



Muda Holdings Berhad

50

A N N I V E R S A R Y
ANNUAL REPORT 2020

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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 Wira Lim Chiun Cheong, DCSM, DPSM (*Managing Director*)
Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (*Senior Independent Non-Executive Director*)
Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (*Independent Non-Executive Director*)
Wong Choong Yee (*Independent Non-Executive Director*)
Lim Siew Ling (*Appointed on 1 January 2020 as Non-Independent Non-Executive Director*)
Lim Yen Wee (*Appointed on 1 January 2020 as Non-Independent Non-Executive Director*)

AUDIT COMMITTEE

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

SECRETARIES

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

AUDITORS

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

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan
Tel : +(603) 7875 9549 Fax : +(603) 7873 8435

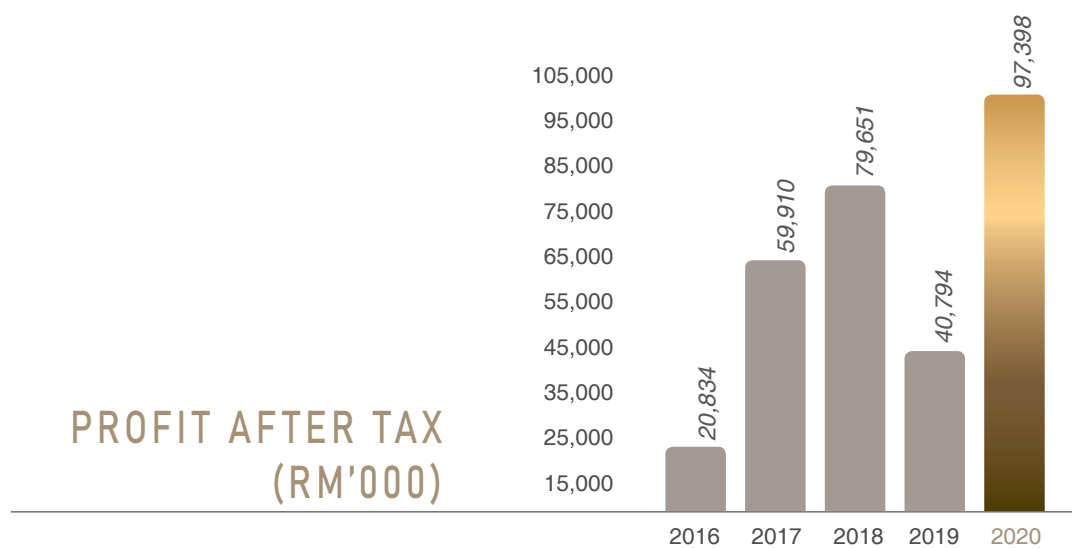
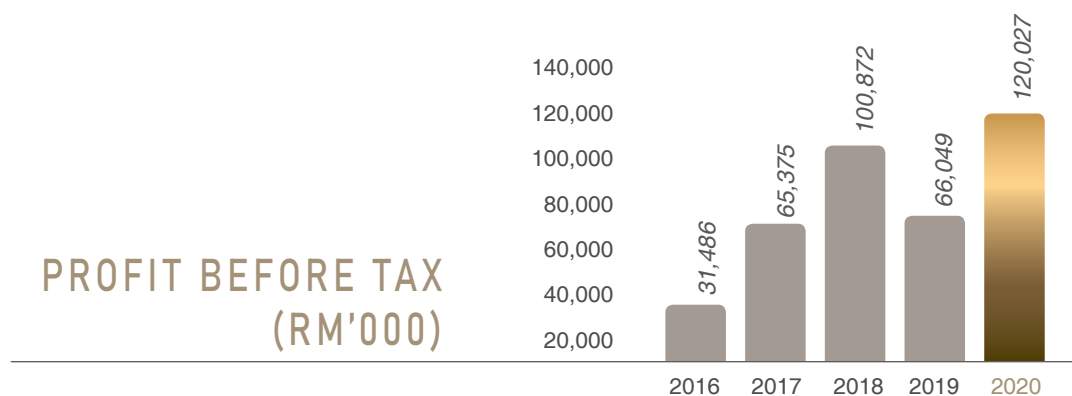
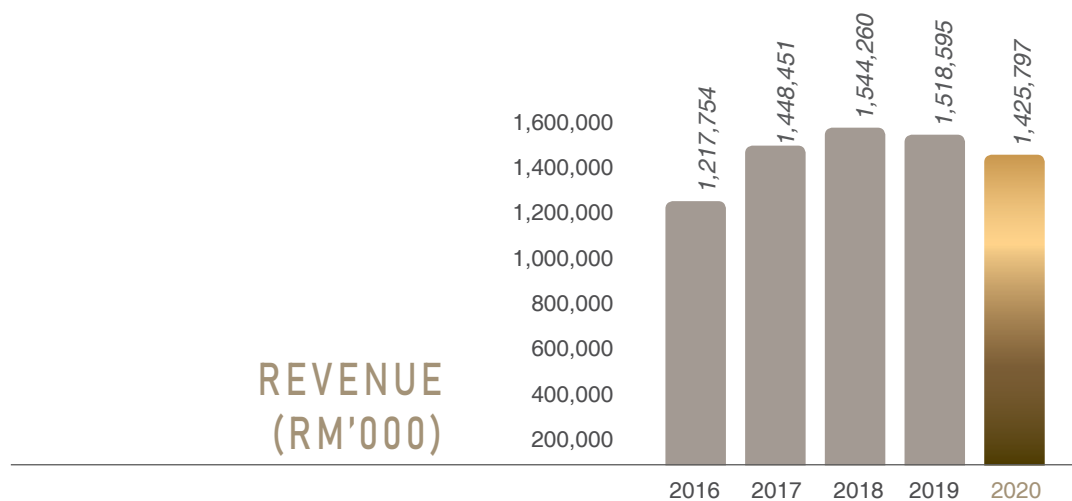
REGISTRAR

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

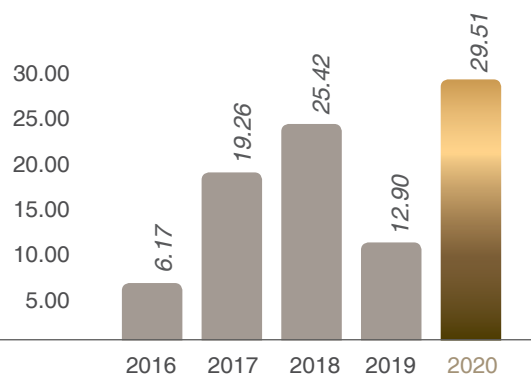
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

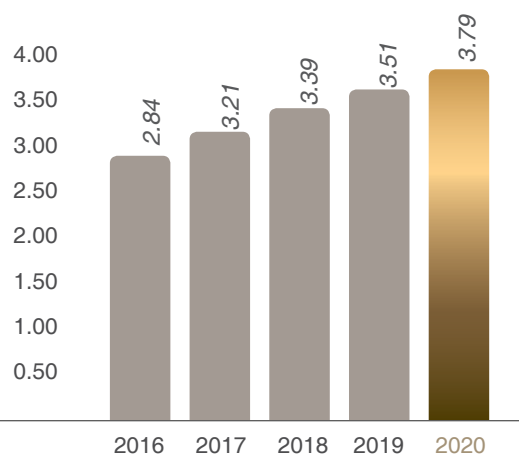
GROUP FINANCIAL HIGHLIGHTS



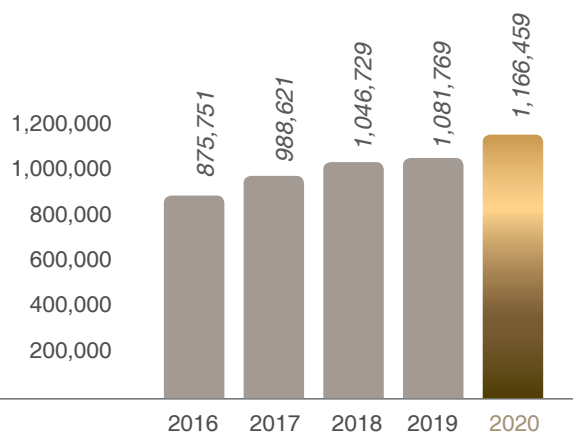
EARNINGS PER SHARE (SEN)



NET TANGIBLE ASSETS PER SHARE (RM)



TOTAL EQUITY (RM'000)



GROUP FINANCIAL HIGHLIGHTS

	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Key Operating Results					
Revenue	1,217,754	1,448,451	1,544,260	1,518,595	1,425,797
Gross profit	214,017	225,652	295,021	281,756	296,774
Profit before tax	31,486	65,375	100,872	66,049	120,027
Tax expense	(10,652)	(5,465)	(21,221)	(25,255)	(22,629)
Profit after tax	20,834	59,910	79,651	40,794	97,398
Net profit attributable to owners of the Company	18,807	58,766	77,534	39,337	90,020
Other Key Data					
Total assets	1,636,665	1,883,560	1,958,621	1,934,453	1,940,761
Total borrowings	527,328	618,113	631,089	552,094	458,327
Total liabilities	760,914	894,939	911,892	852,684	774,302
Total equity attributable to owners of the Company	851,552	964,639	1,022,667	1,057,597	1,137,242
Total equity	875,751	988,621	1,046,729	1,081,769	1,166,459
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)	2.84	3.21	3.39	3.51	3.79
Key Ratios					
Return on equity ¹	2.2%	6.1%	7.6%	3.7%	7.9%
Debt to equity ²	0.60	0.63	0.60	0.51	0.39

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	2016	2017	2018	2019	2020
Market Price (RM) [^]	1.45	1.33	1.79	1.41	2.78
Basic earnings per share (sen)	6.17	19.26	25.42	12.90	29.51
Price earnings ratio	23.52	6.90	7.04	10.93	9.42
Dividend per share (sen)	3.00	3.50	4.50	4.00	5.00
Dividend yield (%)	2.07	2.63	2.51	2.84	1.80

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

MESSAGE FROM OUR CHAIRMAN

On behalf of the Board, it gives me great pleasure to present the Annual Report for Muda Holdings Berhad for the financial year ended 31 December 2020.

Overview

2020 will go down in history as a tumultuous year as most major economies across the world practically came to a stand-still while governments the world over were engrossed for the most part of 2020 in combating the spread of COVID-19 pandemic which had severely affected lives and livelihood. The global economy contracted sharply by 3% in 2020 - much worse than the 2008 – 2009 financial crisis.

The recent vaccine rollouts have raised hopes of a turnaround in the pandemic in the later part of 2021. But renewed waves and new variants of the virus pose concerns for the outlook in 2021. Despite uncertainties, the global economy is still projected to grow by 5.5% in 2021 and 4.2% in 2022.

Malaysia was not spared by the pandemic which witnessed the country's gross domestic product ("GDP") contracted by 5.6% in 2020 – its lowest level since the 1998 Asian Financial Crisis.

To contain the pandemic, the Malaysian Government had implemented lockdowns and introduced strict standard operating procedures which inevitably curbed business activities amid unemployment in certain sectors of the economy such as the informally employed and those who work in the contact-intensive sectors. The various stimulus packages and wage subsidies initiated by the Government had lessened the severe impact of the lockdowns on the economy.

The Group has remained resilient as proven by its ability to maintain its market position with commendable performance for the financial year ended 31 December 2020.

The Group's performance was achieved through our well-executed strategies which focused on meeting industry needs, disciplined investment approach, proactively improved internal efficiencies, cost management initiatives and expansion of our production facilities. This was complemented by astute management and cost containment initiatives.

We expect the arrival of the COVID-19 vaccine to be a game changer in the war against the pandemic with many quarters already expecting the economy to turn the corner in 2021. We are assuaged by the fact that Bank Negara Malaysia has projected a GDP growth of between 6.0% and 7.5% for 2021. We will continue to be prudent in the running of our business while also be on the look-out for opportunities for growth.

Results for Financial Year 2020

In 2020, the Group saw profit before tax increased by 81.7% to RM120.03 million despite a decrease in revenue by 6.1% to RM1.43 billion.

Implementation of the Movement Control Order in the first half of 2020 had led to significant reduction in sales volume and selling price. Notwithstanding the lower sales volume and selling prices for industrial paper and paper packaging products, profit margin improved to 20.8% in 2020 compared to 18.6% in 2019 due to reduction in raw material cost and improved production efficiencies.

In line with the Group's sustained growth, I am pleased to share with you that our net assets have strengthened by 7.8% to RM1.17 billion.

Dividend

The Board recommends a first and final dividend of 5.0 sen per share to shareholders for the financial year ended 31 December 2020.

MESSAGE FROM OUR CHAIRMAN

Fiftieth Anniversary

2021 is a special year for the Group as it marks the 50th anniversary of our establishment. It has been a journey fraught with challenges but we managed to come out on top due to our perseverance and not forgetting, the dedication and efforts of our employees, past and present. I would like to express my heartfelt gratitude to everyone who have contributed to our success in one way or another.

We pioneered the paper milling and paper packaging industry in Malaysia with its first paper mill in Tasek, Penang in 1964, and its first corrugated plant in Petaling Jaya in 1971. Today, we are one of the largest and most diverse integrated paper products manufacturing group of companies in Malaysia that continues its mission to provide best-value supply to our customers.

Appreciation

On behalf of Muda's Board of Directors, I would like to express our appreciation to the Management and staff of the Muda Group for their continued dedication and effort. The same goes for our stakeholders, especially our suppliers, business partners, bankers and financiers who have supported the Group throughout – we thank you for your support and hope our business relationship will continue to prosper in the years ahead.

Also allow me to convey a big thank you to all our customers and shareholders who have remained our loyal supporters all these years. I am equally grateful to our regulators and governing authorities for the support and advice rendered during the year, and we look forward to your constructive feedback with regard to the development of the paper industry.

Last but not least, I would like to express my personal thanks to fellow Board members for their advice and contributions in guiding the Group. We would not have achieved our current position without your efforts. I look forward to having a better year in 2021.

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

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Our core business in producing paper and paper packaging products such as paper boxes, paper boards and paper-based food packaging and stationeries remained unchanged in 2020. In addition, we also operate more than 100 school bookshops and online bookstore in Singapore.

The Group currently operates two (2) paper mills, six (6) corrugated plants and a paper-based food packaging and stationery plant. The manufacturing operations are located in Selangor, Pulau Pinang, Melaka, Johor and Guangzhou, China. The Malaysia operations generated 88.6% of the total revenue of the Group in 2020.

Financial Performance

Profit after tax for the financial year ended 31 December 2020 increased by 138.8% to RM97.40 million from RM40.79 million a year ago despite revenue of RM1.43 billion in 2020 was 6.1% lower compared to the previous financial year.

The decrease in revenue was mainly attributable to the significant reduction in sales volume and reduction in selling price due to Movement Control Order ("MCO") implemented in the first half of 2020.

The increase in profit after tax was mainly due to the reduction in raw material cost in addition to lower administrative expenses and the absence of impairment loss on capital work-in-progress compared to the previous financial year.

Manufacturing Division

The profit margin of the Group saw an overall improvement compared to 2019 which was attributable to the lower raw material cost for paper milling and paper packaging with the improvement in production efficiencies.

However, revenue in 2020 recorded a 5.8% reduction compared to the previous financial year. The decrease in revenue was mainly attributable to the significant reduction in sales volume and lower selling price due to the implementation of MCO in the first half of 2020.

Trading Division

There was a significant improvement in profit for the financial year ended 31 December 2020 by 135.0% compared to 2019 despite revenue decreased by 8.3% compared to the previous financial year. Government wage subsidies received by the Group have mitigated the impact of lockdown measures implemented to contain the COVID-19 outbreak.

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights and Share Information

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

	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Revenue	1,217,754	1,448,451	1,544,260	1,518,595	1,425,797
Gross profit	214,017	225,652	295,021	281,756	296,774
Profit before tax	31,486	65,375	100,872	66,049	120,027
Tax expense	(10,652)	(5,465)	(21,221)	(25,255)	(22,629)
Profit after tax	20,834	59,910	79,651	40,794	97,398
Total equity	875,751	988,621	1,046,729	1,081,769	1,166,459
Total assets	1,636,665	1,883,890	1,958,621	1,934,453	1,940,761
Total borrowings	527,328	618,113	631,089	552,094	458,327
Debt/Equity	60.2%	62.5%	60.3%	51.0%	39.3%
Basic earnings per share (sen)	6.17	19.26	25.42	12.90	29.51
Net tangible assets per share (RM)	2.84	3.21	3.39	3.51	3.79
Dividend per share (sen)	3.00	3.50	4.50	4.00	5.00
Gross margin	17.6%	15.6%	19.1%	18.6%	20.8%
Return on equity	2.2%	6.1%	7.6%	3.7%	7.9%
Share Information					
Share price - High (RM)	2.51	1.80	2.95	2.19	2.78
Share price - Low (RM)	1.40	1.29	1.14	1.41	0.84
Share price as at 31 December (RM)	1.45	1.33	1.79	1.41	2.78
Price earnings ratio (times)	23.52	6.90	7.04	10.93	9.42
Company market capitalisation (RM million)	442	406	546	430	848

Revenue

Revenue for the financial year ended 31 December 2020 decreased by 6.1% compared to the previous financial year due to significant reduction in sales volume and lower selling price as a result of the implementation of MCO in the first half of 2020.

Gross profit margin

There was an increase in gross profit margin from 18.6% in 2019 to 20.8% in 2020. Notwithstanding the lower sales volume and selling prices for industrial paper and paper packaging products, profit margin saw slight improvement due to reduction in raw material cost and improved production efficiencies.

Expenses

Overall, there was a decrease in expenses in 2020 compared to 2019 with lower administrative expenses incurred as a result of Government wage subsidies received by the Group. The decrease in expenses was also attributable to the absence of impairment loss on partially erected paper machines in 2020 compared to 2019.

Finance costs and total borrowings

Finance costs saw a 32.0% reduction compared to the previous financial year due to the drop in interest rate and the reduction in the Group's total borrowings to RM458.33 million in 2020 from RM552.09 million in 2019.

The net reduction of RM93.76 million was mainly attributable to the lesser drawdown in financing activities in view of the higher net cash being used.

Profitability

The Group delivered profit before tax of RM120.03 million in 2020 which was 81.7% higher compared to RM66.05 million in 2019.

Taxation

The effective tax rate of the Group was lower than the statutory tax rate mainly due to higher income which was not subject to tax relating to non-taxable government grant and the higher utilisation of tax incentives to offset against taxable income in the financial year 2020.

Financial Position

Total equity attributable to owners of the Group stood at RM1.14 billion with profit attributable to owners of the Company of RM90.02 million in 2020. Gearing ratio of the Group has improved from 0.51 in 2019 to 0.39 in 2020.

Inventories

Inventory level at RM245.32 million was RM18.41 million lower compared to the preceding year of RM263.73 million due to lesser stock holding of finished goods and raw materials as of 31 December 2020 compared to the previous financial year.

Trade receivables

The increase in trade receivables in 2020 was mainly due to higher sales volume in Manufacturing Division during the last quarter in 2020 compared to the corresponding quarter in 2019.

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Anticipated risk

Potential shortage of recycled paper from the local market is an inherent risk for the Group as it is a critical input for our manufacturing process. 2020 was a tough year for the recycled paper agents who encountered a drastic drop in collection. The MCO further prompted their intention to cease business operations. To address this issue, the Group resorted to work closely with the existing recycled paper agents by boosting their confidence level while enhancing their business sustainability. In addition, the Group continues its effort to strengthen and expand collection by enlarging the network of recycled paper agents to mitigate this risk.

With the essential economic sectors being allowed to operate during the MCO period and as strict lockdown measures were gradually lifted in tandem with the falling number of positive COVID-19 cases – a recovery in demand is poised to follow suit after a year of business disruption of unprecedented scale.

However, considering that the world is still very much in the recovery phase with the emergence of Coronavirus variants and the spike in the number of work-related clusters may delay economy recovery – the Group will prepare itself to cushion the impact by undertaking prudent cash flow management while actively seeking opportunities for new customer base expansion to ensure its operations and sales are kept at optimal level.

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

Capital Expenditure

The Group has planned capital expenditure of RM76.57 million in 2021. These investments are mainly for upgrading, modernizing and replacement of existing plant and machineries to raise productivity. The Group will also be prudent in implementing its capital expenditure and continue to focus on improving efficiency and reduce wastage.

Prospect

Malaysia's near-term growth in 2021 will be impacted by further stringent containment measures imposed by the Government to combat the COVID-19 outbreak. But the impact will be less severe than that experienced in 2020. The country is projected to resume its growth trajectory from the second quarter of 2021 onwards.

Such positive outlook in the economy is expected to fuel improved business transactions which would translate into better demand for Muda Group's products. In addition, the lower gas and electricity prices compared to 2020, current low interest rate environment coupled with the Group's improved operation efficiencies and conversion to green energy usage will lower future operating costs.

Nevertheless, with the advent of the National Vaccination Programme which has the ultimate aim to achieve herd immunity for a majority of the Malaysian population, we foresee demand of the Group's products will recover to the pre-pandemic level. With the effective rollout of the vaccination programme both globally and nationally, and with the much anticipated improvement in both the global and local economic climate, the Board expects the Group to remain profitable in 2021.

The Statement on Management Discussion and Analysis is made in accordance with a resolution of the Board of Directors dated 22 March 2021.

PROFILE OF DIRECTORS



TAN SRI LIM GUAN TEIK

PSM, JMN, DMPN, DJN

Non-Independent Non-Executive Chairman
Male, Malaysian, 86

Tan Sri Lim Guan Teik joined the Board of Muda Holdings Berhad in November 1983 and spearheaded the listing of the Company on the Stock Exchange on 2 November 1984.

Throughout the period from November 1983 to 31 December 2020, Tan Sri Lim Guan Teik has 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
- Non-Executive Chairman from 18 February 2007 to current

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

He holds a Bachelor of Commerce Degree from Nanyang University of Singapore which he obtained in 1960. Tan Sri Lim Guan Teik was one of the early players in the country's paper industry and has been instrumental in the growth of the industry since 1964.

He was President of the Malaysian Pulp & Paper Manufacturers Association from 1980 to 1992 and is currently one of its advisers. Tan Sri Lim Guan Teik was also a past 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 Wira Lim Chiun Cheong, the Managing Director of the Company. He is also the uncle of Ms Lim Siew Ling and Ms Lim Yen Wee, the Non-Independent Non-Executive Directors of the Company. Tan Sri Lim Guan Teik is also a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed on Page 111 of this Annual Report.

