



MUDA Holdings Berhad
Company No. 197101000036 (10427-A)



ANNUAL
REPORT

2022

OUR VISION, MISSION, CORE VALUES AND COMMITMENT



Our **Vision**

To strengthen the Group's market leader position as the largest integrated paper manufacturer in terms of paper production volume in Malaysia.

Our **Mission**

To commit to a relentless pursuit of excellence in producing high quality industrial grade paper, machine glazed paper, paper boards and paper packaging products through technological innovations to increase client satisfaction as well as enhance shareholders' value while safeguarding the sustainability of our environment.



Our **Core Values**

We believe in going the extra mile to deliver paper packaging solutions that meet all our clients' expectations while ensuring speedy and timely delivery. All our Group's businesses and operational practices are also geared towards preserving our environment for future generations.

Our **Commitment**

- ✓ Business Ethics and Compliance
- ✓ Putting Customers First
- ✓ Empowering People
- ✓ Environmental Protection
- ✓ Maximising Shareholders' Value



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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,
DPSM, DCSM
(Managing Director)

**Datuk Nik Ibrahim
Bin Nik Abdullah,**
PJM, JSM, AMN
(Senior Independent Non-Executive
Director)

Wong Choong Yee
(Independent Non-Executive Director)

Lim Siew Ling
(Non-Independent Non-Executive Director)

Lim Yen Wee
(Non-Independent Non-Executive Director)

Lee Khim Sin,
KMN, PBK, CA(M), FCA, CPA(M)
(Independent Non-Executive Director)
(Resigned on 3 January 2023)

Dato' Tan Tian Meng,
DBNS, ANS
(Independent Non-Executive Director)
(Appointed on 3 January 2023)

Dato' Hazli Bin Ibrahim,
DIMP, FCCA, MBA
(Independent Non-Executive Director)
(Appointed on 6 April 2023)

Audit Committee and Remuneration Committee

**Datuk Nik Ibrahim Bin Nik
Abdullah,** PJN, JSM, AMN (Chairman)

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

Wong Choong Yee

Lee Khim Sin,
KMN, PBK, CA(M), FCA, CPA(M)
(Resigned on 3 January 2023)

Dato' Tan Tian Meng,
DBNS, ANS
(Appointed on 28 February 2023)

Nomination Committee

Wong Choong Yee (Chairman)
(Redesignated on 28 February 2023)

**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)
(Chairman)
(Resigned on 3 January 2023)

Dato' Tan Tian Meng,
DBNS, ANS
(Appointed on 28 February 2023)

Executive Committee

Dato' Azaman Bin Abu Bakar,
DIMP (Chairman)

Datuk Wira Lim Chiun Cheong,
DPSM, DCSM

**Datuk Nik Ibrahim Bin Nik
Abdullah,** PJN, JSM, AMN

Sustainability Committee

**Datuk Nik Ibrahim Bin Nik
Abdullah,** PJN, JSM, AMN (Chairman)

Dato' Azaman Bin Abu Bakar,
DIMP

Datuk Wira Lim Chiun Cheong,
DPSM, DCSM

Secretaries

Goh Ching Yee (MAICSA 0760803/
SSM PC NO. 202008002492)

Lam Yoke Teng (MAICSA 7052983/
SSM PC NO. 202008001921)

Auditors

Grant Thornton Malaysia PLT
(Member of Grant Thornton International Ltd)

Chartered Accountants
Level 11, Sheraton Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur

Tel : 03-2692 4022
Fax : 03-2732 5119

Registered Office & Corporate Office

Lot 7, Jalan 51A/241,
46100 Petaling Jaya,
Selangor Darul Ehsan

Tel : 03-7875 9549
Fax : 03-7873 8435

Share Registrar

Muda Management Services Sdn Bhd
Lot 7, Jalan 51A/241,
46100 Petaling Jaya,
Selangor Darul Ehsan

Tel : 03-7875 9549
Fax : 03-7875 1519

Principal Bankers

Malayan Banking Berhad
RHB Bank Berhad
OCBC Bank (Malaysia) Berhad

Stock Exchange Listing

Bursa Malaysia Securities Bhd
Main Market

Stock Name : MUDA
Stock No. : 3883

Website

www.muda.com.my

MESSAGE FROM OUR CHAIRMAN

Dear Valued Shareholders,

On behalf of the Board of Directors (**the “Board”**) of Muda Holdings Berhad (**“MHB”** or the **“Group”**), I present you with the Annual Report for the financial year ended 31 December 2022 (**“FY22”**).

Year In Review

FY22, it started off with a sense of optimism as most countries opted to live with the pandemic and economic recoveries were underway with countries easing the lockdown measures in tandem with greater vaccination coverage. However, in February 2022, the Russia-Ukraine conflict created a new set of challenges for the world in both geopolitical and economic contexts, which continue to reverberate to this day.

The conflict as one of the factors, among others, that sent our raw material prices namely the recovered paper, kraft paper and pulp to an all-time high somewhere in the first half of the year as Russia is one of the strategic exporters of these raw materials. The conflict also indirectly increased energy prices amid heightened supply concerns in Europe. At the peak of the shortage of energy supply in the European region, the paper mill industry was forced to cease operations by their respective government in order to conserve energy. Thus, it had created excess inventories especially the recovered paper in the market which caused the fall in

MESSAGE FROM OUR CHAIRMAN

CONT'D

purchase price in the second half of the year. It is made worse when China announced a slew of lockdown to combat the increase in Covid 19 cases which affected the demand for recovered paper. With the backdrop, it had negatively affected the local market recovered paper price.

To make matters worst, the continuation of United States ("US") interest rate hikes to counter inflation had adversely affected the trajectory of the ASEAN market. Central banks all over the world were fighting to cool down inflation as funds were seen pulling out from the countries as a result of the US interest hikes. Malaysia, as a developing country was no exception as interest rate had increased by 75 basis point from its low in financial year ended 31 December 2021 ("FY21").

Despite all these challenges, the Group's revenue was up 2% over that of FY21 at RM1.77 billion. However, our financial performance during the year was materially impacted by a decline in margin spread due to weakened market demand especially in the second half of FY22 resulting from a volatile external environment, inventory write down to its net realisable value, assets written off, higher distribution and finance cost and lower share of associate's profits since its disposal in FY21. As a result, the Group recorded a loss for the financial year of RM8.18 million in FY22.

Notwithstanding the loss, the financial position and cash flows of the Group remained healthy which was attributed to the rigorous cost management and the financial discipline demonstrated by our management team. Despite the losses, the Board is able to propose a 4.0 sen dividend to be paid for FY22 after accounting all its liabilities and assessment on its solvency.

SUSTAINABILITY STATEMENT

MHB acknowledges the need to balance our business sustainability with responsible environmental and social considerations which emphasise the Group's sustainable development practices. Therefore, in the current year, MHB had adopted the United Nation Sustainable Development Goals ("UNSDG") as a step to improve on its sustainable journey. For the achievement of the UNSDG, you may refer to the Sustainability Statement in this Annual Report.

LOOKING AHEAD

The year ahead is likely to see continued inflationary pressures, an uncertain geopolitical landscape and persistent vulnerabilities in the global supply chain weighing on the global economy. The International Monetary Fund has forecasted global growth to slow down to 2.9% in 2023 and 3.1% in 2024. Back at our home turf, Malaysia, the Central Bank had forecasted a growth of between 4% to 5%, amid the global slowdown from its high of 8.7% achieved in year 2022. Policy makers are expected to stay the course with tight monetary and fiscal policies to restore price stability and alleviate cost of living pressures.

Despite all the headwinds, there are some bright spots with labour shortages now resolved following the arrival of adequate numbers of foreign workers. Supply chain and logistics issues, while challenging, are manageable as we have also stocked up certain raw materials that have longer lead time. The stabilisation of the local currency had also helped us in a certain way since a portion of our raw material and capital expenditure are in foreign currency.

The Group is confident to navigate through the current headwinds by leveraging on our vast experience in the industry and also the Group will keep emphasising on smart automation in tandem with the country's vision for Industrial 4.0.

APPRECIATION

On behalf of the Board, I would like to give my heartfelt appreciation to our management and staff at MHB for their hard work, adaptability and dedication. I would like to take this opportunity to welcome Dato' Tan Tian Meng and Dato' Hazli Bin Ibrahim as independent non-executive directors to the Board and express my gratitude to Mr Lee Khim Sin who retired recently for his past service and contributions.

Lastly, to our valued shareholders, customers, suppliers and other stakeholders, we at MHB would like to record our gratitude for your unwavering support. It is with your trust that we find purpose in making a difference and you truly inspire us as we continue on our journey.

MANAGEMENT DISCUSSION AND ANALYSIS

WHO ARE WE?

Muda Holdings Berhad (the “Company”) and its subsidiaries (the “Group”) pioneered the paper milling and paper packaging industry in Malaysia with its first paper mill in Penang in 1964, and its first corrugated plant in Petaling Jaya in 1971. The Company has since grown to become a leading integrated paper manufacturer in the country.

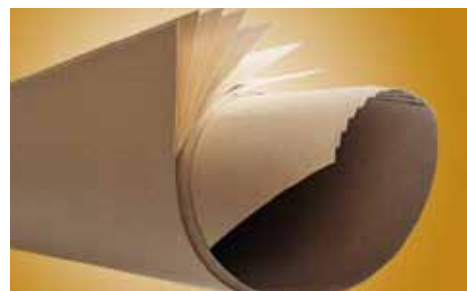


WHAT WE DO?

The Group's major activities include: -

1. collector of waste paper in multiple locations across Peninsular Malaysia;
2. manufacture of industrial grade paper such as corrugated medium, test liner, grey board, core board, machine glazed paper etc;
3. manufacture of corrugated carton boxes and boards;
4. manufacture of food packaging papers such as hawker paper, deli wrapping paper, paper bags etc; and
5. other paper related business that includes trading of stationeries.

The Group's paper products are suitable for applications across various industries such as retail, furniture, food & beverage, electrical and electronics and many more.



MANAGEMENT DISCUSSION AND ANALYSIS

CONT'D

WHERE ARE WE?

The Group operates the following:-

No.	Type	No. of location/ factories	Location
1.	Recycling centres	7	Malaysia
2.	Paper mills	2	Malaysia
3.	Corrugating plants	8	Malaysia and The People's Republic of China
4.	Converting plants	3	Malaysia and Singapore



MANAGEMENT DISCUSSION AND ANALYSIS

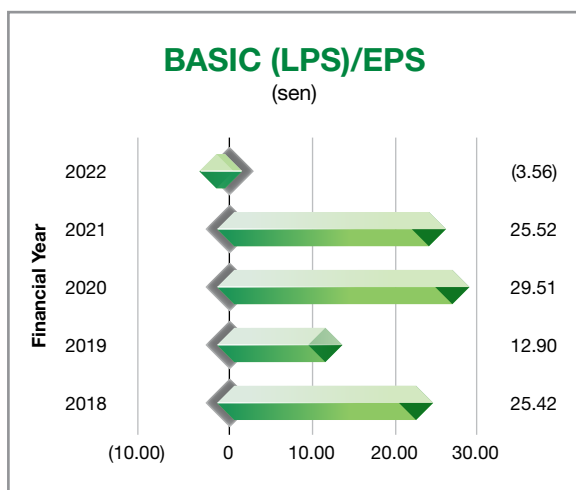
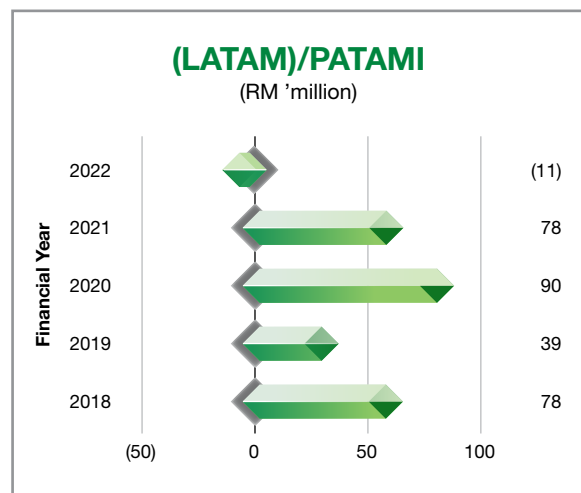
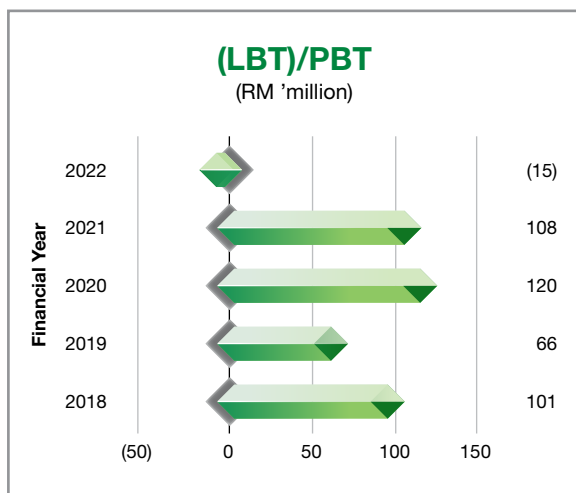
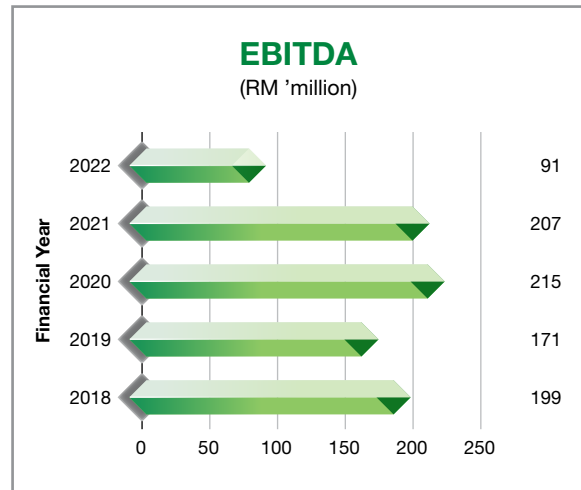
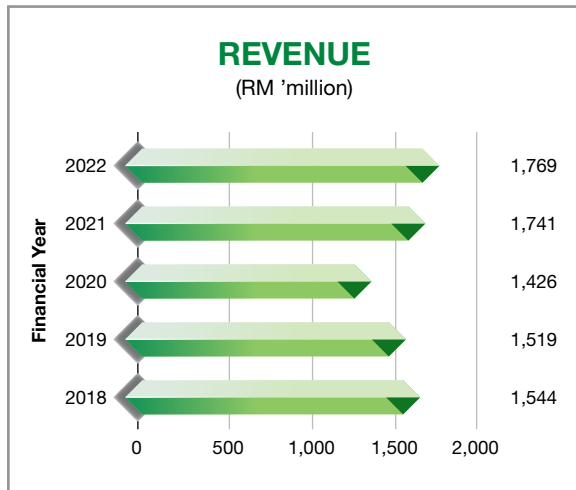
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For the Financial Year Ended 31 December	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000
Financial Performance					
Revenue	1,768,888	1,740,745	1,425,797	1,518,595	1,544,260
Gross Profit	222,759	315,017	296,774	281,756	295,021
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	91,234	206,806	214,891	170,662	199,310
Earnings before Interest and Tax ("EBIT")	8,315	126,594	138,385	93,845	131,076
Share of Results of Associates	26	5,040	2,515	(1,454)	593
(Loss)/Profit before Tax ("LBT)/PBT")	(15,106)	108,134	120,027	66,049	100,872
Net (Loss)/Profit after Minority Interest ("LATAMI)/PATAMI")	(10,866)	77,838	90,020	39,337	77,534
Financial Position					
Shareholders' Equity	1,337,037	1,355,211	1,166,459	1,081,769	1,046,729
Total Assets	2,411,485	2,386,548	1,940,761	1,934,453	1,958,621
Total Liabilities	1,074,448	1,031,337	774,302	852,684	911,892
Net Current Assets	92,787	162,303	180,166	101,894	50,552
Total Borrowings (include lease liabilities)	717,366	641,537	458,327	552,094	631,089
Cash and Cash Equivalents (exclude bank overdrafts)	132,749	144,500	126,699	134,157	94,158
Financial Analysis					
Gross Margin (%)	12.59	18.10	20.81	18.55	19.10
EBITDA Margin (%)	5.16	11.88	15.07	11.24	12.91
EBIT Margin (%)	0.47	7.27	9.71	6.18	8.49
(LBT)/PBT Margin (%)	(0.85)	6.21	8.42	4.35	6.53
(LATAMI)/PATAMI Margin (%)	(0.61)	4.47	6.31	2.59	5.02
Gearing (Net of cash)(times)	0.44	0.37	0.28	0.39	0.51
Interest Coverage (times)	3.69	10.69	11.03	5.96	6.45
Return on Average Shareholders' Equity (%)	(0.83)	6.34	8.20	3.78	7.80
Return on Average Total Assets (%)	(0.45)	3.60	4.65	2.02	4.04
Basic (Loss)/Earnings per Share ("LPS)/ EPS") (sen)	(3.56)	25.52	29.51	12.90	25.42
Net Tangible Assets per share (sen)	4.33	4.39	3.79	3.51	3.39

MANAGEMENT DISCUSSION AND ANALYSIS

CONT'D

FINANCIAL REVIEW



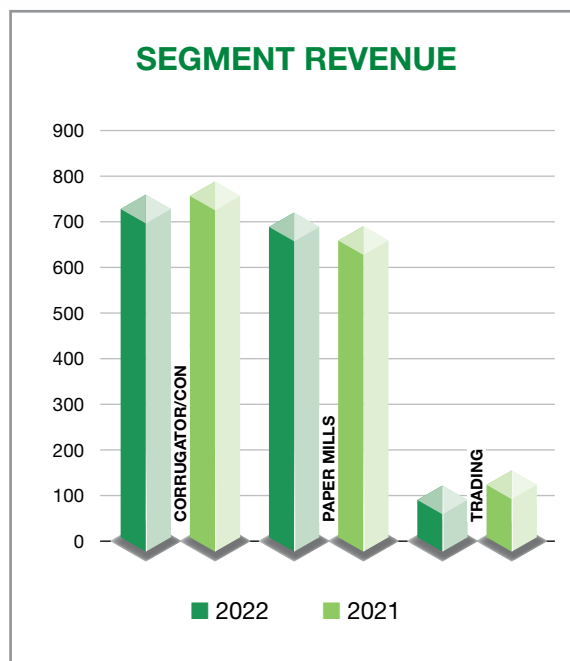
MANAGEMENT DISCUSSION AND ANALYSIS

CONT'D

The Group's revenue inched higher to RM1.77 billion for the financial year ended 31 December 2022 ("FY22") as opposed to the previous financial year of RM1.74 billion. The marginal increase was due to planned shutdown for approximately 60 days for one of our major paper machines. This paper machine accounts for 30% of our manufacturing capacity for industrial grade paper. The shut down was to cater for an upgrade to the paper machine to manufacture more variety of products and also to improve quality.

As described in the paragraph above, the revenue for paper mills had dip a little due to the shut-down of one of its major paper machine. While our corrugator and converters business were able to compensate for the shortfall.

The Group's trading business which consisted of the sales of recovered paper and stationery had shown an increase of 16% to RM0.195 billion. This was achieved with higher selling price of our recovered paper and stationery products. Besides, the fluctuation of currency also contributed to the increase.



Despite the increase in revenue, the Group registered a lower EBITDA of RM91.23 million as opposed to last year of RM206.81 million. The reduction was attributable to margin compression as a result of mismatch between selling price and purchase price due to the significant fluctuation in the recovered paper market locally and internationally, impairment cost of inventories to net realisable value due to the significant fluctuation of recovered paper cost, higher energy cost due to liberalisation of gas tariff, higher overseas freight charges due to supply chain disruptions especially in the first half of FY22 and higher finance cost from the hike on Overnight Policy Rate ("OPR"). Lastly, the Group has to absorb the cost of operations for its shut down to upgrade its paper machine. All of the abovementioned had contributed to the lower EBITDA and subsequently a lower LATAMI of RM10.87 million.

The Group's total assets have increased from RM2.38 billion to RM2.41 billion which was attributed to the increase in property, plant and equipment and inventories. Net current asset of the Group has reduced from RM0.16 billion to RM0.09 billion while the net tangible assets per share of the Group retreated to 4.33 sen per share.

Capital expenditure ("CAPEX")

In FY22, the Group incurred CAPEX of approximately RM170.2 million. The major CAPEX of the Group consists of a biomass plant, upgrade of a paper machine, acquisition of lands located in Tasek and Kajang. These investments were funded through a combination of internally generated funds and bank borrowings.

Liquidity and Gearing

The Group's cash and cash equivalents (exclude bank overdrafts) stood at RM132.7 million. The Group's debt-to-equity (net of cash) remained healthy at 0.44 times with borrowings at RM717.37 million while the total shareholders' funds was at RM1.34 billion as at 31 December 2022.

GREEN PROJECT

For the Group's sustainable investment, the Group had entered into an agreement for the construction of a steam biomass boiler in FY22 that will leverage on fibre from plantations as fuel source. This will reduce our consumption of fossil fuel as well as reduce greenhouse gas emissions as currently our existing boiler uses electricity and coal. The construction is progressing according to schedule and is expected to be completed in second half of financial year ending 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CONT'D

CHALLENGES AND RISKS

Shortage of Raw Material

Potential shortage of raw material to the Group in the form of recovered paper from the local market is an inherent risk as most of our products are made from recovered paper. With the emergence of new paper mills in the recent years, recovered paper had become scarce. To address such potential shortfall, the Group has resorted to working closely with the existing recovered paper agents to ensure their business continuity and also to build repo. The Group is also continuing its efforts to expand its network of agents for recovered paper collection. The Group will resort to import from overseas whenever there is potential shortfall.

Human Capital

The Group recognises that our employees are the most valuable resource and believes that the Group's continued success depends significantly on the talent, hard work, and value created by our management and technical personnel.

As the risk of losing our key management and technical staff and the need for a succession planning and staff retention strategies, The Group will continue to invest in employees' professional development, review the effectiveness of our recruitment process, review employees' remuneration and benefit packages, uphold human and labour rights and provide a good and safe working environment for employees in order to attract, develop and retain our talent pool.

Foreign Currency Risk

The Group is exposed to foreign currency exchange fluctuation risks arising from any movement in foreign currencies namely USD as certain of the Group's sales and import of raw material are in foreign currencies. To mitigate the risk of foreign currency exchange fluctuations, the Group carries out foreign currency strategies such as buy forward and swap contracts, if any. Regardless, there is a certain extent of natural hedge as our raw material purchases and sales are denominated in foreign currencies. We also take active steps to minimise foreign currency exchange exposures in our procurement and purchasing arrangements with both local and foreign suppliers.

PROFILE OF DIRECTORS



Tan Sri Lim Guan Teik

PSM, JMN, DMPN, DJN

Non-Independent
Non-Executive Chairman

Male | Malaysian | 88

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 current date, 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, Nomination 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 (MPPMA) from 1980 to 1992 and is currently one of the advisers to MPPMA. 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 in Notes to Financial Statements of this Annual Report.

Tan Sri Lim Guan Teik attended all six (6) Board of Directors' Meetings held during the financial year ended 31 December 2022 and has not been convicted of any offence and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.

PROFILE OF DIRECTORS

CONT'D



Dato' Azaman Bin Abu Bakar

DIMP

Executive Deputy Chairman

Male | Malaysian | 76

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 the 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 in the Group. At present, he is also the President of the Malaysian Pulp & Paper Manufacturers Association.

