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CORPORATE INFORMATION

Directors | Tan Sri Lim Guan Teik, PSM, JMN, DMPN, DJN (Non-Independent Non-Executive Chairman)
Dato' Azaman Bin Abu Bakar, DIMP (Executive Deputy Chairman)
Datuk Lim Chiun Cheong, DPSM (Managing Director)
Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (Senior Independent Non-Executive Director)
Lee Khim Sin, KMN, PBK, CA(M), FCA, CPA(M) (Independent Non-Executive Director)
Wong Choong Yee (Independent Non-Executive Director)
Lim Siew Ling (Appointed on 1 January 2020 as Non-Independent Non-Executive Director)
Lim Yen Wee (Appointed on 1 January 2020 as Non-Independent Non-Executive Director)

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

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

Auditors | Grant Thornton Malaysia PLT
(Member of Grant Thornton International Ltd)
Chartered Accountants
Level 11, Sheraton Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur
Tel : 03-2692 4022
Fax : 03-2732 5119

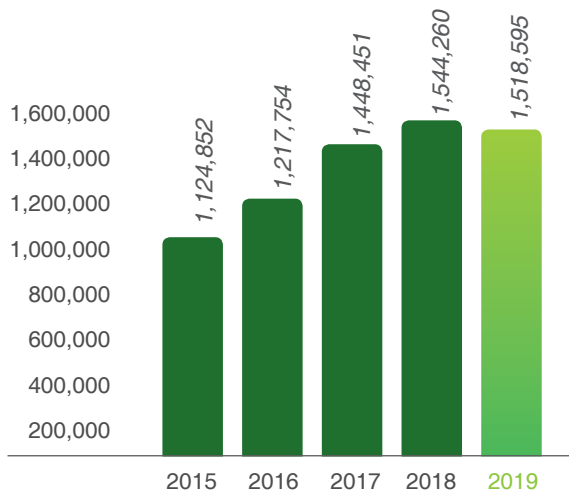
Registered Office & Principal Place of Business | Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan
Tel : 03-7875 9549 Fax : 03-7873 8435

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

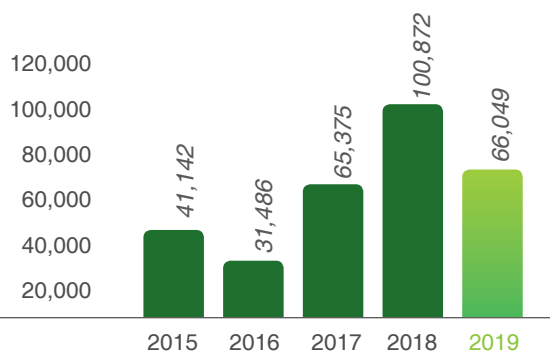
Stock Exchange Listing | Main Market of Bursa Malaysia Securities Berhad

GROUP FINANCIAL HIGHLIGHTS

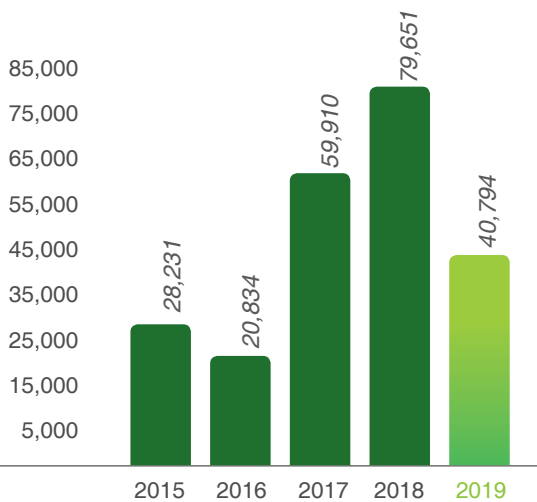
Revenue (RM'000)



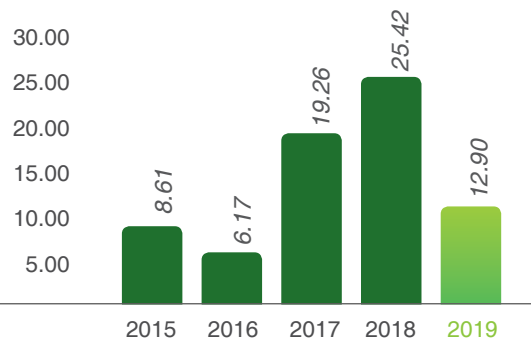
Profit Before Tax (RM'000)



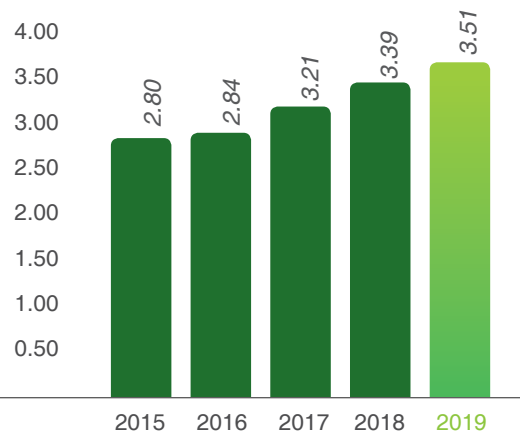
Profit After Tax (RM'000)



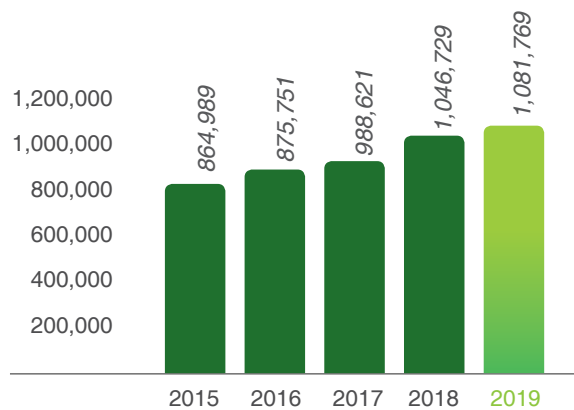
Earnings Per Share (sen)



Net Tangible Assets Per Share (RM)



Total Equity (RM'000)



GROUP FINANCIAL HIGHLIGHTS

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Key Operating Results					
Revenue	1,124,852	1,217,754	1,448,451	1,544,260	1,518,595
Gross profit	208,279	214,017	225,652	295,021	281,756
Profit before tax	41,142	31,486	65,375	100,872	66,049
Tax expense	(12,911)	(10,652)	(5,465)	(21,221)	(25,255)
Profit after tax	28,231	20,834	59,910	79,651	40,794
Net profit attributable to owners of the Company	26,255	18,807	58,766	77,534	39,337
Other Key Data					
Total assets	1,582,647	1,636,665	1,883,560	1,958,621	1,934,453
Total borrowings	517,876	527,328	618,113	631,089	552,094
Total liabilities	717,658	760,914	894,939	911,892	852,684
Total equity attributable to owners of the Company	841,027	851,552	964,639	1,022,667	1,057,597
Total equity	864,989	875,751	988,621	1,046,729	1,081,769
Number of ordinary shares issued and fully paid ('000 shares)	305,051	305,051	305,051	305,051	305,051
Net tangible assets per share (RM)	2.80	2.84	3.21	3.39	3.51
Key Ratios					
Return on equity ¹	3.1%	2.2%	6.1%	7.6%	3.7%
Debt to equity ²	0.60	0.60	0.63	0.60	0.51

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

2. Total borrowings / Total equity

	2015	2016	2017	2018	2019
Per Share Information					
Market Price (RM) [^]	2.15	1.45	1.33	1.79	1.41
Basic earnings per share (sen)	8.61	6.17	19.26	25.42	12.90
Price earnings ratio	24.98	23.52	6.90	7.04	10.93
Dividend per share (sen)	3.00	3.00	3.50	4.50	4.00
Dividend yield (%)	1.40	2.07	2.63	2.51	2.84

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

MESSAGE FROM OUR CHAIRMAN

On behalf of the Board, it gives me great pleasure to present the Annual Report for Muda Holdings Berhad for the financial year ended 31 December 2019 (FY 2019).

Overview

After almost two years of trade tension between China and United States, negotiations between these two economic giants have finally been concluded with the United States agreeing to cancel some of its existing tariffs on Chinese goods at the end of 2019. This was a good sign when the phase one trade deal was signed off in early 2020 and signalled the beginning of some kind of resolution to the problem. It has given the market some assurance and breathing room for a while. Coincidentally, the sudden spurt in Coronavirus (COVID-19) cases over the past few weeks across the globe has derailed economic activity in major countries.

In spite of the adverse world economy, I would like to report that the Group maintained its market position and achieved consistent profitability for FY 2019. This was made possible through our efforts which focused on meeting industry needs, proactive internal and external efficiencies and cost management initiatives.

Results for FY 2019

In 2019, the Group saw a decrease in revenue by 1.7% to RM1.52 billion and profit before tax dropped by 34.5% to RM66.05 million. Without the impairment of partially erected paper machines, the adjusted profit before tax stood at RM81.65 million, a decrease of 19.1% against the last financial year.