Tan Sri Lim Guan Teik attended all six Board of Directors' Meetings held during the financial year ended 31 December 2020. He has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.

PROFILE OF DIRECTORS



DATO' AZAMAN BIN ABU BAKAR

DIMP

Executive Deputy Chairman
Male, Malaysian, 74

Dato' Azaman Bin Abu Bakar was appointed to the Board of Muda Holdings Berhad as Executive Director on 19 March 1985 until his re-designation to Deputy Chairman on 22 October 1992. He assumed the post of Managing Director on 23 April 2004 until his re-designation to his current position as Executive Deputy Chairman on 28 May 2018.

He is currently Chairman of the Executive Committee and a member of the Sustainability Committee. Dato' Azaman also sits on the board of several local and foreign subsidiaries within the Group. At present, he is also the President of the Malaysian Pulp & Paper Manufacturers Association.

He graduated from the University of Malaya with a Bachelor of Arts Degree in 1969 and later obtained a Master in Management Degree from

the Asian Institute of Management, Manila in 1978. Dato' Azaman began his career as a marketing executive in Harper Gilfillan before joining the Urban Development Authority (UDA) in 1974. His last held 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.

He attended all six Board of Directors' Meetings held during the financial year ended 31 December 2020. He has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.



DATUK WIRA LIM CHIUN CHEONG

DCSM, DPSM

Managing Director
Male, Malaysian, 57

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

Datuk Wira Lim Chiun Cheong graduated with a Bachelor of Science Degree from the Arizona State University in the United States and a Bachelor of Law Degree from the University of Birmingham, United Kingdom in 1986 and 1989 respectively. He was called to the English and Malaysian Bar in 1990 and 1991 respectively. He joined the Group as a Legal Assistant in October 1991 before serving in various senior management positions in the Group from 1992 to 2005.

Datuk Wira Lim Chiun Cheong is a National Council Member

of the Associated Chinese Chamber of Commerce and Industry of Malaysia, Council Member of the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor and a Committee Member of the Malaysian Pulp & Paper Manufacturers Association.

He is the son of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company. Datuk Wira Lim Chiun Cheong is also the cousin of Ms Lim Siew Ling and Ms Lim Yen Wee, the Non-Independent Non-Executive Directors of the Company. Datuk Wira Lim Chiun Cheong is deemed a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed on Page 111 of this Annual Report.

Datuk Wira Lim Chiun Cheong attended all six Board of Directors Meetings of the Company during the financial year ended 31 December 2020. He has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.

Datuk Nik Ibrahim Bin Nik Abdullah was appointed to the Board of Muda Holdings Berhad on 23 April 2004 as an Independent Non-Executive Director prior to assuming his current position as the Senior Independent Director of the Company on 28 June 2018.

Datuk Nik Ibrahim has been a member of the Audit Committee since 28 February 2005 and was appointed Chairman of the Audit Committee on 2 January 2015. Currently, he is also Chairman of both the Remuneration Committee and the Sustainability Committee apart from being a member of the Executive Committee and the Nominating Committee.

Datuk Nik Ibrahim holds a B.A. (Hons) in Economics from the University of Malaya. In 1968, he joined the Malaysian Industrial Development Authority (MIDA) as an Economist and thereafter served in the Ministry of Finance as Assistant Secretary from 1970 to 1972.

In 1972, he returned to MIDA to serve as a Senior Economist before joining Bank

Pembangunan Malaysia Berhad as a Manager in 1974 where he was promoted to General Manager and later to Chief Executive Officer/Managing Director. He retired in March 2004. Datuk Nik Ibrahim also sits on the board of a few other local companies.

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

He attended all six Board of Directors Meetings held during the financial year ended 31 December 2020. He has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.



DATUK NIK IBRAHIM BIN NIK ABDULLAH

PJN, JSM, AMN

Senior Independent Non-Executive Director
Male, Malaysian, 77



LEE KHIM SIN
KMN, PBK, CA(M), FCA, CPA(M)
Independent Non-Executive Director
Male, Malaysian, 80

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

A member of the Institute of Chartered Accountants in England and Wales since 1969, Mr Lee Khim Sin 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.

While in practice as a public/chartered accountant during the last few decades, he has been advising clients ranging 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 also has extensive experience in auditing and consulting services in the manufacturing and property development industries. He currently sits on the board of several public and private limited companies.

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

Mr Lee Khim Sin attended all six Board of Directors Meetings held during the financial year ended 31 December 2020 and he has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.

PROFILE OF DIRECTORS



WONG CHOONG YEE

Independent Non-Executive Director
Male, Malaysian, 60

Mr Wong Choong Yee was appointed to the Board of Muda Holdings Berhad on 21 August 2018 as an Independent Non-Executive Director and is a member of the Audit Committee. In November 2019, he was appointed a member of the Nominating Committee and Remuneration Committee.

Mr Wong Choong Yee holds a Diploma in Commerce (Cost and Management Accounting) from Tunku Abdul Rahman College and is a member of the Chartered Institute of Management Accountants and the Malaysian Institute of Accountants. He began his career in the accounting field as an audit assistant in 1984 to 1988. From 1988 to 1994, he held several accounting positions in several public listed companies.

In 1995 he joined Unico Holdings Berhad where he held several senior management positions until he left in 2001 to join Unico-Desa Plantations Berhad as General Manager (Finance)-cum-Company Secretary.

His last position in Unico-Desa Plantations Berhad was that of General Manager (Risk Management) when he left in 2007. He is currently the General Manager (Accounting)-cum-Company Secretary of Unico Holdings Berhad. He also sits on the board of several private limited companies.

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

He attended all six Board of Directors Meetings held during the financial year ended 31 December 2020. He has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.



LIM SIEW LING

Non-Independent Non-Executive Director
Female, Malaysian, 50

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

She holds a Bachelor of Business Administration from the University of Texas at San Antonio, Texas in the United States, and also a Master of Business Administration from Oklahoma City University, United States.

Ms Lim Siew Ling joined the Muda Group in January 2006 as Deputy General Manager in Intrapac Trading (M) Sdn Bhd and was the General Manager of Intra-Muda Holdings Sdn Bhd from July 2016 to December 2019. She is currently the Senior General Manager of Intra-Muda Holdings Sdn Bhd.

Prior to joining the Muda Group, Ms Lim Siew Ling was with Expeditors International of Washington Inc. as Regional Account Manager based in Singapore from April 2003 to December 2005. From 1999 to 2001 she was with Expeditors (M) Sdn Bhd as Territory Sales Manager and Route Development Manager.

She also sits on the board of several private limited companies in the Muda Group.

Ms Lim Siew Ling is the niece of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company and the cousin of Datuk Wira Lim Chiun Cheong, the Managing Director of the Company and Ms Lim Yen Wee, a Non-Independent Non-Executive Director of the Company. Ms Lim Siew Ling is deemed a major shareholder of the Company. There is no business arrangement with the Company in which she has personal interest.

Ms Lim Siew Ling attended all six Board of Directors Meetings held during the financial year ended 31 December 2020. She has not been convicted of any offence and does not have any public sanction or penalty imposed against her by any regulatory bodies within the past five (5) years.

A professional headshot of Lim Yen Wee, a woman with dark hair pulled back, wearing a dark blazer over a white collared shirt. She is smiling slightly and looking towards the camera.

LIM YEN WEE

Non-Independent Non-Executive Director
Female, Malaysian, 38

Ms Lim Yen Wee was appointed a Non-Independent Non-Executive Director of Muda Holdings Berhad on 1 January 2020.

She joined Muda Paper Mills Sdn Bhd, Tasek, Penang as an Intern in 2013 and served as the Deputy General Manager from January 2014 to December 2019. She is currently the Senior General Manager of Muda Paper Converting Sdn Bhd.

Prior to joining Muda Paper Mills Sdn Bhd, she was the Practical Demonstrator of Undergraduate Students and Researcher in the Department of Chemistry at the University of Melbourne, Australia from 2005 to 2012.

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

She also sits on the board of several private limited companies in Muda Group.

Ms Lim Yen Wee is the niece of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company and cousin of Datuk Wira Lim Chiun Cheong, the Managing Director of the Company and Ms Lim Siew Ling, a Non-Independent Non-Executive Director of the Company. Ms Lim Yen Wee is deemed a major shareholder of the Company. There is no business arrangement with the Company in which she has personal interest.

Ms Lim Yen Wee attended all six Board of Directors Meetings held during the financial year ended 31 December 2020. She has not been convicted of any offence and does not have any public sanction or penalty imposed against her by any regulatory bodies within the past five (5) years.

PROFILE OF KEY MANAGEMENT

TEOH HAI THOW

Aged 48, Male, Malaysian.

Hai Thow joined the Group as an Executive Director and minority shareholder of Intrapac (Singapore) Pte Ltd in January 1998. He oversees the Intrapac (Singapore) Pte Ltd Group of businesses which includes marketing of paper and 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-cum-Assistant Finance & Administration Manager from April 1991 to April 1997.

Hai Thow holds a Diploma in Accounting.

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

He has not been convicted of any offence within the past five (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 50, 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 has been the 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 prior to his departure to join United Aviation Pte Ltd as one of the senior staff to set up the business of aircraft hardware distribution to airlines in Southeast Asia until October 2010.

Ee Fah holds an Advanced Diploma in Logistics and Supply Management.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Muda Holdings Berhad (“the Company”) recognizes the importance of practicing and maintaining good corporate governance in managing and directing the board matters and business conduct throughout the Company and its subsidiaries (“the Group”) to ensure sustainable long-term growth and enhancement of shareholders’ value and financial performance.

This Corporate Governance Overview Statement (“CG Statement”) sets out the manner in which the Group has applied the principles and guidelines of the Malaysian Code on Corporate Governance (“MCCG”) during the financial year ended 31 December 2020. The CG Statement is to be read together with the Corporate Governance Report which is available on the Company’s website at www.muda.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

1.1 Board Strategies

The Board is collectively responsible for the oversight and overall performance of the Group by providing leadership within a framework of prudent and effective controls to enable risks to be appropriately assessed and managed.

The Board charts the strategic direction by ensuring that the necessary resources are in place for the Group to deliver sustainable performance vis-à-vis the enhancement of shareholder value. It also guides and monitors the businesses and affairs of the Company and its subsidiaries by providing leadership in good corporate governance and ethical practices throughout the Group.

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

- i To develop feasible corporate strategies alongside the management and to monitor the implementation of sustainable corporate strategies that encompasses new investments, divestments, major capital expenditure and operating expenditure and major funding activities;
- ii Evaluate performance delivery against expected performance by constantly reviewing operating procedures to ensure the financial well-being of the company is in an optimum state;
- iii Reviewing and approving the Company’s annual budget, financial statements, system of risk management and internal control, code of conduct and legal compliance;
- iv Ensuring that employees at every level of the Company act legally, ethically and responsibly on all matters; and
- v Ensuring the prevalence of corporate accountability that benefit shareholders through the adoption of effective shareholder communication strategy and by encouraging effective participation at general meetings.

In order to ensure the effective discharge of its functions and responsibilities, the Group has established a governance model with specific processes and systems put in place to facilitate the monitoring of significant issues, risks and major strategic decisions at Board level. To further optimize operational efficiencies, financial authorization and approval limits have been established for operating and capital expenditure while delegating authority to Management for transactions below those limits.

To assist in the execution of its responsibilities, specific powers of the Board are delegated to the relevant committees, namely the (i) Audit Committee; (ii) Nominating Committee; (iii) Remuneration Committee; and (iv) Sustainability Committee. These Board Committees function with the clearly defined terms of reference which are reviewed periodically.

The Board is duty-bound to shareholders by ensuring that the Group is well-managed and guided by its strategic objectives. In presenting the Group’s annual and quarterly financial statements to shareholders, the Board’s primary aim is to provide shareholders with a balanced and clear assessment of the Group’s performance, position and prospects. The Board is also compelled to ensure that all management accounts and financial statements are prepared in accordance with the Companies Act, 2016 and applicable approved accounting standards in Malaysia so as to reflect the right state of affairs at both the Company and Group level.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.2 Chairman of the Board

The Chairman oversees and instills good corporate governance practices and leadership while ensuring the Board's effectiveness in fulfilling its role and duty. Presiding over Board meetings, he promotes a culture of openness by encouraging active and effective engagement among all directors while facilitating the expression of constructive views that can be beneficial to the Company and the Group. Beyond that, he acts as a liaison between the Board and Management as well as to foster an effective communication channel with shareholders on Group performance matters. As the Chairman holds a non-executive portfolio, he is not involved in the day-to-day management of the Group.

1.3 Position of Chairman and Managing Director

There is a clear distinction between the Board and the Management to maintain effective supervision and accountability within the Group. In this regard, the separation of roles and responsibilities between the Chairman and the Managing Director acts as an ideal check and balance safeguard to ensure an appropriate balance of power and authority.

The Chairman is primarily responsible for spearheading the effective functioning of the Board, including the collective oversight of management by adherence to high corporate governance standards, as well as in respect to the Group's long term growth and strategy.

Meanwhile, the Managing Director oversees the day-to-day management and running of the Group as well as the implementation of the Board's decisions and policies.

1.4 Suitably Qualified and Competent Company Secretaries

The Board is supported by two qualified Company Secretaries who are members of a professional body. The Company Secretaries attend all the Board and Board Committee meetings to advise and to ensure the compliance to relevant legislation and regulations on matters related to corporate governance and the Directors' responsibilities. This includes ensuring good information flow within the Board and its committees, between Management and the Non-Executive Directors, facilitating the communication of key decisions and policies between the Board, Board Committees and Management, among others.

The appointment or removal of the Company Secretaries comes under the Board's prerogative.

1.5 Meetings and Meeting Materials

Both the Board and Board Committee meet on a regular basis with meetings being scheduled in advance in consultation with the Directors to ensure optimal attendance. Ad hoc meetings are held as and when urgent issues and important decisions are required between the scheduled meetings. In the event exigencies prevent them from attending the physical meeting, Directors can opt to participate by telephone conferencing or video conferencing. For the financial year ended 31 December 2020, six Board meetings were held.

To facilitate discussion flow and to enable them to make informed decision, all Directors are provided with the meeting agenda at least five (5) business days from the date of Board Meetings alongside all the necessary management reports and proposal papers. This is intended to provide ample time for the Directors to review issues that will be deliberated at the Board and Board Committee meetings.

Senior Management personnel and external auditors may be invited to attend the Board and Board Committee Meetings to render their professional opinions on issues under their respective purview.

The Board meetings are conducted based on a formal agenda on matters to be discussed with adequate time allocated for each deliberation and with proper record of minutes kept by the Company Secretaries. Decisions reached, policies approved and follow up actions arising from Board meetings will be communicated to Management for follow up action after the Board meetings.

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

2.1 Board Charter

The responsibilities and functions reserved for the Board and Management are clearly spelt out in the Board Charter. It also provides a basis for the Board to assess its own performance and that of its individual Directors along the lines of strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions.

The Board Charter is reviewed and updated periodically to ensure that it remains consistent with the Board's objective, the Group's business direction and the applicable laws and practices. The Board Charter is available on the Company's website at www.muda.com.my.

3. Good Business Conduct and Corporate Culture

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

This Code sets out Directors' oversight responsibility in the best interest of the Company within the scope of their authority and fiduciary duties. Directors must avoid their personal or business interest – whether directly or indirectly – to be in conflict with the interests of the Company. If a conflict arises, Directors must promptly disclose such interest by submitting a written notice that details such interest or nature of conflict, thus recusing himself/herself from participating in any discussion and/or decision where the conflict of interest arises. Additionally, 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.

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

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

3.2 Anti-Bribery and Anti-Corruption Policy

To observe high standards of business integrity, professionalism and ethical conduct, the Board has set up an Anti-Bribery and Anti-Corruption Policy in compliance with Section 17A of the Malaysian Anti-Corruption Commission (Amendments) Act, 2018 which came into force on 1 June 2020. Under this new Section 17A, a commercial organization (including listed issuer) may be found liable for acts of corruption committed by any persons associated with the organization, such as its directors and employees.

In line with the said anti-graft policy, both Directors and employees must refrain from authorizing, offering, giving or receiving any gifts or form of benefits (in kind, cash, advantages and/or favor, etc) from individuals or entities that have business dealings with the Company. The Anti-Bribery and Anti-Corruption Policy is available on the Company's website at www.muda.com.my.

3.3 Whistleblowing

The Group has adopted a Whistleblowing Policy with well-defined procedures to enable stakeholders to channel independent and confidential feedback on a legitimate concern or suspected improprieties without fear or repercussions.

As per the Group's whistleblowing policy, an individual can report a violation to the Chairman of the Whistleblower Committee who is responsible for compliance-related matters. The Whistleblowing Policy & Procedures is embedded in the Group's Employment Manual. There were no reports of malpractices and misconduct during the year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II Board Composition

4.1 Composition of the Board

During the financial year ended 31 December 2020, the Board had eight Directors comprising two executive members and six non-executive members, three of whom are independent. The Independent Non-Executive Directors accounted for 37.5% of the Board members which is in line with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Cognizant of the recommendation by the MCCG for the Board to comprise at least half of independent directors, the Nominating Committee is constantly assessing the composition and size of the Board to ensure it meets the needs of the Company. Nevertheless, the Nominating Committee is of the opinion that the current Board size and composition is appropriate to meet the scope and nature of the Group's operations as well as to facilitate effective decision-making.

In their latest annual evaluation, the Board and its Nominating Committee have concluded that the current Board is made up individuals with diverse backgrounds and expertise (i.e. extensive management, financial, legal, banking and commercial experience) in addition to possessing distinguished leadership track record to make substantial contributions towards an effective functioning of the Board.

The Board is also satisfied that all its members are able to devote sufficient time to discharge their duties effectively as they do not hold more than five directorships in public listed companies. The profile of each of the Directors is presented on Page 14 to 18 of this Annual Report.

The Directors remain fully committed in carrying out their duties and responsibilities as reflected by their attendance at the six Board meetings held during the financial year ended 31 December 2020 as follows:

Name of Director	Number of Meetings Attended
Tan Sri Lim Guan Teik	6/6
Dato' Azaman Bin Abu Bakar	6/6
Datuk Wira Lim Chiun Cheong	6/6
Datuk Nik Ibrahim Bin Nik Abdullah	6/6
Mr Lee Khim Sin	6/6
Mr Wong Choong Yee	6/6
Ms Lim Siew Ling	6/6
Ms Lim Yen Wee	6/6

4.2 Directors' Training

Directors' training is essential for Board members to keep abreast with latest developments in the financial industry and business landscape. The quest 'to learn, un-learn and re-learn' is essential given changes abound in the operating environment, notably revisions to accounting standards or laws and regulations that may impact the way the Group conducts its business. The Company Secretaries will bring to the Directors' attention training events that may be of relevance to them while the Company will fund their participation at industry conferences, seminars/workshops or any training programme in connection with their duties and responsibilities.

During the financial year under review which coincided with the unprecedented outbreak of the COVID-19 pandemic, none of the Board members attended training programme. Amid the implementation of the various forms of movement control order and travel restrictions, Directors' training was suspended throughout 2020. The Board was of the view that the suspension of training for just one financial year would not diminish the ability of the Directors to discharge their fiduciary duties and responsibilities effectively.

4.3 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 nine years as a Director continues to be independent.

Out of the three Independent Non-Executive Directors, only one Independent Non-Executive Directors has served for more than 12 years. Through the Independent Directors' Self-Assessment exercise initiated by the Nominating Committee, the Independent Directors namely, Datuk Nik Ibrahim Bin Nik Abdullah, Mr Lee Khim Sin and Mr Wong Choong Yee have declared that they are capable of acting independently of management as well as do not have any economic or family relations with the Company, its major shareholders and Executive Directors of the Company.

Having reviewed with particular rigor the position of Datuk Nik Ibrahim Bin Nik Abdullah who has served for a period of 17 years as a Director, the Board was satisfied with his independence alongside that of two other Independent Non-Executive Directors, namely, Mr Lee Khim Sin and Mr Wong Choong Yee. The Board concluded that all the Independent Directors continued to demonstrate clarity of thought, able to articulate objective viewpoints in discussions and in problem solving, able to offer considered advice as well as having the moral courage to advocate professional views without fear or favor in deliberations during Board and Board Committee meetings.

The Nominating Committee and the Board are of the opinion that a Director's independence cannot be ascertained based on his/her length of service. On the hindsight, longer-tenured directors develop firm-specific knowledge and connections which provide stronger monitoring and relevant counsel to management, thus ensuring continuity to the Company's strategic direction. Moreover, long-serving Independent Directors also possess tremendous insight and knowledge of the Company's business and affairs and hence will be able to offer unbiased viewpoints that encompass the interests of major shareholders, Executive Directors or members of the management team.

With regard to Datuk Nik Ibrahim Bin Nik Abdullah who has served on the Board as Independent Director for a period of 17 years, the Nominating Committee and the Board hold the view that he has remained unbiased, objective and independent in expressing his opinion and in participating in the decision-making of the Board. After all, he has made tremendous contribution in various decision-making processes backed by his pertinent expertise, skills, and detailed knowledge of the Group's businesses and operations. The Board will seek shareholders' approval at the forthcoming Annual General Meeting ("AGM") of the Company via two-tier voting process for Datuk Nik Ibrahim Bin Nik Abdullah to continue in office as an Independent Non-Executive Director of the Company in accordance with the recommendations of the MCCG.

4.4 Appointment of Board Members

The Nominating Committee has established a procedure for sourcing and selection criteria of directors. In selecting and assessing the candidate for Board appointment, the Nominating Committee places emphasis on the candidate's qualification, character, skills, industry knowledge, expertise, experience, professionalism, integrity, competence and time availability. Additionally, the candidate is also evaluated on his/her knowledge of the Company's business/ 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.

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.