He graduated from University of Malaya with a Bachelor of Arts Degree in 1969 and later obtained a Master in Management Degree from 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 position in UDA was that of Director in charge of property management and marketing. He was awarded the Triple A AIM Alumni Achievement Award in February 2023 which is the highest recognition given by the Asian Institute of Management to its outstanding alumni.

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

Dato' Azaman attended all six (6) Board of Directors' Meetings held during the financial year ended 31 December 2022. 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 | 59

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 foreign 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 Arizona State University, USA and a Bachelor of Law Degree from the University of Birmingham, United Kingdom in 1986 and 1989 respectively. He was called to the English and Malaysian Bar in 1990 and 1991 respectively. He joined the Group as Legal Assistant in October 1991 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, Treasurer 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 in Notes to Financial Statements of this Annual Report.

Datuk Wira Lim Chiun Cheong attended all six (6) Board of Directors Meetings of the Company during the financial year ended 31 December 2022. 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

CONT'D

**Datuk Nik Ibrahim Bin Nik Abdullah**

PJN, JSM, AMN

Senior Independent
Non-Executive Director

Male | Malaysian | 79

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 Senior Independent Non-Executive Director on 28 June 2018.

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

Datuk Nik Ibrahim holds a B.A. (Hons) Economics Degree 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 Senior Economist before joining Bank Pembangunan Malaysia Berhad as 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 sits on the board of a few other local companies.

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

Datuk Nik Ibrahim attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2022. 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.

**Wong Choong Yee**Independent
Non-Executive Director

Male | Malaysian | 62

Mr Wong Choong Yee was appointed to the Board of Muda Holdings Berhad on 21 August 2018 as an Independent Non-Executive Director and member of the Audit Committee. Mr Wong Choong Yee has been a member of the Nomination Committee and Remuneration Committee since 28 November 2019. He was appointed Chairman of the Nomination Committee on 28 February 2023.

Mr Wong Choong Yee holds a Diploma in Commerce (Cost & 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 in 1984 until 1988. From 1988 to 1994, he held several accounting positions in several public listed companies.

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

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

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

Mr Wong Choong Yee attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2022. He has not been convicted of any offences other than traffic offences 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

CONT'D



Lim Siew Ling

Non-Independent
Non-Executive Director

Female | Malaysian | 52

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

Ms Lim Siew Ling holds a Bachelor of Business Administration from the University of Texas at San Antonio, Texas, United States of America and also a Master of Business Administration from Oklahoma City University, Oklahoma, United States of America.

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.

Ms Lim Siew Ling also sits on the board of several local and overseas subsidiaries in the 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.

Ms Lim Siew Ling attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2022. She has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against her by any regulatory bodies within the past five (5) years.



Lim Yen Wee

Non-Independent
Non-Executive Director

Female | Malaysian | 40

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 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 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 (Honors) Degree from the University of Melbourne which she obtained in 2004 and 2005 respectively. In August 2021, she completed a six weeks online course on Circular Economy

and Sustainability Strategies organised by The University of Cambridge, United Kingdom.

She also sits on the board of several local and overseas subsidiaries in the 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.

Ms Lim Yen Wee attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2022. She has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against her by any regulatory bodies within the past five (5) years.

PROFILE OF DIRECTORS

CONT'D



Dato' Tan Tian Meng

DBNS, ANS

Independent
Non-Executive Director

Male | Malaysian | 59

Dato' Tan Tian Meng was appointed to the Board of Muda Holdings Berhad on 3 January 2023 as an Independent Non-Executive Director and was appointed as a member of the Audit Committee, Nominating Committee and Remuneration Committee on 28 February 2023.

Dato' Tan graduated with a Bachelor of Civil Engineering Degree (Honours) from University of Malaya in 1988 and is a member of Institute of Engineer Malaysia and Malaysian Energy Profession Association.

Dato' Tan has honed his insights in construction and property development industries for over 30 years. Dato' Tan began his career at Kumpulan Bistari Sdn Bhd in 1988 and was a Project Manager until 1993. Subsequently he joined Sunnisa Sdn Bhd as a Project Director in 1993, a position he held until to-date. He was the Chief Executive Officer in Citic Sunsuria Sdn Bhd from 1 January 2018 until 30 June 2022.

Dato' Tan is also actively involved in and holds various positions in the Chinese Chambers of Commerce, such as Executive Committee member and General Council member of the National Chamber of Commerce and Industry of Malaysia (NCCIM), Secretary General of The Association Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and Vice President of The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor (KLSCCI).

Dato' Tan is currently a director of several private limited companies. He 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 has not been convicted of any offences and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.



Dato' Hazli Bin Ibrahim

DIMP, FCCA, MBA

Independent
Non-Executive Director

Male | Malaysian | 59

Dato' Hazli Bin Ibrahim joined the Board of Muda Holdings Berhad on 6 April 2023 as an Independent Non-Executive Director.

He graduated with a Bachelor of Finance and Accounting Degree from the University of East London in 1986 and is a Fellow of the Association of Chartered Certified Accountants. He also holds an MBA (Finance) from Bayes Business School, University of London, United Kingdom which he obtained in 1994.

He started his career in London as an Audit Senior with several chartered accountant firms. Upon his return to Malaysia in August 1994, he joined Aseambankers Malaysia Berhad, the investment arm of Malayan Banking Berhad as Manager in the Corporate Finance Division.

Subsequently in November 1996, he moved to Amanah Merchant Bank Berhad as Assistant General Manager and left in September 1998 to join Pengurusan Danaharta Nasional Berhad ("Danaharta"), a national asset management company of Malaysia, as Head of Corporate Planning and Corporate Services Division. He left Danaharta in October 2022 to set up Haz-iq Capital Sdn Bhd, a consultancy firm specialising in corporate finance where he is currently the Managing Director. He is also an Independent Non-Executive Director of DutaLand Berhad, Lebtech Bhd and Mentiga Corporation Berhad.

There is no family relationship between him and any directors or major shareholders of the Company or any conflict of interest with the Company. 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 KEY MANAGEMENT

Teoh Hai Thow

Male | Malaysian | 50

Teoh 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 include marketing of paper products, 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.

Loo Ee Fah

Male | Malaysian | 52

Loo 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 several foreign subsidiaries 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 Advance Diploma in Supply Chain Management.

Both Hai Thow and Ee Fah do not have any family relationship with any other directors and/or major shareholders of the Company. There are no business arrangements with the Company in which they have personal interests.

Both Hai Thow and Ee Fah have not been convicted of any offences other than traffic offences within the past five (5) years and do not have any public sanction or penalty imposed on them by any regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Muda Holdings Berhad (“the Company”) is committed to uphold and maintain sound corporate governance within the Group by implementing the best practices set out in the Malaysian Code on Corporate Governance (2021) (“MCCG”). The Board is pleased to present the Corporate Governance Overview Statement for the financial year ended 31 December 2022 (“FY22”) and to be read together with the Corporate Governance Report (“CG Report”) which describe the detailed application of the principles in MCCG. The CG Report is available on the Company’s website at www.muda.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Responsibilities

The Board assumes responsibility for effective stewardships and control of the Company and provide strategic guidance for the Company and effective oversight of Management. The Board also oversees the overall strategy and business direction of the Group which includes reviewing and approving strategic plans and key business initiatives, corporate governance, internal control frameworks and promote a sound corporate culture which reinforces ethical, prudent and professional behaviour. While the Board sets the strategic planning and policies, the Executive Directors are responsible for implementing the operational and corporate decisions while the Independent Directors ensured corporate accountability by providing unbiased and independent view and judgement and challenged Management’s assumption and projections in safeguarding the interests of the stakeholders.

The principal functions and responsibilities of the Board include but are not limited to the following:

- i. To promote sustainability through appropriate environmental, social and governance considerations in the Group’s business strategies and ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social consideration underpinning sustainability;
- ii. To monitor the implementation of sustainable corporate strategies that encompasses new investments, divestments, major capital expenditure and operating expenditure and major funding activities;
- iii. 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;
- iv. Reviewing and approving the Company’s annual budget, financial statements, system of risk management and internal control, code of conduct and legal compliance;
- v. Ensuring effective risk management and internal control systems are in place;
- vi. Ensuring that employees at every level of the Company act legally, ethically and responsibly on all matters; and
- vii. 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 discharging its fiduciary responsibilities, the Directors deliberate and review the financial performance, execution of strategic plans/investments/projects, the principle risks faced and the effectiveness of management mitigation plans and integrity of management information and systems of internal control of the Group.

During FY22, the Directors monitored the performance of the operating units and measured achievements against budgets, reviewed and adopted the Group’s financial results on quarterly and annual basis, have considered and approved investments/projects, reviewed and adopted the Group’s financial budgets, monitored the Group’s gearing and debt service cover ratios, and ensured that operations of the Group were sound.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Demarcation of Responsibilities between Board, Board Committees and Management

To ensure the effective discharge of its functions and responsibilities, the Board delegates the implementation and monitoring of business and operational initiatives, risk management and internal control system to the Management and the Board is constantly updated on significant operational and regulatory challenges faced.

In furtherance of the Board's governance role and for the effective discharge of the Board's functions and responsibilities, Board Committees namely, the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Sustainability Committee ("SC") have been established. These Board Committees operate under their clearly defined terms of reference. The Chairman of the respective Committees reports to the Board on the outcome of deliberations of the Committee meetings.

1.3 Board Charter

The Board has adopted a Board Charter which sets out how the role, powers and responsibilities of the Board, Board Committees and individual directors are to be exercised, having regard to the principles of good governance, best practices and applicable laws.

The Board Charter upholds high standard of governance and clarifies, amongst others, the roles and responsibilities of the Board and serves as a general statement of intent and expectation in discharging its duties and responsibilities. The Board Charter also outlines the procedures and practices for an effective Board.

The Board Charter was last reviewed and updated on 23 November 2022 to ensure that it continues to remain appropriate for the Board in discharging its duties. The Board Charter is available on the Company's website at www.muda.com.my.

1.4 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.

1.5 Position of Chairman and Managing Director

The position of the Chairman and Managing Director are separately held to ensure balance of power and accountability and division of roles and responsibilities of the Board and the management of the Group's business and operations.

The day-to-day management of the Group's business and operations is led by the Managing Director together with the Executive Deputy Chairman and Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.6 Chairman of the Board and Board Committee

The MCCG provides that Chairman of the Board should not be a member of the AC, NC or RC. Currently, the Chairman of the Board is a member of the AC, NC and RC.

The NC was of the view that even though the Chairman of the Board is also a member of the AC, NC and RC, he has not dominated or exerted any undue influence in the proceedings of any of the committee meetings of which he is a member. The Chairman of the Board also abstained from discussion and decision making in any of matters raised of which he feels that he may be in a position of conflict.

In addition, the Chairman of the AC, NC and RC have always displayed strong leadership in these committees, allowed dissenting views to be freely expressed and has led the committees to perform their responsibilities effectively without interference from the Chairman of the Board. Other members of these committees have also played an active role in deliberation and decision making at these committee meetings and were not cowed by the Chairman of the Board.

1.7 Suitably Qualified and Competent Company Secretaries

The Board is supported by two (2) 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 compliance with 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.

1.8 Meetings & Meeting Materials

Both the Board and Board Committee met on a regular basis with meetings being scheduled in advance in consultation with the Directors to ensure optimal attendance. Ad hoc meetings were held as and when urgent issues and important decisions were required in between the scheduled meetings. For the FY22, six (6) Board meetings were held.

Notice of meetings were sent four (4) weeks ahead of a board and committee meeting. To facilitate discussion flow and to enable them to make informed decision, all Directors were provided with the management's reports, financial performance updates and proposal papers at least five (5) business days before of the date of a board and committee meeting to provide ample time for the Directors to review issues that are to be deliberated at these meetings.

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

Board meetings were conducted based on a formal agenda with adequate time allocated for deliberation and 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. Good Business Conduct and Corporate Culture

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

The Directors' Code of Conduct 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 indirect – 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 made written disclosure of their interest and position in corporations and firms pursuant to Section 221(4) of the 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 the Directors' Code of Conduct are available on the Company's website at www.muda.com.my.

2.2 Directors' Fit and Proper Policy

The Company had in June 2022 adopted a Directors' Fit and Proper Policy to ensure that individual who possesses the right qualification, expertise, competence and integrity is appointed as director in the Group. All candidates to be appointed and seeking for re-election as directors in the Group, shall undergo a review of fit and properness by the Board in accordance with the Directors' Fit and Proper Policy. The Directors' Fit and Proper Policy is available on the Company's website at www.muda.com.my.

2.3 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 Act, 2009. Under this Section 17A, a commercial organisation (including listed issuer) may be found liable for acts of corruption committed by any persons associated with the organisation, such as its directors and employees.

In line with the said anti-graft policy, both Directors and employees must refrain from authorising, 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.

2.4 Whistleblowing

The Group has adopted a Whistleblowing Policy with well-defined procedures to enable stakeholders to voice their concerns on serious misconduct, breach or suspected breach of law or regulation without fear of punishment or unfair treatment or reprisals. The Whistleblowing Policy & Procedures is embedded in the Group's Employment Manual. There were no reports of malpractices and misconduct during the year. The Whistleblowing Policy is available on the Company's website at www.muda.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Board Composition

3.1 Composition of the Board

During FY22, the Board has eight (8) Directors comprising two (2) executive members and six (6) non-executive members, three (3) 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 ("MMLR") of Bursa Malaysia Securities Berhad.

On 3 January 2023 and 6 April 2023, Dato' Tan Tian Meng and Dato' Hazli Bin Ibrahim were appointed as Independent Non-Executive Directors respectively. Mr Lee Khim Sin resigned as Director on 3 January 2023. With these changes, the composition of Independent Non-Executive Directors was at 44.4%.

Cognizant of the recommendation by the MCCG for the Board to comprise at least half of independent directors, the NC constantly assessed the composition and size of the Board to ensure it meets the needs of the Company. Nevertheless, the NC 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 the latest annual evaluation, the Board and the NC expressed satisfaction that the current size of the Board is adequate to ensure effective board governance and decision-making and that the current Board members have the required range of talents, experience and knowledge to accomplish its roles and a diversity of background and distinguished records of leadership to make substantial contributions to the effective functioning of the Board. A majority of the board members have at least one committee assignment.

Reflecting on the level and quality of engagement by the Board in FY22, the Board is satisfied that each Director contributed to Board discussions and demonstrated sufficient commitment. All Directors are fully committed in carrying out their duties and responsibilities and attended all the six (6) board meetings held in 2022.

The Board recognises that Directors' training is an ongoing process to ensure that Directors keep themselves abreast of the latest developments in areas to their duties and to ensure that they are equipped with the necessary skills and knowledge to meet the challenges faced by the Board. All Directors are provided with ongoing professional development and training opportunities to enable them to develop and maintain their skills and knowledge. Directors are also encouraged to personally undertake appropriate training to maintain the skills required to discharge their obligations to the Group.

The particulars of the training attended by the Directors during the FY22 are as follows:

Name of Director /Course Title	Sustainability and Environmental, Social and Governance	Audit Oversight Board Conversation with Audit Committees	Raising Defences: Section 17A, MACC Act
Date	26 April 2022	17 November 2022	29 November 2022
Tan Sri Lim Guan Teik	√		
Dato' Azaman Bin Abu Bakar	√		
Datuk Wira Lim Chiun Cheong	√		
Datuk Nik Ibrahim Bin Nik Abdullah	√	√	
Wong Choong Yee	√		
Lim Siew Ling	√		√
Lim Yen Wee	√		

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Board Composition (Cont'd)

3.2 Tenure of Independent Directors

Independent Directors are subject to an independent assessment by the NC and the Board during annual assessment. All the Independent Directors have provided annual declaration of the Director's independence to the Board. The NC and the Board have assessed and satisfied that none of the Independent Directors had any relationship that could materially interfere with, or be perceived to materially interfere with their unfettered and independent judgement and ability to act in the best interest of the Company and concluded that the Independent Directors of the Company had continued to remain independent.

3.3 Appointment of Board Members

The NC placed emphasis on the candidate's qualification, character, skills, 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 criteria for selection and recruitment of new Director are set out in the Directors' Fit and Proper Policy.

The Company's Constitution provides that at every Annual General Meeting ("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.

Tan Sri Lim Guan Teik and Ms Lim Siew Ling will be seeking re-election in accordance with Article 81 of the Company's Constitution. Dato' Tan Tian Meng and Dato' Hazli Bin Ibrahim who joined the Board on 3 January 2023 and 6 April 2023 respectively will be seeking re-election in accordance with Article 85 of the Company's Constitution at the forthcoming AGM of the Company.

The profiles of the Directors who are standing for re-election at the forthcoming AGM are set out in the Profile of Directors in this Annual Report. Their shareholdings in the Company are set out in the section entitled "Analysis of Shareholdings" in this Annual Report. No individual other than the retiring Directors are seeking election as a Director at the forthcoming AGM.

3.4 New Candidates for Board Appointment

With regard to identifying potential candidates for appointment of directors, the Board had in the past relied on recommendations from its existing Board Members and Management as these 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.

3.5 Gender Diversity

The Board has two (2) female Non-Independent Non-Executive Directors. The Board is supportive of gender diversity in the Board composition and at senior management level with participation of women in senior management positions. It recognises 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Board Composition (Cont'd)

3.6 Nomination Committee ("NC")

The NC is responsible for regularly reviewing the structure, size and composition of the Board including the skills, knowledge, experience and diversity of the directors. It is also responsible for identifying and nominating potential candidates to be appointed as Directors, as the need may arise.

The NC 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 and the NC has its own set of Terms of Reference which deals with its authority and duties. The Terms of Reference of the NC is available on the Company's website at www.muda.com.my.

The NC is made up of four (4) members, three (3) of whom are Independent Non-Executive Directors and one (1) of whom is a Non-Independent Non-Executive Director. All the members attended two (2) NC Meetings held in 2022 and reviewed the attendance of all Board and Committee members, the composition of Independent Directors, Board composition and size and talent, knowledge and experience, conducted Board/Committees and members' evaluation, and assessed Directors' training needs.

During the year, the NC considered and assessed the qualification, competence, character and suitability of a candidate nominated for appointment to the Board in accordance with the Company's Directors' Fit & Proper Policy and made the appropriate recommendations to the Board which culminated into the appointment of Dato' Tan Tian Meng as Independent Non-Executive Director on 3 January 2023.

4. Overall Board Effectiveness

4.1 Annual Evaluation

For FY22, the Board through the NC and with the assistance of the Company Secretaries undertook a formal review of the Board performance and that of its Board Committees. Board members evaluated and completed a comprehensive set of questionnaires with the aim to assess the effectiveness of the Board, both as a collective unitary Board, and at individual board members level to enable the NC and the Board to determine the best course of actions to be adopted to take the Board to the next level of effectiveness. The performance of each of the Board Committees were also assessed.

To ensure unbiased assessment, the evaluation process was managed by the Company Secretaries, who 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 NC. With the assistance of the Company Secretaries, the Chairman of the NC prepared a report on the outcome of the performance evaluation with feedback provided to the Board for further discussion and necessary action, which was subsequently provided to the Board for further discussion and necessary action. 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 28 February 2023.

Since the members of the NC are also members of the AC, the evaluation of the performance of the AC and each of its members was undertaken by the Board. The review of the terms of office and performance of the AC and its members in 2022 which is in accordance with Paragraph 15.20 of the MMLR of Bursa Malaysia Securities Berhad revealed that the AC and its members have carried out their duties in accordance with the Terms of Reference of the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

5. Remuneration

5.1 Remuneration Policy

The RC reviewed the remuneration of the Directors and Senior Management annually and submitted its recommendations to the Board on specific adjustments and/or reward payments that reflected their respective contributions throughout the year, and were also competitive and in tandem with the Group's objective to ensure that the level of remuneration of Senior Management commensurate with the skills and responsibilities expected. The RC and the Board ensured that the remuneration package for the Directors remained competitive to attract and retain Directors of high caliber who possess the necessary skills and experience.

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 remuneration of 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. Their remuneration package comprises fees, attendance allowances and benefits-in-kind that commensurate with their roles, duties and responsibilities. Fees and benefits payable to Non-Executive Directors by the Company and its subsidiaries are subject to yearly approval of shareholders during the Company's AGM. The details of the Directors' and Key Management's remuneration for the FY22 are disclosed in the CG Report which is available on the Company's website at www.muda.com.my.

5.2 Remuneration Committee ("RC")

The RC is primarily responsible for determining and recommending to the Board the remuneration package of the Executive Directors of the Company. The RC consists entirely of Non-Executive Directors, the majority of whom are independent. All the members attended the one (1) RC Meeting held in FY22 to review and deliberate the recommendations on bonuses and salary increment of senior management and also the remuneration package of the Executive Directors and made its recommendations to the Board for approval. The roles and responsibilities of the RC are governed by the Terms of Reference and is available on the Company's website at www.muda.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT**6.1 Effective and Independent Audit Committee ("AC")**

The AC has a key role in the oversight of the effectiveness of the risk management and internal control systems within the Group. Its key function is to assist the Board to assess the risks and control environment, oversee the financial reporting process, evaluate the internal and external audit process, and review any conflict of interest situation and related party transactions. The Chairman of the AC reports to the Board on any significant audit findings deliberated by the AC which would require Board's attention and approval for implementation. The AC also monitor compliance with established policies and procedures and assess the suitability, objectivity and independence of both external and internal auditors.

6.2 Members, Chairman and Terms of Reference of AC

The AC of the Company is chaired by the Senior Independent Non-Executive Director, who is not the Chairman of the Board. Having the position of AC Chairman and Board Chairman assumed by different individuals allows the Board to review the AC's findings and recommendations objectively.

The AC comprises of four (4) Non-Executive Directors, three (3) of whom are Independent Directors. The role and responsibilities of the AC are governed in its Terms of Reference. The term of office and performance of AC and each of its members are reviewed annually by the Board to ensure AC and its members have carried out their duties in accordance with the Terms of Reference of the AC. The details on AC membership, AC meetings and how the AC carried out its roles and responsibilities during FY22 are set out in AC Report of this Annual Report.

6.3 Assessment of External Auditors

The Board maintains a transparent relationship with external auditors, with AC responsible for recommending the appointment or removal of external auditors and the terms of their engagement to the Board.

Prior to the commencement of the annual audit, the AC shall seek confirmation from the external auditors as to their independence. This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmation were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.

The assessment of external auditors by the AC during the year can be referenced from the AC Report of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

6.4 Risk Management and Internal Control Framework

The Group maintains and operates a sound system of risk management and internal control to ensure that the probability of misstatement or loss is at minimum level. Such system is designed to manage rather than eliminate the risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces and also regularly review the effectiveness of the Group's risk management and internal control system in areas of financial, operational, strategic and compliance risks and reviewing the half yearly risk management reports from the Management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly addressed and remedied and indicate a need for more extensive monitoring.

The AC assists the Board in discharging its review responsibilities. A formal risk identification and assessment exercise has been carried out resulting in risks register summarising the key risks, potential impact and the mitigating factors or control in place. In this respect, the Internal Audit Department assists the Group in evaluating the effectiveness of the Group's risk management and internal control processes.

The Statement on Risk Management and Internal Control set out in this Annual Report provides an overview of the Group's approach to ensure the effectiveness of risk management and internal control processes within the Group.