Notwithstanding the lower selling prices for industrial paper and paper packaging products, the Manufacturing Segment delivered higher sales volume as a result of stronger domestic demand. Reduction in the selling prices caused gross profit margin to be compressed to 18.6% in 2019 compared to 19.1% in 2018.

In line with the Group's sustained growth, I am pleased to share with you that our net assets have strengthened by 3.3% to RM1.08 billion.

Dividend

For FY 2019 the Board recommends a first and final dividend of 4.0 sen per share to shareholders for the financial year ended 31 December 2019.

Changes in the Board

I would like to welcome Ms. Lim Siew Ling and Ms. Lim Yen Wee who joined the Board of Muda Holdings Berhad as Non-Independent Non-Executive Directors on 1 January 2020 and I look forward to their positive contributions.

Appreciation

On behalf of Muda's Board of Directors, I would like to express our appreciation to the Management and staff of the Muda Group for their continued dedication and effort. The same goes for our stakeholders, especially our suppliers, business partners, bankers and financiers — we thank you for your support to the Group and we hope that our relationship will continue to prosper as we continue on our journey forward together.

I would also like to express a special word of gratitude for our customers and shareholders who have remained loyal supporters all these years. I thank you for the faith that you have put in us. I would also like to express our gratitude to our regulators and governing authorities for the support and advice given to us during the year, and we look forward to your constructive feedback with regards to the development of the paper industry.

Last but not least, I would like to express my personal thanks to my Board members for their advice and contributions in guiding the Group. We would not have achieved our current position without your efforts. I look forward to having a better year in 2020.

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

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Our core business in producing paper from recycled fibre and paper packaging products such as paper boxes, paper boards and paper-based food packaging and stationeries remained unchanged in 2019. In addition, we also operate more than 100 schools and online bookshops in Singapore.

The Group operates two (2) paper mills, six (6) corrugated plants and a paper-based food packaging and stationery plant. The manufacturing operations are located in Kajang, Selangor, Pulau Pinang, Melaka, Johor and Guangzhou (China), The People's Republic of China. Operations in Malaysia generated 89% of the total revenue in 2019 and Singapore contributed about 10%.

Financial Performance

Revenue for the financial year ended 31 December 2019 of RM1.52 billion was 1.7% lower compared to last year and profit after tax decreased by 48.8% to RM40.8 million from RM79.7 million a year ago.

The decrease in revenue was mainly attributable to the reduction in selling prices for industrial paper and paper packaging products which could not be mitigated by higher sales volume. The decline in profit after tax was mainly due to lower selling prices of industrial paper and paper packaging products in 2019 and impairment of RM15.6 million on partially erected paper machines which were no longer feasible due to the change in market trend and competition.

Manufacturing Division

Revenue achieved in 2019 was comparable to the preceding year. Revenue was mitigated by a significant improvement in sales volume for industrial paper and paper packaging products compared to the previous year. Overall, profit margin of the Group was adversely affected compared to 2018 which caused by the higher percentage of decline in selling prices against the decline in purchase price of waste paper.

Installation of two new corrugated lines were completed in July 2018 and December 2018 in Merlimau and Johor Bahru respectively. With full year operations of the new corrugating line in Merlimau and Johor Bahru plants, the production capacity has improved by approximately 10% and 25% respectively. There is still scope to grow its production capacity as the new lines have not reached their rated output capacity.

Trading Division

Revenue for the financial year ended 31 December 2019 has decreased by 3.6% and reduction in profit by almost 21% compared to 2018. The deterioration in revenue and profit was mainly due to reduction in selling prices and sales volume of waste paper and wood free paper under the Trading Division.

Financial Highlights and Share Information

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

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	1,124,852	1,217,754	1,448,451	1,544,260	1,518,595
Gross profit	208,279	214,017	225,652	295,021	281,756
Profit before tax	41,142	31,486	65,375	100,872	66,049
Taxation	(12,911)	(10,652)	(5,465)	(21,221)	(25,255)
Profit after tax	28,231	20,834	59,910	79,651	40,794
Shareholders' Equity	864,989	875,751	988,621	1,046,729	1,081,769
Total assets	1,582,647	1,636,665	1,883,890	1,958,621	1,935,198
Total borrowings	517,876	527,328	618,114	631,089	552,094
Debt/Equity (%)	59.9%	60.2%	62.5%	60.3%	51.0%
Basic earnings per share (sen)	8.61	6.17	18.43	25.42	12.90
Net tangible assets per share (RM)	2.80	2.84	3.21	3.39	3.51
Dividend per share (sen)	3.00	3.00	3.50	4.50	4.00
Gross margin	18.5%	17.6%	15.6%	19.1%	18.6%
Return on equity	3.1%	2.2%	6.1%	7.6%	3.7%
Share information					
Share price - High (RM)	2.15	2.51	1.80	2.88	2.19
Share price - Low (RM)	1.03	1.40	1.29	1.12	1.41
Share price as at 31 December (RM)	2.15	1.45	1.33	1.79	1.41
Price earnings ratio (times)	24.98	23.52	6.90	7.04	10.93
Company market capitalisation (RM million)	656	442	406	546	430

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue for the financial year ended 31 December 2019 has reduced by 1.7% compared to last year due to reduction in selling price of industrial paper and paper packaging products.

Gross profit margin

There was a reduction in gross profit margin from 19.1% in 2018 to 18.6% in 2019. This was mainly due to lower average selling prices of industrial paper and paper packaging products. Overall, when the drop in selling prices is more than the drop in the purchase price of waste paper, it has adversely affected the profit margin of the Group compared to 2018.

Expenses

Overall, there was an increase in expenses in 2019 compared to 2018, where distribution expenses increased due to increase in sales volume in 2019 compared to 2018. The increase in other expenses was mainly attributable to impairment of partially erected paper machines which were no longer feasible in view of change in market trend and competition.

Finance costs

Finance costs have reduced by 7.3% compared to preceding year due to lesser working capital financing required in view of the significant improvement in net cash generated from operating activities of RM124.75 million in 2019 compared to RM99.34 million in 2018.

Profitability

The Group delivered profit before tax of RM66.05 million in 2019 which was lower compared to 2018 of RM100.87 million. Without the impairment, profit before tax for the financial year ended 31 December 2019 would have been RM81.65 million.

Taxation

The effective tax rate of the Group was higher than the statutory tax rate was mainly due to the higher non-deductible expenses and the lack of tax incentives available to offset against taxable income in the financial year 2019.

Financial Position

Total equity attributable to owners of the Group was at RM1.06 billion with profit attributable to owners of the Company of RM39.34 million in 2019. Gearing ratio of the Group has improved from 0.60 in 2018 to 0.51 in 2019.

Inventories

Inventory level at RM263.73 million was RM34.53 million lower compared to the preceding year of RM298.26 million due to lesser stock holding of finished goods as of 31 December 2019 compared to previous year.

Trade receivables

The reduction in trade receivables in 2019 compared to preceding year indicated that there was an improvement in trade receivables collection as reflected in the statements of cash flows where cash generated from operations has improved from RM153.93 million in 2018 to RM178.46 million in 2019.

Total borrowings

Total borrowings of the Group have reduced from RM631.09 million in 2018 to RM552.09 million in 2019. The net reduction of approximately RM79 million was mainly attributable to the lesser working capital financing used by the Group in view of the improvement of cash generated from operations.

Anticipated risk

Potential shortage of waste paper from local market is an inherent risk for the Group as it is a critical input for our manufacturing process. 2019 was a tough year for the waster paper agents as they encountered drastic drop in prices which prompted them to consider cessation of business. From time to time, the Group would render assistance to these waster paper agents to strenghten their operation for business continuity. In addition, the Group continues its effort to strengthen and expand collection by enlarging the suppliers' network to mitigate the risk.

The lockdowns imposed in China to prevent the spread of COVID-19 has resulted in a sharp fall in demand. The outbreak has also caused disruption to the global supply chain for the manufacturing sector which is already felt by several countries that rely on supplies from China. Malaysia, being an open economy and the China is one of its biggest partners, will not be spared from the impact of COVID-19. Muda Group will prepare itself to cushion the impact by looking into other readily available customer network to maintain its operations and sales at optimal level.

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

Capital Expenditure

There would be no major capital expenditure to be incurred in 2020. The Group will continue to carry out some minor upgrade on its plant and machineries. The Group will be prudent in implementing its capital expenditure and continue to focus on improving efficiency and reduce wastage.

Prospect

Malaysia has revised its 2020 Gross Domestic Production growth forecast to between 3.2% to 4.2% from 4.8% in view of the impact of the COVID-19 outbreak on the global economy. As the COVID-19 outbreak is characterised as a pandemic, the impact to the Malaysian economy becomes more pronounced. Notwithstanding this, the RM20 billion Economic Stimulus Package will provide support to the affected industries while instituting measures to stimulate consumer spending.

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

The Statement on Management Discussion and Analysis is made in accordance with a resolution of the Board of Directors dated 2 April 2020.