4.5 Gender Diversity

The Board is supportive of gender diversity in the Board composition and at senior Management level. It recognizes how a diverse Board in the Company could offer greater depth and breadth of perspectives, leading to better collective decisions. Beyond gender, the Board strives to achieve and maintain a culture of diversity – not only on gender per se – but also skill-sets, experience, ethnicity, age, background and other personal attributes. The two female Non-Independent Non-Executive Directors had introduced 25% gender diversity to the Board which is in line with Practice 4.5 of the MCCG.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.6 New Candidates for Board Appointment

With regard to identifying potential candidates for appointment of directors, the Board prefers to rely on recommendations from its existing Board Members and Management. This is given that internal sources are able to provide more reliable recommendations especially pertaining to the suitability of the candidate in terms of understanding and knowledge of the Group's industry and business. Nevertheless, the Board will not rule out the use of independent sources to identify suitably qualified candidates.

4.7 Nominating Committee

The Nominating Committee is tasked to assist the Board by ensuring the availability of a right mix of skills, knowledge, experience, qualities, gender, age and other attributes that are relevant and can contribute to the effective functioning of the Board.

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

Mr Lee Khim Sin	Chairman
Datuk Nik Ibrahim Bin Nik Abdullah	Member
Tan Sri Lim Guan Teik	Member
Mr Wong Choong Yee	Member

The Nominating Committee is responsible to review the structure, size and composition of the Board. It also seeks to identify and recommend the right candidate with the necessary skills, experience and competencies whenever Board vacancy arises. The Nominating Committee will deliberate in-depth appointment matters prior to the Board making the final decision on new appointment. The Nominating Committee has its own written Terms of Reference which deals with its authority and duties.

The Nominating Committee is required to meet at least once a year and whenever necessary. All the members attended the one (1) Nominating Committee Meeting held in December 2020 and reviewed 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

The Board through the Nominating Committee and with the assistance of the Company Secretaries had conducted an annual assessment to evaluate the performance of the Board, its Board Committees and each individual Director for the financial year under review. The assessment was done on a questionnaire that is divided into seven sections:

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

To ensure unbiased assessment, the evaluation process was managed by the Company Secretaries, who had distributed the questionnaire to each Director as well as collected the duly completed forms from each Director prior to submitting them to the Chairman of Nominating Committee. With the assistance of the Company Secretaries, the Chairman of the Nominating Committee will prepare a report on the outcome of the performance evaluation with feedback subsequently provided to the Board for further discussion and necessary action.

For the financial year ended 31 December 2020, the Directors and members of Board Committees undertook an assessment to evaluate the performance of the Board and Board Committees as well as individual Director's self/peer assessment. The objective was to review whether each of the Director had continued to discharge their duties and responsibilities effectively as well as to gauge the performance and effectiveness of the Board and Board Committees.

Since the members of the Nominating Committee are also members of the Audit Committee, the evaluation of the performance of the Audit Committee and each of its members was undertaken by the Board. The review of the terms of office and performance of the Audit Committee and its members in 2020 which is in accordance with Paragraph 15.20 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad revealed that the Audit Committee and its members have carried out their duties in accordance with the Terms of Reference of the Audit Committee.

The results of the annual assessment of performance of the Board and Board Committees as well as individual Director's self/peer assessment were reported and noted by the Board on 25 February 2021. The Board took cognizance that the average rating for all assessed criteria had been relatively high, thus concluded that there was no major weakness observed from the results of the evaluation exercise. Such outcome also confirmed that the individual Directors had been effective as a whole in the overall discharge of their duties and responsibilities.

In a related development, the Independent Directors have also declared in the Independent Director's Self-Assessment that they do not have any economic and/or family ties with the Company, its major shareholders and Executive Directors of the Company, and that they are independent in thought and mind to discharge their duties in a scrupulous manner as well as capable of acting independently. On that account, the Board is satisfied that all the Independent Directors have continued to demonstrate conduct and behavior that truly reflect their independence.

All-in-all, the Nominating Committee and the Board concluded that each of the Director has the requisite competency, integrity and character to serve on the Board as well as having sufficiently demonstrated their commitment to the Group in terms of time and participation during the year under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(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. It also reviews the remuneration of the Directors and key management annually by submitting its recommendations to the Board for endorsement on reward payments that reflect their respective contributions and achievements during the year. The Remuneration Committee also reviews the service terms of individual Directors and Executive Directors.

A key element of the remuneration policy is to structure the component of remuneration for Executive Directors by linking rewards to financial performance and long term objectives of the Group aside from individual performance. As such, the remuneration package for Executive Directors takes the form of basic salary, fees, allowances, bonuses and other benefits-in-kind payments. On the other hand, the payment of benefits to the Non-Executive Directors is linked to their level and quality of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings. The benefits comprise of fees, attendance allowances and benefits-in-kind that commensurate with their duties and responsibilities. Benefits payable to Non-Executive Directors by the Company are subject to yearly approval of shareholders during the Company's AGM.

6.2 Remuneration Committee

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

Datuk Nik Ibrahim Bin Nik Abdullah	Chairman
Mr Lee Khim Sin	Member
Tan Sri Lim Guan Teik	Member
Mr Wong Choong Yee	Member

The Remuneration Committee meets at least once a year and whenever necessary. All the members attended the one Remuneration Committee Meeting held on 16 December 2020 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 the Board's approval. The roles and responsibilities of the Remuneration Committee are governed by the Terms of Reference and 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 2020 are as follows:

Name of Directors	Fees RM'000	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Executive Directors						
Dato' Azaman Bin Abu Bakar	162	1,380	370	293	67	2,272
Datuk Wira Lim Chiun Cheong	353	1,092	370	308	37	2,160
Total	515	2,472	740	601	104	4,432
Non-Executive Directors						
Tan Sri Lim Guan Teik	153	-	-	685	30	868
Datuk Nik Ibrahim Bin Nik Abdullah	60	-	-	161	2	223
Mr Lee Khim Sin	60	-	-	154	-	214
Mr Wong Choong Yee	60	-	-	154	-	214
Ms Lim Siew Ling	90	-	-	478	10	578
Ms Lim Yen Wee	255	-	-	391	10	656
Total	678	-	-	2,023	52	2,753

7.2 Remuneration of Key Management

Details of key management's remuneration for financial year ended 31 December 2020 are as follows:

Name	Fees RM'000	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Dato' Azaman Bin Abu Bakar*	162	1,380	370	293	67	2,272
Datuk Wira Lim Chiun Cheong*	353	1,092	370	308	37	2,160
Mr Teoh Hai Thow*	177	548	190	167	-	1,082
Mr Loo Ee Fah*	146	402	110	210	-	868
Total	838	3,422	1,040	978	104	6,382

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

The Audit Committee is also tasked, among others, to assist the Board in overseeing and evaluating the Group's external and internal audit functions, review any related party transactions and recurrent related party transactions as well as the relevant procedures to ensure compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

8.1 Members and Chairman of Audit Committee

The Audit Committee consists of four Non-Executive Directors, three of whom are Independent Directors. The Chairman of the Audit Committee is the Senior Independent Director, Datuk Nik Ibrahim Bin Nik Abdullah, who is not the Chairman of the Board. Having the position of Audit Committee Chairman and Board Chairman assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations objectively.

In terms of expertise and experience, the Audit Committee has two members who are qualified accountants with a member who is a pioneer in the paper industry while the Chair is an economist with extensive banking experience. This is deemed to be sufficient for the Audit Committee to fulfill their duties and responsibilities pursuant to the Terms of Reference of Audit Committee.

The members of the Audit Committee are:

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

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

Mr Lee Khim Sin
(Independent Non-Executive Director)

Mr Wong Choong Yee
(Independent Non-Executive Director)

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

8.2 Terms of Reference of Audit Committee

The Audit Committee's terms of reference include inter alia, the review of and deliberation on the Company's financial statements, the audit findings of the external auditors arising from their audit of the Group's financial statements and the audit findings and issues raised by the Internal Auditor together with Management's responses. The Audit Committee also conducts a robust assessment of the principal risks affecting the Group as well as reviewing and reporting on the systems and key elements of risk management and reviewing the risk map and framework for presentation to the Board. The Audit Committee has explicit authority to investigate any matter within its terms of reference, including full access to seek the Management's cooperation or full discretion to invite any Director or members of senior management to attend its meetings. Moreover, the Audit Committee also has direct and unrestricted access to the Internal and External Auditors.

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 regard to the Group's financial performance and preparation of the financial statements. It also reviewed and discussed matters pertaining to audit findings and audit planning with the External Auditors, i.e. appropriateness of the applied accounting policies, and the significant judgements and assumptions made by Management affecting the financial statements as well as compliance with approved accounting standards and regulatory requirements.

The Board has issued an assurance statement as confirmation that to the best of its knowledge, the financial statements of the Group had reflected a true and fair view of the state of affairs of the Group and were prepared in compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 and had been prepared with proper judgements and estimates that are prudent and reasonable.

Additionally, the Audit Committee has also reviewed with Management all the non-audit services provided by the external auditor to the Company and the Group in the financial year ended 31 December 2020 and the extent of services provided.

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

8.3 Assessment of External Auditors

The Company has always maintained a transparent relationship with its External Auditors in seeking their professional advice and to ensure compliance with applicable approved accounting standards in Malaysia. The Audit Committee met with the External Auditors twice in 2020 – on 27 February 2020 and 26 November 2020 respectively – without the presence of the Executive Directors and Management to enable an unbiased discussion on issues requiring attention.

In addition, the External Auditors were also present during the Company's AGM to address shareholders' queries pertaining to the audited financial statements or to answer questions raised by shareholders with regard to conduct of the statutory audit and the preparation and contents of their audit report.

The Audit Committee reviews annually the suitability and independence of the External Auditors, including their performance, quality of audit process, adequacy of audit scope, independence and non-audit services, taking also into consideration the comments of the Management. In so doing, it conducted a yearly assessment on the re-appointment of External Auditors for statutory audit whereby Audit Committee members are required to complete a 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 Chief Financial Officer will subsequently compile results of the assessment for the Audit Committee Chairman who will then report the outcome to the Board. The results of the annual assessment of the External Auditors were reported and noted by the Audit Committee on 22 March 2021. The Audit Committee accepted that the average rating for all assessed criteria have been relatively high and concluded that there were no major weaknesses observed. Premised against the assessment results, the Audit Committee recommended the re-appointment of the External Auditors to the Board.

Having considered the recommendation by the Audit Committee as well as being satisfied with the External Auditors meeting the necessary criteria, the Board has agreed that the re-appointment of the External Auditors be recommended to shareholders for approval at the Company's AGM.

The External Auditors have declared their independence to the Audit Committee and their compliance with the relevant professional code of ethics and by-laws. Moreover, the Audit Committee has also obtained a written assurance from the External Auditors to confirm that they are and have been independent in the course of their audit engagement.

The Audit Committee Report for the financial year ended 31 December 2020 which describes the Audit Committee's activities during the year is set out on Page 33 to 36 of this Annual Report.

(II) Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board acknowledges its responsibility to maintain a sound system of risk management and internal controls. This is vital to safeguard shareholders' interests and the Company's assets as well as to determine the nature and extent of the significant risks that the Board is willing to take in achieving its strategic objectives.

Towards this end, the Group has established a process to identify, evaluate and manage significant risk which has been integrated and embedded into the Group operations by continuously reviewing its adequacy and effectiveness to safeguard shareholders' investment and Group assets. In this regard, the Group adopts a top-down as well as bottom-up approach on risk management to ensure the strategic business operations, financial reporting and information technology ("IT") risk exposures are identified and appropriately managed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Group conducts a formal review of the adequacy and effectiveness of its risk management and internal control systems, including financial, operational and IT controls twice a year. The Management will submit on a half-yearly basis its reports on review of the adequacy and effectiveness of its risk management and internal control to the Audit Committee for further review. Outcome of the review will be presented to the Board to ensure that swift measure is taken to mitigate and manage such risks although residual risks are generally acceptable considering the operational nature of the business.

The Statement on Risk Management and Internal Control adopts a structured and integrated approach to the management of significant risks, and involves the identification and assessment of risks that may affect the achievement of the Company's objectives, formulation of action plans, as well as monitoring and reporting of the risks on a regular basis.

In the course of the statutory audit, the Company's External Auditors will carry out an assessment of the risks of material misstatement in financial statements of the Company and the Group –whether due to fraud or error – by highlighting any material internal control weaknesses that it has come across 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 that are being identified during the audit process – along with the appropriate recommendations – will be reported to the Audit Committee.

Based on the internal control system made available by the Group, work performed by both the Internal Auditor and External Auditors and reviews conducted by Management and various Board Committees as well as assurances from the Managing Director and Chief Financial Officer, the Board is of the opinion that the Group's risk management and internal control were adequate and effective for the financial year ended 31 December 2020 to address financial, operational, compliance and IT risks which the Group considers relevant and material to its operations.

10. Internal Audit Function

The Board has put in place an in-house Internal Audit function which reports directly to the Audit Committee Chairman. The Internal Audit Manager who is a holder of an Advanced Diploma from the Association of Chartered and Certified Accountants is tasked to audit the Group's system of internal control and the effectiveness of the processes that are put in place to identify, evaluate, manage and report risks.

Supported by two suitably qualified Internal Audit Executives, the Internal Audit Manager has declared to the Board that the Internal Audit personnel have no direct operational responsibility or authority over any of the activities audited and are free from any relationships, interference or conflict of interest that could distract their objectivity and independence.

The role of internal audit is to provide independent assurance that the Group's risk management, governance, accounting policies and internal control processes are operating effectively. Adopting the framework based on the International Standards for the Professional Practice of Internal Auditing, the Internal Audit Manager has assured the Board that the Group has established a sound system of internal control and that the internal control system is currently functioning satisfactorily.

Routine internal audits ensure that businesses are able to thrive in a competitive environment, while continuing to prosper. The Group's Internal Audit Department undertakes the audit work as set out in the Annual Audit Plan approved by the Audit Committee. This is done by monitoring, analyzing and assessing the risks and controls within the Group as well as reviewing the Group's compliance with both internal policies and statutory/regulatory requirements.

Audit reports prepared by the Internal Audit Department are presented to the Audit Committee for review and deliberation with the Board being informed of any significant audit findings. The Internal Audit function also conducts reviews of recurrent related party transactions and submits its findings 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 Board believes that a constructive and effective investor relationship is an essential factor in enhancing value for its shareholders. To ensure high degree of transparency, the Company has leveraged the online channel to disseminate a wide range of corporate and financial disclosures that are essential to its shareholders and the general investing public. Made available on its website at www.muda.com.my under the "Investor Relations" section include the Company's Annual Report, quarterly results, announcements released to Bursa Malaysia Securities Berhad, board charter, Terms of Reference of Board Committees and relevant policies of the Group and other corporate information.

The Company meets with fund managers, investment analysts and the media whenever necessary. It also permits the use of electronic means to issue the documents required to be sent to the shareholders under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board believes that the AGM is the principal forum for shareholders to raise questions or to seek clarification on the operations and financial performance of the Group in the presence of Board members and Management team which include the Group's external auditors.

Additionally, the Board has also made available other channels of communication whereby shareholders and members of the public can e-mail their queries to invest-info@muda.com.my or via mail 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 acknowledges that the AGM serves as both an important and effective avenue for shareholders not only for voting purpose or to receive the accounts but also as a means to interact with the Board and key Management of the Company on any arising concern. In this regard, the Company complies with the requirement to send the Notice of AGM and related circular to its shareholders at least 28 days before the meeting. This will provide shareholders with ample time to review the Group's financial and operational performance for the financial year and/or to fully evaluate resolutions that are being proposed, thus empowering them to make informed decisions.

Under the Company's Constitution, a general meeting may be convened by leveraging on technology to enable members of the Company to participate and exercise that right to speak and vote remotely. Shareholders who are unable to attend the meetings can appoint proxy to vote on their behalf. The Company's Constitution allows all shareholders the right to appoint not more than two proxies to attend and vote on their behalf in shareholders' meetings. In view of the COVID-19 pandemic, the Company's AGM was conducted virtually via Remote Participation and Voting Facilities on 12 August 2020 in the interest of safety and health of both its shareholders and employees.

Additionally, the Board practices an open stance by allowing shareholders to raise questions pertaining to issues in the Annual Report, resolutions that are being proposed or pertaining to businesses pursued by the Group at every general meeting.

The Board adheres to the recommendation under the MCCG that all directors must attend general meetings. Moreover, the Management are also present at each shareholders' meeting to respond to any questions from shareholders. Likewise, the External Auditors of the Company are also invited to attend general meetings to answer any questions relating to the conduct of the audit and contents of the Auditor's Report.

Additionally, as and when necessary, a media conference may be staged following the conclusion of general meetings whereby Directors are able to brief the media fraternity and answer relevant questions pertaining to the Group's operations and financial performance.

All resolutions set out at general meetings will be voted by poll. The appointed independent scrutineer shall validate the votes cast at general meetings. Decision for each resolution and the name of the independent scrutineer will be made known to Bursa Malaysia Securities Bhd on the same day of the general meeting. 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 22 March 2021.

AUDIT COMMITTEE REPORT

Audit Committee Composition

The Audit Committee of Muda Holdings Berhad is committed in its role to ensure high corporate governance practices by providing oversight on the Group's financial reporting, risk management and internal control systems.

Attendance of Meetings

The details of the Audit Committee membership and meetings held in 2020 are as follows:

Name of Members	Status	Number of Meetings	
		Held	Attended
Datuk Nik Ibrahim Bin Nik Abdullah	Chairman/Senior Independent Non-Executive Director	5	5
Tan Sri Lim Guan Teik	Non-Independent Non-Executive Director	5	5
Mr Lee Khim Sin	Independent Non-Executive Director	5	5
Mr Wong Choong Yee	Independent Non-Executive Director	5	5

All members of the Audit Committee are financially literate and are from varied disciplines professionally; with two (2) members being qualified accountants, a member who is a pioneer in the paper industry in Malaysia and another member who is an economist with banking experience. They are able to comprehend and contribute on matters under the purview of the Committee.

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

The Audit Committee met five (5) times during the financial year. The Company Secretary acted as Secretary to the Committee and recorded the proceedings of the meetings. The Head of Internal Audit presented the respective audit reports to the Audit Committee.

The Chief Financial Officer and members of Senior Management were invited to attend meetings to provide assurance and commitment to the Audit Committee for the prompt resolution of key control issues highlighted by Internal Audit Department as and when necessary. The External Auditors also attended the Audit Committee meetings where the quarterly unaudited financial results and annual audited financial statements of the Group were reviewed and discussed.

During the financial year, the Audit Committee had two (2) closed-door sessions with the External Auditors without the presence of the Management team.

Summary of Audit Committee Activities during the Financial Year

During the financial year 2020, the Audit Committee carried out the following activities in the discharge of its roles and responsibilities:

A. Financial Reporting

- (a) Reviewed the quarterly unaudited financial results and related announcements to Bursa Malaysia Securities Berhad by focusing on significant matters highlighted by Management, including going concern assumptions, and ensured disclosures were made in compliance with the applicable accounting standards and regulatory requirements before recommending to the Board for approval and releasing to Bursa Malaysia Securities Berhad;
- (b) Reviewed the financial results prior to the approval by the Board as well as discussed, the following as highlighted by the External Auditors:
 - Significant accounting and audit matters involving credit, treasury, taxation and impairment related matters;
 - Information technology matters; and
 - Financial reporting and disclosure requirements were in compliance with the accounting standards.
- (c) Reviewed the consolidated audited financial statements of the Company and the Group for the financial year 2020 together with the External Auditors, before recommending the same to the Board for approval and announcement to Bursa Malaysia Securities Berhad.

B. External Audit

- (a) Reviewed the External Auditors' Group Audit Plan, focusing on the scope of work for the year which included new areas or new scope of audit emphasis such as changes in law and regulations, multi-location audit scope, systems, audit timeline and statutory audit fees;
- (b) The results of the audit, the relevant audit reports together with comments on audit findings, if any;
- (c) Reviewed the nature and fees for non-audit services provided by the External Auditors or its affiliates in accordance with the Group's Policy, Scope and Purpose on Non-Audit Services to ensure that such non-audit services did not compromise the objectivity and independence of the External Auditors;
- (d) Assessed the suitability, objectivity and independence of the External Auditors by evaluating, among others, the adequacy of technical knowledge, experience, skills, supervisory ability and competency of the engagement team assigned to the Group. It is noted that the External Auditors have confirmed their professional independence in accordance with By-laws (on Professional Ethics, Conducts and Practices) of the Malaysian Institute of Accountants via their engagement letter and presentation to Audit Committee;
- (e) The Audit Committee was satisfied that the External Auditors were able to meet the Audit requirement, statutory obligations and their professional independence and objectivity as the External Auditors of the Company. Following this assessment, the Board has accepted Audit Committee's recommendation to re-appoint Grant Thornton Malaysia PLT as External Auditors of the Company at the forthcoming Annual General Meeting; and
- (f) Reviewed the written assurance provided by the External Auditors in respect of their independence.

C. Internal Audit

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

AUDIT COMMITTEE REPORT

D. Related & Recurrent Related Party Transactions

- (a) Reviewed recurrent related party transactions and significant related party transactions entered or to be entered into by the Company and the Group to ensure that the transactions were in the best interest of the Group, were fair and reasonable, were on the Group's normal commercial terms and not detrimental to the interest of the minority shareholders of the Company, for recommendation 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 Companies Act, 2016.

E. Risk Management

The Audit Committee reviewed and endorsed the Group's business units' Risk Management Reports during the financial year. The details can be obtained from the Statement on Risk Management and Internal Control set out on Page 37 to 38 of this Annual Report.

F. Other Activities

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

Summary of Internal Audit Function and Internal Audit Activities

The Internal Audit Department is established by the Board to undertake independent review and assessment on the adequacy, efficiency and effectiveness of risk management, control and governance processes implemented by Management. The in-house Internal Audit Department is independent of the activities or operations of other operating units in the Group. To maintain its impartiality, proficiency and professionalism as outlined in the approved Audit Charter, the Internal Audit Department reports functionally to the Audit Committee and administratively to the Executive Deputy Chairman.

The Internal Audit Department is currently headed by Mr. Koh Thuan Hin who has over 20 years audit experience in manufacturing, trading and service industry. He is a holder of an Advanced Diploma from Association of Chartered Certified Accountant.

The principal responsibility of Internal Audit function is to evaluate the effectiveness of the governance, risk management and internal control framework and to assess whether the risks which may hinder the Group from achieving its objectives are adequately evaluated, managed and controlled. It provides risk-based and objective assurance, advice and insight to stakeholders with the aim of enhancing and protecting organisational values and supporting the Group to achieve its goals.

