets	1,007	-	-	-
Effect of different tax rate for fair value in investment properties	223	(55)	-	-
Different tax rates of foreign subsidiaries	(387)	125	-	-
	21,221	5,465	(130)	(501)

Tax recognised in other comprehensive income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revaluation of land and buildings	6,500	17,593	-	1,586
Remeasurement of defined benefit liability	755	-	(6)	-
	7,255	17,593	(6)	1,586

39. EARNINGS PER SHARE

Basic

Earnings per share is calculated based on the Group's profit for the financial year attributable to owners of the Company of RM77,534,000 (2017: RM58,766,000) and weighted average number of ordinary shares in issue during the financial year of 305,050,835 (2017: 305,050,835).

Diluted

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

40. DIVIDENDS

Group and Company RM'000

Recognised in the year

2018

First and final single tier dividend for financial year 2017:-
3.5 sen per share

10,677

2017

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

9,152

After the end of the reporting period, a first and final single tier dividend of 4.5 sen per share on 305,050,835 ordinary shares, amounting to RM13,727,875 will be recognised in subsequent financial period upon approval by the shareholders of the Company.

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41. COMMITMENTS

41.1 Capital commitments

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

	Group	
	2018 RM'000	2017 RM'000
Contracted but not provided for	24,094	49,972
Authorised but not contracted for	11,208	19,598
	35,302	69,570
Made up of:-		
Land and buildings	9,553	5,178
Plant and machineries	24,731	62,285
Computer system and others	1,018	2,107
	35,302	69,570

41.2 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	
	2018 RM'000	2017 RM'000
- Within 1 year	3,996	1,946
- Between 2 to 5 years	2,726	2,134
	6,722	4,080

41.3 Maintenance commitments

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

	Group	
	2018 RM'000	2017 RM'000
Authorised and contracted for:-		
- Maintenance for plant and machinery		
- Within 1 year	3,061	3,004
- Between 2 to 5 years	7,020	8,785
- More than 5 years	323	1,602
	10,404	13,391

42. CONTINGENT LIABILITIES

Unsecured:-

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

	Company	
	2018 RM'000	2017 RM'000
	1,209,368	1,069,450
	7,220	7,269
	1,216,588	1,076,719

43. RELATED PARTY

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

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

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

43.1 Transactions with subsidiaries

	Company	
	2018 RM'000	2017 RM'000
Rental expenses payable	216	216
Secretarial and statutory records maintenance fee payable	115	115
Stationery expenses payable	12	12
Office administration fee payable	396	420
Share registration fee payable	180	187
Interest income	52	-
Dividend income receivable	19,188	18,361
Management fee receivable	7,554	6,919

43.2 Transactions with associates

	Group	
	2018 RM'000	2017 RM'000
Sales of goods	2,316	2,759
Purchase of goods	4,415	4,169
Dividend income receivable	154	-
Management fee receivable	72	75

43.3 Recurrent related party transactions with substantial shareholder

	Group	
	2018 RM'000	2017 RM'000
Sale of goods to:-		
- Asia File Products Sdn. Bhd.	2,119	2,262
- AFP Composite Sdn. Bhd.	186	331
	2,305	2,593

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

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43.4 Transaction with certain Directors

	Group	
	2018 RM'000	2017 RM'000
Rental expenses payable to Tri-yen Enterprise Sdn. Bhd.	140	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.

43.5 Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel consist of Executive Directors of the Company and foreign subsidiaries.

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

	Group	
	2018 RM'000	2017 RM'000
Fees, salaries, bonus and other emoluments	7,284	6,959
Benefit-in-kind	152	151
	7,436	7,110

44. FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. It has established policies and procedures to ensure effective management of credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risk.

The following sections explain key risks faced by the Group and the Company. Financial assets and liabilities of the Group and of the Company are summarised in Note 3.7 to the financial statements.

44.1 Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company adopt the policy of dealing with its customers of appropriate standing to mitigate credit risk and those customers who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate risk of bad debts.

For other financial assets, the Group and the Company adopt the policy of dealing with the reputable institutions. The Group's and the Company's exposure to credit risk arising from cash and cash equivalents, bills receivables and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit ratings and have no history of default.

In respect of trade and other receivables, the Group and the Company are not subject to significant credit risk exposure to a single counterparty or a group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

An impairment analysis is performed at each reporting date using a provision of matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

Information regarding the Group's exposure to credit risk and ECLs for trade receivables is disclosed in Note 14 to the financial statements.