PROFILE OF DIRECTORS



TAN SRI LIM GUAN TEIK

PSM, JMN, DMPN, DJN

Non-Independent Non-Executive Chairman

Male, Malaysian, 85

Tan Sri Lim Guan Teik is currently the Non-Executive Chairman of the Company. He joined the Board of Muda Holdings Berhad in November 1983 and was appointed as the Managing Director in the same year. He held the position of Managing Director until his re-designation to Chairman cum Managing Director in May 1988. In 2004 he was appointed the Executive Chairman of the Company until his re-designation to Non-Executive Chairman of the Company in February 2007.

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

Tan Sri Lim Guan Teik graduated from Nanyang University of Singapore in 1960 with a Bachelor of Commerce Degree. He was one of the pioneers of the paper industry in the country and has been active in this industry since 1964. He was President of the Malaysian Pulp & Paper Manufacturers Association (MPPMA) from 1980 to 1992 and is currently one of the advisers to MPPMA. Tan Sri Lim was President of The Associated Chinese Chambers of Commerce and Industry

of Malaysia (ACCCIM) from 1998 to 2003 and The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor (KLSCCCI) from 1998 to 2003. He is currently the Honorary Life President of ACCCIM, KLSCCCI and the Malaysia-China Chamber of Commerce.

Tan Sri Lim Guan Teik is the father of Datuk Lim Chiun Cheong, the Managing Director of the Company. He is also the uncle of Lim Siew Ling and Lim Yen Wee, the Non-Independent Non-Executive Directors of the Company. Tan Sri Lim Guan Teik is also a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed on Page ___ of this Report.

Tan Sri Lim Guan Teik attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019 and has not been convicted of any offence and does not have any public sanction or penalty been imposed against him by any regulatory bodies within the past five years.



**Dato' Azaman
Bin Abu Bakar**

DIMP

Executive Deputy Chairman
Male, Malaysian, 73

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 resignation to his current position as Executive Deputy Chairman on 28 May 2018. He is Chairman of the Executive Committee and is a member of the Sustainability Committee. He also sits on the board of several local and overseas subsidiaries in the Group. Currently, he is the President of the Malaysian Pulp & Paper Manufacturers Association.

Dato' Azaman graduated from University of Malaya in 1969 with a Bachelor of Arts Degree and obtained a Master in Management Degree from Asian Institute of Management, Manila in 1978. He started his career as a marketing executive in Harper Gilfillan. He then joined Urban Development Authority (UDA) in 1974. His last position in UDA was that of Director in charge of property management and marketing.

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

Dato' Azaman attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence and does not have any public sanction or penalty been imposed against him by any regulatory bodies within the past five years.



**Datuk
Lim Chiun Cheong**

DPSM

Managing Director
Male, Malaysian, 56

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

Datuk Lim Chiun Cheong obtained a Bachelor of Science Degree from Arizona State University, United States of America 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 and thereafter served in various senior management positions in the Group from 1992 to 2005. He is a National Council Member of the Associated Chinese Chamber of Commerce and Industry of Malaysia, Council Member of the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor and a Committee Member of the Malaysian Pulp & Paper Manufacturers Association.

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

Datuk Lim Chiun Cheong attended all five (5) Board of Directors Meetings of the Company during the financial year ended 31 December 2019. He has not been convicted of any offence and does not have any public sanction or penalty been imposed against him by any regulatory bodies within the past five years.

PROFILE OF DIRECTORS

Datuk Nik Ibrahim Bin Nik Abdullah was appointed to the Board of Muda Holdings Berhad on 23 April 2004. 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. He is also Chairman of the Remuneration Committee and the Sustainability Committee, a member of the Executive Committee and the Nominating Committee. He assumed the role of Senior Independent Non-Executive Director on 28 June 2018.

Datuk Nik Ibrahim holds a B.A. (Hons) Economics Degree from University of Malaya. He joined Malaysian Industrial Development Authority (MIDA) in 1968 as an Economist and thereafter served in the Ministry of Finance as Assistant Secretary from 1970 to 1972. Datuk Nik Ibrahim returned to MIDA and served as Senior Economist from 1972 to 1974. He then joined Bank Pembangunan & Infrastruktur Malaysia Berhad as Manager and was promoted to General Manager, Chief Executive Officer and was the Chief Operating Officer prior to his retirement 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 five (5) Board of Directors Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence and does not have any public sanction or penalty been imposed against him by any regulatory bodies within the past five years.



**Datuk Nik Ibrahim
Bin Nik Abdullah**

PJN, JSM, AMN
Senior Independent
Non-Executive Director
Male, Malaysian, 76

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

Mr Lee Khim Sin is a qualified Chartered Accountant in England since 1969 and also holds a Bachelor of Arts Degree from Nanyang University of Singapore which he obtained in 1962. He was the managing partner of Hii & Lee (AF0458), a firm of Chartered Accountant in Sarawak and Sabah until his retirement in 2000. Whilst in practice as a chartered accountant for the last few decades, Mr Lee Khim Sin has been advising clients varying from small to large multinational enterprises in areas of corporate planning, management, mergers, acquisitions, investments and divestments of companies and businesses. Mr Lee Khim Sin has extensive experience in auditing and consulting services in manufacturing and property development industries. Mr Lee Khim Sin currently sits on the board of several public and private limited companies.

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

Mr Lee Khim Sin attended all five (5) Board of Directors Meetings held during the financial year ended 31 December 2019 and he has not been convicted of any offence and does not have any public sanction or penalty been imposed against him by any regulatory bodies within the past five years.



Lee Khim Sin
KMN, PBK, CPA(M), FCA, CA(M)
Independent
Non-Executive Director
Male, Malaysian, 79



Wong Choong Yee

Independent
Non-Executive Director
Male, Malaysian, 59

Mr Wong Choong Yee was appointed to the Board of Muda Holdings Berhad on 21 August 2018 and is a member of the Audit Committee. In November 2019, Mr Wong Choong Yee was appointed a member of the Nominating Committee and Remuneration Committee.

Mr Wong Choong Yee holds a Diploma in Commerce (Cost & Management Accounting) from Tunku Abdul Rahman College and is an Associate Member of the Chartered Institute of Management Accountants and a Member of Malaysian Institute of Accountants. He began his career in the accounting field as an audit assistant 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 five (5) Board of Directors Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence and does not have any public sanction or penalty been imposed against him by any regulatory bodies within the past five years.



Lim Siew Ling

Non-Independent
Non-Executive Director
Female, Malaysian, 49

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, United States of America. She 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 private limited companies in the Muda Group.

Ms Lim Siew Ling is the niece of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company and the cousin of Datuk 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 does not hold any shares in the Company.

Ms Lim Siew Ling was appointed as Director only on 1 January 2020, hence attendance of meetings in 2019 was not applicable.

She has not been convicted of any offence and does not have any public sanction or penalty been imposed against her by any regulatory bodies within the past five years.

PROFILE OF DIRECTORS



Lim Yen Wee

Non-Independent
Non-Executive Director
Female, Malaysian, 37

Ms Lim Yen Wee was appointed to the Board of Muda Holdings Berhad as a Non-Independent Non-Executive Director on 1 January 2020. She joined Muda Paper Mills Sdn Bhd, Tasek, Penang as an Intern in 2013 and held the position of 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 attached to the University of Melbourne, Australia as Practical Demonstrator of Undergraduate Students and Researcher in the Department of Chemistry from 2005 to 2012.

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

Ms Lim Yen Wee is the niece of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company and cousin of Datuk 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 holds 230,000 ordinary shares in the Company.

Ms Lim Yen Wee was appointed as Director only on 1 January 2020, hence attendance of meetings in 2019 was not applicable.

She has not been convicted of any offence and does not have any public sanction or penalty been imposed against her by any regulatory bodies within the past five years.

PROFILE OF KEY MANAGEMENT

Teoh Hai Thow

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

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

Hai Thow holds a Diploma in Accounting.

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

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

Loo Ee Fah

Aged 49, Male, Malaysian. Ee Fah was one of the senior management staff of Pacific Bookstores Pte Ltd when Intrapac (Singapore) Pte Ltd acquired an interest in Pacific Bookstores Pte Ltd in 2011. He held the post of Executive Director of Pacific Bookstores Pte Ltd since February 2013 and also sits on the board of another foreign subsidiary in the Group.

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

Ee Fah holds an Advance Diploma in Supply Chain Management.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Muda Holdings Berhad (“the Company” and together with its subsidiaries, the “Group”) is committed to observing and practicing good corporate governance which is essential to the sustainability of the Company’s business, long-term growth and value creation for stakeholders. The Company has adhered to the principles and guidelines of the Malaysian Code of Corporate Governance (“MCCG”).

This Corporate Governance Overview Statement (“CG Statement”) sets out the Company’s corporate governance practices and activities during the financial year ended 31 December 2019, with specific reference to the guidelines of the MCCG. The Corporate Governance Report (“the CG Report”) provides the description of how the Company has applied each Practice as set out in MCCG throughout the financial year ended 31 December 2019. The CG Statement is to be read together with the CG Report which is available on the Company’s website at www.muda.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

1.1 Board Strategies

The primary responsibility of the Company’s Board of Directors (“Board”) is to protect and enhance long-term shareholders’ value and to ensure that the Group is run in accordance with the best international management and corporate governance practices, appropriate to the needs and development of the Group.

