MIECO

ANNUAL REPORT 2017

CONTENTS

GROUP CORPORATE STRUCTURE

As At 13 April 2018

Mieco Chipboard Berhad

Listed on the Main Market of Bursa Malaysia Securities Berhad

- 100% Mieco Chemicals Sdn Bhd
- 100% Mieco Manufacturing Sdn Bhd
- 100% Mieco Marketing Sdn Bhd
- 100% Mieco International (H.K.) Limited
- 100% Mieco Wood Resources Sdn Bhd
  - 100% Mieco Reforestation Sdn Bhd
- 100% Aspire Benchmark Sdn Bhd
- 100% Great Platform Sdn Bhd
  - 100% Particleboard Malaysia Sdn Bhd
- 100% Tudor Capital Sdn Bhd

CORPORATE INFORMATION

BOARD OF DIRECTORS

Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah
Independent Non-Executive Chairman

Dato' Sri Ng Ah Chai
Group Managing Director

Mr. Ng Wei Ping
Executive Director

Mr. Cheam Tow Yong
Independent Non-Executive Director

Dato' Abdul Rashid Bin Mat Amin
Independent Non-Executive Director

Mr. Kajendra A/L Pathmanathan
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Mr. Cheam Tow Yong *(Chairman)*
Dato' Abdul Rashid Bin Mat Amin
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah

NOMINATION COMMITTEE

Dato' Abdul Rashid Bin Mat Amin *(Chairman)*
Mr. Cheam Tow Yong
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah

REMUNERATION COMMITTEE

Dato' Abdul Rashid Bin Mat Amin *(Chairman)*
Mr. Cheam Tow Yong
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah

REGISTERED OFFICE

No. 1, Block C, Jalan Indah 2/6
Taman Indah, Batu 11
43200 Cheras, Selangor Darul Ehsan
Tel : 603 - 9075 9991
Fax : 603 - 9080 7991

SHARE REGISTRAR

Metra Management Sdn Bhd
30.02, 30th Floor, Menara Multi-Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603 - 2698 3232
Fax : 603 - 2698 0313

SECRETARY

Ng Geok Lian
LS No. 07155

AUDITORS

Messrs Deloitte PLT
(AF0080)
Level 16, Menara LGB
1, Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur

BANKERS

Alliance Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK CODE

MIECO 5001

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

MIECO MYL5001OO002

REUTERS CODE

MIEC. KL

WEBSITE

www.mieco.com.my

DIRECTORS' PROFILE

Y.A.M. TENGKU PUTERI SERI KEMALA PAHANG TENGKU AISHAH BINTI SULTAN HAJI AHMAD SHAH
Independent Non-Executive Chairman
Member of Audit, Nomination and Remuneration Committees

Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah, aged 60, female, a Malaysian, was appointed to the Board on 3 January 2017 as Independent Non-Executive Chairman of Mieco Chipboard Berhad.

Y.A.M. Tengku Aishah graduated with a Diploma in Business Administration from Dorset Institute, UK in 1980 and has been a Director of TAS Industries Sdn Bhd since 15 August 1990. TAS Industries Sdn Bhd is an investment holding and property development company in Kuala Lumpur.

Y.A.M. Tengku Aishah is also an Independent Non-Executive Chairperson of Inari Amertron Berhad (Fomerly known as Inari Berhad) and Chairman of Insas Berhad.

Y.A.M. Tengku Aishah does not have any family relationship with the Directors and/or major shareholders of the Company. She has no conflict of interest with the Company and she has no conviction for any offences within the past five (5) years other than traffic offences, if any.

Y.A.M. Tengku Aishah attended three (3) out of five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

DATO' SRI NG AH CHAI
Group Managing Director

Dato' Sri Ng Ah Chai, aged 55, male, a Malaysian, was appointed to the Board on 15 November 2016 as a Group Managing Director of Mieco Chipboard Berhad.

Dato' Sri Ng has over 30 years of experience in timber and furniture industries. His involvement in the timber trade started in 1985 with a sawmilling business. In 1991, he expanded his business into tropical wood furniture manufacturing for the local market. He ceased his sawmilling business in 1993 and co-founded Seng Yip Furniture Sdn Bhd. Under Dato' Sri Ng's leadership, coupled with his extensive background and experience in timber and furniture business, Seng Yip Furniture Sdn Bhd has expanded from a kiln drying and timber processing business into manufacturer of furniture components and semi-furnished parts in 1995. In 1998, he further ventured into finished wood furniture business.

Currently, Dato' Sri Ng is the Executive Chairman and Chief Executive Officer of SYF Resources Berhad, a position he has held since 28 September 2005. Dato' Sri Ng is also the major shareholder of SYF Resources Berhad.

Dato' Sri Ng is the father of Mr Ng Wei Ping, Keith, the Executive Director of the Company. He has no conflict of interest with the Company other than disclosed in the Circular to Shareholders dated 30 April 2018 which is despatched together with this Annual Report 2017.

He has not committed any offences within the past five (5) years other than traffic offences, if any.

Dato' Sri Ng attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE
(Cont'd)

MR. NG WEI PING, KEITH
Executive Director

Mr. Ng Wei Ping, Keith, aged 28, male, a Malaysian, was appointed to the Board on 13 October 2017 as Executive Director of Mieco Chipboard Berhad. He graduated with a Bachelor of Commerce in Economics & Finance from University of Melbourne, Australia.

Mr. Keith has over 6 years' experience with SYF Resources Berhad Group (SYF) in key areas of corporate development, investments and property development. With financial qualifications of a Bachelor of Commerce and subsequently completing the examinations of the Certified Financial Analyst Institute, he has contributed to the growth of SYF and was instrumental in spearheading SYF's successful diversification into property development.

He is currently also a Director of SYF Resources Berhad and Group and several local private limited companies involved in property development. His involvement with the Company commenced in January 2017 when he took on the role of General Manager overseeing business operations and investments.

He is the son of Dato' Sri Ng Ah Chai, the Group Managing Director and the major shareholder of the Company. He has no conflict of interest with the Company other than disclosed in the Circular to Shareholders dated 30 April 2018 which is despatched together with this Annual Report 2017.

He has not committed any offences within the past five (5) years other than traffic offences, if any.

Mr. Keith attended one (1) Board Meeting of the Company held during the financial year ended 31 December 2017.

MR. CHEAM TOW YONG
Independent Non-Executive Director
Chairman of Audit Committee
Member of Nomination and Remuneration Committees

Mr. Cheam Tow Yong, aged 62, male, a Malaysian, was appointed to the Board on 15 November 2016 as an Independent Non-Executive Director of Mieco Chipboard Berhad.

Mr. Cheam is a chartered accountant with New Zealand Society of Accountants and is a Registered Accountant of Malaysian Institute of Accountants. Mr. Cheam received a Bachelor of Commerce degree from University of Otago, New Zealand in 1978 and Diploma of International Management Study from Sweden Institute of Management in 1995.

Mr. Cheam served as financial professional, as accountant, accounting manager and financial controller to a number of local and multinational companies from 1979 to 1993. He served as Managing Director of Thomson Electronic Parts Sdn Bhd, a subsidiary of Thomson CSF of France from 1993 to 1999. He served for Tomisho Berhad (now known as SYF Resources Bhd) first as Chief Operating Officer, then as Chief Executive Officer from 1999 to 2003. From 2004 to 2007, he served as Corporate Director of PJI Holdings Berhad (now known as YFG Berhad). From 2007 to 2011, he served as Finance Director of a local company which involved in oil and gas EPC contracting business.

Mr. Cheam had also previously served as independent director of Oil Corp Berhad and Kinsteel Berhad.

Mr. Cheam is now a director of a local private company.

Mr. Cheam does not have any family relationship with the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company other than disclosed in the Circular to Shareholders dated 30 April 2018 which is despatched together with this Annual Report 2017.

He has not committed any offences within the past five (5) years other than traffic offences, if any.

Mr. Cheam attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE
(Cont'd)

DATO' ABDUL RASHID BIN MAT AMIN
Independent Non-Executive Director
Chairman of Nomination and Remuneration Committees
Member of Audit Committee

An alumnus of the Malay College Kuala Kangsar, Dato' Abdul Rashid Bin Mat Amin, aged 67, male, a Malaysian, was appointed to the Board on 15 November 2016 as an Independent Non-Executive Director of Mieco Chipboard Berhad.

Dato' Abdul Rashid pursued his training in forestry (1971-1976) at the Institut Pertanian Bogor in Indonesia where he graduated with a Bachelor of Forestry. He then furthered his studies at the University of Oxford (1982-1983) United Kingdom for his M.Sc in land use planning. Later on, he completed his Master in Business Administration (MBA major in marketing) at Universiti Putra Malaysia (2006-2008).

During his career, he served the Forestry Department for almost 30 years having worked in Terengganu, Kedah, Perak, Pahang and Headquarters in Kuala Lumpur. He was seconded as Director General of the Malaysia Timber Industry Board from 1998 to 2002 and subsequently assumed the position of Director General of Forestry in 2002 to 2005 before retiring from service.

In his many years of service, he has gained expertise in forest management, forest product marketing, land use planning, natural resources management, environmental studies and business studies.

Dato' Abdul Rashid does not have any family relationship with the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past five (5) years other than traffic offences, if any.

Dato' Abdul Rashid attended four (4) out of five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

MR. KAJENDRA A/L PATHMANATHAN
Non-Independent Non-Executive Director

Mr. Kajendra A/L Pathmanathan, aged 44, male, a Malaysian, was re-designated as Non-Independent Non-Executive Director on 30 December 2016 from his position as Executive Director.

Mr. Kajendra holds a Bachelor of Commerce degree and a Bachelor of Law degree, both from University of Melbourne. He is also a member of the Institute of Chartered Accountants, Australia. He started his career with Ernst & Young, Kuala Lumpur in 1999 in the Corporate Recovery & Insolvency department and moved to Ernst & Young, London in 2008. While with Ernst & Young, he has had a very broad range of experience on a wide variety of clients across various industries in Asia and Europe. He has extensive experience in leading strategic independent business reviews and in advising stakeholders on significant restructuring of public and private companies. In October 2013, Mr. Kajendra joined BRDB Developments Sdn Bhd ("BRDB") as General Manager, Compliance and on 1 June 2014, he took up the position of Chief Operating Officer of Mieco Chipboard Berhad. Subsequently, he was appointed as Executive Director of Mieco Chipboard Berhad on 25 February 2016 until his re-designation.

Mr. Kajendra is currently the Chief Executive Officer of BRDB. He sits on the boards of BRDB and it's subsidiary Companies.

Mr. Kajendra does not have any family relationship with the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past five (5) years other than traffic offences, if any.

Mr. Kajendra attended four (4) out of five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

KEY SENIOR MANAGEMENT PROFILES

MR. LIM KAR HOR, aged 54, male, a Malaysian is the Senior Manager, Technical Services of MIECO. He is now acting as Plant Manager for Gebeng Plant. He holds a Bachelor degree in Electrical Engineering from University Teknologi Malaysia. He was with a few multi-national electronic and audio-visual manufacturing companies prior to joining MIECO in 2000. He is presently overseeing the manufacturing plant in MIECO Gebeng.

MR. NG TIEN YING, aged 34, male, a Malaysian, is the Manager, Finance & Accounts of MIECO. He holds an advance diploma in Accountancy from Tunku Abdul Rahman College and is a member of the Association of Chartered Certified Accountants. Prior to joining MIECO, he was working in a tax firm and subsequently with a few manufacturing companies before joining MIECO in 2011.

GROUP MANAGING DIRECTOR'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

I am pleased to present to you the annual report and audited financial statements for Mieco Chipboard Berhad ("MIECO" or "the Group") for the financial year ended 31 December 2017 ("FY2017").