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

The Internal Audit function has two (2) full-time staff with adequate disciplines and experience to carry out their functions. Both staff have no direct operational responsibility or authority over any of the activities audited and are free from any interference in the organization that might impair their professional independence and objectivity.

The total cost incurred for maintaining the Internal Audit Department for financial year 2020 was RM487,179.

The Internal Audit processes and activities are governed by the relevant regulatory guidelines as well as the Group's Code of Ethics and the Institute of Internal Auditors mandatory guidance established under the International Professional Practices Framework. Audit reports were submitted to the Audit Committee for review and deliberation along with the audit recommendations, Management's responses and action plans for improvement and/or rectification.

The rectifications of the audit findings were also tracked and reported to the Audit Committee periodically to ensure prompt resolution and all requests for extension of timeline were also tabled to the Audit Committee for approval.

The following are the key Internal Audit activities undertaken in financial year 2020:

1. Established a risk-based audit plan as well as revised mid-year plan in consideration of the changing risk landscape as well as requests from Audit Committee and Management;
2. Periodic internal control testing of business units, operations and processes across the Group as identified in the Annual Audit Plan as well as provision of independent assessment and objective assurance over the adequacy and effectiveness of risk management, internal control and governance of the units audited;
3. Audit reviews were performed on business units to ensure compliance with internal policies, standard operating procedures, accounting standards, and relevant rules and regulations:
 - Credit control review of trading and manufacturing management activities;
 - Compliance assessment of property, plant & equipment management activities;
 - Compliance and operation assessment of human resource management processes;
 - Compliance and operation review of procurement management activities;
 - Performance and compliance review for capital expenditure project management;
 - Review of related and recurrent related party transactions; and
 - Post-Audit review to follow up on previous audit issues and status of remedial actions taken.
4. Investigation into activities or matters channelled through whistleblowing or as requested by Management; and
5. Follow-up on the implementation of Management action plans to ensure necessary actions have been taken to remedy any significant gaps identified through audit assignments.

This Audit Committee Report is made in accordance with resolution of the Board of Directors dated 22 March 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

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

Roles and Responsibilities

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

The Board is assisted by the Management in implementing policies and procedures on risk management 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 managed 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. The identified risks are broadly grouped into Strategic Risk, Operational Risk, Financial Risk and Compliance Risk where the outcome of the process is documented into a half yearly risk management reports to the Audit Committee.

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 Chairman of the Audit Committee and they undertake audit of risk management and internal control system of companies in the Group. The results of the audit are tabled, reviewed and discussed by the Audit Committee. If necessary, the respective management team under audit companies may be requested to join the meeting where the relevant audit findings were discussed.

The activities of the Internal Audit Department during the financial year are explained in the Audit Committee Report on Page 35 of this Annual Report.

Principal Risks

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

Principal Risk	Mitigating Actions
a. Supply of raw material for manufacturing of paper Adequate supply of waste paper is key to the continuous operations of the paper mills. Local demand has outpaced supply from the 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 a network of supplies from overseas to mitigate the risk of shortfall in supply.
b. New entrants into local market With the new capacities from existing and new paper mills, Malaysia will become a net exporter of paper roll in the near future. The net selling price of paper roll is expected to be lower with the stiff competition.	Continue its effort to achieve gross output at optimum level in order to lower production costs and stay competitive by implementing productivity and quality improvement programmes.
c. Credit Exposure and Liquidity The Group's revenue is mostly made up of domestic sales with credit terms granted. Therefore, trade receivables are subject to the risk of delay in collections. This will cause additional provision for doubtful debts or bad debts written off which will impact the profitability of the Group. The tight cash inflows will in turn cause the delay in payments to suppliers which may lead to liquidity problems if the risks were not well managed.	Extension of credit term and credit period to customers are managed in accordance with Credit Control Policy and Procedures to mitigate the risks of bad debts. There were no over commitment in inventories which could affect the Group's liquidity. Credit facilities of the Group were constantly monitored to ensure availability of sufficient working capital.
d. Compliance with Department of Environment ("DOE") Requirements The manufacturing process of paper mills and carton plants in the Group produces sludge, ash, ink and trim waste, emits dusts particles and effluent discharge which have to be treated and/or disposed of in accordance with the requisite regulations. Breach of any of the regulations may result in plant closure and health hazards to employees and the community.	The Group has invested in waste water treatment plants, a 24-hour continuous emission monitoring system linked to the DOE to monitor dust particles and filter press for the treatment of sludge and also other ancillary equipments and facilities to ensure proper handling and disposal of waste, emission and effluent to comply with the regulatory requirements.

Assurance from Managing Director and Chief Financial Officer

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

Review of This Statement

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

Conclusion

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

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 22 March 2021.

SUSTAINABILITY STATEMENT

With increasing link between financial performance and corporate social responsibility or corporate social performance, the Group believes that sustainability management is the way forward for its business operations and activities. The Group is committed to pursue transparent business processes that is skewed towards self-regulation with emphasis on the environment, social and governance yardstick which is increasingly being looked upon by global investors as their basic criteria for stock evaluation.

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

In so doing, the Group has initiated a review of our sustainability management direction, performance measurement and disclosure in the effort to strengthen our approach towards a sustainable business in Economic, Environment and Social aspects. Such initiative entails development of new policies and procedures, implementation of various initiatives and action plans, setting achievement goals, and reporting the sustainability data and information.

Governance Structure

Given that a robust governance structure is essential to ensure to achieve our sustainability goals, it is vital for our sustainability framework to have a top-down structure. In our sustainability journey, 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.

Stakeholder Engagement

Effective engagement helps translate stakeholder needs into organisational goals and creates the basis of effective business strategy development. To represent the interests of each identified stakeholder group, we have identified individual stakeholders using methods appropriate to the type of stakeholder. They have also been 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 the corrugators, converters, product manufacturers and distributors.	Customer feedback, factory visit and monthly meeting.	Product quality, cost and services, timely delivery, restriction of face-to-face meeting due to COVID-19 pandemic.
Employees	Our employees are key enablers of all our business activities and provide value-added contribution throughout the value chain.	Representative meeting, monthly briefing, training, notices/ circulars and team building.	Prompt salary payment, performance management, learning & development, compensation and benefits, gender diversity and prohibition of child labour.
Shareholders	The owners/investors of the Company.	Annual General Meeting.	Profitability, sales performance, stock price, corporate governance and compliance.
Regulators	Government bodies that ensure compliance by the Group.	Income tax return, Sales Tax return, License renewal, Securities Commission Declaration, Annual Return, Declaration to Department of Environment ("DOE") and Department of Occupational Safety and Health ("DOSH").	Compliance with legal requirements, financial reporting, environmental compliance, occupational safety and health.
Bankers	Source of business and project financing.	Annual review of financial performance and financial position.	Financial health, solvency, loan covenants, default in repayment of interest and principals.
Competitors	Rivals of the Company.	Update on market condition.	Anti-competitive practices, business strategy and plan, market penetration.
Suppliers	Raw materials suppliers.	Monthly meeting, factory visit, phone call and emails.	Recycled paper quality, pulp source and pricing, imported medium and liner price comparison, restricted movement due to the COVID-19 pandemic.
Local community	Population surrounding the business units.	Job opportunities and programme through corporate social responsibility.	Social and environmental issue, local community development.

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

Economic

The Group consistently sources for adequate and fair pricing of required materials. We work with various suppliers ranging from raw materials to chemicals and plant and machinery for our manufacturing activities. All our subsidiaries are undertaking sustainable approaches in purchasing and contracting activities to promote minimum wastage.

To contribute to our local economy, we support local supplies. In 2020, more than 70.0% of our materials were locally sourced for both our paper mills and carton plants.

For the financial year ended 31 December 2020, Muda recorded revenue of RM1.43 billion with profit after tax of RM97.40 million. By having consistent return from utilisation of its assets, Muda is able to distribute dividends to its shareholders which is highly dependent on the Group's financial performance.

As part of our effort to strengthen the Group's ethical conduct, we have adopted Anti-Bribery and Anti-Corruption Policy in line with requirements of Section 17A of the Malaysian Anti-Corruption Commission (Amendments) Act 2018. We have created anti-corruption awareness within the Muda Group through training and/or through notices/ circulars on the no gift policy.

Additionally, we have also incorporated corruption risk into our annual risk assessment in 2020. As required by Bursa Malaysia Securities Berhad MMLR, the Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy and Procedures are available on our website at www.muda.com.my.

Environment

Our priority is both to source locally as well as to source for sustainable raw materials.

Recycled paper is the main source of raw material in our production process except for a small amount of virgin pulp used for production of machine glazed paper. Total recovered paper consumed by our paper mills in 2018, 2019 and 2020 were as follows:

	2018	2019	2020
Muda Paper Mill Sdn Bhd – Kajang	282,000 MT	287,000 MT	256,000 MT
Muda Paper Mill Sdn Bhd – Tasek	186,000 MT	197,400 MT	200,000 MT
Total	468,000 MT	484,400 MT	456,000 MT

Instead of disposing them to landfills or for burning, the recovery and recycling of paper will contribute to the conservation of the environment. As a pioneer paper miller in Malaysia, the Muda Group has constantly promoted the recovery and recycling of paper by putting in place the following initiatives:

- Promoting awareness of the 3R (Reduce, Reuse and Recycle) within our organisation, local community and charitable bodies such as the Taiwan Buddhist Tzu Chi Foundation Malaysia. In 2020, our paper mill in Penang collected more than 132,000 metric tonne (MT) (2019: 224,000 MT) of recycled paper from the local community even amid the implementation of the Movement Control Order ("MCO") in the first half of 2020.
- Providing technical and financial support to encourage individuals to venture into the business of recycled paper recovery.
- Maximising fibre utilisation and to reduce fibre wastage with adoption of technological instruments or chemical to improve paper strength and reduce fibre consumptions.

As part of our initiatives to reduce the reliance on fossil fuel, the Group has leveraged on alternative clean energy source. Our paper mill in Kajang generates electricity from its 3 units of gas turbine-powered generators and recovers the heat generated for paper making process. The estimated 206,000mt of steam recovered in 2020 was equivalent to 576,000 mmBtu (one million British Thermal Unit) of natural gas. In 2020, our paper mill in Penang installed solar photovoltaic system on its building roof to generate clean energy where 6,069 million gigajoules of solar energy were harvested.

As compliance is an important part in managing our environmental risk, we are committed to ensure full compliance with applicable environmental law and regulations to reduce our environmental footprint. Both our Kajang and Tasek Paper Mills are equipped with biological effluent treatment plants where all the used water has to go through a series of physical, chemical and biological treatment processes to ensure that the quality of the waste water discharged meets the standards prescribed under the Environmental Quality (Industrial Effluent) Regulations 2009. Our biological effluent treatment plants are consistently and properly maintained to ensure optimal operation level to prevent risk of breakdown as failure of our biological effluent treatments plant will result in contamination of the rivers.

As the Group is committed to reduce carbon emissions, our paper mills operate 5 units of coal fired boilers which are equipped with bag type dust collecting system and continuous emission monitoring system linked to the DOE to track air quality to ensure that emissions from the coal fired boilers are within the prescribed limit under the Clean Air Regulations 2014.

Additionally, all our paper mills and carton plants have also adhered strictly to the Environmental Quality (Schedule Wastes) Regulations 2005 for treatment and disposal of scheduled wastes from our plants such as sludge, ash and ink wastes.

SUSTAINABILITY STATEMENT

Social

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

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

As a COVID-19 preventive measure – more so to curb the emergence of work place clusters – the Group has implemented COVID-19 prevention practices – standard operating procedures which are in compliance with Ministry of International Trade and Industry, Ministry of Health and DOSH guidelines such as:-

- i. Implementation of Emergency Response Protocol,
- ii. Shared slides to create awareness on COVID-19 pandemic and preventive steps against COVID-19.
- iii. Mandatory wearing of face mask;
- iv. Installed temperature recorders and dispensers for hand sanitisers
- v. Installed partitions in the canteen, production lines and the office;
- vi. Marking of lines on the floor in the office and canteen to avoid overcrowding and to ensure that one-metre distance is in practice;
- vii. Issuance of employee / visitor / vendor declaration forms; and
- viii. Work from home.

Donations in kind such as food, face mask and groceries were distributed during the MCO period to local communities and charitable organisations. In addition, we also donated thermal scanners for schools, gave scholarships to deserving students and sponsored a Chinese New Year Calligraphy Competition before the MCO.



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 its stakeholders in a sustainable manner.

The Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 22 March 2021.

DIRECTORS' RESPONSIBILITY STATEMENT

FOR AUDITED FINANCIAL STATEMENTS

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

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

In preparing the financial statements, the Directors have:

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

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

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

THE FINANCIALS

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

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 8 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	97,398	27,219
Attributable to:-		
Owners of the Company	90,020	27,219
Non-controlling interests	7,378	-
	97,398	27,219

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 2019 and paid on 23 September 2020:-	
First and final single tier dividend of 4.0 sen per share	12,202

A first and final single tier dividend of 5.0 sen per share on 305,050,835 ordinary shares, amounting to RM15,252,541 was recommended by the Directors in respect of the financial year ended 31 December 2020.

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 (Executive Deputy Chairman)*
Datuk Wira Lim Chiun Cheong, DCSM, DPSM (Managing Director)*
Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (Senior Independent Non-Executive Director)
Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (Independent Non-Executive Director)
Wong Choong Yee (Independent Non-Executive Director)
Lim Siew Ling (Appointed on 1 January 2020 as Non-Independent Non-Executive Director)*
Lim Yen Wee (Appointed on 1 January 2020 as Non-Independent Non-Executive Director)*

* Directors of the Company and subsidiaries

DIRECTORS' REPORT

LIST OF DIRECTORS OF SUBSIDIARIES

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

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

DIRECTORS' INTERESTS IN SHARES

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

Interests in the Company	Number of ordinary shares			
	At 1.1.2020	Bought	Sold	At 31.12.2020
Direct interest:				
Tan Sri Lim Guan Teik	3,250,000	-	-	3,250,000
Dato' Azaman Bin Abu Bakar	100,000	-	-	100,000
Datuk Wira Lim Chiun Cheong	715,500	-	-	715,500
Lee Khim Sin	60,000	-	-	60,000
Lim Yen Wee	230,000	-	(60,000)	170,000
Deemed interest:				
Tan Sri Lim Guan Teik	124,302,313	-	-	124,302,313
Dato' Azaman Bin Abu Bakar	114,770,013	-	-	114,770,013
Datuk Wira Lim Chiun Cheong	126,836,813	-	-	126,836,813
Lee Khim Sin	203,000	-	-	203,000
Lim Siew Ling	117,526,713	-	-	117,526,713
Lim Yen Wee	118,514,513	-	(5,000)	118,509,513

By virtue of the direct and deemed interest of Tan Sri Lim Guan Teik, Dato' Azaman Bin Abu Bakar, Datuk Wira Lim Chiun Cheong, Lim Siew Ling 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.

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 33 to financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

In the opinion of the Directors:-

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

DIRECTORS' REPORT

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 RM46,200.

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 45 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 46 to the financial statements.

AUDITORS

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

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 March 2021.

DATO' AZAMAN BIN ABU BAKAR
Director

DATUK WIRA LIM CHIUN CHEONG
Director

Kuala Lumpur

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 52 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 2020 and of their financial performance and cash flows for the financial year then ended.

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

DATO' AZAMAN BIN ABU BAKAR

DATUK WIRA LIM CHIUN CHEONG

Kuala Lumpur
22 March 2021

STATUTORY DECLARATION

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

I, Dato' Azaman Bin Abu Bakar, being the Director primarily responsible for the financial management of Muda Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 123, to the best of my knowledge and belief are correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory on)
22 March 2021)

DATO' AZAMAN BIN ABU BAKAR

Before me:

Ramathilagam A/P T Ramasamy (W671)
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 2020 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 52 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 2020, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

Inventory valuation

The risk

Referring to Note 12 to the financial statements. The Group holds inventories that amounted to RM245.3 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.

Impairment on doubtful receivables

The risk

Referring to Note 13 to the financial statements. The Group has significant trade receivables amounted RM272.4 million as at the reporting date and is subject to credit risk exposures. We focus on this area as deriving the expected credit losses of receivables involves management's judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.

Our response

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

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

There are no key audit matters in relation to the financial statements of the Company.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Matters

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

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

Kuala Lumpur
22 March 2021

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	1,154,963	1,145,330	21,671	20,934
Prepaid land lease payments	5	-	-	-	-
Capital work-in-progress	6	42,962	57,294	-	-
Investment properties	7	10,670	6,880	-	-
Investment in subsidiaries	8	-	-	238,661	238,561
Investment in associates	9	21,290	17,500	*	*
Intangible assets	10	11,656	11,663	-	-
Deferred tax assets	11	855	791	-	-
Total non-current assets		1,242,396	1,239,458	260,332	259,495
Current assets					
Inventories	12	245,318	263,730	-	-
Trade receivables	13	272,378	253,862	-	-
Other receivables	14	46,612	31,301	304	242
Amount due from subsidiaries	8.3	-	-	29,496	15,060
Amount due from associates	9.3	1,068	1,644	870	880
Financial assets at fair value through profit or loss	15	5,211	5,063	5,211	5,063
Derivative financial instruments	16	13	144	-	-
Tax recoverable		1,066	794	615	586
Cash and bank balances, deposits and short-term placements	17	126,699	134,157	19,106	17,668
Total current assets		698,365	690,695	55,602	39,499
Asset included in disposal group as held for sale	18	-	4,300	-	-
TOTAL ASSETS		1,940,761	1,934,453	315,934	298,994
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the Company					
Share capital	19	159,471	159,471	159,471	159,471
Reserves	20	316,772	318,182	16,380	16,604
Retained earnings	21	660,999	579,944	128,235	112,994
Total equity attributable to owners of the Company		1,137,242	1,057,597	304,086	289,069
Non-controlling interests		29,217	24,172	-	-
Total equity		1,166,459	1,081,769	304,086	289,069
Non-current liabilities					
Borrowings	22	69,687	92,660	-	-
Lease liabilities	23	34,730	27,686	1,531	611
Provision for retirement benefit	24	52,872	49,981	7,059	6,485
Deferred tax liabilities	11	98,814	89,256	356	581
Total non-current liabilities		256,103	259,583	8,946	7,677

* Less than RM1,000

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current liabilities					
Trade payables	25	63,407	68,399	-	-
Other payables	26	94,629	88,496	2,484	2,006
Amount due to subsidiaries	8.3	-	-	15	12
Amount due to associates	9.3	2,375	1,294	-	-
Borrowings	22	331,141	404,297	-	-
Lease liabilities	23	17,915	17,364	403	230
Bank overdrafts	27	4,854	10,087	-	-
Tax payable		3,878	3,164	-	-
Total current liabilities		518,199	593,101	2,902	2,248
TOTAL LIABILITIES		774,302	852,684	11,848	9,925
TOTAL EQUITY AND LIABILITIES		1,940,761	1,934,453	315,934	298,994

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 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	28	1,425,797	1,518,595	36,881	28,026
Cost of sales		(1,129,023)	(1,236,839)	-	-
Gross profit		296,774	281,756	36,881	28,026
Other income	29	5,675	4,295	920	1,011
Distribution expenses		(90,751)	(91,834)	-	-
Administration expenses		(68,213)	(75,653)	(10,693)	(10,008)
Other expenses	30	(4,788)	(19,085)	(8)	(18)
Finance costs	31	(19,481)	(28,647)	(59)	(45)
Net loss on impairment of financial assets		(1,704)	(3,329)	-	-
Share of profit/(loss) of associates		2,515	(1,454)	-	-
Profit before tax		120,027	66,049	27,041	18,966
Tax (expense)/income	34	(22,629)	(25,255)	178	(401)
Profit for the financial year	35	97,398	40,794	27,219	18,565
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		-	11,155	-	-
Tax effect on items that will not be reclassified to profit or loss	34	-	(800)	-	-
		-	10,355	-	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		1,399	(1,210)	-	-
		1,399	(1,210)	-	-
Other comprehensive income for the financial year, net of tax		1,399	9,145	-	-
Total comprehensive income for the financial year		98,797	49,939	27,219	18,565
Profit attributable to:-					
Owners of the Company		90,020	39,337	27,219	18,565
Non-controlling interests		7,378	1,457	-	-
		97,398	40,794	27,219	18,565
Total comprehensive income attributable to:-					
Owners of the Company		91,847	48,826	27,219	18,565
Non-controlling interests		6,950	1,113	-	-
Total comprehensive income for the financial year		98,797	49,939	27,219	18,565
Earnings per share attributable to owners of the Company					
Earnings per share					
- basic (sen)	36	29.51	12.90		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

←← Attributable to owners of the Company →→ ← Non-Distributable → Distributable →									
Group	Note	Share capital RM'000	Other reserve RM'000	Exchange fluctuation reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2019		159,471	2,887	7,594	301,252	551,463	1,022,667	24,062	1,046,729
Effect of adoption of MFRS 16		-	-	195	-	(364)	(169)	(25)	(194)
Balance at 1 January 2019		159,471	2,887	7,789	301,252	551,099	1,022,498	24,037	1,046,535
Profit for the financial year		-	-	-	-	39,337	39,337	1,457	40,794
Other comprehensive (loss)/income for the financial year		-	-	(866)	10,355	-	9,489	(344)	9,145
Total comprehensive (loss)/income for the financial year		-	-	(866)	10,355	39,337	48,826	1,113	49,939
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	(3,235)	3,235	-	-	-
Transactions with owners:-									
Issuance of shares by newly incorporated of subsidiaries	8	-	-	-	-	-	-	470	470
First and final single tier dividend of 4.5 sen per share	37	-	-	-	-	(13,727)	(13,727)	-	(13,727)
Dividend paid to non-controlling interests		-	-	-	-	-	-	(1,448)	(1,448)
Total transactions with owners of the Company		-	-	-	-	(13,727)	(13,727)	(978)	(14,705)
Balance at 31 December 2019		159,471	2,887	6,923	308,372	579,944	1,057,597	24,172	1,081,769

