



Muda Holdings Berhad

**2021**  
**ANNUAL**  
**REPORT**

# OUR VISION, MISSION, CORE VALUES AND COMMITMENT



## VISION

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



## MISSION

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



## OUR CORE VALUES

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



## OUR COMMITMENTS

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

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

Dato' Azaman Bin Abu Bakar, DIMP  
(Executive Deputy Chairman)

Datuk Wira Lim Chiun Cheong, DCSM, DPSM  
(Managing Director)

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

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

Wong Choong Yee  
(Independent Non-Executive Director)

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

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

## AUDIT AND REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## SUSTAINABLE COMMITTEE

Datuk Nik Ibrahim Bin Nik Abdullah, PJN, JSM, AMN (Chairman)  
Dato' Azaman Bin Abu Bakar, DIMP  
Datuk Wira Lim Chiun Cheong, DCSM, DPSM

## SECRETARIES

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

## AUDITORS

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

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

## REGISTERED OFFICE & CORPORATE OFFICE

## SHARE REGISTRAR

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

## PRINCIPAL BANKERS

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

## STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Bhd**  
Main Market  
Stock Name: MUDA Stock No.: 3883

## WEBSITE

[www.muda.com.my](http://www.muda.com.my)

# MESSAGE FROM OUR CHAIRMAN

*Dear Esteemed Shareholders,*

*On behalf of the Board of Directors of Muda Holdings Berhad (“MHB” or the “Group”), I am pleased to present the Annual Report of MHB for the financial year ended 31 December 2021 (“FY2021”).*

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

## The Year In Review

The pandemic disrupted businesses globally as countries introduced containment measures to combat the virus. In Malaysia, Movement Control Order (MCO) was implemented in order to curb the spread of the pandemic. Despite the implementation of MCO, some manufacturers were allowed to operate under a strict set of safety protocols, but the disruption to logistics and consumer demand posed by the pandemic were unavoidable. It was an extremely challenging year for MHB.

In order to ensure operational continuity and a stable supply of packaging products, MHB focused on the health and safety of its people and partners. One of the main protocol that was enforced was mandatory COVID-19 mass testing for employees in the production section. MHB invested over RM3 million into the scheduled tests, sanitisation of premises and provision of personal protective equipment to safeguard the well-being of our staff.

## Financial Performance

Strategies adopted by MHB in FY2021 were shown to be sound and resilient. MHB remained responsive to the market environment and consumer, enabling us to continue our momentum of building sustainable growth and deliver on our commitments, charting better revenue growth and returning another profitable year.

MHB's revenue rose 22.1% year-on-year to RM1.7 billion with profit before tax (“PBT”) of RM108.1 million. This was despite MHB's operations being affected, with some factories not allowed to operate between two to three weeks in the third quarter of FY2021 during the Enhanced MCO.

Further details on our financial and operational performance are outlined in the Management Discussion and Analysis Statement in the Annual Report.

## Corporate Developments

In FY2021, MHB undertook the acquisition of 60% equity interest in Quantum Total Packages Sdn Bhd and 100% equity interest in Sea Paper Industries Sdn Bhd with a total investment cost of RM37.5 million. Both companies are principally involved in corrugating and converting of industrial paper. As at financial year end, the combined results were positive to the Group's revenue and PBT.

MHB also materialised its investment via a partial disposal of 16.9% equity interest in an indirect associate company, namely KL Resources Pte Ltd for a cash consideration of SGD4.0 million (equivalent to RM12.3 million) upon the call option exercised by its major shareholders.

## Sustainability

Global climate change has further shown the growing need to conserve the environment and has deepened MHB's resolve to maintain best practices in long-term sustainability towards delivering best-in-class and ethical quality products for our customers and enhancing value across multiple stakeholder groups.

Further details on our sustainability measures are outlined in the Sustainability Statement in the Annual Report.

## Dividend

For FY2021, the Board recommends a first and final dividend of 5.0 sen per share.

## Prospects

Global economic conditions remain challenging in view of the ongoing geopolitical tensions resulting from the Russia and Ukraine war. Potential risks such as rising Covid infections, logistic disruptions especially sea freight and rising energy prices and commodities are amongst the factors which could derail global economic recovery.

Despite the challenges, the demand for paper related products continues to remain relatively stable. The Group has accelerated its execution of strategies to minimise operational disruptions to ensure its supply chain commitments to customers remain intact.

Barring any unforeseen circumstances, we expect that the Group's business divisions will continue to be on an upward trajectory.

## Appreciation

On behalf of the Board, I would like to extend my sincere gratitude to our management and staff for their hard work, diligence and dedication, especially in such a challenging year.

I would also like to record my appreciation to all other stakeholders including our valued shareholders, customers, business partners, bankers, local authorities, lawyers and suppliers for their trust and confidence in MHB and look forward to their continued support.

Last but not least, I would like to thank my fellow Board members for their insightful counsel and service to the Board which have been invaluable, and I look forward to serving with you.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview Of Business

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

The Group’s major activities include: -

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

The Group’s paper products are suitable for application across various industries such as retail, furniture, food and beverages, electrical and electronics and many more.

## Plant and facilities

MHB operates the following categories of factories:-

Type	No. of Factories	Location
Paper Mills	2	Malaysia
Corrugating Plants	8	Malaysia and the People’s Republic of China
Converting Plants	3	Malaysia and Singapore

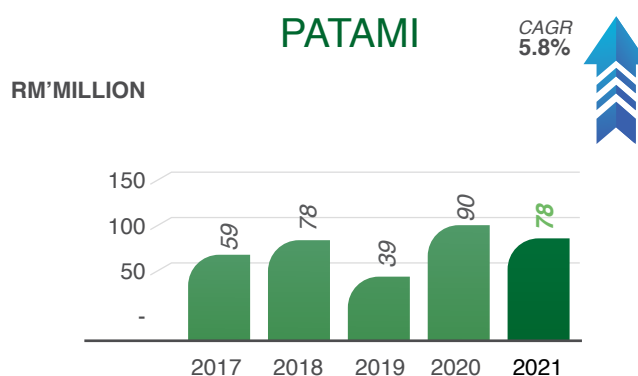
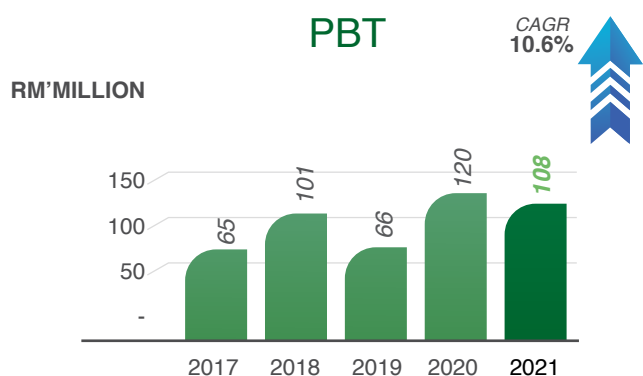
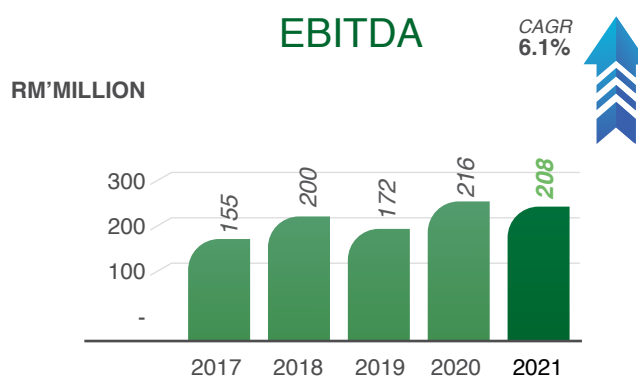
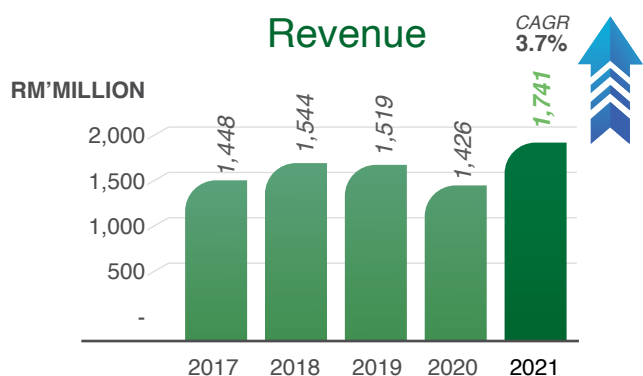




## Financial Highlights

For the Financial Year Ended 31 December	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
<b>Financial Performance</b>					
Revenue	1,740,745	1,425,797	1,518,595	1,544,260	1,448,451
Gross Profit	315,017	296,774	281,756	295,021	225,652
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	207,692	216,014	171,513	200,018	154,761
Earnings before Interest and Tax ("EBIT")	127,480	139,508	94,696	131,784	92,660
Share of Results of Associates	5,040	2,515	(1,454)	593	803
Profit before Tax ("PBT")	108,134	120,027	66,049	100,872	65,375
Net Profit after Minority Interest ("PATAMI")	77,838	90,020	39,337	77,534	58,766
<b>Financial Position</b>					
Shareholders' Equity	1,355,211	1,166,459	1,081,769	1,046,729	988,621
Total Assets	2,386,548	1,940,761	1,934,453	1,958,621	1,883,890
Net Current Assets	162,303	180,166	101,894	50,552	9,187
Total Borrowings	641,537	458,327	552,094	631,089	618,113
Cash and Cash Equivalents	112,515	115,075	122,822	73,847	62,082
<b>Financial Analysis</b>					
Gross Margin (%)	18.10	20.81	18.55	19.10	15.58
EBITDA Margin (%)	11.93	15.15	11.29	12.95	10.68
EBIT Margin (%)	7.32	9.78	6.24	8.53	6.40
PBT Margin (%)	6.21	8.42	4.35	6.53	4.51
PATAMI Margin (%)	4.47	6.31	2.59	5.02	4.06
Gearing (Net of cash)(times)	0.37	0.28	0.39	0.51	0.53
Interest Coverage (times)	10.74	11.09	5.99	6.47	5.67
Return on Average Shareholders' Equity (%)	6.34	8.20	3.78	7.80	6.47
Return on Average Total Assets (%)	3.60	4.65	2.02	4.04	3.34
Basic Earnings per Share ("EPS") (sen)	25.52	29.51	12.9	25.42	19.26
Net Tangible Assets per share (sen)	4.39	3.79	3.51	3.39	3.21

# MANAGEMENT DISCUSSION AND ANALYSIS



CAGR: Compounded Annual Growth Rate

## Financial Performance

The Group recorded a revenue of RM1.7 billion for the financial year ended 31 December 2021 (“FY2021”). It is the highest revenue achieved since the Company’s listing on the Main Market of Bursa Malaysia Securities Berhad. The record high revenue represents a 22.1% year-on-year increase as compared to the revenue of RM1.4 billion achieved in the previous financial year. The higher revenue was derived from the increase in manufacturing revenue namely sales of industrial grade paper, corrugated cartons and boards from RM1.3 billion to RM1.6 billion in FY2021. This was achieved through higher average selling price across the manufacturing segments.

The Group registered EBITDA and PATAMI of RM207.7 million and RM77.8 million respectively in FY2021 which was lower by 3.8% and 13.5% respectively as compared with last year. The subdued performance was attributed to the mandatory closure of all our factories for two to three weeks in third quarter of FY2021 during the Enhanced MCO. In addition, the cost of wastepaper, a major raw material component to our business had skyrocketed to approximately RM1,000 per tonne from RM500 per tonne last year.

## Financial Position

MHB's shareholders' fund improved from RM1.2 billion as at 31 December 2020 to RM1.4 billion as at 31 December 2021. The Group's policy of conducting property revaluation exercise every four (4) years contributed significantly to the increase of shareholders' fund by approximately RM0.1 billion.

Total assets of MHB increased from RM1.9 billion as at 31 December 2020 to RM2.4 billion as at 31 December 2021 mainly due to increase in property, plant and equipment and inventories by RM0.2 billion and RM0.1 billion respectively. The higher property, plant and equipment was attributed to the property revaluation exercise while the inventories were due to the increase in paper costs.

## Capital Expenditure ("CAPEX")

In FY2021, the Group incurred CAPEX approximately RM150.8 million. The CAPEX was mainly invested in the new land in Kajang as part of our future capacity expansion as well as new machineries and equipment. These investments were funded through a combination of internally generated funds and bank borrowings.

## Liquidity and Gearing

The Group's cash and cash equivalents stood at RM112.5 million despite MHB having acquired two (2) subsidiaries for RM35.0 million (net of cash acquired). This is achieved through higher cash generated from operations and a cash receipt from the partial disposal of an associate company in FY2021.

The Group's debt-to-equity (net of cash) remained low at 0.37 times with borrowings at RM641.5 million while the total shareholders' fund remained strong reaching RM1.35 billion as at 31 December 2021.

## CHALLENGES AND RISKS

### Shortage of Raw Material

Potential shortage of raw material to the Group in the form of wastepaper from the local market is an inherent risk as most of our products were made from wastepaper. In FY2021, the wastepaper agents/collectors were severely impacted due to the imposition of various MCOs, which saw a drop in collection and thus escalated the purchase cost. To address this, the Group has resorted to work closely with the existing wastepaper agents to ensure their business continuity. Besides, the Group continues its effort to expand its network of agents for wastepaper collection and to import from overseas to meet potential shortfall, if any.

### Operational Disruptions

The Group's performance is dependent on all our operations running smoothly and efficiently. Any disruptions or unplanned shutdowns may have an adverse impact on performance. In FY2021, the Group's business operations were temporarily halted due to the various movement restrictions imposed to curb the spread of COVID-19 pandemic. Since the resumption of our operations, the Group has been complying with the SOPs and measures that are put in place. However, external business risks such as natural disasters, pandemics, riots and general strikes are beyond our control, which may materially and negatively affect our operations.

### Human Capital

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

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

### Foreign Currency Risk

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

# PROFILE OF DIRECTORS



## TAN SRI LIM GUAN TEIK

PSM, JMN, DMPN, DJN

Non-Independent Non-Executive Chairman  
Male, Malaysian, 87

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

Throughout the period from November 1981 to 31 December 2000, Tan Sri Lim Guan Teik has held the following positions in the Company:-

- Managing Director from 30 November 1983 to 20 May 1988
- Chairman cum Managing Director from 20 May 1988 to 23 April 2004
- Executive Chairman from 23 April 2004 to 18 February 2007
- Non-Executive Chairman from 18 February 2007 to current.

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

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

He was President of the Malaysian Pulp & Paper Manufacturers Association (MPPMA) from 1980 to 1992 and is currently one of the advisers to MPPMA. Tan Sri Lim was also a past President of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor (KLSCCCI) from 1998 to 2003. He is currently the Honorary Life President of ACCCIM, KLSCCCI and the Malaysia-China Chamber of Commerce.

Tan Sri Lim Guan Teik is the father of Datuk Wira Lim Chiun Cheong, the Managing Director of the Company. He is also the uncle of Ms Lim Siew Ling and Ms Lim Yen Wee, the Non-Independent Non-Executive Directors of the Company. Tan Sri Lim Guan Teik is 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 102 of this Annual Report.

Tan Sri Lim Guan Teik attended all six (6) Board of Directors' Meetings held during the financial year ended 31 December 2021 and has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.

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

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

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

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

Dato' Azaman attended all six (6) Board of Directors' Meetings held during the financial year ended 31 December 2021. He has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.



## **DATO' AZAMAN BIN ABU BAKAR**

**DIMP**

Executive Deputy Chairman  
Male, Malaysian, 75



## **DATUK WIRA LIM CHIUN CHEONG**

**DCSM, DPSM**  
Managing Director  
Male, Malaysian, 58

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

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

Datuk Wira Lim Chiun Cheong is a National Council Member of the Associated Chinese Chamber of

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

He is the son of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company. Datuk Wira Lim Chiun Cheong is also the cousin of Ms Lim Siew Ling and Ms Lim Yen Wee, the Non-Independent Non-Executive Directors of the Company. Datuk Wira Lim Chiun Cheong is deemed a major shareholder of the Company. He is deemed to have an interest in certain related party transactions in the Group as disclosed on Page 102 of this Annual Report.

Datuk Wira Lim Chiun Cheong attended all six (6) Board of Directors Meetings of the Company during the financial year ended 31 December 2021. He has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.



# PROFILE OF DIRECTORS



## DATUK NIK IBRAHIM BIN NIK ABDULLAH

**PJN, JSM, AMN**

Independent Non-Executive Director  
Male, Malaysian, 78

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

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

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

the Ministry of Finance as Assistant Secretary from 1970 to 1972.

In 1972, he returned to MIDA to serve as Senior Economist before joining Bank Pembangunan Malaysia Berhad as Manager in 1974 where he was promoted to General Manager and later to Chief Executive Officer/Managing Director. He retired in March 2004. Datuk Nik Ibrahim sits on the board of a few other local companies.

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

Datuk Nik Ibrahim attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2021. He has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.



## LEE KHIM SIN

**FCA, CA(M)**

Independent Non-Executive Director  
Male, Malaysian, 81

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

A life member of the Institute of Chartered Accountants in England and Wales since 2020 and a life member of the Malaysian Institute of Certified Public Accountants since 2014, Mr Lee Khim Sin also holds a Bachelor of Arts Degree from Nanyang University of Singapore which he obtained in 1962. He was the managing partner of Hii & Lee (AF0458), a firm of Chartered Accountant in Sarawak and Sabah until his retirement in 2000.

While in practice as a public/chartered accountant during the last few decades, he has been advising clients ranging from small to large multinational enterprises in areas of corporate planning, management, mergers, acquisitions, investments and divestments of companies and

businesses. Mr Lee Khim Sin has extensive experience in auditing and consulting services in manufacturing and property development industries. Mr Lee Khim Sin has been a board member of several public companies listed on the main board of Bursa Malaysia Securities Berhad and currently sits on the board of several private limited companies.

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

Mr Lee Khim Sin attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2021 and he has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.

Mr Wong Choong Yee was appointed to the Board of Muda Holdings Berhad on 28 May 2018 as an Independent Non-Executive Director and is a member of the Audit Committee. In November 2019, Mr Wong Choong Yee was appointed a member of the Nomination Committee and Remuneration Committee.

Mr Wong Choong Yee holds a Diploma in Commerce (Cost & Management Accounting) from Tuanku Abdul Rahman College and is a member of the Chartered Institute of Management Accounts and the Malaysia Institute of Accountants. He began his career in the accounting field in 1984 until 1988. From 1988 to 1994 he held several accounting positions in several public listed companies.

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

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

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

Mr Wong Choong Yee attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2021. He has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.



## WONG CHOONG YEE

Independent Non-Executive Director  
Male, Malaysian, 61



## LIM SIEW LING

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

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

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

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

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

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

Ms Lim Siew Ling is the niece of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company and the cousin of Datuk Wira Lim Chiun Cheong, the Managing Director of the Company and Ms Lim Yen Wee, a Non-Independent Non-Executive Director of the Company. Ms Lim Siew Ling is deemed a major shareholder of the Company.

Ms Lim Siew Ling attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2021. She has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.



# PROFILE OF DIRECTORS



**LIM YEN WEE**

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

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

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

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

Ms Lim Yen Wee holds a Bachelor of Biomedical Science Degree and Bachelor of Science (Honors) Degree from the University of Melbourne which she obtained in 2004 and 2005 respectively. In August 2021, she completed a six weeks on-line course on Circular Economy and Sustainability Strategies organized by The University of Cambridge, United Kingdom.

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

Ms Lim Yen Wee is the niece of Tan Sri Lim Guan Teik, the Non-Executive Chairman of the Company and cousin of Datuk Wira Lim Chiun Cheong, the Managing Director of the Company and Ms Lim Siew Ling, a Non-Independent Non-Executive Director of the Company. Ms Lim Yen Wee is deemed a major shareholder of the Company.

Ms Lim Yen Wee attended all six (6) Board of Directors Meetings held during the financial year ended 31 December 2021. She has not been convicted of any offences (excluding traffic offences) and does not have any public sanction or penalty imposed against him by any regulatory bodies within the past five (5) years.

# PROFILE OF KEY MANAGEMENT

## TEOH HAI THOW

Aged 49, Male, Malaysian.

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

Hai Thow holds a Diploma in Accounting.

## LOO EE FAH

Aged 51, Male, Malaysian.

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

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

Ee Fah holds an Advance Diploma in Supply Chain Management.

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Muda Holdings Berhad (“the Company”) presents this Corporate Governance Overview Statement with an overview of the corporate governance practice of the Group and should be read together with the Corporate Governance Report (“CG Report”) which provides a detailed application for each practice as set out in the Malaysian Code on Corporate Governance (2021) (“MCCG”) during the financial year ended 31 December 2021 (“FY2021”). The CG Report is available on the Company’s website at [www.muda.com.my](http://www.muda.com.my).

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### 1. Board Responsibilities

#### 1.1 Board Strategies

The primary responsibility of the Board is to provide stewardship and directions for the management of the Group which includes reviewing and approving strategic plans and key business initiatives, corporate governance, internal control frameworks and promote a sound corporate culture which reinforces ethical, prudent and professional behaviour. While the Board sets the strategic planning and policies, the Executive Directors are responsible for implementing the operational and corporate decisions and the Independent Directors ensured corporate accountability by providing unbiased and independent view and judgement and challenged Management’s assumptions and projections in safeguarding the interests of shareholders and investors.

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

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

In discharging its fiduciary responsibilities, the Directors deliberate and review the financial performance, execution of strategic plans/investments/projects, the principle risks faced and the effectiveness of management mitigation plans and integrity of management information and systems of internal control of the Group.