BUSINESS OVERVIEW

The core business of the Group is in the manufacturing and distribution of particle boards or sometimes known as chipboards, with primary focus on plainboards and melamine faced boards ("MFC"). We are the largest particle board manufacturer in Malaysia with a total annual production capacity of 900,000m^3 per annum. Currently the Group operates two plants - one in Kuala Lipis producing plainboards while our Gebeng plant is producing both plainboards and MFCs.

MIECO's chipboards conform to international quality standards such as the European Community's BS EN 312 standard that is applicable for both moisture-resistant and non-moisture resistant boards with E1 and E2 formaldehyde emission levels. MIECO is certified for ISO 9001 Quality Management System accreditation, ISO 14001 Environment Management System and ISO 18001 Occupational Health and Safety Management System. MIECO has also secured a significant number of Ecolabels which meet US EPA, European and Japanese environmental standards.

Revenue contribution from domestic market in FY2017 was approximately RM260.8 million of total Group turnover with the rest arising from exports of RM88.5 million to more than 20 countries, mostly in the Asia Pacific Region. All export sales are denominated in US Dollar.

In line with its quality slogan of continuous improvement, and with the new management on board, MIECO has embarked on a series of expansion plans including the acquisition of Great Platform Sdn. Bhd. ("Great Platform") that was completed in early 2018. The acquisition of Great Platform increased MIECO's production capacity by approximately 20% and expected to further improved efficiency and economies of scale. It would also provide a new product segment in Medium Density Fibreboards, thereby increasing MIECO's market presence and product offerings.

The Group is the major supplier of the domestic market demand which comes from the furniture industry, renovation & fit-out construction industry and intermediaries who laminate chipboards for end users.

MIECO is committed to build long-lasting mutually rewarding partnership with its customers and stakeholder communities around the world and also the development of its more than 750 employees.

REVIEW OF FINANCIAL PERFORMANCE

During the year under review, the Group revenue rose a marginal 8%, from RM324.1 million in 2016 to RM349.3 million, driven mainly by the higher average plainboard prices.

The Group achieved a profit before tax ("PBT") and profit after tax ("PAT") of RM48.0 million and RM47.9 million in 2017 respectively, compared to the PBT of RM72.5 million and PAT of RM82.7 million posted in 2016. It is however pertinent to note that the 2016 PBT included an exceptional gain of RM35.0 million from the disposal of subsidiary, Mieco Wood Products Sdn Bhd. and reversal of impairment of RM28.1 million in relation to the Kuala Lipis plant. Whereas in 2017, the reversal was lower at RM12.1 million.

The Group's cash balances and deposits stood at RM18.1 million as compared to RM36.4 million in 2016. Cash generated from operations before changes in working capital was RM59.9 million of which approximately RM27.7 million was used for capital expenditure for the new biomass energy plant, additional warehouse and major replacement parts for the plants. At the same time, RM60.6 million was absorbed into working capital and RM21.0 million for payment of dividends.

Group borrowings increased from RM32.2 million as at 31 December 2016 to RM80.8 million as at 31 December 2017 with the gearing ratio at 31% as compared to 22% previously.

The Group remains committed in maintaining a sound financial position that enables the execution of our strategic objectives in creating maximum value for our shareholders.

REVIEW OF OPERATIONS

Our operations in 2017 were mainly centred on maximising efficiencies and cost containment. This included several key initiatives to improve efficiencies, as well as cost cutting measures across the business.

Sourcing for wood raw material has always been challenging. We were focused in our efforts on ensuring the consistency of continuing supply that met our quality requirements and increasing our pool of wood suppliers.

We worked closely with the glue suppliers, to enable them to develop and provide tailor-made adhesive in according to our specifications which is to minimise the cost & maximise the efficiency of the glue.

In terms of plant operations, there were some unexpected downtime during the year. However, through improvements in preventive maintenance, it has enhanced the efficiency and reduced lost in production time.

On the product front, we have launched more than two dozen of new MFC colour designs in 2017 to support our strategy of always offering customers a breadth of product choices and finishes.

In marketing, we focused on protecting our strong domestic market, and made further inroads into China, Korea, India and Philippines – all strong growth markets for MIECO.

In terms of pricing, we stayed true to our strategy of following the market to ensure our pricing are always remain competitive.

CORPORATE DEVELOPMENT

In FY2017 the Group has embarked on several corporate exercises as part of its growth strategies and enhancement of shareholders' value.

On 6 July 2017, MIECO completed the share split involving the subdivision of every two (2) existing MIECO Shares into five (5) Split Shares. The share split has increased the number of MIECO shares in issue from 210,000,000 to 525,000,000. The share split is expected to enhance the marketability and trading liquidity of the ordinary shares of MIECO on the Main Market of Bursa Securities as a result of the increase in the number of ordinary share in issue. Simultaneously it also enabled the existing shareholders of MIECO to have a larger number of Shares while maintaining their percentage of equity interest.

On 26 July 2017, the Board announced the proposed acquisition of the entire issued share capital of Great Platform, a wholly-owned subsidiary of SYF Resources Berhad ("SYF"), comprising 5,000,000 ordinary shares from SYF at a total purchase consideration of RM58.6 million. The acquisition was completed on 27 February 2018. As the business activities of Great Platform is similar to MIECO Group's business activities, the participation of Great Platform in MIECO Group serves as an opportunity to MIECO for its immediate expansion of production capacity. In addition, it increases MIECO's product offerings and at the same time provides MIECO with access to a wider customer base and potential to explore better market traction abroad. It also augurs well with the long term business strategies of MIECO of securing the local market share as well as to increase exports through the expansion of its products offerings, and increased production capacity of the enlarged MIECO Group.

GROUP MANAGING DIRECTOR'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

BUSINESS STRATEGY

2017 has been a challenging year for the Group. Nevertheless we remain focused on our strategy to increase capacity utilization and improve cost efficiency and to move up the value chain by producing higher premium products resulting in potentially better profit margins. At the same time, we recognise the challenges of the 2018 operating environment and the group will certainly continue to cope and strengthen its position to strive for better performance. We are optimistic that our Group will continue to have a healthy growth.

At the production end of our business operations, we will procure and ensure increased supply of raw materials to support our strategy in increasing capacity utilization. A revised production planning schedule from customer-centric to production based planning would enable us to achieve higher output more efficiently, reducing wastage and production down time.

The commencement of the operation of biomass energy plant in 2018 is expected to contribute positively to the Group; as it is a waste management facility that combusts wastes to generate energy.

In line with the acquisition of Great Platform, it allows MIECO to explore and move up the value chain by producing higher premium products that could result in potentially better profit margins. Through the expansion of the products offerings, and production capacity of the enlarge MIECO Group, it will also simultaneously increase exports and enhance MIECO's market presence and market competitiveness in both the local and international particleboards industry.

We will continue to focus expanding our presence in the Asia Pacific Region, amongst others China, Korea, India and Philippine.

As always, we will continue to build long lasting relationships with our Malaysian customers, who have been loyal customers to MIECO and who contribute more than half of our global business.

INDUSTRY PROSPECTS AND OUTLOOK

The industry outlook in the manufacturing of timber and board-related products activities under the Third Industrial Master Plan (2006 to 2020) indicates that the exports of the timber industry is targeted to grow by 6.4 per cent per annum to RM53 billion. The main contributors to this targeted growth will be furniture and panel products, such as MDF and plywood.

To achieve the aforesaid targeted growth, the National Timber Industry Policy sets the path for sustainable development of the timber industry in the medium and the long-term, the broad policy directions of which are amongst others, to enhance coordination and linkages in the timber industry from the furniture and fibreboard sub-sectors and to increase industry coordination between manufacturers engaged in the upstream and downstream activities in the timber industry to achieve overall efficiency and competitiveness.

Based on the positive industry outlook in the manufacturing of board-related products activities and the initiative from the Malaysian Government in the entire timber industry as highlighted above, coupled with the acquisition of Great Platform, it is expected to bode well for MIECO's future expansion.

Nevertheless, the performance of the wood-based manufacturing industry is closely tied to the global economy, hence we must continue to exercise caution given the volatility in the movement of Ringgit Malaysia against US Dollars, low global crude prices and fluctuating raw material prices that may dampen optimism if they move unfavourably – all factors that make the market a challenging environment.

GROUP MANAGING DIRECTOR'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

Despite these concerns, we continue to expect the growth of the particleboard demand to be driven by the furniture manufacturers as it is the most economical substitution material for furniture production. The expected increment in production output arising from the combined capacity and plants efficiency, is expected to spur the growth of Group revenue in 2018.

RISK MANAGEMENT

The wood-based manufacturing industry is particularly sensitive to cyclical variations in the general economy and to uncertainty regarding future economic prospects of the countries in which we export to. A downturn in these countries could also materially and adversely affect our ability to take advantage of market opportunities.

We expect market conditions to remain difficult, especially with competition from major international players from Thailand. However, we are confident that this can be mitigated by the continuous effort to maintain our products quality and the competitiveness of our selling price.

For our exports, proceeds are mainly denominated in US Dollar. Hence, any fluctuation in the US Dollar will have a direct impact on our sales proceeds. In order to hedge against these fluctuations, the Group will enter into forward exchange contracts.

As most of our production operations are automated and less labour intensive, therefore we don't foresee much challenges in terms of workforce. The shortage of foreign workers would not have any impact on us as more than 95% of our workers are Malaysian.

We will continue to work hard to minimise the impact of the challenging environment on MIECO's operations by proactively managing production cost and working capital, and cementing the values associated with our brand – quality, value, design and service.

DIVIDEND

The Company declared an interim single-tier dividend of 1 sen per share on 26 February 2018 in respect of the financial year ended 31 December 2017 to be paid on 27 April 2018.

APPRECIATION

On behalf of the Board, I wish to welcome Mr. Ng Wei Ping, Keith to the Board and look forward to his participation and contribution to the Board.

I would like to extend my sincere gratitude to the Board members in contributing towards the Group's continued success in these challenging times.

The Group would also like to thank our valued customers, business associates, partners, bankers, staff and shareholders for their invaluable contribution and support.

Thank you.

DATO' SRI NG AH CHAI
Group Managing Director

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is an important aspect of MIECO's business. We recognise that it is our duty and responsibility to operate in a sustainable manner, to ensure the continued growth and success of our employees and the communities in which we operate. It is our culture to look for meaningful opportunities to improve the lives of our internal and external key stakeholders.

COMMUNITY

Elevating and enriching communities

MIECO has firm commitment to the communities in which we operate. We continuously promote our community efforts through events organised between our employees and welfare organisation. We place particular emphasis on the needs of the younger generation in our community-building initiatives.

Despite the challenges of the marketplace, we continued with our community outreach activities in 2017. We have carried out several community outreach activities with the local communities, including a career talk to Pahang Skills Training College. We have also participated in a few job fairs organised by Ministry of Human Resources Pahang.


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In addition, cash donations were also made to the following organisations :-

1. Sekolah Menengah Agama Al Maarif
2. Masjid Balok Makmur
3. PIBG Sekolah Kebangsaan Kechor Tui
4. MIECO staff
5. Pusat Anak Yatim Ralpha House, Kuantan
6. Yayasan Amal Malaysia Pahang branch


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On an on-going basis, we make monthly donations to Pusat Kanak-Kanak Terencat Akal Kuantan and Pusat Anak Yatim Ralpha House, Kuantan too.

In 2017, the Badan Kebajikan Pekerja Islam MIECO ("BAKES") through Yayasan Amal Malaysia Pahang branch, has initiated a fund raising event for Rohingya Refugee. Through this event, BAKES successfully raised funds for the refugees.

CORPORATE SOCIAL RESPONSIBILITY
(Cont'd)

Going beyond donations and charitable giving, the MIECO Team led by Human Resources Department also focuses on allocating time and attention encouraging our management and staff to volunteer. The MIECO Team had organised two series of half a day "gotong-royong" sessions with Pusat Kanak Kanak Terencat Akal Kuantan. The team had also committed to continue with the monthly grass cutting session at Pusat Kanak-kanak Terencat Akal Kuantan, Tabika Kemas Padang Tengku and SK Kechor Tui.