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

Group	Note	Share capital RM'000	Other reserve RM'000	Exchange fluctuation reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2020		159,471	2,887	6,923	308,372	579,944	1,057,597	24,172	1,081,769
Profit for the financial year		-	-	-	-	90,020	90,020	7,378	97,398
Other comprehensive income/(loss) for the financial year		-	-	1,827	-	-	1,827	(428)	1,399
Total comprehensive income for the financial year		-	-	1,827	-	90,020	91,847	6,950	98,797
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	(3,237)	3,237	-	-	-
Transactions with owners:-									
First and final single tier dividend of 4.0 sen per share	37	-	-	-	-	(12,202)	(12,202)	-	(12,202)
Dividend paid to non-controlling interests		-	-	-	-	-	-	(1,905)	(1,905)
Total transactions with owners of the Company		-	-	-	-	(12,202)	(12,202)	(1,905)	(14,107)
Balance at 31 December 2020		159,471	2,887	8,750	305,135	660,999	1,137,242	29,217	1,166,459

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Company	Note	Attributable to owners of the Company		Total RM'000
		Share capital RM'000	Retained earnings RM'000	
Balance at 1 January 2019		159,471	107,932	284,231
Profit and total comprehensive income for the financial year		-	18,565	18,565
Realisation of revaluation reserve upon depreciation of revalued assets		-	(224)	-
Transaction with owners:-				
First and final single tier dividend of 4.5 sen per share	37	-	(13,727)	(13,727)
Balance at 31 December 2019		159,471	112,994	289,069
Profit and total comprehensive income for the financial year		-	27,219	27,219
Realisation of revaluation reserve upon depreciation of revalued assets		-	(224)	-
Transaction with owners:-				
First and final single tier dividend of 4.0 sen per share	37	-	(12,202)	(12,202)
Balance at 31 December 2020		159,471	128,235	304,086

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES					
Profit before tax		120,027	66,049	27,041	18,966
Adjustments for:-					
Bad debts written off		64	307	-	-
Capital work-in-progress written off		457	-	-	-
Depreciation of property, plant and equipment		64,494	65,050	519	621
Depreciation of right-of-use assets		12,012	11,767	422	316
Fair value loss/(gain) on derivative financial instruments		131	(158)	-	-
Fair value loss/(gain) on financial assets at fair value through profit or loss		7	(10)	7	(10)
Impairment loss on doubtful trade receivables					
- current		2,920	4,894	-	-
- no longer required		(1,216)	(1,565)	-	-
Impairment loss on investment in associates		-	887	-	-
Reversal of impairment loss of in associates		(1,471)	-	-	-
Interest expenses		19,481	28,647	59	45
Inventories written off		258	816	-	-
Inventories written down		847	179	-	-
Property, plant and equipment written off		1,942	222	1	3
Provision for retirement benefit		5,767	5,479	574	549
Dividend income		(155)	(174)	(28,771)	(20,506)
Fair value adjustments on investment properties		510	80	-	-
Gain on disposal of property, plant and equipment		(1,162)	(1,557)	(222)	(246)
Interest income		(1,123)	(851)	(479)	(396)
Reversal of inventories written down		(24)	(5)	-	-
Impairment loss on capital work-in-progress		-	15,603	-	-
Share of (profit)/loss of associates		(2,515)	1,454	-	-
Unrealised gain on foreign exchange		(410)	(190)	-	-
Operating profit/(loss) before working capital changes		220,841	196,924	(849)	(658)
Changes in working capital:-					
Inventories		17,458	33,519	-	-
Receivables		(35,430)	10,331	(62)	85
Payables		2,196	1,595	478	(34)
Bills payable		(63,160)	(63,923)	-	-
Subsidiaries		-	-	(124)	7,463
Cash generated from/(used in) operations		141,905	178,446	(557)	6,856
Retirement benefit paid		(2,876)	(2,366)	-	-
Dividend received		171	82	14,307	27,315
Dividend paid to owners of the Company		(12,202)	(13,727)	(12,202)	(13,727)
Dividends paid to non-controlling interests		(1,905)	(1,448)	-	-
Interest paid		(19,893)	(28,761)	(59)	(45)
Interest received		1,123	851	479	396
Tax paid		(13,838)	(9,333)	(79)	(83)
Tax refunded		1,085	1,002	3	116
Net cash generated from operating activities		93,570	124,746	1,892	20,828
INVESTING ACTIVITIES					
Capital work-in-progress incurred	A	(27,507)	(44,073)	-	-
Proceeds from disposal of property, plant and equipment		2,048	3,012	822	275
Purchase of property, plant and equipment	B	(18,505)	(14,094)	(339)	(143)
Additional investment in subsidiaries		-	-	(100)	(12,383)
Repayment (to)/received from associates		(8)	5	10	10
Net cash (used in)/generated from investing activities		(43,972)	(55,150)	393	(12,241)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
FINANCING ACTIVITIES					
Proceeds from shares issued to non-controlling interest		-	470	-	-
Net (repayment)/drawdown of revolving credit		(2,892)	4,229	-	-
Drawdown of onshore foreign currency loan		3,898	10,899	-	-
Drawdown of flexi financing loans		182,914	194,497	-	-
Drawdown of trust receipts		48	-	-	-
Drawdown of term loans		8,715	19,006	-	-
Repayment of flexi financing loans		(189,002)	(190,136)	-	-
Repayment of onshore foreign currency loan		(1,898)	(13,238)	-	-
Repayment of term loans		(34,904)	(24,881)	-	-
Repayment on lease liabilities	D	(18,772)	(20,990)	(847)	(228)
Placement of fixed deposit pledged		(5,522)	(3)	-	-
Net cash used in financing activities		(57,415)	(20,147)	(847)	(228)
CASH AND CASH EQUIVALENTS					
Net changes		(7,817)	49,449	1,438	8,359
Effect of exchange rate changes		70	(114)	-	-
Brought forward		122,822	73,487	17,668	9,309
Carried forward	C	115,075	122,822	19,106	17,668

NOTES TO THE STATEMENTS OF CASH FLOWS

A. CAPITAL WORK-IN-PROGRESS INCURRED

	Group	
	2020 RM'000	2019 RM'000
Total additions	40,388	50,412
Purchase through lease arrangements	(12,881)	(6,339)
Cash payment	27,507	44,073

B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total additions	32,294	17,859	2,279	143
Purchase through lease arrangements	(13,789)	(3,765)	(1,940)	-
Cash payment	18,505	14,094	339	143

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	90,148	102,281	292	3,033
Fixed deposits with licensed banks	13,921	9,609	-	-
Short-term placements with financial institutions	22,630	22,267	18,814	14,635
Bank overdrafts	(4,854)	(10,087)	-	-
	121,845	124,070	19,106	17,668
Less: Fixed deposits pledged	(6,770)	(1,248)	-	-
	115,075	122,822	19,106	17,668

D. CASH OUTFLOWS FOR LEASES AS A LESSEE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Included in net cash from operating activities:-				
Payment relating to short-term leases	5,353	6,291	216	216
Payment relating to leases of low-value assets	461	173	-	-
Interest paid in relation to lease liabilities	2,447	3,138	57	44
Included in net cash from financing activities:-				
Payment of lease liabilities	18,772	20,990	847	228
Total cash outflows for leases	27,033	30,592	1,120	488

Reconciliation of liabilities arising from financing activities

Group	Finance lease liabilities RM'000	Lease liabilities RM'000	Flexi financing loans RM'000	Onshore foreign currency loan RM'000	Revolving credit RM'000	Term loans RM'000	Trust receipts RM'000	Total RM'000
Balance as at 1 January 2019	51,033	-	11,479	2,339	95,578	130,473	-	290,902
Effect of adoption of MFRS 16	(51,033)	55,931	-	-	-	-	-	4,898
Balance at 1 January 2019	-	55,931	11,479	2,339	95,578	130,473	-	295,800
<i>Cash flows:-</i>								
Drawdowns	-	10,104	194,497	10,899	795,949	19,006	-	1,030,455
Repayments	-	(20,990)	(190,136)	(13,238)	(791,720)	(24,881)	-	(1,040,965)
<i>Non-cash changes:-</i>								
Foreign exchange movement	-	5	-	-	(20)	(106)	-	(121)
Balance as at 31 December 2019	-	45,050	15,840	-	99,787	124,492	-	285,169
<i>Cash flows:-</i>								
Drawdowns	-	26,670	182,914	3,898	760,508	8,715	48	982,753
Repayments	-	(18,772)	(189,002)	(1,898)	(763,400)	(34,904)	-	(1,007,976)
<i>Non-cash changes:-</i>								
Foreign exchange movement	-	(303)	-	-	34	118	-	(151)
Balance as at 31 December 2020	-	52,645	9,752	2,000	96,929	98,421	48	259,795
Company								
Balance at 1 January 2019	1,069	-	-	-	-	-	-	1,069
Effect of adoption of MFRS 16	(1,069)	1,069	-	-	-	-	-	-
Balance at 1 January 2019	-	1,069	-	-	-	-	-	1,069
<i>Cash flows:-</i>								
Repayments	-	(228)	-	-	-	-	-	(228)
Balance as at 31 December 2019	-	841	-	-	-	-	-	841
<i>Cash flows:-</i>								
Drawdowns	-	1,940	-	-	-	-	-	1,940
Repayments	-	(847)	-	-	-	-	-	(847)
Balance as at 31 December 2020	-	1,934	-	-	-	-	-	1,934

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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 2020 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 2020 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 8 to the financial statements. There were no significant changes in the nature of principal activities of the Company and its subsidiaries during the financial year.

The financial statements of the Group and of the Company for the financial year ended 31 December 2020 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 March 2021.

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 Group and the Company have applied the following amendments to published standards and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") for the first time for the financial year beginning on 1 January 2020:

- Amendments to MFRS 3 – *Business Combinations*
- Amendments to MFRS 7 – *Financial Instruments: Disclosures*
- Amendments to MFRS 9 – *Financial Instruments*
- Amendments to MFRS 101 – *Presentation of Financial Statements*
- Amendments to MFRS 108 – *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 137 – *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138 – *Intangible Assets*
- Amendments to MFRS 139 – *Financial Instruments: Recognition and Measurement*
- Amendments to IC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*

The adoption of the above amendments to published standards and IC Interpretations did not have any material impact on the current and prior year financial statements of the Group and of the Company.

2.4.2 Standards issued but not yet effective

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

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

- Amendment to MFRS 16 – *Leases*

(b) Amendments effective for financial year beginning on or after 1 January 2021

- Amendments to MFRS 4 – *Insurance Contracts*
- Amendments to MFRS 7 – *Financial Instruments: Disclosures*
- Amendments to MFRS 9 – *Financial Instruments*
- Amendment to MFRS 16 – *Leases*
- Amendments to MFRS 139 – *Financial Instruments: Recognition and Measurement*

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

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

(d) MFRS and amendments effective for financial year beginning on or after 1 January 2023

- MFRS 17 – *Insurance Contracts*
- Amendments to MFRS 17 – *Insurance Contracts*
- Amendments to MFRS 101 – *Presentation of Financial Statements*
- Amendments to MFRS 108 – *Accounting Policies, Changes in Accounting Estimates and Errors*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2.5 Significant accounting estimates and judgements

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

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

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

2.5.1 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.

2.5.2 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 4 and 7 to the financial statements.

2.5.3 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 10 to the financial statements.

Information about events and circumstances that led to the recognition or reversal of impairment loss on individual asset or cash-generating unit are disclosed in Notes 4 and 6 to the financial statements.

2.5.4 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 13 to the financial statements.

2.5.5 Fair value measurement of financial instruments

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

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

Information about the valuation techniques and inputs used in determining the fair value of various financial assets and financial liabilities are disclosed in the Note 42 to the financial statements.

2.5.6 Income taxes

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

2.5.7 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.

2.5.8 Defined benefit plan

The defined benefit liability is determined based on an actuarial valuation. An actuarial valuation involves making various assumptions regarding the discount rate, future salary growth and attrition rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. Further details of the assumptions used are disclosed in Note 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Business combinations

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

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

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

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

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

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

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

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

3.1.2 Subsidiaries

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

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

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

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

3.1.3 Non-controlling interests

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

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

3.1.4 Acquisition of NCI

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

3.1.5 Changes in ownership in subsidiaries without loss of control

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

3.1.6 Loss of control

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

3.1.7 Transactions eliminated on consolidation

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

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

3.1.8 Associates

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

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

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

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

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

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

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

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

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

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

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

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

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

Land and buildings under revaluation model

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

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

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

3.2.2 Depreciation

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

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

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

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

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

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

3.2.3 Subsequent costs

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

3.3 Capital work-in-progress

Capital work-in-progress consists of property, plant and equipment under construction/installation for intended use. It is reclassified to property, plant and equipment once it is available for use. The amount is measured at cost less any accumulated impairment losses 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

The Group and the Company as lessee

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

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

The Group and the Company as lessor

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

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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 the 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, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.6 Intangible assets

3.6.1 Goodwill

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

3.6.2 Other intangible assets

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

3.6.3 Amortisation

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

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

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

3.7 Financial instruments

3.7.1 Financial assets

3.7.1.1 Classification

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

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

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

3.7.1.2 Recognition and derecognition

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

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

3.7.1.3 Initial measurement

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

3.7.1.4 Subsequent measurement

Financial assets are subsequently measured at the four categories:-

(i) Amortised cost

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

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

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

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

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

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

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

The Group's and the Company's management may make an irrevocable election at initial recognition to present subsequent changes in fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends are recognised as other income in the statements of profit or loss when the right of payment has been established, except when the benefits from such proceeds as a recovery of part of the cost of the financial asset, such gains are recorded in OCI. 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 in profit or loss in the period which it arises.

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

3.7.1.5 Impairment of financial assets

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

The measurement of ECLs reflects:-

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

ECLs are measured on either of the following basis:-

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

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

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

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

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

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

3.7.2 Financial liabilities

3.7.2.1 Classification

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

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

3.7.2.2 Recognition and derecognition

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

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

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

3.7.2.3 Initial measurement

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

3.7.2.4 Subsequent measurement

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

(i) FVTPL

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

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

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

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

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

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

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

(ii) *Amortised cost*

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

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

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

3.7.3 Financial guarantee contracts

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

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

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

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

3.7.4 Offsetting of financial instruments

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

3.8 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk such as foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Notes 16, 41 and 42 to the financial statements.

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

3.9 Impairment of non-financial assets

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

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

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

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

3.10 Inventories

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

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

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

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

3.11 Foreign currency

3.11.1 Foreign currency transactions

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

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

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

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3.11.2 Operations denominated in functional currencies other than RM

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

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign subsidiary is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item will form part of the net investment in the foreign subsidiary. Differences of such nature are recognised in OCI 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, short-term placements and bank overdraft 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, investment property and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated and any equity-accounted investee is no longer equity accounted.

3.14 Equity instruments

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

3.15 Provisions

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

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

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

3.16 Contingencies

(i) *Contingent liabilities*

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

(ii) *Contingent assets*

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

3.17 Borrowing costs

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

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

3.18 Employee benefits

3.18.1 Short-term employee benefits

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

3.18.2 Defined contribution plans

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

Such contributions are recognised as expenses in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund. 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 defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. The calculation is performed once every 3 years by a qualified actuary using the projected credit method.

The Group and the Company recognise actuarial gains and losses arising from remeasurement of defined benefit plan immediately in OCI 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 recognise revenue from contracts with customers for goods or services based on the five-step model as below:-

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

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

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

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

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

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

3.19.1 Sales of goods

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Group and the Company shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 28 to the financial statements.

3.19.2 Commission income

Commission income is recognised when the relevant services are completed.

3.19.3 Management fee

Management fee is recognised when services are rendered.

3.20 Other income

3.20.1 Dividend income

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

3.20.2 Interest income

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

3.20.3 Rental income

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

3.20.4 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

3.21 Tax expenses

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

3.21.1 Current tax

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

3.21.2 Deferred tax

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

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

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

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

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

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

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3.22 Related parties

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

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

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

3.23 Segment reporting

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

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

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

3.24 Earnings per share

3.24.1 Basic 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 and weighted average number of ordinary shares in issue during the financial year.

3.24.1 Diluted earnings per share

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.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Total RM'000
Cost or valuation							
At 1.1.2019							
- cost	3,064	2,519	16,889	1,173,477	41,175	34,663	1,271,787
- valuation	245,895	134,113	313,709	-	-	-	693,717
	248,959	136,632	330,598	1,173,477	41,175	34,663	1,965,504
Adjustment on transition to MFRS 16	-	4,284	2,481	-	2,224	-	8,989
Additions	35	-	1,910	8,264	4,843	2,807	17,859
Revaluation	-	11,155	-	-	-	-	11,155
Transfer from capital work-in-progress	1,839	-	2,284	24,469	-	167	28,759
Disposals	-	-	-	(33,292)	(2,949)	(68)	(36,309)
Written off	-	-	-	(4,152)	*	(229)	(4,381)
Translation difference	-	(303)	(479)	(434)	(30)	(32)	(1,278)
At 31.12.2019	250,833	151,768	336,794	1,168,332	45,263	37,308	1,990,298
Cost or valuation							
At 1.1.2020							
- cost	4,938	6,803	23,564	1,168,332	45,263	37,308	1,286,208
- valuation	245,895	144,965	313,230	-	-	-	704,090
	250,833	151,768	336,794	1,168,332	45,263	37,308	1,990,298
Additions	1,624	-	5,319	9,483	10,611	5,257	32,294
Transfer from capital work-in-progress	-	-	25,131	29,487	2	55	54,675
Disposals	-	-	-	(2,463)	(5,598)	(180)	(8,241)
Written off	-	-	(15)	(20,384)	(878)	(1,847)	(23,124)
Expiration of lease contracts	-	-	(4,161)	-	(192)	-	(4,353)
Translation difference	-	424	1,598	833	75	71	3,001
At 31.12.2020	252,457	152,192	364,666	1,185,288	49,283	40,664	2,044,550
Representing							
- cost	6,562	6,803	49,838	1,185,288	49,283	40,664	1,338,438
- valuation	245,895	145,389	314,828	-	-	-	706,112
At 31.12.2020	252,457	152,192	364,666	1,185,288	49,283	40,664	2,044,550

* Less than RM1,000

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Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Total RM'000
Accumulated depreciation							
At 1.1.2019	-	2,783	9,804	737,830	29,977	26,862	807,256
Charge for the financial year	-	3,167	9,865	55,991	4,979	2,815	76,817
Disposals	-	-	-	(32,158)	(2,635)	(61)	(34,854)
Written off	-	-	-	(3,938)	-	(221)	(4,159)
Translation difference	-	(13)	(15)	(423)	(20)	(25)	(496)
At 31.12.2019	-	5,937	19,654	757,302	32,301	29,370	844,564
Charge for the financial year	-	2,980	10,331	54,860	5,520	2,815	76,506
Disposals	-	-	-	(2,394)	(4,848)	(113)	(7,355)
Written off	-	-	(1)	(18,555)	(852)	(1,774)	(21,182)
Expiration of lease contracts	-	-	(4,161)	-	(192)	-	(4,353)
Translation difference	-	30	73	795	48	57	1,003
At 31.12.2020	-	8,947	25,896	792,008	31,977	30,355	889,183
Accumulated impairment loss							
At 1.1.2019/31.12.2019/31.12.2020	-	-	-	404	-	-	404
Net carrying amount							
At 31.12.2019	250,833	145,831	317,140	410,626	12,962	7,938	1,145,330
At 31.12.2020	252,457	143,245	338,770	392,876	17,306	10,309	1,154,963

Company	Leasehold land RM'000	Buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Total RM'000
Cost or valuation						
At 1.1.2019						
- cost	-	-	296	2,876	897	4,069
- valuation	17,800	2,700	-	-	-	20,500
	17,800	2,700	296	2,876	897	24,569
Additions	-	-	-	-	143	143
Disposal	-	-	-	(631)	-	(631)
Written off	-	-	(3)	-	(102)	(105)
At 31.12.2019	17,800	2,700	293	2,245	938	23,976
Cost or valuation						
At 1.1.2020						
- cost	-	-	293	2,245	938	3,476
- valuation	17,800	2,700	-	-	-	20,500
	17,800	2,700	293	2,245	938	23,976
Additions	-	-	36	2,139	104	2,279
Disposal	-	-	-	(1,693)	(30)	(1,723)
Written off	-	-	-	-	(35)	(35)
At 31.12.2020	17,800	2,700	329	2,691	977	24,497
Representing						
- cost	-	-	329	2,691	977	3,997
- valuation	17,800	2,700	-	-	-	20,500
At 31.12.2020	17,800	2,700	329	2,691	977	24,497
Accumulated depreciation						
At 1.1.2019	405	85	274	1,390	655	2,809
Charge for the financial year	323	67	3	453	91	937
Disposal	-	-	-	(602)	-	(602)
Written off	-	-	(3)	-	(99)	(102)
At 31.12.2019	728	152	274	1,241	647	3,042
Charge for the financial year	324	67	5	458	87	941
Disposal	-	-	-	(1,097)	(26)	(1,123)
Written off	-	-	-	-	(34)	(34)
At 31.12.2020	1,052	219	279	602	674	2,826
Net carrying amount						
At 31.12.2019	17,072	2,548	19	1,004	291	20,934
At 31.12.2020	16,748	2,481	50	2,089	303	21,671

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

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At 31 December 2020, buildings with net carrying amount of RM23,019,000 (2019: RM21,916,000) have been pledged by certain foreign subsidiaries as security for banking facilities.

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Right-of-use assets				
Buildings	4,039	1,518	-	-
Plant and equipment	56,852	65,819	-	-
Motor vehicles	12,141	8,420	2,086	96
Furniture, fittings and others	851	-	-	-
	73,883	75,757	2,086	965

Additions to the right-of-use assets of the Group and of the Company during the financial year amounted to RM14,220,000 (2019: RM10,101,000) and RM2,139,000 (2019: RMNil).