During FY2021, the Directors monitored the performance of the operating units and measured achievements against budgets, reviewed and adopted the Group’s financial results on quarterly and annual basis, have considered and approved investments/projects, reviewed and adopted the Group’s financial budgets, monitored the Group’s gearing and debt service cover ratios and ensured that the operations of the Group were sound.

#### 1.2 Demarcation of Responsibilities between Board, Board Committees and Management

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

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

### 1.3 Board Charter

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

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

The Board Charter is reviewed and updated periodically as and when necessary to ensure its appropriateness and relevance to the Company from time to time and its compliance with the relevant laws, rules and regulations. The Board Charter is available on the Company's website at [www.muda.com.my](http://www.muda.com.my).

### 1.4 Chairman of the Board

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

### 1.5 Position of Chairman and Managing Director

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

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

### 1.6 Chairman of the Board and Board Committee

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

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

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

### 1.7 Suitably Qualified and Competent Company Secretaries

The Board is supported by two (2) qualified Company Secretaries who are members of a professional body. The Company Secretaries attend all the Board and Board Committee meetings to advise and to ensure compliance with relevant legislation and regulations on matters related to corporate governance and the Directors' responsibilities. This includes ensuring good information flow within the Board and its committees, between Management and the Non-Executive Directors, facilitating the communication of key decisions and policies between the Board, Board Committees and Management.

### 1.8 Meetings and Meeting Materials

Both the Board and Board Committee met on a regular basis with meetings being scheduled in advance in consultation with the Directors to ensure optimal attendance. Ad hoc meetings were held as and when urgent issues and important decisions were required between the scheduled meetings. For FY2021, six (6) Board meetings were held.

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

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 2. Good Business Conduct and Corporate Culture

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

The Directors' Code of Conduct sets out Directors' oversight responsibility in the best interest of the Company within the scope of their authority and fiduciary duties. Directors must avoid their personal or business interest – whether directly or indirect – to be in conflict with the interests of the Company. If a conflict arises, Directors must promptly disclose such interest by submitting a written notice that details such interest or nature of conflict, thus recusing himself/herself from participating in any discussion and/or decision where the conflict of interest arises. Additionally, the Group has another set of Code of Conduct which sets out the business practices, standards and ethical conduct expected of all officers and employees in the course of their employment.

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

The Code of Business Conduct and Ethics and the Directors' Code of Conduct are available on the Company's website at [www.muda.com.my](http://www.muda.com.my).

### 2.2 Anti-Bribery and Anti-Corruption Policy

To observe high standards of business integrity, professionalism and ethical conduct, the Board has set up an Anti-Bribery and Anti-Corruption Policy in compliance with Section 17A of the Malaysian Anti-Corruption Commission Act, 2009. Under this Section 17A, a commercial organization (including listed issuer) may be found liable for acts of corruption committed by any persons associated with the organization, such as its directors and employees.

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

### 2.3 Whistleblowing

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

## 3 Board Composition

### 3.1 Composition of the Board

During FY2021, the Board has eight (8) Directors comprising two (2) executive members and six (6) non-executive members, three (3) of whom are independent. The Independent Non-Executive Directors accounted for 37.5% of the Board members which is in line with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad.

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

In the latest annual evaluation, the Board and the NC have expressed satisfaction that the current size of the Board is adequate to ensure effective board governance and decision-making and that the current Board members have the required range of talents, experience and knowledge to accomplish its roles and a diversity of background and distinguished records of leadership to make substantial contributions to the effective functioning of the Board. A majority of the board members have at least one committee assignment.

The Board is also satisfied that all its members are able to devote sufficient time to discharge their duties effectively and none of them hold any directorships in other public listed companies. The profile of each of the Directors is presented on Page 11 to 15 of this Annual Report.

The Directors are fully committed in carrying out their duties and responsibilities as reflected by their attendance at all the six (6) Board meetings held during FY2021 as follows:

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

The Board believes that continuous directors' training and development is important to maximize the effectiveness of the Board and recognizes the importance of continuing development by attending conferences, briefings and workshops to update their knowledge and enhance their skill in contributing to the effective discharge of their duties as Directors.

Directors' training was suspended in 2021 and this did not impede the Directors' ability to discharge their duties and responsibilities efficiently and effectively in 2021. The Board is of the view that in the unprecedented year of outbreak of Covid-19 where various forms of movement control orders were imposed for the most part of 2021 which saw the closure of offices and factories, restrictions of movements and conferences/ seminars were not permitted to be held, much of the time, energy and resources of the Directors were channeled to manage the Group's businesses and operations to ensure sustainability of profitability in a difficult and challenging 2021. Directors' training will resume in 2022.

### **3.2 Tenure of Independent Directors**

Out of the three (3) Independent Non-Executive Directors, only one (1) Independent Non-Executive Directors has served for more than twelve years. Through the Independent Directors' Self-Assessment exercise initiated by the NC, the Independent Directors namely, Datuk Nik Ibrahim Bin Nik Abdullah, Mr Lee Khim Sin and Mr Wong Choong Yee have declared, and the Board was satisfied, that they were capable of acting independently and were able to articulate objective view points and had moral courage to advocate professional views without fear or favor in deliberations during Board and Board Committee meetings. All the Independent Directors do not have any economic or family relations with the Company, its major shareholders and Executive Directors of the Company.

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

The Board is of the view that being a director for more than twelve years has enabled Datuk Nik Ibrahim Bin Nik Abdullah to contribute positively during deliberations/discussions at meetings as he is familiar with the operations of the Group and has good and thorough understanding of the main drivers of the business of the Group in a detailed manner. He has contributed sufficient time and exercised due care during his tenure as an Independent Non-Executive Director and has discharged his professional duties in good faith and also acted in the best interest of the Company and shareholders. He has the caliber, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner and has never compromised on his independent judgement. He has never engaged in any transactions with the Group.

The Board being satisfied with the justification and criteria met by Datuk Nik Ibrahim Bin Nik Abdullah shall seek shareholders' approval at the forthcoming Annual General Meeting 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.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 3.3 Appointment of Board Members

The NC placed emphasis on the candidate's qualification, character, skills, expertise, experience, professionalism, integrity, competence and time availability. Additionally, the candidate is also evaluated on his/her knowledge of the Company's business/ industry, compatibility with other Board members and willingness to devote time and effort to the Board and taking into account an appropriate mix of core competencies for the Board to fulfill its roles and responsibilities.

The 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. Datuk Wira Lim Chin Cheong and Mr Wong Choong Yee will be seeking re-election in accordance with Article 81 of the Company's Constitution at the forthcoming AGM of the Company. The profiles of the Directors who are standing for re-election at the forthcoming AGM are set out in the Board of Directors' Profile on pages 12 and 14 of this Annual Report. Their shareholdings in the Company are set out in the section entitled "Analysis of Shareholdings" on page 116 of this Annual Report. No individual other than the retiring Directors are seeking election as a Director at the forthcoming AGM.

## 3.4 New Candidates for Board Appointment

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

## 3.5 Gender Diversity

The Board has two (2) female Non-Independent Non-Executive Directors. The Board is supportive of gender diversity in the Board composition and at senior management level with participation of women in senior management positions. It recognizes how a diverse Board in the Company could offer greater depth and breadth of perspectives, leading to better collective decisions. Beyond gender, the Board strives to achieve and maintain a culture of diversity – not only on gender per se – but also skill sets, experience, ethnicity, age, background and other personal attributes.

## 3.6 Nominating Committee ("NC")

The NC is tasked to assist the Board by ensuring the availability of a right mix of skills, knowledge, experience, qualities, gender, age and other attributes that are relevant and can contribute to the effective functioning of the Board and the NC has its own set of Terms of Reference which deals with its authority and duties. The Terms of Reference of the NC is available on the Company's website at [www.muda.com.my](http://www.muda.com.my).

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

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

All the members attended two (2) NC Meetings held in 2021 and reviewed the attendance of all Board and Committee members, the composition of Independent Directors, Board composition and size and talent, knowledge and experience, conducted Board / Committees evaluation and reviewed the service contract of an Executive Director.

## 4. Overall Board Effectiveness

### 4.1 Annual Evaluation

For FY2021, the Board through the NC and with the assistance of the Company Secretaries undertook a formal review of the Board performance and that of its Board Committees. Board members were required to evaluate and complete a comprehensive set of questionnaires with the aim to assess the effectiveness of the Board, both as a collective unitary Board, and at individual board members level to enable the NC and the Board to determine the best course of actions to be adopted to take the Board to the next level of effectiveness.

To ensure unbiased assessment, the evaluation process was managed by the Company Secretaries, who distributed the questionnaire to each Director as well as collected the duly completed forms from each Director prior to submitting them to the Chairman of NC. With the assistance of the Company Secretaries, the Chairman of the NC prepared a report on the outcome of the performance evaluation with feedback provided to the Board for further discussion and necessary action. The results of the annual assessment of performance of the Board and Board Committees as well as individual Director's self/peer assessment were reported and noted by the Board on 24 February 2022.



Since the members of the NC are also members of the AC, the evaluation of the performance of the AC and each of its members was undertaken by the Board. The review of the terms of office and performance of the AC and its members in 2021 which is in accordance with Paragraph 15.20 of the MMLR of Bursa Malaysia Securities Berhad revealed that the AC and its members have carried out their duties in accordance with the Terms of Reference of the AC.

## 5. Remuneration

### 5.1 Remuneration Policy

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

A key element of the remuneration policy is to structure the component of remuneration for Executive Directors by linking rewards to financial performance and long term objectives of the Group aside from individual performance. As such, the remuneration package for Executive Directors takes the form of basic salary, fees, allowances, bonuses and other benefits-in-kind payments. On the other hand, the remuneration of Non-Executive Directors is linked to their level and quality of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings. Their remuneration package comprises of fees, attendance allowances and benefits-in-kind that commensurate with their roles, duties and responsibilities. Benefits payable to Non-Executive Directors by the Company are subject to yearly approval of shareholders during the Company's AGM. Details of the Directors' and Key Management's remuneration for FY2021 are disclosed in the CG Report which is available on the Company's website at [www.muda.com.my](http://www.muda.com.my).

### 5.2 Remuneration Committee ("RC")

The RC comprises exclusively of Non-Executive Directors, the majority of whom are independent as follows:

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

All the members attended the one RC Meeting held on 16 December 2021 wherein the Committee reviewed the recommendations for bonus and salary increment of senior management for approval of the Board. At the same meeting, the RC also reviewed the remuneration package of the Executive Directors and made recommendations for the Board's approval. The roles and responsibilities of the RC are governed by its Terms of Reference which is available on the Company's website at [www.muda.com.my](http://www.muda.com.my).

## PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

### 6.1 Effective and Independent Audit Committee ("AC")

The AC's primary objective is to assist the Board to evaluate the risks and internal control system, 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 AC reports to the Board any significant audit findings deliberated by the AC which requires the Board's attention and approval for implementation.

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

### 6.2 Members and Chairman and Terms of Reference of AC

The AC consists of four (4) Non-Executive Directors, three (3) of whom are Independent Directors. The Chairman of the AC is the Senior Independent Director, Datuk Nik Ibrahim Bin Nik Abdullah, who is not the Chairman of the Board. Having the position of AC Chairman and Board Chairman assumed by different individuals allows the Board to review the AC's findings and recommendations objectively.

Further details on AC membership, AC meeting, Terms of Reference and the work performed by the AC in furtherance of its oversight role are set out in the Audit Committee Report on page 25 to 27 of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 6.3 Assessment of External Auditors

The Company has always maintained a transparent relationship with its External Auditors in seeking their professional advice and to ensure compliance with applicable approved accounting standards in Malaysia. The AC met the External Auditors twice in 2021 on 25 February 2021 and 18 November 2021 without the presence of the Executive Directors and Management to enable an unbiased discussion on issues requiring attention.

The AC carries out annual assessment of external auditors to determine the suitability, objectivity and independence of the External Auditors including the quality and performance of their audit to ensure the External Auditors are independent of the activities they audit, free from any business or other relationships with the Group that could materially interfere with their ability to act with integrity and objectivity. Areas of assessment include technical competencies, time commitment, audit scope and planning, audit and non-audit fees and communication to the AC. The annual assessment also ensures that provision of other non-audit services by the External Auditors are not conflict with their audit function.

During FY2021, the AC undertook review of the independence of External Auditors and gave careful consideration to the Group's relationship with them. In determining the independence of External Auditors, the AC reviewed various aspects of their relationship with them including the nature and amount of the non-audit services paid to External Auditors for the financial year ended 31 December 2021 and the corresponding fees. The review show that the non-audit fees did not impair or threaten the audit independence of External Auditors as the amount was not significant as compared to the total audit fees paid to External Auditors. Based on the review, the AC is of the opinion that External Auditors is perceived to be independent for the purpose of the Group's statutory financial audit. The External Auditors has declared their independence to the AC and its compliance with the relevant professional code of ethics and by-laws.

In reviewing the re-appointment of External Auditors, the AC has considered the adequacy of the resources, experience and competence of the External Auditors. Consideration was also given to the experience of the engagement partner and key team members in handling the audit of the Group. The quality, size and complexity of the audit of the Group, and the number and experience of the supervisory and professional staff assigned were taken into consideration. The review also took into account the level of cooperation with Management while maintaining integrity and objectivity and to deliver their services professionally and within stipulated timelines.

Having regard to the outcome of the annual assessment of External Auditors, the AC was satisfied with the competence and independence of the External Auditors and has recommended to the Board the re-appointment of the External Auditors for shareholders' approval at the forthcoming AGM.

## 6.4 Risk Management and Internal Control Framework

The Board acknowledges the importance of establishing and maintaining a sound system of risk management framework and internal control in the Company and the Group to safeguard shareholders' interests and the Group's assets. The Board continuously reviews and examines the effectiveness and efficiency of the risk management framework and internal control system in areas such as financial, operational and compliance risk, and seek alternative ways for improvement should any weakness be detected and identified.

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

During FY2021, the Board and the AC were assisted by the Internal Audit Department to maintain its risk management system, which is reviewed and updated regularly to safeguard shareholders' investments and the Group's assets.

The internal audit function reviews and appraises the risk management and internal control processes of the Group. The Statement on Risk Management and Internal Control set out on page 28 and 29 of this Annual Report provides an overview of the Group's approach to ensure the effectiveness of risk management and internal processes within the Group.

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

### 7. Continuous Communication Between the Company and Stakeholders

The Company recognizes the importance of effective and timely disclosure of corporate and material information to ensure that shareholders, investors and the general public make informed assessment of the Company's business value and prospects. The Company also ensures the broad dissemination of material information in a comprehensive, accurate and timely manner to shareholders, investors, stakeholders and the public.

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

To ensure high degree of transparency, the Company has leveraged the online channel to disseminate a wide range of corporate and financial disclosures that are essential to its shareholders and the general investing public. Made available on its website at [www.muda.com.my](http://www.muda.com.my) under the "Investor Relations" section include are the Company's Annual Report, quarterly results, announcements released to Bursa Malaysia Securities Berhad, Board Charter, Terms of Reference of Board Committees and relevant policies of the Group and other corporate information.

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

Additionally, the Board has also made available other channels of communication whereby shareholders and members of the public can e-mail their queries to the Company at [invest-info@muda.com.my](mailto:invest-info@muda.com.my) or via mail to Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

### 8. Shareholders Participation at General Meeting

The Board acknowledges that general meeting serves as both an important and effective avenue for shareholders not only for voting purpose or to approve accounts but also as a means to interact with the Board and Senior Management of the Company on any arising concern. In this regard, the Company complies with the requirement to send the Notice of the AGM and related circular to its shareholders at least 28 days before the meeting. This will provide shareholders with ample time to review the Group's financial and operational performance for the financial year and/or to fully evaluate resolutions that are being proposed, thus empowering them to make informed decisions.

Under the Company's Constitution, a general meeting may be convened by leveraging technology to enable members of the Company to participate and exercise the right to speak and vote remotely. Shareholders who are unable to attend the meetings can appoint proxy to vote on their behalf. The Company's Constitution allows all shareholders the right to appoint not more than two proxies to attend and vote on their behalf in shareholders' meetings.

The Board strives to ensure that shareholders are able to participate effectively at the Company's AGM. In view of the COVID-19 pandemic and the imposition by the Malaysia government of various movement controls and travel restrictions, and with the safety of the Company's shareholders, employees and Directors of primary concern, the AGM held on 29 June 2021 was conducted entirely virtually through the online meeting platform via Remote Participation and Voting facilities made available at <https://agm.digerati.com.my/muda-online>. The electronic means of conducting the AGM in 2021 on a virtual basis has enabled shareholders to participate in the proceedings by audio and/or video capabilities without the need to be physically present at the broadcast venue given the Covid-19 pandemic and strict health practices then.

All the Board members participated in the virtual AGM held in 2021 as recommended under the MCCG. There were interactive engagements between the Board and shareholders where shareholders were provided with sufficient opportunity to pose questions prior to and during the AGM in 2021. Questions posed were duly attended to by the Chairman and the Managing Director during the AGM. The Management and the External Auditors of the Company were also present at the AGM to respond to questions from shareholders.

All resolutions set out at general meetings were voted by poll. The appointed independent scrutineer validated the votes cast at the AGM in 2021. Decision for each resolution and the name of the independent scrutineer was made known to Bursa Malaysia Securities Berhad on the same day of the AGM. Minutes of the AGM 2021 is available online at [www.muda.com.my](http://www.muda.com.my).

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 30 March 2022.

# AUDIT COMMITTEE REPORT

## Introduction

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

The AC's duties and responsibilities are set out in its Terms of Reference, which is available at [www.muda.com.my](http://www.muda.com.my). Through active engagement, the AC is able to assist the Board in the discharge of its oversight function effectively.

## Composition and Meetings

The details of the AC membership and meetings held for the financial year 2021 ("FY2021") are as follows:

Members	Number of Meetings Attended
Datuk Nik Ibrahim Bin Nik Abdullah [ <i>Chairman/ Senior Independent Non-Executive Director</i> ]	6/6
Tan Sri Lim Guan Teik [ <i>Member/ Non-Independent Non-Executive Chairman</i> ]	6/6
Lee Khim Sin [ <i>Member/ Independent Non-Executive Director</i> ]	6/6
Wong Choong Yee [ <i>Member/ Independent Non-Executive Director</i> ]	6/6

AC comprises of four (4) members, a majority of them being Independent and Non-Executive Directors. All members of the AC are financially literate and from varied disciplines and professions; with two (2) members being qualified accountants, a member who is a pioneer in paper industry in Malaysia and another member who is an economist with banking experience. They are able to comprehend and contribute on matters under the purview of the Committee.

The AC met six (6) times during the financial year and records of proceedings of the meetings were kept by the Company Secretaries. The Head of Internal Audit presented the respective audit reports to the AC.

Other Directors and members of Senior Management attend AC meetings only at the invitation of the AC to provide assurance and commitment to the AC for the prompt resolution of key control issues highlighted by Internal Audit Department as and when necessary. The External Auditors had also attended the AC meetings where the quarterly unaudited financial results and annual audited financial statements of the Group were reviewed and discussed.

During FY2021, the AC had two (2) closed-door sessions with the External Auditors without the presence of the Management team.

## Summary of AC Activities

During FY2021, 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 by focusing on significant matters highlighted by the Management and ensured disclosures were made in compliance with applicable accounting standards and regulatory requirements.
- (b) Reviewed the financial results prior to the approval by the Board and discussed the following matters highlighted by the External Auditors:
  - Significant accounting and audit matters involving credit, taxation and impairment related matters;
  - Financial reporting and disclosures requirements in accordance with the accounting standards; and
  - Information technology matters.
- (c) Reviewed and discussed the audited financial statements of the Company and the Group for FY2021 together with the External Auditors, before recommending the same to the Board for their approval and announcement to Bursa Malaysia Securities Berhad.

## **B. External Audit**

- (a) Reviewed the External Auditors' Audit Planning Memorandum, focusing on the scope of work for the year which included new areas or new scope of audit emphasis such as changes to the law and regulations, multi-location audit scope, systems, audit timeline and statutory audit fees.
- (b) Reviewed the written assurance provided by the External Auditors in respect of their independence.
- (c) Reviewed the nature and fees for non-audit services provided by the External Auditors or its affiliates in accordance with the Group's Policy, Scope and Purpose on Non-Audit Services to ensure that such non-audit services did not compromise the objectivity and independence of the External Auditors.
- (d) Assessed and discussed the suitability, performance and effectiveness of the External Auditors, by evaluating among others, their independence and objectivity, terms of engagement, supervisory ability, professional skepticism, technical knowledge and skills, experience and expertise, communication and interaction, capability and competency of engagement team and resources assigned to the Group.
- (e) Reviewed and discussed the External Auditors' observations, results of the audit, relevant audit reports together with Management's responses to the audit findings, if any.

## **C. Internal Audit**

- (a) Approved the annual audit plan and reviewed the scope, functions, budget, competency and resources of Internal Audit Department, and that it had the necessary independence and authority to carry out its work professionally and with impartiality and expediency.
- (b) Received and reviewed a total of nine (9) internal audit reports which were tabled during the quarterly AC meetings covering the processes of the Group's business units.
- (c) Reviewed and discussed the implementation status taken by the Management in response to the audit recommendations on the audit findings raised in the audit reports and ensure that appropriate and prompt remedial actions being taken by the Management to rectify the weaknesses and all the key findings as highlighted, and control lapses identified by Internal Audit Department have been addressed effectively and efficiently.
- (d) Ensured all recommended actions were implemented by Management in accordance with the date committed through six (6) Post Audit Assessments carried out by Internal Audit Department during the financial year.
- (e) Reviewed the progress of audit plan, budget, staff competency and resources of the Internal Audit Department on quarterly basis.
- (f) Reviewed all the results of audit assessments annually with assigned audit ratings, audit findings remediation status, and evaluation of Company's compliance with controls stated in the Internal Control Self-Assessment Questionnaires from reports prepared by Internal Audit Department.