Clockwise: 1. Staff assisting to feed the kids at Pusat Kanak Kanak Terencat Akal Kuantan. 2. Part of the MIECO team that participated. 3 MIECO team helping to put up blinds. 4. MIECO team cleaning Pusat Kanak Kanak Terencat Akal Kuantan's water tank during gotong royong. 5. Group picture of the kids at Pusat Anak Yatim Ralpha House, Kuantan.

A round of applause to MIECO Team, as they have recorded more than 900 man hours in 2017 for all the respective CSR activities, which in turn provide our employees the opportunity to participate actively in giving back to their own communities.

MIECO also has a long-standing practice of providing Malaysian tertiary institutions with relevant on-the-job industrial and practical training to equip their students for future employment in the manufacturing sector. In 2017, we accepted 26 undergraduate students from various institutions for the industrial practical training programme. The programme's duration was between two to six months. In the process, we contributed to the nation's talent development.

A factory visit for students from SK Kechor Tui

CORPORATE SOCIAL RESPONSIBILITY
(Cont'd)

ENVIRONMENT

Respecting and protecting the planet

We are committed to minimising the impact of our operations on the environment. As a responsible particleboard manufacturer, we monitor our operational carbon footprint and continue to undertake various measures to reduce the impact of our operational activities on the environment with proper management of waste in terms of handling, packaging, labelling, storage and disposal.

MIECO adopts safe practices for disposal of wastewater and sludge. Wastewater is treated and reused for manufacturing process. The sludge are then collected for disposal in accordance with the requirements of the Department of Environment.

MIECO also embraces the green philosophy in its products as evidenced, our products secured a significant number of Ecolabels which meet US EPA, European and Japanese environmental standards.

In collaboration with Environmental Health and Safety Department, Kelab Sukan Sosial MIECO, Timber Employees Union Penisular Malaysia, BAKES, Pahang Forestry Department, Department of Environmental of Pahang, Kg. Cherating Local Communities and Cherating Fisherman Communities, the Human Resources Department successfully organised an event namely GREEN THE EARTH - SAVE OUR MANGROVE on 26 November 2017 at Hutan Simpan Paya Laut, Cherating Kuantan. School children from the neighbourhood together with their parents and kids from Rumah Anak Yatim dan Miskin D'Nasti Kuantan, were invited to participate in that event.

A big thank you to Forestry Department Pahang for allocating an area and giving us an opportunity to plant mangrove seeds and allowing us to observe and monitor the progress.

Top: MIECO team together with school children and parents planting mangrove seedlings
Left: Group pictures of participants in the GREEN THE EARTH-SAVE OUR MANGROVE event.

WORKPLACE

Creating a conducive environment in which employees strive

MIECO believes in creating a workplace that is fair and supports the efforts of a diverse range of employees. MIECO looks beyond ethnicity and focuses on relevant capabilities and expertise in its hiring process to ensure employees can contribute to the success of the Group and at the same time grow in their careers.

The Group employs more than 750 staffs in our operations. Of these, 97% are Malaysian with female employees comprising 19% of the total workforce. About 45% of our workforce are members of Timber Employees Union Peninsular Malaysia (TEUPM). MIECO management team holds quarterly meetings with TEUPM committee members to enhance communication between MIECO and union members. Ad hoc meetings with TEUPM committee members are also held when warranted.

CORPORATE SOCIAL RESPONSIBILITY
(Cont'd)

A key thrust of our human resource efforts in 2017 was employee engagement, a critical component of our talent management strategy. MIECO management worked hard to create opportunities for employees to foster ties and strengthen the spirit of camaraderie and belonging for a more conducive work environment.

During the year, we held a suite of employee festive and sport-related activities such as :-

(a) Fishing Competition
(b) Football/ Futsal Tournament
(c) Bowling Competition
(d) Sepak Takraw Tournament
(e) Treasure Hunt2
(f) Tazkirah (religious and motivational talks)
(g) Jamuan Berbuka Puasa and Jamuan Hari Raya
(h) Yee Sang Dinner for MIECO staff, vendors and customers
(i) Sport carnival between Gebeng & Lipis plant
(j) As-Syura (religious programme)

Staff queuing to get food at the Jamuan Hari Raya.

In 2017, all MIECO staff were rewarded with a RM50 KFC cash voucher each in recognition of their efforts for achieving a target production volume for 3 consecutive months as well as bonuses to motivate them to sustain the good production momentum for the rest of 2017. Bonuses were paid despite the concern of a slowdown in the economy.

MIECO had allocated RM40,000 as financial aid to MIECO staff schooling kids, which been paid to eligible staff before the 2018 school session started.

Top: 2017 Bowling Competition
Bottom: Staff celebrating Hari Raya together in 2017

CORPORATE SOCIAL RESPONSIBILITY
(Cont'd)

1. *Staff donating blood at the 2017 Blood Donation Drive.*
2. *A nurse from Government hospital collecting blood from one of the MIECO staff.*
3. *Staff training being conducted in conference room.*

Driven by the message to maintain a healthy lifestyle, a medical health screening session was organized with the collaboration of PERKESO at Gebeng plant. As part of MIECO's Health Programme, several Blood Donation drives were conducted with the assistance of the local Government Hospital and National Blood Centre at both plants.

Throughout the year, the "MIECO Cares" programme continued to reach out to employees struck by illness or injuries, providing them with support through their recovery.

MARKETPLACE

Promoting ethical marketplace practices

MIECO places great importance in providing high standard of products and services to our customers.

Recognising the importance of building and maintaining positive relationships with our business partners, we hold regular networking events with them as part of our relationship building initiatives.

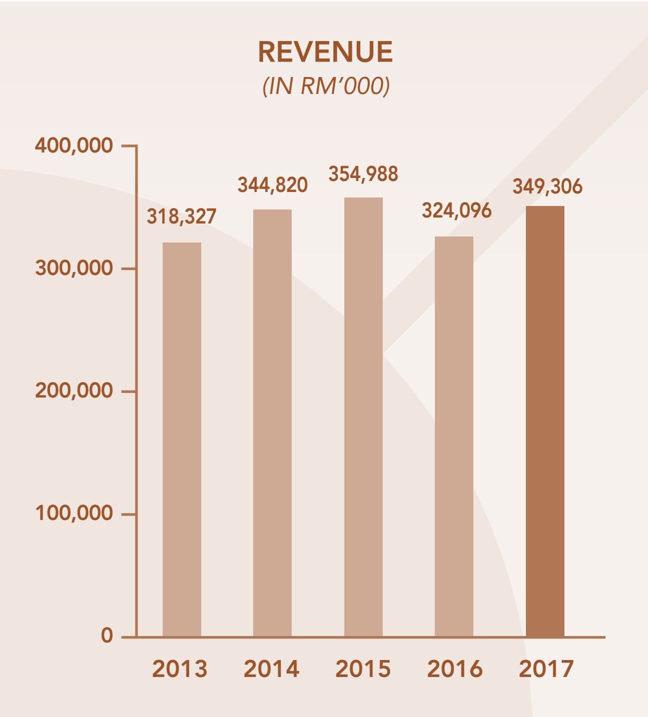
The Group continuously conducts customer satisfaction surveys to test customers' views on our product delivery and quality, product technological advantages as well as technical and customer services. The responses from these surveys are then compiled and circulated to the management and operational teams for improvement of our processes and products.

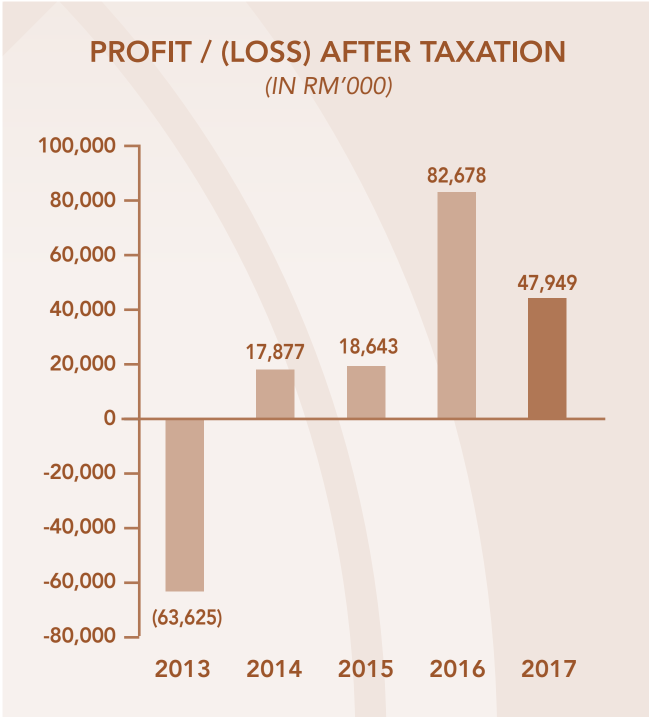
FINANCIAL HIGHLIGHTS
Financial Statistics 2013-2017

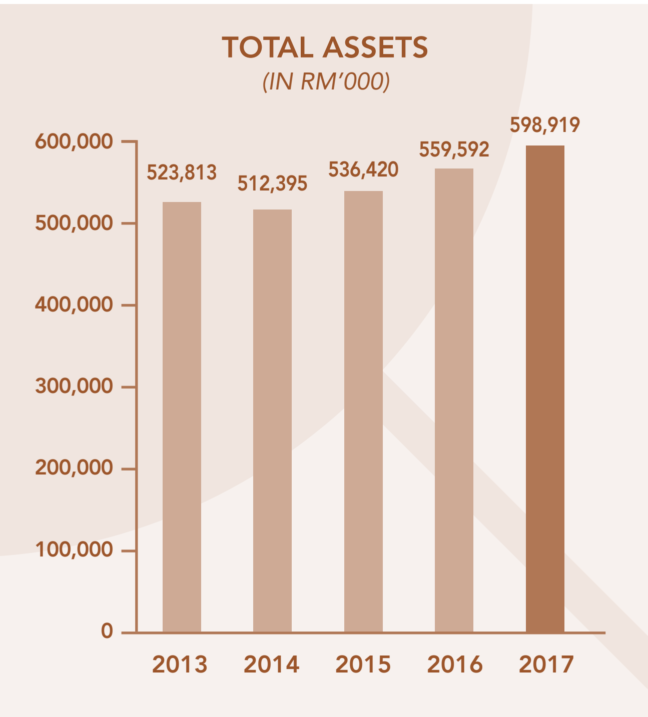
	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
ASSETS					
Non Current assets					
Property, plant and equipment	435,160	413,293	402,018	400,868	412,258
Deferred tax assets	10,189	10,189	-	-	386
	445,349	423,482	402,018	400,868	412,644
Current assets	153,570	136,110	134,402	111,527	104,764
Non-current assets held for sale	-	-	-	-	6,405
TOTAL ASSETS	598,919	559,592	536,420	512,395	523,813
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	215,866	210,000	210,000	210,000	210,000
Reserves	186,849	165,766	82,209	63,567	44,842
Total equity	402,715	375,766	292,209	273,567	254,842
Non-current liabilities	59,081	57,618	58,738	56,210	54,504
Current liabilities	137,123	126,208	185,473	182,618	214,467
Total liabilities	196,204	183,826	244,211	238,828	268,971
TOTAL EQUITY AND LIABILITIES	598,919	559,592	536,420	512,395	523,813
GROUP RESULTS					
Revenue	349,306	324,096	354,988	344,820	318,327
Profit/(Loss) before taxation	48,026	72,519	18,643	19,441	(70,164)
Tax (expense)/credit	(77)	10,159	-	(1,564)	6,539
Profit/(Loss) after taxation	47,949	82,678	18,643	17,877	(63,625)
Dividend paid	(21,000)	-	-	-	-
SELECTED RATIOS *					
Basic earnings/(loss) per share (sen)	9.13	15.75	3.55	3.41	(12.12)
Proposed dividend per share (sen)	1.00	4.00	-	-	-
Net tangible assets per share (RM)	0.77	0.72	0.56	0.52	0.49