The Board is responsible for general oversight of the Group’s activities and performance and for setting the Group’s overall strategic direction. It provides leadership and guidance on corporate strategies, business directions, risk policies and implementation of corporate objectives, thereby taking responsibility for the overall corporate governance of the Group.

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

- i Development of corporate objectives and strategies with Management to deliver sustainable business objectives and approving plans, new investments, divestments, major capital expenditure and operating expenditure and major funding activities proposed by Management;
- ii Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the financial health of the Company;
- iii Reviewing and approving the Company’s annual budget, financial statements, system of risk management and internal control, code of conduct and legal compliance;
- iv Ensuring that the Company and its officers act legally, ethically and responsibly on all matters; and
- v Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communication strategy and encouraging effective participation at general meetings.

In delegating responsibility for the day-to-day operation and leadership of the Group to the Executive Deputy Chairman and Managing Director (“Executive Directors”), Executive Committee and the management team, the Board has processes and systems in place to ensure that significant issues, risks and major strategic decisions are monitored at Board level. Additionally, to optimize operational efficiencies, financial authorization and approval limits have been established for operating and capital expenditure while delegating authority to Management for those transactions below those limits.

To assist in the execution of its responsibilities, the Board has established several Board Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee and Sustainability Committee. These Board Committees function with the clearly defined terms of reference, which are reviewed on a regular basis.

The Board has overall responsibility to shareholders for ensuring that the Group is well managed and guided by its strategic objectives. In presenting the Group’s annual and quarterly financial statements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Group’s performance, position and prospects. Management provides to the Board with managements accounts and other financial statements on a monthly basis. The Board is responsible for ensuring that the financial statements are prepared in accordance with the Companies Act, 2016 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and the Group.

1.2 Chairman of the Board

The Chairman leads the Board and is responsible for instilling good corporate governance practices and leadership of the Board and ensuring its effectiveness on all aspects of its role and setting its agenda. He presides over Board meetings and encourages positive contributions of all Directors at Board meetings and promotes an environment for open, robust and effective debate between all Board members and allows for constructive and dissenting views to be freely expressed. The Chairman is primarily responsible for the orderly conduct and effective working of the Board, and acts as a liaison between the Board and Management. The Chairman is non-executive and he is not involved in the day-to-day management of the Group.

1.3 Position of Chairman and CEO

To maintain effective supervision and accountability of the Board and the Management, the position of Chairman and Managing Director are held by different individuals and facilitate division of responsibilities between them as a check and balance mechanism. The Board believes that the separation of the roles and responsibilities of the Chairman and the Managing Director ensures an appropriate balance of power and authority.

The Chairman is responsible for leading the Board in discharging its duties effectively, and enhancing the Group's standards of corporate governance. The Chairman also provides clear leadership to the Board with respect to the Group's long term growth and strategy.

The Managing Director focuses on the business, organizational effectiveness and day-to-day management of the Group.

1.4 Suitably Qualified and Competent Company Secretaries

The Company Secretaries are responsible to provide clear and professional advice to the Board on all governance matters and assists the Board on the implementation of an effective corporate governance system.

The Board is supported by two qualified company secretaries who are members of a professional body. The Company Secretaries ensure the Board procedures are adhered to at all times during meetings and advise the Board on matters including corporate governance issues and the Directors' responsibilities in complying with relevant legislation and regulations. The Company Secretaries are also responsible for ensuring communication flows between the Board and its Committees, and between Management and Independent and Non-Independent Non-Executive Directors. The Company Secretaries also facilitate the communications of key decisions and policies between the Board, Board Committees and Management.

1.5 Meetings & Meeting Materials

The Board meets regularly, Board and Board Committee meetings are scheduled in advance in consultation with the Directors to ensure optimal attendance rates. Ad hoc Board and Board Committee meetings are convened as and when warranted by particular circumstances between these scheduled meetings. When exigencies prevent Directors from attending in persons, Directors participate by telephone conferencing or video conferencing. For the financial year ended 31 December 2019, five Board meetings were held.

To facilitate productive and meaningful Board and Board Committee meetings, the structured agenda together with comprehensive management reports and proposal papers are furnished to all Directors at least 5 business days ahead of each Board and Committee meeting to allow Directors to have sufficient time to peruse the issues to be deliberated at the Board and Board Committees meetings.

Management are invited to the Board and Board Committees meetings to present the subject matters, if applicable. The Board meetings are conducted based on a formal agenda on matters to be discussed with adequate time allocated for deliberation and the Chairman of the Board chairs the meetings with proper record of minutes kept by the Company Secretaries. Minutes of all Board Committee meetings were also circulated to Board Members so that they are kept abreast of proceedings and matters discussed at such meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

2.1 Board Charter

The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter serves a source reference and primary induction literature to provide insights to prospective Board members and Management. The Board Charter is reviewed and updated periodically when necessary and is available on the Company's website at www.muda.com.my.

3. Good Business Conduct and Corporate Culture

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

Under the Code of Business Conduct and Ethics and Directors' Code of Conduct, Directors must avoid any conflicts with the Company. Where a Director's personal or business interest interferes, or even appears to interfere, in any way with the interests of the Company, Directors must promptly disclose such interest at a meeting of the Directors or by sending a written notice to the Company Secretaries containing the details of the interest and the nature of the conflict and recuse themselves from participating in any discussion and decision on the transaction or proposed transaction in which the Director has an interest or is conflicted. This includes discussion at all levels within the Company, including, but not limited to, the Company's subsidiaries and any committees that are involved in the proposed transaction in order to prevent any risk of the Director acting in the interests or persons other than the Company, and will also prevent any appearance of impropriety on the part of the Company or the Director.

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

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

3.2 Anti-Bribery and Anti-Corruption Policy

The Board has recently set up an Anti-Bribery and Anti-Corruption Policy in compliance with Section 17A of the Malaysian Anti-Corruption Commission Act, 2009 which will come into effect on 1 June 2020. Under this new Section 17A, a commercial organization (including listed issuer) may be found liable for acts of corruption committed by any persons associated with the organization, such as its directors and employees.

The Anti-Bribery and Anti-Corruption Policy is available on the Company's website at www.muda.com.my.

3.3 Whistleblowing

The Group has adopted a Whistleblowing Policy to enable stakeholders to raise in confidence possible corporate misdemeanors without fear of intimidation or reprisal. This Whistleblowing Policy provides an avenue for stakeholders to raise a legitimate concern about any actual or suspected improprieties involving the resources of the Group at the earliest opportunity for expeditious investigation. The Group is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report violations in good faith.

II Board Composition

4.1 Composition of the Board

During the financial year ended 31 December 2019, the Board had 6 Directors, comprising 2 executive members and 4 non-executive members, 3 of whom are independent and the Independent Non-Executive Directors accounted for 50% of the Board members which is in line with Practice 4.1 recommended in the MCGG and Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are cognizant of the recommendation in the MCGG for the Board to comprise at least half of independent directors, and constantly assess the composition and size of the Board to ensure the needs of the Company are met. The three Independent Non-Executive Directors have a diverse range of skills and business acumen to provide effective oversight, strategic guidance and advice so that decisions taken by the Board were not unfairly biased towards the interests of a shareholder, member, Director or member of the management team.

The Board through its Nominating Committee, reviews annually the size and composition of the Board and each Board Committee and the skills and core competencies of its members, to ensure an appropriate balance and diversity of skills and experience. The Board and its Nominating Committee have upon their annual assessment, concluded that the current Board comprises 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.

During the year under review, the Directors have ensured their time commitment to discharge their duties effectively as they do not hold more than five directorships in public listed companies. The profile of each of the Directors is presented on Page to of this Annual Report.

The Directors remain fully committed in carrying out their duties and responsibilities as reflected by their attendance at the 5 Board meetings held during the financial year ended 31 December 2019 as follows:

Name of Director	Number of Meetings Attended
Tan Sri Lim Guan Teik	5 / 5
Dato' Azaman Bin Abu Bakar	5 / 5
Datuk Lim Chiun Cheong	5 / 5
Datuk Nik Ibrahim Bin Nik Abdullah	5 / 5
Mr Lee Khim Sin	5 / 5
Mr Wong Choong Yee	5 / 5

The Board acknowledges that the Directors' training is an ongoing process to continually develop and refresh their knowledge and skills and to update themselves on developments in the financial industry and business landscape. From time to time, the Directors attend training to keep abreast with current developments as well as the new statutory and regulatory requirements. The Company Secretaries will also bring to the Directors' attention seminars that may be of relevance or use to them. In addition to this, the Company invited external training provider to organize internal training programme for the Directors and Management.