44.1.1 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Classes of financial assets:-				
Short term placements	14,449	8,401	8,917	5,726
Cash and bank balances	76,034	72,164	392	168
Fixed deposits with licensed banks	3,675	11,351	-	-
Trade receivables	267,086	297,687	-	-
Other receivables	14,356	19,385	161	163
Amount due from subsidiaries	-	-	29,506	40,838
Amount due from associates	2,000	1,349	890	900
Carrying amount	377,600	410,337	39,866	47,795

The Group and the Company continuously monitor credit standing of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk control. External credit ratings and/or reports on customers and other counterparties may also be used for credit assessment purposes.

The Company provides secured financial guarantees to financial institutions in respect of credit facilities granted to certain subsidiaries. The maximum exposure to credit risk is as disclosed in Note 42 as at the reporting date. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default in payment.

44.2 Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting the obligations as and when they fall due. The Group and the Company are exposed to liquidity risk arising from payables, loans and borrowings and they maintain certain levels of cash and cash equivalents and bank credit facilities deemed adequate by management to ensure they have sufficient liquidity to meet the obligations as and when they fall due.

44.2.1 Analysis of financial liabilities by remaining contractual maturity period

The following is a summary of the financial liabilities of the Group and of the Company according to maturity period:-

	Current Within 1 year RM'000	Non-current 2 to 5 years RM'000	Non-current More than 5 years RM'000
Group			
2018			
Non-derivative financial liabilities			
Borrowings	485,817	91,966	20,153
Finance lease liabilities	19,572	36,951	-
Trade payables	61,073	-	-
Other payables	88,143	-	-
Amount due to associates	533	-	-
	655,138	128,917	20,153
Derivative financial liabilities			
Forward currency contract			
- outflow	5,236	-	-
- inflow	(5,222)	-	-
Total undiscounted financial liabilities	655,152	128,917	20,153

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	Current Within 1 year RM'000	Non-current 2 to 5 years RM'000	Non-current More than 5 years RM'000
Group			
2017			
<i>Non-derivative financial liabilities</i>			
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	677,443	108,824	14,178
Company			
2018			
<i>Non-derivative financial liabilities</i>			
Finance lease liabilities	272	912	-
Other payables	2,040	-	-
Amount due to subsidiaries	12	-	-
Total undiscounted financial liabilities	2,324	912	-
Financial guarantee*	1,216,588	-	-
2017			
<i>Non-derivative financial liabilities</i>			
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	-	-

* 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.

44.3 Interest rate risk

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

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

44.3.1 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
Financial asset				
Fixed deposits with licensed banks	3,675	11,351	-	-
Financial liabilities				
Other payables	-	(374)	-	-
Finance lease liabilities	(51,033)	(40,297)	(1,069)	(410)
	(51,033)	(40,671)	(1,069)	(410)
Net financial liabilities	(47,358)	(29,320)	(1,069)	(410)
Floating rate instruments				
Financial asset				
Short term placements with financial institutions	14,449	8,401	8,917	5,726
Financial liabilities				
Bankers acceptance	(320,761)	(344,904)	-	-
Flexi financing loans	(11,479)	(17,847)	-	-
Onshore foreign currency loan	(2,339)	(872)	-	-
Revolving credit	(95,578)	(90,570)	-	-
Term loans	(130,473)	(96,908)	-	-
Bank overdrafts	(19,426)	(26,715)	-	-
Total financial liabilities	(580,056)	(577,816)	-	-
Net financial (liabilities)/assets	(565,607)	(569,415)	8,917	5,726

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2017: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group		Company	
	Effect on profit for the financial year 25bp increase RM'000	25bp decrease RM'000	Effect on profit for the financial year 25bp increase RM'000	25bp decrease RM'000
2018	(1,414)	1,414	22	(22)
2017	(1,424)	1,424	14	(14)

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44.4 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases transactions denominated in currency other than functional currencies of the Group's respective entities. The currencies giving rise to this risk are primarily United States Dollar (USD), Australian Dollar (AUD), Singapore Dollar (SGD) and Euro (EURO) and Renminbi (RMB).