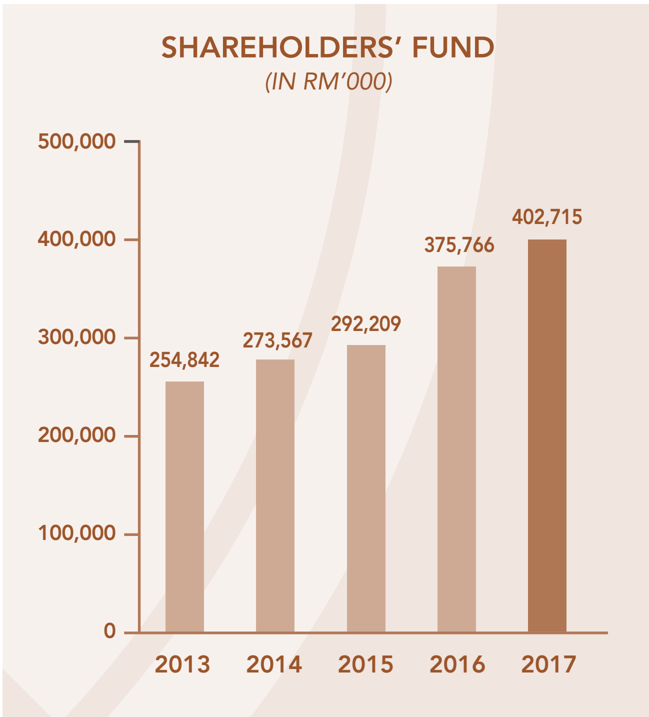
* The 2013 to 2016 selected ratios have been recomputed to reflect the share split exercise involving subdivision of 210,000,000 ordinary shares into 525,000,000 ordinary shares, completed in financial year ended 2017.

FINANCIAL HIGHLIGHTS (Cont'd)
Financial Statistics 2013-2017

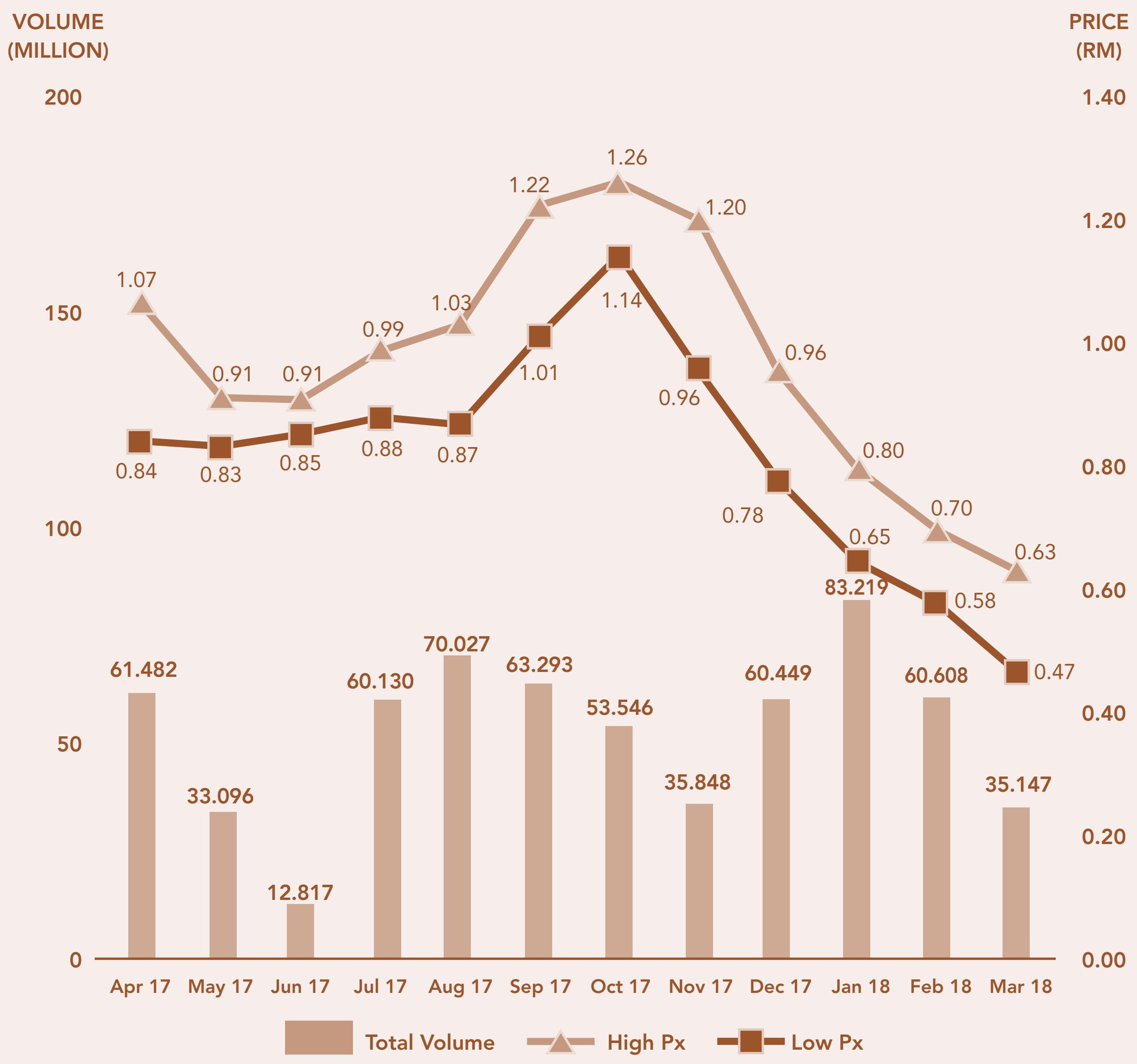








SHARE PERFORMANCE



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of MIECO (the Board) acknowledges and takes cognisance of the new Malaysian Code on Corporate Governance 2017 (the "Code") which outlines practices that emphasise internalisation of corporate governance culture in companies. The Board is committed to maintain an appropriate and sound system of good corporate governance within the Group which are consistent with the principles and best practices recommended in the Code and other applicable laws, regulations and guidelines with the fundamental objective of protecting and enhancing shareholders' value and the financial performance of the Group as well the interests of stakeholders.

The Board is pleased to outline below the key aspects on how the Group has applied the principles and recommendations set out in the Code during the financial year under review.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Functions of the Board and Management

The Board is overall responsible for the direction and control of the Group as it formulates policies, sets strategic directions and oversees the investments and operations of the Group.

In order for the Board to discharge its functions effectively, the Board has delegated certain functions to the committees to assist in the execution of its duties and responsibilities. These committees operate under clearly defined terms of reference and have authority to examine particular issues and the Chairman of the respective committees will report to the Board on the key issues deliberated and outcome of the committees meeting. These Board committees include the Audit Committee, Nomination Committee and Remuneration Committee.

Roles and Responsibilities

The Board assumes the following principal roles and responsibilities:

- formulating the business direction and objectives of the Group;
- reviewing, adopting and approving the Group's strategic plans, key operational initiatives, major investments and funding decisions;
- overseeing the conduct of business of the Group;
- reviewing the risk management process within the Group;
- assuming responsibility in succession planning within the Group; and
- reviewing and ensuring the adequacy and effectiveness of management information and internal control systems to ensure compliance with applicable standards, laws and regulations.

Management is accountable for the execution of the expressed policies and attainment of the Group's corporate objectives. The demarcation complements and reinforces the supervisory role of the Board.

Ethical Codes and Standards

The Board recognises the importance of the Code of Conduct and Ethics, with the intension in achieving the aims of cultivating good ethical behaviour that in turn promote the values of transparency, integrity, accountability and social responsibility.

The Board has adopted a Board Charter which sets out the principal roles and responsibilities of the Board and a Code of Conduct and Ethics for Directors that sets out the principles and standards of business ethics and conducts of the Group. The Group has also put in place a Whistle Blowing Policy which enables any employee and/or management of the Group to seek guidance and express concerns on the reporting of suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste and/or abuse involving resources of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Strategies Promoting Sustainability

The Board is mindful of the importance of business sustainability and, in developing the corporate strategy of the Group, its impact on the environmental, social and governance aspects is taken into consideration. The Company's activities on corporate social responsibility for the financial year ended 31 December 2017 are disclosed on pages 12 to 16 of this Annual Report.

Access to Information and Advice

The Directors are given adequate notice of Board meetings. Board papers together with the agenda are circulated prior to schedule board meetings, via emails or physical copies, to ensure sufficient time is given to the Directors to read the Board papers and seek any clarification that they may need from Management or to consult the Company Secretary or independent advisers, before the Board Meetings, if necessary. This enables the Directors to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive.

The Board papers include reports on the Group's financial, operational, corporate developments and proposals. Senior management staff are invited to attend Board meetings to report on matters relating to their respective areas of responsibility and also to provide details or clarification on issues that may be raised by any Director.

All Directors have full and unrestricted access to senior management for advice and information, and support services of the Company Secretary in ensuring the effective functioning of the Board. The Directors may also seek independent professional advice in the furtherance of their duties at the Company's expense, if required, subject to the approval of the Board, and depending on the quantum of the fees involved.

Qualified Company Secretary

The Board is supported by a licensed Company Secretary. The Company Secretary is to ensure that the Board procedures are adhered to at all times during meetings and advise the Board on matters, including corporate governance issues and Directors' responsibilities in complying with relevant legislation and regulations.

The Company Secretary attends all Board and Board Committee meetings to ensure that all deliberation of issues discussed and decisions/conclusions made are recorded accurately. The Company Secretary also work closely with the management to ensure timely flow of information to the Board.

On an ongoing basis, the Directors have separate and independent access to the Company Secretary.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

Board Composition

As at the date of this statement, the Board has six members, comprising one Independent Non-Executive Chairman, one Group Managing Director, one Executive Director, two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The Company is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) which stipulates that at least one third of the Board members must be independent. The Board has a female Director, reflecting the Board's efforts towards achieving a more gender diversified Board. The composition of the Board represents a balanced mix of experienced professionals in the fields of business, finance and general management. Together, the Directors bring a wide range of expertise and skills necessary for the continued successful direction of the Group. A brief profile of each Director is set out on pages 4 to 6 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Nomination Committee

The Board has strived to apply the best practices of the Code by setting up a Nomination Committee (NC) comprising exclusively three (3) Independent Non-Executive Directors.

The composition of the NC as of the date of this Annual Report is as follows:
- Dato' Abdul Rashid Bin Mat Amin (Chairman / Independent Non-Executive Director)
- Mr. Cheam Tow Yong (Member / Independent Non-Executive Director)
- Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah (Member / Independent Non-Executive Chairman)

The terms of reference of the NC can be viewed at the Company's website at www. mieco.com.my.

The NC is primarily responsible for the following:

(a) To oversee the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies;

(b) To consider, evaluate and recommend suitable candidates for appointment to the Board;

(c) To assess the performance and effectiveness of the Board and the contributions of each Director towards the effectiveness of the Board's decision making process. The assessment includes assessment of independence of the Independent Directors.

During the financial year under review, the activities carried out by the NC are as follows:

- Reviewed the overall composition of the Board in terms of the appropriate size, mix of skills, experience, core competencies and board balance;
- Reviewed and assessed the profile of a new candidate for appointment as a member of the Board, and recommended the candidate for appointment;
- Assessed the Board's performance and effectiveness as a whole;
- Assessed the performance of each individual Director;
- Assessed the independence of its Independent Directors; and
- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the forthcoming Annual General Meeting of the Company.