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

7. Continuous Communication Between the Company and Stakeholders

The Board recognises the importance of being transparent and accountable to its shareholders and has used various channels of communications to enable the Board and Management to continuously communicate, disclose and disseminate comprehensive and timely information to investors, shareholders, financial community and the public.

Towards this, the Company's website at www.muda.com.my under the "Investor Relations" section provides all relevant information to stakeholders and the investing community which includes all the announcements released to Bursa Malaysia Securities Berhad, the Company's Annual Report, quarterly results, Board Charter, Terms of Reference of Board Committees and relevant policies of the Group and other corporate information.

The Company also conducts briefings with analysts and financial institutions with the aim to develop and maintain positive relations with all stakeholders through enabling active two-way communication, as well as promoting and demonstrating a high standard of integrity and transparency through timely, accurate and full disclosure. These activities also served to enhance stakeholders' understanding of the Group, thereby enabling them to make informed decisions when valuing the Company's shares. During the financial year under review, meetings with analysts on Group's financial results were held to coincide with the announcement of the Company's quarterly financial performance.

The Board believes that 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 email their queries to the Company at invest-info@muda.com.my or via mail to Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)**8. Shareholders Participation at General Meeting**

The AGM of the Company serves as the principal forum which provides the opportunity for shareholders to raise concerns or questions. In light of the COVID-19 pandemic, the Company conducted its 51st AGM on a virtual basis through live streaming and online remote voting via Remote Participation and Voting Facilities on 28 June 2022. The conduct of the virtual 51st AGM is in compliance with the Company's Constitution which allows General Meeting to be held using technology or electronic means.

In line with good corporate governance practices, the notice of AGM together with the Administrative Guide were circulated at least 28 days before the AGM to enable shareholders to make the necessary arrangement to participate the AGM and 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. Shareholders who are unable to participate 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.

All the Directors participated in the virtual AGM held in 2022. The electronic means of conducting the AGM in 2022 on a virtual basis has enabled shareholders to participate in the proceedings by audio and/or video capabilities without the need to be physically present at the broadcast venue given the Covid-19 pandemic. There were interactive engagements between the Board and shareholders where shareholders were provided with sufficient opportunity to pose questions prior to and during the AGM in 2022. The Chairman, Managing Director and Chief Financial Officer responded to all questions raised. The Management and the External Auditors of the Company were also present at the AGM to respond to questions from shareholders.

The Company adopted electronic poll voting at its 51st AGM for efficiency in the voting process and an independent scrutineer was appointed to validate all the votes. The Chairman announced the voting results of all the resolutions tabled before the closure of the AGM and the outcome of the meeting were released to Bursa Malaysia Securities Berhad on the same day of the AGM. Minutes of the AGM is available on the Company's website at www.muda.com.my.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 6 April 2023.

AUDIT COMMITTEE REPORT

INTRODUCTION

The Audit Committee (“AC”) 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.

The AC’s duties and responsibilities are set out in the Terms of Reference, which is available at www.muda.com.my. Through active engagements, the AC is able to assist the Board of Directors (the “Board”) in the discharge of its oversight function effectively.

Composition and Meetings

The details of the AC membership and meetings held for the financial year 2022 (“FY22”) are as follows:-

Members	Number of meetings attended
Datuk Nik Ibrahim Bin Nik Abdullah (Chairman)	6/6
Tan Sri Lim Guan Teik (Member)	6/6
Wong Choong Yee (Member)	6/6
Dato’ Tan Tian Meng (Member) (Appointed on 28 February 2023)	-
Lee Khim Sin (Member) (Resigned on 3 January 2023)	6/6

The Executive Directors, Chief Financial Officer and Senior Finance Manager were invited to all Audit Committee meetings to facilitate direct communication and to provide clarification on financial and audit issues as well as updates on business or operations. The Head of the Internal Audit attended all the Audit Committee meetings to table and brief the committee members on the internal audit reports.

Summary of AC Activities

The works of the Audit Committee during the financial year ended 31 December 2022 are summarised below:

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 the Management and ensured disclosures were made in compliance with applicable accounting standards and regulatory requirements.

B. External Audit

- (a) Reviewed the External Auditors’ Planning Memorandum, focusing on the scope of work for the year which included new areas or new scope of audit emphasis such as changes to the law and regulations multi-location audit scope, systems, audit timeline and statutory audit fees.
- (b) Reviewed the independence of the External Auditors and have received assurance from External Auditors confirming that they were, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements as well as the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.
- (c) Held two separate independent meetings with the External Auditors in the absence of the executive Board members and management representatives during which the external auditors informed that they had received full co-operation from the management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted.
- (d) Reviewed the suitability of the External Auditors and was satisfied with the suitability of the External Auditors, Grant Thornton Malaysia PLT in terms of the quality of audit, performance, competency and sufficiency of resources and recommended to the Board for the reappointment of Grant Thornton Malaysia PLT as the External Auditors of the Company for the next financial year.

AUDIT COMMITTEE REPORT

CONT'D

INTRODUCTION (CONT'D)

Summary of AC Activities (Cont'd)

B. External Audit (Cont'd)

- (e) Discussed the annual audited financial statements of the Group with the External Auditors and noted the salient features and key findings from the External Auditors as well as to ensure that the audited financial statements was drawn up in accordance with the provisions of the Companies Act 2016 and the applicable accounting standards approved by the Malaysian Accounting Standards Board.
- (f) Reviewed the annual audited financial statements for recommendation to the Board for approval.

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) Received and reviewed a total of nine (9) Internal Audit Reports and three (3) limited audit review which were tabled during the quarterly Audit Committee meetings covering the processes of the Group's business units.
- (c) Reviewed and discussed the implementation status taken by the Management in response to the audit recommendations on the audit findings raised in the audit reports and ensure that appropriate and prompt remedial actions being taken by the Management to rectify the weaknesses and all the key findings as highlighted, and control lapses identified by Internal Audit Department have been addressed effectively and efficiently.
- (d) Ensured all recommended actions were implemented by Management in accordance with the date committed through eight (8) Post Audit Assessments carried out by Internal Audit Department during the financial year.
- (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 Internal Control Self-Assessment Questionnaires from reports prepared by Internal Audit Department.

D. Related & Recurrent Related Party Transactions ("RRPT")

- (a) Reviewed the recurrent related party transactions of a revenue or trading nature entered into by the Company and its subsidiaries and associated companies, and considered any related party transactions and conflict of interest situation that may or have arisen within the Company and the Group including any transactions, procedure or course of conduct that raises questions on management integrity.
- (b) Ensured that the related or recurrent related party 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, for recommendation to the Board for approval.
- (c) Reviewed and updated the processes and procedures on related or recurrent related party transactions to be in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Companies Act, 2016.

AUDIT COMMITTEE REPORT

CONT'D

INTRODUCTION (CONT'D)

Summary of AC Activities (Cont'd)

E. Risk Management

- (a) Reviewed and discussed the high and key risks that have been identified and reported in the Group's business units' Risk Management Reports as well as new and emerging risks and control mechanism.

The details is set out in the Statement on Risk Management and Internal Control in this Annual Report.

F. Other Activities

- (a) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to recommending the same to the Board for approval and inclusion in the Annual Report of the Company.

SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

Summary of works of the internal audit function for the financial year ended 31 December 2022 is set out in the Statement on Risk Management and Internal Control in this annual report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This statement is prepared pursuant to the requirements set out within Paragraph 15.26(b) of the Main Market Listing Requirements (MMLR) issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”), with guidance from Bursa Malaysia’s Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (SORMIC Guidelines).

The Board recognises the importance of managing uncertainties that may affect the achievement of Muda Group’s (the “Group”) objectives and is committed to manage the Group’s risk pragmatically by embedding risk management into its system of internal control, management system and decision-making process.

RESPONSIBILITY AND ACCOUNTABILITY

At Board Level	At Management Level	At Operation Level
<u>Board of Directors (the “Board”):</u> - Affirms its overall responsibility to drive a “risk-aware” culture throughout the Group and to establish and oversee sound risk management practices, as well as to ensure the adequacy and effectiveness of its Risk Management Framework and system of internal control. - Reviews the risk management framework on a regular basis and recognises that the risk management system is designed not to eliminate the risks but to manage the risks. <u>Audit Committee (“AC”):</u> - Assists the Board in the oversight of an adequate, efficient and effective risk management and internal control function for the Group.	<u>The Management team, led by the Executive Directors:</u> - Oversees the implementation of the approved framework, policy and all procedures pertaining to risk management and internal control, to ensure that business strategies and risk management are aligned. - Manages the risks faced by the Group through the implementation of effective controls and mitigation measures.	<u>All employees:</u> - Assess risks that could surface from their actions or decisions. - Ensure reasonable care is taken to prevent loss, maximise opportunity, and safeguard the Group’s reputation and assets through appropriate controls to prevent or manage uncertainties. <u>Internal Audit Department (“IAD”):</u> - Reports directly to the AC, as an independent function of the Group. - Provides objective assurance to the Board on the adequacy of the Group’s internal control systems, governance and risk management processes.

Risk Management Framework

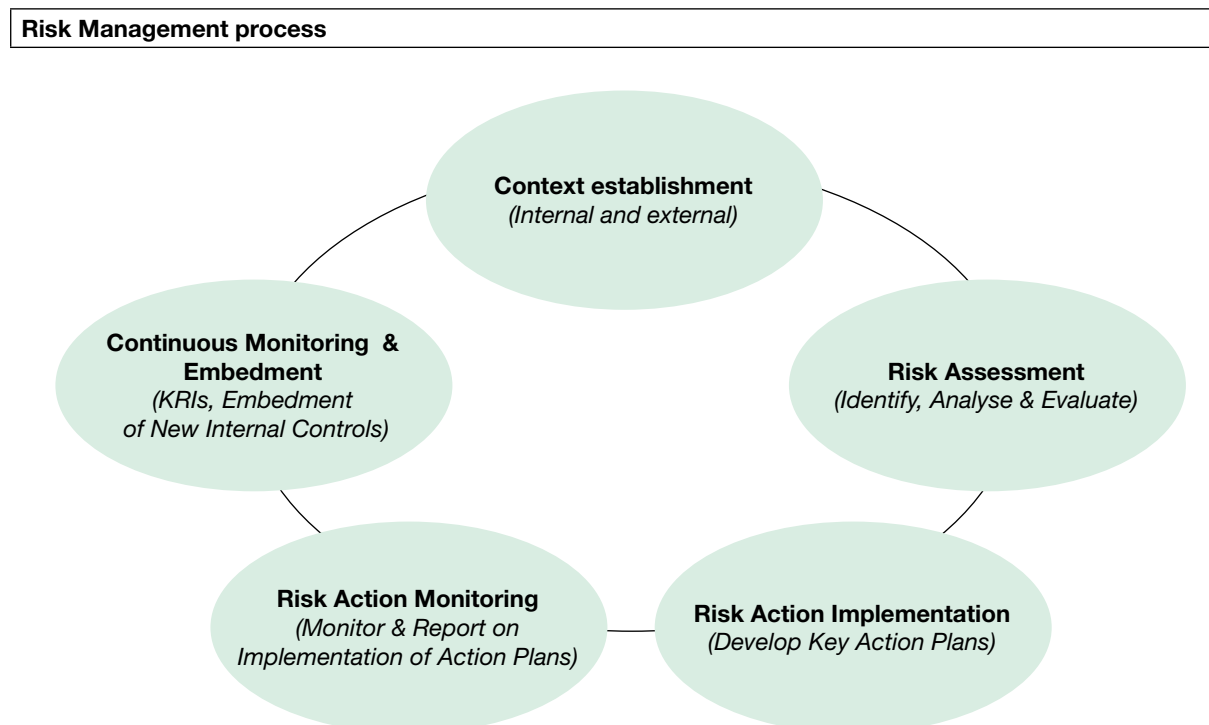
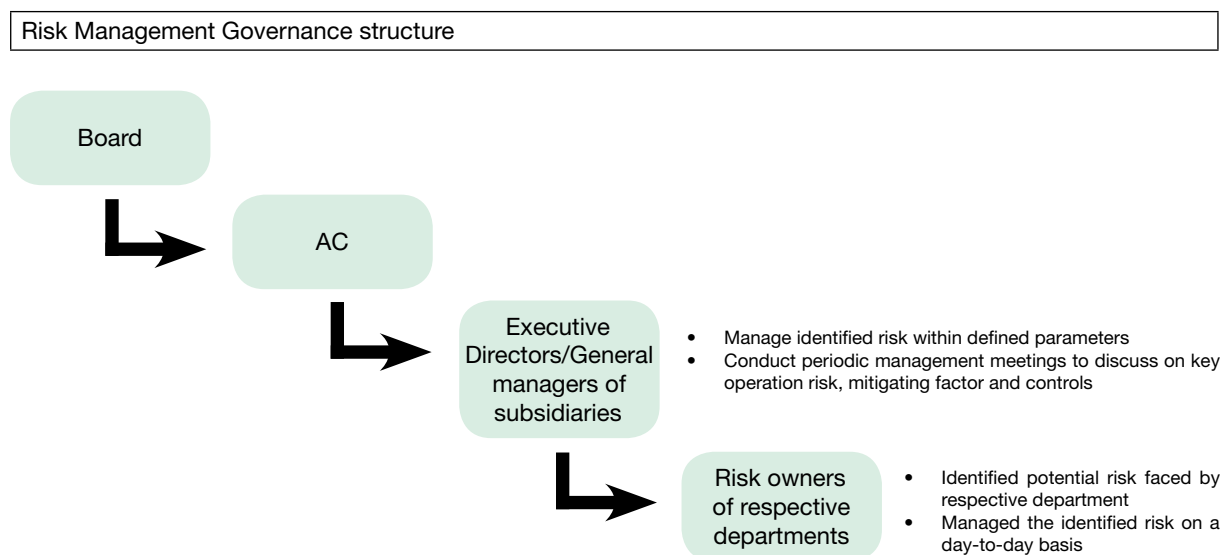
The Group has adopted and implemented an Enterprise Risk Management (“ERM”) framework which serves as a methodical approach for the timely identification, reporting and management of principal risks as well as in ensuring the implementation, monitoring and review of the effectiveness of mitigation actions for the risks identified. It sets out the risk management governance and processes in association with the Group’s business and operational requirements in order to maintain a sound control environment. The key elements of the ERM framework are outlined in below.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

RESPONSIBILITY AND ACCOUNTABILITY (CONT'D)

Risk Management Framework (Cont'd)



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

RESPONSIBILITY AND ACCOUNTABILITY (CONT'D)

Internal Control

The Board places emphasis on a sound system of internal control to facilitate the effective and efficient operation of the Group's businesses by enabling the Board and the management to respond appropriately to any significant business, operational, compliance and other risks in achieving the Group's objectives.

Nevertheless, the Board also recognises that the system of internal control can only reduce, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. As such, the Board reiterates that the system of internal control, by its nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives.

The key elements of the Group's internal control system are described below:

- (1) Clearly defined delegation of responsibilities to the Board Committees and to operating units, including authorisation levels for all aspects of the business.
- (2) Documented internal procedures and/or processes of individual business units, whenever applicable, which include processes to generate timely, relevant and reliable information and proper record keeping as well as compliances with applicable laws and regulations and internal policies for the conduct of business.
- (3) Regular internal audit visits in accordance with the approved internal audit plan by Audit Committee which monitors compliance with procedures and assess the integrity of financial information.
- (4) Regular and comprehensive information provided to management, covering financial performance and key business indicators.
- (5) A detailed budgeting process where operating units prepare budgets for the coming year to be approved by the Board.
- (6) A monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

RESPONSIBILITY AND ACCOUNTABILITY (CONT'D)

Key Risk

The Group had broadly identified key risks into Strategic, Operational, Financial and Compliance Risk with the outcome of the process documented into a half yearly risk management report to be presented to the Board. The table below shows the key risks and its mitigating measures.

Key Risks	Description	Mitigating Actions
Strategic	The Group's envisaged to strengthen the market leader position as one of the Malaysia largest integrated paper manufacturers.	The management continually keeps abreast of strategic risk and are mindful on the global trends, geo-political issues, business resilience, industry disruption and would respond to them appropriately.
Operational	The Group's policy is to assume operational risks that are manageable within its core business competencies. The operational risks management range from shortage of raw material, fluctuation of raw material price, fire and flood, machine breakdown, etc.	Day-to-day operational risks are mainly decentralised at the respective subsidiaries level and guided by the Standard Operating Procedures.
Financial	The Group is exposed to various financial risks relating to interest rate, foreign currency risks, credit risks and liquidity risks.	The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are set out in the financial statements.
Compliance	The Group operates in diverse geographical locations and as such, is governed by relevant local and international laws, regulations, standards, certifications and accreditations.	The management continues to keep abreast on any new regulations being gazetted or enacted. In addition, the Group will be notified if there is any changes to the industry or compliance requirements as the Group is a member to certain associations.

Internal Audit function

The Group has an in-house and independent IAD which undertakes internal audit functions based on the risk-based audit plans that were reviewed and approved by the AC.

The purpose, authority and responsibility of the IAD as well as the nature of the assurance and consultancy activities provided by the function are articulated in the Internal Audit Charter. The IAD reports directly to the AC who reviews and approves the IAD's annual audit plan, financial budget and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors and activities were carried out closely in line with the International Professional Practices Framework ("IPPF").

The Internal Audit function is staffed by four (4) full-time staff. Mr. Koh Thuan Hin was appointed as the Head of Internal Audit in March 2017. He has been with the Division for 13 years, having joined in July 2009. Mr. Koh's 25 years of experience in the profession spanned across various commercial sectors including professional audit & accountancy firm, manufacturing, property, trading, agriculture, poultry and service sectors. Mr. Koh is a holder of Advanced Diploma in Accounting and Business from Association of Chartered Certified Accountant.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

RESPONSIBILITY AND ACCOUNTABILITY (CONT'D)

Internal Audit function (Cont'd)

During the year, the IAD conducted various internal audit engagements in accordance with the risk-based audit plan which covered the review of the followings:-

- (a) Executed nine (9) audit assignments, eight (8) follow-up audit and three (3) limited audit review based on approved 2022 Internal Audit Plan which was formulated after considering key business processes and risks of the Group;
- (b) Audit reviews performed on business units to ensure compliance with internal policies, Standard Operating Procedures ("SOPs"), accounting standards, and relevant rules and regulations were:
 - Assessment of inventory valuation system;
 - Credit control review in paper mills and carton manufacturing division;
 - Review of warehouse & logistic controls;
 - Review of systems and accounting treatment of property, plant and equipment;
 - Operation review of procurement management activities;
 - Compliance and operation audit of human resource management processes;
 - Review of related and recurrent related party transactions; and
- (c) Follow-up the implementation of management action plans to ensure that necessary actions have been taken to remedy any significant gaps identified through audit assignment.

The total costs incurred for maintaining the Group Internal Audit and Risk Management function for year 2022 were approximately RM648,000.

ASSURANCE

The Board has received assurance from the Executive Deputy Chairman and the Chief Financial Officer that the risk management and internal control system of the Group is operating adequately and effectively. Thus, the Board is of the view that the risk management and internal control system in place for the year under review is sound and sufficient to safeguard shareholders' investments, stakeholders' interests and the Group's assets.

CONCLUSION

Based on the foregoing as well as the inquiries and information provided, the Board is assured that the risk management process and system of internal control put in place through its Board Committees were operating adequately and effectively in all material aspects to meet the Group's objectives for the year under review.

This Statement on Risk Management and Internal Control does not cover associated companies where the internal control systems of these companies are managed by the respective management teams. This statement has been reviewed and approved by the Board of Directors on 6 April 2023.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2022, and reported to the Board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the SRMICG or is factually inaccurate. The external auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia and for no other purpose or parties.

As stated in their report, the external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report. AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

SUSTAINABILITY STATEMENT

Preparation of This Statement

This Sustainability Statement (the “Statement”) aims to communicate Muda Holdings Berhad (“MHB” or “Company”) commitment to sustainability, activities and progress to our stakeholders.

This Statement is prepared in accordance with the Sustainability Reporting Guides and Amendments issued by Bursa Malaysia Securities Berhad under Main Market Listing Requirements.

Scope of reporting

This Statement covers the sustainability performance of our business operations for the financial year ended 31 December 2022 (“FY22”) unless otherwise stated. The scope of this Statement covers MHB’s eight (8) main subsidiaries (the “Group”) located in Malaysia.

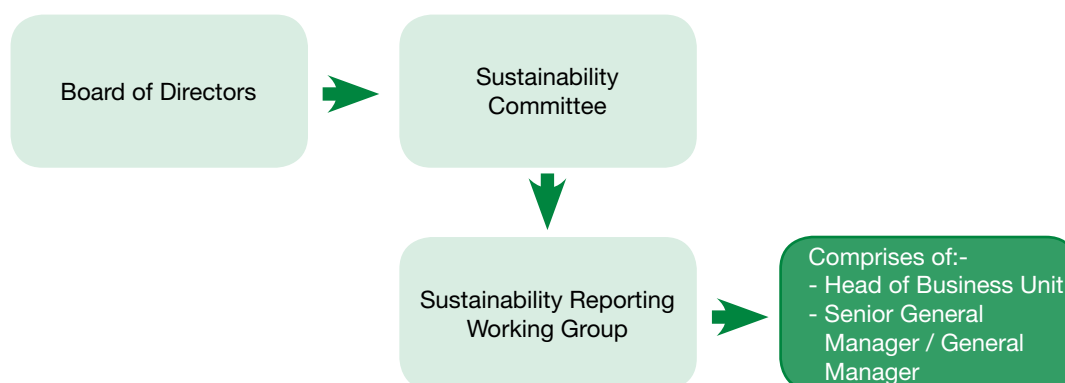
Integrated Paper Manufacturing Business

Segment	Company name
Recovered paper collector	Central Malaya Paper Sdn Bhd
Paper miller	Muda Paper Mills Sdn Bhd
Corrugators	Federal Packages Sdn Bhd Muda Packaging Industries Sdn Bhd Kotak Malaysia (KOM) Sdn Bhd K F Paper Products (Melaka) Sdn Bhd Muda Pasifik Sdn Bhd Muda Paper Converting Sdn Bhd

Governance structure

MHB’s sustainability governance structure is critical to ensure that our approach is underpinned by strategic risk and opportunity management as well as guided by sustainable principles and industry best practices.

MHB’s Board of Directors (the “Board”) plays an active role in setting the sustainability direction for the Group. A Sustainability Committee (“SC”), chaired by Audit Committee Chairman and comprises the Executive Deputy Chairman and Managing Director that support the Board in steering the Group’s sustainability efforts. The SC is assisted by the Sustainability Reporting Working Group (“SRW”) to guide and monitor MHB’s sustainability performance across businesses.



SUSTAINABILITY STATEMENT

CONT'D

Stakeholder engagement

MHB identifies its stakeholders as groups of people and organisations whom the Company considered as most significant to the Group's business operations and strategies. The stakeholders' engagement methods are regularly assessed with the objective of understanding the stakeholders' interests and concerns before the Group makes its business decisions and policies.