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Buildings	1,951	1,671	-	-
Plant and equipment	6,099	7,140	-	-
Motor vehicles	3,771	2,956	422	316
Furniture, fittings and others	191	-	-	-
	12,012	11,767	422	316

5. PREPAID LAND LEASE PAYMENTS

	Group	
	2020 RM'000	2019 RM'000
Short-term leasehold land		
At cost		
Brought forward	-	10,540
Adjustment on initial application of MFRS 16	-	(10,540)
Carried forward	-	-
Accumulated amortisation		
Brought forward	-	6,255
Adjustment on initial application of MFRS 16	-	(6,255)
Carried forward	-	-
Net carrying amount	-	-

6. CAPITAL WORK-IN-PROGRESS

Group	Land and buildings RM'000	Plant, machinery and others RM'000	Total RM'000
At cost			
At 1.1.2019	18,897	31,946	50,843
Additions	9,910	40,502	50,412
Borrowing costs capitalised ranging from 5.2% to 7.3% per annum (Note 31)	-	401	401
Transfer to property, plant and equipment	(4,123)	(24,636)	(28,759)
At 31.12.2019	24,684	48,213	72,897
Additions	972	39,416	40,388
Borrowing costs capitalised ranging from 3.9% to 7.3% per annum (Note 31)	-	412	412
Written off	(27)	(430)	(457)
Transfer to property, plant and equipment	(25,131)	(29,544)	(54,675)
Reclassification	449	(449)	-
At 31.12.2020	947	57,618	58,565
Accumulated impairment loss			
At 1.1.2019	-	-	-
Charge for the financial year	-	15,603	15,603
At 31.12.2019/31.12.2020	-	15,603	15,603
Net carrying amount			
At 31.12.2019	24,684	32,610	57,294
At 31.12.2020	947	42,015	42,962

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

	Group	
	2020 RM'000	2019 RM'000
Right-of-use assets		
Plant and equipment	11,932	3,685

Additions to the right-of-use assets of the Group during the financial year amounted to RM13,132,000 (2019: RM109,000).

6.1 Impairment loss

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

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

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7. INVESTMENT PROPERTIES

	Group	
	2020 RM'000	2019 RM'000
Fair value:-		
Brought forward	6,880	11,260
Fair value adjustments	(510)	(80)
Transfer from/(to) asset included in disposal group as held for sale (Note 18)	4,300	(4,300)
Carried forward	10,670	6,880

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

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

Fair value of investment properties consists of:-

	Group	
	2020 RM'000	2019 RM'000
Buildings	3,330	1,640
Land	7,340	5,240

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

	Group	
	2020 RM'000	2019 RM'000
Rental income from operating leases	131	155
Direct operating expenses		
- income generating investment properties	(9)	(8)
- non-income generating investment properties	(215)	(133)
Fair value adjustments recognised in other expenses	(510)	(80)

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

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

	Group	
	2020 RM'000	2019 RM'000
Within 1 year	554	155
Between 1 and 2 years	469	98
Between 2 and 3 years	418	13
	1,441	266

8. SUBSIDIARIES

Investment in subsidiaries:-

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares		
- at cost	213,309	213,209
- at valuation	55,633	55,633
	268,942	268,842
	(30,281)	(30,281)
Less: Allowance for impairment loss	238,661	238,561

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

Name of subsidiaries	Principal activities	Principal place of business	Proportion of effective ownership interest and voting power held by the Group	
			2020 %	2019 %
Central Malaya Paper Sdn. Bhd.	Trading of waste paper and investment holding	Malaysia	100	100
CMP Resources Sdn. Bhd.	Property holding	Malaysia	100	100
Federal Packages Sdn. Bhd.	Manufacture and sale of paper cartons and paper related products	Malaysia	100	100
Intra-Muda Holdings Sdn. Bhd.	Investment holding	Malaysia	100	100
Intrapac Trading (M) Sdn. Bhd.	Trading of paper products and acting as commission agent	Malaysia	100	100
K F Paper Products (Melaka) Sdn. Bhd.	Manufacture and sale of board sheets and paper related products	Malaysia	100	100
Kajang Paper Mills Sdn. Bhd.	Investment holding	Malaysia	100	100
Kotak Malaysia Holdings Sdn. Bhd.	Dormant	Malaysia	100	100
Kotak Malaysia (KOM) Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
MC Pack (Malaysia) Sdn. Bhd.	Manufacture and sale of paper packaging products	Malaysia	65	65
Muda Global Engineering Sdn. Bhd.	Engineering and fabrication services	Malaysia	100	100
Muda Land Development Sdn. Bhd.	Property holding	Malaysia	100	100
Muda Management Services Sdn. Bhd.	Management consultancy and general insurance agency	Malaysia	100	100
Muda Packaging Industries Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
Muda Paper Converting Sdn. Bhd.	Converting and sale of paper stationeries and paper based food packaging products	Malaysia	100	100

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

Name of subsidiaries	Principal activities	Principal place of business	Proportion of effective ownership interest and voting power held by the Group	
			2020 %	2019 %
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 school bookshops and online bookstore	Republic of Singapore	67	67
Lonsing Packaging Industries Pte. Ltd.*	Manufacture of packaging materials for food industry	Republic of Singapore	60	60
Wenfang Private Limited*	Import and distribution of stationery	Republic of Singapore	70	70
ESPP Viet Nam Company Limited#	Trading of paper and stationery	Republic of Vietnam	47	47
Intrapac (Australia) Pty. Ltd.*	Trading of paper and paper related products	Australia	100	100
Intrapac Resources & Supplies Pty. Ltd.*	Distribution and trading of packaging products and recycled material	Australia	95	95
Intrapac Investment Ltd.*	Investment holding	Hong Kong	100	100
Muda Packaging Industries (Qingyuan) Ltd.*	Manufacture and sale of corrugated cartons and paper related products	The People's Republic of China	100	100

* Subsidiaries not audited by Grant Thornton Malaysia PLT.

Subsidiary audited by affiliate of Grant Thornton Malaysia PLT.

8.1 Acquisition and incorporation of subsidiaries

8.1.1 Additional investment in Muda Pasifik Sdn. Bhd.

On 1 July 2020, the Company subscribed 100,000 newly issued shares of Muda Pasifik Sdn. Bhd. for cash consideration of RM100,000, which did not result in any change in effective equity interest.

8.1.2 Incorporation of Intrapac Resources & Supplies Pty. Ltd.

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

8.1.3 Incorporation of ESPP Viet Nam Company Limited

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

8.2 Details of non-wholly owned subsidiaries with material NCI

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

Intrapac (Singapore) Pte. Ltd. Group

	2020 RM'000	2019 RM'000
NCI percentage of ownership interest and voting interest	30%	30%
Profit allocated to NCI	7,233	1,282
Carrying amount of NCI	27,367	22,384

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.

	2020 RM'000	2019 RM'000
As at 31 December		
Non-current assets	31,844	27,074
Current assets	91,821	74,853
Total assets	123,665	101,927
Non-current liabilities	(5,265)	(339)
Current liabilities	(26,630)	(23,902)
Total liabilities	(31,895)	(24,241)
Total equity	91,770	77,686
Equity attributable to owners of the Company	85,520	72,267
NCI	6,250	5,419
	91,770	77,686
Revenue	145,611	148,144
Profit for the financial year	21,199	3,215
Profit attributable to:		
Owners of the Company	19,951	2,747
NCI	1,248	468
	21,199	3,215
Total comprehensive income attributable to:		
Owners of the Company	19,912	2,712
NCI	1,248	468
	21,160	3,180
Dividends paid to NCI	(465)	(258)
Net cash inflow from operating activities	15,066	7,014
Net cash outflow from investing activities	(3,023)	(1,218)
Net cash outflow from financing activities	(8,591)	(4,988)
Net increase in cash and cash equivalents	3,452	808

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8.3 Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are non-trade related, bear no interest, unsecured and repayable in cash on demand, except for in 2019, amount due from a subsidiary amounting to RM60,000 is subject to interest ranging from 4% to 6% per annum.

9. ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost	1,100	1,100	88	88
Fair value gain on remeasurement of remaining interest in KL Resources Pte. Ltd.	4,949	4,949	-	-
Share of post-acquisition reserves	13,145	10,792	-	-
Translation difference	2,947	2,978	-	-
	22,141	19,819	88	88
Less: Allowance for impairment loss				
Brought forward	(2,353)	(1,466)	(88)	(88)
Reversal /(Charge) for the financial year	1,471	(887)	-	-
Carried forward	(882)	(2,353)	(88)	(88)
Translation difference	31	34	-	-
	21,290	17,500	*	*

* 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.

9.1 Details of associates

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

Name of associates	Principal activities	Principal place of business	Proportion of ownership interest and voting power held by the Group	
			2020 %	2019 %
Choice Impact Sdn. Bhd.	Property holding	Malaysia	49	49
KL Resources Pte. Ltd.*	Trading in waste paper and scrap	Republic of Singapore	24	24
Timly Enterprise Company LDA*	Trading in stationery	Democratic Republic of Timor-Leste	22	22

* Associates not audited by Grant Thornton Malaysia PLT.

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

9.2 Details of material associates

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

KL Resources Pte. Ltd. Group

	2020 RM'000	2019 RM'000
Non-current assets	40,266	44,885
Current assets	41,652	25,601
Total assets	81,918	70,486
Non-current liabilities	(21,733)	(14,311)
Current liabilities	(14,489)	(17,095)
Total liabilities	(36,222)	(31,406)
Net assets of the associate	45,696	39,080
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.	10,800	9,237
Revenue	142,245	120,654
Profit/(Loss) and total comprehensive income/(loss) for the financial year	9,122	(6,287)
Group's share of profit/(loss) for the financial year	2,388	(1,623)

9.3 Amounts due from/(to) associates

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amounts due from associates				
- Trade related	151	709	-	-
- Non-trade related	917	935	870	880
	1,068	1,644	870	880
Amounts due to associates				
- Trade related	(2,375)	(1,294)	-	-

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

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

	Group	
	2020 RM'000	2019 RM'000
United States Dollar	1,766	-
Singapore Dollar	609	1,294

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10. INTANGIBLE ASSETS

Group	Goodwill RM'000	Intangible assets with finite life RM'000	Total RM'000
Cost			
At 1.1.2019	11,649	697	12,346
Translation difference	14	2	16
At 31.12.2019	11,663	699	12,362
Translation difference	(7)	(1)	(8)
At 31.12.2020	11,656	698	12,354
Accumulated amortisation			
At 1.1.2019	-	697	697
Translation difference	-	2	2
At 31.12.2019	-	699	699
Translation difference	-	(1)	(1)
At 31.12.2020	-	698	698
Net carrying amount			
At 31.12.2019	11,663	-	11,663
At 31.12.2020	11,656	-	11,656

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 6.3% and 13.0% (2019: 6.0% and 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.

11. DEFERRED TAX ASSETS / LIABILITIES

11.1 Deferred tax assets

Deferred tax assets are attributable to the followings:-

	Group	
	2020 RM'000	2019 RM'000
Property, plant and equipment	(3)	71
Provision for retirement benefit	489	484
Unabsorbed business losses	231	114
Others	138	122
	855	791

Movement in temporary differences during the year:-

Group	1 January RM'000	Recognised in profit or loss RM'000	Exchange difference RM'000	Offset against deferred tax liabilities RM'000	31 December RM'000
2020					
Property, plant and equipment	71	(74)	-	-	(3)
Provision for retirement benefit	484	5	-	-	489
Unabsorbed business losses	114	101	16	-	231
Others	122	10	6	-	138
	791	42	22	-	855
2019					
Property, plant and equipment	(3,072)	4	-	3,139	71
Revaluation of land and buildings	(3,957)	(198)	-	4,155	-
Provision for retirement benefit	1,449	80	-	(1,045)	484
Unabsorbed business losses	-	115	(1)	-	114
Unabsorbed reinvestment allowances	6,922	-	-	(6,922)	-
Others	840	(665)	(2)	(51)	122
	2,182	(664)	(3)	(724)	791

11.2 Deferred tax liabilities

Deferred tax liabilities are attributable to the followings:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment	58,903	59,484	57	46
Revaluation of land and buildings	70,095	71,096	3,656	3,726
Provision for retirement benefit	(10,679)	(10,146)	(1,694)	(1,556)
Unabsorbed business losses	(1,587)	(1,583)	(845)	(845)
Unabsorbed capital allowances	(4,745)	(4,721)	(780)	(762)
Unabsorbed reinvestment allowances	(9,078)	(21,450)	-	-
Others	(4,095)	(3,424)	(38)	(28)
	98,814	89,256	356	581

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Movement in temporary differences during the year:-

Group	1 January 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 RM'000
2020						
Property, plant and equipment	59,484	(665)	-	84	-	58,903
Revaluation of land and buildings	71,096	(1,001)	-	-	-	70,095
Provision for retirement benefit	(10,146)	(533)	-	-	-	(10,679)
Unabsorbed business losses	(1,583)	(4)	-	-	-	(1,587)
Unabsorbed capital allowances	(4,721)	(24)	-	-	-	(4,745)
Unabsorbed reinvestment allowances	(21,450)	12,372	-	-	-	(9,078)
Others	(3,424)	(671)	-	-	-	(4,095)
	89,256	9,474	-	84	-	98,814

2019

Property, plant and equipment	54,715	1,652	-	(22)	3,139	59,484
Revaluation of land and buildings	67,148	(1,007)	800	-	4,155	71,096
Provision for retirement benefit	(9,526)	425	-	-	(1,045)	(10,146)
Unabsorbed business losses	(2,904)	1,321	-	-	-	(1,583)
Unabsorbed capital allowances	(4,925)	204	-	-	-	(4,721)
Unabsorbed reinvestment allowances	(28,022)	13,494	-	-	(6,922)	(21,450)
Others	(1,537)	(1,836)	-	-	(51)	(3,424)
	74,949	14,253	800	(22)	(724)	89,256

Company	1 January RM'000	Recognised in profit or loss RM'000	31 December RM'000
2020			
Property, plant and equipment	46	11	57
Revaluation of land and buildings	3,726	(70)	3,656
Provision for retirement benefit	(1,556)	(138)	(1,694)
Unabsorbed business losses	(845)	-	(845)
Unabsorbed capital allowances	(762)	(18)	(780)
Others	(28)	(10)	(38)
	581	(225)	356

2019

Property, plant and equipment	59	(13)	46
Revaluation of land and buildings	3,797	(71)	3,726
Provision for retirement benefit	(1,563)	7	(1,556)
Unabsorbed business losses	(782)	(63)	(845)
Unabsorbed capital allowances	(723)	(39)	(762)
Others	(6)	(22)	(28)
	782	(201)	581

11.3 Unrecognised deferred tax assets

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

	Group	
	2020 RM'000	2019 RM'000
Unabsorbed business losses	11,931	12,139
Unabsorbed capital allowances	10,999	12,715
Unabsorbed reinvestment allowances	26,091	26,091
Provision for retirement benefit	2,721	4,242
Others	-	122
	51,742	55,309

Included in the unabsorbed business losses for subsidiaries in China and Vietnam are as follows:-

	2020			2019		
	RM'000	RMB'000	Expiring year	RM'000	RMB'000	Expiring year
China	1,756	2,859	2021 - 2024	2,105	3,588	2020 - 2024
	RM'000	VND'000	Expiring year	RM'000	VND'000	Expiring year
Vietnam	152	835,341	2024 - 2025	-	-	-

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

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

12. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
Raw materials	115,068	122,038
Consumables	36,383	34,283
Work-in-progress	5,834	7,112
Finished goods	85,224	98,192
Goods-in-transit	2,809	2,105
	245,318	263,730

Recognised in profit or loss:-

	Group	
	2020 RM'000	2019 RM'000
Inventories recognised as cost of sales	1,129,023	1,236,839
Inventories written down	847	179
Inventories written off	258	816
Reversal of inventories written down	(24)	(5)

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13. TRADE RECEIVABLES

	Group	
	2020 RM'000	2019 RM'000
Trade receivables	285,806	265,741
Less: Allowances for impairment loss	(13,428)	(11,879)
	272,378	253,862

13.1 Normal trade credit terms granted to customers range from cash term to 120 days (2019: 24 to 120 days). Trade receivables are recognised at invoice amounts and they are non-interest bearing.

Included in trade receivables is an amount of RM529,000 (2019: RM479,000) due from subsidiaries of Asia File Corporation Bhd., a substantial shareholder of the Company.

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

	Group	
	2020 RM'000	2019 RM'000
United States Dollar	20,159	19,024
Australian Dollar	2,520	2,930
Singapore Dollar	4,372	6,418
Euro	184	617

13.3 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 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
2020						
Expected credit loss rate	0.1% - 2.0%	0.2% - 9.0%	0.1% - 31.6%	0.7% - 86.5%	0.8% - 100%	
Gross carrying amount	226,595	37,172	8,800	2,032	11,207	285,806
Expected credit loss	1,642	1,016	362	360	10,048	13,428
2019						
Expected credit loss rate	0.5% - 9.5%	0.3% - 19.1%	1.0% - 20.8%	0.4% - 100%	2.5% - 100%	
Gross carrying amount	199,359	40,332	11,328	3,486	11,236	265,741
Expected credit loss	3,540	1,663	861	515	5,300	11,879

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

Group	2020 RM'000	2019 RM'000
Brought forward	11,879	8,935
Charge for the financial year	2,920	4,894
Reversal of impairment losses	(1,216)	(1,565)
Amount written off	(169)	(377)
Translation difference	14	(8)
Carried forward	13,428	11,879

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

14. OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits	32,123	19,481	71	71
Less: Allowances for impairment losses	(61)	(61)	-	-
	32,062	19,420	71	71
Non-trade receivables	3,521	2,269	111	111
Prepayments	10,657	8,596	122	60
Goods and Services Tax recoverable	372	1,016	-	-
	46,612	31,301	304	242

14.1 Impairment

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

	Group	
	2020 RM'000	2019 RM'000
Brought forward/ Carried forward	61	61

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

	Group	
	2020 RM'000	2019 RM'000
United States Dollar	3,771	2,470
Singapore Dollar	24	-
Euro	1,467	-
China Renminbi	40	40
Others	209	-

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2020 RM'000	2019 RM'000
At fair value:-		
Quoted investment in Malaysia	5,211	5,063
Market value of quoted investment in Malaysia	5,211	5,063

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16. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract/ Notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Current			
Forward currency contracts			
2020	6,405	13	-
2019	20,617	144	-

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.

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	90,148	102,281	292	3,033
Fixed deposits with licensed banks	13,921	9,609	-	-
Short-term placements with financial institutions	22,630	22,267	18,814	14,635
	126,699	134,157	19,106	17,668

Fixed deposits amounting to RM6,770,000 (2019: RM1,248,000) 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	
	2020 RM'000	2019 RM'000
United States Dollar	5,881	8,299
Singapore Dollar	1,171	2,206
Australia Dollar	470	637
Euro	469	68
Others	798	2,184

18. ASSET INCLUDED IN DISPOSAL GROUP AS HELD FOR SALE

	Group	
	2020 RM'000	2019 RM'000
Investment properties		
- Leasehold land and building (Note 7)	-	4,300

In December 2019, a sale and purchase agreement has been entered by a subsidiary with a third party for a disposal of an investment property of the Group. The transaction has been withdrawn subsequently in 2020 and reclassified to investment properties.

19. SHARE CAPITAL

Group and Company

	2020 Number of ordinary shares ('000)	2019 Number of ordinary shares ('000)	2020 RM'000	2019 RM'000
Issued and fully paid-up with no par value	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.

20. RESERVES

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

The above reserves are not available for distribution as dividends.

21. RETAINED EARNINGS

The entire retained earnings of the Company as of 31 December 2020 is available for distribution as dividends to its shareholders under the single tier system.

22. BORROWINGS

	Group	
	2020 RM'000	2019 RM'000
Current		
Secured:-		
Term loans	1,139	3,571
Revolving credit	1,229	587
Unsecured:-		
Bankers acceptance	193,678	256,838
Flexi financing loans	9,752	15,840
Onshore foreign currency loan	2,000	-
Revolving credit	95,700	99,200
Term loans	27,595	28,261
Trust receipts	48	-
	331,141	404,297
Non-current		
Secured:-		
Term loans	-	1,785
Unsecured:-		
Term loans	69,687	90,875
	69,687	92,660
Total borrowings	400,828	496,957

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Currency exposure profile of the borrowings is as follows:-

	Group	
	2020 RM'000	2019 RM'000
United States Dollar	2,000	-

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 2020, buildings have been pledged by certain foreign subsidiaries as security for banking facilities as disclosed in Note 4 to the financial statements.

Interest on borrowings is charged at rates ranging from 1.1% to 6.5% (2019: 2.9% to 6.5%) per annum.

Term loans are repayable on monthly or quarterly basis.

23. LEASE LIABILITIES

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Lease liabilities				
Current	17,915	17,364	403	230
Non-current	34,730	27,686	1,531	611
Net present values	52,645	45,050	1,934	841

23.2 Future minimum lease payments at year end are as follows:-

	Minimum lease payment due			
	Within 1 year RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group				
31 December 2020				
Lease payments	20,205	37,304	30	57,539
Finance charges	(2,290)	(2,604)	-	(4,894)
Net present values	17,915	34,700	30	52,645
31 December 2019				
Lease payments	19,527	29,657	-	49,184
Finance charges	(2,163)	(1,971)	-	(4,134)
Net present values	17,364	27,686	-	45,050

	← Minimum lease payment due →		
	Within 1 year	2 to 5 years	Total
	RM'000	RM'000	RM'000
Company			
31 December 2020			
Lease payments	472	1,639	2,111
Finance charges	(69)	(108)	(177)
Net present values	403	1,531	1,934
31 December 2019			
Lease payments	263	649	912
Finance charges	(33)	(38)	(71)
Net present values	230	611	841

Currency exposure profile of the lease liabilities is as follows:-

	Group	
	2020	2019
	RM'000	RM'000
United States Dollar	8,436	-

23.3 Lease payments not recognised as a liability

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

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Short-term leases				
- Cost of sales	5,197	6,120	-	-
- Administrative expenses	156	171	216	216
Leases of low value assets	461	173	-	-
	5,814	6,464	216	216

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24. 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:-

24.1 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.

24.2 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.

24.3 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Defined benefit liability brought forward	49,981	50,756	6,485	5,936
Current service costs	2,909	2,777	234	227
Net interests	2,858	2,702	340	322
Reclassification as gratuity	-	(3,888)	-	-
Benefit paid	(2,876)	(2,366)	-	-
Defined benefit liability carried forward	52,872	49,981	7,059	6,485

24.4 Actuarial assumptions

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

Core assumption

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

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

	Sensitivity analysis	Effect on defined benefit liability increase/ (decrease) RM'000	Effect on defined benefit liability increase/ (decrease) %
Group 2020			
Discount rate	1.0% increase	(4,150)	(7%)
Future salary growth	1.0% increase	6,113	11%
2019			
Discount rate	1.0% increase	(4,113)	(8%)
Future salary growth	1.0% increase	5,454	11%
Company 2020			
Discount rate	1.0% increase	(236)	(3%)
Future salary growth	1.0% increase	412	6%
2019			
Discount rate	1.0% increase	(377)	(6%)
Future salary growth	1.0% increase	269	4%

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.