Board Membership Criteria

In selecting a suitable candidate, the NC considers, among others, the candidate's qualification, experience and accomplishments, with the objective of having a Board with diverse backgrounds and experience in business. All Directors are expected to be individuals with integrity, high personal and professional ethics, sound business judgement, and the ability and willingness to commit sufficient time to the duties of the Board. The final decision on the appointment of a candidate nominated by the NC rests with the whole Board.

Gender, Ethnicity and Age Group Diversity Policy

The Company adheres to the practice of non-discrimination of any form throughout the Company as such does not set a specific target on the composition of the Board and management in terms of gender, age or ethnicity. The Company provides equal opportunity to candidates with merits and believes it is vital to recruit and retain the best available talent regardless of gender, ethnicity or age. The Board shall endeavour to achieve greater diversity as and when the opportunity arises. Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy in view of the Company's commitment to ensuring that all Directors are appointed on merit and is in line with the standards as set out in Para 2.20A of the Main Market Listing Requirements. Presently, there is one female Director on the Board.

Board Assessment

The NC has a formal assessment in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director. The assessment comprises the Board Assessment and Individual Self-Assessment. The assessment of the Board and Board Committees are based on specific criteria covering areas such as board structure, board operations, board roles and responsibilities and board chairman's roles and responsibilities. For individual assessment, criteria covering contribution to interaction, quality of input, understanding of role and board chairman's role were used.

Evaluations on the contribution of the Directors and the effectiveness of the Board and Board Committees were conducted by the NC for the financial year under review. The Board was satisfied with the performance and effectiveness of the Board as a whole, the Board Committees as well as the performance and contribution of each individual Director. The Board was also of the view that the present size and composition is optimal based on the Group's operations and that it reflects a fair mix of financial, technical and business experiences that are important to the stewardship of the Group.

Remuneration Policies

The Remuneration Committee (RC) comprises three Non-Executive Directors:

Dato' Abdul Rashid Bin Mat Amin (Chairman / Independent Non-Executive Director),
Mr. Cheam Tow Yong (Member / Independent Non-Executive Director) and
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah (Member / Non-Independent Non-Executive Chairman).

The terms of reference of the Remuneration Committee can be viewed at the Company's website at www.mieco.com.my.

The RC is responsible to formulate and review the policy framework and making recommendation to the Board on the annual remuneration packages and benefits extended to the executive members of the Board, taking into account the performance of each individual as well as corporate performance. The determination of the remuneration and benefits accorded to the Non-Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

Fees payable to Non-Executive Director are deliberated and decided by the Board as a whole before they are presented for approval by shareholders at the Annual General Meeting ("AGM"). Directors who are also shareholders of the Company abstain from voting at the AGM to approve their own fees. Similarly, Executive Directors are not involved in deciding their own remuneration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

In addition, the Directors have the benefit of Directors & Officers liability insurance in respect of any liabilities arising from their acts committed in their capacities as Directors and Officers of the Company. However, the said insurance policy does not indemnify a Director or Officer if he is proven to have acted fraudulently, or dishonestly, or in breach of his duty or trust. The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary company during the financial year ended 31 December 2017 are as follows:-

	The Company				The Group		
	Fees RM'000	Salaries & Bonus RM'000	Others^ RM'000	Company Total RM'000	Salaries & Bonus RM'000	Others RM'000	Group Total RM'000
Executive Diretors							
Dato' Sri Ng Ah Chai	-	1,437	-	1,437	-	-	-
Ng Wei Ping **	-	48.3	-	48.3	-	-	-
Total	-	1,485.3	-	1,485.3	-	-	-
Non-Executive Directors							
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah	125	-	5.9	130.9	-	-	-
Cheam Tow Yong	48	-	7.5	55.5	-	-	-
Dato' Abdul Rashid Bin Mat Amin	41	-	7.5	48.5	-	-	-
Kajendra A/L Pathmanathan	36	-	6.0	42.0	-	-	-
Total	250	-	26.9	276.9	-	-	-

There is no separate disclosure on the remuneration of the Senior Management as the Executive Directors formed the major component of Senior Management.

Notes :

^ Comprise sitting allowance.

** Appointed on 13 October 2017.

PRINCIPLE 3 – REINFORCE INDEPENDENCE

Assessment of Independent Directors

The presence of the Independent Directors helps in providing independent and constructive views, advice and opinions to the benefits of the investors, customers, and other stakeholders. They also represent the element of objectivity, impartiality and independent judgement of the Board. This ensures there is adequate check and balance at the Board level.

Independent Directors are subject to an independence assessment prior to their appointments and annually thereafter. In this respect, the Board, through the NC, assesses the independence of its Independent Directors based on the criteria set out in the Main Market Listing Requirements of Bursa Securities. All the Independent Directors in office as at end of 2017 have reaffirmed their independence.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Tenure of Independent Directors

The Board is aware that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years as recommended by the Code.

Upon completion of the nine (9) years, the Independent Non-Executive Director concerned may:

(i) Continue to serve on the Board if deemed appropriate and suitable by the Board, subject to him/her being re-designated as Non-Independent Director; or

(ii) Remain as an Independent Non-Executive Director if deemed appropriate and suitable by the Board, subject to the shareholders' approval. The Board must provide justification for the decision.

As of the date of this Annual Report, none of the Independent Non-Executive Directors has served a consecutive term of nine (9) years.

Position of Chairman and Group Managing Director

Division of roles between the Non-Executive Chairman and the Group Managing Director is clearly defined to ensure that there is an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the effective running of the Board. She ensures that the Board receives sufficient and relevant information on financial and non-financial matters to enable them to participate actively in meetings. The Group Managing Director is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

PRINCIPLE 4 – FOSTER COMMITMENT

Time Commitment and Board Meetings

The Directors are expected to give sufficient time and attention to carry out their responsibilities. Under the Board Charter, a Director is required to notify the Chairman before accepting any new directorship in any other company and the notification shall explain the expectation and an indication of the time commitment that will be spent on the new appointment. All the Directors hold not more than five directorships in public listed companies.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities.

Board meetings

The Board meets at least 5 times a year, with additional meetings for particular matters convened as and when necessary.

A total of 5 Board meetings were held during the financial year ended 31 December 2017. The attendance record of each Director is as follows:

Directors	Total Meetings Attended	Percentage of Attendance %
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah *Independent Non-Executive Chairman*	3/5	60

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Directors	Total Meetings Attended	Percentage of Attendance %
Dato' Sri Ng Ah Chai *Group Managing Director*	5/5	100
Mr. Cheam Tow Yong *Independent Non-Executive Director*	5/5	100
Dato' Abdul Rashid Bin Mat Amin *Independent Non-Executive Director*	4/5	80
Mr. Kajendra A/L Pathmanathan *Non-Independent Non-Executive Director*	4/5	80
Mr. Ng Wei Ping *Executive Director* *(Appointed on 13 October 2017)*	1/1	100

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2017 as stipulated under Paragraph 15.05 of the Main Market Listing Requirements of Bursa Securities.

Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

Directors' Training

The Board takes cognisance of the importance of continuous training in keeping the Directors updated and informed on the changes and developments of operating environment and the corporate regulatory framework.

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP). In addition to that, the Directors are briefed and updated at the quarterly meetings by the External Auditors, Internal Auditors and/or the Company Secretary on relevant amendments to the Listing Requirements, corporate governance practices and principles, risk management and internal control approaches, Malaysian Financial Reporting Standards as well as auditing requirements. The Directors also gained insights to the market development through constructive and active deliberations at the Board meetings.

The Directors, on their own efforts, continue to equip themselves with latest knowledge and updates on the business and economic environment via trade fairs, industrial periodicals, professional journals and attending the following:

- **Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers**
- **New Malaysian Code of Corporate Governance – A Comprehensive & Actionable Work Plan**

The Directors will, from time to time, assess the needs to enrol in formal, structured training programmes.

PRINCIPLE 5 – UPHOLDING INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Accounting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements and the Companies Act, 2016. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

The Directors' Responsibility Statement in respect of the preparation of the Annual Audited Financial Statements is set out on page 35 of this Annual Report.

Independence of External Auditors

The Board maintains a transparent and professional relationship with the external auditors through the AC. The AC invites the external auditors to attend its meetings as and when required. From time to time, the external auditors have highlighted to the AC matters that require the AC's attention. The AC will meet twice a year with the external auditors without any executive Board member present to enable exchange of views on issues requiring attention. The external auditors declare their independence annually to the AC as specified by the By-Laws issued by the Malaysian Institute of Accountants.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

Risk Management Framework

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard the investment of its shareholders and the Group's assets. The key features of the Group's system of risk management are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Internal Audit Function

The Board has established an independent internal audit function that reports directly to the AC. This internal audit function is outsourced to an independent professional firm which is independent of the activities and operations of the Group. Details of the Group's internal control system and framework are set out in the Statement on Risk Management and Internal Control and the AC Report of this Annual Report.

PRINCIPLE 7 – TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the need for and the importance of clear and effective communication with shareholders, institutional investors and the investing public. The Group communicates with its shareholders and stakeholders regularly through timely release of financial results on a quarterly basis, Company's annual reports and other circulars to shareholders and where appropriate, ad hoc press statements which serve as the principal channel in keeping the shareholders and the investing public informed of the Group's major developments and overviews of financial performance and progress throughout the year.

The Group maintains a website at www.mieco.com.my where shareholders as well as members of public can access the latest information on the Company and on the business activities of the Group. Alternately, they may obtain the Company's latest announcements via the website of Bursa Securities at www.bursamalaysia.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Shareholders' Participation at General Meeting

The AGM represents the principal forum for dialogue and interaction with all shareholders. Shareholders are given the opportunity to participate in the question and answer session on the Group's operations and proposed resolutions. The Directors, senior management and the external auditors are available to respond to shareholders' queries during the AGM.

Shareholders who are unable to attend personally are allowed to appoint proxy/proxies to attend and vote on their behalf. Notice of the Annual General Meeting is circulated to the shareholders at least twenty-eight (28) days prior to the meeting.

Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.29A of the Listing Requirements of Bursa Securities. The Board will implement poll voting for all the resolutions to be passed in the forthcoming Annual General Meeting. The Company will appoint one (1) scrutineer, who is independent of the Group and the person undertaking the polling process, to validate the votes casted.

COMPLIANCE STATEMENT

The Board recognises the importance of good corporate governance towards long term sustainability of the Group. To this end, the Board always strive to adopt the principles and recommendations promoted by the Code. Save as disclosed within this Annual Report, the Group has, and will continue to apply the principles and recommendations as set out in the Code where practical and appropriate.

This statement was approved by the Board at its meeting held on 28 March 2018

ADDITIONAL CORPORATE DISCLOSURE

Utilisation of Proceeds

The Company did not raise funds through any corporate proposal during the financial year ended 31 December 2017 ("FY2017").

Recurrent Related Party Transactions

Details of recurrent related party transactions are disclosed in Note 28(b) to the audited financial statements set out on page 98 of this Annual Report, of which none of the aggregate value of the transactions conducted during the financial year exceeds the applicable prescribed threshold under paragraph 10.09(2)(b) of Main Market Listing Requirements of Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Audit and Non-Audit Fees Paid

During the FY2017, the total audit and non-audit fees incurred by the Company and the Group are as follows:

	Mieco Chipboard Berhad (RM)	Mieco Chipboard Group (RM)
Audit Fees	60,000.00	155,000.00
Non-Audit Fees	-	-

Material Contracts

Save as disclosed below, there were no material contracts entered into by the Company or its subsidiary companies involving the interests of the Directors, Chief Executive who is not a Director or major shareholders in the financial year ended 31 December 2017 :-

On 26 July 2017, the Company entered into a conditional share sale agreement ("SSA") with SYF Resources Berhad for the proposed acquisition of the entire issued share capital of Great Platform Sdn Bhd ("**Proposed Acquisition**") and the proposed assumption of liabilities owing by Great Platform to SYF Resources Berhad ("**Proposed Assumption of Liabilities**") for a total purchase consideration of RM58,592,150, comprising a purchase consideration of RM7,063,341 for the Proposed Acquisition and RM51,528,809 for the Proposed Assumption of Liabilities, to be satisfied entirely via cash. The SSA was completed on 27 February 2018.