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

- (a) Reviewed the recurrent related party transactions of a revenue or trading nature entered into by the Company and its subsidiaries and associated companies, and considered any related party transactions and conflict of interest situation that may or have arisen within the Company and the Group including any transactions, procedure or code of conduct that raises questions on management integrity.
- (b) Ensured that the related or recurrent related party transactions were in the best interest of the Group, were fair and reasonable, were on the Group's normal commercial terms and not detrimental to the interest of the minority shareholders, for recommendation to the Board for approval.
- (c) Reviewed and updated the processes and procedures on related or recurrent related party transactions to be in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Companies Act, 2016.

## **E. Risk Management**

- (a) Reviewed and discussed the high and key risks that has been identified and reported in the Group's business units' Risk Management Reports as well as new and emerging risks and control mechanism. The details can be obtained from the Statement on Risk Management and Internal Control set out in this Annual Report.

## **F. Other Activities**

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

# AUDIT COMMITTEE REPORT

## Internal Audit Function and Summary of Work

The Board has established an in-house and independent Internal Audit Department to assist the AC and the Board in providing independent assessment on adequacy, efficiency and effectiveness of the Group's risk management, internal control and governance systems.

Mr. Koh Thuan Hin was appointed as the Head of the Internal Audit Department in March 2017. He has been with the Internal Audit Department for 12 years, having joined in July 2009. Mr. Koh's 24 years of experience in the profession spanned across various commercial sectors including professional audit & accountancy firm, manufacturing, property, trading, agriculture, poultry and service sectors. Mr. Koh is a holder of Advanced Diploma in Accounting and Business from the Association of Chartered Certified Accountant.

The Internal Audit Department is staffed by three (3) full-time staff, including the Head of Internal Audit, with tertiary/ professional qualifications and are members of the Institute of Internal Auditors. The Internal Audit Department reports functionally to the Audit Committee and administratively to the Executive Deputy Chairman.

An Internal Audit Charter was established to ensure the Internal Audit function is free from any relationship or conflict of interest, which could impair their objectivity and independence. In addition, the work and activities of the Internal Audit Department were carried out closely in line with the International Professional Practices Framework.

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

During FY2021, Internal Audit Department carried out the following activities to assure the AC regarding the risk management, internal control and governance state of the Group:

- a) Executed nine (9) audit assignment and six (6) follow-up audit based on approved 2020/ 2021 Audit Plan which was formulated after considering key business processes and risks of the Group;
- b) Audit reviews performed on business units to ensure compliance with internal policies, standard operating procedures, accounting standards, and relevant rules and regulation:
  - Assessment of engineering stock & inventory valuation system;
  - Credit control review in carton manufacturing division;
  - Review of wastepaper branch operations, fire, security, safety & health controls;
  - Review of systems and accounting treatment of property, plant & equipment;
  - Operation review of procurement management activities;
  - Compliance and operation audit of human resource management processes;
  - Review of related & recurrent related party transactions; and
- c) 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.

The total cost incurred by the Internal Audit Department in FY2021 amounted to RM512,545 (2020: RM487,179).

## Conclusion

The AC is pleased to disclose that there were no significant weaknesses identified that would have resulted in any material losses, contingencies or uncertainties to the Group.

As such, the AC was satisfied that Management has maintained a sound internal control system and prepared complete and reliable financial statements and related disclosures in accordance with applicable accounting standards and in compliance with relevant rules and regulations.

This Audit Committee Report is made in accordance with a resolution of the Board of Directors dated 30 March 2022.



# 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 (“Board”) recognises the importance of risk management and internal control system to the Group and acknowledges their responsibilities to implement risk management and internal control system to mitigate risks faced by the Group.

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

## Risk Management Framework

The Board is assisted by the Audit Committee (“AC”) 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 to be managed in accordance with the Framework. Companies in the Group are required to identify and assess the risks and score it at gross and residual level based on the likelihood of occurrence and potential impact. The identified risks are broadly grouped into Strategic Risk, Operational Risk, Financial Risk and Compliance Risk with the outcome of the process documented into a half yearly risk management report to the Board of Directors.

The risk management reports prepared under the Risk Management Framework are subject to review by the AC and Executive Directors. The senior managers in the Group will attend the review and where necessary, the AC 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 AC 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 AC. 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 included in this Annual Report.

## Key Risks

The table below shows the key 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 key risks and do not provide the absolute elimination of risk.

Key Risk	Description	Mitigating Actions
<b>Covid 19 Risk</b>	The spread of COVID-19 may cause disruptions in the manufacturing process.	<ul style="list-style-type: none"> <li>• Work-from-home;</li> <li>• Split team arrangements;</li> <li>• Frequent communication on health awareness &amp; travel advisory guide;</li> <li>• Postponing group events and trainings; and</li> <li>• Instituting daily precautions, inclusive of sanitisation and daily temperature screening.</li> </ul> <p>Management continues to monitor the situation closely and do whatever necessary to protect employees and customers whilst ensuring business continuity.</p>
<b>Operation Risk</b>	The Group’s policy is to assume operational risks that are manageable within its core business competencies. The operational risk management ranges from shortage of paper, paper cost hike, fire out break, machine breakdown, shortage of foreign workers and environmental risk.	<ul style="list-style-type: none"> <li>• Day-to-day operational risks are mainly decentralised at the respective business unit level and guided by standard operating procedures (SOPs).</li> </ul>
<b>Financial Risk</b>	The Group is exposed to various financial risks relating to credit risk and liquidity risk.	<ul style="list-style-type: none"> <li>• Regular credit monitoring and assessment on receivables</li> <li>• Sufficient liquidity maintained via borrowings and equity</li> </ul>



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## **Assurance from Deputy Executive Chairman and Managing Director**

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

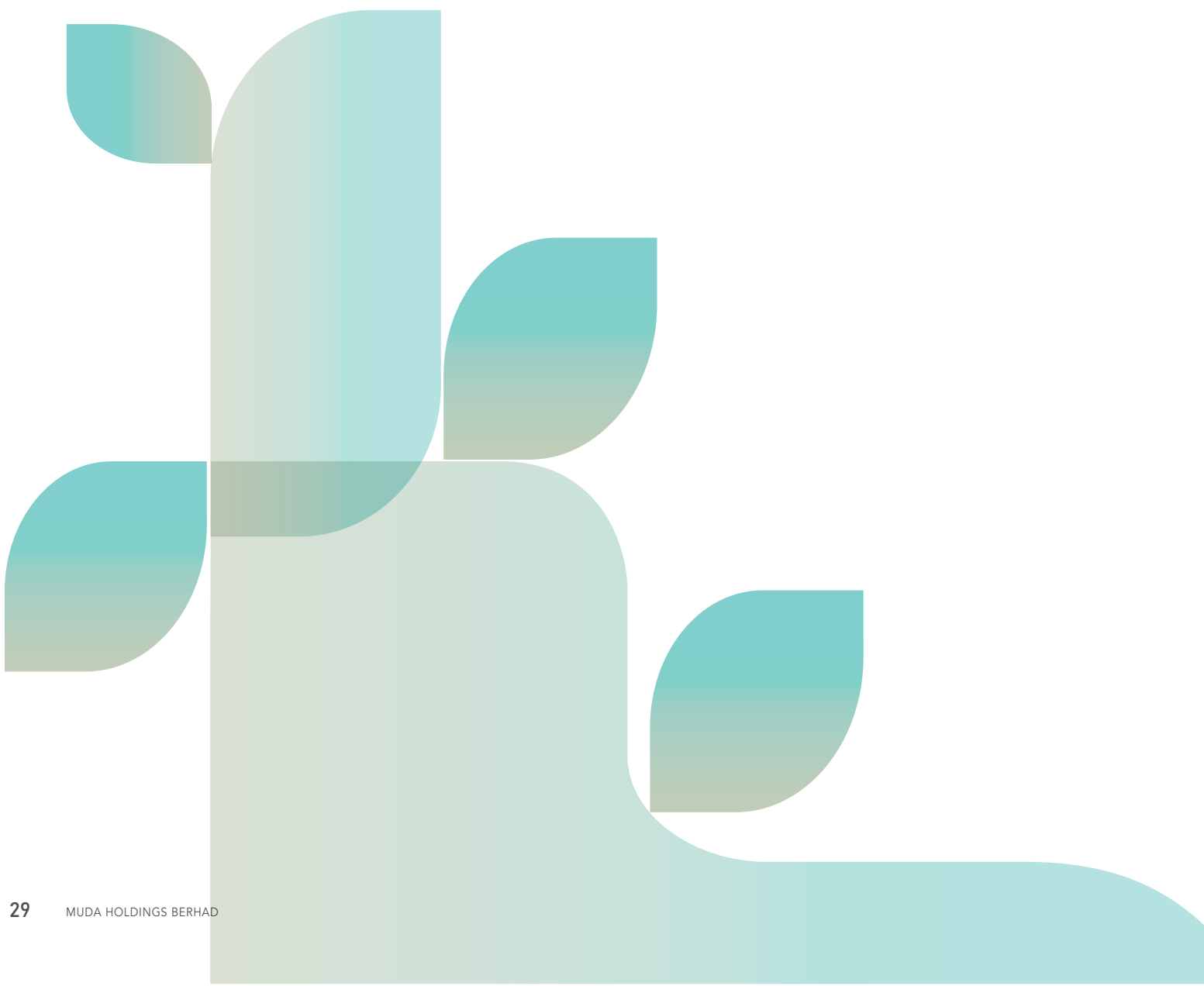
## **Review of This Statement**

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

## **Conclusion**

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

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 30 March 2022.



# SUSTAINABILITY STATEMENT

## Preparation of This Statement

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

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

## Scope of reporting

This Statement covers the sustainability performance of our business operations for the financial year ended 31 December 2021 (“FY2021”) unless otherwise stated. The scope of this Statement covers MHB’s seven (7) main subsidiaries (the “Group”) located in Malaysia.

### Integrated Paper Manufacturing Business



## Governance structure

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

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



# SUSTAINABILITY STATEMENT

## Stakeholder Engagement

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

The table below summarises our approach to stakeholders' engagement:

Stakeholders	Focus Area	Engagement Method	Engagement Frequency
Customers	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Reliable delivery</li> <li>• Competitive prices</li> <li>• Customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Customer feedback</li> <li>• Factory visit</li> <li>• Monthly meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Routine meeting</li> <li>• Annually</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Remunerations and benefits</li> <li>• Safe and conducive working environment</li> <li>• Career growth and opportunities</li> <li>• Equal opportunity</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly management meetings</li> <li>• Employee engagement events</li> <li>• Performance appraisal</li> <li>• Trainings</li> </ul>	<ul style="list-style-type: none"> <li>• Routine meeting</li> <li>• Bi Weekly</li> <li>• Monthly</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>• Business profitability</li> <li>• Business management</li> <li>• Corporate governance</li> <li>• Investment risk and return</li> <li>• Share price performance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Annual report</li> <li>• Bursa announcements</li> <li>• Quarterly financial results</li> <li>• Company website</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> <li>• Annually</li> <li>• As needed</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>• Compliance with relevant rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with mandatory requirements such as Income tax return, Sales tax return, Securities Commission Declarations, Annual Return, License renewal, Declaration to Department of Environment ("DOE") and Department of Occupational Safety and Health ("DOSH")</li> <li>• Consultation with local authorities and BOMBA</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> <li>• Annually</li> <li>• As needed</li> </ul>
Bankers	<ul style="list-style-type: none"> <li>• Financial health, solvency</li> <li>• Covenants compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual review of financial performance and financial position</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> <li>• Annually</li> </ul>
Competitors	<ul style="list-style-type: none"> <li>• Anti-competitive practices</li> </ul>	<ul style="list-style-type: none"> <li>• Update on market conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Pricing</li> <li>• Product quality</li> <li>• Reliability of supply</li> <li>• Order fulfilment matters</li> <li>• Prompt payments</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier meetings</li> <li>• Informal discussion</li> <li>• Supplier visit and audit</li> </ul>	<ul style="list-style-type: none"> <li>• Routine meeting</li> <li>• Annually</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Social and environmental issues</li> <li>• Community development</li> </ul>	<ul style="list-style-type: none"> <li>• Provide job opportunity</li> <li>• Corporate social responsibility programmes and activities related to education, society and associations</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> <li>• Annually</li> </ul>

## Material sustainability matters

Through our materiality assessment, we have identified the key sustainability matters as outlined in the table below.

Pillar	Key Sustainable Matters
Customers	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Customer engagement</li> <li>• Procurement practice</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Climate change and emission</li> <li>• Waste management</li> </ul>
Social	<ul style="list-style-type: none"> <li>• Employment diversity and equal opportunity</li> <li>• Occupational health and safety</li> <li>• Training and education</li> </ul>

## ECONOMIC

### Financial Performance

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

For FY2021, MHB's consolidated revenue was RM1.7 billion with consolidated profit before tax of RM108.1 million. By having consistent return from utilisation of our assets, MHB is able to distribute dividends to its shareholders which is highly dependent on the Group's financial performance. Moving forward, the Group will continue to evaluate various alternative methods to further improve its financial results.

### Customer Engagement

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

The Group ensures that the quality of our products and services meet customers' requirements and expectation. The following are awards/certifications/compliances obtained:-

- Fibre and Forest Stewardship Council certified
- ISO 9001 : Quality Management System
- ISO 14001 : Environment Management System
- ISO 18000 : Occupational Health and Safety Standard
- ISO 22000 : Food Safety Management
- HACCP certified
- Chain of Custody (Forest Product) certified
- RoHS Directive 2011/65/EU and (EU)2015/863 (amendment in Annex II) certified
- Good Manufacturing Practice ("GMP") certified

### Procurement Practice

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

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

In FY2021, more than 70% of our raw materials for our paper mills and corrugating plants were locally sourced.

## ENVIRONMENT

### Climate Change And Emission

Recycling is key to our business as our main products are made from recycled materials namely old corrugated carton. Hence, MHB consistently promoted the concept of "recovery" and "recycling" by putting in place the following initiatives:

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

# SUSTAINABILITY STATEMENT

A majority of MHB's products are made from recovered paper i.e wastepaper that are reprocessed for re-use. With this, MHB strives to reduce deforestation and in FY2021, MHB has recovered more than 500,000 metric ton of wastepaper.

In the effort to reduce the carbon emission from fossil fuel-based energy, the Group strives to leverage on alternative clean energy source to generate electricity as follows:-

- i) The paper mill in Kajang with its 3 units of gas turbine-powered generator recovered heat from its paper-making process. An estimated 230,167 metric ton of steam (equivalent to 163,395 MMBtu of natural gas) was recovered;
- ii) The paper mill in Penang with its installed solar photovoltaic ("PV") system on its building roof, successfully harvested a total of 24,347 Gigajoules of solar energy; and
- iii) The corrugating plant in Melaka with its newly installed solar PV system which was commission in July 2021, harvested a total of 1,112 Gigajoules of solar energy.



*Aerial view of Solar PV System in Penang*



*Aerial view of Solar PV system in Melaka*

MHB's corrugating plant in Johor commenced its solar PV installation in October 2021 and was completed in January 2022.

MHB will continue to invest in projects that reduce carbon emission.

## Waste Management

As an integrated paper manufacturer, waste is generated from our processes. To improve on our waste management practices, key waste streams have been identified to facilitate recycling and waste reduction efforts. In support of a more circular economy, all the trim waste generated from our paper mills and corrugating plants are reprocessed and re-used by the paper mills.



*Water treatment plant in Kajang*

Our paper mills are equipped with biological effluent treatment plants where all the used water had to go through a series of physical, chemical and biological treatment processes to ensure that the quality of the waste water discharged meets the standards prescribed under the Environmental Quality (Industrial Effluent) Regulations 2009. Our biological effluent treatment plants are consistently and properly maintained to ensure optimal operation level to prevent risk of breakdown as failure of our biological effluent treatments plant will result in contamination of the rivers.



*Ink treatment equipment in Melaka*

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

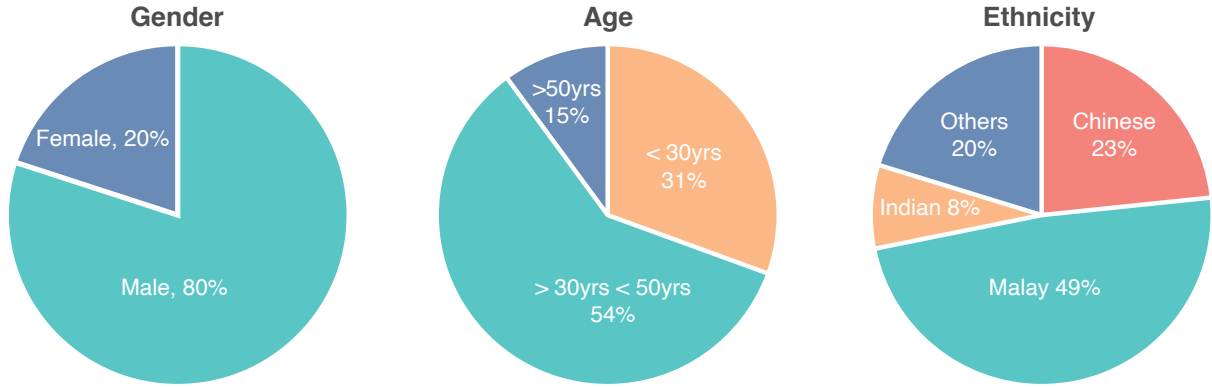
We are exploring opportunities to further reduce waste generation across our value chain.



**SOCIAL**

**Employment diversity, equal opportunity and welfare**

At MHB, we promote diversity and treat our employees fairly, regardless of age, gender, race, religion and background.



MHB views employees satisfaction beyond career progression. In looking after employee well-being, MHB offers a comprehensive range of welfare benefits to all eligible employee, such as insurance coverage, medical benefits and health screening.

MHB also place emphasis on the welfare of its foreign workers. Accommodation provided to foreign workers were in compliance with the Employees’ Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 to ensure decent living standards.

During the COVID-19 outbreak, MHB extended care to employees beyond the standard welfare benefits and spent over RM3 million on COVID-19 control management, aligned with the recommended guidelines from the regulators. In FY2021, MHB implemented the following measures:

- i) Implemented no pay cut policy at in our Group;
- ii) Arrange vaccination for our employees under Program Imunisasi Industri COVID-19 Kerjasama Awan -Swasta (“PIKAS”) and create awareness on the importance of booster dose;
- iii) Proactive close contact tracing and bearing the costs of COVID-19 tests conducted periodically at our sites;
- iv) Practised robust management of employees including ensuring hygiene standards, disinfection of the premises and adequate personal hygiene items such as masks and hand sanitisers are available;
- v) Provided COVID-19 information periodically to all employees through signage, information update on workplace notice board and physical distancing marking installed at main public area;



Vaccination drive



Periodic Covid-19 test





# SUSTAINABILITY STATEMENT

## **Occupational Health And Safety**

Workplace safety and employee health are prioritized in the Groups' day-to-day operations. To improve Group-wide safety awareness among employees and to consistently reduce occupational hazards and accidents, we have:

- i) Health and Safety Officer to head the Health and Safety Department in our Group which is in line with the requirements under DOSH.
- ii) Training of safety awareness and review of safety procedures were held regularly to ensure that our staff are kept abreast with current practices. Inter-company fire drills and fire drills with respective fire department were held to improve the skills of the firefighting team.
- iii) Frequent inspection of machineries and equipment were carried out and site safety working procedures were strictly enforced to ensure safe working conditions.
- iv) Automated sprinkler system have been installed in most of our factories. With it, the risk of fire occurring will reduce, thus affording greater levels of fire protection to people, property and businesses.

## **Training And Education**

The Group also believes in providing learning and development opportunities to its employees to enable them to achieve personal growth and performance excellence for the business.

During FY2021, the Group encouraged and supported the growth and development programmes and webinars so that they stay responsive to changes in the work environment and contribute optimally to the Group. Sponsorship for Professional Membership were offered to employees at executive level and above. Employees who are part of the accredited bodies or associations are eligible to claim for the annual membership fee subject to the approval of management.

## **Moving Forward**

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

The Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 30 March 2022.

# ADDITIONAL COMPLIANCE INFORMATION

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

## Audit and non-audit fee

The amount of audit and non-audit fees incurred by the Group and Company for the financial year ended 31 December 2021 was as follows:

Detail of fees	Group (RM)	Company (RM)
Statutory Audit fees	433,000	46,000
Non-audit fees	183,000	61,000

## Material Contracts

To the best of the Board's knowledge, there were no material contracts entered into by the Company and/or its subsidiaries with any of the major Shareholders or Directors in office as at 31 December 2021 except as disclosed in the notes to the financial statements.

# STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

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

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

During the preparation of the financial statements for the financial year ended 31 December 2021, the Directors have ensured that:

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

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

# THE FINANCIALS

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# DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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

## FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	84,913	31,526
Attributable to:-		
Owners of the Company	77,838	31,526
Non-controlling interests	7,075	-
	84,913	31,526

## DIVIDENDS

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

	RM'000
In respect of financial year ended 31 December 2020 and paid on 21 July 2021:-	
First and final single tier dividend of 5.0 sen per share	15,252

A first and final single tier dividend of 5.0 sen per ordinary share, amounting to RM15,252,542 was recommended by the Directors in respect of the financial year ended 31 December 2021.

## RESERVES AND PROVISIONS

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

## SHARE CAPITAL AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no issuance of debentures during the financial year.