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 and the People's Republic of China. 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	RMB RM'000	Others RM'000
2018						
Trade and other receivables	23,140	3,576	3,214	431	-	-
Deposits, cash and bank balances	7,334	2,376	1,796	163	-	30
Trade and other payables	(6,269)	-	(2,444)	(270)	(1,727)	(219)
Borrowings	(2,336)	-	-	-	-	-
Net exposure	21,869	5,952	2,566	324	(1,727)	(189)
2017						
Trade and other receivables	21,696	5,014	1,185	528	-	-
Deposits, cash and bank balances	10,345	1,083	1,688	798	-	29
Trade and other payables	(8,126)	-	(1,999)	(881)	(885)	(174)
Amount due to associates	-	-	(330)	-	-	-
Borrowings	(872)	-	-	-	-	(407)
Net exposure	23,043	6,097	544	445	(885)	(552)

44.4.1 Foreign currency sensitivity analysis

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

A +/-5% (2017: +/-5%) change in the RM/USD, RM/AUD, RM/SGD, RM/EURO, RM/RMB and RM/Others exchange rates at the reporting period is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the RM had strengthened against the USD, AUD, SGD, EURO, RMB and Others, then the impact would be as follows:-

Group	Effect on profit for the financial year						Total RM'000
	USD RM'000	AUD RM'000	SGD RM'000	EURO RM'000	RMB RM'000	Others RM'000	
2018	(1,093)	(298)	(128)	(16)	86	10	(1,439)
2017	(1,152)	(305)	(27)	(22)	44	28	(1,434)

If the RM had weakened against the USD, AUD, SGD, EURO, RMB and Others, then the impact on profit for the financial year would be strengthened and vice versa.

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.

44.5 Other price risk sensitivity analysis

The Group and the Company are exposed to equity price risk due to fluctuation in prices of quoted securities under financial assets at fair value through profit or loss (Note 16) and held-for-trading investments (Note 17). The movements in quoted price of these securities are monitored continuously.

An increase or decrease of 1% (2017: 1%) in the prices of the quoted securities would result in an increase or decrease of RM49,000 (2017: RM48,000) to the profit or loss of the Group and of the Company.

45. FAIR VALUE MEASUREMENT

The carrying amounts of financial assets and financial 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.

45.1 Group

45.1.1 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 2018 and 31 December 2017:-

Financial assets / Financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2018 RM'000	2017 RM'000		
1) Foreign currency forward contracts	Liabilities 14	Assets 30	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Financial assets at fair value through profit or loss	Assets 4,879	Assets -	Level 1	Quoted bid prices in an active market.
3) Held-for-trading investments	Assets -	Assets 4,835	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and Level 2 in 2018 and 2017.

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45.1.2 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 2018 and 31 December 2017:-

Non-financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2018 RM'000	2017 RM'000				
1) Property, plant and equipment	Land 377,225	Land 379,545	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 304,865	Buildings 313,223		Buildings Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Buildings Adjustment for factors such as physical deterioration, functional and economic obsolescence.	Buildings Depreciation is deducted to reflect the current condition of the buildings and structures.
2) Investment property	Land 7,252	Land 6,832	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 4,008	Buildings 3,658		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 properties →			
	Land		Buildings		Land		Buildings	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Brought forward	379,545	314,672	313,223	208,211	6,832	7,932	3,658	3,248
Additions	-	-	-	-	36	-	331	-
Additions to Level 3 since last valuation	-	19,528	-	21,185	-	-	-	-
Transfer from property, plant and equipment	-	-	-	-	-	-	371	-
Transfer to investment properties	-	-	(371)	-	-	-	-	-
Transfer from prepaid land lease payments	-	-	-	-	137	-	-	-
Transfer from capital work-in-progress	-	7,566	-	40,182	-	-	-	-
Income/(Expenses) recognised in profit or loss:-								
- Increase/(Decrease) in fair value of land and buildings	-	199	-	2,568	247	(1,100)	(352)	410
- Depreciation	(2,320)	(1,646)	(7,094)	(5,142)	-	-	-	-
Gain recognised in other comprehensive income:-								
- Revaluation of land and buildings	-	39,226	-	46,499	-	-	-	-
Translation difference	-	-	(893)	(280)	-	-	-	-
Carried forward	377,225	379,545	304,865	313,223	7,252	6,832	4,008	3,658

	Investment properties			
	Land		Buildings	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total amount included in profit or loss for unrealised gains or losses on Level 3 assets	247	(1,100)	(352)	410

45.2 Company

45.2.1 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 2018 and 31 December 2017:-

Financial assets / Financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2018 RM'000	2017 RM'000		
Financial assets at fair value through profit or loss	Assets 4,879	Assets -	Level 1	Quoted bid prices in an active market.
Held-for-trading investments	Assets -	Assets 4,835	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and Level 2 in 2018 and 2017.

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45.2.2 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 2018 and 31 December 2017:-

Non-financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2018 RM'000	2017 RM'000				
Property, plant and equipment	Land 17,395	Land 17,719	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 2,615	Buildings 2,682		Buildings Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Buildings Adjustment for factors such as physical deterioration, functional and economic obsolescence.	Buildings Depreciation is deducted to reflect the current condition of the buildings and structures.