During the financial year under review, all the Board members attended the following training program with the exception of Datuk Lim Chiun Cheong whose unusual tight business schedule in 2019 after the demise of an Executive Director, could not attend the scheduled internal training programme:

Name of Director	Course Title
Tan Sri Lim Guan Teik	Corporate Liability & Directors' Fiduciary Responsibilities
Dato' Azaman Bin Abu Bakar	Corporate Liability & Directors' Fiduciary Responsibilities
Datuk Nik Ibrahim Bin Nik Abdullah	PNB Leadership Forum 2019: Organization Excellence & From Governance to Performance
	PNB Leadership Forum 2019
	Corporate Liability & Directors' Fiduciary Responsibilities
	Corporate Governance and Anti-Corruption
	Audit Oversight Board – Conversation with Audit Committee
	PNB Forum on YTI Memorial Lecture - The Diverse Facets of Leadership
Mr Lee Khim Sin	Corporate Liability & Directors' Fiduciary Responsibilities
Mr Wong Choong Yee	Fundamentals of Corporate Directorships:
	Corporate Liability & Directors' Fiduciary Responsibilities
	The role of the Board in Strategy & Risk Management Oversight

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.2 Tenure of Independent Directors

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

The Board has reviewed with particular rigor on whether Datuk Nik Ibrahim Bin Nik Abdullah who has served for a period of 16 years as a Director continues to be independent. The Board has also reviewed the independence of the other two Independent Non-Executive Directors, namely, Mr Lee Khim Sin and Mr Wong Choong Yee. The Board was satisfied that all the Independent Directors continued to demonstrate clarity of thought, bring about objective viewpoints to the discussion and in problem solving and offered considered advice and have moral courage to advocate professional views without fear or favor in deliberations during Board and Board Committee meetings to ensure that the decisions made are in the best interest of the Company.

The Nominating Committee and the Board hold the view that a Director's independence cannot be determined solely with reference to tenure of service. Instead, a Director's attitude, integrity, ability for dispassionate discourse, business knowledge or judgement, and the discharge of his duties and responsibilities in the best interest of the Group, are also valid criteria to determine his independence and effectiveness. They are capable of exhibiting vigilance and professional skepticism on all transactions tabled for Board approval, express disagreements to issues being deliberated, ask probing/challenging questions on matters that require further attention to ensure that the Board is not unfairly biased towards the interests of the major shareholders, the Executive Directors or members of the management team.

The Nominating Committee and the Board have determined that Datuk Nik Ibrahim Bin Nik Abdullah, who has served on the Board as Independent Director exceeding a cumulative of 12 years, remain unbiased, objective and independent in expressing his opinion and in participating in the decision-making of the Board. The length of his service on the Board had not in any way interfered with his objective and independent judgement in carrying out his role as member of the Board and Board Committee. Furthermore, his pertinent expertise, skills, and detailed knowledge of the Group's businesses and operations enable him to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions. The Board will seek shareholders' approval at the forthcoming Annual General Meeting ("AGM") of the Company via two-tier voting process for Datuk Nik Ibrahim Bin Nik Abdullah to continue in office as an Independent Non-Executive Director of the Company in accordance with the recommendations of the MCGG.

4.3 Appointment of Board Members

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

The Company's Constitution provides that at every AGM of the Company, one-third of the Directors for the time being or if their number is not three or a multiple of three, then the number nearest one-third shall retire from office and shall be eligible for re-election. New Directors are subject to re-election at an AGM in the year following their appointment. The 2 Non-Independent Non-Executive Directors appointed on 1 January 2020 will be subject to retirement at the AGM to be held on 25 June 2020.

4.4 Gender Diversity

The Board recognizes the benefit of diversity in fostering robust discussions and guarding against group thinking which in turn leads to better decision-making. The Board seeks to achieve and maintain a culture of diversity, not only to gender but also to skill-sets, experience, ethnicity, age, background and other personal attributes important to providing a range of perspectives. There were no female representation on the Board in the financial year ended 31 December 2019. However, with the appointment of two female Non-Independent Non-Executive Directors on 1 January 2020, gender diversity of 25% was introduced which is in line with Practice 4.5 of the MCGG.

4.5 New Candidates for Board Appointment

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

During the financial year under review, Ms Lim Siew Ling and Ms Lim Yen Wee were recommended by the Executive Directors as candidates for consideration by the Nominating Committee for appointment to the Board as Non-Independent Non-Executive Directors of the Company at a date to be determined by the Board of Directors. Both Ms Lim Siew Ling and Ms Lim Yen Wee were subsequently appointed as members of the Board on 1 January 2020.

4.6 Nominating Committee

The role of the Nominating Committee is to assist the Board in ensuring the existence of the right mix of skills, knowledge, experience, qualities, gender, age and other attributes that are relevant and contribute to the effective functioning of the Board.

The Nominating Committee is made up of 4 members, 3 of whom are Independent Non-Executive Directors and one (1) of whom is a Non-Independent Non-Executive Director. The composition of the Nominating Committee is set out below:

Mr Lee Khim Sin	Chairman
Datuk Nik Ibrahim Bin Nik Abdullah	Member
Tan Sri Lim Guan Teik	Member
Mr Wong Choong Yee <i>(Appointed as a member on 28 November 2019)</i>	Member

The Nominating Committee's responsibility, among others, is to identify and recommend the right candidate with the necessary skills, experience and competencies to be filled in the Board. Appointment matters are discussed in depth by the Nominating Committee before the entire Board makes the final decision on new appointment. The Nominating Committee has its own written Terms of Reference which deals with its authority and duties.

The Nominating Committee is required to meet at least once a year and whenever necessary. During the year under review, one Nominating Committee Meeting was held on 27 November 2019 and all the members attended the Nominating Committee Meeting except Mr Wong Choong Yee whose appointment was on 28 November 2019 and, inter alia, reviewed:

- the profile of the candidate nominated for directorship in the Company with recommendations made to the Board; and
- the attendance of all Board and Committee members, the composition of Independent Directors, Directors' training, Board composition and size and talent, knowledge and experience of Board members.

In considering the appointment of two new directors recommended by the Executive Directors at the Nominating Committee Meeting held in November 2019, the Nominating Committee reviewed the background, age, gender, position in the Group, education, family relationship with directors and major shareholders and their interest in shares of the Company. The Nominating Committee recommended that appointment of these two new female directors to the Board as their appointment will introduce 25% female representation on the Board and improved the average age of the Board too. These two new directors hold senior management positions in the Group and have firsthand knowledge and experience in the Group's paper industry. The Board approved that appointment of these two female Non-Independent Non-Executive Directors effective 1 January 2020 and letters setting out their terms of appointment, time commitment, roles and responsibilities, expectations of directors, disclosure of interests, disclosure of family relationships with directors and major shareholders of the Company etc. were issued to the new directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5. Overall Board Effectiveness

5.1 Annual Evaluation

The Board through the Nominating Committee and facilitated by the Company Secretaries had carried out the annual assessment to evaluate the performance of the Board, its Board Committees and each individual Director for the financial year under review. The assessment was carried out based on a questionnaire which is divided into the following 7 sections:

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

In order to encourage open and frank evaluations, the evaluation process was managed by the Company Secretaries, who had forwarded the questionnaire to each Director, as well as collated the duly completed forms from each Director and referred the same to the Chairman of Nominating Committee. The Chair of the Nominating Committee will then report the summary of the results of the evaluation of the performance and all feedback received to the Board for further discussion and takes the necessary action, if any.

For the financial year ended 31 December 2019, the Directors and members of Board committees carried out an evaluation to assess the performance of the Board and Board Committees as well as individual Director's self/peer assessment. The effectiveness of the Audit Committee and its members along with independence of Director are also assessed.

Under Paragraph 15.20 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Nominating Committee is required to review the term of office and performance of the Audit Committee and its members annually to determine that the Audit Committee and its members have carried out their duties in accordance with the Terms of Reference of Audit Committee. In view of the Company's Nominating Committee and Audit Committee having the same committee members, the evaluation of the performance of the Audit Committee and each of its members was undertaken by the Board.

The review assessed whether each of the Directors continues to discharge their respective duties and responsibilities effectively. The Board also reviewed the operations, performance and effectiveness of the Board Committees. The results of the annual assessment were reported to the Board on 27 February 2020.

Based on the ratings to the areas of assessment under the Board Effectiveness Evaluation, the key strengths were observed in the Board Organization and Board Committees. The Board was provided with the adequate information for decision-making and has effective Board Committees in assisting the Board to carry out its duties and satisfied their composition with the required knowledge and expertise. The Board and its Board Committees operate effectively.

The average ratings for all criteria assessments were relatively high and it was concluded that there was no major weakness observed from the results of the evaluation exercise. The individual Directors had been effective as a whole in the overall discharge of their functions and responsibilities.

The Independent Directors declared in the Independent Director's Self-Assessment that they do not have any economic and family relations with the Company, its major shareholders and Executive Directors of the Company and they are independence of thought and mind in the discharge of their duties and capable of acting independently. Based on the evaluation, the Board satisfied that all the Independent Directors continue to demonstrate conduct and behavior that are essential indicators of independence.

The Nominating Committee and the Board concluded that each Director has the requisite competence, integrity and character to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time and participation during the year under review.

(III) Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The Remuneration Committee assists the Board in establishing a formal and transparent process for developing policies on executive remuneration and development. The Remuneration Committee reviews the remuneration of the Directors and key management annually and submits its recommendations to the Board for endorsement on reward payments that reflect their respective contributions throughout the year, and are also competitive and in tandem with the Group's corporate objectives. The Remuneration Committee also reviews the service terms of individual Directors and Executive Directors.