The table below summarises our approach to stakeholders' engagement:

Key Stakeholders	Focus Area	Engagement Method	Engagement Frequency
Customers	❖ Product quality ❖ Reliable delivery ❖ Competitive prices ❖ Customer service	❖ Customer feedback ❖ Factory visit ❖ Monthly meeting	❖ Routine meeting ❖ Annually
Employees	❖ Remunerations and benefits ❖ Safe and conducive working environment ❖ Career growth and opportunities ❖ Equal opportunity	❖ Monthly management meetings ❖ Employee engagement events ❖ Performance appraisal ❖ Trainings	❖ Routine meeting ❖ Bi Weekly ❖ Monthly
Shareholders and Investors	❖ Business profitability ❖ Business management ❖ Corporate governance ❖ Investment risk and return ❖ Share price performance	❖ Annual General Meeting ❖ Annual report ❖ Bursa announcements ❖ Quarterly financial results ❖ Company website	❖ Quarterly ❖ Annually ❖ As needed
Regulators	❖ Compliance with relevant rules and regulations	❖ Compliance with mandatory requirements such as Income tax return, Sales tax return, Securities Commission Declarations, Annual Return, License renewal, Declaration to Department of Environment ("DOE") and Department of Occupational Safety and Health ("DOSH") ❖ Consultation with local authorities and BOMBA	❖ Monthly ❖ Annually ❖ As needed
Bankers	❖ Financial health, solvency ❖ Covenants compliance	❖ Annual review of financial performance and financial position	❖ Quarterly ❖ Annually
Competitors	❖ Anti-competitive practices ❖ Business strategy and plan ❖ Market penetration	❖ Update on market conditions	❖ Monthly
Suppliers	❖ Pricing ❖ Product quality ❖ Reliability of supply ❖ Order fulfilment matters ❖ Prompt payments	❖ Supplier meetings ❖ Informal discussion ❖ Supplier visit and audit	❖ Routine meeting ❖ Annually
Community	❖ Social and environmental issues ❖ Community development	❖ Provide job opportunity ❖ Corporate social responsibility programmes and activities related to education, society and associations	❖ Monthly ❖ Annually

SUSTAINABILITY STATEMENT

CONT'D

United Nation's Sustainable Development Goals ("SDGs")



The SDGs are the blueprint set by the United Nations ("UN") with a collection of 17 interlinked global goals to achieve a better and more sustainable future for all. MHB is committed to supporting and fulfilling the UN SDGs.

We are focused on aligning our efforts to adopt the UN SDGs which are relevant to our operations. The table below sets out how our sustainability initiatives are aligned with the UN SDGs:

Pillar	Key sustainable matters	UN SDGs goal	
Economic	❖ Product quality ❖ Customer engagement ❖ Procurement practice ❖ Data protection and privacy ❖ Corporate governance and ethics	  	❖ Deliver quality products and services ❖ Meet customers' requirements and expectations ❖ Promote local procurement ❖ Deliver financial values to shareholders such as growth in revenue, dividend pay out ❖ No significant cases reported for data breach ❖ Uphold the high standard of corporate governance and ethics ❖ No cases reported for non-compliance with regulatory requirement
Environment	❖ Environment compliance ❖ Climate change ❖ Energy management ❖ Waste management	   	❖ Accreditation of ISO 14001:2015 Environment management service ❖ Installation of renewable energy ❖ Compliance with local regulatory requirement
Social	❖ Employment diversity and equal opportunity ❖ Occupational health and safety ❖ Training and education ❖ Community development	    	❖ Provide employment with development and talent retention initiatives ❖ Provide equal employment and career growth opportunities ❖ Compliance with DOSH standard ❖ Safe workplace ❖ Community investment

SUSTAINABILITY STATEMENT

CONT'D

ECONOMIC

Financial performance

MHB recognises its responsibility as a good corporate citizen, fulfilling them through its contributions towards a sustainable marketplace. We have put in place measures and mechanism to support business resilience and sustainable economic growth.

MHB is consistent in its distribution of dividends to its shareholders that are dependent on the Group's financial performance. The Group will continue to strive to achieve its targeted financial performance via its planned strategies moving forward.

Customer engagement

Customer engagement is one of the key factors to grow and sustain our business and for us to remain competitive. MHB adopts the customer-first approach which ensures that customer needs and expectations are determined, converted into requirements and are met with the aim of enhancing customer satisfaction. This is accomplished by assuring continuous engagement with customers through routine meetings and business performance review meeting.

The Group ensures that its products quality and services meet its customers' requirements and expectations. As a testimonial, the following represents certain awards/certifications/compliances obtained:-

- ❖ Fibre and Forest Stewardship Council ("FSC") certified;
- ❖ ISO 9001 : Quality Management System;
- ❖ ISO 14001 : Environment Management System;
- ❖ ISO 18000 : Occupational Health and Safety Standard;
- ❖ ISO 22000 : Food Safety Management;
- ❖ ISO 45001 : 2018 : Occupational Health & Safety Management Systems;
- ❖ Hazard Analysis Critical Control Part ("HACCP") certified;
- ❖ Chain of Custody (Forest product) certified;
- ❖ RoHS Directive 2011/65/EU and (EU)2015/863 (amendment in Annex II) certified;
- ❖ Good Manufacturing Practice ("GMP") certified; and
- ❖ Sustainable Supply Chain Solutions ("Sedex") certified.

All our industrial grade paper are manufactured as FSC certified products. However, only 50.6% of our sales of the industrial grade paper were sold as FSC certified in FY22.

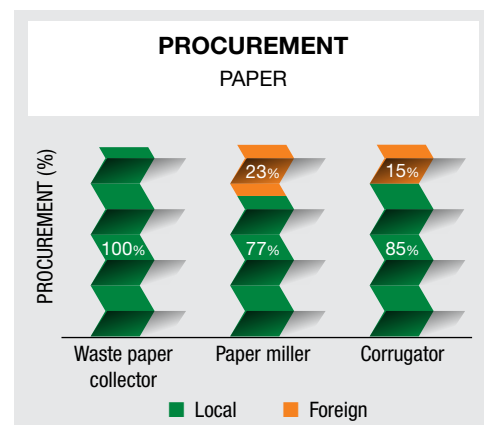
Procurement practice

MHB prioritises the procurement of products and services from locally established business entities to generate economic value in the local community. The procurement process adheres to standard operating procedures for efficient and reliable business transactions, while ensuring that the products conform to high standards of quality and delivery.

Where local procurement is not possible for products such as specialised technical equipment for the paper mills and corrugating plants, the Group will procure products and services from overseas entities after exhausting all the avenue to source locally.

Procurement – Recovered paper collector procures 100% of its recovered paper locally.

Paper miller and corrugators, procure their paper from foreign countries when the Group anticipates that there is shortage of recovered paper and industrial grade paper in the market and also whenever there is unavailability of such paper (eg, colour kraft paper etc) in the local market.



SUSTAINABILITY STATEMENT

CONT'D

ECONOMIC (CONT'D)

Data protection and privacy

With the importance of information technology and its increasing integration to the workplace, it is imperative for MHB to manage the threats and risk of cyberattacks to the Group.

MHB is committed to protecting private information and personal data of our customers, suppliers, and employees. Our cybersecurity measures and practices ensure that information is appropriately and lawfully shared and that data is handled with the utmost care, done confidentially and with integrity.

We comply with the Personal Data Protection Act 2010 and all information and personal data are secured through the use of our integrated data protection and information security strategy.

Below are our key internal controls to protect data privacy:

- (i) Protect our technology resources and assets with encryption, firewalls, antivirus or anti-malware software, automated patching and security vulnerability assessments;
- (ii) Use appropriate physical and organisational security measures to protect personal data;
- (iii) Provide training and awareness programmes on data security and proper handling of information; and
- (iv) Annual simulation on disaster recovery

With the internal controls in place, there were no reported cases related to the breaches of data and complaints received from external stakeholders.

Corporate governance and ethics

The board continuously promotes a sound governance through policies which complied with the latest regulatory requirements and the principles of best corporate governance. These include the Code of Conduct, Anti-Bribery and Anti-Corruption Policy ("ABC policy") and Whistleblowing Policy are made available on our website at www.muda.com.my. We have communicated these codes and policies to all our Directors and employees to ensure the upholding of these codes and policies.

ABC policy

The ABC Policy clearly states that we adopt zero-tolerance towards corruption and bribery. We strictly prohibit any of our Directors, employees and associated third parties (which may include but not limited to suppliers, contractors, agents, consultants, outsourced personnel, distributors, advisors, government and public bodies including advisors, representatives and officials) from taking part in any form of corruption, bribery, extortion, embezzlement or any kind of money laundering activities.

MHB will review the Policy's relevance every 3 years or based on the changes in regulations and requirements whenever it happens.

There were no reported cases of bribery and corruption in FY22.

Whistleblowing policy

The Group established a whistleblowing channel to report any violations to ABC policy or any malpractices. All incidents notwithstanding directors and employees are reported to the Whistleblowing Committee.

Details of the procedure are available in the Whistleblowing Policy.

There were no reported cases in FY22.

SUSTAINABILITY STATEMENT

CONT'D

ENVIRONMENT

Climate change

Recycling is key to our business as our main products are made from recycled materials namely old corrugated cartons, old newspaper, black and white etc. Hence, MHB has consistently promoted the culture of recover and recycle by putting in place the following initiatives:

- (i) Promoting awareness of the 3R (Reduce, Reuse and Recycle) within our organisation and local community.
- (ii) Providing technical and financial support to encourage individuals to venture into the business of waste paper recovery.
- (iii) Maximising fiber utilisation and to reduce fiber wastage with adoption of technological instruments or chemicals to improve paper strength and reduce fiber consumptions.

A majority of MHB's products are made from recovered paper i.e waste paper that are reprocessed for re-use. With this, MHB strives to reduce deforestation and in FY2022, MHB has recovered more than 450,000 mt of waste paper.

In the effort to reduce the impact to climate change, the following are some of the steps taken in FY22:-

- (i) Commissioning of our electricity generation via solar photovoltaic system at our sites in Tasek and Johor Bahru;
- (ii) Gradual electrification of our fleet of forklifts;
- (iii) Installation of filter systems to monitor carbon emissions from our boilers; and
- (iv) Insulate our corrugator machines to reduce noise pollution.



Insulated corrugator machine



Electric forklift

SUSTAINABILITY STATEMENT

CONT'D

ENVIRONMENT (CONT'D)

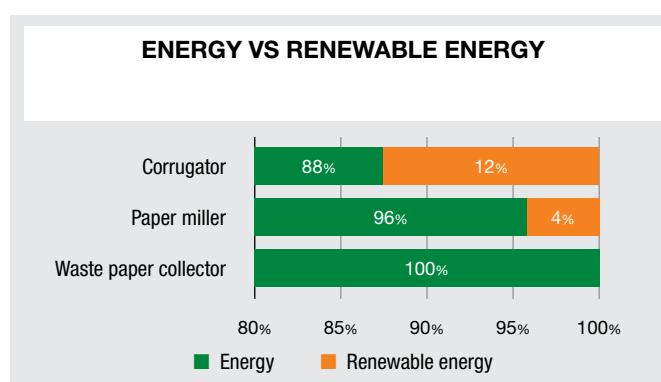
Energy management

MHB has taken the initiative to use better, more efficient machineries to reduce wastage of time, resources and energy, in tandem with the upgrade of our existing machine and acquisition of the newest technology machineries.

It is the Group's policy to switch off the office lights and air conditioning systems whenever it is not in use. Further, all lights will be switched off during lunch hour when employees were out for lunch. The Group has progressively replaced its conventional light sources to LED lightnings to save energy.

Below are the energy composition of the Group:

	(Kwh)
Renewable energy	12,887,377
Energy	235,736,479

**Waste management**

As an integrated paper manufacturer, waste is generated from our processes. To improve on our waste management practices, the non-scheduled waste that has been identified were disposed of to third parties for further recycling. Those non-scheduled waste identified are plastic, metal, pallet and etc. In the support of a more circular economy, trim wastes from the paper mills or non-scheduled wastes were recycled into the pulper whilst trim wastes from the corrugating plants were collected by our recovered paper collector to be re-used by the Group's paper millers.

Waste management	Unit	Scheduled waste	Non-scheduled waste
Amount generated	Mt	3,132	84,450
Recycle/Reused	Mt	–	84,450
Disposed	Mt	3,132	–

Scheduled wastes consist of used oil, dust, slag, ash, ink sludge, waste paint, electronic waste, etc which requires special handling pursuant to the Environmental Quality Act, 1974 and we managed the scheduled waste responsibly to minimise the risk of unintended contact. The scheduled wastes are stored properly and clearly labelled with its identity and appropriate hazard warning. We are maintaining good practices in handling the scheduled wastes to prevent unintended health threats from these scheduled waste to our employees and the environment. All scheduled wastes are disposed of by a licensed contractor for off-site treatment.

SUSTAINABILITY STATEMENT

CONT'D

ENVIRONMENT (CONT'D)

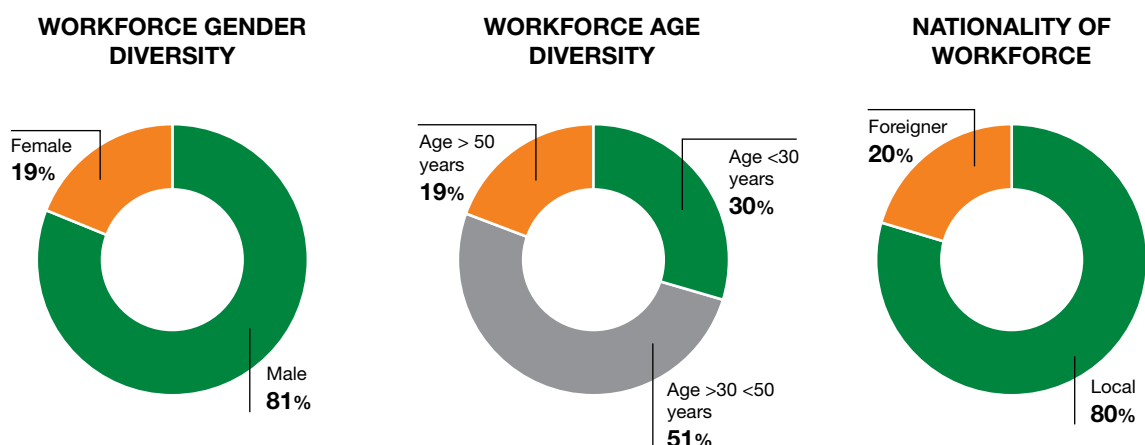
Water management

Our Paper Millers are equipped with biological effluent treatment plants where all the used water had 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.

SOCIAL

Employment diversity, equal opportunity and welfare

We acknowledge that our workforce is one of the key drivers in determining the progress of our businesses. We are committed to create a working environment that is diversified and inclusive by providing equal opportunity and remuneration regardless of race, religion, gender, age, sexual orientation, disability and nationality.



We recognise and provide fair remuneration based on employees' performance by conducting an annual performance appraisal.

Fringe benefits	Leave entitlement
Medical and hospitalisation benefits	Annual Leave
Group personal accident insurance	Study leave
Retirement benefits	Medical/Hospitalisation leave
Various allowances	Marriage leave
Car benefits**	Compassionate leave
Club subscription**	Maternity/Paternity leave

** applicable to management staffs

We strive to attract and retain our employees by adopting a work-life balanced working environment while ensuring their rights are respected. In order to ensure the interest of our employees are well protected, we recognise their rights to collective bargaining and freedom to join recognised trade union or association of their choice. As of December 2022, 27.69% of our employees are members of unions.

SUSTAINABILITY STATEMENT

CONT'D

SOCIAL (CONT'D)

Training and education

The Group also believes in providing learning and development opportunities to its employees to enable them to achieve personal growth and performance excellence at work place.

The Group encouraged and supported the growth and development programmes and webinars so that they stay responsive to changes in the work environment and contribute optimally to the Group. Employees at Executive level and above were granted cash rewards for achieving Group recognised qualifications. Employees who are members of the accredited bodies or associations are eligible to claim for the annual membership fee subject to the approval of management.



Participant attending SMETA training

Foreign labour management

The Group has in place standard procedures in managing the recruitment of foreign labour in a responsible and sustainable way that complies with the laws in Malaysia and those foreign labour origin countries, as well as standards and existing best practices.

The Group strictly enforce the following for our recruitment of foreign labours:-

- (i) No recruitment fee is allowed to be charged by recruitment agencies to the foreign labour as all the recruitment fee are to be borne by the Company where such foreign labour is hired;
- (ii) All employment contract is provided in English and translated into the foreign labour native languages to ensure no abuse is made; and
- (iii) Accommodations provided must be in compliance with the Employee's Minimum Standards of Housing, Accommodation and Amenities Regulation 2020.

All our accommodations have been certified to be in compliance with the regulation mentioned above.

SUSTAINABILITY STATEMENT

CONT'D

SOCIAL (CONT'D)

Occupational health and safety

Creating a healthy and safe working environment across our businesses have always been our priority. We endeavour to ensure a safe and healthy working environment with the ultimate aim of maintaining zero fatality. We have established Safety and Health Committees within relevant business divisions. These committees involve the participation from both employer and employee representatives to collaboratively minimise health and safety risks from the operations. Employee representatives are responsible, to gather feedbacks and concerns regarding workplace health and safety matters from their fellow colleagues, to deliberate with the committee. Quarterly meetings were conducted to update the committee in relation to any issue encountered.

To further improve the Group-wide safety awareness among employees and to consistently reduce occupational hazards and accidents, we have:

- (i) Appointed Health and Safety Officer to head the Health and Safety Department in our Group which is in line with the requirements under DOSH.
- (ii) Conduct 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 fire department were held to improve the skills of the firefighting team.
- (iii) Perform frequent inspection of machineries and equipment to ensure site safety working procedures were strictly enforced; and



Healthy and safety briefing

- (iv) Install automated sprinkler systems at most of our factories. With it, the risk of fire will be reduced, thus affording greater levels of fire protection to people, property and businesses.

The Group also complies with the following legislation:

- (i) Occupational Health and Safety Act 1994;
- (ii) Factories and Machinery Act 1967;
- (iii) Industry Code of Practice for Safe Working in Confined Space 2010; and
- (iv) ISO 45001 : 2018 : Occupational Health & Safety Management Systems

The following summarises the Group's health and safety performance in FY22:-

Health and safety performance	Number of cases
Fatality	0
Injuries	32
Injury rate (%)	12.45%

SUSTAINABILITY STATEMENT

CONT'D

SOCIAL (CONT'D)

Community development

Creating value to the communities around us remain the priority in our sustainability journey. As an organisation with vast footprint in different businesses, we continue to explore ways to empower the communities by initiating various programmes that potentially generate value to the social economy.

Our waste paper collector had been sponsoring schools within its operating region (annually during the festive seasons) while our subsidiary companies have consistently made contributions to the local communities.

**Moving Forward**

MHB recognises that more could be done in sustainability efforts in creating positive impacts on economic, environmental and social aspects. The Group shall continually seek for new opportunities to realise our sustainability commitment.

The Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 6 April 2023.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the following additional information are provided:

AUDIT/NON-AUDIT FEE

The amount of audit and non-audit fees incurred by the Group and Company for the financial year ended 31 December 2022 was as follows:-

Detail of fee	Group RM	Company RM
Statutory Audit fees	460,000	49,000
Non-audit fees *	206,600	59,600

* The non-audit fees for services provided by auditors and affiliates of auditors were mainly in relation to review of Statement on Risk Management and Internal Control and tax fee.

MATERIAL CONTRACTS

To the best of the Board's knowledge, there were no material contracts entered into by the Company and/or its subsidiaries with any of the major Shareholders or Directors in office as at 31 December 2022 except as disclose in the notes to the financial statements.

STATEMENT OF DIRECTOR'S RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required by the Companies Act 2016 (**"the Act"**) to prepare financial statements for each financial year so as to give a true and fair view of the financial position of the Group and of the Company and the results and cash flows of the Group and of the Company as at end of the financial year.

During the preparation of the financial statements for the financial year ended 31 December 2022, the Directors have ensured that:

- the Group and the Company have adopted appropriate accounting policies and are consistently applied;
- judgements and estimates that are prudent and reasonable have been used;
- all applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia have been complied with;
- the accounting and other records required by the Act are properly kept and disclosed with reasonable accuracy at any time, the financial position of the Group and of the Company which enable them to ensure the financial statements comply with the Act; and
- the financial statements have been prepared on the going concern basis.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities and material misstatements, as described more fully in the corporate governance section of this report. Such system, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

FINANCIAL STATEMENTS

THE FINANCIALS

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DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

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 6 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
(Loss)/Profit for the financial year	(8,184)	15,187
Attributable to:-		
Owners of the Company	(10,866)	15,187
Non-controlling interests	2,682	–
	(8,184)	15,187

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 2021 and paid on 15 July 2022:-	
First and final single tier dividend of 5.0 sen per share	15,252

A first and final single tier dividend of 4.0 sen per ordinary share, amounting to RM12,202,033 was recommended by the Directors in respect of the financial year ended 31 December 2022.

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' REPORT

CONT'D

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)
 Wong Choong Yee (Independent Non-Executive Director)
 Lim Siew Ling (Non-Independent Non-Executive Director) *
 Lim Yen Wee (Non-Independent Non-Executive Director) *
 Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (Independent Non-Executive Director) (Resigned on 3 January 2023)
 Dato' Tan Tian Meng, DBNS, ANS (Independent Non-Executive Director) (Appointed on 3 January 2023)
 Dato' Hazli Bin Ibrahim, DIMP, FCCA, MBA (Independent Non-Executive Director) (Appointed on 6 April 2023)

* Directors of the Company and subsidiaries

LIST OF DIRECTORS OF SUBSIDIARIES

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

Chau Tien Dung
 Chew Phai Cheng
 Chua Hwee Hooi
 Goh Ching Yee
 Hayakawa Naohiko
 Jason Hee
 Kang Yiang Lip
 Kok Boon Hong
 Kok Lye Kheong
 Lau Saw Khim
 Lim Poh Beng
 Lee Joo Keat
 Lim Wah Kong
 Loo Ee Fah
 Tan Chaik Phoay
 Tan Kuo Keng
 Tan Tee Sea
 Teoh Ewe Seng
 Teoh Hai Thow
 Wong Mun Chen
 Wu Zhi Jing
 Yamashita Masashi
 Yu Shan Nee

DIRECTORS' REPORT

CONT'D

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	At	Number of ordinary shares		At
	1.1.2022	Bought	Sold	31.12.2022
<u>Direct interest:</u>				
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	170,000	–	–	170,000
<u>Deemed interest:</u>				
Tan Sri Lim Guan Teik	126,010,613	82,500	–	126,093,113
Dato’ Azaman Bin Abu Bakar	115,580,313	–	–	115,580,313
Datuk Wira Lim Chiun Cheong	128,545,113	82,500	–	128,627,613
Lee Khim Sin	203,000	–	–	203,000
Lim Siew Ling	118,437,013	–	–	118,437,013
Lim Yen Wee	119,284,813	–	–	119,284,813

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 30 to the financial statements.

DIRECTORS' REPORT

CONT'D

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

CONT'D

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 RM56,910.

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

AUDITORS

The Auditors' remuneration is disclosed in Note 28 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 6 April 2023.

DATO' AZAMAN BIN ABU BAKAR

Director

DATUK WIRA LIM CHIUN CHEONG

Director

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 63 to 158 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 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 6 April 2023.

DATO' AZAMAN BIN ABU BAKAR

DATUK WIRA LIM CHIUN CHEONG

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 63 to 158, 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)
6 April 2023)

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 (INCORPORATED IN MALAYSIA)
REGISTRATION NO: 197101000036 (10427-A)

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 2022 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 63 to 158.

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 2022, 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 financial year.

Inventory valuation

The risk

Referring to Note 11 to the financial statements. The Group holds inventories that amounted to RM397.62 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 by the management 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 and 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, historical loss rates and the latest selling price of inventories.