## DIRECTORS OF THE COMPANY

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

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

\* *Directors of the Company and subsidiaries*

# DIRECTORS' REPORT

## LIST OF DIRECTORS OF SUBSIDIARIES

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

Chau Tien Dung	Tan Chaik Phoay
Chew Phai Cheng	Tan Kuo Keng
Chua Hwee Hooi	Tan Tee Sea
Goh Ching Yee	Teoh Hai Thow
Hayakawa Naohiko	Wong Mun Chen
Kang Yiang Lip	Wu Zhi Jing
Kok Boon Hong	Yamashita Masashi
Kok Lye Kheong	Yu Shan Nee#
Lau Saw Khim	Teoh Ewe Seng (Appointed on 3 February 2021)
Lim Poh Beng	Jason Hee (Appointed on 15 April 2021)
Lee Joo Keat#	Goh Chun Hui (Resigned on 31 March 2021)
Lim Wah Kong	Beh Tee Chai (Resigned on 31 March 2021)
Loo Ee Fah	

# Directors of newly acquired subsidiary

## DIRECTORS' INTERESTS IN SHARES

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

Interests in the Company	Number of ordinary shares			At 31.12.2021
	At 1.1.2021	Bought	Sold	
<b>Direct interest:</b>				
Tan Sri Lim Guan Teik	3,250,000	-	-	3,250,000
Dato' Azaman Bin Abu Bakar	100,000	-	-	100,000
Datuk Wira Lim Chiun Cheong	715,500	-	-	715,500
Lee Khim Sin	60,000	-	-	60,000
Lim Yen Wee	170,000	-	-	170,000
<b>Deemed interest:</b>				
Tan Sri Lim Guan Teik	124,302,313	1,708,300	-	126,010,613
Dato' Azaman Bin Abu Bakar	114,770,013	910,300	(100,000)	115,580,313
Datuk Wira Lim Chiun Cheong	126,836,813	1,708,300	-	128,545,113
Lee Khim Sin	203,000	-	-	203,000
Lim Siew Ling	117,526,713	910,300	-	118,437,013
Lim Yen Wee	118,509,513	910,300	(135,000)	119,284,813

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

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

## **DIRECTORS' BENEFITS**

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

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

## **DIRECTORS' REMUNERATION**

Details of Directors' remuneration are set out in Note 32 to financial statements.

## **OTHER STATUTORY INFORMATION**

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

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

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

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

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

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

In the opinion of the Directors:-

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



# DIRECTORS' REPORT

## **INDEMNITY AND INSURANCE COST**

The Directors and officers of the Group and of the Company are covered by the Directors' and Officers' Liability Insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM53,010.

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

## **AUDITORS**

The Auditors' remuneration is disclosed in Note 34 to the financial statements.

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 March 2022.

DATO' AZAMAN BIN ABU BAKAR  
Director

DATUK WIRA LIM CHIUN CHEONG  
Director

Kuala Lumpur

# STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 46 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

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

DATO' AZAMAN BIN ABU BAKAR

DATUK WIRA LIM CHIUN CHEONG

Kuala Lumpur  
30 March 2022

# STATUTORY DECLARATION

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

I, Dato' Azaman Bin Abu Bakar, being the Director primarily responsible for the financial management of Muda Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 46 to 113, to the best of my knowledge and belief are correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by     )  
the abovenamed at Kuala Lumpur in     )  
the Federal Territory on                     )  
30 March 2022                                 )

DATO' AZAMAN BIN ABU BAKAR

Before me:

MUHAMMAD FAIZ DHARMENDRA BIN ABDULLAH (W737)  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Muda Holdings Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 113.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

#### *Inventory valuation*

##### **The risk**

Referring to Note 12 to the financial statements. The Group holds inventories that amounted to RM367.08 million which is subject to a risk that the inventories become slow-moving or obsolete and rendering it not saleable or can only be sold at selling prices that are less than the carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence and in making an assessment of its adequacy due to risks of inventories not stated at the lower of cost or net realisable value.

##### **Our response**

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

#### *Impairment on doubtful receivables*

##### **The risk**

Referring to Note 13 to the financial statements. The Group has significant trade receivables amounted RM325.99 million as at the reporting date and is subject to credit risk exposures. We focus on this area as deriving the expected credit losses of receivables involves management's judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.

## **Our response**

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

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

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

## **Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

## **Responsibilities of Directors for the Financial Statements**

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit is in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDA HOLDINGS BERHAD

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

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

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

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

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

## Other Matters

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

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

KISHAN NARENDRA JASANI  
(NO.: 03223/12/2023 J)  
CHARTERED ACCOUNTANT

Kuala Lumpur  
30 March 2022

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	1,386,948	1,154,963	22,686	21,671
Capital work-in-progress	5	55,654	42,962	-	-
Investment properties	6	10,180	10,670	-	-
Investment in subsidiaries	7	-	-	264,887	238,661
Investment in associates	8	1,212	21,290	*	*
Financial assets at fair value through other comprehensive income	9	14,230	-	-	-
Intangible assets	10	15,823	11,656	-	-
Deferred tax assets	11	748	855	-	-
Total non-current assets		1,484,795	1,242,396	287,573	260,332
<b>Current assets</b>					
Inventories	12	367,078	245,318	-	-
Trade receivables	13	325,990	272,378	-	-
Other receivables	14	50,985	46,612	263	304
Amount due from subsidiaries	7.3	-	-	19,145	29,496
Amount due from associates	8.4	918	1,068	870	870
Financial assets at fair value through profit or loss	15	5,344	5,211	5,344	5,211
Derivative financial instruments	16	-	13	-	-
Tax recoverable		6,938	1,066	657	615
Cash and bank balances, deposits and short-term placements	17	144,500	126,699	20,394	19,106
Total current assets		901,753	698,365	46,673	55,602
<b>TOTAL ASSETS</b>		<b>2,386,548</b>	<b>1,940,761</b>	<b>334,246</b>	<b>315,934</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	18	159,471	159,471	159,471	159,471
Reserves	19	432,853	316,772	17,785	16,380
Retained earnings	20	724,274	660,999	144,153	128,235
Total equity attributable to owners of the Company		1,316,598	1,137,242	321,409	304,086
Non-controlling interests		38,613	29,217	-	-
Total equity		1,355,211	1,166,459	321,409	304,086
<b>Non-current liabilities</b>					
Borrowings	21	71,692	69,687	-	-
Lease liabilities	22	29,670	34,730	868	1,531
Provision for retirement benefit	23	59,618	52,872	8,433	7,059
Deferred tax liabilities	11	130,907	98,814	719	356
Total non-current liabilities		291,887	256,103	10,020	8,946

\* Less than RM1,000



# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Current liabilities</b>					
Trade payables	24	76,541	63,407	-	-
Other payables	25	116,831	94,629	2,410	2,484
Amount due to subsidiaries	7.3	-	-	75	15
Amount due to associates	8.4	-	2,375	-	-
Derivative financial instruments	16	33	-	-	-
Borrowings	21	501,903	331,141	-	-
Lease liabilities	22	18,555	17,915	332	403
Bank overdrafts	26	19,717	4,854	-	-
Tax payable		5,870	3,878	-	-
Total current liabilities		739,450	518,199	2,817	2,902
<b>TOTAL LIABILITIES</b>		1,031,337	774,302	12,837	11,848
<b>TOTAL EQUITY AND LIABILITIES</b>		2,386,548	1,940,761	334,246	315,934

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	27	1,740,745	1,425,797	41,981	36,881
Cost of sales		(1,425,728)	(1,129,023)	-	-
Gross profit		315,017	296,774	41,981	36,881
Other income	28	8,676	6,891	858	920
Distribution expenses		(112,060)	(90,751)	-	-
Administration expenses		(82,550)	(68,213)	(11,001)	(10,693)
Other expenses	29	(6,643)	(7,708)	(184)	(8)
Finance costs	30	(19,346)	(19,481)	(68)	(59)
Share of result of associates		5,040	2,515	-	-
Profit before tax		108,134	120,027	31,586	27,041
Tax (expense)/income	33	(23,221)	(22,629)	(60)	178
Profit for the financial year		84,913	97,398	31,526	27,219
<b>Other comprehensive income/(loss), net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Revaluation of property, plant and equipment		138,151	-	2,155	-
Remeasurement of defined benefit liability	23	(2,882)	-	(775)	-
Net change in fair value of equity investment designated at fair value through other comprehensive income		1,553	-	-	-
Tax effect on items that will not be reclassified to profit or loss	33	(22,033)	-	(331)	-
		114,789	-	1,049	-
<b>Item that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		2,566	1,399	-	-
		2,566	1,399	-	-
<b>Other comprehensive income for the financial year, net of tax</b>		117,355	1,399	-	-
<b>Total comprehensive income for the financial year</b>		202,268	98,797	32,575	27,219
<b>Profit attributable to:-</b>					
Owners of the Company		77,838	90,020	31,526	27,219
Non-controlling interests		7,075	7,378	-	-
		84,913	97,398	31,526	27,219
<b>Total comprehensive income attributable to:-</b>					
Owners of the Company		194,608	91,847	32,575	27,219
Non-controlling interests		7,660	6,950	-	-
<b>Total comprehensive income for the financial year</b>		202,268	98,797	32,575	27,219
<b>Earnings per share attributable to owners of the Company</b>					
Earnings per share - basic (sen)	35	25.52	29.51		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group	Note	Attributable to owners of the Company						Total equity RM'000		
		Share capital RM'000	Other reserve RM'000	Exchange fluctuation reserve RM'000	Fair Value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000		Total RM'000	Non-controlling interests RM'000
Balance at 1 January 2020		159,471	2,887	6,923	-	308,372	579,944	1,057,597	24,172	1,081,769
Profit for the financial year		-	-	-	-	-	90,020	90,020	7,378	97,398
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	-	(3,237)	3,237	-	-	-
Other comprehensive income/(loss) for the financial year		-	-	1,827	-	-	-	1,827	(428)	1,399
Total comprehensive income for the financial year		-	-	1,827	-	(3,237)	93,257	91,847	6,950	98,797
<b>Transactions with owners:-</b>										
First and final single tier dividend of 4.0 sen per share	36	-	-	-	-	-	(12,202)	(12,202)	-	(12,202)
Dividend paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(1,905)	(1,905)
Total transactions with owners of the Company		-	-	-	-	-	(12,202)	(12,202)	(1,905)	(14,107)
Balance at 31 December 2020		159,471	2,887	8,750	-	305,135	660,999	1,137,242	29,217	1,166,459

$\longleftrightarrow$  Attributable to owners of the Company  $\longrightarrow$   
 $\longleftrightarrow$  Non-Distributable  $\longrightarrow$  Distributable

Group	Note	Share capital	Other reserve	Exchange fluctuation reserve	Fair Value reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2021		159,471	2,887	8,750	-	305,135	660,999	1,137,242	29,217	1,166,459
Profit for the financial year		-	-	-	-	-	77,838	77,838	7,075	84,913
Realisation of revaluation reserve upon depreciation of revalued assets		-	-	-	-	(2,896)	2,896	-	-	-
Other comprehensive income/(loss) for the financial year		-	-	1,981	1,553	115,443	(2,207)	116,770	585	117,355
Total comprehensive income for the financial year		-	-	1,981	1,553	112,547	78,527	194,608	7,660	202,268
<b>Transactions with owners:-</b>										
Acquisition of a subsidiary		-	-	-	-	-	-	-	7,297	7,297
First and final single tier dividend of 5.0 sen per share	36	-	-	-	-	-	(15,252)	(15,252)	-	(15,252)
Dividend paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(5,561)	(5,561)
Total transactions with owners of the Company		-	-	-	-	-	(15,252)	(15,252)	1,736	(13,516)
Balance at 31 December 2021		159,471	2,887	10,731	1,553	417,682	724,274	1,316,598	38,613	1,355,211

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Company	Attributable to owners of the Company		Total RM'000	
	Non-Distributable	Distributable		
Note	Share capital RM'000	Revaluation reserve RM'000	Retained earnings RM'000	
Balance at 1 January 2020	159,471	16,604	112,994	289,069
Profit for the financial year	-	-	27,219	27,219
Realisation of revaluation reserve upon depreciation of revalued assets	-	(224)	224	-
Total comprehensive income for the financial year	-	(224)	27,443	27,219
<b>Transaction with owners:-</b>				
First and final single tier dividend of 4.0 sen per share	-	-	(12,202)	(12,202)
Balance at 31 December 2020	159,471	16,380	128,235	304,086
Profit for the financial year	-	-	31,526	31,526
Realisation of revaluation reserve upon depreciation of revalued assets	-	(233)	233	-
Other comprehensive income/(loss) for the financial year	-	1,638	(589)	1,049
Total comprehensive income for the financial year	-	1,405	31,170	32,575
<b>Transaction with owners:-</b>				
First and final single tier dividend of 5.0 sen per share	-	-	(15,252)	(15,252)
Balance at 31 December 2021	159,471	17,785	144,153	321,409

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>OPERATING ACTIVITIES</b>					
Profit before tax		108,134	120,027	31,586	27,041
<b>Adjustments for:-</b>					
Bad debts written off		20	64	-	-
Capital work-in-progress written off		-	457	-	-
Deficit on revaluation of properties		1,412	-	-	-
Depreciation of property, plant and equipment		68,867	64,494	582	519
Depreciation of right-of-use assets		11,345	12,012	377	422
Fair value loss on derivative financial instruments		45	131	-	-
Fair value loss on financial assets at fair value through profit or loss		2	7	2	7
Impairment loss on doubtful trade receivables					
- current		1,511	2,920	-	-
- no longer required		(2,564)	(1,216)	-	-
Reversal of impairment loss of in an associates		-	(1,471)	-	-
Interest expenses		19,346	19,481	68	59
Inventories written off		108	258	-	-
Inventories written down		718	847	-	-
Property, plant and equipment written off		704	1,942	2	1
Provision for retirement benefit		6,062	5,767	599	574
Dividend income		(136)	(155)	(33,397)	(28,771)
Fair value adjustments on investment properties		490	510	-	-
Gain on disposal of property, plant and equipment		(1,861)	(1,162)	(1)	(222)
Loss on disposal of investment in an associate		353	-	-	-
Interest income		(886)	(1,123)	(427)	(479)
Reversal of inventories written down		(102)	(24)	-	-
Share of results of associates		(5,040)	(2,515)	-	-
Unrealised gain on foreign exchange		(223)	(410)	-	-
Bargain purchase for acquisition of subsidiary		(43)	-	-	-
Operating profit/(loss) before working capital changes		208,262	220,841	(609)	(849)
<b>Changes in working capital:-</b>					
Inventories		(114,466)	17,458	-	-
Receivables		(41,955)	(35,430)	41	(62)
Payables		26,616	2,196	(73)	478
Bills payable		138,555	(63,160)	-	-
Subsidiaries		-	-	297	(124)
Cash generated from/(used in) operations		217,012	141,905	(344)	(557)
Retirement benefit paid		(2,198)	(2,876)	-	-
Dividend received		157	171	43,375	14,307
Dividend paid to owners of the Company		(15,252)	(12,202)	(15,252)	(12,202)
Dividends paid to non-controlling interests		(5,561)	(1,905)	-	-
Interest paid		(19,356)	(19,893)	(68)	(59)
Interest received		886	1,123	427	479
Tax paid		(20,117)	(13,838)	(69)	(79)
Tax refunded		3	1,085	-	3
Net cash generated from operating activities		155,574	93,570	28,069	1,892
<b>INVESTING ACTIVITIES</b>					
Capital work-in-progress incurred	A	(91,021)	(27,507)	-	-
Proceeds from disposal of property, plant and equipment		4,041	2,048	357	822
Proceeds from disposal of investment in associate		12,320	-	-	-
Purchase of property, plant and equipment	B	(51,935)	(18,505)	(177)	(339)
Acquisition of subsidiary companies, net of cash acquired		(35,003)	-	(22,500)	-
Additional investment in subsidiaries		-	-	(3,726)	(100)
Repayment (to)/received from associates		2	(8)	-	10
Net cash (used in)/generated from investing activities		(161,596)	(43,972)	(26,046)	393



# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>FINANCING ACTIVITIES</b>					
Net drawdown/(repayment) of revolving credit		22,838	(2,892)	-	-
Net drawdown of onshore foreign currency loan		159	2,000	-	-
Net drawdown/(repayment) of flexi financing loans		2,655	(6,088)	-	-
Net drawdown of trust receipts		2,288	48	-	-
Net drawdown/(repayment) of term loans		621	(26,189)	-	-
Repayment on lease liabilities	C	(20,392)	(18,772)	(734)	(847)
Placement of fixed deposit pledged		(5,498)	(5,522)	-	-
Net cash generated from/(used in) financing activities		2,671	(57,415)	(734)	(847)
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		(3,351)	(7,817)	1,289	1,438
Effect of exchange rate changes		791	70	-	-
Brought forward		115,075	122,822	19,106	17,668
Carried forward	D	112,515	115,075	20,395	19,106

## NOTES TO THE STATEMENTS OF CASH FLOWS

### A. CAPITAL WORK-IN-PROGRESS INCURRED

	Group	
	2021 RM'000	2020 RM'000
Total additions	95,806	40,388
Purchase through lease arrangements	(4,785)	(12,881)
Cash payment	91,021	27,507

### B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total additions	59,754	32,294	177	2,279
Purchase through lease arrangements	(7,819)	(13,789)	-	(1,940)
Cash payment	51,935	18,505	177	339

### C. CASH OUTFLOWS FOR LEASES AS A LESSEE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Included in net cash from operating activities:-</b>				
Payment relating to short-term leases	6,121	5,353	216	216
Payment relating to leases of low-value assets	433	461	-	-
Interest paid in relation to lease liabilities	2,854	2,447	68	57
<b>Included in net cash from financing activities:-</b>				
Payment of lease liabilities	20,392	18,772	734	847
<b>Total cash outflows for leases</b>	<b>29,800</b>	<b>27,033</b>	<b>1,018</b>	<b>1,120</b>

#### D. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and bank balances	91,991	90,148	705	292
Fixed deposits with licensed banks	15,081	13,921	-	-
Short-term placements with financial institutions	37,428	22,630	19,690	18,814
Bank overdrafts	(19,717)	(4,854)	-	-
	124,783	121,845	20,395	19,106
Less: Fixed deposits pledged	(12,268)	(6,770)	-	-
	112,515	115,075	20,395	19,106

#### Reconciliation of liabilities arising from financing activities

	Lease liabilities RM'000	Flexi financing loans RM'000	Onshore foreign currency loan RM'000	Revolving credit RM'000	Term loans RM'000	Trust receipts RM'000	Total RM'000
<b>Group</b>							
Balance at 1 January 2020	45,050	15,840	-	99,787	124,492	-	285,169
<i>Cash flows:-</i>							
Net drawdowns/(repayments)	7,898	(6,088)	2,000	(2,892)	(26,189)	48	(25,223)
<i>Non-cash changes:-</i>							
Foreign exchange movement	(303)	-	-	34	118	-	(151)
Balance as at 31 December 2020	52,645	9,752	2,000	96,929	98,421	48	259,795
<i>Cash flows:-</i>							
Net (repayments)/drawdowns	(7,788)	2,655	159	22,838	621	2,288	20,773
Acquisition of subsidiaries	3,032	-	-	-	3,212	-	6,244
<i>Non-cash changes:-</i>							
Early termination	41	-	-	-	-	-	41
Foreign exchange movement	295	-	-	55	52	-	402
Balance as at 31 December 2021	48,225	12,407	2,159	119,822	102,306	2,336	287,255
<b>Company</b>							
Balance at 1 January 2020	841	-	-	-	-	-	841
<i>Cash flows:-</i>							
Net drawdowns	1,093	-	-	-	-	-	1,093
Balance as at 31 December 2020	1,934	-	-	-	-	-	1,934
<i>Cash flows:-</i>							
Repayments	(734)	-	-	-	-	-	(734)
Balance as at 31 December 2021	1,200	-	-	-	-	-	1,200

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

## 1. GENERAL INFORMATION

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in associates. The financial statements of the Company as at and for the financial year ended 31 December 2021 do not include any other entities.

The Company is principally engaged in investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements. There were no significant changes in the nature of principal activities of the Company and its subsidiaries during the financial year.

The financial statements of the Group and of the Company for the financial year ended 31 December 2021 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 March 2022.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

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

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

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

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

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

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

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

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

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

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

## 2.3 Functional and presentation currency

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

## 2.4 MFRSs

### 2.4.1 Adoption of new or revised MFRSs

The Group and the Company have applied the following amendments to published standards approved by Malaysian Accounting Standards Board (“MASB”) for the first time for the financial year beginning on 1 January 2021:

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

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

### 2.4.2 Standards issued but not yet effective

The following are MFRSs and Amendments to MFRSs with effective dates on or after 1 April 2021 issued by MASB and they have not been early adopted by the Group and the Company. The Group and the Company intend to adopt these amendments to the published standards, if applicable, when they become effective.

#### (a) Amendments effective for financial year beginning on or after 1 April 2021

- Amendment to MFRS 16 – *Leases*

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

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

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

- MFRS 17 – *Insurance Contracts*
- Amendments to MFRS 17 – *Insurance Contracts*
- Amendments to MFRS 101 – *Presentation of Financial Statements*
- Amendments to MFRS 108 – *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 112 – *Income Taxes*

#### (d) Amendments effective for a date yet to be confirmed

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

## 2.5 Significant accounting estimates and judgements

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

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

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

### 2.5.1 Depreciation of property, plant and equipment

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

### 2.5.2 Valuation of property, plant and equipment and investment properties

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

The carrying amount or closing balance of the land and buildings and investment properties at the end of the reporting period, and the relevant revaluation bases, are disclosed in Notes 4 and 6 to the financial statements.

### 2.5.3 Impairment of non-financial assets

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

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill are disclosed in Note 10 to the financial statements.