24.5 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current service costs	2,909	2,777	234	227
Net interests	2,858	2,702	340	322
Total expenses recognised in profit or loss	5,767	5,479	574	549

24.6 Other information on the defined benefit plan

The weighted average duration of the defined benefit liability of the Group and of the Company is 8.31 years and 3.87 years respectively (2019: 8.68 years and 4.67 years respectively). The Group and the Company are expected to make benefit payment of RM2,201,000 and RM243,000 respectively in 2021 (RM2,911,000 and RM216,000 respectively in 2020).

25. TRADE PAYABLES

Currency exposure profile of trade payables are as follows:-

	Group	
	2020 RM'000	2019 RM'000
United States Dollar	3,782	1,921
China Renminbi	269	335
Singapore Dollar	3	4
Others	101	196

Normal trade credit terms granted by suppliers range from cash term to 90 days (2019: 7 to 120 days).

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26. OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-trade payables	34,038	33,473	-	-
Deposits received	1,998	269	80	80
Accruals	55,396	51,926	2,404	1,926
Goods and Services Tax payable	1,864	1,640	-	-
Sales Tax payable	1,333	1,188	-	-
	94,629	88,496	2,484	2,006

Currency exposure profile of other payables are as follows:-

	Group	
	2020 RM'000	2019 RM'000
United States Dollar	1,851	1,647
Singapore Dollar	136	68
China Renminbi	209	691
Euro	277	430
Others	24	34

27. BANK OVERDRAFTS

	Group	
	2020 RM'000	2019 RM'000
Unsecured	4,854	10,087

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 on bank overdrafts is charged at rates ranging from 5.3% to 7.4% (2019: 5.3% to 8.5%) per annum.

28. REVENUE

Revenue comprises of the following:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contract with customers	1,425,642	1,518,421	-	-
Revenue from other sources				
- Dividend income from subsidiaries	-	-	28,616	20,332
- Dividend income from quoted investment in Malaysia	155	174	155	174
- Management fees from subsidiaries	-	-	8,110	7,520
	1,425,797	1,518,595	36,881	28,026

28.1 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
2020				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	1,166,460	-	-	1,166,460
Trading of school books, uniforms and stationery	-	124,094	-	124,094
Trading of paper related products and agency commission earned	-	34,948	-	34,948
Others	100,066	-	74	100,140
	1,266,526	159,042	74	1,425,642
Primary geographical markets				
Malaysia	1,238,600	24,272	74	1,262,946
Republic of Singapore	15,825	129,708	-	145,533
The People's Republic of China	12,101	-	-	12,101
Australia	-	5,062	-	5,062
	1,266,526	159,042	74	1,425,642
Timing of revenue recognition				
Products and services transferred at a point in time	1,266,526	159,042	74	1,425,642
Revenue from contracts with customers	1,266,526	159,042	74	1,425,642
Other revenue	-	-	155	155
External revenue as reported in Note 44	1,266,526	159,042	229	1,425,797
2019				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	1,234,488	-	-	1,234,488
Trading of school books, uniforms and stationery	-	121,368	-	121,368
Trading of paper related products and agency commission earned	-	52,034	-	52,034
Others	110,435	-	96	110,531
	1,344,923	173,402	96	1,518,421
Primary geographical markets				
Malaysia	1,316,455	34,497	96	1,351,048
Republic of Singapore	14,604	133,534	-	148,138
The People's Republic of China	13,864	-	-	13,864
Australia	-	5,371	-	5,371
	1,344,923	173,402	96	1,518,421
Timing of revenue recognition				
Products and services transferred at a point in time	1,344,923	173,402	96	1,518,421
Revenue from contracts with customers	1,344,923	173,402	96	1,518,421
Other revenue	-	-	174	174
External revenue as reported in Note 44	1,344,923	173,402	270	1,518,595

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29. OTHER INCOME

Other income comprises of the following material items:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bad debts recovered	8	132	-	-
Gain on disposal of property, plant and equipment	1,162	1,557	222	246
Gain on foreign exchange				
- unrealised	410	190	-	-
Interest income	1,123	851	479	396
Rental income				
- third parties	398	646	217	297
Fair value gain on financial assets at FVTPL	-	10	-	10
Fair value gain on derivative financial instruments	-	158	-	-
Reversal of inventories written down	24	5	-	-
Reversal of impairment loss on investment in associates	1,471	-	-	-

30. OTHER EXPENSES

Other expenses comprise of the following material items:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bad debts written off	64	307	-	-
Capital work-in-progress written off	457	-	-	-
Fair value adjustments on investment properties	510	80	-	-
Fair value loss on derivative financial instruments	131	-	-	-
Fair value loss on financial assets at FVTPL	7	-	7	-
Impairment loss on capital work-in-progress	-	15,603	-	-
Impairment loss on investment in associates	-	887	-	-
Inventories written down	847	179	-	-
Inventories written off	258	816	-	-
Loss on foreign exchange				
- realised	196	888	-	-
Property, plant and equipment written off	1,942	222	1	3

31. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expenses on:-				
Bank overdrafts	497	1,082	2	1
Bankers acceptance	7,456	11,978	-	-
Flexi financing loans	450	607	-	-
Lease liabilities	2,447	3,138	57	44
Onshore foreign currency loan	32	67	-	-
Revolving credit	3,735	4,796	-	-
Term loans	4,864	6,979	-	-
Recognised in profit or loss	19,481	28,647	59	45
Capitalised on qualifying assets:-				
- capital work-in-progress (Note 6)	412	401	-	-
	19,893	29,048	59	45

32. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salary, wages and other allowances	175,593	175,136	5,627	5,098
Defined contribution plan	14,541	14,158	535	496
Defined benefit plan	5,767	5,479	574	549
	195,901	194,773	6,736	6,143

Included in profit or loss was RM10,957,000 (2019: RMNil) of government grants obtained relating to wage subsidy of the Group's employees.

The Group has elected to present government grants by reducing the employee benefits expenses. The Group had committed to spend the wages subsidy on employees' payroll expenses and does not reduce any employee headcount for a specified period of time. The Group does not have any unfulfilled obligations relating to the wage subsidy programmes.

33. DIRECTORS' REMUNERATION

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

	Fees RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Group						
2020						
Executive Directors	515	2,472	740	601	104	4,432
Non-Executive Directors	678	-	-	2,023	52	2,753
	1,193	2,472	740	2,624	156	7,185
2019						
Executive Directors	431	2,470	640	624	116	4,281
Non-Executive Directors	327	-	-	1,117	31	1,475
	758	2,470	640	1,741	147	5,756
Company						
2020						
Executive Directors	120	2,472	740	492	104	3,928
Non-Executive Directors	360	-	-	912	31	1,303
	480	2,472	740	1,404	135	5,231
2019						
Executive Directors	130	2,304	640	504	111	3,689
Non-Executive Directors	240	-	-	613	31	884
	370	2,304	640	1,117	142	4,573

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 RM156,000 (2019: RM147,000) and RM135,000 (2019: RM142,000) respectively.

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34. TAX EXPENSE/(INCOME)

Tax recognised in profit or loss

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax expense				
Current year	13,806	10,080	46	79
(Over)/Under provision in prior years	(609)	258	1	523
Total current tax recognised in profit or loss	13,197	10,338	47	602
Deferred tax expense				
Origination and reversal of temporary differences	11,559	12,632	(149)	(183)
(Over)/Under provision in prior years	(1,131)	3,306	(5)	53
Realisation of deferred tax upon depreciation of revalued assets	(996)	(1,021)	(71)	(71)
Total deferred tax recognised in profit or loss	9,432	14,917	(225)	(201)
Total tax expense/(income)	22,629	25,255	(178)	401

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	120,027	66,049	27,041	18,966
Tax at Malaysian statutory tax rate of 24%	28,806	15,852	6,490	4,552
Tax effects in respect of:-				
Expenses not deductible for tax purposes	4,475	8,571	457	500
Income not subject to tax	(3,458)	(861)	(7,050)	(5,156)
Realisation of deferred tax upon depreciation of revalued assets	(996)	(1,021)	(71)	(71)
(Over)/Under provision in prior years				
- Current tax	(609)	258	1	523
- Deferred tax	(1,131)	3,306	(5)	53
Movement on deferred tax assets not recognised	(236)	(198)	-	-
Utilisation of reinvestment allowances	(2,676)	(337)	-	-
Effect of different tax rate for fair value in investment properties	12	(18)	-	-
Different tax rates of foreign subsidiaries	(1,558)	(297)	-	-
	22,629	25,255	(178)	401

Tax recognised in other comprehensive income

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revaluation of land and buildings	-	800	-	-

35. PROFIT FOR THE FINANCIAL YEAR

Profit for the financial year is arrived after charging:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration:-				
- Audit fees				
Grant Thornton Malaysia PLT	378	375	44	44
Other member firm of Grant Thornton International Limited	20	-	-	-
Other Auditors	279	268	-	-
- Non-audit fees				
Grant Thornton Malaysia PLT	380	202	152	56
Material expenses				
Depreciation of property, plant and equipment	64,494	65,050	519	621
Depreciation of right-of-use assets	12,012	11,767	422	316
Expenses arising from leases				
Expense relating to short-term leases	5,353	6,291	216	216
Expense relating to lease of low-value assets	461	173	-	-

In the previous financial year, gratuity of RM3,888,000 was paid by the Group upon the demise of a Director. The amount was provided for as part of the retirement benefit as disclosed in Note 24.3 to the financial statements.

36. 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 RM90,020,000 (2019: RM39,337,000) and weighted average number of ordinary shares in issue during the financial year of 305,050,835 (2019: 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.

37. DIVIDENDS

	Group and Company RM'000
Recognised in the year	
2020	
First and final single tier dividend for financial year 2019:-	
4.0 sen per share	12,202
2019	
First and final single tier dividend for financial year 2018:-	
4.5 sen per share	13,727

After the end of the reporting period, a first and final single tier dividend of 5.0 sen per share on 305,050,835 ordinary shares, amounting to RM15,252,541 will be recognised in subsequent financial period upon approval by the shareholders of the Company.

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38. CAPITAL COMMITMENTS

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

	Group	
	2020 RM'000	2019 RM'000
Contracted but not provided for	76,568	23,442
Made up of:-		
Land and buildings	34,174	1,678
Plant and machineries	40,033	20,673
Computer system and others	2,361	1,091
	76,568	23,442

39. CONTINGENT LIABILITIES

	Company	
	2020 RM'000	2019 RM'000
Unsecured:-		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,193,814	1,242,491
Guarantees given to third parties for supply of goods and services to subsidiaries	5,781	5,647
	1,199,595	1,248,138

40. RELATED PARTY

For the purpose of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities. Related parties also include key management personnel.

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

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 8, 9 and 13 to the financial statements.

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

40.1 Transactions with subsidiaries

	Company	
	2020 RM'000	2019 RM'000
Lease rental payable	216	216
Secretarial and statutory records maintenance fee payable	120	120
Stationery expenses payable	4	12
Office administration fee payable	504	480
Share registration fee payable	130	120
Interest income	1	57
Dividend income receivable	28,616	20,332
Management fee receivable	8,110	7,520

40.2 Transactions with associates

	Group	
	2020 RM'000	2019 RM'000
Sales of goods	438	808
Purchase of goods	8,527	8,908
Dividend income receivable	171	82
Management fee receivable	43	73

40.3 Recurrent related party transactions with substantial shareholder

	Group	
	2020 RM'000	2019 RM'000
Sale of goods to:-		
- Asia File Products Sdn. Bhd.	1,520	1,595
- AFP Composite Sdn. Bhd.	395	256
- Formosa Technology Sdn. Bhd.	21	14
	1,936	1,865

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

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40.4 Transaction with certain Directors

	Group	
	2020 RM'000	2019 RM'000
Tri-yen Enterprise Sdn. Bhd.		
Lease rental payable	144	144

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

40.5 Compensation of key management personnel

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

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

	Group	
	2020 RM'000	2019 RM'000
Fees, salaries, bonus and other emoluments	6,278	5,799
Benefit-in-kind	104	116
	6,382	5,915

41. 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. The Group has established policies and procedures to ensure effective management of credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risk.

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

41.1 Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group 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, trade and other receivables and derivative financial instruments is limited because the counterparties are banks and financial institutions with high credit ratings and have no history of default.

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

An impairment analysis is performed at each reporting date using a provision of matrix to measure expected credit losses ("ECLs"). 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 13 to the financial statements.

41.1.1 Exposure to credit risk

Maximum exposure of the Group and of the Company to credit risk is represented by the carrying amounts of financial assets recognised at the reporting date summarised below:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets:-				
Short-term placements with financial institutions	22,630	22,267	18,814	14,635
Cash and bank balances	90,148	102,281	292	3,033
Fixed deposits with licensed banks	13,921	9,609	-	-
Trade receivables	272,378	253,862	-	-
Other receivables	35,583	21,689	182	182
Amount due from subsidiaries	-	-	29,496	15,060
Amount due from associates	1,068	1,644	870	880
Carrying amounts	435,728	411,352	49,654	33,790

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

The Company provides secured financial guarantees to financial institutions in respect of credit facilities granted to certain subsidiaries. The maximum exposure to credit risk is as disclosed in Note 39 as at the reporting date. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default in payment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

41.2 Liquidity risk

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

41.2.1 Analysis of financial liabilities by remaining contractual maturity period

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

	Current Within 1 year RM'000	Non-current 2 to 5 years RM'000	Non-current More than 5 years RM'000
Group			
2020			
Non-derivative financial liabilities			
Borrowings	335,194	74,081	867
Bank overdrafts	4,854	-	-
Lease liabilities	20,205	37,304	30
Trade payables	63,407	-	-
Other payables	91,431	-	-
Amount due to associates	2,375	-	-
Total undiscounted financial liabilities	517,466	111,385	897

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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
2019			
<i>Non-derivative financial liabilities</i>			
Borrowings	410,403	99,630	2,224
Bank overdrafts	10,087	-	-
Lease liabilities	19,527	29,657	-
Trade payables	68,399	-	-
Other payables	85,668	-	-
Amount due to associates	1,294	-	-
Total undiscounted financial liabilities	595,378	129,287	2,224
Company			
2020			
<i>Non-derivative financial liabilities</i>			
Lease liabilities	472	1,639	-
Other payables	2,484	-	-
Amount due to subsidiaries	15	-	-
Total undiscounted financial liabilities	2,971	1,639	-
2019			
<i>Non-derivative financial liabilities</i>			
Lease liabilities	263	649	-
Other payables	2,006	-	-
Amount due to subsidiaries	12	-	-
Total undiscounted financial liabilities	2,281	649	-

The above amounts reflected the contractual undiscounted cash flows of the financial liabilities, which may differ from carrying values of the liabilities at the end of the financial year.

41.3 Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash 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.

41.3.1 Interest rate sensitivity analysis

The Group and the Company are exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The following is interest rate profile of the significant interest-bearing financial instruments, based on carrying amounts as at the reporting date:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
<u>Financial asset</u>				
Fixed deposits with licensed banks	13,921	9,609	-	-
<u>Financial liabilities</u>				
Lease liabilities	(52,645)	(45,050)	(1,934)	(841)
Net financial liabilities	(38,724)	(35,441)	(1,934)	(841)
Floating rate instruments				
<u>Financial asset</u>				
Short-term placements with financial institutions	22,630	22,267	18,814	14,635
<u>Financial liabilities</u>				
Bankers acceptance	(193,678)	(256,838)	-	-
Flexi financing loans	(9,752)	(15,840)	-	-
Onshore foreign currency loan	(2,000)	-	-	-
Revolving credit	(96,929)	(99,787)	-	-
Term loans	(98,421)	(124,492)	-	-
Trust receipts	(48)	-	-	-
Bank overdrafts	(4,854)	(10,087)	-	-
Total financial liabilities	(405,682)	(507,044)	-	-
Net financial (liabilities)/assets	(383,052)	(484,777)	18,814	14,635

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2019: +/-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
2020	(728)	728	36	(36)
2019	(921)	921	28	(28)

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41.4 Foreign currency risk

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

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

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

Group	USD RM'000	AUD RM'000	SGD RM'000	EURO RM'000	RMB RM'000	Others RM'000
2020						
Trade and other receivables	23,930	2,520	4,396	1,651	40	209
Deposits, cash and bank balances	5,890	470	1,171	469	507	291
Trade and other payables	(5,633)	(24)	(139)	(277)	(478)	(101)
Amount due to associates	(1,766)	-	(609)	-	-	-
Borrowings	(2,000)	-	-	-	-	-
Lease liabilities	(8,436)	-	-	-	-	-
Net exposure	11,985	2,966	4,819	1,843	69	399
2019						
Trade and other receivables	21,494	2,930	6,418	617	40	-
Deposits, cash and bank balances	8,299	637	2,206	68	559	1,625
Trade and other payables	(3,568)	-	(72)	(430)	(1,026)	(230)
Amount due to associates	-	-	(1,294)	-	-	-
Net exposure	26,225	3,567	7,258	255	(427)	1,395

41.4.1 Foreign currency sensitivity analysis

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

A +/-5% (2019: +/-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	
2020	(455)	(113)	(183)	(70)	(3)	(15)	(839)
2019	(997)	(136)	(276)	(10)	16	(53)	(1,456)

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

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

41.5 Other price risk sensitivity analysis

The Group and the Company are exposed to equity price risk due to fluctuation in prices of quoted securities under financial assets at FVTPL (Note 15). The movements in quoted price of these securities are monitored continuously.

An increase or a decrease of 1% (2019: 1%) in the prices of the quoted securities would result in an increase or a decrease of RM40,000 (2019: RM39,000) to the profit or loss of the Group and of the Company.

42. FAIR VALUE MEASUREMENT

42.1 Group

42.1.1 Fair value measurement of financial instruments

The carrying amounts of financial assets of the Group at reporting date approximate their fair values because they are floating rate instruments which are re-priced to market rates on or near reporting date or they have a short maturity period.

The following table summarises the methods used in determining the fair value of financial assets on a recurring basis as at 31 December 2020 and 31 December 2019:-

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2020 RM'000	2019 RM'000		
1) Foreign currency forward contracts	13	144	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Financial assets at FVTPL	5,211	5,063	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and Level 2 in 2020 and 2019.

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42.1.2 Fair value measurement of non-financial assets

The following table summarises the methods used in determining the fair value of non-financial assets on a recurring basis as at 31 December 2020 and 31 December 2019:-

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
	2020 RM'000	2019 RM'000				
1) Property, plant and equipment	Land 395,122	Land 397,199	Level 3	Comparison approach which reflects recent market transactions for similar properties.	Adjustment for factors such as plot size, location, encumbrances and current use.	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 294,724	Buildings 300,854		Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Adjustment for factors such as physical deterioration, functional and economic obsolescence.	Depreciation is deducted to reflect the current condition of the buildings and structures.
2) Investment property	Land 7,340	Land 5,240	Level 3	Comparison approach which reflects recent market transactions for similar properties.	Adjustment for factors such as plot size, location, encumbrances and current use.	The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as starting point for valuation.
	Buildings 3,330	Buildings 1,640		Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Adjustment for factors such as physical deterioration, functional and economic obsolescence.	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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Brought forward	397,199	384,235	300,854	308,172	5,240	7,610	1,640	3,650
Transfer from/(to) asset included in disposal group as held for sale	-	-	-	-	2,400	(2,400)	1,900	(1,900)
Adjustment on transition to MFRS 16	-	4,284	-	-	-	-	-	-
Revaluation	-	11,155	-	-	-	-	-	-
(Expenses)/Income recognised in profit or loss:-								
- (Decrease)/Increase in fair value of land and buildings*	-	-	-	-	(300)	30	(210)	(110)
- Depreciation	(2,519)	(2,164)	(7,016)	(7,025)	-	-	-	-
Translation difference	442	(311)	886	(293)	-	-	-	-
Carried forward	395,122	397,199	294,724	300,854	7,340	5,240	3,330	1,640

* Total amount included in profit or loss for unrealised (losses)/gains

42.2 Company

42.2.1 Fair value measurement of financial instruments

The carrying amount of financial asset of the Company at reporting date approximates its fair value because it is floating rate instrument which is re-priced to market rates on or near reporting date or it has a short maturity period.

The following table summarises the method used in determining the fair value of financial assets on a recurring basis as at 31 December 2020 and 31 December 2019:-

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2020 RM'000	2019 RM'000		
Financial assets at FVTPL	5,211	5,063	Level 1	Quoted bid prices in an active market.

There was no transfer to Level 2 in 2020 and 2019.

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42.2.2 Fair value measurement of non-financial assets

The following table summarises the methods used in determining the fair value of non-financial assets on a recurring basis as at 31 December 2020 and 31 December 2019:-

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
	2020 RM'000	2019 RM'000				
Property, plant and equipment	Land 16,748	Land 17,072	Level 3	Comparison approach which reflects recent market transactions for similar properties.	Adjustment for factors such as plot size, location, encumbrances and current use.	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 2,481	Buildings 2,548		Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Adjustment for factors such as physical deterioration, functional and economic obsolescence.	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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Brought forward	17,072	17,395	2,548	2,615
Expenses recognised in profit or loss:-				
- Depreciation	(324)	(323)	(67)	(67)
Carried forward	16,748	17,072	2,481	2,548

43. 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 2020 and 31 December 2019.