The remuneration package for Executive Directors is structured to link the rewards to financial performance and long term objectives of the Group aside from individual performance. The remuneration package comprises a number of separate elements such as basic salary, fees, allowances, bonuses and other benefits-in-kind. The remuneration of Non-Executive Directors takes into account their level and quality of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings. The remuneration of Non-Executive Directors consists of fees, attendance allowances and benefits-in-kind that commensurate with their roles, duties and responsibilities. Directors' fees and benefits payable to the Company's Non-Executive Directors by the Company and its subsidiaries are subject to yearly approval of shareholders at the Company's AGM.

6.2 Remuneration Committee

The Remuneration Committee is made up of 4 members, 3 of whom are Independent Non-Executive Directors and 1 of whom is a Non-Independent Non-Executive Director as follows:

Datuk Nik Ibrahim Bin Nik Abdullah	Chairman
Mr Lee Khim Sin	Member
Tan Sri Lim Guan Teik	Member
Mr Wong Choong Yee <i>(Appointed as a member on 28 November 2019)</i>	Member

The Remuneration Committee meets at least once a year and when necessary. Except Mr Wong Choong Yee who appointed on 28 November 2019, all the members attended the one Remuneration Committee Meeting held on 27 November 2019 wherein the Committee reviewed the recommendations for bonus and salary increment of senior management and promotions for approval of the Board. At the same meeting, the Remuneration Committee also reviewed the remuneration package of the Executive Directors and made recommendations for approval of the Board. The roles and responsibilities of the Remuneration Committee are governed by the Terms of Reference which has been recently reviewed is available on the Company's website at www.muda.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

7. Remuneration of Directors and Key Management

7.1 Details of Directors' Remuneration

Details of Directors' remuneration for financial year ended 31 December 2019 are as follows:

Name of Directors	Fees RM'000	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Executive Directors						
Dato' Azaman Bin Abu Bakar	162	1,296	320	270	70	2,118
Datuk Lim Chiun Cheong	243	1,008	320	294	41	1,906
Dato' Lim Wan Peng <i>(deceased on 15 February 2019)</i>	26	166	-	60	5	257
Total	431	2,470	640	624	116	4,281
Non-Executive Directors						
Tan Sri Lim Guan Teik	147	-	-	666	30	843
Datuk Nik Ibrahim Bin Nik Abdullah	60	-	-	156	1	217
Mr Lee Khim Sin	60	-	-	149	-	209
Mr Wong Choong Yee	60	-	-	146	-	206
Total	327	-	-	1,117	31	1,475

7.2 Remuneration of Top Five Key Management

Details of top 5 Key Management for financial year ended 31 December 2019 are as follows:

Name	Fees RM'000	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Dato' Azaman Bin Abu Bakar*	162	1,296	320	270	70	2,118
Datuk Lim Chiun Cheong*	243	1,008	320	294	41	1,906
Dato' Lim Wan Peng* <i>(deceased on 15 February 2019)</i>	26	166	-	60	5	257
Mr Teoh Hai Thow*	73	510	158	154	-	895
Mr Loo Ee Fah*	49	401	82	207	-	739
Total	553	3,381	880	985	116	5,915

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

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit Committee

8. Effective and Independent Audit Committee

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

The Audit Committee also assists the Board amongst others, to oversee and evaluate the Group's external and internal audit functions, review any related party transactions and recurrent related party transactions and the relevant procedures to ensure compliance with the Listing Requirements.

8.1 Members and Chairman of Audit Committee

The Audit Committee comprises of 4 Non-Executive Directors, three of whom are Independent Directors and the Chair is held by the Senior Independent Director, Datuk Nik Ibrahim Bin Nik Abdullah, who is not the Chairman of the Board. At least two members have relevant related financial management expertise and experience and the other members of the Audit Committee are financially literate and all members possess an appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the Terms of Reference of Audit Committee.

The members of the Audit Committee are:

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

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

Mr Lee Khim Sin
(Independent Non-Executive Director)

Mr Wong Choong Yee
(Independent Non-Executive Director)

The term of office and performance of the Audit Committee and each of its members are reviewed annually by the Board to ensure the Audit Committee and members have carried out their duties in accordance with their Terms of Reference.

8.2 Terms of Reference of Audit Committee

The Audit Committee's terms of reference include inter alia, the review of and deliberation on the Company's financial statements, the audit findings of the external auditors arising from their audit of the Group's financial statements and the audit findings and issues raised by the Internal Auditor together with Management's responses. The Audit Committee also assists the Board in meeting its responsibilities in respect of carrying out a robust assessment of the principle risks affecting the Group and reviewing and reporting on the systems and key elements of risk management as they affect the Group and reviewing the risk map and framework for presentation to the Board. The Audit Committee has explicit authority to investigate any matter within its terms of reference. It has full access to and the full cooperation of Management. It also has full discretion to invite any Director or executive officer to attend its meetings. In addition, the Audit Committee has direct access to the external auditor.

During the year, the Audit Committee reviewed the financial statements and sought explanations and additional information from the Executive Directors and Chief Financial Officer with regards to the Group's financial performance and preparation of the financial statements. The Audit Committee reviewed and discussed with the external auditors on its observations from the annual audit including appropriateness of accounting policies applied, the changes in accounting policies and the significant judgements and assumptions made by Management affecting the financial statements as well as compliance with approved accounting standards and regulatory requirements. Assurance statement is issued by the Board annually to confirm to the best of its knowledge that the financial statements of the Group give a true and fair view of the state of affairs of the Group and are prepared in compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 and has made proper judgements and estimates that are prudent and reasonable.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Audit Committee has also reviewed with Management all the non-audit services provided by the external auditor to the Company and the Group in the financial year ended 31 December 2019 and the extent of services provided.

The Audit Committee has the policy embedded in its Terms of Reference which requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee in order to safeguard independence and to avoid potential disadvantage which may arise in view that a former key audit partner is deemed to be in advantageous position to exert significant influence over the audit and preparation of the audited financial statements. The Audit Committee does not comprise members who were partners of the incumbent external auditor, Grant Thornton Malaysia PLT within the period of two years commencing on the date of their ceasing to be a partner of , Grant Thornton Malaysia PLT. The Terms of Reference which has been recently reviewed is available on the Company's website at www.muda.com.my.

8.3 Assessment of External Auditors

The Company maintains a transparent relationship with its external auditors and seeks their professional advice to ensure that accounting standards are complied with. The Audit Committee has private meeting with the external auditors twice in 2019 on 27 February 2019 and 28 November 2019 without the presence of the Executive Directors and Management to enable exchange of views on issues requiring attention. In addition, the external auditors also attend AGM in order to address clarifications sought pertaining to the audited financial statements by shareholders and answer shareholders' questions relating to conduct of the statutory audit and the preparation and contents of their audit report.

The Audit Committee reviews the independence and objectivity of the external auditors through an annual assessment of the scope of audit, technical knowledge, supervisory ability, competency of audit team and scope and nature of non-audit services provided by the external auditors. The Audit Committee conducted an assessment of the external auditors for re-appointment for statutory audit where the Audit Committee members completed the prescribed assessment form. In view of the involvement of the Chief Financial Officer throughout the statutory audit process, he also participated in the annual assessment of the external auditors. The results of the assessment were compiled by the Chief Financial Officer for the Chair of the Audit Committee, who then reports the results to the Board.

In support of the assessment on independence, the external auditors provided the Audit Committee with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. Premised on the assessment result, the Audit Committee makes recommendations to the Board for re-appointment of external auditors accordingly.

The Board having considered the recommendation by the Audit Committee was satisfied that the external auditors have met the criteria and agreed that re-appointment of the external auditors be recommended to the shareholders for approval at AGM.

The Audit Committee Report for the financial year ended 31 December 2019 which describes the Audit Committee's activities during the year are set out on Page to of this Annual Report.

(II) Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group has in place a structured and systematic approach to risk management, and aims to mitigate the exposure through appropriate risk management strategies and internal controls. Risk management in the Group is a continuous and integrated process which has been incorporated into various planning, approval, execution, monitoring, review and reporting systems. The Group adopts the top-down as well as bottom-up approach on risk management to ensure the strategic, business, operations, financial reporting and information technology (IT) risk exposures are identified and appropriately managed.

The Group undertakes a formal review of the adequacy and effectiveness of its risk management and internal control systems, including financial, operational and IT controls twice a year. The Management submits twice yearly reports on review of the adequacy and effectiveness of its risk management and internal control to the Audit Committee for review and results of these reviews are presented to the Board to ensure that the risks are appropriately identified and managed such that residual risks are acceptance given the operational nature of the business.

The Statement on Risk Management and Internal Control provides an overview of the Group's risk management and internal control framework as well as the adequacy and effectiveness of the framework.

The Company's external auditor carry out, in the course of the statutory audit, an assessment of the risks of material misstatement of the financial statements of the Company and the Group, whether due to fraud or error, and highlight any material internal control weaknesses that have come to its attention during the conduct of normal audit procedures, which are designed primarily to enable it to express its opinion on the financial statements. Any material internal control weaknesses, identified during its audit and its recommendations, are reported to the Audit Committee.