INDEPENDENT AUDITORS' REPORT

CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Impairment on doubtful receivables

The risk

Referring to Note 12 to the financial statements. The Group has significant trade receivables amounted RM260.39 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 and challenged the management's assumptions in 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.

INDEPENDENT AUDITORS' REPORT

CONT'D

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 of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT

CONT'D

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 6 to the financial statements.

OTHER MATTER

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)

LEE YIK LOONG
(NO: 03630/12/2023 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
6 April 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group 2022 RM'000	2021 RM'000	Company 2022 RM'000	2021 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	1,522,366	1,442,602	22,318	22,686
Investment properties	5	10,180	10,180	–	–
Investment in subsidiaries	6	–	–	264,887	264,887
Investment in associates	7	1,360	1,212	*	*
Other investment	8	21,154	14,230	–	–
Intangible assets	9	16,209	15,823	–	–
Deferred tax assets	10	817	748	–	–
Total non-current assets		1,572,086	1,484,795	287,205	287,573
Current assets					
Inventories	11	397,618	367,078	–	–
Trade receivables	12	260,385	325,990	–	–
Other receivables	13	28,033	50,985	359	263
Amount due from subsidiaries	6.3	–	–	16,660	19,145
Amount due from associates	7.3	1,351	918	870	870
Short term investment	14	5,315	5,344	5,315	5,344
Tax recoverable		13,948	6,938	673	657
Cash and bank balances, deposits and short-term placements	15	132,749	144,500	23,035	20,394
Total current assets		839,399	901,753	46,912	46,673
TOTAL ASSETS		2,411,485	2,386,548	334,117	334,246
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the Company					
Share capital	16	159,471	159,471	159,471	159,471
Reserves	17	446,154	432,853	17,523	17,785
Retained earnings	18	688,134	724,274	144,350	144,153
Total equity attributable to owners of the Company		1,293,759	1,316,598	321,344	321,409
Non-controlling interests		43,278	38,613	–	–
Total equity		1,337,037	1,355,211	321,344	321,409

* Less than RM1,000

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

CONT'D

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
EQUITY AND LIABILITIES (CONT'D)					
Non-current liabilities					
Borrowings	19	120,511	71,692	–	–
Lease liabilities	20	17,389	29,670	921	868
Provision for retirement benefit	21	61,778	59,618	9,170	8,433
Government grants	22	5,718	–	–	–
Deferred tax liabilities	10	122,440	130,907	180	719
Total non-current liabilities		327,836	291,887	10,271	10,020
Current liabilities					
Trade payables	23	55,783	76,541	–	–
Other payables	24	108,607	116,831	2,119	2,410
Amount due to subsidiaries	6.3	–	–	1	75
Derivative financial instruments	25	502	33	–	–
Borrowings	19	566,121	521,620	–	–
Lease liabilities	20	13,345	18,555	382	332
Government grants	22	584	–	–	–
Tax payable		1,670	5,870	–	–
Total current liabilities		746,612	739,450	2,502	2,817
TOTAL LIABILITIES		1,074,448	1,031,337	12,773	12,837
TOTAL EQUITY AND LIABILITIES		2,411,485	2,386,548	334,117	334,246

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 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	26	1,768,888	1,740,745	24,749	41,981
Cost of sales		(1,546,129)	(1,425,728)	–	–
Gross profit		222,759	315,017	24,749	41,981
Other income		13,152	6,112	860	700
Distribution expenses		(129,084)	(112,060)	–	–
Administration expenses		(82,892)	(82,550)	(10,788)	(11,001)
Net reversal of impairment loss on financial assets		1,622	1,053	–	–
Other expenses		(15,958)	(5,132)	(83)	(26)
Finance costs	27	(24,731)	(19,346)	(48)	(68)
Share of results of associates		26	5,040	–	–
(Loss)/Profit before tax	28	(15,106)	108,134	14,690	31,586
Tax income/(expense)	31	6,922	(23,221)	497	(60)
(Loss)/Profit for the financial year		(8,184)	84,913	15,187	31,526
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		–	138,151	–	2,155
Remeasurement of defined benefit liability	21	–	(2,882)	–	(775)
Net change in fair value of equity investment designated at fair value through other comprehensive income		5,918	1,553	–	–
Tax effect on items that will not be reclassified to profit or loss	31	–	(22,033)	–	(331)
		5,918	114,789	–	1,049
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		4,700	2,566	–	–
		4,700	2,566	–	–
Other comprehensive income for the financial year, net of tax		10,618	117,355	–	–
Total comprehensive income for the financial year		2,434	202,268	15,187	32,575

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

CONT'D

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Loss)/Profit attributable to:-					
Owners of the Company		(10,866)	77,838	15,187	31,526
Non-controlling interests		2,682	7,075	–	–
		(8,184)	84,913	15,187	31,526
Total comprehensive (loss)/income attributable to:-					
Owners of the Company		(3,960)	194,608	15,187	32,575
Non-controlling interests		6,394	7,660	–	–
Total comprehensive income for the financial year		2,434	202,268	15,187	32,575
(Loss)/Earnings per share attributable to owners of the Company					
(Loss)/Earnings per share					
- basic (sen)	32	(3.56)	25.52		
- diluted (sen)	32	(3.56)	25.52		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company						
	Non-Distributable			Distributable			
Note	Share capital RM'000	Other reserve RM'000	Exchange fluctuation reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
Group							
Balance at 1 January 2021	159,471	2,887	8,750	-	305,135	660,999	1,137,242
Profit for the financial year	-	-	-	-	-	77,838	77,838
Realisation of revaluation reserve upon depreciation of revalued assets	-	-	-	-	(2,896)	2,896	-
Other comprehensive income/(loss) for the financial year	-	-	1,981	1,553	115,443	(2,207)	116,770
Total comprehensive income for the financial year	-	-	1,981	1,553	112,547	78,527	194,608
	-	-	-	-	-	-	7,660
	-	-	-	-	-	-	7,297
	-	-	-	-	-	(15,252)	(15,252)
	-	-	-	-	-	-	(5,561)
Total transactions with owners of the Company	-	-	-	-	-	(15,252)	(13,516)
Balance at 31 December 2021	159,471	2,887	10,731	1,553	417,682	724,274	1,316,598
	-	-	-	-	-	-	38,613
	-	-	-	-	-	-	1,355,211

Transactions with owners:-

Acquisition of a subsidiary

First and final single tier dividend of 5.0 sen per share

33

Dividend paid to non-controlling interests of subsidiaries

Total transactions with owners of the Company

Balance at 31 December 2021

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

CONT'D

	Note	Attributable to owners of the Company						
		Non-Distributable				Distributable		
		Share capital RM'000	Other reserve RM'000	Exchange fluctuation reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
Group (Cont'd)								
Balance at 1 January 2022		159,471	2,887	10,731	1,553	417,682	724,274	1,316,598
(Loss)/Profit for the financial year		-	-	-	-	-	(10,866)	(10,866)
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	-	(4,164)	4,164	-
Other comprehensive income for the financial year		-	-	2,763	4,143	-	-	6,906
Total comprehensive (loss)/income for the financial year		-	-	2,763	4,143	(4,164)	(6,702)	(3,960)
Transfer of reserve		-	(2,887)	13,391	(466)	521	(14,172)	(3,613)
Transactions with owners:-								
Acquisition of non-controlling interest		-	-	-	-	-	(14)	(14)
First and final single tier dividend of 5.0 sen per share	33	-	-	-	-	-	(15,252)	(15,252)
Dividend paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	(15,266)	(15,266)
Balance at 31 December 2022		159,471	-	26,885	5,230	414,039	688,134	1,293,759
							43,278	1,337,037

Total equity RM'000

Total equity RM'000

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

CONT'D

Attributable to owners of the Company				
	← Non-distributable →		Distributable	
Note	Share capital RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
Company				
Balance at 1 January 2021	159,471	16,380	128,235	304,086
Profit for the financial year	–	–	31,526	31,526
Realisation of revaluation reserve upon depreciation of revalued assets	–	(233)	233	–
Other comprehensive income/(loss) for the financial year	–	1,638	(589)	1,049
Total comprehensive income for the financial year	–	1,405	31,170	32,575
Transaction with owners:-				
First and final single tier dividend of 5.0 sen per share	33	–	(15,252)	(15,252)
Balance at 31 December 2021	159,471	17,785	144,153	321,409
Profit for the financial year	–	–	15,187	15,187
Realisation of revaluation reserve upon depreciation of revalued assets	–	(262)	262	–
Total comprehensive income for the financial year	–	(262)	15,449	15,187
Transaction with owners:-				
First and final single tier dividend of 5.0 sen per share	33	–	(15,252)	(15,252)
Balance at 31 December 2022	159,471	17,523	144,350	321,344

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
OPERATING ACTIVITIES					
(Loss)/Profit before tax		(15,106)	108,134	14,690	31,586
Adjustments for:-					
Bad debts written off		75	20	–	–
Deficit on revaluation of properties		–	1,412	–	–
Depreciation of property, plant and equipment		72,051	68,867	529	582
Depreciation of right-of-use assets		11,352	11,345	413	377
Fair value loss on derivative financial instruments		469	45	–	–
Fair value loss on financial assets at fair value through profit or loss		56	2	56	2
Impairment loss on doubtful trade receivables					
- current		1,422	1,511	–	–
- no longer required		(3,044)	(2,564)	–	–
Interest expenses		24,731	19,346	48	68
Inventories written off		410	108	–	–
Inventories written down		7,580	718	–	–
Property, plant and equipment written off		4,968	704	4	2
Provision for retirement benefit		6,379	6,062	737	599
Dividend income		(114)	(136)	(16,351)	(33,397)
Fair value adjustments on investment properties		–	490	–	–
(Gain)/Loss on disposal of property, plant and equipment		(2,406)	(1,861)	13	(1)
Loss on disposal of investment in an associate		–	353	–	–
Interest income		(1,310)	(886)	(603)	(427)
Amortisation of government grants		(484)	–	–	–
Reversal of inventories written down		(691)	(102)	–	–
Share of results of associates		(26)	(5,040)	–	–
Unrealised loss/(gain) on foreign exchange		1,281	(223)	–	–
Bargain purchase for acquisition of subsidiary		–	(43)	–	–
Operating profit/(loss) before working capital changes		107,593	208,262	(464)	(609)
Changes in working capital:-					
Inventories		(36,020)	(114,466)	–	–
Receivables		89,773	(41,955)	(96)	41
Payables		(30,396)	26,616	(291)	(74)
Trade financing facilities		9,012	138,555	–	–
Subsidiaries		–	–	147	297
Cash generated from/(used in) operations		139,962	217,012	(704)	(345)
Retirement benefit paid		(4,219)	(2,198)	–	–
Interest paid		(10,983)	(7,453)	–	–
Interest received		1,310	886	603	427
Net tax paid		(12,883)	(20,114)	(58)	(69)
Net cash generated from/(used in) operating activities		113,187	188,133	(159)	13

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

CONT'D

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		3,856	4,041	326	357
Proceeds from disposal of investment in an associate		–	12,320	–	–
Purchase of property, plant and equipment	A	(161,868)	(142,956)	(137)	(177)
Acquisition of subsidiary companies, net of cash acquired	6.1.2	–	(35,003)	–	(22,500)
Acquisition of non-controlling interest	6.1.1	(2,861)	–	–	–
Additional investment in subsidiaries		–	–	–	(3,726)
Repayment received from associates		3	2	–	–
Proceeds from disposal of short term investment		2,590	–	2,590	–
Additional in short term investment		(2,503)	–	(2,503)	–
Dividend received		–	157	18,501	43,375
Receipts of government grants		6,786	–	–	–
Net cash (used in)/generated from investing activities		(153,997)	(161,439)	18,777	17,329
FINANCING ACTIVITIES					
Dividend paid to owners of the Company		(15,252)	(15,252)	(15,252)	(15,252)
Dividends paid to non-controlling interests		(2,481)	(5,561)	–	–
Interest paid		(14,181)	(11,903)	(48)	(68)
Drawdown of borrowings		332,605	267,214	–	–
Repayments of borrowings		(245,003)	(238,653)	–	–
Repayment of lease liabilities		(25,470)	(20,392)	(677)	(734)
Withdraw/(Placement) of fixed deposit pledged		1,625	(5,498)	–	–
Net cash generated from/(used in) financing activities		31,843	(30,045)	(15,977)	(16,054)
CASH AND CASH EQUIVALENTS					
Net changes		(8,967)	(3,351)	2,641	1,288
Effect of exchange rate changes		2,307	791	–	–
Brought forward		112,515	115,075	20,394	19,106
Carried forward	C	105,855	112,515	23,035	20,394

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

CONT'D

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Total additions	170,189	155,570	917	177
Purchase through lease arrangements	(7,888)	(12,604)	(780)	–
Interest capitalised	(433)	(10)	–	–
Cash payment	161,868	142,956	137	177

B. CASH OUTFLOWS FOR LEASES AS A LESSEE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Included in net cash from operating activities:-				
Payment relating to short-term leases	6,177	6,121	216	216
Payment relating to leases of low-value assets	370	433	–	–
Interest paid in relation to lease liabilities	1,935	2,854	48	68
Included in net cash from financing activities:-				
Payment of lease liabilities	25,470	20,392	677	734
Total cash outflows for leases	33,952	29,800	941	1,018

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	85,494	91,991	1,042	704
Fixed deposits with licensed banks	14,279	15,081	–	–
Short-term placements with financial institutions	32,976	37,428	21,993	19,690
Bank overdrafts	(16,251)	(19,717)	–	–
	116,498	124,783	23,035	20,394
Less: Fixed deposits pledged	(10,643)	(12,268)	–	–
	105,855	112,515	23,035	20,394

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

CONT'D

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities RM'000	Revolving credit RM'000	Term loans RM'000	Trust receipts RM'000	Other borrowings RM'000	Total RM'000
Group						
Balance at 1 January 2021	52,645	96,929	98,421	48	11,752	259,795
<u>Cash flows:-</u>						
Net (repayments)/drawdowns	(7,788)	22,838	621	2,288	2,814	20,773
Acquisition of subsidiaries	3,032	–	3,212	–	–	6,244
<u>Non-cash changes</u>						
Early termination	41	–	–	–	–	41
Foreign exchange movement	295	55	52	–	–	402
Balance as at 31 December 2021	48,225	119,822	102,306	2,336	14,566	287,255
<u>Cash flows:-</u>						
Net (repayments)/drawdowns	(17,582)	42,628	35,209	(2,198)	11,963	70,020
<u>Non-cash changes</u>						
Early termination	(19)	–	–	–	–	(19)
Foreign exchange movement	110	–	172	–	–	282
Balance as at 31 December 2022	30,734	162,450	137,687	138	26,529	357,538
Company						
Balance at 1 January 2021	1,934	–	–	–	–	1,934
<u>Cash flows:-</u>						
Repayments	(734)	–	–	–	–	(734)
Balance as at 31 December 2021	1,200	–	–	–	–	1,200
<u>Cash flows:-</u>						
Net drawdowns	103	–	–	–	–	103
Balance as at 31 December 2022	1,303	–	–	–	–	1,303

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022

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 2022 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 2022 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 6 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 2022 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 6 April 2023.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)**2.2 Basis of measurement (Cont'd)**

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 approved by Malaysian Accounting Standards Board ("MASB") for the first time for the financial year beginning on 1 January 2022:

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (Cont'd)

2.4.2 Standards issued but not yet effective

The following are MFRSs and Amendments to MFRSs with effective dates on or after 1 January 2023 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, if applicable, when they become effective.

- (a) 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*
 - Amendments to MFRS 112 – *Income Taxes*
- (b) MFRS and amendments effective for financial year beginning on or after 1 January 2024
 - Amendments to MFRS 16 – *Lease*
 - Amendments to MFRS 101 – *Presentation of Financial Statements*
- (c) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)**2.5 Significant accounting estimates and judgements (Cont'd)****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 5 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 9 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 is disclosed in Note 4 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 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (Cont'd)

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 37 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 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

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

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.1 Consolidation (Cont'd)****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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

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

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

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

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

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

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

Land and buildings under revaluation model

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.2 Property, plant and equipment (Cont'd)****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
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 to 7 years
Equipment, tools, plant and machinery	2 to 20 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.

3.2.4 Capital work-in-progress

Capital work-in-progress consists of property, plant and equipment under construction/ installation for intended 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.3 Leased assets (Cont'd)**The Group and the Company as lessee (Cont'd)**Measurement and recognition of leases as a lessee (Cont'd)**

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.

3.4 Investment property**3.4.1 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 disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

3.4.2 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets

3.5.1 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.

3.5.2 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.

3.5.3 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.

3.6 Financial instruments

3.6.1 Financial assets

3.6.1.1 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.6 Financial instruments (Cont'd)****3.6.1 Financial assets (Cont'd)****3.6.1.2 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.

3.6.1.3 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.

3.6.1.4 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

3.6.1 Financial assets (Cont'd)

3.6.1.4 Subsequent measurement (Cont'd)

Financial assets are subsequently measured at the four categories:- (Cont'd)

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

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

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

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

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

The Group and the Company elected to classify irrevocably its unquoted equity investment under this category.

(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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.6 Financial instruments (Cont'd)****3.6.1 Financial assets (Cont'd)****3.6.1.5 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).

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

3.6.1 Financial assets (Cont'd)

3.6.1.5 Impairment of financial assets (Cont'd)

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.

3.6.2 Financial liabilities

3.6.2.1 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.

3.6.2.2 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.

3.6.2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.6 Financial instruments (Cont'd)****3.6.2 Financial liabilities (Cont'd)****3.6.2.4 Subsequent measurement**

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

(i) FVTPL

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

3.6.2 Financial liabilities (Cont'd)

3.6.2.4 Subsequent measurement (Cont'd)

The subsequent measurement of financial liabilities depends on their classification, as described below:- (Cont'd)

(ii) Amortised cost

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

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

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

3.6.3 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.

3.6.4 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.

3.7 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 25, 36 and 37 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.8 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.

3.9 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.

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

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Foreign currency

3.10.1 Foreign currency transactions

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

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

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

3.10.2 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.

3.11 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 overdrafts 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.

3.12 Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.13 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.

3.14 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.

3.15 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Employee benefits

3.16.1 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.

3.16.2 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.

3.16.3 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.17 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Revenue recognition (Cont'd)

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

3.17.1 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 26 to the financial statements.

3.17.2 Commission income

Commission income is recognised when the relevant services are completed.

3.17.3 Management fee

Management fee is recognised when services are rendered.

3.17.4 Dividend income

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

3.17.5 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.

3.17.6 Rental income

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

3.18 Government grant

Government grants are not recognised until there is reasonable assurance that the grants 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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.19 Tax expense**

Tax expense 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.

3.19.1 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).

3.19.2 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 3.4, 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 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.

3.21 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.

3.22 (Loss)/Earnings per share

3.22.1 Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

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	Capital work-in-progress RM'000	Total RM'000
Cost or valuation								
At 1.1.2021								
- cost	6,562	6,803	49,838	1,185,288	49,283	40,664	58,565	1,397,003
- valuation	245,895	145,389	314,828	-	-	-	-	706,112
Additions	252,457	152,192	364,666	1,185,288	49,283	40,664	58,565	2,103,115
Acquisition of subsidiaries	33,846	574	5,151	12,490	3,878	3,815	95,816	155,570
Reclassification	-	8,150	13,714	33,217	2,162	2,070	-	59,313
Revaluation	(4,890)	4,890	3,081	78,263	-	1,780	(83,124)	-
Disposals	64,726	30,200	(4,249)	-	-	-	-	90,677
Written off	-	-	(16)	(12,563)	(2,596)	(20)	-	(15,195)
Early termination and expiration of lease contracts	-	-	(6)	(22,380)	(2)	(514)	-	(22,902)
Translation difference	-	669	89	1,271	(122)	252	-	(1,261)
At 31.12.2021	346,139	196,675	381,291	1,275,586	52,691	48,047	71,257	2,371,686

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)	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	Capital work-in-progress RM'000	Total RM'000
Cost or valuation								
At 1.1.2022								
- cost	40,407	7,375	57,166	1,275,586	52,691	48,047	71,257	1,552,529
- valuation	305,732	189,300	324,125	-	-	-	-	819,157
Additions	346,139	196,675	381,291	1,275,586	52,691	48,047	71,257	2,371,686
Reclassification	39,959	542	16,868	17,556	6,227	2,511	86,526	170,189
Disposals	760	6,950	5,217	44,326	-	228	(57,481)	-
Written off	-	-	-	(9,662)	(3,008)	(108)	-	(12,778)
Early termination and expiration of lease contracts	-	-	(52)	(19,898)	(1,111)	(937)	-	(21,998)
Translation difference	-	(423)	(75)	(132)	(1,397)	-	-	(1,604)
	-	-	(211)	(355)	(34)	481	-	(542)
At 31.12.2022	386,858	203,744	403,038	1,307,421	53,368	50,222	100,302	2,504,953
Representing								
- cost	81,126	14,444	78,960	1,307,421	53,368	50,222	100,302	1,685,843
- valuation	305,732	189,300	324,078	-	-	-	-	819,110
At 31.12.2022	386,858	203,744	403,038	1,307,421	53,368	50,222	100,302	2,504,953

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)	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	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At 1.1.2021	-	8,947	25,896	792,008	31,977	30,355	-	889,183
Charge for the financial year	-	3,400	11,488	55,839	6,407	3,078	-	80,212
Acquisition of subsidiaries	-	650	844	20,205	1,655	1,237	-	24,591
Revaluation	-	(12,177)	(33,885)	-	-	-	-	(46,062)
Reclassification	-	-	-	134	-	(134)	-	-
Disposals	-	-	(12)	(10,877)	(2,108)	(18)	-	(13,015)
Written off	-	-	-	(21,728)	(1)	(469)	-	(22,198)
Early termination and expiration of lease contracts	-	-	(1,098)	-	(122)	-	-	(1,220)
Translation difference	-	45	58	1,209	68	206	-	1,586
At 31.12.2021	-	865	3,291	836,790	37,876	34,255	-	913,077
Charge for the financial year	-	4,325	12,403	56,902	6,391	3,382	-	83,403
Reclassification	-	-	-	(262)	-	262	-	-
Disposals	-	-	-	(8,801)	(2,421)	(106)	-	(11,328)
Written off	-	-	(46)	(14,997)	(1,058)	(929)	-	(17,030)
Early termination and expiration of lease contracts	-	-	(75)	(112)	(1,397)	-	-	(1,584)
Translation difference	-	(22)	168	(407)	(52)	355	-	42
At 31.12.2022	-	5,168	15,741	869,113	39,339	37,219	-	966,580
Accumulated impairment loss								
At 1.1.2021/31.12.2021/31.12.2022	-	-	-	404	-	-	15,603	16,007
Net carrying amount								
At 31.12.2021	346,139	195,810	378,000	438,392	14,815	13,792	55,654	1,442,602
At 31.12.2022	386,858	198,576	387,297	437,904	14,029	13,003	84,699	1,522,366

NOTES TO THE FINANCIAL STATEMENTS

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 1.1.2021						
- cost	–	–	329	2,691	977	3,997
- valuation	17,800	2,700	–	–	–	20,500
	17,800	2,700	329	2,691	977	24,497
Additions	–	–	–	107	70	177
Revaluation	(80)	670	–	–	–	590
Disposal	–	–	–	(773)	–	(773)
Written off	–	–	–	–	(42)	(42)
At 31.12.2021	17,720	3,370	329	2,025	1,005	24,449
Cost or valuation						
At 1.1.2022						
- cost	–	–	329	2,025	1,005	3,359
- valuation	17,720	3,370	–	–	–	21,090
	17,720	3,370	329	2,025	1,005	24,449
Additions	–	–	–	865	52	917
Disposal	–	–	–	(601)	–	(601)
Written off	–	–	–	–	(203)	(203)
At 31.12.2022	17,720	3,370	329	2,289	854	24,562
Representing						
- cost	–	–	329	2,289	854	3,472
- valuation	17,720	3,370	–	–	–	21,090
At 31.12.2022	17,720	3,370	329	2,289	854	24,562
Accumulated depreciation						
At 1.1.2021	1,052	219	279	602	674	2,826
Charge for the financial year	330	72	6	484	67	959
Revaluation	(1,295)	(270)	–	–	–	(1,565)
Disposal	–	–	–	(417)	–	(417)
Written off	–	–	–	–	(40)	(40)
At 31.12.2021	87	21	285	669	701	1,763
Charge for the financial year	347	84	7	436	68	942
Disposal	–	–	–	(262)	–	(262)
Written off	–	–	–	–	(199)	(199)
At 31.12.2022	434	105	292	843	570	2,244
Net carrying amount						
At 31.12.2021	17,633	3,349	44	1,356	304	22,686
At 31.12.2022	17,286	3,265	37	1,446	284	22,318

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 2021. 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.