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

	Property, plant and equipment			
	Land		Buildings	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Brought forward	17,719	10,866	2,682	3,212
Expenses recognised in profit or loss:-				
- Depreciation	(324)	(227)	(67)	(60)
Gain/(Loss) recognised in other comprehensive income:-				
- Revaluation of land and buildings	-	7,080	-	(470)
Carried forward	17,395	17,719	2,615	2,682

46. CAPITAL MANAGEMENT

The primary capital management objective of the Group and of the Company is to achieve sustainable growth and maximise return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

No changes were made in the objectives, policies or processes for managing capital during the financial year ended 31 December 2018 and 2017.

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 2018 and 2017 are reported below:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Borrowings	631,089	618,113	1,069	410
Total equity	1,046,729	988,621	284,231	277,407
Debt-to-equity ratio	0.60	0.63	*	*

* Less than 0.1

47. OPERATING SEGMENTS – GROUP

The management identifies the Group's manufacturing and trading operations as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The following summary describes the operations in each of the Group's reportable segments:-

Manufacturing segment : Manufacture of various types of industrial paper, corrugated cartons, paper bags, paper stationery and paper based food packaging products.

Trading segment : Trading in paper, recovered paper and stationery products.

Other non-reportable segments comprise of operations related to investment holding, property holding, management consultancy, general insurance agency services and engineering and fabrication services.

Transfer prices between operating segments are on negotiated basis.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports. Segment profit is used to measure performance as the management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operates within these industries.

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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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000		2018 RM'000	2017 RM'000
Revenue											
External revenue	1,364,119	1,259,416	179,882	188,810	259	225	-	-		1,544,260	1,448,451
Intersegment revenue	24,118	34,827	227,689	267,041	7,733	7,106	(259,540)	(308,974)	A	-	-
Total revenue	1,388,237	1,294,243	407,571	455,851	7,992	7,331	(259,540)	(308,974)		1,544,260	1,448,451
Results											
Segment profit	122,113	88,021	10,458	7,488	31,189	32,837	(33,277)	(37,064)	B	130,483	91,282
Interest income	120	183	500	592	561	441	(473)	(641)		708	575
Finance cost	(29,929)	(26,315)	(1,223)	(1,195)	(214)	(391)	454	616		(30,912)	(27,285)
Depreciation and amortisation	(64,760)	(59,012)	(2,678)	(2,412)	(1,124)	(991)	-	-		(68,562)	(62,415)
Share of profit of associates	-	29	593	774	-	-	-	-		593	803
Other non-cash (expenses)/income	(8,214)	2,371	737	(1,338)	77	(1,186)	-	-	C	(7,400)	(153)
Assets											
Segment assets	1,733,791	1,664,675	137,379	132,139	51,755	50,635	-	-	D	1,922,925	1,847,449
Investment in associates	-	168	19,887	19,497	-	-	-	-		19,887	19,665
Additions to non-current assets other than financial instruments and deferred tax assets	120,107	88,355	12,386	7,054	982	567	-	-	E	133,475	95,976
Segment liabilities	(164,017)	(172,673)	(30,966)	(33,940)	(8,521)	(8,820)	-	-	F	(203,504)	(215,433)

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:-

	2018 RM'000	2017 RM'000
Segment profit	130,483	91,282
Interest income	708	575
Finance costs	(30,912)	(27,285)
Share of profit of associates	593	803
Profit before tax	100,872	65,375

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

	2018 RM'000	2017 RM'000
Impairment loss on investment in associates	(91)	(1,375)
Reversal of impairment loss of property, plant and equipment	-	314
Impairment loss on doubtful trade receivables	(4,984)	(1,451)
Impairment loss on doubtful other receivables	-	(61)
Bad debts written off	(417)	(73)
Capital work-in-progress written off	-	(178)
Deficit on revaluation of properties	-	(1,043)
Reversal of deficit on revaluation of properties	-	2,767
Fair value (loss)/gain on derivative financial instruments	(44)	579
Fair value loss on financial asset at FVTPL	(183)	-
Fair value gain on held-for-trading investments	-	4
Property, plant and equipment written off	(1,038)	(545)
Inventories written down	(2)	*
Inventories written off	(2,489)	(788)
Fair value adjustments on investment properties	(105)	(690)
Impairment loss on doubtful trade receivables no longer required	1,976	3,279
Reversal of inventories written down	44	138
Gain on disposal of property, plant and equipment	573	529
Unrealised loss on foreign exchange	(640)	(1,559)
	(7,400)	(153)