Information about events and circumstances that led to the recognition or reversal of impairment loss on individual asset or cash-generating unit are disclosed in Notes 4 and 5 to the financial statements.

### 2.5.4 Provision for expected credit losses (“ECLs”) for trade receivables

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

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

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may not be representative of customers’ actual default rate in the future. The information about the ECLs on the Group’s trade receivables is disclosed in Note 13 to the financial statements.

### 2.5.5 Fair value measurement of financial instruments

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

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

Information about the valuation techniques and inputs used in determining the fair value of various financial assets and financial liabilities are disclosed in the Note 40 to the financial statements.

#### **2.5.6 Income taxes**

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

#### **2.5.7 Inventories**

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

#### **2.5.8 Defined benefit plan**

The defined benefit liability is determined based on an actuarial valuation. An actuarial valuation involves making various assumptions regarding the discount rate, future salary growth and attrition rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. Further details of the assumptions used are disclosed in Note 23 to the financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1 Consolidation**

##### **3.1.1 Business combinations**

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

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

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

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

## **3.1.2 Subsidiaries**

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

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

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

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

## **3.1.3 Non-controlling interests**

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

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

## **3.1.4 Acquisition of NCI**

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

## **3.1.5 Changes in ownership in subsidiaries without loss of control**

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

## **3.1.6 Loss of control**

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

### 3.1.7 Transactions eliminated on consolidation

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

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

### 3.1.8 Associates

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

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

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

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

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

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

## 3.2 Property, plant and equipment

### 3.2.1 Recognition and measurement

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

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

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

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

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

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

## Land and buildings under revaluation model

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

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

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

### 3.2.2 Depreciation

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

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

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

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

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

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

### 3.2.3 Subsequent costs

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

## 3.3 Capital work-in-progress

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

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

### 3.4 Leased assets

#### The Group and the Company as lessee

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

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

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

#### **Measurement and recognition of leases as a lessee**

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

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

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

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

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

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

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

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

#### The Group and the Company as lessor

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

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## 3.5 Investment property

### 3.5.1 Investment property carried at fair value

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

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

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

### 3.5.2 Reclassification to/from investment property

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

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## 3.6 Intangible assets

### 3.6.1 Goodwill

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

### 3.6.2 Other intangible assets

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

### 3.6.3 Amortisation

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

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

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

## 3.7 Financial instruments

### 3.7.1 Financial assets

#### 3.7.1.1 Classification

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

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

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

#### 3.7.1.2 Recognition and derecognition

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

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

#### 3.7.1.3 Initial measurement

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

#### 3.7.1.4 Subsequent measurement

Financial assets are subsequently measured at the four categories:-

(i) *Amortised cost*

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

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

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

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

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

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

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

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

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

## *(iv) FVTPL*

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

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

### **3.7.1.5 Impairment of financial assets**

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

The measurement of ECLs reflects:-

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

ECLs are measured on either of the following basis:-

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

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

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

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



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

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

## **3.7.2 Financial liabilities**

### **3.7.2.1 Classification**

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

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

### **3.7.2.2 Recognition and derecognition**

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

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

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

### **3.7.2.3 Initial measurement**

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

### **3.7.2.4 Subsequent measurement**

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

#### *(i) FVTPL*

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

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

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

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

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

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

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

## (ii) Amortised cost

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

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

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

### 3.7.3 Financial guarantee contracts

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

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

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

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

### 3.7.4 Offsetting of financial instruments

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

### 3.8 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk such as foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Notes 16, 39 and 40 to the financial statements.

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

### 3.9 Impairment of non-financial assets

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

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

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

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

### 3.10 Inventories

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

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

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

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

### 3.11 Foreign currency

#### 3.11.1 Foreign currency transactions

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

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

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

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## 3.11.2 Operations denominated in functional currencies other than RM

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

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign subsidiary is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item will form part of the net investment in the foreign subsidiary. Differences of such nature are recognised in OCI and accumulated in the exchange fluctuation reserve.

## 3.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, bank balances, short-term demand deposits, fixed deposits, short-term placements and bank overdraft which are readily convertible to known amount of cash and are not subject to risk of significant changes in value.

Bank overdrafts are shown in current liabilities in the statements of financial position. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## 3.13 Equity instruments

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

## 3.14 Provisions

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

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

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

## 3.15 Contingencies

### (i) Contingent liabilities

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

### (ii) Contingent assets

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

### **3.16 Borrowing costs**

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

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

### **3.17 Employee benefits**

#### **3.17.1 Short-term employee benefits**

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

#### **3.17.2 Defined contribution plans**

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

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

#### **3.17.3 Defined benefit plan**

The Group and the Company operate an unfunded defined benefit plan for all eligible Malaysian Directors and employees. Net obligation in respect of defined benefit plan is calculated separately by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Net interest expense is calculated by applying the discount rate at the beginning of the period to the defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. The calculation is performed once every 3 years by a qualified actuary using the projected credit method. The Group and the Company recognise actuarial gains and losses arising from remeasurement of defined benefit plan immediately in OCI and all expenses related to defined benefit plan in employee benefits are charged to profit or loss. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs. The Group and the Company recognise gains or losses on the settlement of a defined benefit plan when settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit liability being settled as determined on the date of settlement and the settlement price.

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## 3.18 Revenue recognition

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as below:-

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

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

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

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

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

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

### 3.18.1 Sales of goods

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Group and the Company shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 27 to the financial statements.

### 3.18.2 Commission income

Commission income is recognised when the relevant services are completed.

### 3.18.3 Management fee

Management fee is recognised when services are rendered.

## 3.19 Other income

### 3.19.1 Dividend income

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

### 3.19.2 Interest income

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

### **3.19.3 Rental income**

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

### **3.20 Government grant**

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

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

### **3.21 Tax expenses**

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

#### **3.21.1 Current tax**

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

#### **3.21.2 Deferred tax**

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

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

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

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

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

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



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## 3.22 Related parties

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

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

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

## 3.23 Segment reporting

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

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

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

## 3.24 Earnings per share

### 3.24.1 Basic earnings per share

Basic earnings per share is calculated based on the Group's profit for the financial year attributable to owners of the Company and weighted average number of ordinary shares in issue during the financial year.

### 3.24.2 Diluted earnings per share

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

#### 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Total RM'000
<b>Cost or valuation</b>							
At 1.1.2020							
- cost	4,938	6,803	23,564	1,168,332	45,263	37,308	1,286,208
- valuation	245,895	144,965	313,230	-	-	-	704,090
	250,833	151,768	336,794	1,168,332	45,263	37,308	1,990,298
Additions	1,624	-	5,319	9,483	10,611	5,257	32,294
Transfer from capital work-in-progress	-	-	25,131	29,487	2	55	54,675
Disposals	-	-	-	(2,463)	(5,598)	(180)	(8,241)
Written off	-	-	(15)	(20,384)	(878)	(1,847)	(23,124)
Expiration of lease contract	-	-	(4,161)	-	(192)	-	(4,353)
Translation difference	-	424	1,598	833	75	71	3,001
At 31.12.2020	252,457	152,192	364,666	1,185,288	49,283	40,664	2,044,550
<b>Cost or valuation</b>							
At 1.1.2021							
- cost	6,562	6,803	49,838	1,185,288	49,283	40,664	1,338,438
- valuation	245,895	145,389	314,828	-	-	-	706,112
	252,457	152,192	364,666	1,185,288	49,283	40,664	2,044,550
Additions	33,846	574	5,151	12,490	3,878	3,815	59,754
Acquisition of subsidiaries	-	8,150	13,714	33,217	2,162	2,070	59,313
Transfer from capital work-in-progress	-	-	3,081	78,078	-	1,965	83,124
Revaluation	64,726	30,200	(4,249)	-	-	-	90,677
Reclassification	(4,890)	4,890	-	185	-	(185)	-
Disposals	-	-	(16)	(12,563)	(2,596)	(20)	(15,195)
Written off	-	-	(6)	(22,380)	(2)	(514)	(22,902)
Early termination/Expiration of lease contracts	-	-	(1,139)	-	(122)	-	(1,261)
Translation difference	-	669	89	1,271	88	252	2,369
At 31.12.2021	346,139	196,675	381,291	1,275,586	52,691	48,047	2,300,429
<b>Representing</b>							
- cost	40,407	7,375	57,166	1,275,586	52,691	48,047	1,481,272
- valuation	305,732	189,300	324,125	-	-	-	819,157
At 31.12.2021	346,139	196,675	381,291	1,275,586	52,691	48,047	2,300,429

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Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Total RM'000
<b>Accumulated depreciation</b>							
At 1.1.2020	-	5,937	19,654	757,302	32,301	29,370	844,564
Charge for the financial year	-	2,980	10,331	54,860	5,520	2,815	76,506
Disposals	-	-	-	(2,394)	(4,848)	(113)	(7,355)
Written off	-	-	(1)	(18,555)	(852)	(1,774)	(21,182)
Expiration of lease contracts	-	-	(4,161)	-	(192)	-	(4,353)
Translation difference	-	30	73	795	48	57	1,003
At 31.12.2020	-	8,947	25,896	792,008	31,977	30,355	889,183
Charge for the financial year	-	3,400	11,488	55,839	6,407	3,078	80,212
Acquisition of subsidiaries	-	650	844	20,205	1,655	1,237	24,591
Revaluation	-	(12,177)	(33,885)	-	-	-	(46,062)
Reclassification	-	-	-	134	-	(134)	-
Disposals	-	-	(12)	(10,877)	(2,108)	(18)	(13,015)
Written off	-	-	-	(21,728)	(1)	(469)	(22,198)
Early termination/Expiration of lease contracts	-	-	(1,098)	-	(122)	-	(1,220)
Translation difference	-	45	58	1,209	68	206	1,586
At 31.12.2021	-	865	3,291	836,790	37,876	34,255	913,077
<b>Accumulated impairment loss</b>							
At 31.12.2020/31.12.2021	-	-	-	404	-	-	404
<b>Net carrying amount</b>							
At 31.12.2020	252,457	143,245	338,770	392,876	17,306	10,309	1,154,963
At 31.12.2021	346,139	195,810	378,000	438,392	14,815	13,792	1,386,948

Company	Leasehold land RM'000	Buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Total RM'000
<b>Cost or valuation</b>						
At 1.1.2020						
- cost	-	-	293	2,245	938	3,476
- valuation	17,800	2,700	-	-	-	20,500
	17,800	2,700	293	2,245	938	23,976
Additions	-	-	36	2,139	104	2,279
Disposal	-	-	-	(1,693)	(30)	(1,723)
Written off	-	-	-	-	(35)	(35)
At 31.12.2020	17,800	2,700	329	2,691	977	24,497
<b>Cost or valuation</b>						
At 1.1.2021						
- cost	-	-	329	2,691	977	3,997
- valuation	17,800	2,700	-	-	-	20,500
	17,800	2,700	329	2,691	977	24,497
Additions	-	-	-	107	70	177
Revaluation	(80)	670	-	-	-	590
Disposal	-	-	-	(773)	-	(773)
Written off	-	-	-	-	(42)	(42)
At 31.12.2021	17,720	3,370	329	2,025	1,005	24,449
<b>Representing</b>						
- cost	-	-	329	2,025	1,005	3,359
- valuation	17,720	3,370	-	-	-	21,090
At 31.12.2021	17,720	3,370	329	2,025	1,005	24,449
<b>Accumulated depreciation</b>						
At 1.1.2020	728	152	274	1,241	647	3,042
Charge for the financial year	324	67	5	458	87	941
Disposal	-	-	-	(1,097)	(26)	(1,123)
Written off	-	-	-	-	(34)	(34)
At 31.12.2020	1,052	219	279	602	674	2,826
Charge for the financial year	330	72	6	484	67	959
Revaluation	(1,295)	(270)	-	-	-	(1,565)
Disposal	-	-	-	(417)	-	(417)
Written off	-	-	-	-	(40)	(40)
At 31.12.2021	87	21	285	669	701	1,763
<b>Net carrying amount</b>						
At 31.12.2020	16,748	2,481	50	2,089	303	21,671
At 31.12.2021	17,633	3,349	44	1,356	304	22,686

The Group's and the Company's land and buildings are measured at revalued amounts, being fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's and of the Company's land and buildings were performed by independent professional valuers with appropriate recognised professional qualifications and recent experience in the location and category of property valued in the financial year 2021. The fair value of land was determined based on the comparison approach and fair value of buildings was determined using the depreciated replacement cost and comparison approach. There is no change to the valuation technique.

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The Group's buildings with net carrying amount of RM34,741,000 (2020: RM23,019,000) have been pledged by certain foreign subsidiaries as security for banking facilities.

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Right-of-use assets</b>				
Buildings	5,898	4,039	-	-
Plant and equipment	62,504	56,852	-	-
Motor vehicles	10,339	12,141	1,261	2,086
Furniture, fittings and others	642	851	-	-
	<b>79,383</b>	<b>73,883</b>	<b>1,261</b>	<b>2,086</b>

Additions to the right-of-use assets of the Group and of the Company during the financial year amounted to RM8,134,000 (2020: RM14,220,000) and Nil (2020: RM2,139,000).

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Buildings	2,391	1,951	-	-
Plant and equipment	5,194	6,099	-	-
Motor vehicles	3,552	3,771	377	422
Furniture, fittings and others	208	191	-	-
	<b>11,345</b>	<b>12,012</b>	<b>377</b>	<b>422</b>

## 5. CAPITAL WORK-IN-PROGRESS

Group	Land and buildings RM'000	Plant, machinery and others RM'000	Total RM'000
<b>At cost</b>			
At 1.1.2020	24,684	48,213	72,897
Additions	972	39,416	40,388
Borrowing costs capitalised ranging from 3.9% to 7.3% per annum (Note 30)	-	412	412
Written off	(27)	(430)	(457)
Transfer to property, plant and equipment	(25,131)	(29,544)	(54,675)
Reclassification	449	(449)	-
At 31.12.2020	947	57,618	58,565
Additions	16,233	79,573	95,806
Borrowing costs capitalised ranging at 7.3% per annum (Note 30)	-	10	10
Transfer to property, plant and equipment	(3,081)	(80,043)	(83,124)
At 31.12.2021	14,099	57,158	71,257
<b>Accumulated impairment loss</b>			
At 31.12.2020/31.12.2021	-	15,603	15,603
<b>Net carrying amount</b>			
At 31.12.2020	947	42,015	42,962
At 31.12.2021	14,099	41,555	55,654

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

	Group	
	2021 RM'000	2020 RM'000
<b>Right-of-use assets</b>		
Plant and equipment	2,147	12,206

Additions to the right-of-use assets of the Group during the financial year amounted to RM2,920,000 (2020: RM13,132,000).

## 6. INVESTMENT PROPERTIES

	Group	
	2021 RM'000	2020 RM'000
<b>Fair value:-</b>		
At 1.1	10,670	6,880
Fair value adjustments	(490)	(510)
Transfer from asset included in disposal group as held for sale*	-	4,300
At 31.12	10,180	10,670

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

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

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

Fair value of investment properties consists of:-

	Group	
	2021 RM'000	2020 RM'000
Buildings	3,040	3,330
Land	7,140	7,340
	10,180	10,670

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

	Group	
	2021 RM'000	2020 RM'000
Rental income from operating leases	609	131
Direct operating expenses		
- income generating investment properties	(65)	(9)
- non-income generating investment properties	(1)	(215)
Fair value adjustments recognised in other expenses	(490)	(510)

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

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

	Group	
	2021 RM'000	2020 RM'000
Within 1 year	596	554
Between 1 and 2 years	472	469
Between 2 and 3 years	-	418
	1,068	1,441

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## 7. SUBSIDIARIES

Investment in subsidiaries:-

	Company	
	2021 RM'000	2020 RM'000
Unquoted shares		
- at cost	239,535	213,309
- at valuation	55,633	55,633
	295,168	268,942
	(30,281)	(30,281)
Less: Allowance for impairment loss	264,887	238,661

Details of subsidiaries are as follows:-

Name of subsidiaries	Principal activities	Place of incorporation	Proportion of effective ownership interest and voting power held by the Group	
			2021 %	2020 %
Central Malaya Paper Sdn. Bhd.	Trading of waste paper and investment holding	Malaysia	100	100
CMP Resources Sdn. Bhd.	Property holding	Malaysia	100	100
Federal Packages Sdn. Bhd.	Manufacture and sale of paper cartons and paper related products	Malaysia	100	100
Intra-Muda Holdings Sdn. Bhd.	Investment holding	Malaysia	100	100
Intrapac Trading (M) Sdn. Bhd.	Trading of paper products and acting as commission agent	Malaysia	100	100
K F Paper Products (Melaka) Sdn. Bhd.	Manufacture and sale of board sheets and paper related products	Malaysia	100	100
Kajang Paper Mills Sdn. Bhd.	Investment holding	Malaysia	100	100
Kotak Malaysia Holdings Sdn. Bhd.	Dormant	Malaysia	100	100
Kotak Malaysia (KOM) Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
MC Pack (Malaysia) Sdn. Bhd.	Manufacture and sale of paper packaging products	Malaysia	65	65
Muda Global Engineering Sdn. Bhd.	Engineering and fabrication services	Malaysia	100	100
Muda Land Development Sdn. Bhd.	Property holding	Malaysia	100	100
Muda Management Services Sdn. Bhd.	Management consultancy and general insurance agency	Malaysia	100	100
Muda Packaging Industries Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
Muda Paper Converting Sdn. Bhd.	Converting and sale of paper stationeries and paper based food packaging products	Malaysia	100	100



Details of subsidiaries are as follows:-

Name of subsidiaries	Principal activities	Place of incorporation	Proportion of effective ownership interest and voting power held by the Group	
			2021 %	2020 %
Muda Paper Mills Sdn. Bhd.	Manufacture and sale of paper and paper related products	Malaysia	100	100
Muda Pasifik Sdn. Bhd.	Manufacture and sale of corrugated cartons and boards and related packaging products	Malaysia	100	100
Quantum Total Packages Sdn. Bhd.	Manufacture and trading of printing materials	Malaysia	60	-
RJ & R Holdings Sdn. Bhd.	Property holding	Malaysia	100	100
Sea Paper Industries Sdn. Bhd. (Formerly known as South East Asia Paper Products Sdn. Bhd.)	Manufacture and sale of corrugated paper cartons	Malaysia	100	-
Intrapac (Singapore) Pte. Ltd.*	Trading in paper products, commission agent and investment holding	Singapore	70	70
Ee Sin Paper Products Pte. Ltd.*	Trading in school books, uniforms and stationery	Singapore	56	56
Pacific Bookstores Pte. Ltd.*	Operator of schools and online bookstores	Singapore	67	67
Lonsing Packaging Industries Pte. Ltd.*	Manufacture of packaging materials for food industry	Singapore	60	60
Wenfang Private Limited*	Import and distribute of stationery	Singapore	70	70
ESPP Viet Nam Company Limited#	Trading of paper and stationery	Vietnam	47	47
Intrapac (Australia) Pty. Ltd.*	Trading of paper and paper related products	Australia	100	100
Intrapac Resources & Supplies Pty. Ltd.*	Distribution and trading of packaging products and recycled materials	Australia	-	95
Intrapac Investment Ltd.*	Investment holding	Hong Kong	100	100
Muda Packaging Industries (Qingyuan) Ltd.*	Manufacture and sale of corrugated cartons and paper related products	The People's Republic of China	100	100

\* Subsidiaries not audited by Grant Thornton Malaysia PLT.

# Subsidiary audited by affiliate of Grant Thornton Malaysia PLT.

On 9 September 2021, the Company has struck off Intrapac Resources & Supplies Pty. Ltd. under section 601AA(4) of the Corporation Act 2001 in Australia. The struck off of this subsidiary does not have any significant effect on the financial result of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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## 7.1 Acquisition of subsidiaries

### 7.1.1 Acquisition of Quantum Total Packages Sdn. Bhd. (“Quantum”)

On 2 February 2021, Federal Packages Sdn. Bhd., a wholly-owned subsidiary of the Company acquired 60% equity interest in Quantum for a cash consideration of RM15,000,000.

Since acquisition, Quantum had contributed revenue of RM39,502,560 and profit of RM2,279,845 to the Group. If the acquisition had occurred on 1 January 2021, the consolidated revenue would have been RM42,793,865 and consolidated profit for the financial year would have been RM2,721,303.

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

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

	Fair value recognised on acquisition
	RM'000
<b>Assets</b>	
Property, plant and equipment	17,952
Inventories	3,279
Trade and other receivables	9,348
Cash and cash equivalents	2,279
	32,858
<b>Liabilities</b>	
Borrowings	(4,212)
Lease liabilities	(2,968)
Amount due to directors	(23)
Trade and other payables	(5,103)
Tax payable	(394)
Bank overdrafts	(511)
Deferred tax liabilities	(1,403)
	(14,614)
<b>Total identifiable net assets at fair value</b>	<b>18,244</b>
NCI measured at fair value	(7,297)
Goodwill arising on acquisition	4,053
<b>Total consideration for the parent equity interest acquired</b>	<b>15,000</b>
Effect of the acquisition of Quantum on statements of cash flows:-	
Total consideration for the parent equity interest acquired	15,000
Less: Cash and cash equivalents of subsidiary acquired	(1,767)
<b>Net cash outflow on acquisition</b>	<b>13,233</b>

### 7.1.2 Acquisition of Sea Paper Industries Sdn. Bhd. (Formerly known as South East Asia Paper Products Sdn. Bhd.) (“Sea Paper”)

On 1 March 2021, the Company had acquired 100% equity interest in Sea Paper for a cash consideration of RM22,500,000.

Since acquisition, Sea Paper had contributed revenue of RM21,541,350 and loss of RM373,205 to the Group. If the acquisition had occurred on 1 January 2021, the consolidated revenue would have been RM25,301,962 and consolidated loss for the financial year would have been RM274,579.