Based on the system of internal control established and maintained by the Group, work performed by the internal auditor and external auditor and reviews performed by Management and various Board Committees and assurances from the Managing Director and Chief Financial Officer, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's risk management and internal control were adequate and effective for the financial year ended 31 December 2019 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

10. Internal Audit Function

The Group's Internal Audit Department covers the audits of the Company and its subsidiaries. The Internal Audit Department's objectives, scope of authority and responsibilities are defined in the Internal Audit Charter, which has been approved by the Audit Committee.

The Internal Audit function which reports directly to the Audit Committee Chairman, is responsible for audit of the Group's system of internal control and the effectiveness of the processes that are put in place to identify, evaluate, manage and report risks. The Internal Audit Manager is a holder of an Advance Diploma from the Association of Chartered and Certified Accountants and is supported by two (2) suitably qualified Internal Audit Executives. The Internal Audit Manager has declared to the Board that the Internal Audit personnel have no direct operational responsibility or authority over any of the activities audited and are free from any relationships or conflict of interest which could impair their objectivity and independence.

The role of the Internal Audit function is to provide independent and objective reports on results of audit of the Group's system and effectiveness of its internal control, accounting policies and controls to the Board. The Internal audit function adopts the framework based on the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The Internal Audit Manager also provides assurance to the Board that the Group has established a sound system of internal control and that the Group's internal control system is satisfactory.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

(I) Communication with Stakeholders

11. Continuous Communication Between the Company and Stakeholders

In order to maintain high level of transparency and to provide wider dissemination of corporate and financial disclosures, all information that is made public such as Annual Report, quarterly results announcements, board charter, Terms of Reference of Board Committees and relevant policies of the Group and other corporate information and all the announcements released to Bursa Malaysia Securities Berhad are available on the Company's website at www.muda.com.my under "Investor Relations" section. The Company meets with fund managers, investment analysts and the media whenever necessary. The Company also permits the use of electronic means to issue the documents required to be sent to the shareholders under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board encourages shareholders' active participation at the AGM and endeavors to ensure all Board members, Management and the Group's external auditors are in attendance to respond to shareholders' queries.

The Board also encourages other channels of communication with shareholders. Shareholders and the public can also direct their queries at invest-info@muda.com.my or directed to Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

(II) Conduct of General Meetings

12. Shareholders Participation at General Meeting

The Board recognizes the need for and the importance of effective communication with shareholders. It believes that an AGM serves as an appropriate forum for shareholders to meet the Board and Management, and to interact with them. Notice of AGM and annual report are sent to shareholders at least 28 days ahead of the AGM date to encourage shareholders to attend the AGM. This provides shareholders with sufficient time to review the Group's financial and operational performance for the financial year and to fully evaluate new resolutions being proposed to make informed voting decisions at the AGM.

Voting in absentia is not applied as general meeting are always held at easily accessible locations at Petaling Jaya. Shareholders who are unable to attend the meetings can appoint proxy to vote on their behalf. The Company's existing Constitution allows all shareholders the right to appoint not more than 2 proxies to attend and vote on their behalf in shareholders' meetings.

The Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, the resolutions being proposed and the business of the Group at every general meeting.

The Directors are mindful of the recommendation under the MCCG that all directors must attend general meetings and fully appreciate the need for their attendance at all such meetings. Management are present at each shareholders' meeting to respond to any questions from shareholders. The Company's external auditors are also present to address queries about the conduct of audit and preparation and contents of the Auditors' Report.

In addition, as and when necessary, a press conference will be held immediately following the conclusion of the general meetings where the Directors brief the press, and answer relevant questions on the Group's operations and financial performance.

All resolutions put to general meetings will be voted by poll. An independent scrutineer is appointed to validate the votes cast at general meetings. Decisions for each resolution and the name of the independent scrutineer will be announced to Bursa Malaysia Securities Berhad on the same day. The summary of key matters discussed at the Company's AGM is available online at www.muda.com.my.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 2 April 2020.

AUDIT COMMITTEE REPORT

Audit Committee Composition

The Audit Committee (AC) comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The composition of AC complies with the requirements of Paragraph 15.09 (1) (c) of the the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

Chairman	Directorate & Designation
Datuk Nik Ibrahim Bin Nik Abdullah	Senior Independent Non-Executive Director

Members	Membership / Directorate & Designation
Tan Sri Lim Guan Teik	Non-Independent Non-Executive Director
Mr. Lee Khim Sin	Independent Non-Executive Director
Mr. Wong Choong Yee	Independent Non-Executive Director

All AC members are of varied disciplines professional; with two (2) members being qualified accountants, a member who is a pioneer in the paper industry in Malaysia and another member who is an economist with banking experience. They collectively have the required skills and experience to discharge the AC functions and duties.

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

Audit Committee Meetings

A total of six (6) meetings were held for the financial year ended 31 December 2019 ("Financial Year"). Members of the AC and the details of attendance are set out below:

Members	Attendance at Meetings Attended	Attendance at Meetings Held	Attendance %
Datuk Nik Ibrahim Bin Nik Abdullah	6	6	100
Tan Sri Lim Guan Teik	6	6	100
Mr. Lee Khim Sin	6	6	100
Mr. Wong Choong Yee	6	6	100

The AC meets on a scheduled basis during the Financial Year. The AC is assisted by an independent Internal Audit Department in carrying out its functions. The Head of Internal Audit presented the respective audit reports to the AC. The Chief Financial Officer and members of Senior Management are invited to attend meetings to provide assurance and commitment to the AC on the prompt resolution of key control issues highlighted by Internal Audit Department.

AC had two (2) private sessions with the external auditors on 27 February 2019 and 28 November 2019 without the presence of the Management team.

AUDIT COMMITTEE REPORT

The members of AC have attended conferences, seminars and training programs during the Financial Year. The details are set out in the Corporate Governance Overview Statement on Page ____ to ____ of this Annual Report.

Summary of Audit Committee Activities during the Financial Year

During the Financial Year, the AC carried out the following activities in the discharge of its roles and responsibilities:

A. Financial Reporting

- (a) Reviewed the quarterly unaudited financial results and related announcements to Bursa Malaysia Securities Berhad, focusing on significant matters highlighted by Management including going concern assumptions, and ensured disclosures made in compliance with the applicable accounting standards and regulatory requirements, before recommending to the Board for approval and releasing to Bursa Malaysia Securities Berhad;
- (b) Reviewed the consolidated audited financial statements of the Company and the Group together with external auditors, before recommending the same to the Board for approval; and
- (c) Reviewed the impact of changes in accounting policies and adoption of new accounting standards, together with significant matters as highlighted by external auditors in the financial statements.

B. External Audit

- (a) Reviewed the external auditors' Group Audit Plan, which outlines the responsibilities, scope of work, audit strategy and approach for the Financial Year and considered the audit fees together with Management, for recommendation to the Board for approval;
- (b) Reviewed the nature and fees for non-audit services provided by external auditors or its affiliates in accordance with the Group's Policy, Scope and Purpose on Non-Audit Services to ensure that such non-audit services did not compromise the objectivity and independence of the external auditors; and
- (c) Assessed the suitability, objectivity and independence of external auditors by evaluating, among others, the adequacy of technical knowledge, experience, skills, supervisory ability and competency of the engagement team assigned to the Group. It is noted that external auditors have confirmed their professional independence in accordance with By-laws (on Professional Ethics, Conducts and Practices) of the Malaysian Institute of Accountants via their engagement letter and presentation to AC.

The AC was satisfied that the external auditors were able to meet the audit requirement, statutory obligations and their professional independence and objectivity as external auditors of the Company. Following this assessment, the Board has accepted AC's recommendation to re-appoint Grant Thornton Malaysia PLT as external auditors of the Company at the forthcoming Annual General Meeting.

C. Internal Audit

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

D. Related & Recurrent Related Party Transactions

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

E. Risk Management

The AC reviewed and endorsed the Group's business units Risk Management Reports during the Financial Year. The details can be obtained from the Statement on Risk Management and Internal Control set out on Page ____ to ____ of this Annual Report.

F. Other Activities

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

Summary of Internal Audit Function and Internal Audit Activities

The Group has an in-house internal audit department to assist AC in carrying out its function. The Internal Audit Department maintain its independence by reporting directly to the AC.

The Internal Audit's activities are guided by the Group's Internal Audit Charter that provides independence and reflects the roles, responsibilities, accountabilities which are aligned with the International Professional Practice Framework (IPPF) on Internal Auditing issued by the Institute of Internal Auditors. The Internal Audit Department is headed by Mr. Koh Thuan Hin who is a holder of an Advanced Diploma from Association of Chartered Certified Accountant with more than 20 years of experience in manufacturing, trading and service industry, he reports functionally to the AC and administratively to the Executive Deputy Chairman.

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

The audits cover the review of adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirements, governance and management efficiency. The audit reports, which provide the results of audit concluded, are presented to AC for its review and deliberation. Key control issues and recommendations are highlighted to enable AC to execute its oversight function.