The Group's buildings with net carrying amount of RM24,800,000 (2021: RM34,741,000) have been pledged by certain foreign subsidiaries as security for banking facilities.

Included in the property, plant and equipment is interest capitalised amounted to RM433,000 (2021: RM10,000) with interest rate at 7.3% (2021: 7.3%) per annum.

Included in the net carrying amount of property, plant and equipment is capital work-in-progress as follows:-

	Group	
	2022 RM'000	2021 RM'000
Land and buildings	8,909	14,099
Plant, machinery and others	75,790	41,555
	84,699	55,654

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Right-of-use assets				
Buildings	4,633	5,898	—	—
Plant and equipment	47,068	55,924	—	—
Motor vehicles	8,867	9,514	1,367	1,261
Furniture, fittings and others	434	642	—	—
	61,002	71,978	1,367	1,261

Additions to the right-of-use assets of the Group and of the Company during the financial year amounted to RM8,337,000 (2021: RM11,054,000) and RM856,000 (2021: Nil) respectively.

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Buildings	2,669	2,391	—	—
Plant and equipment	4,563	5,194	—	—
Motor vehicles	3,912	3,552	413	377
Furniture, fittings and others	208	208	—	—
	11,352	11,345	413	377

NOTES TO THE FINANCIAL STATEMENTS

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5. INVESTMENT PROPERTIES

	2022 RM'000	Group 2021 RM'000
Fair value:-		
At 1.1	10,180	10,670
Fair value adjustments	–	(490)
At 31.12	10,180	10,180

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:-

	2022 RM'000	Group 2021 RM'000
Buildings	3,040	3,040
Land	7,140	7,140
	10,180	10,180

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

	2022 RM'000	Group 2021 RM'000
Rental income from operating leases	614	609
Direct operating expenses		
- income generating investment properties	(37)	(65)
- non-income generating investment properties	(2)	(1)
Fair value adjustments recognised in other expenses	–	(490)

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:-

	2022 RM'000	Group 2021 RM'000
Within 1 year	555	596
Between 1 and 2 years	70	472
	625	1,068

NOTES TO THE FINANCIAL STATEMENTS

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6. SUBSIDIARIES

Investment in subsidiaries:-

	Company	
	2022	2021
	RM'000	RM'000
Unquoted shares		
- at cost	239,535	239,535
- at valuation	55,633	55,633
	295,168	295,168
Less: Allowance for impairment loss	(30,281)	(30,281)
	264,887	264,887

Details of subsidiaries are as follows:-

Name of subsidiaries	Principal activities	Principal place of business	Proportion of effective ownership interest and voting power held by the Group	
			2022 %	2021 %
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. ("FP")	Manufacture and sale of paper cartons and paper related products	Malaysia	100	100
Intra-Muda Holdings Sdn. Bhd.	Investment holding and commission agent	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. ("KFPP")	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

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

6. SUBSIDIARIES (CONT'D)

Details of subsidiaries are as follows:- (Cont'd)

Name of subsidiaries	Principal activities	Principal place of business	Proportion of effective ownership interest and voting power held by the Group	
			2022 %	2021 %
Muda Global Engineering Sdn. Bhd.	Engineering and fabrication services	Malaysia	100	100
Muda Land Development Sdn. Bhd.	Property holding	Malaysia	100	100
Muda Management Services Sdn. Bhd.	Management consultancy and general insurance agency	Malaysia	100	100
Muda Packaging Industries Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
Muda Paper Converting Sdn. Bhd.	Converting and sale of paper stationery and paper based food packaging products	Malaysia	100	100
Muda Paper Mills Sdn. Bhd.	Manufacture and sale of paper and paper related products	Malaysia	100	100
Muda Pasifik Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
Quantum Total Packages Sdn. Bhd. ("QTP")	Manufacture and trading of printing materials	Malaysia	60	60
RJ & R Holdings Sdn. Bhd.	Property holding	Malaysia	100	100
Sea Paper Industries Sdn. Bhd. ("SPI")	Manufacture and sale of corrugated paper cartons	Malaysia	100	100
Intrapac (Singapore) Pte. Ltd.* ("Intra SG")	Trading in paper products, commission agent and investment holding	Singapore	70	70
Ee Sin Paper Products Pte. Ltd.* ("ESPP SG")	Trading in school books, uniforms and stationery	Singapore	67	56
ESPP Sdn. Bhd. ("ESPP MY")	Trading in school books, uniforms and stationery	Malaysia	67	–
Pacific Bookstores Pte. Ltd.* ("PG SB")	Operator of schools and online bookstores	Singapore	67	67
Lonsing Packaging Industries Pte. Ltd.* ("LPI SG")	Manufacture of packaging materials for food industry	Singapore	60	60

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

6. SUBSIDIARIES (CONT'D)

Details of subsidiaries are as follows:- (Cont'd)

Name of subsidiaries	Principal activities	Principal place of business	Proportion of effective ownership interest and voting power held by the Group	
			2022 %	2021 %
Wenfang Private Limited* ("WPL SG")	Import and distribution of stationery	Singapore	70	70
ESPP Viet Nam Company Limited #	Trading of paper and stationery	Vietnam	47	47
Intrapac (Australia) Pty. Ltd.*	Trading of paper and paper related products	Australia	100	100
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.

6.1 Acquisition of subsidiaries

6.1.1 Current financial year

During the current financial year, the Group completed the following acquisitions which qualified as business combination:

- (a) On 1 April 2022, the 70% owned subsidiary, Intra SG increased its equity interest in ESPP SG by 15% from 80% to 95% for a cash consideration of RM2,826,000.

The carrying amount of ESPP SG's net assets in the Group's financial statements on the date of acquisition was RM18,958,000. The Group recognised a decrease in non-controlling interest of RM2,861,000 and decrease in retained earnings of RM14,000.

The following summarises the effect of changes in the equity interest in ESPP SG that is attributable to owners of the Company:-

	RM'000
Equity interest at 1 January 2022	18,958
Effect of decrease in Group's ownership interest	(14)
Equity interest at 31 December 2022	18,944

- (b) On 26 August 2022, the 67% indirect owned subsidiary, ESPP SG incorporated a 100% owned subsidiary ESPP MY for a cash consideration of RM300,000.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

6. SUBSIDIARIES (CONT'D)

6.1 Acquisition of subsidiaries (Cont'd)

6.1.2 Previous financial year

- (a) On 2 February 2021, FP, a wholly-owned subsidiary of the Company acquired 60% equity interest in QTP for a cash consideration of RM15,000,000.
- (b) On 1 March 2021, the Company had acquired 100% equity interest in SPI for a cash consideration of RM22,500,000.
- (c) On 9 November 2021, the Company acquired additional equity interest of 6.73% in KFPP for a cash consideration of RM3,726,000, which resulted KFPP as a wholly-owned subsidiary of the Company.

Since acquisition, QTP and SPI had contributed revenue of RM39,503,000 and RM21,541,000 and profit/(loss) of RM2,280,000 and (RM373,000) respectively to the Group. If the acquisition had occurred on 1 January 2021, the consolidated revenue would have been RM42,794,000 and RM25,302,000 and consolidated profit/(loss) for the financial year would have been RM2,721,000 and (RM275,000) respectively.

The fair value of the identifiable assets and liabilities of the acquired subsidiaries as at the acquisition date were:-

	Acquisition of	
	QTP RM'000	SPI RM'000
Property, plant and equipment	17,952	16,770
Inventories	3,279	4,069
Trade and other receivables	9,348	4,505
Amount due from related companies	—	1,224
Tax recoverable	—	449
Cash and cash equivalents	2,279	730
Bank overdrafts	(512)	—
Borrowings and lease liabilities	(7,179)	(1,397)
Amount due to Directors	(23)	—
Trade and other payables	(5,103)	(1,534)
Tax payable	(394)	—
Deferred tax liabilities	(1,403)	(2,273)
Total identifiable net assets at fair value	18,244	22,543
NCI measured at fair value	(7,297)	—
Goodwill/(Bargain purchase) arising from acquisition	4,053	(43)
Total consideration for the parent equity interest acquired	15,000	22,500

The cash flows effects on acquisition as follows:-

	Acquisition of	
	QTP RM'000	SPI RM'000
Total consideration for the parent equity interest acquired	15,000	22,500
Less: Cash and cash equivalents of subsidiaries acquired	(1,767)	(730)
Net cash outflow on acquisition	13,233	21,770

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

6. SUBSIDIARIES (CONT'D)

6.2 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. and its subsidiaries

	2022 RM'000	2021 RM'000
NCI percentage of ownership interest and voting interest	30%	30%
Profit allocated to NCI	2,172	5,596
Carrying amount of NCI	32,159	28,881

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

	2022 RM'000	2021 RM'000
<u>Financial Position</u>		
Non-current assets	34,472	28,837
Current assets	99,991	95,347
Total assets	134,463	124,184
Non-current liabilities	(2,216)	(3,731)
Current liabilities	(31,893)	(28,510)
Total liabilities	(34,109)	(32,241)
Total equity	100,354	91,943
Equity attributable to owners of the Company	96,424	85,358
NCI	3,930	6,585
	100,354	91,943

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

6. SUBSIDIARIES (CONT'D)

6.2 Details of non-wholly owned subsidiaries with material NCI (Cont'd)

Summarised financial information in respect of the above subsidiary with material NCI is set out below. The summarised financial information below is before intra-group eliminations. (Cont'd)

	2022 RM'000	2021 RM'000
<u>Profit or Loss/Total comprehensive income</u>		
Revenue	172,425	156,664
Profit for the financial year	58,543	15,471
Profit attributable to:		
Owners of the Company	6,296	14,772
NCI	283	699
	6,579	15,471
Total comprehensive income attributable to:		
Owners of the Company	12,214	16,325
NCI	283	699
	12,497	17,024
Dividends paid to NCI	(391)	(416)
<u>Cash flows</u>		
Net cash inflows from operating activities	10,915	15,401
Net cash (outflows)/inflows from investing activities	(9,881)	6,243
Net cash outflows from financing activities	(3,605)	(20,901)
Net (decrease)/increase in cash and cash equivalents	(2,571)	743

6.3 Amounts due from/(to) subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

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7. ASSOCIATES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares, at cost	718	1,100	88	88
Share of post-acquisition reserves	569	23,134	–	–
Disposal	–	(13,415)	–	–
Re-designated as other investment (Note 8)	–	(12,673)	–	–
Translation difference	161	3,154	–	–
	1,448	1,300	88	88
Less: Allowance for impairment loss				
At 1.1	(88)	(851)	(88)	(88)
Disposal	–	775	–	–
Translation difference	–	(12)	–	–
At 31.12	(88)	(88)	(88)	(88)
	1,360	1,212	*	*

* Less than RM1,000

7.1 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 effective ownership interest and voting power held by the Group	
			2022 %	2021 %
Choice Impact Sdn. Bhd.	Property holding	Malaysia	49	49
Timly Enterprise Company LDA *	Trading in stationeries	Democratic Republic of Timor-Leste	27	22

* Associates not audited by Grant Thornton Malaysia PLT.

The summarised financial information for the associates has not been presented as the associates are immaterial to the Group.

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7. ASSOCIATES (CONT'D)

7.2 Partial disposal of KLR with loss of significant influence

On 12 November 2021, Intrapac (Singapore) Pte. Ltd., a 70% owned subsidiary of the Company has disposed of 16.88% equity interest in KLR for a cash consideration of SGD3,997,698 (equivalent to RM12,320,000). The disposal provides an opportunity for the Group to partially realise its investment at an attractive return and generate funds for working capital.

The remaining 16.88% of equity interest had since been reclassified to other investment (Note 8) upon the disposal of the equity interest which resulted in loss of significant influence of the investment.

	RM'000
Proceeds from disposal of partial interest	12,320
Less: Carrying amount of the investment at the date the equity method discontinued (Note 8)	(12,673)
Loss on disposal recognised in profit or loss	(353)

7.3 Amounts due from associates

Amounts due from associates of the Group and of the Company are non-trade related, unsecured, bear no interest and repayable on demand.

8. OTHER INVESTMENT

	2022 RM'000	Group 2021 RM'000
At FVTOCI:-		
At 1.1	14,230	–
Transfer from associates (Note 7)	–	12,673
Fair value adjustments	5,918	1,553
Translation difference	1,006	4
At 31.12	21,154	14,230

The other investment represents unquoted shares in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

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9. INTANGIBLE ASSETS

Group	Goodwill RM'000	Intangible assets with finite life RM'000	Total RM'000
Cost			
At 1.1.2021	11,656	698	12,354
Addition	4,053	–	4,053
Translation difference	114	12	126
At 31.12.2021	15,823	710	16,533
Translation difference	386	42	428
At 31.12.2022	16,209	752	16,961
Accumulated amortisation			
At 1.1.2021	–	698	698
Translation difference	–	12	12
At 31.12.2021	–	710	710
Translation difference	–	42	42
At 31.12.2022	–	752	752
Net carrying amount			
At 31.12.2021	15,823	–	15,823
At 31.12.2022	16,209	–	16,209

NOTES TO THE FINANCIAL STATEMENTS

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9. INTANGIBLE ASSETS (CONT'D)

The aggregate carrying amounts of goodwill allocated to each unit are as follows:-

	2022 RM'000	2021 RM'000
Manufacturing	10,059	10,059
Trading	6,150	5,764
	16,209	15,823

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, revenue was projected at anticipated annual revenue growth of approximately 3% (2021: 3%) per annum and applying before tax discount rates at 6.4% (2021: 5.8% and 15.0%). 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.

10. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities were offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting are shown on the statements of financial position.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets	817	748	—	—
Deferred tax liabilities	(122,440)	(130,907)	(180)	(719)
	(121,623)	(130,159)	(180)	(719)

NOTES TO THE FINANCIAL STATEMENTS

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10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follow:

Group	Property, plant and equipment RM'000	Provision for retirement benefit RM'000	Unabsorbed business losses RM'000	Unabsorbed capital allowances RM'000	Unabsorbed reinvestment allowances RM'000	Others RM'000	Total RM'000
At 1.1.2021	(129,001)	11,168	1,818	4,745	9,078	4,233	(97,959)
(Charged)/Credited to profit or loss (Note 31)	(10,609)	732	(233)	2,758	2,790	(1,962)	(6,524)
(Charged)/Credited to other comprehensive income (Note 31)	(22,708)	675	-	-	-	-	(22,033)
Effect of acquisition of subsidiaries (Note 6)	(4,937)	-	122	1,133	-	6	(3,676)
Translation difference	33	-	2	-	-	(2)	33
At 31.12.2021	(167,222)	12,575	1,709	8,636	11,868	2,275	(130,159)
(Charged)/Credited to profit or loss (Note 31)	(3,196)	530	98	10,532	1,780	(1,218)	8,526
Translation difference	12	-	-	-	-	(2)	10
At 31.12.2022	(170,406)	13,105	1,807	19,168	13,648	1,055	(121,623)
Company							
At 1.1.2021	(3,713)	1,694	845	780	-	38	(356)
(Charged)/Credited to profit or loss (Note 31)	45	144	-	(221)	-	-	(32)
(Charged)/Credited to other comprehensive income (Note 31)	(517)	186	-	-	-	-	(331)
At 31.12.2021	(4,185)	2,024	845	559	-	38	(719)
(Charged)/Credited to profit or loss (Note 31)	104	177	-	258	-	-	539
At 31.12.2022	(4,081)	2,201	845	817	-	38	(180)

NOTES TO THE FINANCIAL STATEMENTS

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10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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. The deductible temporary differences are available for offset against future taxable profits of the respective subsidiaries.

	Group	
	2022 RM'000	2021 RM'000
Unabsorbed business losses	9,695	9,891
Unabsorbed capital allowances	12,999	15,961
Unabsorbed reinvestment allowances	31,079	31,079
Provision for retirement benefit	3,443	3,063
Others	64	191
	57,280	60,185

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

	2022			2021		
	RM'000	RMB'000	Expiring year	RM'000	RMB'000	Expiring year
China	–	–	–	314	480	2024

	RM'000	VND'000	Expiring year	RM'000	VND'000	Expiring year
Vietnam	578	2,942,984	2024 to 2027	296	1,597,850	2024 to 2026

Under the Finance Act 2018, the remaining unabsorbed business losses and unabsorbed reinvestment allowances will be expiring in financial year 2028 (2021: 2028) under Malaysian tax legislation.

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

NOTES TO THE FINANCIAL STATEMENTS

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11. INVENTORIES

	2022 RM'000	Group 2021 RM'000
Raw materials	178,080	201,643
Consumables	41,813	36,486
Work-in-progress	8,412	8,723
Finished goods	168,210	113,202
Goods-in-transit	1,103	7,024
	397,618	367,078

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,546,129,000 (2021: RM1,425,728,000).

12. TRADE RECEIVABLES

	2022 RM'000	Group 2021 RM'000
Trade receivables	263,946	331,182
Less: Allowances for impairment loss	(3,561)	(5,192)
	260,385	325,990

12.1 Normal trade credit terms granted to customers range from cash term to 120 days (2021: cash term to 120 days). Trade receivables are recognised at invoice amounts and they are non-interest bearing.

Included in trade receivables is an amount of RM322,452 (2021: RM477,626) due from subsidiaries of Asia File Corporation Bhd., a major shareholder of the Company. The said amount is unsecured, bear no interest and subject to normal trade term.

12.2 Currency exposure profile of trade receivables other than functional currencies are as follows:-

	2022 RM'000	Group 2021 RM'000
United States Dollar	25,660	38,146
Singapore Dollar	5,982	5,300
Australia Dollar	4,131	3,872

NOTES TO THE FINANCIAL STATEMENTS

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12. TRADE RECEIVABLES (CONT'D)

- 12.3 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
2022						
Expected credit loss rate	0.2% - 2.6%	0.1% - 2.9%	0.1% - 16.7%	0.1% - 14.8%	0.4% - 100%	
Gross carrying amount	206,996	41,404	10,107	2,275	3,164	263,946
Expected credit loss	811	252	370	65	2,063	3,561
2021						
Expected credit loss rate	0.1% - 2.0%	0.2% - 9.0%	0.1% - 31.6%	0.7% - 86.5%	0.7% - 100%	
Gross carrying amount	257,567	57,162	9,123	2,011	5,319	331,182
Expected credit loss	1,393	417	73	61	3,248	5,192

- 12.4 The movements in the allowance for impairment in respect of trade receivables are as follows:-

	Group	
	2022 RM'000	2021 RM'000
At 1.1	5,192	13,428
Acquisition of subsidiaries	-	23
Charge for the financial year	1,422	1,511
Reversal of impairment losses	(3,044)	(2,564)
Written off	-	(7,229)
Translation difference	(9)	23
At 31.12	3,561	5,192

- 12.5 Information on financial risk of trade receivables are disclosed in Note 36 to the financial statements.

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13. OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits	15,109	37,274	70	70
Less: Allowances for impairment loss	(61)	(61)	–	–
	15,048	37,213	70	70
Non-trade receivables	3,784	3,917	108	108
Prepayments	9,040	9,446	181	85
Goods and Services Tax recoverable	161	409	–	–
	28,033	50,985	359	263

13.1 Impairment

The movement in the allowance in respect for impairment of other receivables are as follows:-

	Group	
	2022 RM'000	2021 RM'000
At 31.12	61	61

13.2 Currency exposure profile of other receivables other than functional currencies are as follows:-

	Group	
	2022 RM'000	2021 RM'000
United States Dollar	1,923	4,294
Singapore Dollar	23	21

14. SHORT TERM INVESTMENT

	Group and Company	
	2022 RM'000	2021 RM'000
At FVTPL:-		
Quoted investment in Malaysia	5,315	5,344

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	85,494	91,991	1,042	704
Fixed deposits with licensed banks	14,279	15,081	–	–
Short-term placements with financial institutions	32,976	37,428	21,993	19,690
	132,749	144,500	23,035	20,394

Fixed deposits with licensed banks amounting to RM10,643,000 (2021: RM12,268,000) of certain subsidiaries are pledged as security for banking facilities, and hence are not available for general use.

Fixed deposits with licensed banks earned interest ranged from 1.6% to 9.1% (2021: 1.5% to 4.4%) per annum.

Currency exposure profile of cash and bank balances, deposits and short-term placements other than functional currencies are as follows:-

	Group	
	2022	2021
	RM'000	RM'000
United States Dollar	5,413	6,199
Australia Dollar	4,556	2,104
Singapore Dollar	2,661	1,935

16. SHARE CAPITAL

	2022	Group and Company	2021	2021
	Number of ordinary shares ('000)	2022	2021	
		RM'000	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.

NOTES TO THE FINANCIAL STATEMENTS

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17. RESERVES

- (a) Revaluation reserve consists of surplus from revaluation of properties.
- (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) Fair value reserve represents the cumulative fair value changes of financial assets designated at FVTOCI until they are disposed or impaired.
- (d) Other reserve consists of retained earnings capitalised as bonus shares by a subsidiary.

The above reserves are not available for distribution as dividends.

18. RETAINED EARNINGS

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

19. BORROWINGS

	2022 RM'000	Group 2021 RM'000
Current		
Secured:-		
Trade financing facilities	–	800
Term loans	–	1,316
Unsecured:-		
Trade financing facilities	343,715	336,101
Revolving credit	141,290	119,822
Term loans	38,336	29,298
Bank overdrafts	16,251	19,717
Other borrowings	26,529	14,566
	566,121	521,620
Non-current		
Secured:-		
Term loans	–	1,227
Unsecured:-		
Term loans	99,351	70,465
Revolving credit	21,160	–
	120,511	71,692
Total borrowings	686,632	593,312

NOTES TO THE FINANCIAL STATEMENTS

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19. BORROWINGS (CONT'D)

Currency exposure profile of the borrowings other than functional currency is as follows:-

	Group	
	2022 RM'000	2021 RM'000
United States Dollar	–	4,481

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.

Certain foreign subsidiaries' buildings have been pledged as security for banking facilities as disclosed in Note 4 to the financial statements.

Interest on borrowings is charged at rates ranging from 0.8% to 8.2% (2021: 0.8% to 7.2%) per annum.

Term loans are repayable on monthly and quarterly basis.