The above transaction was deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of Dato' Sri Ng Ah Chai and Ng Wei Ping in both Mieco Chipboard Berhad ("MIECO") and SYF Resources Berhad ("SYF").

Dato' Sri Ng was deemed interested in the above transaction by virtue of him being the Group Managing Director and major shareholder of MIECO. Dato' Sri Ng is also the Executive Chairman and Chief Executive Officer as well as the major shareholder of SYF.

Ng Wei Ping was deemed interested in the above transaction by virtue of him being appointed as the Executive Directors of both MIECO and SYF. He is the son of Dato' Sri Ng Ah Chai.

Contracts Relating To Loans

During the FY2017, there were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors, chief executive and/or major shareholders.

Insider Trading

During the FY2017, there was no insider trading reported.

AUDIT COMMITTEE REPORT

COMPOSITION OF AUDIT COMMITTEE

As at the date of this report, the Audit Committee (AC) comprises the following members:

Mr. Cheam Tow Yong (Chairman/Independent Non-Executive Director)
Dato' Abdul Rashid Bin Mat Amin (Member/Independent Non-Executive Director)
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah (Member/Independent Non-Executive Chairman)

AUTHORITY AND DUTIES

The details of the terms of reference of the AC are available for reference at www.mieco.com.my.

MEETING ATTENDANCE

During the financial year ended 31 December 2017, five AC meetings were held. The Non-Independent Non-Executive Director and Senior Management attended all the AC meetings by invitation to brief the AC on specific issues. Internal auditors attended one of the AC meeting to present their internal audit report. The external auditors were present at three of the AC meetings where matters relating to the audit of the statutory financial statements were discussed. The AC held two private discussions with the external auditors without the presence of the executive management.

Details of attendance of the AC members are as follows:

Directors	Total Meetings Attended	Percentage of Attendance %
Mr. Cheam Tow Yong *Independent Non-Executive Director*	5/5	100
Dato' Abdul Rashid Bin Mat Amin *Independent Non-Executive Director*	4/5	80
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah *Independent Non-Executive Chairman*	3/5	60

The AC Chairman has conveyed to the Board matters of significant concern raised by the external auditors and internal auditors. Confirmed minutes of AC meetings were also circulated to the Board for information.

SUMMARY OF ACTIVITIES

The AC has carried out its duties in accordance with its terms of reference during the financial year ended 31 December 2017. The activities carried out by the AC included the following:

(a) reviewed the quarterly unaudited financial results of the Group before recommending them to the Board for approval and subsequent release of the results to Bursa Malaysia Securities Berhad;

(b) reviewed the annual audited financial statements of the Group with the external auditors before recommending to the Board for approval. There was focus on changes on adjustments/issues affecting the audit. The external auditors' report on the significant audit and accounting issues arising from their audit as well as the accompanying management responses/resolutions were also reviewed by the AC;

(c) reviewed the audit plan with the external auditors, in terms of the key areas of audit emphasis, significant accounting and auditing issues, as well as the impact of the new or proposed changes in the accounting standards and regulatory requirements;

(d) met with the external auditors twice without the presence of any executive board members or management, to discuss issues arising from their audit including management cooperation in the audit process, financial reporting issues, operations and for sharing of information;

(e) reviewed the annual risk-based internal audit plan proposed by the internal auditors to ensure adequate scope and coverage of their activities and key risk areas are adequately identified and covered;

(f) reviewed internal audit reports presented by internal auditors, especially with regard to the issues raised, audit recommendations and management's responses. Where necessary, the AC has directed action to be taken by management to rectify and improve the system of internal controls and procedures;

(g) reviewed and discussed with the advisers in relation to the respective corporate proposals during the financial year;

(h) met and discussed with the authority in relation to the accounting treatment on the impairment made for Property, Plant & Equipment by the Company;

(i) reviewed recurrent related party transactions of the Group; and

(j) reviewed and approved the Audit Committee Report for inclusion in the Company's Annual Report.

INTERNAL AUDIT FUNCTION

The AC is supported by an internal audit (IA) function which is outsourced to an independent professional firm which is independent of the activities and operations of the Group. The IA function provides independent and objective review on the state of internal control and compliance with the Group's policies and procedures in accordance with the annual risk-based internal audit plan approved by the AC. The IA function assists the AC in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance process.

During the financial year ended 31 December 2017, the outsourced IA, namely Messrs Raja Salleh, Lim & Co. has tabled the Annual Internal Audit Plan for AC's review, and carried out audit review on internal control, policy and procedures of the Group. Areas of audit included Maintenance and Spare Parts of Machineries Procedures for Plant 3. The resulting report of the audits undertaken, incorporating audit recommendations and management's responses were presented at the quarterly AC meeting for the AC's deliberation and issued to the management of the respective operating units concerned for appropriate remedial actions to be taken to improve the relevant systems and procedures within the agreed timelines. The senior management were present in the AC meeting to explain and clarify on the actions taken to rectify the audit issues highlighted.

There were no material losses incurred during the financial year as a result of weaknesses in the system of internal control and management continues to take appropriate measures to strengthen and enhance the adequacy and effectiveness of the control environment.

Total costs incurred for the IA function of the Group for the financial year ended 31 December 2017 amounted to RM13,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements, the Board of Directors of Mieco Chipboard Berhad is pleased to provide the following Statement on Risk Management and Internal Control of the Group, which had been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

RESPONSIBILITY

The Board affirms its overall responsibility for maintaining an adequate and sound risk management and internal control system within the Group and for reviewing its adequacy and integrity of such system on a regular basis to safeguard shareholders' investment and the Group's assets. However, in view of the inherent limitations in any such system, the risk management and internal control system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Hence, the risk management and internal control system can only provide a reasonable combination of preventive, detective and corrective measures but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

Whilst the Board maintains responsibility over risk and control issues, management is responsible for implementing policies, procedures and guidelines on risk and control by identifying and evaluating the risks faced and design, operate and monitor a suitable system of internal control to manage these risks.

The effectiveness of the system of risk management and internal control may vary over time due to the changing circumstances and conditions of the Company and the Group. Nevertheless, the Board recognises that the system of risk management and internal control should be continuously maintained, monitored and improved with appropriate actions taken to address identified control deficiencies and emerging risks.

RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of such risks are important to ensure the achievement of the Group's corporate objectives.

Regular meetings of the Board, Board committees and management represent the main platform by which the Group's performance and conduct are monitored. The senior management teams are empowered with the responsibility of managing their respective operations. Through regular operational meetings, the senior management teams identify, discuss and deal with operational, financial and key management issues. Significant risks identified are escalated to the attention of the Board. The Board is responsible for setting the business directions and overseeing the conduct of the Group's operations. With the assistance of the internal audit (IA) function, the Board, through the Audit Committee (AC), continuously reviews the adequacy, effectiveness and integrity of the risk management processes in place within the various operating businesses. The AC also reviews and deliberates on any matters relating to internal controls highlighted by the external auditors in the course of their statutory financial audit of the Group. Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking.

INTERNAL AUDIT FUNCTION

The Group's IA function is carried out by an independent professional service firm. The principal duty and responsibility of IA is to examine and evaluate the adequacy and effectiveness of the Group's system of internal control, risk management process and compliance framework on behalf of the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

The outsourced IA function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. The IA function provide the AC with the results of the internal audit reviews together with IA's recommendations for improvement, management's response and corrective actions taken or to be taken by management with regard to the weaknesses highlighted. Follow ups will be carried out by the IA function should there be unresolved findings and the status of actions taken by management will be reported to the AC. Based on the internal audit reviews carried out, none of the weaknesses noted by the IA function have resulted in any material losses, contingency or uncertainties that would require disclosure in this Annual Report.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Group has adopted an ongoing risk management process for identifying, evaluating, monitoring and managing significant risks affecting the achievements of its business objectives.

The key elements of the Group's risk management and internal control system are set out below.

- The Board is supported with several established Board committees in the execution of its responsibilities namely the AC, Nomination and Remuneration Committees. Each Committee has clearly defined terms of reference. These committees have the authority to examine all matters within their scope and report to the Board with their recommendations.

- There is an organisational structure with formally defined lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.

- The Group has clear and formally defined approving authority limits and authorisation procedures, which is the primary instrument that governs and manages the business decisions making process within the Group. It also ensures that a system of internal control and checks and balances are incorporated therein. The Authority Chart is periodically reviewed and updated to reflect changes in the business, operational and organisational environment.

- There are documented standard operating policies and procedures covering the critical and significant facets of the Group's business processes and they form an integral part of the internal control framework to safeguard shareholders' investment and the Group's assets against material loss. These areas include manufacturing, human resource, information technology, sales, financial and credit management as well as occupational safety, health and environment. These policies and procedures are reviewed and updated from time to time to meet the operational needs.

- Common Group policies are available on MIECO's intranet for easy access by staff. The intranet is used as an effective means of communication and knowledge sharing at all levels.

- Human resource policies and guidelines are established to provide support to the Group's vision. These policies provide guidance to employees on areas such as discipline, employee performance appraisals and other related matters. Ongoing training and development programmes are conducted to improve and enhance employees' competencies and skills.

- The Group continues to maintain MIECO Quality Management System, Environmental Management System and Occupational Health and Safety Management System certifications. Such quality management systems provide the Group with an improved control of key processes and a foundation for improving quality, customer service and customer satisfaction. The business operations of the Group are also governed by various regulations and laws applicable to the wood industry. Compliance audits are conducted by various independent bodies for the various certifications and licenses obtained from the local governmental authorities and international certification bodies.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

- There are adequate insurance coverage and physical safeguards on major assets to ensure that the assets of the Group are sufficiently covered against any mishap that could result in a material loss. A yearly policy renewal exercise is undertaken by management to review the relevance and adequacy of the insurance coverage. There is also a Directors & Officers insurance coverage for the Directors and Officers of the Group.

- The Group operates an Enterprise Resource Planning system which enables transactions to be captured, compiled and reported in a timely and accurate manner. Information systems in the Group provide management with data, analyses, variations, exceptions and other inputs relevant to the Group's performance. Internal control requirements are also embedded in the Group's computerised systems as well.

- The Group has put in place a whistleblowing policy which allows, supports and encourages its employees and third parties to report and disclose any improper or illegal activities within the Group. It is the Group's commitment to investigate any suspected serious misconduct or any breach reported, as well as to protect those who come forward to report such activities.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

During the financial year under review, some areas for improvement in the risk management and internal control system were detected. Management has attended to the issues raised and has taken appropriate measures to address the areas for improvement that have been highlighted. The issues raised were mainly operational and have negligible impact on the operational results of the Group.

The monitoring, review and reporting arrangements in place to provide reasonable assurance that the structure of control and its operations are appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error, deliberate circumvention of control procedures by employees and others or the occurrence of unforeseen circumstances.

The Board recognises the need for the risk management and internal control system to be subject to periodic review in line with the growth and dynamics of the Group. To this end, the Board remains committed towards striving for continuous improvement to put in place appropriate action plans where necessary, to further enhance the risk management and internal control system of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 Of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk and internal control systems of the Group. Based on the review, the external auditors have reported to the Board that nothing has come their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system within the Group.

CONCLUSION

The Board has received assurance from the senior management that the Group's risk management and internal control system is operating adequately and satisfactorily, in all material aspects, based on the risk management and internal control system of the Group. The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of the issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

This Statement was approved by the Board at its meeting held on 28 March 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 (CA) to prepare financial statements for each financial year which have been made out in accordance with the requirements of the applicable approved Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the CA and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Company are prepared with reasonable accuracy from the accounting records of the Group and the Company so as to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and the Company for the financial year.