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

	Fair value recognised on acquisition
	RM'000
<b>Assets</b>	
Property, plant and equipment	16,770
Inventories	4,069
Trade and other receivables	4,505
Amount due from related companies	1,240
Tax recoverable	449
Cash and cash equivalents	730
	27,763
<b>Liabilities</b>	
Borrowings	(1,333)
Lease liabilities	(64)
Trade and other payables	(1,534)
Amount due to related companies	(16)
Deferred tax liabilities	(2,273)
	(5,220)
<b>Total identifiable net assets at fair value</b>	<b>22,543</b>
Bargain purchase arising on acquisition	(43)
<b>Total consideration for the equity interest acquired</b>	<b>22,500</b>
Effect of the acquisition of Sea Paper on statements of cash flows:-	
Total consideration for the equity interest acquired	22,500
Less: Cash and cash equivalents of subsidiary acquired	(730)
<b>Net cash outflow on acquisition</b>	<b>21,770</b>

### 7.1.3 Additional investment in K F Paper Products (Melaka) Sdn. Bhd.

On 9 November 2021, the Company acquired additional equity interest of 6.73% in K F Paper Products (Melaka) Sdn. Bhd. for cash consideration of RM3,726,000, which resulted K F Paper Products (Melaka) Sdn. Bhd. as a wholly-owned subsidiary of the Company.

### 7.1.4 Additional investment in Muda Pasifik Sdn. Bhd.

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 7.2 Details of non-wholly owned subsidiaries with material NCI

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

### Intrapac (Singapore) Pte. Ltd. Group and its subsidiaries

	2021 RM'000	2020 RM'000
NCI percentage of ownership interest and voting interest	30%	30%
Profit allocated to NCI	5,596	7,233
Carrying amount of NCI	28,881	27,367

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

	2021 RM'000	2020 RM'000
Non-current assets	28,837	31,844
Current assets	95,347	91,821
<b>Total assets</b>	<b>124,184</b>	<b>123,665</b>
Non-current liabilities	(3,731)	(5,265)
Current liabilities	(28,510)	(26,630)
<b>Total liabilities</b>	<b>(32,241)</b>	<b>(31,895)</b>
<b>Total equity</b>	<b>91,943</b>	<b>91,770</b>
Equity attributable to owners of the Company	85,358	85,520
NCI	6,585	6,250
	<b>91,943</b>	<b>91,770</b>
Revenue	156,664	145,611
Profit for the financial year	15,471	21,199
Profit attributable to:		
Owners of the Company	14,772	19,951
NCI	699	1,248
	<b>15,471</b>	<b>21,199</b>
Total comprehensive income attributable to:		
Owners of the Company	16,325	19,912
NCI	699	1,248
	<b>17,024</b>	<b>21,160</b>
Dividends paid to NCI	(416)	(465)
Net cash inflows from operating activities	15,401	15,066
Net cash inflows/(outflows) from investing activities	6,243	(3,023)
Net cash outflows from financing activities	(20,901)	(8,591)
Net increase in cash and cash equivalents	743	3,452

## 7.3 Amounts due from/(to) subsidiaries

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

## 8. ASSOCIATES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares, at cost	1,100	1,100	88	88
Fair value gain on remeasurement of remaining interest in KL Resources Pte. Ltd. ("KLR")	4,949	4,949	-	-
Share of post-acquisition reserves	18,185	13,145	-	-
Disposal	(13,415)	-	-	-
Translation difference	3,154	2,947	-	-
	13,973	22,141	88	88
Less: Allowance for impairment loss				
At 1.1	(851)	(2,353)	(88)	(88)
Reversal for the financial year	-	1,471	-	-
Disposal	775	-	-	-
Translation difference	(12)	31	-	-
At 31.12	(88)	(851)	(88)	(88)
	13,885	21,290	*	*
Re-designated as financial assets, at FVOCI (Note 9)	(12,673)	-	-	-
	1,212	21,290	*	*

\* Less than RM1,000

### 8.1 Details of associates

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

Name of associates	Principal activities	Place of incorporation	Proportion of effective ownership interest and voting power held by the Group	
			2021 %	2020 %
Choice Impact Sdn. Bhd.	Property holding	Malaysia	49	49
KLR* (Note 8.2)	Trading in waste paper and scrap	Singapore	-	24
Timly Enterprise Company LDA*	Trading in stationeries	Democratic Republic of Timor-Leste	22	22

\* Associates not audited by Grant Thornton Malaysia PLT.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

## 8.2 Partial disposal of KLR with loss of significant influence

On 12 November 2021, Intrapac (Singapore) Pte. Ltd., a 70% owned subsidiary of the Company has disposed of 16.88% equity interest in KLR for a cash consideration of SGD 3,997,698 (equivalent to RM12,320,000). The disposal provides an opportunity for the Group to partially realise its investment at an attractive return and generate funds for working capital.

The remaining 16.88% of equity interest had since been reclassified to other investment (Note 9) upon the disposal of the equity interest which resulted in loss of significant influence of the investment.

	RM'000
Proceeds from disposal of partial interest	12,320
Less: Carrying amount of the investment at the date the equity method discontinued (Note 9)	(12,673)
Loss on disposal recognised in profit or loss	(353)

## 8.3 Details of material associates

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

KL Resources Pte. Ltd. Group	2021 RM'000	2020 RM'000
Non-current assets	-	40,266
Current assets	-	41,652
<b>Total assets</b>	-	81,918
Non-current liabilities	-	(21,733)
Current liabilities	-	(14,489)
<b>Total liabilities</b>	-	(36,222)
Net assets of the associate	-	45,696
Proportion of the Group's ownership in KLR	-	24%
Carrying amount of the Group's interest in KLR	-	10,800
Revenue	184,842	142,245
Profit and total comprehensive income for the financial year	14,607	9,122
Group's share of profit for the financial year	5,038	2,388

#### 8.4 Amounts due from/(to) associates

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Amounts due from associates				
- Trade related	-	151	-	-
- Non-trade related	918	917	870	870
	918	1,068	870	870
Amounts due to associates				
- Trade related	-	(2,375)	-	-

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

Currency exposure profile of amounts due to associates other than functional currencies are as follows:-

	Group	
	2021 RM'000	2020 RM'000
United States Dollar	-	1,766
Singapore Dollar	-	609

#### 9. FINANCIAL ASSETS AT FVTOCI

	Group	
	2021 RM'000	2020 RM'000
At FVTOCI:-		
At 1.1	-	-
Transfer from associates (Note 8)	12,673	-
Fair value adjustments	1,553	-
Translation difference	4	-
At 31.12	14,230	-

The financial assets at FVTOCI represents unquoted shares in Singapore, namely KLR.

#### 10. INTANGIBLE ASSETS

Group	Intangible assets		Total RM'000
	Goodwill RM'000	with finite life RM'000	
<b>Cost</b>			
At 1.1.2020	11,663	699	12,362
Translation difference	(7)	(1)	(8)
At 31.12.2020	11,656	698	12,354
Addition	4,053	-	4,053
Translation difference	114	12	126
At 31.12.2021	15,823	710	16,533
<b>Accumulated amortisation</b>			
At 1.1.2020	-	699	699
Translation difference	-	(1)	(1)
At 31.12.2020	-	698	698
Translation difference	-	12	12
At 31.12.2021	-	710	710
<b>Net carrying amount</b>			
At 31.12.2020	11,656	-	11,656
At 31.12.2021	15,823	-	15,823



# NOTES TO THE FINANCIAL STATEMENTS

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The recoverable amount of goodwill arising from acquisition of the subsidiaries are determined based on a value-in-use calculation using profit projections approved by management covering a five-year period, applying before tax discount rates at 8.3% and 15.0% (2020: 6.3% and 13.0%). The other key assumption on which management has based its profit projections to undertake impairment testing is that the subsidiaries will be able to maintain its gross margins recorded during the current year under review as it will be able to pass on cost increases in products.

## 11. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets	748	855	-	-
Deferred tax liabilities	(130,907)	(98,814)	(719)	(356)
	(130,159)	(97,959)	(719)	(356)

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

	Property, plant and equipment RM'000	Revaluation of land and buildings RM'000	Provision for retirement benefit RM'000	Unabsorbed business losses RM'000	Unabsorbed capital allowances RM'000	Unabsorbed reinvestment allowances RM'000	Others RM'000	Total RM'000
<b>Group</b>								
At 1.1.2020	(59,413)	(71,096)	10,630	1,697	4,721	21,450	3,546	(88,465)
Credited/(Charged) to profit or loss (Note 33)	591	1,001	538	105	24	(12,372)	681	(9,432)
Translation difference	(84)	-	-	16	-	-	6	(62)
At 31.12.2020	(58,906)	(70,095)	11,168	1,818	4,745	9,078	4,233	(97,959)
(Charged)/Credited to profit or loss (Note 33)	(22,226)	11,617	732	(233)	2,758	2,790	(1,962)	(6,524)
Charged to other comprehensive income	-	(22,708)	675	-	-	-	-	(22,033)
Effect of acquisition of subsidiaries (Note 7)	(2,123)	(2,814)	-	122	1,133	-	6	(3,676)
Translation difference	22	11	-	2	-	-	(2)	33
At 31.12.2021	(83,233)	(83,989)	12,575	1,709	8,636	11,868	2,275	(130,159)
<b>Company</b>								
At 1.1.2020	(46)	(3,726)	1,556	845	762	-	28	(581)
(Charged)/Credited to profit or loss (Note 33)	(11)	70	138	-	18	-	10	225
At 31.12.2020	(57)	(3,656)	1,694	845	780	-	38	(356)
(Charged)/Credited to profit or loss (Note 33)	(29)	74	144	-	(221)	-	-	(32)
Charged to other comprehensive income	-	(517)	186	-	-	-	-	(331)
At 31.12.2021	(86)	(4,099)	2,024	845	559	-	38	(719)

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) for certain subsidiaries due to uncertainty of future taxable income of the subsidiaries. The deductible temporary differences are available for offset against future taxable profits of the respective subsidiaries.

	Group	
	2021 RM'000	2020 RM'000
Unabsorbed business losses	10,487	11,565
Unabsorbed capital allowances	27,942	23,903
Unabsorbed reinvestment allowances	27,498	27,498
Provision for retirement benefit	3,081	4,823
Others	104	293
	<b>69,112</b>	<b>68,082</b>

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

	2021			2020		
	RM'000	RMB'000	Expiring year	RM'000	RMB'000	Expiring year
China	314	480	2024	1,756	2,859	2021 - 2024
	RM'000	VND'000	Expiring year	RM'000	VND'000	Expiring year
Vietnam	296	1,597,850	2024 - 2026	152	835,341	2024 - 2025

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

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

## 12. INVENTORIES

	Group	
	2021 RM'000	2020 RM'000
Raw materials	201,643	115,068
Consumables	36,486	36,383
Work-in-progress	8,723	5,834
Finished goods	113,202	85,224
Goods-in-transit	7,024	2,809
	<b>367,078</b>	<b>245,318</b>

### Recognised in profit or loss:-

	Group	
	2021 RM'000	2020 RM'000
Inventories recognised as cost of sales	1,425,728	1,129,023
Inventories written down	718	847
Inventories written off	108	258
Reversal of inventories written down	(102)	(24)

# NOTES TO THE FINANCIAL STATEMENTS

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## 13. TRADE RECEIVABLES

	Group	
	2021 RM'000	2020 RM'000
Trade receivables	331,182	285,806
Less: Allowances for impairment loss	(5,192)	(13,428)
	325,990	272,378

**13.1** Normal trade credit terms granted to customers range from cash term to 120 days (2020: cash term to 120 days). Trade receivables are recognised at invoice amounts and they are non-interest bearing.

Included in trade receivables is an amount of RM477,626 (2020: RM529,000) due from subsidiaries of Asia File Corporation Bhd., a major shareholder of the Company.

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

	Group	
	2021 RM'000	2020 RM'000
United States Dollar	38,146	20,159
Singapore Dollar	5,300	4,372
Australian Dollar	3,872	2,520

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

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

	Days past due					Total RM'000
	Current RM'000	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	More than 90 days RM'000	
<b>2021</b>						
Expected credit loss rate	0.1% - 2.0%	0.2% - 9.0%	0.1% - 31.6%	0.7% - 86.5%	0.7% - 100%	
Gross carrying amount	257,567	57,162	9,123	2,011	5,319	331,182
Expected credit loss	1,393	417	73	61	3,248	5,192
<b>2020</b>						
Expected credit loss rate	0.1% - 2.0%	0.2% - 9.0%	0.1% - 31.6%	0.7% - 86.5%	0.8% - 100%	
Gross carrying amount	226,595	37,172	8,800	2,032	11,207	285,806
Expected credit loss	1,642	1,016	362	360	10,048	13,428

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

	Group	
	2021 RM'000	2020 RM'000
At 1.1	13,428	11,879
Acquisition of subsidiaries	23	-
Charge for the financial year	1,511	2,920
Reversal of impairment losses	(2,564)	(1,216)
Written off	(7,229)	(169)
Translation difference	23	14
At 31.12	5,192	13,428

13.5 Information on financial risk of trade receivables are disclosed in Note 39 to the financial statements.

#### 14. OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits	37,274	32,123	70	71
Less: Allowances for impairment losses	(61)	(61)	-	-
	37,213	32,062	70	71
Non-trade receivables	3,917	3,521	108	111
Prepayments	9,446	10,657	85	122
Goods and Services Tax recoverable	409	372	-	-
	50,985	46,612	263	304

#### 14.1 Impairment

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

	Group	
	2021 RM'000	2020 RM'000
At 31.12	61	61

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

	Group	
	2021 RM'000	2020 RM'000
United States Dollar	4,294	3,771
Singapore Dollar	21	24

#### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2021 RM'000	2020 RM'000
<b>At fair value:-</b>		
Quoted investment in Malaysia	5,344	5,211

#### 16. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract/ Notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
	<b>Current</b>		
Forward currency contracts			
2021	8,783	-	33
2020	6,405	13	-

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and bank balances	91,991	90,148	704	292
Fixed deposits with licensed banks	15,081	13,921	-	-
Short-term placements with financial institutions	37,428	22,630	19,690	18,814
	144,500	126,699	20,394	19,106

Fixed deposits amounting to RM12,268,000 (2020: RM6,770,000) of certain subsidiaries are pledged as security for banking facilities, and hence are not available for general use.

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

	Group	
	2021 RM'000	2020 RM'000
United States Dollar	6,199	5,881
Australia Dollar	2,104	470
Singapore Dollar	1,935	1,171

## 18. SHARE CAPITAL

	Group and Company			
	2021 Number of ordinary shares ('000)	2020	2021 RM'000	2020 RM'000
Issued and fully paid-up with no par value	305,051	305,051	159,471	159,471

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

## 19. RESERVES

- Revaluation reserve consists of surplus from revaluation of properties and revaluation of investments in subsidiaries.
- Exchange fluctuation reserve represents exchange differences arising from translation of financial statements of foreign operations whose functional currencies differ from the Group's presentation currency.
- Fair value reserve represents the cumulative fair value changes of financial assets designated at FVTOCI until they are disposed or impaired.
- Other reserve consists of retained earnings capitalised as bonus shares by a subsidiary.

The above reserves are not available for distribution as dividends.

## 20. RETAINED EARNINGS

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

## 21. BORROWINGS

	Group	
	2021 RM'000	2020 RM'000
<b>Current</b>		
Secured:-		
Bankers acceptance	800	-
Term loans	1,316	1,139
Revolving credit	-	1,229
Unsecured:-		
Bankers acceptance	333,765	193,678
Flexi financing loans	12,407	9,752
Onshore foreign currency loan	2,159	2,000
Revolving credit	119,822	95,700
Term loans	29,298	27,595
Trust receipts	2,336	48
	501,903	331,141
<b>Non-current</b>		
Secured:-		
Term loans	1,227	-
Unsecured:-		
Term loans	70,465	69,687
	71,692	69,687
Total borrowings	573,595	400,828

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

	Group	
	2021 RM'000	2020 RM'000
United States Dollar	4,481	2,000

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

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

Interest on borrowings is charged at rates ranging from 0.8% to 5.5% (2020: 1.1% to 6.5%) per annum.

Term loans are repayable on monthly or quarterly basis.

## 22. LEASE LIABILITIES

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Lease liabilities</b>				
Current	18,555	17,915	332	403
Non-current	29,670	34,730	868	1,531
Net present values	48,225	52,645	1,200	1,934

# NOTES TO THE FINANCIAL STATEMENTS

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

	← Minimum lease payment due →			Total RM'000
	Within 1 year RM'000	2 to 5 years RM'000	More than 5 years RM'000	
<b>Group</b>				
<b>2021</b>				
Lease payments	20,758	31,378	645	52,781
Finance charges	(2,203)	(2,335)	(18)	(4,556)
Net present values	18,555	29,043	627	48,225
<b>2020</b>				
Lease payments	20,205	37,304	30	57,539
Finance charges	(2,290)	(2,604)	-	(4,894)
Net present values	17,915	34,700	30	52,645
<b>Company</b>				
<b>2021</b>				
Lease payments		374	912	1,286
Finance charges		(42)	(44)	(86)
Net present values		332	868	1,200
<b>2020</b>				
Lease payments		472	1,639	2,111
Finance charges		(69)	(108)	(177)
Net present values		403	1,531	1,934

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

	Group	
	2021 RM'000	2020 RM'000
United States Dollar	7,678	8,436

22.3 Lease payments not recognised as a liability

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

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term leases				
- Cost of sales	5,857	5,197	-	-
- Administrative expenses	264	156	216	216
Leases of low value assets	433	461	-	-
	6,554	5,814	216	216



## 23. PROVISION FOR RETIREMENT BENEFIT

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

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

### 23.1 Interest rate risk

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

### 23.2 Inflation risk

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

### 23.3 Movement in defined benefit plan

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1.1	52,872	49,981	7,059	6,485
Current service costs	3,028	2,909	240	234
Net interests	3,034	2,858	359	340
Remeasurement effect recognised in other comprehensive loss	2,882	-	775	-
Benefit paid	(2,198)	(2,876)	-	-
At 31.12	59,618	52,872	8,433	7,059

### 23.4 Actuarial assumptions

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

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

	Core assumption %	Sensitivity analysis	Effect on defined benefit liability (decrease) /increase RM'000	Effect on defined benefit liability (decrease) /increase %
<b>Group</b>				
<b>2021</b>				
Discount rate	5.5%	1.0% increase	(4,267)	(7%)
Future salary growth	6.3%	1.0% increase	5,117	9%
<b>2020</b>				
Discount rate	5.5%	1.0% increase	(4,150)	(7%)
Future salary growth	6.3%	1.0% increase	6,113	11%
<b>Company</b>				
<b>2021</b>				
Discount rate	5.5%	1.0% increase	(226)	(3%)
Future salary growth	6.3%	1.0% increase	278	3%
<b>2020</b>				
Discount rate	5.5%	1.0% increase	(236)	(3%)
Future salary growth	6.3%	1.0% increase	412	6%

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

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## 23.5 Defined benefit plan expenses

Amount recognised in profit or loss is as follows:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current service costs	3,028	2,909	240	234
Net interests	3,034	2,858	359	340
<b>Total expenses recognised in profit or loss</b>	<b>6,062</b>	<b>5,767</b>	<b>599</b>	<b>574</b>

Amount recognised in other comprehensive loss is as follows:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Actuarial loss in defined benefit liability due to plan experience	2,882	-	775	-
Deferred tax expense	(675)	-	(186)	-
<b>Remeasurement effect recognised in other comprehensive loss</b>	<b>2,207</b>	<b>-</b>	<b>589</b>	<b>-</b>

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

## 23.6 Other information on the defined benefit plan

The weighted average duration of the defined benefit liability of the Group and of the Company is 8.13 years and 2.92 years respectively (2020: 8.31 years and 3.87 years respectively). The Group and the Company are expected to make benefit payment of RM3,248,000 and RM327,000 respectively in 2022 (RM2,201,000 and RM243,000 respectively in 2021).

## 24. TRADE PAYABLES

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

	Group	
	2021 RM'000	2020 RM'000
United States Dollar	5,912	3,782
Singapore Dollar	3	3

Normal trade credit terms granted by suppliers range from cash term to 90 days (2020: 90 days).

## 25. OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-trade payables	52,171	34,038	-	-
Deposits received	375	1,998	69	80
Accruals	60,064	55,396	2,341	2,404
Goods and Services Tax payable	2,032	1,864	-	-
Sales Tax payable	2,189	1,333	-	-
<b>Total</b>	<b>116,831</b>	<b>94,629</b>	<b>2,410</b>	<b>2,484</b>

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

	Group	
	2021 RM'000	2020 RM'000
United States Dollar	2,106	1,851
Singapore Dollar	38	136

## 26. BANK OVERDRAFTS

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

Interest on bank overdrafts is charged at rates ranging from 5.9% to 7.2% (2020: 5.3% to 7.4%) per annum.