* Less than RM1,000

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

	2018 RM'000	2017 RM'000
Segment assets	1,922,925	1,847,449
Intangible assets	11,649	9,983
Investment in associates	19,887	19,665
Deferred tax assets	2,182	4,730
Tax recoverable	1,978	1,733
Total assets	1,958,621	1,883,560

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

	2018 RM'000	2017 RM'000
Property, plant and equipment	31,830	30,503
Capital work-in-progress	101,278	65,473
Investment properties	367	-
	133,475	95,976

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

	2018 RM'000	2017 RM'000
Segment liabilities	(203,504)	(215,433)
Finance lease liabilities	(51,033)	(40,297)
Borrowings and bank overdrafts	(580,056)	(577,816)
Tax payable	(2,350)	(2,695)
Deferred tax liabilities	(74,949)	(58,698)
	(911,892)	(894,939)

Geographical information

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

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia*	1,378,917	1,279,511	1,202,717	1,149,419
Republic of Singapore	136,858	140,426	8,349	6,968
The People's Republic of China	23,925	23,776	7,214	7,839
Australia	4,560	4,738	17,601	9,496
	1,544,260	1,448,451	1,235,881	1,173,722

* Company's home country

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

	2018 RM'000	2017 RM'000
Property, plant and equipment	1,157,844	1,091,235
Prepaid land lease payments	4,285	4,807
Capital work-in-progress	50,843	57,207
Investment properties	11,260	10,490
Intangible assets	11,649	9,983
	1,235,881	1,173,722

Major customers

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

48. SUBSEQUENT EVENT

On 1 January 2019, Intrapac (Australia) Pty.Ltd., a wholly-owned indirect subsidiary of the Company, incorporated a new 95% owned subsidiary in Australia, known as Intrapac Resources & Supplies Pty. Ltd. ("IRS") with paid-up capital of AUD250,000 comprising of 250,000 ordinary shares of AUD1 each. The principal activities of IRS are in distribution and trading of packaging products and recycled materials in Australia.



The Properties & Shareholdings

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PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2018

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	1,674	19	(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	3,704	15	(B) 17-08-17
No. 2, Persiaran Rishah 14 Kawasan Perindustrian Silibin 30100 Ipoh, Perak Darul Ridzuan 60 Years Lease Expiring 2045	Industrial Building	1,600	Office & Warehouse	820	30	(C) 27-08-18
No. 101-D, Lintang Kampung Jawa 11900 Bayan Lepas, Penang 60 Years Lease Expiring 2041	Industrial Building	1,339	Office & Warehouse	702	27	(B) 15-08-17
No. 4858, Jalan Permatang Pauh 13400 Butterworth, Penang 99 Years Lease Expiring 2064	Industrial Building	266	Office & Warehouse	650	34	(C) 03-09-18
No. 23, Jalan Padu Kawasan Perindustrian Tampoi 80350 Johor Bahru, Johor Darul Takzim 60 Years Lease Expiring 2044	Industrial Building	6,070	Office & Warehouse	3,440	28	(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	3,473	21	(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	3,762	18	(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) 03-09-18
Lot 401, Mukim 1 Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	10,370	Vacant	2,200	-	(B) 14-08-17
Lot 134, Jalan Tasek 14120 Simpang Ampat Daerah Seberang Perai Selatan, Penang Freehold	Industrial Land	12,375	Open Storage Yard	1,670	-	(B) 15-08-17

Location	Description of property	Land area (Sq metre)	Existing use	Net carrying amount RM'000	Age of building (Approx. years)	Date of (A) acquisition / (B) revaluation / (C) fair value
Lot 415, Jalan Tasek 14120 Simpang Ampat Daerah Seberang Perai Selatan, Penang Freehold	Industrial Building	73,370	Office, Factory & Warehouse	46,098	25	(B) 15-08-17
Lot 10017, Mukim 2 Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	6,032	Vacant	1,310	-	(B) 15-08-17
Lot 96, Mukim 2 Daerah Seberang Perai Selatan, Penang Freehold	Agricultural Land	5,754	Vacant	1,090	-	(A) 04-03-17
INTRAPAC (AUSTRALIA) PTY. LTD.						
Unit 12, 5 Meridian Place Baulkham Hills New South Wales, Australia Freehold	Office & Warehouse	889	Office & Warehouse	8,522	15	(B) 22-08-17
26 Babbage Drive Dandenong South Victoria, Australia Freehold	Office & Warehouse	1,999	Office & Warehouse	8,870	1	(A) 24-08-18
KOTAK MALAYSIA (KOM) SDN. BHD.						
Lot 11 & 12, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2072	Industrial Building	16,156	Office & Factory	8,694	4 - 45	(B) 16-08-17
No. 136, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2070	Industrial Building	21,600	Office & Factory Building Under Construction	6,151	-	(B) 16-08-17
K F PAPER PRODUCTS (MELAKA) SDN. BHD.						
Lot 1-9, Jalan Usaha 2 Taman Perindustrian Merlimau 77300 Merlimau, Melaka 99 Years Lease Expiring 2088	Industrial Building	51,770	Office, Factory & Warehouse	17,192	8	(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	20,011	45	(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	334	27	(B) 14-08-17

PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2018

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	263	25	(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	2,678	25	(B) 15-08-17

MUDA PACKAGING INDUSTRIES SDN. BHD.

Lot 86818 (FKA Lot 57496 & 57976) 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	48,363	Office & Factory	76,452	3 - 41	(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	11,761	26	(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	2,729	-	(B) 15-08-17
Lot 57977 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Agricultural Land	3,879	Vacant	1,250	-	(B) 15-08-17

MUDA PACKAGING INDUSTRIES (QINGYUAN) LTD.

9th Area Longtang Industrial Development Zone Qingyuan, Guangdong, China 46 Years Lease Expiring 2044	Industrial Building	36,698	Office & Factory	6,944	20	(B) 19-09-17
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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	11,067	4 - 27	(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	27,970	2 - 18	(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	123,295	1 - 48	(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	2,951	25	(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	17,350	3 - 26	(B) 15-08-17
Lot 5235, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Building	21,271	Office, Factory & Open Storage Yard	23,324	1 - 7	(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) 04-09-18
No. 1, Jalan Kilang Larkin Industrial Estate 80350 Johor Bahru, Johor Darul Takzim 60 Years Lease Expiring 2031	Industrial Building	14,012	Office & Warehouse	4,100	36	(C) 07-09-18
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	20,404	1 - 11	(B) 15-08-17
Lot 153, 156, 157, 160, 161, 162, 163 & 164 Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	112,917	Office, Factory, Warehouse & Water Treatment Plant	96,887	1 - 53	(B) 15-08-17

PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2018

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 123, 165, 166 & 444 Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	22,487	Warehouse	12,396	1 - 11	(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	3,724	1 - 53	(B) 15-08-17
Lot 774, 775, 823, 824, 10216 & 10217 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	41,917	Factory & Water Treatment Plant	22,776	3	(B) 15-08-17
Lot 777, Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	19,749	Factory & Water Treatment Plant	7,325	3	(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	533	5	(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	28,451	15	(B) 15-08-17
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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	24	(C) 04-09-18
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ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

Audit and Non-Audit Fees

The amount of the audit fees and non-audit fees paid to the Company's external auditor and its local affiliates by the Company and the Group in respect of the services carried out during the financial year ended 31 December 2018 are as follows:

	Company (RM)	Group (RM)
Audit fees	42,000	357,100
Non-audit fees	56,600	413,730
Total	98,600	770,830

Significant non-audit fees incurred during the financial year ended 31 December 2018 were due to tax consultation fee payable to the external auditor's local affiliates.

Material Contracts

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

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

No. of Issued Shares	305,050,835
Class of Shares	Ordinary Shares
Voting Rights	One vote per ordinary share

Range of Shareholdings	No. of Shareholders	No. of Issued Shares	% of Issued Shares
Less than 100	482	18,562	0.01
100 to 1,000	961	633,763	0.21
1,001 to 10,000	4,105	17,181,560	5.63
10,001 to 100,000	974	28,048,455	9.19
100,001 to less than 5% of issued shares	105	100,392,395	32.91
5% and above of issued shares	3	158,776,100	52.05
Total	6,630	305,050,835	100.00

Directors' Direct and Deemed Interest in the Company and its Related Corporations

Other than as disclosed below, there are no other Directors of the Company who has an interest, direct or deemed, in shares of the Company and its related corporations.