20. LEASE LIABILITIES

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Lease liabilities				
Current	13,345	18,555	382	332
Non-current	17,389	29,670	921	868
Net present values	30,734	48,225	1,303	1,200

20.2 Future minimum lease payment 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				
<u>2022</u>				
Lease payment	14,692	18,665	91	33,448
Finance charges	(1,347)	(1,366)	(1)	(2,714)
Net present values	13,345	17,299	90	30,734
<u>2021</u>				
Lease payment	20,758	31,378	645	52,781
Finance charges	(2,203)	(2,335)	(18)	(4,556)
Net present values	18,555	29,043	627	48,225

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

20. LEASE LIABILITIES (CONT'D)

20.2 Future minimum lease payment at year end are as follows:- (Cont'd)

	Minimum lease payment due		
	Within 1 year RM'000	2 to 5 years RM'000	Total RM'000
Company			
<u>2022</u>			
Lease payment	426	976	1,402
Finance charges	(44)	(55)	(99)
Net present values	382	921	1,303
<u>2021</u>			
Lease payment	374	912	1,286
Finance charges	(42)	(44)	(86)
Net present values	332	868	1,200

Currency exposure profile of the lease liabilities other than functional currency is as follows:-

	Group	
	2022 RM'000	2021 RM'000
United States Dollar	–	7,678

20.3 Lease payment 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Short-term leases				
- Cost of sales	5,662	5,857	–	–
- Administrative expenses	515	264	216	216
Leases of low value assets	370	433	–	–
	6,547	6,554	216	216

NOTES TO THE FINANCIAL STATEMENTS

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21. 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:-

21.1 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.

21.2 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.

21.3 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At 1.1	59,618	52,872	8,433	7,059
Current service costs	3,209	3,028	282	240
Net interests	3,170	3,034	455	359
Remeasurement effect recognised in other comprehensive loss	—	2,882	—	775
Benefit paid	(4,219)	(2,198)	—	—
At 31.12	61,778	59,618	9,170	8,433

NOTES TO THE FINANCIAL STATEMENTS

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21. PROVISION FOR RETIREMENT BENEFIT (CONT'D)

21.4 Actuarial assumptions

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

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

	Core assumption %	Sensitivity analysis	Effect on defined benefit liability (decrease)/ increase RM'000	Effect on defined benefit liability (decrease)/ increase %
Group				
<u>2022</u>				
Discount rate	5.5%	1.0% increase	(4,265)	(7%)
Future salary growth	6.3%	1.0% increase	5,767	9%
<u>2021</u>				
Discount rate	5.5%	1.0% increase	(4,267)	(7%)
Future salary growth	6.3%	1.0% increase	5,117	9%
Company				
<u>2022</u>				
Discount rate	5.5%	1.0% increase	(165)	(1.8%)
Future salary growth	6.3%	1.0% increase	303	3.3%
<u>2021</u>				
Discount rate	5.5%	1.0% increase	(226)	(3%)
Future salary growth	6.3%	1.0% increase	278	3%

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.

NOTES TO THE FINANCIAL STATEMENTS

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21. PROVISION FOR RETIREMENT BENEFIT (CONT'D)

21.5 Defined benefit plan expenses

Amount recognised in profit or loss is as follows:-

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current service costs	3,209	3,028	282	240
Net interests	3,170	3,034	455	359
Total expenses recognised in profit or loss	6,379	6,062	737	599

Amount recognised in other comprehensive loss is as follows:-

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Actuarial loss in defined benefit liability due to plan experience	–	2,882	–	775
Deferred tax expense	–	(675)	–	(186)
Remeasurement effect recognised in other comprehensive loss	–	2,207	–	589

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

21.6 Other information on the defined benefit plan

The weighted average duration of the defined benefit liability of the Group and of the Company is 7.7 years and 2.1 years (2021: 8.1 years and 2.9 years) respectively. The Group and the Company are expected to make benefit payment of RM9,826,000 and RM4,604,000 respectively in 2023 (2021: RM3,248,000 and RM327,000 respectively in 2022).

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22. GOVERNMENT GRANTS

	2022 RM'000	Group 2021 RM'000
At 1.1	–	–
Granted during the financial year	6,786	–
Amortised during the financial year	(484)	–
At 31.12	6,302	–
Analysed as:-		
Non-current	5,718	–
Later than one year but not later than two years	583	–
Later than two years but not later than five years	1,750	–
Later than five years	3,385	–
Current	584	–
At 31.12	6,302	–

23. TRADE PAYABLES

Currency exposure profile of trade payables other than functional currencies are as follows:-

	2022 RM'000	Group 2021 RM'000
United States Dollar	3,441	5,912
Singapore Dollar	1	3

Normal trade credit terms granted by suppliers range from cash term to 90 days (2021: cash term to 90 days).

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24. OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-trade payables	42,981	52,171	–	–
Deposits received	427	375	69	69
Accruals	60,716	60,064	2,050	2,341
Goods and Services Tax payable	2,024	2,032	–	–
Sales Tax payable	2,459	2,189	–	–
	108,607	116,831	2,119	2,410

Currency exposure profile of other payables other than functional currencies are as follows:-

	Group	
	2022 RM'000	2021 RM'000
United States Dollar	3,181	2,106
Singapore Dollar	35	38

25. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract/ Notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Current			
Forward currency contracts			
2022	10,689	–	502
2021	8,783	–	33

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.

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26. REVENUE

Revenue comprises of the following:-

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revenue from contract with customers	1,768,774	1,740,609	–	–
Revenue from other sources				
- Dividend income from subsidiaries	–	–	16,237	33,261
- Dividend income from quoted investment in Malaysia	114	136	114	136
- Management fees from subsidiaries	–	–	8,398	8,584
	1,768,888	1,740,745	24,749	41,981

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:-

	Group	
	2022	2021
	RM'000	RM'000
Major products/service lines		
Manufacturing and sale of industrial paper and paper related products	1,574,037	1,572,859
Trading of school books, uniforms and stationery	140,869	132,366
Trading of paper related products and agency commission earned	53,845	35,324
Others	137	196
	1,768,888	1,740,745
Timing of revenue recognition		
Products and services transferred at a point in time	1,768,888	1,740,745

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27. FINANCE COSTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest expenses on:-				
Bank overdrafts	1,279	1,095	*	*
Trade financing facilities	10,983	7,453	—	—
Lease liabilities	1,935	2,854	48	68
Revolving credit	5,131	3,588	—	—
Term loans	4,876	3,938	—	—
Other borrowings	527	418	—	—
Recognised in profit or loss	24,731	19,346	48	68
Capitalised on qualifying assets:-				
- property, plant and equipment (Note 4)	433	10	—	—
	25,164	19,356	48	68

* Less than RM1,000

28. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Audit fees				
- Grant Thornton Malaysia PLT ("GT")	460	433	49	46
- Other member firm of GT	14	17	—	—
- Other Auditors	272	260	—	—
Bad debts written off	75	20	—	—
Deficit on revaluation of properties	—	1,412	—	—
Fair value adjustments on investment properties	—	490	—	—
Fair value loss on derivative financial instruments	469	45	—	—
Fair value loss on financial assets at FVTPL	56	2	56	2
Impairment loss on trade receivables	1,422	1,511	—	—
Inventories written down	7,580	718	—	—
Inventories written off	410	108	—	—
Loss on disposal of investment in an associate	—	353	—	—
Loss on foreign exchange				
- realised	—	762	—	—
- unrealised	1,281	—	—	—
Property, plant and equipment written off	4,968	704	4	2
Loss on disposal of property, plant and equipment	—	—	13	—

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28. (LOSS)/PROFIT BEFORE TAX (CONT'D)

The following amounts have been included in arriving at (loss)/profit before tax: (Cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
After crediting:-				
Amortisation of government grants	(484)	–	–	–
Bad debts recovered	(9)	(3)	–	–
Bargain purchase for acquisition of subsidiary	–	(43)	–	–
Gain on disposal of property, plant and equipment	(2,406)	(1,861)	–	(1)
Gain on foreign exchange				
- realised	(4,119)	–	–	–
- unrealised	–	(223)	–	–
Interest income	(1,310)	(886)	(603)	(427)
Rental income				
- third parties	(1,347)	(1,329)	(252)	(252)
Reversal of inventories written down	(691)	(102)	–	–
Reversal of impairment loss on trade receivables	(3,044)	(2,564)	–	–

29. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Salary, wages and other allowances	213,914	192,020	5,846	5,846
Defined contribution plan	16,506	15,936	355	487
Defined benefit plan	6,379	6,062	737	599
	236,799	214,018	6,938	6,932

Included in profit or loss was RMNil (2021: RM4,433,000) 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.

Included in employee benefits expenses are the Directors' emoluments disclosed in Note 30 to the financial statements.

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30. DIRECTORS' REMUNERATION

Remuneration of Directors are as follows:-

Group	Fees RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
<u>2022</u>						
Executive Directors	437	2,928	640	440	113	4,558
Non-Executive Directors	587	–	–	1,986	52	2,625
	1,024	2,928	640	2,426	165	7,183
<u>2021</u>						
Executive Directors	656	2,760	760	526	106	4,808
Non-Executive Directors	714	–	–	2,142	52	2,908
	1,370	2,760	760	2,668	158	7,716
Company						
<u>2022</u>						
Executive Directors	120	2,928	640	318	113	4,119
Non-Executive Directors	360	–	–	751	30	1,141
	480	2,928	640	1,069	143	5,260
<u>2021</u>						
Executive Directors	120	2,760	760	408	106	4,154
Non-Executive Directors	360	–	–	941	30	1,331
	480	2,760	760	1,349	136	5,485

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 RM165,000 (2021: RM158,000) and RM143,000 (2021: RM136,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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31. TAX (INCOME)/EXPENSE

Tax recognised in profit or loss

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax expense				
Current year	4,876	18,318	40	39
(Over)/Under provision in prior years	(3,272)	(1,621)	2	(11)
Total current tax recognised in profit or loss	1,604	16,697	42	28
Deferred tax expense				
Origination and reversal of temporary differences	(5,296)	9,339	(219)	129
Over provision in prior years	(2,002)	(2,196)	(238)	(23)
Realisation of deferred tax upon depreciation of revalued assets	(1,228)	(619)	(82)	(74)
Total deferred tax recognised in profit or loss	(8,526)	6,524	(539)	32
Total tax (income)/expense	(6,922)	23,221	(497)	60

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Loss)/Profit before tax	(15,106)	108,134	14,690	31,586
Tax at Malaysian statutory tax rate of 24%	(3,625)	25,952	3,526	7,581
Tax effects in respect of:-				
Expenses not deductible for tax purposes	11,443	9,621	364	749
Income not subject to tax	(6,628)	(2,488)	(4,069)	(8,162)
Realisation of deferred tax upon depreciation of revalued assets	(1,228)	(619)	(82)	(74)
Movement on deferred tax assets not recognised	(697)	247	-	-
Utilisation of reinvestment allowances	(371)	(3,661)	-	-
Effect of different tax rate for fair value in investment properties	(4)	(3)	-	-
Different tax rates of foreign subsidiaries	(538)	(2,011)	-	-
(Over)/Under provision in prior years				
- Current tax	(3,272)	(1,621)	2	(11)
- Deferred tax	(2,002)	(2,196)	(238)	(23)
	(6,922)	23,221	(497)	60

NOTES TO THE FINANCIAL STATEMENTS

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31. TAX (INCOME)/EXPENSE (CONT'D)

Tax recognised in other comprehensive income

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revaluation of land and buildings	–	22,708	–	517
Remeasurement of defined benefit liability	–	(675)	–	(186)
	–	22,033	–	331

32. (LOSS)/EARNINGS PER SHARE

Basic

(Loss)/Earnings per share is calculated based on the Group's (loss)/profit for the financial year attributable to owners of the Company of RM10,866,000 (2021: RM77,838,000) and weighted average number of ordinary shares in issue during the financial year of 305,050,835 (2021: 305,050,835).

Diluted

Diluted (loss)/earnings per share equals basic (loss)/earnings per share as there were no dilutive potential equity instruments in issue that gave diluted effect to the (loss)/earnings per share.

33. DIVIDENDS

Group and
Company
RM'000

Recognised in the year

2022

First and final single tier dividend for financial year 2021:-
5.0 sen per share

15,252

2021

First and final single tier dividend for financial year 2020:-
5.0 sen per share

15,252

A first and final single tier dividend of 4.0 sen per ordinary share, amounting to RM12,202,033 was recommended by the Directors in respect of the financial year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

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34. CAPITAL COMMITMENTS

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

	Group	
	2022	2021
	RM'000	RM'000
Contracted but not provided for	38,145	79,223
Made up of:-		
Land and buildings	3,090	23,191
Plant and machineries	34,786	53,240
Computer system and others	269	2,792
	38,145	79,223

35. 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 6, 7 and 12 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:-

35.1 Transactions with subsidiaries

	Company	
	2022	2021
	RM'000	RM'000
Lease rental payable	216	216
Secretarial and statutory records maintenance fee payable	128	122
Stationery expenses payable	–	4
Office administration fee payable	510	504
Share registration fee payable	147	138
Dividend income receivable	16,237	33,261
Management fee receivable	8,398	8,584

NOTES TO THE FINANCIAL STATEMENTS

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35. RELATED PARTY (CONT'D)

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:- (Cont'd)

35.2 Transactions with associates

	2022 RM'000	Group 2021 RM'000
Sales of goods	469	475
Purchase of goods	–	11,617
Dividend income receivable	–	157

35.3 Related party transactions with a major shareholder, Asia File Corporation Bhd. and its subsidiaries

	2022 RM'000	Group 2021 RM'000
Sale of goods	1,445	2,244

35.4 Transaction with Tri-yen Enterprise Sdn. Bhd., a company in which Directors have interest

	2022 RM'000	Group 2021 RM'000
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.

35.5 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 are as follows:-

	2022 RM'000	Group 2021 RM'000
Fees, salaries, bonus and other emoluments	6,430	6,665
Benefit-in-kind	113	106
	6,543	6,771

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL INSTRUMENTS

36.1 Classification of financial instruments

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The accounting policies in Note 3.6 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:-

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Financial assets:-</u>				
<u>FVTOCI</u>				
Other investment	21,154	14,230	–	–
<u>FVTPL</u>				
Short term investment	5,315	5,344	5,315	5,344
<u>Amortised cost</u>				
Trade receivables	260,385	325,990	–	–
Other receivables	18,832	41,130	178	178
Amount due from subsidiaries	–	–	16,660	19,145
Amount due from associates	1,351	918	870	870
Cash and bank balances, deposits and short-term placements	132,749	144,500	23,035	20,394
Total financial assets	439,786	532,112	46,058	45,931
<u>Financial liabilities:-</u>				
<u>FVTPL</u>				
Derivative financial instruments	502	33	–	–
<u>Amortised cost</u>				
Borrowings	686,632	593,312	–	–
Lease liabilities	30,734	48,225	1,303	1,200
Trade payables	55,783	76,541	–	–
Other payables	104,124	112,610	2,119	2,410
Amount due to subsidiaries	–	–	1	75
Total financial liabilities	877,775	830,721	3,423	3,685

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

36. FINANCIAL INSTRUMENTS (CONT'D)

36.2 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 3.6 to the financial statements.

36.2.1 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 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

36. FINANCIAL INSTRUMENTS (CONT'D)

36.2 Risk management objectives and policies (Cont'd)

36.2.1 Credit risk (Cont'd)

36.2.1.1 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets:-</u>				
Cash and bank balances, deposits and short-term placements	132,749	144,500	23,035	20,394
Trade receivables	260,385	325,990	–	–
Other receivables	18,832	41,130	178	178
Amount due from subsidiaries	–	–	16,660	19,145
Amount due from associates	1,351	918	870	870
Short term investment	5,315	5,344	5,315	5,344
Carrying amounts	418,632	517,882	46,058	45,931

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 36.2.2.1 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.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

36. FINANCIAL INSTRUMENTS (CONT'D)

36.2 Risk management objectives and policies (Cont'd)

36.2.2 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.

36.2.2.1 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:-

Group	Within 1 year RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM,000
<u>2022</u>				
Borrowings	571,281	119,797	11,687	702,765
Lease liabilities	14,692	18,665	91	33,448
Trade payables	55,783	—	—	55,783
Other payables	104,124	—	—	104,124
Derivative financial instruments	502	—	—	502
Total undiscounted financial liabilities	746,382	138,462	11,778	896,622
<u>2021</u>				
Borrowings	524,571	74,763	1,416	600,750
Lease liabilities	20,758	31,378	645	52,781
Trade payables	76,541	—	—	76,541
Other payables	112,610	—	—	112,610
Derivative financial instruments	33	—	—	33
Total undiscounted financial liabilities	734,513	106,141	2,061	842,715

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

36. FINANCIAL INSTRUMENTS (CONT'D)

36.2 Risk management objectives and policies (Cont'd)

36.2.2 Liquidity risk (Cont'd)

36.2.2.1 Analysis of financial liabilities by remaining contractual maturity period (Cont'd)

The following is a summary of the financial liabilities of the Group and of the Company according to maturity period:- (Cont'd)

Company	Within 1 year RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM,000
2022				
Lease liabilities	426	976	–	1,402
Other payables	2,119	–	–	2,119
Amount due to subsidiaries	1	–	–	1
Total undiscounted financial liabilities	2,546	976	–	3,522
Financial guarantee *	1,310,137	–	–	1,310,137
2021				
Lease liabilities	374	912	–	1,286
Other payables	2,410	–	–	2,410
Amount due to subsidiaries	75	–	–	75
Total undiscounted financial liabilities	2,859	912	–	3,771
Financial guarantee *	1,244,984	–	–	1,244,984

* This exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holders as at the end of the reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

36. FINANCIAL INSTRUMENTS (CONT'D)

36.2 Risk management objectives and policies (Cont'd)

36.2.3 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.

36.2.3.1 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
<u>Financial asset</u>				
Fixed deposits with licensed banks	14,279	15,081	–	–
<u>Financial liability</u>				
Lease liabilities	(30,734)	(48,225)	(1,303)	(1,200)
Net financial liabilities	(16,455)	(33,144)	(1,303)	(1,200)

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

36. FINANCIAL INSTRUMENTS (CONT'D)

36.2 Risk management objectives and policies (Cont'd)

36.2.3 Interest rate risk (Cont'd)

36.2.3.1 Interest rate sensitivity analysis (Cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Floating rate instruments				
<u>Financial asset</u>				
Short-term placements with financial institutions	32,976	37,428	21,993	19,690
<u>Financial liabilities</u>				
Trade financing facilities	(343,715)	(336,901)	—	—
Revolving credit	(162,450)	(119,822)	—	—
Term loans	(137,687)	(102,306)	—	—
Other borrowings	(26,529)	(14,566)	—	—
Bank overdrafts	(16,251)	(19,717)	—	—
Total financial liabilities	(686,632)	(593,312)	—	—
Net financial (liabilities)/assets	(653,656)	(555,884)	21,993	19,690

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2021: +/-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		Effect on profit for the financial year	
	25bp increase	25bp decrease	25bp increase	25bp decrease
	RM'000	RM'000	RM'000	RM'000
2022	(1,242)	1,242	42	(42)
2021	(1,056)	1,056	37	(37)

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

36. FINANCIAL INSTRUMENTS (CONT'D)

36.2 Risk management objectives and policies (Cont'd)

36.2.4 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 material currencies giving rise to this risk are primarily United States Dollar (USD), Australia Dollar (AUD) and Singapore Dollar (SGD).

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

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

Group	USD RM'000	AUD RM'000	SGD RM'000
2022			
Trade and other receivables	27,583	4,131	6,005
Cash and bank balances, deposits and short-term placements	5,413	4,556	2,661
Trade and other payables	(6,622)	–	(36)
Net exposure	26,374	8,687	8,630
2021			
Trade and other receivables	42,440	3,872	5,321
Cash and bank balances, deposits and short-term placements	6,199	2,104	1,935
Trade and other payables	(8,018)	–	(41)
Borrowings	(4,481)	–	–
Lease liabilities	(7,678)	–	–
Net exposure	28,462	5,976	7,215

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

36. FINANCIAL INSTRUMENTS (CONT'D)**36.2 Risk management objectives and policies (Cont'd)****36.2.4 Foreign currency risk (Cont'd)****36.2.4.1 Foreign currency sensitivity analysis**

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

A +/-5% (2021: +/-5%) change in the RM/USD, RM/AUD and RM/SGD 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 and SGD, then the impact would be as follows:-

Group	Effect on profit for the financial year		
	USD RM'000	AUD RM'000	SGD RM'000
2022	(1,002)	(330)	(328)
2021	(1,082)	(227)	(274)

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

36.2.5 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 14). The movements in quoted price of these securities are monitored continuously.

An increase or a decrease of 1% (2021: 1%) in the prices of the quoted securities would result in an increase or a decrease of RM40,000 (2021: RM41,000) to the profit or loss of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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37. FAIR VALUE MEASUREMENT

37.1 Fair value measurement of financial instruments

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

The following table summarises the methods used in determining the fair value of financial assets and financial liabilities on a recurring basis as follows:-

Group

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2022 RM'000	2021 RM'000		
(1) Foreign currency forward contracts	Liabilities 502	Liabilities 33	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
(2) Financial assets at FVTPL	Assets 5,315	Assets 5,344	Level 1	Quoted bid prices in an active market.
(3) Financial assets at FVTOCI	Assets 21,154	Assets 14,230	Level 3	Estimated based on unobserved input from profit projection approved by management.

Company

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2022 RM'000	2021 RM'000		
Financial assets at FVTPL	5,315	5,344	Level 1	Quoted bid prices in an active market.

There was no transfer between the Level in financial year 2022 and 2021.

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37. FAIR VALUE MEASUREMENT (CONT'D)

37.2 Fair value measurement of non-financial assets

The following table summarises the methods used in determining the Group fair value of non-financial assets on a recurring basis as follows:-

Group

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
	2022 RM'000	2021 RM'000				
(1) Property, plant and equipment	Land 549,342	Land 553,854	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 364,849	Buildings 374,014		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 properties	Land 7,140	Land 7,140	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 3,040	Buildings 3,040		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.

NOTES TO THE FINANCIAL STATEMENTS

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37. FAIR VALUE MEASUREMENT (CONT'D)

37.2 Fair value measurement of non-financial assets (Cont'd)

Group (Cont'd)

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	Land	Buildings
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1	553,854	395,122	374,014	294,724	7,140	3,330
Transfer to level 3	-	54,867	-	59,577	-	-
Expenses recognised in profit or loss:-						
- Decrease in fair value of land and buildings*	-	(552)	-	(860)	-	(290)
- Depreciation	(4,111)	(3,400)	(8,668)	(9,097)	-	-
Gain recognised in other comprehensive income:-						
- Revaluation of land and buildings	-	107,103	-	29,636	-	-
Translation difference	(401)	714	(497)	34	-	-
At 31.12	549,342	553,854	364,849	374,014	7,140	3,040

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

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37. FAIR VALUE MEASUREMENT (CONT'D)

37.2 Fair value measurement of non-financial assets (Cont'd)

The following table summarises the methods used in determining the fair value of non-financial assets on a recurring basis as follows:-

Company

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
	2022 RM'000	2021 RM'000				
Property, plant and equipment	Land 17,286	Land 17,633	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 3,265	Buildings 3,349				
				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.