## 27. REVENUE

Revenue comprises of the following:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contract with customers	1,740,609	1,425,642	-	-
Revenue from other sources				
- Dividend income from subsidiaries	-	-	33,261	28,616
- Dividend income from quoted investment in Malaysia	136	155	136	155
- Management fees from subsidiaries	-	-	8,584	8,110
	1,740,745	1,425,797	41,981	36,881

### 27.1 Disaggregation of revenue from contracts with customers

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

	Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000
<b>2021</b>				
<b>Major products/service lines</b>				
Manufacturing and sale of industrial paper and paper related products	1,471,498	-	-	1,471,498
Trading of school books, uniforms and stationery	-	132,366	-	132,366
Trading of paper related products and agency commission earned	-	35,324	-	35,324
Others	101,361	-	196	101,557
	1,572,859	167,690	196	1,740,745
<b>Primary geographical markets</b>				
Malaysia	1,536,873	22,433	196	1,559,502
Singapore	17,652	139,006	-	156,658
Australia	-	6,251	-	6,251
The People's Republic of China	18,334	-	-	18,334
	1,572,859	167,690	196	1,740,745
<b>Timing of revenue recognition</b>				
Products and services transferred at a point in time	1,572,859	167,690	196	1,740,745

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## 2020

### Major products/service lines

Manufacturing and sale of industrial paper and paper related products  
Trading of school books, uniforms and stationery  
Trading of paper related products and agency commission earned  
Others

	Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000
Manufacturing and sale of industrial paper and paper related products	1,166,460	-	-	1,166,460
Trading of school books, uniforms and stationery	-	124,094	-	124,094
Trading of paper related products and agency commission earned	-	34,948	-	34,948
Others	100,066	-	229	100,295
	1,266,526	159,042	229	1,425,797
<b>Primary geographical markets</b>				
Malaysia	1,238,600	24,272	229	1,263,101
Singapore	15,825	129,708	-	145,533
Australia	-	5,062	-	5,062
The People's Republic of China	12,101	-	-	12,101
	1,266,526	159,042	229	1,425,797
<b>Timing of revenue recognition</b>				
Products and services transferred at a point in time	1,266,526	159,042	229	1,425,797

## 28. OTHER INCOME

Other income comprises of the following material items:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Bad debts recovered	3	8	-	-
Bargain purchase for acquisition of subsidiary	43	-	-	-
Gain on disposal of property, plant and equipment	1,861	1,162	1	222
Unrealised gain on foreign exchange	223	410	-	-
Interest income	886	1,123	427	479
Rental income				
- third parties	1,329	398	252	217
Reversal of inventories written down	102	24	-	-
Reversal of impairment loss on investment in an associates	-	1,471	-	-

## 29. OTHER EXPENSES

Other expenses comprise of the following material items:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Bad debts written off	20	64	-	-
Capital work-in-progress written off	-	457	-	-
Deficit on revaluation of properties	1,412	-	-	-
Fair value adjustments on investment properties	490	510	-	-
Fair value loss on derivative financial instruments	45	131	-	-
Fair value loss on financial assets at FVTPL	2	7	2	7
Inventories written down	718	847	-	-
Inventories written off	108	258	-	-
Loss on disposal of investment in an associate	353	-	-	-
Loss on foreign exchange - realised	762	196	-	-
Property, plant and equipment written off	704	1,942	2	1

### 30. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expenses on:-				
Bank overdrafts	1,095	497	*	2
Bankers acceptance	7,453	7,456	-	-
Flexi financing loans	394	450	-	-
Lease liabilities	2,854	2,447	68	57
Onshore foreign currency loan	24	32	-	-
Revolving credit	3,588	3,735	-	-
Term loans	3,938	4,864	-	-
Recognised in profit or loss	19,346	19,481	68	59
Capitalised on qualifying assets:- - capital work-in-progress (Note 5)	10	412	-	-
	19,356	19,893	68	59

\* Less than RM1,000

### 31. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salary, wages and other allowances	192,020	175,593	5,846	5,627
Defined contribution plan	15,936	14,541	487	535
Defined benefit plan	6,062	5,767	599	574
	214,018	195,901	6,932	6,736

Included in profit or loss was RM4,433,000 (2020: RM10,957,000) of government grants obtained relating to wage subsidy of the Group's employees.

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

Included in employee benefits expenses is the Directors' emoluments disclosed in Note 32 to the financial statements.

### 32. DIRECTORS' REMUNERATION

Remuneration of Directors are as follows:-

	Fees RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Group</b>						
<b>2021</b>						
Executive Directors	656	2,760	760	526	106	4,808
Non-Executive Directors	714	-	-	2,142	52	2,908
	1,370	2,760	760	2,668	158	7,716
<b>2020</b>						
Executive Directors	515	2,472	740	601	104	4,432
Non-Executive Directors	678	-	-	2,023	52	2,753
	1,193	2,472	740	2,624	156	7,185

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	Fees RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Company</b>						
<b>2021</b>						
Executive Directors	120	2,760	760	408	106	4,154
Non-Executive Directors	360	-	-	941	30	1,331
	480	2,760	760	1,349	136	5,485
<b>2020</b>						
Executive Directors	120	2,472	740	492	104	3,928
Non-Executive Directors	360	-	-	912	31	1,303
	480	2,472	740	1,404	135	5,231

The estimated monetary value of benefits provided to Directors of the Group and of the Company during the financial year by way of usage of the Company's and subsidiaries' assets and other benefits amounted to RM158,000 (2020: RM156,000) and RM136,000 (2020: RM135,000) respectively.

### 33. TAX EXPENSE/(INCOME)

#### Tax recognised in profit or loss

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Current tax expense</b>				
Current year	18,318	13,806	39	46
(Over)/Under provision in prior years	(1,621)	(609)	(11)	1
Total current tax recognised in profit or loss	16,697	13,197	28	47
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	9,339	11,559	129	(149)
Over provision in prior years	(2,196)	(1,131)	(23)	(5)
Realisation of deferred tax upon depreciation of revalued assets	(619)	(996)	(74)	(71)
Total deferred tax recognised in profit or loss	6,524	9,432	32	(225)
Total tax expense/(income)	23,221	22,629	60	(178)

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax	108,134	120,027	31,586	27,041
Tax at Malaysian statutory tax rate of 24%	25,952	28,806	7,581	6,490
Tax effects in respect of:-				
Expenses not deductible for tax purposes	9,621	4,475	749	457
Income not subject to tax	(2,488)	(3,458)	(8,162)	(7,050)
Realisation of deferred tax upon depreciation of revalued assets	(619)	(996)	(74)	(71)
Movement on deferred tax assets not recognised	247	(236)	-	-
Utilisation of reinvestment allowances	(3,661)	(2,676)	-	-
Effect of different tax rate for fair value in investment properties	(3)	12	-	-
Different tax rates of foreign subsidiaries	(2,011)	(1,558)	-	-
(Over)/Under provision in prior years				
- Current tax	(1,621)	(609)	(11)	1
- Deferred tax	(2,196)	(1,131)	(23)	(5)
	23,221	22,629	60	(178)

#### Tax recognised in other comprehensive income

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revaluation of land and buildings	22,708	-	517	-
Remeasurement of defined benefit liability	(675)	-	(186)	-
	<b>22,033</b>	<b>-</b>	<b>331</b>	<b>-</b>

#### 34. AUDITORS' REMUNERATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Auditors' remuneration:-</b>				
- Audit fees				
Grant Thornton Malaysia PLT	433	378	46	44
Other member firm of Grant Thornton International Limited	17	20	-	-
Other Auditors	260	279	-	-
- Non-audit fees				
Grant Thornton Malaysia PLT	183	380	61	152

#### 35. EARNINGS PER SHARE

##### Basic

Earnings per share is calculated based on the Group's profit for the financial year attributable to owners of the Company of RM77,838,000 (2020: RM90,020,000) and weighted average number of ordinary shares in issue during the financial year of 305,050,835 (2020: 305,050,835).

##### Diluted

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

#### 36. DIVIDENDS

	Group and Company RM'000
<b>Recognised in the year</b>	
<b>2021</b>	
First and final single tier dividend for financial year 2020:- 5.0 sen per share	<u>15,252</u>
<b>2020</b>	
First and final single tier dividend for financial year 2019:- 4.0 sen per share	<u>12,202</u>

A first and final single tier dividend of 5.0 sen per ordinary share, amounting to RM15,252,542 was recommended by the Directors in respect of the financial year ended 31 December 2021.



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## 37. CAPITAL COMMITMENTS

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

	Group	
	2021 RM'000	2020 RM'000
Contracted but not provided for	79,223	76,568
Made up of:-		
Land and buildings	23,191	34,174
Plant and machineries	53,240	40,033
Computer system and others	2,792	2,361
	79,223	76,568

## 38. RELATED PARTY

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

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

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 7, 8 and 13 to the financial statements.

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

### 38.1 Transactions with subsidiaries

	Company	
	2021 RM'000	2020 RM'000
Lease rental payable	216	216
Secretarial and statutory records maintenance fee payable	122	120
Stationery expenses payable	4	4
Office administration fee payable	504	504
Share registration fee payable	138	130
Interest income	-	1
Dividend income receivable	33,261	28,616
Management fee receivable	8,584	8,110

### 38.2 Transactions with associates

	Group	
	2021 RM'000	2020 RM'000
Sales of goods	475	438
Purchase of goods	11,617	8,527
Dividend income receivable	157	171
Management fee receivable	-	43

### 38.3 Related party transactions with major shareholder, Asia File Corporation Bhd. and its subsidiaries

	Group	
	2021 RM'000	2020 RM'000
Sale of goods	2,244	1,936

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

	Group	
	2021 RM'000	2020 RM'000
Lease rental payable	144	144

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

### 38.5 Compensation of key management personnel

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

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

	Group	
	2021 RM'000	2020 RM'000
Fees, salaries, bonus and other emoluments	6,665	6,278
Benefit-in-kind	106	104
	6,771	6,382

## 39. FINANCIAL INSTRUMENTS

### Risk management objectives and policies

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

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

#### 39.1 Credit risk

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

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

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

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

Information regarding the Group’s exposure to credit risk and ECLs for trade receivables is disclosed in Note 13 to the financial statements.

## 39.1.1 Exposure to credit risk

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Financial assets:-</b>				
Short-term placements with financial institutions	37,428	22,630	19,690	18,814
Cash and bank balances	91,991	90,148	705	292
Fixed deposits with licensed banks	15,081	13,921	-	-
Trade receivables	325,990	272,378	-	-
Other receivables	41,130	35,583	178	182
Amount due from subsidiaries	-	-	19,145	29,496
Amount due from associates	918	1,068	870	870
Financial assets at FVTPL	5,344	5,211	5,344	5,211
Carrying amounts	517,882	440,939	45,932	54,865

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

The Company provides secured financial guarantees to financial institutions in respect of credit facilities granted to certain subsidiaries. The maximum exposure to credit risk is as disclosed in Note 39.2.1. as at the reporting date. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default in payment.

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

## 39.2 Liquidity risk

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

### 39.2.1 Analysis of financial liabilities by remaining contractual maturity period

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

	Current	Non-current	
	Within 1 year RM'000	2 to 5 years RM'000	More than 5 years RM'000
<b>Group</b>			
<b>2021</b>			
<b>Non-derivative financial liabilities</b>			
Borrowings	504,854	74,763	1,416
Bank overdrafts	19,717	-	-
Lease liabilities	20,758	31,375	645
Trade payables	76,541	-	-
Other payables	112,610	-	-
Total undiscounted financial liabilities	734,480	106,138	2,061

	Current	Non-current	
	Within 1 year RM'000	2 to 5 years RM'000	More than 5 years RM'000
<b>2020</b>			
<b><i>Non-derivative financial liabilities</i></b>			
Borrowings	335,194	74,081	867
Bank overdrafts	4,854	-	-
Lease liabilities	20,205	37,304	30
Trade payables	63,407	-	-
Other payables	91,432	-	-
Amount due to associates	2,375	-	-
<b>Total undiscounted financial liabilities</b>	<b>517,467</b>	<b>111,385</b>	<b>897</b>

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

	Current	Non-current	
	Within 1 year RM'000	2 to 5 years RM'000	More than 5 years RM'000
<b>Company</b>			
<b>2021</b>			
<b><i>Non-derivative financial liabilities</i></b>			
Lease liabilities	374	912	-
Other payables	2,410	-	-
Amount due to subsidiaries	75	-	-
<b>Total undiscounted financial liabilities</b>	<b>2,859</b>	<b>912</b>	<b>-</b>
Financial guarantee*	1,244,984	-	-
<b>2020</b>			
<b><i>Non-derivative financial liabilities</i></b>			
Lease liabilities	472	1,639	-
Other payables	2,484	-	-
Amount due to subsidiaries	15	-	-
<b>Total undiscounted financial liabilities</b>	<b>2,971</b>	<b>1,639</b>	<b>-</b>
Financial guarantee*	1,199,595	-	-

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

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

### 39.3 Interest rate risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 39.3.1 Interest rate sensitivity analysis

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Fixed rate instruments</b>				
<u>Financial asset</u>				
Fixed deposits with licensed banks	15,081	13,921	-	-
<u>Financial liability</u>				
Lease liabilities	(48,225)	(52,645)	(1,200)	(1,934)
Net financial liabilities	(33,144)	(38,724)	(1,200)	(1,934)
<b>Floating rate instruments</b>				
<u>Financial asset</u>				
Short-term placements with financial institutions	37,428	22,630	19,690	18,814
<u>Financial liabilities</u>				
Bankers acceptance	(334,565)	(193,678)	-	-
Flexi financing loans	(12,407)	(9,752)	-	-
Onshore foreign currency loan	(2,159)	(2,000)	-	-
Revolving credit	(119,822)	(96,929)	-	-
Term loans	(102,306)	(98,421)	-	-
Trust receipts	(2,336)	(48)	-	-
Bank overdrafts	(19,717)	(4,854)	-	-
Total financial liabilities	(593,312)	(405,682)	-	-
Net financial (liabilities)/assets	(555,884)	(383,052)	19,690	18,814

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2020: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group		Company	
	Effect on profit for the financial year 25bp increase RM'000	25bp decrease RM'000	Effect on profit for the financial year 25bp increase RM'000	25bp decrease RM'000
2021	(1,056)	1,056	37	(37)
2020	(728)	728	36	(36)

### 39.4 Foreign currency risk

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

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

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

	USD RM'000	AUD RM'000	SGD RM'000
<b>Group</b>			
<b>2021</b>			
Trade and other receivables	42,440	3,872	5,321
Deposits, cash and bank balances	6,199	2,104	1,935
Trade and other payables	(8,018)	-	(41)
Borrowings	(4,481)	-	-
Lease liabilities	(7,678)	-	-
<b>Net exposure</b>	<b>28,462</b>	<b>5,976</b>	<b>7,215</b>
<b>2020</b>			
Trade and other receivables	23,930	2,520	4,396
Deposits, cash and bank balances	5,890	470	1,171
Trade and other payables	(5,633)	(24)	(139)
Amount due to associates	(1,766)	-	(609)
Borrowings	(2,000)	-	-
Lease liabilities	(8,436)	-	-
<b>Net exposure</b>	<b>11,985</b>	<b>2,966</b>	<b>4,819</b>

#### 39.4.1 Foreign currency sensitivity analysis

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

A +/-5% (2020: +/-5%) change in the RM/USD, RM/AUD and RM/SGD exchange rates at the reporting period is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

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

	Effect on ← profit for the financial year →		
	USD RM'000	AUD RM'000	SGD RM'000
<b>Group</b>			
2021	(1,082)	(227)	(274)
2020	(455)	(113)	(183)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 39.5 Other price risk sensitivity analysis

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

An increase or a decrease of 1% (2020: 1%) in the prices of the quoted securities would result in an increase or a decrease of RM41,000 (2020: RM40,000) to the profit or loss of the Group and of the Company.

## 40. FAIR VALUE MEASUREMENT

### 40.1 Group

#### 40.1.1 Fair value measurement of financial instruments

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

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

Financial assets / financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2021 RM'000	2020 RM'000		
1) Foreign currency forward contracts	Liabilities 33	Assets 13	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Financial assets at FVTPL	Assets 5,344	Assets 5,211	Level 1	Quoted bid prices in an active market.
3) Financial assets at FVTOCI	Assets 14,230	-	Level 3	Estimated based on net assets of the investee.

There were no transfers between Level 1 and Level 2 in financial year 2021 and 2020.



#### 40.1.2 Fair value measurement of non-financial assets

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

Non-financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2021 RM'000	2020 RM'000				
1) Property, plant and equipment	<b>Land</b> 541,949	<b>Land</b> 395,122	Level 3	Comparison approach which reflects recent market transactions for similar properties.	Adjustment for factors such as plot size, location, encumbrances and current use.	The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as starting point for valuation.
	<b>Buildings</b> 372,100	<b>Buildings</b> 294,724		Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Adjustment for factors such as physical deterioration, functional and economic obsolescence.	Depreciation is deducted to reflect the current condition of the buildings and structures.
2) Investment property	<b>Land</b> 7,140	<b>Land</b> 7,340	Level 3	Comparison approach which reflects recent market transactions for similar properties.	Adjustment for factors such as plot size, location, encumbrances and current use.	The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as starting point for valuation.
	<b>Buildings</b> 3,040	<b>Buildings</b> 3,330		Depreciated replacement cost and comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.	Adjustment for factors such as physical deterioration, functional and economic obsolescence.	Depreciation is deducted to reflect the current condition of the buildings and structures.

# NOTES TO THE FINANCIAL STATEMENTS

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

	← Property, plant and equipment →				← Investment properties →			
	Land		Buildings		Land		Buildings	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1.1	395,122	397,199	294,724	300,854	7,340	5,240	3,330	1,640
Transfer from asset included in disposal group as held for sale	-	-	-	-	-	2,400	-	1,900
Transfer to level 3	42,962	-	57,663	-	-	-	-	-
Expenses recognised in profit or loss:-								
- Decrease in fair value of land and buildings*	(552)	-	(860)	-	(200)	(300)	(290)	(210)
- Depreciation	(3,400)	(2,519)	(9,097)	(7,016)	-	-	-	-
Gain recognised in other comprehensive income:-								
- Revaluation of land and buildings	107,103	-	29,636	-	-	-	-	-
Translation difference	714	442	34	886	-	-	-	-
At 31.12	541,949	395,122	372,100	294,724	7,140	7,340	3,040	3,330

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

## 40.2 Company

### 40.2.1 Fair value measurement of financial instruments

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

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

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2021 RM'000	2020 RM'000		
Financial assets at FVTPL	5,344	5,211	Level 1	Quoted bid prices in an active market.

There was no transfer to Level 2 in financial year 2021 and 2020.

### 40.2.2 Fair value measurement of non-financial assets

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

Non-financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2021 RM'000	2020 RM'000				
Property, plant and equipment	<b>Land</b> 17,633	<b>Land</b> 16,748	Level 3	Comparison approach which reflects recent market transactions for similar properties.	Adjustment for factors such as plot size, location, encumbrances and current use.	The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as starting point for valuation.
	<b>Buildings</b> 3,349	<b>Buildings</b> 2,481				

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

	Property, plant and equipment		Buildings	
	Land			
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1.1	16,748	17,072	2,481	2,548
Expenses recognised in profit or loss:-				
- Depreciation	(330)	(324)	(72)	(67)
Gain recognised in other comprehensive income:-				
- Revaluation of land and buildings	1,215	-	940	-
At 31.12	17,633	16,748	3,349	2,481

#### 41. CAPITAL MANAGEMENT

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

No changes were made in the objectives, policies or processes for managing capital during the financial year 2021 and 2020.

The Group manages the mixture of equity and borrowings to ensure that gearing ratio of the Group does not exceed 1.5 and consolidated shareholders' equity is not less than RM400,000,000 to comply with the covenants of certain loan and credit facilities taken by certain subsidiaries. Shareholders' equity and gearing ratio at the end of financial year 2021 and 2020 are reported below:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Borrowings (including lease liabilities and bank overdraft)	641,537	458,327	1,200	1,934
Total equity	1,355,211	1,166,459	321,409	304,086
Debt-to-equity ratio	0.47	0.39	*	*

\* Less than 0.1

#### 42. OPERATING SEGMENTS – GROUP

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

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

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

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

Transfer prices between operating segments are on negotiated basis.