Name	Direct Interest		Deemed Interest	
	No of Shares	%	No of Shares	%
Tan Sri Lim Guan Teik	3,250,000	1.06	124,302,313 *	40.75
Dato' Azaman Bin Abu Bakar	100,000	0.03	114,770,013 *	37.62
Datuk Lim Chiun Cheong	715,500	0.23	126,836,813 *	41.58
Lee Khim Sin	60,000	0.01	203,000 *	0.07

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

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

Name	Direct Interest		Deemed Interest	
	No of Shares	%	No of Shares	%
Tan Sri Lim Guan Teik	3,250,000	1.06	124,302,313 *	40.75
Dato' Azaman Bin Abu Bakar	100,000	0.03	114,770,013 *	37.62
Datuk Lim Chiun Cheong	715,500	0.23	126,836,813 *	41.58
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
Sin Poay Sim	2,677,700	0.88	114,849,013 *	37.65
Datin Cheong Koon Hooi	1,026,900	0.34	119,255,513 *	39.09
Asia File Corporation Bhd.	6,261,400	2.05	54,826,100 ^	17.97
Lim & Khoo Sdn. Bhd.	54,826,100	17.97	-	-
Lim Soon Huat	1,390,000	0.46	61,087,500 ^	20.03
Prestige Elegance (M) Sdn. Bhd.	-	-	61,087,500 ^	20.03
Datin Khoo Saw Sim	-	-	61,087,500 ^	20.03

Notes:

* Deemed to have interest in shares of Muda held by persons deemed to be connected with the Directors as defined under Section 197 of the Companies Act, 2016 and by other corporations by virtue of Section 8(4) of the Companies Act, 2016.

^ Deemed to have interest in shares of Muda held by other corporations by virtue of Section 8(4) of the Companies Act, 2016.

30 Largest Shareholders as per Record of Depositors as at 20 March 2019

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	4.35
5	Styme Sdn. Bhd.	10,009,013	3.28
6	Beh Phaik Hooi	9,618,200	3.15
7	Teoh Chin Chia	6,687,200	2.19
8	Lim Guan Teik Holdings Sdn. Bhd.	6,500,900	2.13
9	Asia File Corporation Bhd.	6,261,400	2.05
10	Dato' Lim Wan Peng	3,731,000	1.22
11	Tan Sri Lim Guan Teik	3,250,000	1.07
12	Sin Poay Sim	2,615,700	0.86
13	Ooi Chin Hock	2,269,900	0.74
14	Sie Liang Chan	2,250,000	0.74
15	Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73
16	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Mak Tian Meng (MY0343)	1,499,600	0.49
17	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For Dimensional Emerging Markets Value Fund	1,409,900	0.46
18	Lim Soon Huat	1,390,000	0.46
19	Lucy Khoo	1,279,000	0.42
20	Datin Cheong Koon Hooi	1,026,900	0.34
21	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)	999,900	0.33
22	MSM International Adjusters (Malaysia) Sdn. Bhd.	999,800	0.33
23	Tri-Yen Enterprise Sdn. Bhd.	890,000	0.29
24	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	870,900	0.29
25	Leong Yuet Ling	800,000	0.26
26	DB (Malaysia) Nominee (Asing) Sdn. Bhd. The Bank of New York Mellon For Acadian Emerging Markets Small Cap Equity Fund, LLC	794,100	0.26
27	Lee Fook Yuen	780,000	0.26
28	Datuk Lim Chiun Cheong	715,500	0.23
29	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Soh Boon Chen	653,500	0.21
30	Wong Yoke Fong @ Wong Nyok Fing	626,100	0.21
Total		242,199,313	79.40

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Eighth Annual General Meeting of Muda Holdings Berhad (“the Company”) will be held at Ground Floor, Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan on Thursday, 27 June 2019 at 11.00 a.m. for the following purpose:

AGENDA

As Ordinary Business

- | | |
|--|---|
| 1. To receive the Audited Financial Statements for financial year ended 31 December 2018 together with the Directors’ and Auditors’ Reports thereon. | (Please refer to Explanatory Note D) |
| 2. To approve the payment of a First and Final Single Tier Dividend of 4.5 sen per share for the financial year ended 31 December 2018. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors’ fees of RM415,000.00 to Directors of the Company in respect of financial year ended 31 December 2018. | Ordinary Resolution 2 |
| 4. To approve the payment of Directors’ remuneration and benefits to Non-Executive Directors of up to an amount of RM850,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. | Ordinary Resolution 3 |
| 5. To re-elect Datuk Lim Chiun Cheong who retires in accordance with Article 74 of the Company’s Constitution. | Ordinary Resolution 4 |
| 6. To re-elect Mr Lee Khim Sin who retires in accordance with Article 74 of the Company’s Constitution. | Ordinary Resolution 5 |
| 7. To re-elect Mr Wong Choong Yee who retires in accordance with Article 79 of the Company’s Constitution. | Ordinary Resolution 6 |
| 8. 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 7 |

As Special Business

9. To consider and if thought fit, to pass the following Ordinary Resolution:

Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016

“That pursuant to Section 75 and 76 of the Companies Act, 2016, the Directors be and are hereby authorised to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

Ordinary Resolution 8

10. To consider and if thought fit, to pass the following Ordinary Resolution:

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 9

11. To consider and if thought fit, to pass the following Special Resolution:

Proposed Adoption of New Constitution

“THAT the proposed new Constitution as set out in Appendix A be and is hereby adopted as the Constitution of the Company in place of the existing Memorandum and Articles of Association AND THAT the Directors are authorised to assent to any conditions, modifications, variations and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

Special Resolution 10

12. 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 4.5 sen per share in respect of financial year ended 31 December 2018, if approved at the Forty-Eighth Annual General Meeting, will be payable on Tuesday, 16 July 2019 to depositors and shareholders listed in the Record of Depositors and Register of Members on 1 July 2019.