In preparing the annual audited financial statements, the Directors have:

- adopted appropriate and relevant accounting policies which are consistently applied;
- made judgements and estimates that are reasonable and prudent; and
- prepared the audited financial statements on a going concern basis.

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 7 to the financial statements.

RESULTS

The results of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Profit/(Loss) before taxation	48,026	(1,346)
Tax expense	(77)	(4)
Net profit/(loss) for the financial year	47,949	(1,350)

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than write back of impairment of property, plant and equipment as disclosed in the financial statements.

DIVIDENDS

On 27 February 2017, the Directors declared an interim single-tier dividend of 10 sen per share on 210,000,000 ordinary shares of RM1 each, amounting to RM21,000,000 in respect of the financial year ended 31 December 2016, paid on 24 March 2017.

On 26 February 2018, the Directors declared an interim single-tier dividend of 1 sen per share on 525,000,000 ordinary shares, amounting to RM5,250,000 in respect of the financial year ended 31 December 2017, to be paid on 27 April 2018 and this has not been included as a liability in the financial statements.

The Directors do not recommend any final dividends in respect of the current financial year.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT
(Cont'd)

DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah	
Dato' Sri Ng Ah Chai	
Dato' Abdul Rashid Bin Mat Amin	
Cheam Tow Yong	
Kajendra A/L Pathmanathan	
Ng Wei Ping	(appointed on 13.10.2017)

The Directors of the subsidiaries in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Sri Ng Ah Chai	
Kevin Quek Kian Kee	(appointed on 13.10.2017)
Lim Kar Hor	(appointed on 13.10.2017)
Ng Wei Ping	(appointed on 13.10.2017)
Ng Geok Lian	(appointed on 13.10.2017)
Ng Tien Ying	(appointed on 13.10.2017)
Kajendra A/L Pathmanathan	(resigned on 13.10.2017)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate of emoluments received or due and receivable by Directors as disclosed in Note 26 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain Directors of the Company are also Directors and/or shareholders as disclosed in Note 28 to the financial statements.

DIRECTORS' INTERESTS

The interests in shares in the Company of those who were Directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

Shares Held in the Company

	Number of ordinary shares*				
	At 1.1.2017	Bought	Sold	Share split	At 31.12.2017
Direct interest					
Dato' Sri Ng Ah Chai	119,218,055	0	0	178,827,082	298,045,137
Cheam Tow Yong	160,000	140,000	0	450,000	750,000

None of the other Directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Company or its related corporation during or at the beginning and end of the financial year.

* Upon effective of the Companies Act, 2016 on 31 January 2017, the ordinary shares do not have any par value.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains Directors and Officers liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, amounting to RM10,000,000, which provides appropriate insurance cover for the Directors and officers of the Company and its subsidiaries. The amount of insurance premium paid during the year amounted to RM17,100 (excluding goods and service tax and stamp duty).

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that no known bad debts need to be written off and that adequate allowance 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 had 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 require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which 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.

DIRECTORS' REPORT
(Cont'd)

OTHER STATUTORY INFORMATION (CONTINUED)

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

(a) any charge on the 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.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

Details of significant and subsequent events are as disclosure in Note 32 to the financial statements.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 31 December 2017 is as disclosed in Note 22 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 28 March 2018.

DATO' SRI NG AH CHAI
DIRECTOR

NG WEI PING
DIRECTOR

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	435,160	413,293	1	9
Investment in subsidiaries	7	0	0	50,075	50,075
Amount due from subsidiaries	8	0	0	332,337	367,244
Deferred tax assets	9	10,189	10,189	0	0
		445,349	423,482	382,413	417,328
CURRENT ASSETS					
Inventories	10	68,945	40,178	0	0
Receivables, deposits and prepayments	11	66,083	58,920	843	137
Amount due from subsidiaries	8	0	0	14,376	15,423
Tax recoverable		356	576	316	320
Derivative financial instruments	19	50	0	0	0
Cash and bank balances	12	18,136	36,436	247	193
		153,570	136,110	15,782	16,073
TOTAL ASSETS		598,919	559,592	398,195	433,401

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2017 (Cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	13	215,866	210,000	215,866	210,000
Reserves	14	186,849	165,766	136,787	165,003
TOTAL EQUITY		402,715	375,766	352,653	375,003
NON-CURRENT LIABILITIES					
Employee defined benefit plan	15	13,072	12,542	557	574
Other payables	18	721	1,041	0	0
Amount due to former immediate holding company	17	30,543	44,035	30,543	44,035
Borrowings	16	14,745	0	0	0
		59,081	57,618	31,100	44,609
CURRENT LIABILITIES					
Trade and other payables	18	61,173	84,593	1,140	1,186
Amount due to subsidiaries	8	0	0	3,426	3,426
Amount due to former immediate holding company	17	9,876	9,177	9,876	9,177
Derivative financial instruments	19	0	267	0	0
Borrowings	16	66,074	32,171	0	0
		137,123	126,208	14,442	13,789
TOTAL LIABILITIES		196,204	183,826	45,542	58,398
TOTAL EQUITY AND LIABILITIES		598,919	559,592	398,195	433,401

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	20	349,306	324,096	3,633	3,494
Changes in inventories of finished goods and work-in-progress		22,251	1,172	0	0
Raw materials and consumable used		(194,541)	(179,738)	0	0
Purchase of packing materials		(2,690)	(2,476)	0	0
Staff costs	21	(34,713)	(33,599)	(3,282)	(2,447)
Hiring of vehicles and equipment		(3,641)	(3,907)	0	0
Shipping and handling expenses		(20,472)	(19,607)	0	0
Upkeep, repairs and maintenance of assets		(19,724)	(15,956)	(4)	(12)
Utilities		(27,865)	(26,924)	0	0
Depreciation of property, plant and equipment		(17,679)	(14,973)	(8)	(56)
Impairment of property, plant and equipment		0	(7,809)	0	0
Other expenses		(13,530)	(11,957)	(1,685)	(1,262)
Write back of impairment of investment in subsidiary		0	0	0	45,009
Gain on disposal of subsidiary		0	35,000	0	35,000
Write back of impairment of property, plant and equipment		12,054	28,134	0	0
Other operating income		3,419	5,911	0	0
Profit/(Loss) from operations	22	52,175	77,367	(1,346)	79,726
Finance costs	23	(4,468)	(4,900)	0	(33)
Finance income	23	319	52	0	44
Profit/(Loss) before taxation		48,026	72,519	(1,346)	79,737
Tax (expense)/credit	24	(77)	10,159	(4)	0
Net profit/(loss) for the financial year		47,949	82,678	(1,350)	79,737

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2017 (Cont'd)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss:					
Actuarial gain/(loss) on employee defined benefit plan	15	0	878	0	(83)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign subsidiary		0	1	0	0
Other comprehensive income/(loss) for the financial year		0	879	0	(83)
Total comprehensive income/(loss) for the financial year		47,949	83,557	(1,350)	79,654
Net profit/(loss) attributable to owners of the Company		47,949	82,678	(1,350)	79,737
Total comprehensive income/(loss) attributable to owners of the Company		47,949	83,557	(1,350)	79,654
Basic earnings per share (sen)	25	9.13	15.75		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2017

	Attributable to owners of the Company					
	Issued and fully paid ordinary shares		Non-distributable		Distributable	
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign currency reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016	210,000	210,000	5,866	(44)	76,387	292,209
Total comprehensive income:						
- Net profit for the financial year	0	0	0	0	82,678	82,678
- Actuarial gain on employee defined benefit plan	0	0	0	0	878	878
- Exchange difference on translating foreign subsidiary	0	0	0	1	0	1
At 31 December 2016	210,000	210,000	5,866	(43)	159,943	375,766
At 1 January 2017	210,000	210,000	5,866	(43)	159,943	375,766
Total comprehensive income:						
- Net profit for the financial year	0	0	0	0	47,949	47,949
Effects of share split (Note 13)	315,000	0	0	0	0	0
Transfer arising from "no par value" regime (Note 13)	0	5,866	(5,866)	0	0	0
Dividend paid in respect of financial year ended 31 December 2016	0	0	0	0	(21,000)	(21,000)
At 31 December 2017	525,000	215,866	0	(43)	186,892	402,715

COMPANY STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2017

	Issued and fully paid ordinary shares		Non-distributable	Distributable	
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016	210,000	210,000	5,866	79,483	295,349
Total comprehensive income/(loss):					
- Net profit for the financial year	0	0	0	79,737	79,737
- Actuarial loss on employee defined benefit plan	0	0	0	(83)	(83)
At 31 December 2016	210,000	210,000	5,866	159,137	375,003
At 1 January 2017	210,000	210,000	5,866	159,137	375,003
Total comprehensive loss:					
- Net loss for the financial year	0	0	0	(1,350)	(1,350)
Effects of share split (Note 13)	315,000	0	0	0	0
Transfer arising from "no par value" regime (Note 13)	0	5,866	(5,866)	0	0
Dividend paid in respect of financial year ended 31 December 2016	0	0	0	(21,000)	(21,000)
At 31 December 2017	525,000	215,866	0	136,787	352,653

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Net profit/(loss) for the financial year	47,949	82,678	(1,350)	79,737
Adjustments for:				
Depreciation of property, plant and equipment	17,679	14,973	8	56
Gain on disposal of subsidiary	0	(35,000)	0	(35,000)
(Gain)/Loss on disposal of property, plant and equipment	(248)	1,517	0	0
Write off of:				
- property, plant and equipment	160	0	0	0
- inventories	0	135	0	0
(Write back of allowance)/Allowance for inventories obsolescence	(354)	6,833	0	0
Debt waiver	0	0	65	0
Finance costs	4,468	4,900	0	33
Finance income	(319)	(52)	0	(44)
Provision for employee defined benefit plan	1,533	1,513	102	81
Fair value (gain)/loss on derivative financial instruments	(317)	188	0	0
Unrealised loss/(gain) on foreign exchange	1,325	(950)	0	(11)
Tax expense/(credit)	77	(10,159)	4	0
Write back of impairment of investment in subsidiary	0	0	0	(45,009)
Write back of impairment of property, plant and equipment	(12,054)	(28,134)	0	0
Allowance/(Reversal of allowance) for doubtful debts - net:				
- subsidiary	0	0	0	(25)
- trade receivables	0	404	0	0
Impairment of property, plant and equipment	0	7,809	0	0
	59,899	46,655	(1,171)	(182)
Changes in working capital:				
(Increase)/Decrease in inventories	(28,413)	5,105	0	0
(Increase)/Decrease in receivables	(8,742)	11,341	(706)	(59)
Increase/(Decrease) in payables	(23,486)	(14,765)	(46)	(2,950)
	(742)	48,336	(1,923)	(3,191)
Employee defined benefit paid	(1,003)	(137)	(119)	(8)
Tax refunded/(paid)	143	218	0	(3)
Net cash flows (used in)/generated from operating activities	(1,602)	48,417	(2,042)	(3,202)

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2017 (Cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment (Note 6)		(27,708)	(7,489)	0	0
Interest received		319	52	0	0
Proceeds from disposal of a subsidiary		0	35,000	0	35,000
Repayment from/(Advance to) subsidiary		0	0	35,889	(3,661)
Proceeds from disposal of property, plant and equipment		304	49	0	0
Placement of fixed deposit with licensed bank		(5,019)	0	(6)	0
Net cash flows (used in)/generated from investing activities		(32,104)	27,612	35,883	31,339
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Net proceeds from/(repayment of):					
- hire purchase obligations		425	(30)	0	(30)
- term loans		16,605	(28,453)	0	(28,103)
Interest paid		(4,468)	(3,080)	0	(33)
Net proceeds from/(repayment of):					
- overdraft facility		(2,282)	(1,407)	0	0
- banker acceptance		23,900	(16,843)	0	0
- foreign currency trade financing		0	(415)	0	0
- revolving credit		10,000	(1,000)	0	0
Repayment of amount due to former immediate holding company		(12,793)	0	(12,793)	0
Dividend paid		(21,000)	0	(21,000)	0
Net cash flows generated from/(used in) financing activities		10,387	(51,228)	(33,793)	(28,166)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(23,319)	24,801	48	(29)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		35,483	10,682	9	38
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	12	12,164	35,483	57	9

1 GENERAL INFORMATION

The Company is a public limited liability company, which is incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and provision of management services.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 7.