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

# NOTES TO THE FINANCIAL STATEMENTS

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

	Manufacturing		Trading		Others		Eliminations		Note	Consolidated	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000		2021 RM'000	2020 RM'000
<b>Revenue</b>											
External revenue	1,572,859	1,266,526	167,690	159,042	196	229	-	-		1,740,745	1,425,797
Intersegment revenue	25,307	16,249	257,933	153,312	8,584	8,110	(291,824)	(177,671)	A	-	-
Total revenue	1,598,166	1,282,775	425,623	312,354	8,780	8,339	(291,824)	(177,671)		1,740,745	1,425,797
<b>Results</b>											
Segment profit	113,981	118,924	15,176	20,327	49,348	45,661	(56,951)	(49,042)	B	121,554	135,870
Interest income	163	303	305	354	613	638	(195)	(172)		886	1,123
Finance cost	(19,628)	(19,499)	(637)	(821)	(162)	(158)	1,081	997		(19,346)	(19,481)
Depreciation and amortisation	(74,838)	(71,338)	(3,905)	(3,694)	(1,469)	(1,474)	-	-		(80,212)	(76,506)
Share of result of associates	-	-	5,040	2,515	-	-	-	-		5,040	2,515
Other non-cash (expenses)/income	(781)	(4,343)	275	1,331	(63)	159	-	-	C	(569)	(2,853)
<b>Assets</b>											
Segment assets	2,108,511	1,688,447	176,455	150,224	76,861	67,223	-	-	D	2,361,827	1,905,894
Investment in associates	-	-	1,212	21,290	-	-	-	-		1,212	21,290
Additions to non-current assets other than financial instruments and deferred tax assets	155,028	65,810	4,016	4,764	579	2,520	-	-	E	159,623	73,094
Segment liabilities	202,894	169,843	38,061	32,834	12,068	10,606	-	-	F	253,023	213,283

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

A. Intersegment revenue is eliminated on consolidation.

B. The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in the profit or loss:-

	2021 RM'000	2020 RM'000
Segment profit	121,554	135,870
Interest income	886	1,123
Finance costs	(19,346)	(19,481)
Share of results of associates	5,040	2,515
<b>Profit before tax</b>	<b>108,134</b>	<b>120,027</b>

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

	2021 RM'000	2020 RM'000
Reversal of impairment loss on investment in an associates	-	1,471
Impairment loss on doubtful trade receivables	(1,511)	(2,920)
Bargain purchase for acquisition of subsidiary	43	-
Bad debts written off	(20)	(64)
Capital work-in-progress written off	-	(457)
Fair value loss on derivative financial instruments	(45)	(131)
Fair value loss on financial assets at FVTPL	(2)	(7)
Property, plant and equipment written off	(703)	(1,942)
Inventories written down	(718)	(847)
Inventories written off	(108)	(258)
Fair value adjustments on investment properties	(490)	(510)
Impairment loss on doubtful trade receivables no longer required	2,564	1,216
Reversal of inventories written down	102	24
Deficit on revaluation of properties	(1,412)	-
Loss on disposal of investment in an associate	(353)	-
Gain on disposal of property, plant and equipment	1,861	1,162
Unrealised gain on foreign exchange	223	410
	<b>(569)</b>	<b>(2,853)</b>

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

	2021 RM'000	2020 RM'000
Segment assets	2,361,827	1,905,894
Intangible assets	15,823	11,656
Investment in associates	1,212	21,290
Deferred tax assets	748	855
Tax recoverable	6,938	1,066
<b>Total assets</b>	<b>2,386,548</b>	<b>1,940,761</b>

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

	2021 RM'000	2020 RM'000
Property, plant and equipment	59,754	32,294
Capital work-in-progress	95,816	40,800
Intangible assets	4,053	-
	<b>159,623</b>	<b>73,094</b>

# NOTES TO THE FINANCIAL STATEMENTS

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

	2021 RM'000	2020 RM'000
Segment liabilities	253,023	213,283
Lease liabilities	48,225	52,645
Borrowings and bank overdrafts	593,312	405,682
Tax payable	5,870	3,878
Deferred tax liabilities	130,907	98,814
<b>Total liabilities</b>	<b>1,031,337</b>	<b>774,302</b>

## Geographical information

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

	Revenue		Non-current assets	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia*	1,559,502	1,263,101	1,412,491	1,175,926
Singapore	156,658	145,533	17,446	11,619
Australia	6,251	5,062	19,472	18,271
The People's Republic of China	18,334	12,101	19,196	14,435
	<b>1,740,745</b>	<b>1,425,797</b>	<b>1,468,605</b>	<b>1,220,251</b>

\* *Company's home country*

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

	2021 RM'000	2020 RM'000
Property, plant and equipment	1,386,948	1,154,963
Capital work-in-progress	55,654	42,962
Investment properties	10,180	10,670
Intangible assets	15,823	11,656
	<b>1,468,605</b>	<b>1,220,251</b>


## Major customers

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



## ■ TOP 10 PROPERTIES & SHAREHOLDINGS

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# TOP 10 PROPERTIES OWNED

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Location	Description of Property	Land Area (Sq. Metre)	Existing Use	Net Carrying Amount RM'000	Age of Building (Approx. Years)	Date of (A) Acquisition / (B) Revaluation / (C) Fair Value
Lot 11207, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan 99 Years Lease Expiring 2070	Industrial Building	87,499	Office, Factory & Warehouse	129,528	4 - 51	(B) 09-09-21
Lot 153, 156, 157, 160, 161, 162, 163 & 164 Jalan Tasek, 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	112,917	Office, Factory, Warehouse & Water Treatment Plant	107,579	1 - 56	(B) 09-09-21
Lot 86818 1 1/2 Miles, Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	48,363	Office & Factory	85,703	6 - 44	(B) 09-09-21
Lot 415, Jalan Tasek 14120 Simpang Ampat Daerah Seberang Perai Selatan Penang Freehold	Industrial Building	73,370	Office, Factory & Warehouse	50,759	28	(B) 09-09-21
Lot 5744, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Land	43,934	Open Storage yard	40,200	-	(B) 09-09-21
No. 9, Jalan Persiaran Teknologi Taman Teknologi Johor 81400 Senai Johor Darul Takzim 60 Years Lease Expiring 2063	Industrial Building	38,360	Office & Factory	36,457	18	(B) 09-09-21
Lot 8869 & 8871, 1 1/2 Miles Off Jalan Sungai Chua 43000 Kajang, Selangor Darul Ehsan Freehold	Industrial Building	22,063	Warehouse	34,175	5 - 21	(B) 09-09-21
No. 136, Jalan Usaha 4 Kawasan Perindustrian Air Keroh 75450 Melaka 99 Years Lease Expiring 2070	Industrial Building	21,600	Office, Factory & Warehouse	31,297	2	(B) 09-09-21
Lot 5235, Taman Perindustrian Kidamai 43000 Kajang Selangor Darul Ehsan Freehold	Industrial Building	21,271	Office, Factory & Open Storage Yard	30,874	4 - 10	(B) 09-09-21
Lot 775, 824, 10216, 10217, 10279, & 10286 Jalan Seberang Tasek 14120 Simpang Ampat Seberang Perai Selatan Penang Freehold	Industrial Building	47,904	Factory & Water Treatment Plant	28,578	2 - 6	(B) 09-09-21

# ANALYSIS OF SHAREHOLDINGS

AS AT 28 MARCH 2022

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

Range of Shareholdings	No. of Shareholders	No. of Issued Shares	% of Issued Shares
Less than 100	483	17,620	0.01
100 to 1,000	915	604,461	0.20
1,001 to 10,000	3,144	12,284,816	4.02
10,001 to 100,000	623	17,209,752	5.64
100,001 to less than 5% of issued shares	94	98,718,886	32.36
5% and above of issued shares	4	176,215,300	57.77
<b>Total</b>	<b>5,263</b>	<b>305,050,835</b>	<b>100.00</b>

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

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

Name	Direct Interest		Deemed Interest	
	No of Shares	%	No of Shares	%
Tan Sri Lim Guan Teik	3,250,000	1.07	126,010,613 *	41.31
Dato' Azaman Bin Abu Bakar	100,000	0.03	115,580,313 *	37.89
Datuk Wira Lim Chiun Cheong	715,500	0.24	128,545,113 *	42.14
Lee Khim Sin	60,000	0.02	203,000 *	0.07
Lim Siew Ling	-	-	118,437,013 *	38.83
Lim Yen Wee	170,000	0.06	119,454,813 *	39.16

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

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

Name	Direct Interest		Deemed Interest	
	No of Shares	%	No of Shares	%
Tan Sri Lim Guan Teik	3,250,000	1.07	126,010,613 *	41.31
Dato' Azaman Bin Abu Bakar	100,000	0.03	115,580,313 *	37.89
Datuk Wira Lim Chiun Cheong	715,500	0.24	128,545,113 *	42.14
Lim Siew Ling	-	-	118,437,013 *	38.83
Lim Yen Wee	170,000	0.06	119,454,813 *	39.16
Hartaban Holdings Sdn. Bhd.	20,300,000	6.66	94,569,313 ^	31.00
Malaysia Nominees (Tempatan) Sendirian Berhad				
Pledged Securities Account For Hartaban Holdings Sdn Bhd	83,650,000	27.42	-	-
Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73	127,023,713 *	41.64
Sin Poay Sim	2,677,700	0.88	115,759,313 *	37.95
Datin Cheong Koon Hooi	4,000,000	1.31	114,869,313 *	37.66
Asia File Corporation Bhd.	17,439,200	5.72	54,826,100 ^	17.97
Lim & Khoo Sdn. Bhd.	54,826,100	17.97	-	-
Dato' Lim Soon Huat	9,666,900	3.17	72,265,300 ^	23.69
Prestige Elegance (M) Sdn. Bhd.	-	-	72,265,300 ^	23.69
Datin Khoo Saw Sim	-	-	72,265,300 ^	23.69

### Notes:

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

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

# ANALYSIS OF SHAREHOLDINGS

AS AT 28 MARCH 2022

## 30 Largest Shareholders as per Record of Depositors as at 28 March 2022

No.	Name	No. of Shares	%
1	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Hartaban Holdings Sdn. Bhd. (01-00794-000)	83,650,000	27.42
2	Lim & Khoo Sdn Bhd	54,826,100	17.97
3	Hartaban Holdings Sdn Bhd	20,300,000	6.66
4	Asia File Corporation Bhd	17,439,200	5.72
5	Styme Sdn Bhd	10,919,313	3.58
6	Beh Phaik Hooi	9,756,700	3.20
7	Dato' Lim Soon Huat	9,666,900	3.17
8	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Lim Siew Lee (PB)	9,150,000	3.00
9	Lim Guan Teik Holdings Sdn Bhd	7,298,900	2.39
10	Teoh Chin Chia	6,287,200	2.06
11	Lim Siew Lee	4,107,800	1.35
12	Datin Cheong Koon Hooi	4,000,000	1.31
13	Lim Siew Lee	3,551,600	1.16
14	Tan Sri Lim Guan Teik	3,250,000	1.07
15	Sin Poay Sim	2,677,700	0.88
16	Cheah Sok In	2,509,800	0.82
17	Puan Sri Teow Sook Inn @ Teo Ah Kiang	2,236,900	0.73
18	Wong Yoke Fong @ Wong Nyok Fing	1,901,000	0.62
19	Lucy Khoo	1,108,700	0.36
20	MSM International Adjusters (Malaysia) Sdn Bhd	999,800	0.33
21	Tri-Yen Enterprise Sdn Bhd	890,000	0.29
22	HSBC Nominees (Asing) Sdn Bhd SBL Exempt An for J.P. Morgan Securities PLC	782,000	0.26
23	Datuk Wira Lim Chiun Cheong	715,500	0.24
24	Wong Yoke Fong @ Wong Nyok Fing	703,100	0.23
25	Golden Fresh Sdn Bhd	680,000	0.22
26	Ooi Chin Hock	653,200	0.21
27	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	648,997	0.21
28	Wong Yoke Fong @ Wong Nyok Fing	626,100	0.21
29	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Azaman Bin Abu Bakar	611,000	0.20
30	Klinik Rakyat Family Planning Services Sdn Bhd	500,000	0.16
<b>Total</b>		<b>262,447,510</b>	<b>86.03</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fifty-First Annual General Meeting of Muda Holdings Berhad (“the Company”) will be conducted on a fully virtual basis through live streaming and online remote voting via online meeting platform at <https://agm.digerati.com.my/muda-online> on Tuesday, 28 June 2022 at 11.00 a.m. for the purpose of and if thought fit, passing with or without modification(s) the following resolutions as set out in this notice.

## AGENDA

### As Ordinary Business

1. To lay before the Meeting the Audited Financial Statements for financial year ended 31 December 2021 together with the Directors’ and Auditors’ Reports thereon. **(Please refer to Explanatory Note A)**
2. To approve the payment of a First and Final Single Tier Dividend of 5.0 sen per share for the financial year ended 31 December 2021. **Ordinary Resolution 1**
3. To approve the payment of Directors’ fees of RM480,000.00 to Directors of the Company in respect of financial year ended 31 December 2021. **Ordinary Resolution 2**
4. To approve the payment of benefits to Non-Executive Directors of the Company of up to an amount of RM1,540,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. **Ordinary Resolution 3**
5. To re-elect the following Directors retiring in accordance with Article 81 of the Company’s Constitution.  
(a) Datuk Wira Lim Chiun Cheong **Ordinary Resolution 4**  
(b) Mr Wong Choong Yee **Ordinary Resolution 5**
6. To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

### As Special Business

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

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

“That pursuant to Section 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, PROVIDED ALWAYS that the number of shares to be issued pursuant to this resolution does not exceed twenty percent (20%) of the total number of issued shares of the Company for the time being to be utilized until 31 December 2022 as empowered by Bursa Malaysia Securities Berhad (“Bursa Securities”) pursuant to Bursa Malaysia Berhad’s (“Bursa Malaysia”) letter dated 23 December 2021 to grant an extension for the additional temporary relief measures to listed issuers and thereafter does not exceed ten percent (10%) of the total number of issued shares of the Company at the time of issuance and such authority under this resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or when it is required by law to be held, whichever is earlier, AND THAT the Directors be and are empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities.”

**Ordinary Resolution 7**

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

#### **Retention as an Independent Non-Executive Director**

“That Datuk Nik Ibrahim Bin Nik Abdullah be retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance until the conclusion of the next Annual General Meeting.”

**Ordinary Resolution 8**

9. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS ALSO HEREBY GIVEN THAT** the First and Final Single Tier Dividend of 5.0 sen per share in respect of financial year ended 31 December 2021, if approved at the Fifty-First Annual General Meeting, will be payable on **Friday, 15 July 2022** to depositors and shareholders listed in the Record of Depositors and Register of Members on 30 June 2022.

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

- a. Shares transferred to depositor's securities account before 4.00 p.m. on 30 June 2022 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

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

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

Company Secretaries

29 April 2022

Petaling Jaya

## Notes:-

### Fully Virtual Fifty-First Annual General Meeting ("51<sup>st</sup> AGM")

1. The 51<sup>st</sup> AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via online meeting platform at <https://agm.digerati.com.my/muda-online>. Please refer to the Administrative Guide for the 51<sup>st</sup> AGM available on the Company's website at [www.muda.com.my](http://www.muda.com.my) for the procedures to register, participate and vote remotely via the Remote Participation and Voting (RPV) facilities.
2. The Securities Commission Malaysia had on 16 July 2021 revised the Guidance Note and Frequently Asked Questions ("FAQ") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ") to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. According to the Revised Guidance Note and FAQ, an online platform can be recognized as the meeting venue or place under Section 327(2) of the Companies Act, 2016 provided that the online platform is located in Malaysia.

### Appointment of Proxy

3. A member entitled to attend, speak and vote at the above virtual meeting via the RPV facilities may appoint a proxy or proxies (but not more than two) to attend, speak and vote on his/her behalf and such proxy need not be a member or members of the Company.
4. Where there are two proxies appointed, the number of shares to be represented by each proxy must be stated.
5. In the case of a corporation, the Proxy Form must be executed under seal or under the hand of its officer or its attorney duly appointed.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. Each appointment of proxy by an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify the proportion of shareholding to be represented by each proxy.
7. Duly completed Proxy Form must either be:
  - deposited at the Registered Office at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan;
  - or
  - be electronically deposited at <https://agm.digerati.com.my/muda-online>

not less than 48 hours before the time for holding the 51<sup>st</sup> AGM.

### Members Entitled to Attend the AGM

8. For the purpose of determining a member who shall be entitled to attend the 51<sup>st</sup> AGM, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 56 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at Wednesday, 22 June 2022. Only a depositor whose name appears on the **Register of Depositors** as at **Wednesday, 22 June 2022** shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

## EXPLANATORY NOTES

### A. Item 1 of Agenda on Audited Financial Statements for the Financial Year Ended 31 December 2021

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

### B. First and Final Single Tier Dividend

Pursuant to Section 131 of the Companies Act, 2016, a company may only make distribution to the shareholders out of profits of the company available if the company is solvent. The Board of Directors has on 24 February 2022 considered the amount of dividend and decided to recommend the same for shareholders' approval.

The Directors are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 15 July 2022 in accordance with the requirements under Section 132(2) and (3) of the Companies Act, 2016.

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

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

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

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

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

Datuk Wira Lim Chiun Cheong and Mr Wong Choong Yee retire under Article 81 of the Company's Constitution at the 51<sup>st</sup> AGM of the Company and have offered themselves for re-election at the 51<sup>st</sup> AGM of the Company.

### E. Ordinary Resolution 7 – Proposed Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 7 is for the purpose of renewing the general mandate for issuance of shares by the Company under Section 75 and Section 76 of the Companies Act 2016. The Ordinary Resolution 7, if passed, will give Directors of the Company authority to allot and issue shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 20% of the total number of issued shares of the Company for the time being to be utilized until 31 December 2022, after that, the 10% limit under Paragraph 6.03 of Main Market Listing Requirements ("MMLR") of Bursa Securities will be reinstated (hereinafter referred to as "the General Mandate").

As part of the initiative from Bursa Securities to aid and facilitate listed issuers in sustaining their business or easing their compliance with Bursa Securities' rules, amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak and Movement Control Order imposed by the Government, Bursa Securities had vide Bursa Malaysia's letter dated 23 December 2021 allowed a listed issue to seek a higher general mandate under Paragraph 6.03 of MMLR of Bursa Securities of not more than 20% of the total number of issued shares (excluding treasury shares) for the general issue of new securities.

The General Mandate will provide flexibility to the Company to raise additional funds expeditiously and efficiently during this challenging time or meet its funding requirements including but not limited to funding future investment project(s), working capital and/or acquisitions.

As at the date of this notice, no shares had been allotted and issued since the general mandate granted to the Directors at the last AGM held on 29 June 2021 and this authority shall lapse at the conclusion of the 51<sup>st</sup> AGM of the Company

### F. Ordinary Resolution 8 - Proposed Retention of an Independent Non-Executive Director

The Board of Directors of the Company has through the Nomination Committee conducted an assessment of the independence of Datuk Nik Ibrahim Bin Nik Abdullah who has served as an Independent Non-Executive Director for a cumulative term of more than twelve years. The Proposed Ordinary Resolution 8 is to seek shareholders' approval through a two-tier voting process and, if passed, will enable him to be retained and continue to act as an Independent Non-Executive Director of the Company to fulfill the requirements of Paragraph 15.02 of MMLR of Bursa Securities and to be in line with the practice of the Malaysian Code on Corporate Governance.

Being a director for more than twelve years has enabled Datuk Nik Ibrahim Bin Nik Abdullah to contribute positively during deliberations/discussions at meetings as he is familiar with the operations of the Group and has good and thorough understanding of the main drivers of the business of the Group in a detailed manner. He has contributed sufficient time and exercised due care during his tenure as an Independent Non-Executive Director and has discharged his professional duties in good faith and also in the best interest of the Company and shareholders. He has the caliber, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner and has never compromised on his independent judgement.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

The profiles of the Directors who are standing for re-election at the 51<sup>st</sup> AGM are set out in the Board of Directors' Profile on pages 12 to 14 of the Annual Report. Their shareholdings in the Company are set out in the section entitled "Analysis of Shareholdings" on page 116 of the Annual Report.

No individual other than the retiring Directors are seeking election as a Director at the 51<sup>st</sup> AGM.

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# PROXY FORM

Fifty-First Annual General Meeting

I/We.....

NRIC No. /Passport No. /Company No. ....CDS Account No. ....

of.....

being a member/members of **MUDA HOLDINGS BERHAD**, hereby appoint:-

Full Name (In Block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			
Full Name (In Block)	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Fifty-First Annual General Meeting of the Company to be conducted on a fully virtual basis through live streaming and online remote voting via online meeting platform at <https://agm.digerati.com.my/muda-online> on Tuesday, 28 June 2022 at 11.00 a.m. and at any adjournment thereof.

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

Resolution No.	RESOLUTION	FOR	AGAINST
1.	To approve the payment of a First and Final Single Tier Dividend of 5.0 sen per share.		
2.	To approve the payment of Directors' fees of RM480,000.00 to the Directors for financial year ended 31 December 2021.		
3.	To approve the payment of benefits to Non-Executive Directors of the Company of up to an amount of RM1,540,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.		
4.	To re-elect Datuk Wira Lim Chiun Cheong as a Director in accordance with Article 81 of the Company's Constitution.		
5.	To re-elect Mr Wong Choong Yee as a Director in accordance with Article 81 of the Company's Constitution.		
6.	To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016.		
8.	To retain Datuk Nik Ibrahim Bin Nik Abdullah as an Independent Non-Executive Director.		

No. of Shares Held.....

Signature of Shareholder/Common Seal.....

Mobile No.....

Dated this ..... day of ....., 2022

Shareholder's Email.....



Fold this flap for sealing

Then fold here

Stamp

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

First fold here

**Notes:-**

**Fully Virtual Fifty-First Annual General Meeting ("51<sup>st</sup> AGM")**

1. The 51<sup>st</sup> AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via online meeting platform at <https://agm.digerati.com.my/muda-online>. Please refer to the Administrative Guide for the 51<sup>st</sup> AGM available on the Company's website at [www.muda.com.my](http://www.muda.com.my) for the procedures to register, participate and vote remotely via the Remote Participation and Voting (RPV) facilities.
2. The Securities Commission Malaysia had on 16 July 2021 revised the Guidance Note and Frequently Asked Questions ("FAQ") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ") to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. According to the Revised Guidance Note and FAQ, an online platform can be recognized as the meeting venue or place under Section 327(2) of the Companies Act, 2016 provided that the online platform is located in Malaysia.

**Appointment of Proxy**

3. A member entitled to attend, speak and vote at the above virtual meeting via the RPV facilities may appoint a proxy or proxies (but not more than two) to attend, speak and vote on his/her behalf and such proxy need not be a member or members of the Company.
4. Where there are two proxies appointed, the number of shares to be represented by each proxy must be stated.
5. In the case of a corporation, the Proxy Form must be executed under seal or under the hand of its officer or its attorney duly appointed.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. Each appointment of proxy by an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify the proportion of shareholding to be represented by each proxy.
7. Duly completed Proxy Form must either be deposited at the Registered Office at Lot 7, Jalan 51A/241, 46100 Petaling Jaya, Selangor Darul Ehsan or be electronically deposited at <https://agm.digerati.com.my/muda-online> not less than 48 hours before the time for holding the 51<sup>st</sup> AGM.

**Members Entitled to Attend the AGM**

8. For the purpose of determining a member who shall be entitled to attend the 51<sup>st</sup> AGM, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 56 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at Wednesday, 22 June 2022. Only a depositor whose name appears on the Register of Depositors as at Wednesday, 22 June 2022 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.



**Muda Holdings Berhad**

(Company No: 197101000036 [10427-A])

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

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