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 2020 and 2019 are reported below:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Borrowings (including lease liabilities and bank overdraft)	458,327	552,094	1,934	841
Total equity	1,166,459	1,081,769	304,086	289,069
Debt-to-equity ratio	0.39	0.51	*	*

* Less than 0.1

44. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000		2020 RM'000	2019 RM'000
Revenue											
External revenue	1,266,526	1,344,923	159,042	173,402	229	270	-	-		1,425,797	1,518,595
Intersegment revenue	16,249	22,619	153,312	201,931	8,110	7,313	(177,671)	(231,863)	A	-	-
Total revenue	1,282,775	1,367,542	312,354	375,333	8,339	7,583	(177,671)	(231,863)		1,425,797	1,518,595
Results											
Segment profit	118,924	93,767	20,327	8,651	45,661	26,419	(49,042)	(33,538)	B	135,870	95,299
Interest income	303	206	354	251	638	800	(172)	(406)		1,123	851
Finance cost	(19,499)	(28,712)	(821)	(1,049)	(158)	(143)	997	1,257		(19,481)	(28,647)
Depreciation and amortisation	(71,338)	(71,490)	(3,694)	(3,911)	(1,474)	(1,416)	-	-		(76,506)	(76,817)
Share of profit/(loss) of associates	-	-	2,515	(1,454)	-	-	-	-		2,515	(1,454)
Other non-cash (expenses)/income	(4,343)	(19,208)	1,331	(636)	159	332	-	-	C	(2,853)	(19,503)
Assets											
Segment assets	1,688,447	1,701,826	150,224	141,661	67,223	60,218	-	-	D	1,905,894	1,903,705
Investment in associates	-	-	21,290	17,500	-	-	-	-		21,290	17,500
Additions to non-current assets other than financial instruments and deferred tax assets	65,810	65,827	4,764	2,255	2,520	590	-	-	E	73,094	68,672
Segment liabilities	169,843	167,820	32,834	30,938	10,606	9,412	-	-	F	213,283	208,170

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A. Intersegment revenue is 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:-

	2020 RM'000	2019 RM'000
Segment profit	135,870	95,299
Interest income	1,123	851
Finance costs	(19,481)	(28,647)
Share of profit/(loss) of associates	2,515	(1,454)
Profit before tax	120,027	66,049

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

	2020 RM'000	2019 RM'000
Impairment loss on investment in associates	-	(887)
Reversal of impairment loss on investment in associates	1,471	-
Impairment loss on capital work-in-progress	-	(15,603)
Impairment loss on doubtful trade receivables	(2,920)	(4,894)
Bad debts written off	(64)	(307)
Capital work-in-progress written off	(457)	-
Fair value (loss)/gain on derivative financial instruments	(131)	158
Fair value (loss)/gain on financial assets at FVTPL	(7)	10
Property, plant and equipment written off	(1,942)	(222)
Inventories written down	(847)	(179)
Inventories written off	(258)	(816)
Fair value adjustments on investment properties	(510)	(80)
Impairment loss on doubtful trade receivables no longer required	1,216	1,565
Reversal of inventories written down	24	5
Gain on disposal of property, plant and equipment	1,162	1,557
Unrealised gain on foreign exchange	410	190
	(2,853)	(19,503)

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

	2020 RM'000	2019 RM'000
Segment assets	1,905,894	1,903,705
Intangible assets	11,656	11,663
Investment in associates	21,290	17,500
Deferred tax assets	855	791
Tax recoverable	1,066	794
Total assets	1,940,761	1,934,453

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

	2020 RM'000	2019 RM'000
Property, plant and equipment	32,294	17,859
Capital work-in-progress	40,800	50,813
	73,094	68,672

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

	2020 RM'000	2019 RM'000
Segment liabilities	213,283	208,170
Lease liabilities	52,645	45,050
Borrowings and bank overdrafts	405,682	507,044
Tax payable	3,878	3,164
Deferred tax liabilities	98,814	89,256
Total liabilities	774,302	852,684

Geographical information

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

	Revenue		Non-current assets	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia*	1,263,101	1,351,222	1,175,926	1,181,094
Republic of Singapore	145,533	148,138	11,619	8,790
The People's Republic of China	12,101	13,864	14,435	13,956
Australia	5,062	5,371	18,271	17,327
	1,425,797	1,518,595	1,220,251	1,221,167

* Company's home country

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

	2020 RM'000	2019 RM'000
Property, plant and equipment	1,154,963	1,145,330
Capital work-in-progress	42,962	57,294
Investment properties	10,670	6,880
Intangible assets	11,656	11,663
	1,220,251	1,221,167

Major customers

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

45. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Coronavirus ("COVID-19") pandemic was announced by the World Health Organisation on 11 March 2020. On 16 March 2020, the Malaysia Government imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 pandemic has caused disruptions to businesses and various macroeconomics globally.

The Group has assessed the overall impact of this situation towards the Group's and the Company's operations, financial performance and cash flows and concluded that there is no material adverse effect on the Group's and the Company's financial statements for the financial year ended 31 December 2020 except for the temporary suspension of operations at the early stage of the MCO or the lockdown period. Currently, the Group's production and sales activities are normal and are in stable operations. The Directors will continue to ensure that the standard operating procedures are strictly followed.

46. SUBSEQUENT EVENTS

- On 12 August 2020, Federal Packages Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Share Sale and Purchase Agreement to acquire 60% equity interest in Quantum Total Packages Sdn. Bhd. for a cash consideration of RM15,000,000. The transaction was completed on 2 February 2021.
- On 19 February 2021, the Company entered into a Share Sale and Purchase Agreement to acquire 100% equity interest in South East Asia Paper Products Sdn. Bhd. for a cash consideration of RM22,500,000. The transaction was completed on 1 March 2021.

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PROPERTIES OWNED BY THE GROUP

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Location	Description of Property	Land Area (Sq. Metre)	Existing Use	Net Carrying Amount RM'000	Age of Building (Approx. Years)	Date of (A) Acquisition / (B) Revaluation / (C) Fair Value
CENTRAL MALAYA PAPER SDN. BHD.						
No. 15, Jalan Wawasan 2 Kawasan Perindustrian Sri Gading 83009 Batu Pahat, Johor Darul Takzim 60 Years Lease Expiring 2053	Industrial Building	5,026	Office & Warehouse	2,191	21	(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	3,551	17	(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	810	32	(C) 27-07-20
No. 101-D, Lintang Kampung Jawa 11900 Bayan Lepas, Penang 60 Years Lease Expiring 2041	Industrial Building	1,339	Office & Warehouse	2,507	29	(B) 15-08-17
No. 4858, Jalan Permatang Pauh 13400 Butterworth, Penang 99 Years Lease Expiring 2064	Industrial Building	266	Office & Warehouse	670	36	(C) 28-07-20
No. 23, Jalan Padu Kawasan Perindustrian Tampoi 80350 Johor Bahru, Johor Darul Takzim 60 Years Lease Expiring 2044	Industrial Building	6,070	Office & Warehouse	3,662	30	(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	3,303	23	(A) 07-02-17
CMP RESOURCES SDN. BHD.						
Plot 79, Lorong Perusahaan Maju 4 Kawasan Perusahaan Prai, Mukim 6 Daerah Seberang Prai Tengah 13600 Prai, Penang 60 Years Lease Expiring 2052	Industrial Building	9,337	Office & Warehouse	6,186	20	(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) 30-07-20
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	45,735	27	(B) 15-08-17
Lot 10017, Mukim 2 Daerah Seberang Perai Selatan, Penang Freehold	Industrial 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	8,840	17	(B) 22-08-17
26 Babbage Drive Dandenong South Victoria, Australia Freehold	Office & Warehouse	1,999	Office & Warehouse	9,086	3	(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	8,205	6 - 47	(B) 16-08-17
No. 136, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2070	Industrial Building	21,600	Office, Factory & Warehouse	27,977	1	(B) 16-08-17
K F PAPER PRODUCTS (MELAKA) SDN. BHD.						
Lot 1-9, Jalan Usaha 2 Taman Perindustrian Merlimau 77300 Merlimau, Melaka 99 Years Lease Expiring 2088	Industrial Building	51,770	Office, Factory & Warehouse	16,699	10	(B) 17-08-17
MUDA HOLDINGS BERHAD						
Lot 7, Jalan 51A/241 46100 Petaling Jaya Selangor Darul Ehsan 99 Years Lease Expiring 2072	Industrial Building	4,662	Office & Warehouse	19,229	47	(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	324	29	(B) 14-08-17

PROPERTIES OWNED BY THE GROUP

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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	237	27	(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	2,540	27	(B) 15-08-17
MUDA PACKAGING INDUSTRIES SDN. BHD.						
Lot 86818 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	48,363	Office & Factory	75,032	5 - 43	(B) 15-08-17
PT 87921 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	12,899	Warehouse	13,577	28	(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	2,712	-	(B) 15-08-17
Lot 57977 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Agricultural Land	3,879	Vacant	1,250	-	(B) 15-08-17
MUDA PACKAGING INDUSTRIES (QINGYUAN) LTD.						
9th Area Longtang Industrial Development Zone Qingyuan, Guangdong, China 46 Years Lease Expiring 2044	Industrial Building	36,698	Office & Factory	13,588	22	(B) 19-09-17
MUDA PAPER MILLS SDN. BHD.						
Lot 1062, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	11,539	Warehouse	11,015	6 - 29	(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	27,563	4 - 20	(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	118,222	3 - 50	(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	2,873	27	(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	16,831	5 - 28	(B) 15-08-17
Lot 5235, Taman Perindustrian Kidamai 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	21,271	Office, Factory & Open Storage Yard	23,120	3 - 9	(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	3,200	-	(C) 29-07-20
No. 1, Jalan Kilang Larkin Industrial Estate 80350 Johor Bahru, Johor Darul Takzim 60 Years Lease Expiring 2031	Industrial Building	14,012	Office & Warehouse	4,200	38	(C) 22-09-20
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	20,693	3 - 13	(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	96,324	1 - 55	(B) 15-08-17
Lot 123, 165, 166 & 10006 Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	22,487	Warehouse	12,594	1 - 13	(B) 15-08-17

PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2020

Location	Description of Property	Land Area (Sq. Metre)	Existing Use	Net Carrying Amount RM'000	Age of Building (Approx. Years)	Date of (A) Acquisition / (B) Revaluation / (C) Fair Value
Lot 155, Jalan Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang 999 Years Lease Expiring 2880	Industrial Building	12,906	Factory & Water Treatment Plant	4,080	2 - 55	(B) 15-08-17
Lot 775, 824, 10216, 10217, 10279, & 10286 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	41,917	Factory & Water Treatment Plant	23,162	1 - 5	(B) 15-08-17
Lot 10278 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan, Penang Freehold	Industrial Building	19,749	Factory & Water Treatment Plant	7,975	5	(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	505	7	(B) 15-08-17
MUDA PASIFIK SDN. BHD.						
No. 9, Jalan Persiaran Teknologi Taman Teknologi Johor 81400 Senai, Johor Darul Takzim 60 Years Lease Expiring 2063	Industrial Building	38,360	Office & Factory	24,315	17	(B) 15-08-17
RJ & R HOLDINGS SDN. BHD.						
No. 401, Block A Glomac Business Centre Jalan SS6/1, Kelana Jaya 47301 Petaling Jaya, Selangor Darul Ehsan Freehold	Office	290	Office	990	26	(C) 28-07-20

ADDITIONAL COMPLIANCE INFORMATION

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

Audit and non-audit fee

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 2020 were as follows:

	Company (RM)	Group (RM)
Audit fees	44,000	377,500
Non-audit fees	151,700	380,000
Total	195,700	757,500

Significant non-audit fees incurred during the financial year ended 31 December 2020 were due to the due diligence professional fees paid to the external auditor and its local affiliates for the acquisitions of Quantum Total Packages Sdn Bhd and South East Asia Paper Products Sdn Bhd.

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 22 MARCH 2021

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	489	18,225	0.01
100 to 1,000	976	638,495	0.21
1,001 to 10,000	3,325	13,045,014	4.28
10,001 to 100,000	678	19,776,458	6.48
100,001 to less than 5% of issued shares	129	112,796,543	36.98
5% and above of issued shares	3	158,776,100	52.05
Total	5,600	305,050,835	100.00

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

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

Name	Direct Interest		Deemed Interest	
	No of Shares	%	No of Shares	%
Tan Sri Lim Guan Teik	3,250,000	1.07	124,302,313 *	40.75
Dato' Azaman Bin Abu Bakar	100,000	0.03	114,670,013 *	37.59
Datuk Wira Lim Chiun Cheong	715,500	0.23	126,836,813 *	41.58
Lee Khim Sin	60,000	0.02	203,000 *	0.07
Lim Siew Ling	-	-	117,526,713 *	38.53
Lim Yen Wee	170,000	0.06	118,404,513 *	38.81

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

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

Name	Direct Interest		Deemed Interest	
	No of Shares	%	No of Shares	%
Tan Sri Lim Guan Teik	3,250,000	1.07	124,302,313 *	40.75
Dato' Azaman Bin Abu Bakar	100,000	0.03	114,670,013 *	37.59
Datuk Wira Lim Chiun Cheong	715,500	0.23	126,836,813 *	41.58
Lim Siew Ling	-	-	117,526,713 *	38.53
Lim Yen Wee	170,000	0.06	118,404,513 *	38.81
Hartaban Holdings Sdn. Bhd.	20,300,000	6.65	93,659,013 ^	30.70
Malaysia Nominees (Tempatan) Sendirian Berhad				
Pledged Securities Account For Hartaban Holdings Sdn Bhd	83,650,000	27.42	-	-
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	4,000,000	1.31	113,959,013 *	37.36
Asia File Corporation Bhd.	6,261,400	2.05	54,826,100 ^	17.97
Lim & Khoo Sdn. Bhd.	54,826,100	17.97	-	-
Dato' Lim Soon Huat	2,517,500	0.83	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 22 March 2021

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	Styme Sdn Bhd	10,009,013	3.28
5	Beh Phaik Hooi	9,736,700	3.19
6	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Lim Siew Lee (PB)	9,150,000	3.00
7	Lim Guan Teik Holdings Sdn Bhd	6,500,900	2.13
8	Teoh Chin Chia	6,287,200	2.06
9	Asia File Corporation Bhd	6,261,400	2.05
10	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 19)	4,765,000	1.56
11	Lim Siew Lee	4,107,800	1.35
12	Datin Cheong Koon Hooi	4,000,000	1.31
13	Tan Sri Lim Guan Teik	3,250,000	1.07
14	Sin Poay Sim	2,677,700	0.88
15	Lim Siew Lee	2,574,500	0.84
16	Dato' Lim Soon Huat	2,517,500	0.83
17	Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73
18	Cheah Sok In	2,041,200	0.67
19	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mak Tian Meng (MY3136)	1,769,600	0.58
20	Gan Ah Kow	1,430,500	0.47
21	Lucy Khoo	1,279,000	0.42
22	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad for KAF Vision Fund	1,039,300	0.34
23	MSM International Adjusters (Malaysia) Sdn Bhd	999,800	0.33
24	Tri-Yen Enterprise Sdn Bhd	890,000	0.29
25	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad for Kenanga Growth Opportunities Fund (50154 TR01)	853,600	0.28
26	Universal Trustee (Malaysia) Berhad KAF Tactical Fund	835,400	0.27
27	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)	828,400	0.27
28	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	825,098	0.27
29	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee See Kwan (AL0089)	810,000	0.27
30	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	789,300	0.26
Total		247,241,911	81.04

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fiftieth Annual General Meeting of Muda Holdings Berhad (“the Company”) will be held entirely on a virtual basis through live streaming from the broadcast venue at Ground Floor, Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 June 2021 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

- | | |
|--|---|
| 1. To receive the Audited Financial Statements for financial year ended 31 December 2020 together with the Directors’ and Auditors’ Reports thereon. | (Please refer to Explanatory Note A) |
| 2. To approve the payment of a First and Final Single Tier Dividend of 5.0 sen per share for the financial year ended 31 December 2020. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors’ fees of RM480,000.00 to Directors of the Company in respect of financial year ended 31 December 2020. | Ordinary Resolution 2 |
| 4. To approve the payment of benefits to Non-Executive Directors of up to an amount of RM1,540,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. | Ordinary Resolution 3 |
| 5. To re-elect Dato’ Azaman Bin Abu Bakar who retires in accordance with Article 81 of the Company’s Constitution. | Ordinary Resolution 4 |
| 6. To re-elect Mr Lee Khim Sin who retires in accordance with Article 81 of the Company’s Constitution. | Ordinary Resolution 5 |
| 7. To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

As Special Business

8. 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 7

9. 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 8

10. 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 5.0 sen per share in respect of financial year ended 31 December 2020, if approved at the Fiftieth Annual General Meeting, will be payable on **Wednesday, 21 July 2021** to depositors and shareholders listed in the Record of Depositors and Register of Members on 30 June 2021.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares transferred to depositor's securities account before 4.00 p.m. on 30 June 2021 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 2021
Petaling Jaya

Notes:-

Virtual Fiftieth Annual General Meeting ("50th AGM")

1. The 50th AGM of the Company will be conducted entirely on a virtual basis through live streaming via Remote Participation and Voting ("RPV") facilities which will be made available online at <https://agm.digerati.com.my/muda-online>. Please refer to the Administrative Guide for 50th AGM for the procedures to register, participate and vote remotely via the RPV facilities.
2. For the purpose of complying with Section 327(2) of the Companies Act, 2016, the Chairman of the Meeting is required to be present at the main venue of the AGM. Members/Proxies/Corporate Representatives will not be allowed to attend this AGM in person at the broadcast venue on the day of the AGM.

Appointment of Proxy

3. A member entitled to attend, speak and vote at the above virtual meeting via the RPV facilities may appoint a proxy or proxies (but not more than two) to attend, speak and vote on his/her behalf and such proxy need not be a member or members of the Company.
4. Where there are two proxies appointed, the number of shares to be represented by each proxy must be stated.
5. In the case of a corporation, the Proxy Form must be executed under seal or under the hand of its officer or its attorney duly appointed.
6. 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. Each appointment of proxy by an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify the proportion of shareholding to be represented by each proxy.
7. Duly completed Proxy Form must either be:-
 - deposited at the Registered Office at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan;
 - or
 - be electronically deposited at <https://agm.digerati.com.my/muda-online>

not less than 48 hours before the time for holding the 50th AGM.

Members Entitled to Attend the AGM

8. For the purpose of determining a member who shall be entitled to attend the 50th AGM, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 56 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at Wednesday, 23 June 2021. Only a depositor whose name appears on the **Register of Depositors** as at **Wednesday, 23 June 2021** shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

A. Item 1 of Agenda on Audited Financial Statements for the Financial Year Ended 31 December 2020

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.

B. 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 25 February 2021 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 21 July 2021 in accordance with the requirements under Section 132(2) and (3) of the Companies Act, 2016.

C. Payment of Directors' Fees and Benefits to Non-Executive Directors

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 RM480,000.00 to eight Directors of the Company pursuant to Ordinary Resolution 2; and
- (b) Benefits payable to Non-Executive Directors of the Company of up to an amount of RM1,540,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company pursuant to Ordinary Resolution 3.

D. Re-election of Directors who retire under Article 81 of the Company's Constitution

Article 81 of the Company's Constitution provides that at each Annual General Meeting, one-third of the Directors for the time being or if their number is not three or a multiple of three, then the number nearest one-third shall retire from office so that all Directors shall retire from office at least once in every 3 years.

Dato' Azaman Bin Abu Bakar and Mr Lee Khim Sin retire under Article 81 of the Company's Constitution at the 50th AGM of the Company and have offered themselves for re-election at the 50th AGM of the Company.

E. Ordinary Resolution 7 – 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 7 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.

F. Ordinary Resolution 8 - 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 17 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 Non-Executive 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 Non-Executive 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 50th AGM of the Company for Datuk Nik Ibrahim Bin Nik Abdullah to remain in office 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No individual is seeking election as Director at the 50th AGM of the Company.

PROXY FORM

Fiftieth Annual General Meeting

I/We.....
 NRIC No. /Passport No. /Company No.CDS Account 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 Fiftieth Annual General Meeting of the Company to be conducted entirely on a virtual basis through live streaming from the broadcast venue at Ground Floor, Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan (*Broadcast Venue*) on Tuesday, 29 June 2021 at 11.00 a.m. and at any adjournment thereof.

This proxy is to vote on the Resolutions set out in the Notice of Meeting as indicated with an "X" in the appropriate space below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Resolution No.	RESOLUTION	FOR	AGAINST
1.	To approve the payment of a First and Final Single Tier Dividend of 5.0 sen per share.		
2.	To approve the payment of Directors' fees of RM480,000.00 to the Directors for financial year ended 31 December 2020.		
3.	To approve the payment of benefits to Non-Executive Directors of up to an amount of RM1,540,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.		
4.	To re-elect Dato' Azaman Bin Abu Bakar as a Director in accordance with Article 81 of the Company's Constitution.		
5.	To re-elect Mr Lee Khim Sin as a Director in accordance with Article 81 of the Company's Constitution.		
6.	To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016.		
8.	To retain Datuk Nik Ibrahim Bin Nik Abdullah as an Independent Non-Executive Director.		

No. of Shares Held.....

Signature of Shareholder/Common Seal

Mobile No.....

Dated this day of, 2021

Shareholder's Email.....

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Stamp

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

Fold here

Notes:-

Virtual Fiftieth Annual General Meeting (“50th AGM”)

1. The 50th AGM of the Company will be conducted entirely on a virtual basis through live streaming via Remote Participation and Voting (“RPV”) facilities which will be made available online at <https://agm.digerati.com.my/muda-online>. Please refer to the Administrative Guide for 50th AGM for the procedures to register, participate and vote remotely via the RPV facilities.
2. For the purpose of complying with Section 327(2) of the Companies Act, 2016, the Chairman of the Meeting is required to be present at the main venue of the AGM. Members/ Proxies/Corporate Representatives will not be allowed to attend this AGM in person at the Broadcast Venue on the day of the AGM.

Appointment of Proxy

3. A member entitled to attend, speak and vote at the above virtual meeting via the RPV facilities may appoint a proxy or proxies (but not more than two) to attend, speak and vote on his/her behalf and such proxy need not be a member or members of the Company.
4. Where there are two proxies appointed, the number of shares to be represented by each proxy must be stated.
5. In the case of a corporation, the Proxy Form must be executed under seal or under the hand of its officer or its attorney duly appointed.
6. 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. Each appointment of proxy by an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify the proportion of shareholding to be represented by each proxy.
7. Duly completed Proxy Form must either be deposited at the Registered Office at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan or be electronically deposited at <https://agm.digerati.com.my/muda-online> not less than 48 hours before the time for holding the 50th AGM.

Members Entitled to Attend the AGM

8. For the purpose of determining a member who shall be entitled to attend the 50th AGM, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 56 of the Company’s Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at Wednesday, 23 June 2021. Only a depositor whose name appears on the **Register of Depositors** as at **Wednesday, 23 June 2021** shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

Muda Holdings Berhad

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