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

The total cost incurred for maintaining the Internal Audit Department was RM504,379.00 and the key audit activities undertaken for the Financial Year as part of the assurance process included:

1. Formulation of a risk-based audit plan by evaluating risk exposure relating to the achievement of the business units financial performance and tabulate this against the business units' Risk Management Report to ensure that key risks are considered and deliberated;
2. Audit reviews are performed on business units to ensure compliance with internal policies, Standard Operating Procedures, Accounting Standards, relevant rules and regulations:
 - Assessment of production, planning and control management activities;
 - Assessment of inventory valuation system;
 - Assessment of procurement management processes;
 - Assessment of property, plant & equipment management activities;
 - Operational review of warehouse & logistics management;
 - Operational review of fire prevention risks, security, safety & health controls;
 - Performance and compliance review for CAPEX project management;
 - Review on wastepaper purchase decision making & operational quality control;
 - Review of related & recurrent related party transactions; and
 - Post-audit review to follow up previous audit issues & status of remedial actions taken.
3. Investigation into activities or matters as requested by Management; and
4. Follow-up on implementation of Management Action Plans to ensure that necessary actions have been taken to remedy any significant gaps identified through audit assignments.

This Audit Committee Report is made in accordance with resolution of the Board of Directors dated 2 April 2020

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

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

Roles and Responsibilities

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

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

Risk Management Framework

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

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

In-House Internal Audit Department

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

The activities of the Internal Audit Department are explained in the Audit Committee Report on Page ____ of the 2019 Annual Report.

Principal Risks

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

Principal Risk	Mitigating Actions
<p>a. Supply of raw material for manufacturing of paper Adequate supply of waste paper is key to continuous operations of the paper mills. Local demand has outpaced supply from domestic market resulting in risk of shortfall in supply from domestic market and increased cost.</p>	<p>The Group will strengthen its collection centres to maximise procurement of the material from local suppliers. At the same time, the paper mills are establishing network of supplies from overseas to mitigate the risk of shortfall in supply.</p>
<p>b. New entrants into local market With the new capacities from existing and new paper mills, Malaysia will become a net exporter of paper roll in the near future. The net selling price of paper roll is expected to be lower with the stiff competition.</p>	<p>Continue its effort to achieve gross output at optimum level in order to lower production costs and stay competitive by implementing productivity and quality improvement programmes.</p>
<p>c. Credit Exposure and Liquidity The Group's revenue is mostly made up of domestic sales with credit terms granted. Therefore, trade receivables are subject to the risk of delay in collections. This will cause additional provision for doubtful debts or bad debts written off which will impact the profitability of the Group.</p> <p>The tight cash inflows will in turn cause the delay in payments to suppliers which may lead to liquidity problem if the risks are not well managed.</p>	<p>Extension of credit term and credit period to customers are managed in accordance with Credit Control Policy and Procedures to mitigate the risks of bad debts. The level of inventories held by the Group is monitored from time to time to ensure that there is no over commitment in inventories.</p> <p>Besides, credit facilities of individual subsidiaries are reviewed from time to time to ensure that sufficient facilities are available for working capital.</p>
<p>d. Compliance with Department of Environment (DOE) Requirements The manufacturing process of paper mills and carton plants in the Group produces waste, emission and effluent discharge which are required to comply with regulatory requirement.</p> <p>Breach of the regulation may result in plant closure and health hazards to employees and the community.</p>	<p>The Group has invested in waste water treatment plants and other equipments and facilities to ensure its handling and disposal of waste, emission and effluent to comply with the regulatory requirements.</p>

Assurance from Managing Director and Chief Financial Officer

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

Review of This Statement

Pursuant to Paragraph 15.23 of the MMLR of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement for inclusion in the 2019 Annual Report, and have reported to the Board that nothing has come to their attention that cause them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*, nor is the Statement factually inaccurate.

Conclusion

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

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 2 April 2020

SUSTAINABILITY STATEMENT

The Group embraces value of corporate responsibility and sustainability management in its business operations and activities. The Group's commitment towards the need for transparent business practices that encompass ethical values and respect at its workplace, the community and the environment.

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

At this stage, the Group is embarked on initiatives to review our sustainability management approach, performance measurement and disclosure in the effort to strengthen our approach towards a sustainable business in Economic, Environment and Social ("EES"). This will involve developing new policies and procedures, implementing various initiatives and action plans, setting achievement goals, and report the sustainability data and information.

Governance Structure

Our sustainability framework is led from the top. A robust governance structure is crucial to ensure that we achieve our sustainability commitments. The Board leads the initiatives to embed sustainability considerations into the Group's strategy. A Sustainability Committee is setup to incorporate sustainability into the Muda Group's business processes and prepare the Group's sustainability reporting.

Stakeholder Engagement

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

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

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

Economic

At Muda, we strive to have a consistent supply of material in addition to fair price for all the materials purchased. We work with various suppliers ranging from raw materials, contractors and plant and machinery for our manufacturing activities. All our subsidiaries are undertaking sustainable approaches in purchasing and contracting activities to promote minimum wastage.

To contribute to our local economy, we support local supplies. In 2019, more than 70% of the raw materials were locally sourced for both the paper mills and carton plants.

For the financial year ended 31 December 2019, Muda recorded revenue of RM1.52 billion with profit after tax of RM40.79 million. By having consistent return from utilisation of its assets, Muda is able to distribute dividends to its shareholders which is highly dependent on the Group's financial performance and future expansion plan.

As part of our effort to strengthen the Group's ethical conduct, we are in midst of finalising our Anti-Corruption Measures and Anti-Bribery Policy which is in line with the adoption of Malaysian Anti-Corruption Commission (Amendments) Act 2018 which is going to be effective on 1 June 2020. We are going to incorporate the corruption risk as part of our annual risk assessment. As required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, listed issuers must publish on their websites of their policies on anti-corruption and their policies and procedures on whistle-blowing. We are committed to comply with this requirement.

Environment

Recovered paper is the main source of raw material in our production process (except for the MG Grade paper which uses 100% virgin pulp). Total recovered paper consumed by the mill division in 2017, 2018 and 2019 was as follows:

	2017	2018	2019
Muda Paper Mill – Kajang	272,000 mt	282,000 mt	287,000 mt
Muda Paper Mill – Tasek	202,000 mt	186,000 mt	197,400 mt
Total	474,000 mt	468,000 mt	484,400 mt

The recovering of waste paper will help to preserve environment instead of disposed them of to land fill or burning. Muda Group is the paper milling pioneer in Malaysia. We have been consistently promoting the recovery of waste paper by having the following initiatives:

- Promote awareness of the 3R (Reduce, Reuse and Recycle) within our organisation, local community and charity bodies, such as Buddhist Tzu Chi. In 2019, our Northern region managed to collect more than 224 MT waste papers from local community.
- Providing technical and financial support to individual person to have a business start up of recovering paper collections.
- Increasing existing fibre utilisation (reduction of fibre wastage) and using technology instruments or chemical to improve the paper strength and reduce fibre consumptions.

As part of the initiative to reduce the reliance on fossil fuel, biomass energy is used as an alternative source of energy. Based on Our Northern paper mill information compilation, it has significantly reduced the utilisation of coal from 63% in 2018 to 22% in 2019. Utilisation of biomass has been increased to 53% in 2019 from 28% in 2018.

Compliance is an important part in managing our environmental risk. We are committed to ensure full compliance with applicable environmental law and regulations to reduce the environmental footprint. Both the Kajang and Tasek Paper Mills are equipped with biological effluent treatment plants where all the used water has to go through series of physical, chemical and biological processes in order to meet the requirements of the Environmental Quality (Industrial Effluent) Regulations 2009 before the water is discharged to river. In 2019, Kajang Paper Mill has incurred RM225,000 as replacement of major parts for the waste water treatment.

Department of Environment has set the effluent to meet for both Kajang and Tasek Paper Mills respectively. This is to ensure that the ecosystem of river is properly maintained and our locale will not be affected by the manufacturing process. In financial year 2019, we are pleased to share that we did not receive any fines or penalty for non-compliance with environmental laws and regulations.

SUSTAINABILITY STATEMENT

Social

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

- Healthy and safety officer (HSO) is employed by each business unit in Malaysia which is in line with the requirements of the Department of Safety and Health (DOSH).
- Safety awareness training and ongoing review of safety procedures were introduced to the staff. Ongoing training was held in business units for example fire safety training and forklift safety training.
- Frequent inspection of machineries and site safety working procedures to detect unsafe conditions.

In the mid of 2019, Northern region has organised Health Week to create awareness particularly on hypertension and diabetes and share ways with employees to manage stress. Friendly badminton competition was also organised by Northern region at the end of 2019 to encourage communication and teamwork amongst employees while promoting healthy lifestyle.



In our Southern region, community-focused activities where charity events were held in early 2019, for instance management team visited disabled care centre and orphanage during festive seasons and donated cash and necessities. Team building event was organised to promote the teamwork and better understanding among each other notwithstanding the ethics, gender and religion.



The Way Forward

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

The Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 2 April 2020.

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE AUDITED FINANCIAL STATEMENTS

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

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

In preparing the financial statements, the Directors have:

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

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

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