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 1 July 2019 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 2019
 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 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 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.

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

Only a depositor whose name appears in the Record of Depositors as at 20 June 2019 (General Meeting Record of Depositors) shall be eligible to be present and vote at the Forty-Eighth 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 2018

Item 1 of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence is not put forward for voting.

E. First and Final Single Tier Dividend

Pursuant to Section 131 of the Companies Act, 2016, a company may only make distribution to the shareholders out of profits of the company available if the company is solvent. The Board of Directors has on 27 February 2019 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 16 July 2019 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 2019

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 RM415,000.00 to 8 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 RM850,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company pursuant to Ordinary Resolution 3.

G. Re-election of Directors who retire under Article 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 3 years.

Datuk Lim Chiun Cheong and Mr Lee Khim Sin retire under Article 74 of the Company's Constitution at the Forty-Eighth Annual General Meeting of the Company and have offered themselves for re-election at the Forty-Eighth Annual General Meeting of the Company.

H. Re-election of Director who retires under Article 79 of the Company's Constitution

Mr Wong Choong Yee retires under Article 79 of the Company's Constitution at the Forty-Eighth Annual General Meeting of the Company and has offered himself for re-election at the Forty-Eighth Annual General Meeting.

I. Ordinary Resolution 8 – Proposed Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016

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

The proposed Ordinary Resolution 8 to seek authority to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016, is a renewal of the previous mandate and if passed, will enable the Directors of the Company to issue up to a maximum of 10% of the issued and paid-up share capital of the Company for the time being. This authorisation will give flexibility to the Directors for any possible fund-raising activities, including but not limited to further placing of shares, for purpose of funding future investment projects, working capital and or acquisitions by the issuance of shares in the Company to such persons at any time the Directors deem appropriate, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of next Annual General Meeting of the Company.

J. Ordinary Resolution 9 – Proposed Retention of an Independent Non-Executive Director

The Board of Directors of the Company has determined that Datuk Nik Ibrahim Bin Nik Abdullah, who has served a cumulative term of 15 years, has consistently demonstrated his independence in character and judgement in the discharge of his duties and responsibilities and that there are no relationships or circumstances which may affect or likely to affect his judgement and ability to discharge his responsibilities as an Independent Director.

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

K. Special Resolution 10 – Proposed Adoption of New Constitution of the Company

Special Resolution 10, if passed, will bring the Company's Constitution to be in line with the Companies Act, 2016 and the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The proposed new Constitution shall take effect once the Resolution 10 has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at the Forty-Eighth Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

PROXY FORM

Forty-Eighth 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-Eighth 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, 27 June 2019 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 2018 together with the Directors' and Auditors' Reports thereon.			
		RESOLUTION	FOR	AGAINST
2.	To approve the payment of a First and Final Single Tier Dividend of 4.5 sen per share.	1		
3.	To approve the payment of Directors' fees of RM415,000.00 to the Directors for financial year ended 31 December 2018.	2		
4.	To approve the payment of Directors' remuneration and benefits to Non-Executive Directors of up to an amount of RM850,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.	3		
5.	To re-elect Datuk Lim Chiun Cheong as a Director in accordance with Article 74 of the Company's Constitution.	4		
6.	To re-elect Mr Lee Khim Sin as a Director in accordance with Article 74 of the Company's Constitution.	5		
7.	To re-elect Mr Wong Choong Yee as a Director in accordance with Article 79 of the Company's Constitution.	6		
8.	To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration.	7		
9.	To authorise Directors to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016.	8		
10.	To retain Datuk Nik Ibrahim Bin Nik Abdullah as an Independent Non-Executive Director.	9		
11.	To adopt a New Constitution.	10		

Dated this day of, 2019

.....
 Signature of Shareholder/ Common Seal

IMPORTANT: Please read the notes overleaf

Telephone No.....

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Stamp

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

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Notes

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

(10427-A)

Lot 7, Jalan 51A/241,
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