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37. FAIR VALUE MEASUREMENT (CONT'D)

37.2 Fair value measurement of non-financial assets (Cont'd)

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

	Property, plant and equipment			
	Land		Buildings	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1.1	17,633	16,748	3,349	2,481
Expenses recognised in profit or loss:-				
- Depreciation	(347)	(330)	(84)	(72)
Gain recognised in other comprehensive income:-				
- Revaluation of land and buildings	-	1,215	-	940
At 31.12	17,286	17,633	3,265	3,349

38. 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 2022 and 2021.

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 financial year 2022 and 2021 are reported below:-

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Borrowings (including lease liabilities and bank overdrafts)	717,366	641,537	1,303	1,200
Total equity	1,337,037	1,355,211	321,344	321,409
Debt-to-equity ratio	0.54	0.47	*	*

* Less than 0.01

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

39. 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 (loss)/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.

NOTES TO THE FINANCIAL STATEMENTS

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39. OPERATING SEGMENTS – GROUP (CONT'D)

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

Revenue	Manufacturing		Trading		Others		Eliminations		Note	Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021		2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
External revenue	1,574,037	1,572,859	194,714	167,690	137	196	-	-		1,768,888	1,740,745
Intersegment revenue	31,797	25,307	295,783	257,933	14,181	8,584	(341,761)	(291,824)	A	-	-
Total revenue	1,605,834	1,598,166	490,497	425,623	14,318	8,780	(341,761)	(291,824)		1,768,888	1,740,745
Results											
Segment profit	(5,878)	113,981	12,611	15,176	21,809	49,348	(20,253)	(56,951)	B	8,289	121,554
Interest income	314	163	347	305	716	613	(67)	(195)		1,310	886
Finance cost	(25,104)	(19,628)	(517)	(637)	(124)	(162)	1,014	1,081		(24,731)	(19,346)
Depreciation and amortisation	(78,000)	(74,838)	(3,924)	(3,905)	(1,479)	(1,469)	-	-		(83,403)	(80,212)
Share of results of associates	-	-	26	5,040	-	-	-	-		26	5,040
Other non-cash (expenses)/ income	(10,319)	(782)	756	275	(73)	(63)	-	-	C	(9,636)	(570)

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

39. OPERATING SEGMENTS – GROUP (CONT'D)

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

	Manufacturing		Trading		Others		Eliminations		Note	Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021		2022	2021
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Segment assets	2,111,774	2,108,511	190,004	176,455	77,373	76,861	-	-	D	2,379,151	2,361,827
Investment in associates	-	-	1,360	1,212	-	-	-	-		1,360	1,212
Additions to non-current assets other than financial instruments and deferred tax assets	167,724	155,028	1,548	4,016	917	579	-	-	E	170,189	159,623
Segment liabilities	179,406	202,894	41,124	38,061	12,442	12,068	-	-	F	232,972	253,023

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

39. OPERATING SEGMENTS – GROUP (CONT'D)

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 “(loss)/profit before tax” presented in the profit or loss:-

	2022 RM'000	2021 RM'000
Segment profit	8,289	121,554
Interest income	1,310	886
Finance costs	(24,731)	(19,346)
Share of results of associates	26	5,040
(Loss)/Profit before tax	(15,106)	108,134

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

	2022 RM'000	2021 RM'000
Impairment loss on doubtful trade receivables	(1,422)	(1,511)
Bargain purchase for acquisition of subsidiary	–	43
Bad debts written off	(75)	(20)
Fair value loss on derivative financial instruments	(469)	(45)
Fair value loss on financial assets at FVTPL	(56)	(2)
Property, plant and equipment written off	(4,968)	(704)
Inventories written down	(7,580)	(718)
Inventories written off	(410)	(108)
Fair value adjustments on investment properties	–	(490)
Amortisation of government grants	484	–
Impairment loss on doubtful trade receivables no longer required	3,044	2,564
Reversal of inventories written down	691	102
Deficit on revaluation of properties	–	(1,412)
Loss on disposal of investment in an associate	–	(353)
Gain on disposal of property, plant and equipment	2,406	1,861
Unrealised (loss)/gain on foreign exchange	(1,281)	223
	(9,636)	(570)

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

39. OPERATING SEGMENTS – GROUP (CONT'D)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (Cont'd).

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

	2022 RM'000	2021 RM'000
Segment assets	2,379,151	2,361,827
Intangible assets	16,209	15,823
Investment in associates	1,360	1,212
Deferred tax assets	817	748
Tax recoverable	13,948	6,938
Total assets	2,411,485	2,386,548

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

	2022 RM'000	2021 RM'000
Property, plant and equipment	170,189	155,570
Intangible assets	–	4,053
	170,189	159,623

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

	2022 RM'000	2021 RM'000
Segment liabilities	232,972	253,023
Lease liabilities	30,734	48,225
Borrowings	686,632	593,312
Tax payable	1,670	5,870
Deferred tax liabilities	122,440	130,907
Total liabilities	1,074,448	1,031,337

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

39. OPERATING SEGMENTS – GROUP (CONT'D)

Geographical information

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

	Revenue		Non-current assets	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia*	1,571,542	1,559,502	1,500,325	1,412,491
Singapore	172,418	156,658	12,034	17,446
Australia	9,817	6,251	18,924	19,472
The People's Republic of China	15,111	18,334	17,472	19,196
	1,768,888	1,740,745	1,548,755	1,468,605

* Company's home country

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

	2022	2021
	RM'000	RM'000
Property, plant and equipment	1,522,366	1,442,602
Investment properties	10,180	10,180
Intangible assets	16,209	15,823
	1,548,755	1,468,605

Major customers

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

TOP 10 PROPERTIES & SHAREHOLDINGS

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by the group

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Shareholdings

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Annual General Meeting

TOP 10 PROPERTIES OWNED BY THE GROUP

31 DECEMBER 2022

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 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	126,719	5 - 52	(B) 09-09-21
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	107,264	2 - 57	(B) 09-09-21
Lot 86818 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	48,363	Office & Factory	85,095	7 - 45	(B) 09-09-21
Lot 415, Jalan Tasek 14120 Simpang Ampat Daerah Seberang Perai Selatan Penang Freehold	Industrial Building	73,370	Office, Factory & Warehouse	50,458	29	(B) 09-09-21
Lot 5744, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Land	43,934	Open Storage Yard	40,200	–	(B) 09-09-21
Lot 8869 & 8871, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Building	22,063	Warehouse	33,957	6 - 22	(B) 09-09-21
No. 9, Jalan Persiaran Teknologi Taman Teknologi Johor 81400 Senai Johor Darul Takzim 60 Years Lease Expiring 2063	Industrial Building	38,360	Office & Factory	32,678	19	(B) 09-09-21

TOP 10 PROPERTIES OWNED BY THE GROUP

CONT'D

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 5235, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Building	21,271	Office, Factory & Open Storage Yard	30,768	5 - 11	(B) 09-09-21
No. 136, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2070	Industrial Building	21,600	Office, Factory & Warehouse	30,657	3	(B) 09-09-21
Lot 775, 824, 10216, 10217, 10279, & 10286 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	47,904	Factory & Water Treatment Plant	28,224	3 - 7	(B) 09-09-21

ANALYSIS OF SHAREHOLDINGS

AS AT 24 MARCH 2023

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	475	17,273	0.01
100 to 1,000	883	586,767	0.19
1,001 to 10,000	3,020	11,881,922	3.90
10,001 to 100,000	619	16,763,553	5.50
100,001 to less than 5% of issued shares	87	99,586,020	32.64
5% and above of issued shares	4	176,215,300	57.76
Total	5,088	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	126,093,113 *	41.34
Dato' Azaman Bin Abu Bakar	100,000	0.03	115,580,313 *	37.89
Datuk Wira Lim Chiun Cheong	715,500	0.23	128,627,613 *	42.17
Lim Siew Ling	–	–	118,437,013 *	38.83
Lim Yen Wee	170,000	0.06	119,284,813 *	39.10

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	126,093,113 *	41.34
Dato' Azaman Bin Abu Bakar	100,000	0.03	115,580,313 *	37.89
Datuk Wira Lim Chiun Cheong	715,500	0.23	128,627,613 *	42.17
Lim Siew Ling	–	–	118,437,013 *	38.83
Lim Yen Wee	170,000	0.06	119,284,813 *	39.10
Hartaban Holdings Sdn Bhd	20,300,000	6.65	94,569,313 ^	31.00
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	127,106,213 *	41.67
Sin Poay Sim	2,677,700	0.88	115,759,313 *	37.95
Datin Cheong Koon Hooi	4,000,000	1.31	114,869,313 *	37.66
Asia File Corporation Bhd	17,439,200	5.72	54,826,100 ^	17.97
Lim & Khoo Sdn Bhd	54,826,100	17.97	–	–
Dato' Lim Soon Huat	9,666,900	3.17	72,265,300 ^	23.69
Prestige Elegance (M) Sdn Bhd	–	–	72,265,300 ^	23.69
Datin Khoo Saw Sim	–	–	72,265,300 ^	23.69

ANALYSIS OF SHAREHOLDINGS

CONT'D

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 24 March 2023

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	Asia File Corporation Bhd	17,439,200	5.72
5	Styme Sdn Bhd	10,919,313	3.58
6	Beh Phaik Hooi	9,756,700	3.20
7	Dato' Lim Soon Huat	9,666,900	3.17
8	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Lim Siew Lee (PB)	9,150,000	3.00
9	Lim Guan Teik Holdings Sdn Bhd	7,381,400	2.42
10	Teoh Chin Chia	6,287,200	2.06
11	Lim Siew Lee	4,107,800	1.35
12	Datin Cheong Koon Hooi	4,000,000	1.31
13	Lim Siew Lee	3,551,600	1.16
14	Tan Sri Lim Guan Teik	3,250,000	1.07
15	Sin Poay Sim	2,677,700	0.88
16	Cheah Sok In	2,509,800	0.82
17	Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73
18	Wong Yoke Fong @ Wong Nyok Fing	2,061,700	0.68
19	Lucy Khoo	1,108,700	0.36
20	Teo Kwee Hock	1,022,200	0.34
21	MSM International Adjusters (Malaysia) Sdn Bhd	999,800	0.33
22	Tri-Yen Enterprise Sdn Bhd	890,000	0.29
23	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	755,700	0.25
24	Datuk Wira Lim Chiun Cheong	715,500	0.23
25	Wong Yoke Fong @ Wong Nyok Fing	703,100	0.23
26	Golden Fresh Sdn Bhd	680,000	0.22
27	Ooi Chin Hock	653,200	0.21
28	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged securities account for Teo Siew Lai	646,300	0.21
29	Wong Yoke Fong @ Wong Nyok Fing	626,100	0.21
30	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Azaman Bin Abu Bakar	611,000	0.20
Total		263,183,913	86.27

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 52nd Annual General Meeting ("52nd AGM") of Muda Holdings Berhad ("the Company") will be held on a fully virtual basis through live streaming and online remote voting via online meeting platform at <https://agm.digerati.com.my/muda-online> on Wednesday, 28 June 2023 at 11.00 a.m. for the following purposes:

AGENDA

Ordinary Business

- | | |
|---|------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 and the Reports of the Directors' and Auditors' thereon. | (Note 2) |
| 2. To approve the payment of a single tier final dividend of 4.0 sen per ordinary share in respect of the financial year ended 31 December 2022. | 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 2022. | Ordinary Resolution 2 |
| 4. To approve the payment of benefits to Non-Executive Directors of the Company of up to an amount of RM1,650,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. | Ordinary Resolution 3 |
| 5. To re-elect the following Directors retiring pursuant to Article 81 of the Company's Constitution as Directors of the Company: | |
| (a) Tan Sri Lim Guan Teik | Ordinary Resolution 4 |
| (b) Ms Lim Siew Ling | Ordinary Resolution 5 |
| 6. To re-elect the following Directors retiring in accordance with Article 85 of the Company's Constitution as Directors of the Company: | |
| (a) Dato' Tan Tian Meng | Ordinary Resolution 6 |
| (b) Dato' Hazli Bin Ibrahim | Ordinary Resolution 7 |
| 7. To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 8 |

Special Business

To consider and if deemed fit, to pass the following Ordinary Resolution:

8. 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 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, PROVIDED ALWAYS that the number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of issuance and such authority under this resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors be and are empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."

Ordinary Resolution 9

9. To consider any other business of which due notice has been given in accordance with the Companies Act, 2016 and the Company's Constitution.

NOTICE OF ANNUAL GENERAL MEETING

CONT'D

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the single tier final dividend of 4.0 sen per ordinary share in respect of financial year ended 31 December 2022, if approved at the 52nd AGM, will be paid on **Wednesday, 26 July 2023** to depositors and members listed in the Record of Depositors and Register of Members on 30 June 2023.

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

- a. shares transferred to depositor's securities account before 4.30 p.m. on 30 June 2023 in respect of ordinary transfers; and
- b. shares bought on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Goh Ching Yee (MAICSA 0760803) (SSM PC No. 202008002492)

Lam Yoke Teng (MAICSA 7052983) (SSM PC No. 202008001921)

Secretaries

Petaling Jaya

28 April 2023

Notes:-

1. Participation at 52nd AGM

- 1.1 The 52nd AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via online meeting platform at <https://agm.digerati.com.my/muda-online>. Members are advised to refer to the Administrative Guide for the 52nd AGM available on the Company's website at www.muda.com.my for the procedures to register, participate and vote remotely via the Remote Participation and Voting ("RPV") facilities.
- 1.2 The Securities Commission Malaysia had on 16 July 2021 revised the Guidance Note and Frequently Asked Questions ("FAQ") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ") to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. According to the Revised Guidance Note and FAQ, an online platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act, 2016 provided that the online platform is located in Malaysia.

Members Entitled to Attend the 52nd AGM

- 1.3 For the purpose of determining a member who shall be entitled to attend the 52nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at Thursday, 22 June 2023 in accordance with the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991. Only a depositor whose name appears on the **Record of Depositors** as at **Thursday, 22 June 2023** shall be entitled to attend the said AGM or appoint proxies to participate on his/her behalf in the said AGM via RPV.

NOTICE OF ANNUAL GENERAL MEETING

CONT'D

Notes:- (Cont'd)

1. Participation at 52nd AGM (Cont'd)

Appointment of Proxy

- 1.4 A member entitled to participate in the 52nd AGM may appoint more than one (1) proxy (but not more than two (2)) to participate in his/her stead. Where a member appoints more than one (1) proxy, the member shall specify the proportion of the member's shareholding to be represented by each proxy.
- 1.5 A member who has appointed a proxy or attorney or authorised representative to participate at this 52nd AGM via RPV must request his/her proxy to register himself/herself for the RPV at <https://agm.digerati.com.my/muda-online>. Please follow the procedures for RPV in the Administrative Guide for the 52nd AGM.
- 1.6 Where a member of the Company is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depository) Act, 1991 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. Where an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy. An exempt authorised nominee with more than one (1) securities account must submit a separate Form of Proxy for each securities account.
- 1.7 The Form of Proxy can be submitted through either one of the following avenues no later than Monday, 26 June 2023 at 11.00 a.m. or in the event of any adjournment, no later than 48 hours before the time appointed for the adjourned meeting:
 - Lodgement of Form of Proxy in hard copy
To be deposited at the Registered Office at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan; OR
 - Electronic lodgement of Form of Proxy
The Form of Proxy can be lodged electronically via <https://agm.digerati.com.my/muda-online>. Kindly refer to the Administrative Guide for the 52nd AGM on the procedures for electronic lodgement of Form of Proxy via <https://agm.digerati.com.my/muda-online>.
- 1.8 Please ensure that ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.
- 1.9 For a corporate member who has appointed a representative, please deposit the ORIGINAL/DULY CERTIFIED certificate of appointment at the Registered Office at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan no later than 48 hours before the time appointed for holding the 52nd AGM or adjourned general meeting. The certificate of appointment should be executed in the following manner:
 - (a) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member;
 - (b) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - (i) At least two (2) authorised officers, of whom one shall be a director; or
 - (ii) Any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
- 1.10 Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this notice will be put to vote by way of poll.

NOTICE OF ANNUAL GENERAL MEETING

CONT'D

Notes:- (Cont'd)

2. Agenda 1
Audited Financial Statements for the Financial Year Ended 31 December 2022

The audited financial statements for the financial year ended 31 December 2022 are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only. They do not require shareholders' approval and hence will not be put forward for voting.

3. Ordinary Resolution 1
Single Tier Final 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 28 February 2023 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 **26 July 2023** in accordance with the requirements under Section 132(2) and (3) of the Companies Act, 2016.

4. Ordinary Resolution 2 and 3
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 RM1,650,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company pursuant to Ordinary Resolution 3.

5. Ordinary Resolution 4 & 5
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 but shall be eligible for re-election. Pursuant to this, Tan Sri Lim Guan Teik and Ms Lim Siew Ling are due to retire by rotation and they have offered themselves for re-election at the 52nd AGM.

6. Ordinary Resolution 6 & 7
Re-election of Directors who retire under Article 85 of the Company's Constitution

Article 85 of the Company's Constitution provides that directors appointed at any time, and from time to time, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next following annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Dato' Tan Tian Meng and Dato' Hazli Bin Ibrahim who were appointed as Directors of the Company on 3 January 2023 and 6 April 2023 respectively, are due to retire under Article 85 of the Company's Constitution and they have offered themselves for re-election at the 52nd AGM.

NOTICE OF ANNUAL GENERAL MEETING

CONT'D

Notes:- (Cont'd)

7. **Ordinary Resolution 8** **Re-appointment of Auditors**

The Audit Committee has on 6 April 2023 undertook an annual evaluation of the effectiveness of the external audit process and performance, suitability and independence of the external auditors, Grant Thornton Malaysia PLT.

The Audit Committee was satisfied with the suitability of Grant Thornton Malaysia PLT based on the quality of audit, performance, competency, and sufficiency of resources the external audit team provided to the Company and its subsidiaries ("the Group"). The Audit Committee was satisfied in its review of the provision of non-audit services by Grant Thornton Malaysia PLT to the Group for the financial year ended 31 December 2022 did not in any way impair their objectivity and independence as external auditors of the Company.

8. **Ordinary Resolution 9** **Proposed Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016**

The proposed Ordinary Resolution 9 is for the purpose of renewing the general mandate for issuance of shares by the Company under Section 75 and Section 76 of the Companies Act 2016. The Ordinary Resolution 9, if passed, will give Directors of the Company authority to allot and issue shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the total number of issued shares of the Company. As at the date of this notice, no shares had been allotted and issued since the general mandate granted to the Directors at the last AGM held on 28 June 2022 and this authority shall lapse at the conclusion of the 52nd AGM of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Further details of Directors who are standing for re-election as Directors

The profiles of the Directors who are standing for re-election at the 52nd AGM are set out in the Profile of Directors in the Annual Report. Their shareholdings in the Company are set out in the section entitled "Analysis of Shareholdings" in the Annual Report.

No individual other than the retiring Directors are seeking election as Directors at the 52nd AGM.

FORM OF PROXY

Muda Holdings Berhad
[Registration No. 197101000036 (10427-A)]

I / We

*NRIC/Registration 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 Shareholdings	
		No. of Shares	%
Address:			
Full Name (in Block):	NRIC No. /Passport No.:	Proportion of Shareholdings	
		No. of Shares	%
Address:			

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to participate and vote for me/us on my/our behalf at the 52nd Annual General Meeting of the Company to be held virtually through live streaming and online remote voting via online meeting platform at <https://agm.digerati.com.my/muda-online> on Wednesday, 28 June 2023 at 11.00 a.m. and at any adjournment thereof.

The 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.

No.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of a single tier final dividend of 4.0 sen per ordinary share.		
2.	To approve the payment of Directors' fees of RM480,000.00 to the Directors for financial year ended 31 December 2022.		
3.	To approve the payment of benefits to Non-Executive Directors of the Company of up to an amount of RM1,650,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.		
4.	To re-elect Tan Sri Lim Guan Teik as a Director in accordance with Article 81 of the Company's Constitution.		
5.	To re-elect Ms Lim Siew Ling as a Director in accordance with Article 81 of the Company's Constitution.		
6.	To re-elect Dato' Tan Tian Meng as a Director in accordance with Article 85 of the Company's Constitution.		
7.	To re-elect Dato' Hazli Bin Ibrahim as a Director in accordance with Article 85 of the Company's Constitution.		
8.	To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
9.	To authorise Directors to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016.		

* Signature/Common Seal of Shareholder

No. of Shares

Mobile No

Dated this day of, 2023

Shareholder's Email

Notes:-

1. Participation at 52nd AGM

1.1 The 52nd AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via online meeting platform at <https://agm.digerati.com.my/muda-online>. Members are advised to refer the Administrative Guide for the 52nd AGM available on the Company's website at www.muda.com.my for the procedures to register, participate and vote remotely via the Remote Participation and Voting ("RPV") facilities.

1.2 The Securities Commission Malaysia had on 16 July 2021 revised the Guidance Note and Frequently Asked Questions ("FAQ") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ") to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. According to the Revised Guidance Note and FAQ, an online platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act, 2016 provided that the online platform is located in Malaysia.

Members Entitled to Attend the 52nd AGM

1.3 For the purpose of determining a member who shall be entitled to attend the 52nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at Thursday, 22 June 2023 in accordance with the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991. Only a depositor whose name appears on the **Record of Depositors** as at **Thursday, 22 June 2023** shall be entitled to attend the said AGM or appoint proxies to participate on his/her behalf in the said AGM via RPV.

Appointment of Proxy

1.4 A member entitled to participate in the 52nd AGM may appoint more than one (1) proxy (but not more than two (2)) to participate in his/her stead. Where a member appoints more than one (1) proxy, the member shall specify the proportion of the member's shareholding to be represented by each proxy.



Notes:- (Cont'd)

1. Participation at 52nd AGM (Cont'd)

- 1.5 A member who has appointed a proxy or attorney or authorised representative to participate at this 52nd AGM via RPV must request his/her proxy to register himself/herself for the RPV at <https://agm.digerati.com.my/muda-online>. Please follow the procedures for RPV in the Administrative Guide for the 52nd AGM.
- 1.6 Where a member of the Company is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depository) Act, 1991 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. Where an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy. An exempt authorised nominee with more than one (1) securities account must submit a separate Form of Proxy for each securities account.
- 1.7 The Form of Proxy can be submitted through either one of the following avenues no later than Monday, 26 June 2023 at 11.00 a.m. or in the event of any adjournment, no later than 48 hours before the time appointed for the adjourned meeting:
 - Lodgement of Form of Proxy in hard copy
To be deposited at the Registered Office at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan; OR
 - Electronic lodgement of Form of Proxy
The Form of Proxy can be lodged electronically via <https://agm.digerati.com.my/muda-online>. Kindly refer to the Administrative Guide for the 52nd AGM on the procedures for electronic lodgement of Form of Proxy via <https://agm.digerati.com.my/muda-online>.
- 1.8 Please ensure that ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.
- 1.9 For a corporate member who has appointed a representative, please deposit the ORIGINAL/DULY CERTIFIED certificate of appointment at the Registered Office at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan no later than 48 hours before the time appointed for holding the 52nd AGM or adjourned general meeting. The certificate of appointment should be executed in the following manner:
 - (a) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member;
 - (b) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - (i) At least two (2) authorised officers, of whom one shall be a director; or
 - (ii) Any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

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AFFIX
STAMP

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

2nd Fold Here

Fold This Flap For Sealing

Muda Holdings Berhad

Company No. 197101000036 (10427-A)

Lot 7, Jalan 51A/241. 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

T: +(603) 7875 9549 **F:** +(603) 7873 8435, 7875 1519

www.muda.com.my