The address of the registered office is No.1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11 Cheras, 43200 Selangor Darul Ehsan.

The addresses of the principal place of business are as follows:

(a) No.1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11 Cheras, 43200 Selangor Darul Ehsan;

(b) Lot 74, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur; and

(c) Lot 3, Kawasan Perindustrian Kechau Tui, 27100 Padang Tengku, Pahang Darul Makmur.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 March 2018.

2 BASIS OF PREPARATION

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

The financial statements have been prepared under historical cost basis except as disclosed in the accounting policies in Note 3.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.1 Adoption of new and revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2017.

Amendments to MFRS 2	Clarification and Measurement of Share-based Payment Transactions
Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 – 2016 Cycle	

The adoption of these new and revised MFRSs and amendments to MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company.

2 BASIS OF PREPARATION (CONT'D)

2.2 Standards and Amendments in Issue but Not Yet Effective

At the date of authorisation for issue of these financial statements, the new and revised MFRSs and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)[1]
MFRS 15	Revenue from Contract with Customers[1]
MFRS 16	Leases[2]
Amendments to MFRS 15	Clarifications to MFRS 15 Revenue from Contracts with Customers[1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to MFRS 140	Transfers of Investment Property[1]
IC Int. 22	Foreign Currency Transactions and Advance Consideration[1]
Annual Improvements to MFRSs 2014 - 2016 Cycle[1]	
Annual Improvements to MFRSs 2015 - 2017 Cycle[2]	

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective date deferred to a date to be determine and announced, with earlier applications still permitted.

The Directors anticipate that the abovementioned MFRSs and amendments to MFRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as disclosed below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in February 2017, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2017) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

a) All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2 BASIS OF PREPARATION (CONT'D)

2.2 Standards and Amendments in Issue but Not Yet Effective (cont'd)

MFRS 9 Financial Instruments (Cont'd)

b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

c) In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

d) The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

a) The financial assets held by the Group are debt instruments currently classified as loans and receivables and measured at amortised cost which meet the conditions for classification at amortised cost under MFRS 9 Financial Instruments. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

b) There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from MFRS 139 Financial Instruments: Recognition and Measurement and have not been changed.

c) The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value after comprehensive income, contract assets under MFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group's assessment did not indicate any material impact regarding the classification of financial assets as at 1 January 2018.

2 BASIS OF PREPARATION (CONT'D)

2.2 Standards and Amendments in Issue but Not Yet Effective (cont'd)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

a) Step 1: Identify the contract(s) with a customer.
b) Step 2: Identify the performance obligations in the contract.
c) Step 3: Determine the transaction price.
d) Step 4: Allocate the transaction price to the performance obligations in the contract.
e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the revenue relating to sale of goods will be recognised when control of the products has transferred. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sale of goods under MFRS 15 Revenue from Contracts with Customers is unlikely to be materially different from its current practice.

MFRS 16 Leases

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The Directors do not anticipate the application of MFRS 16 in the future to have a material impact on the amounts reported and disclosures made in these financial statements. The Group is currently assessing the financial impact of adopting MFRS 16.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in the significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transaction that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 Inventories or value in use in MFRS 136 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

3.1 Economic Entities in the Group

(a) Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries controlled by the Group. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Economic Entities in the Group (cont'd)

(a) Subsidiaries and Basis of Consolidation (cont'd)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Economic Entities in the Group (cont'd)

(a) Subsidiaries and Basis of Consolidation (cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised and is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiaries and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Business Combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Economic Entities in the Group (cont'd)

(b) Business Combination (cont'd)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

3.2 Foreign Currencies

(a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group's entities operate (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional currency and the presentation currency of the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign Currencies (cont'd)

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Group Companies

Assets and liabilities of foreign subsidiaries are translated to Ringgit Malaysia at rates of exchange ruling at the reporting date and the results of foreign subsidiaries are translated at the average rate of exchange for the financial year. Exchange differences arising from the translation are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income and accumulated in equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

3.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective leases that range from 49 to 102 years. Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use. Depreciation of these assets, on the same basis of other property, plant and equipment, commences when the assets are ready for their intended used.

Property, plant and equipment are depreciated on the straight-line basis to write off the costs of the assets to their estimated residual values over their estimated useful lives. The annual depreciation rates are as follows:

	%
Buildings	2.0 - 5.0
Plant and machinery	3.0 - 33.3
Furniture, fittings, office renovation and equipment	10.0 - 33.3
Motor vehicles	20.0

At the end of each reporting period, the useful lives and depreciation method of an asset are reviewed and the effects of any changes are recognised prospectively.

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Assets under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of raw materials, work-in-progress, finished goods and spares and consumables are determined using the weighted average method. The cost of raw materials and spares and consumables comprise the original purchase price plus the cost incurred in bringing the inventories to their present location and condition. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and applicable variable selling expenses.

3.6 Non-current Assets Held for Sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

3.7 Financial Guarantee Contracts

Financial guarantee contracts are contract that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group or Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

3.8 Provisions

Provisions for liabilities are recognised when the Group and the Company have a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Borrowing Costs

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 them ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The amount of borrowing costs eligible for capitalisation is determined based on actual interest incurred on borrowings made specifically for the purpose of obtaining a qualifying asset and less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as finance costs in profit or loss in the financial year in which they are incurred.

3.10 Leases

Finance Lease - The Group as Lessee

Assets acquired under leases which transfer substantially all of the risks and rewards incident to ownership of the assets are capitalised under property, plant and equipment. The assets and corresponding lease obligations are recorded at their fair values or, if lower, at the present value of the minimum lease payments of the leased assets at the inception of the respective leases.

Finance costs, which represent the differences between the total lease commitments and the fair values of the assets acquired, are charged to profit or loss over the term of the relevant lease periods so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating Lease - The Group as Lessee

All other leases which do not meet such criteria are classified as operating lease. Lease payments under operating leases are recognised as an expense in profit or loss on the straight-line basis over the term of the relevant lease.

3.11 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company except for contingent liabilities assumed in a business combination of which the fair value can be reliably measured.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue and Other Income Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or rendering of services in the ordinary course of business.

(a) Sales of Goods

Sales of goods are recognised upon delivery of products and where the risks and rewards of ownership have been passed to the customers, net of goods and service tax and discounts.

(b) Interest Income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity.

(c) Rental Income

Revenue from rental of properties are recognised on an accrual basis unless collection is in doubt, in which case it is recognised on receipt basis.

(d) Management Fees from Subsidiaries

Management fees from subsidiaries are recognised on an accrual basis.

3.13 Income Tax

Income tax for the year comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profits.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised outside profit or loss (either in other comprehensive income or directly in equity), in which case the deferred tax is also recognised outside profit or loss, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle the current tax assets and liabilities on a net basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Goods and Service Tax ("GST")

The output and input GST, payable to or recoverable from the authorities at each reporting date is included as part of receivables or payables in the statements of financial position.

3.15 Employee Benefits

(a) Short-term Employee Benefits

The Group and the Company recognise a liability and an expense for bonus provisions where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave, sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and of the Company.

(b) Post-employment Benefits

The Group and the Company have two post-employment benefit schemes in accordance with local conditions and practices in the country in which they operate. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined contribution plan

The Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Contributions made to this defined contribution plan are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan - unfunded

The liability recognised in the statements of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in Ringgit Malaysia, and that have terms to maturity approximating to the terms of the related pension obligation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Employee Benefits (cont'd)

(b) Post-employment Benefits (cont'd)

Defined benefit plan - unfunded (cont'd)

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in profit or loss in employee benefit expense, except when included in the cost of an asset. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit or loss.

3.16 Impairment of Non-Financial Assets

The carrying amounts of assets are reviewed at each reporting period to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.17 Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when the Group and the Company become parties to the contractual provisions of the financial instruments.

(a) Financial Assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(i) Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(ii) Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and have a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(iii) Loans and Receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Impairment of Financial Assets

Trade and other receivables and other financial assets carried at amortised cost

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occur after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Receivables assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in the national or global economic conditions that correlate with default on receivables.

In respect of receivables carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(v) Derecognition of Financial Assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Company recognise their retained interest in the asset and an associated liability for amounts they may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Financial Instruments (cont'd)

(b) Financial Liabilities and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(i) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

(ii) Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(iii) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(iv) Other Financial Liabilities

Other financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(v) Derecognition of Financial Liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire.

On derecognition of a financial liability, the difference between the carrying amount 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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Financial Instruments (cont'd)

(c) Derivative Financial Instruments

The Group enters into derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign currency risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is 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.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.18 Cash and Cash Equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows. Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value. In the statements of financial position, bank overdrafts are shown within borrowings in current liabilities. Bank overdrafts do not form an integral part of the Group's and the Company's cash management.

3.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, who is responsible for allocating resources and assessing performance of the operating segments to make strategic decisions.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial positions are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are outlined below:

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) Impairment of Property, Plant and Equipment

The Group assesses impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e. the carrying amount of the asset is higher than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from the asset discounted at an appropriate discount rate.

Projected future cash flows used in impairment testing of property, plant and equipment are based on Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions and other available information.

(b) Impairment Assessment of Investments in Subsidiaries

The Company assesses impairment of investments in subsidiaries whenever the events or changes in circumstances indicate the carrying amounts of these investments may not be recovered, i.e. the carrying amounts of these investments are more than the recoverable amounts. The assessments are subject to changes such as market performance, economic and political situation of the country. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Significant judgement is required in the estimation of the present value of future cash flows generated by these investments, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

(c) Recognition of Deferred Tax Assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax loses and unused tax credits can be utilised. This involves judgement regarding the future financial performance of the Group and the Company in which the deferred tax assets have been recognised.

(d) Income Taxes

Significant judgement is required in determining the capital allowances, deductibility of certain expenses and the chargeability of certain income during the estimation of the provision for income taxes. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. When the final tax outcome is different from the amount that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

(e) Defined Benefit Plan

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each financial year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based on current market conditions.

5 CAPITAL RISK MANAGEMENT AND FINANCIAL RISK

5.1 Capital Management

The primary objective of the Group's and of the Company's capital management is to ensure that a strong credit rating and healthy capital ratios are maintained in order to support the business and maximise shareholders' value.

The Group and the Company define capital as the share capital and certain borrowings of the Group and of the Company. The Group and the Company manage the capital structure and make adjustments to it, in light of changes in economic condition. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or share buy-backs. The Group's and the Company's approach in managing capital are based on defined guidelines that are approved by the Board of Directors.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debts, borrowings and trade and other payables less cash and bank balances. Capital includes equity attributable to the owners of the Company.

	Group	
	2017 RM'000	**2016 RM'000**
Borrowings (Note 16)	80,819	32,171
Trade and other payables (Note 18)	61,894	85,634
Cash and bank balances	(18,136)	(36,436)
Net debt	124,577	81,369
Equity	402,715	375,766
Gearing ratio	31%	22%

5.2 Financial Risk Management Objectives and Policies

The Group's financial risk management objectives and policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Group operates within clearly defined authority limits that have been approved by the Board of Directors. Further financial risk management is carried out through risk reviews, internal control systems and insurance programmes.

<u>Foreign currency exchange risk management</u>

The Group's and the Company's exposure to foreign currency exchange risk is mainly as a result of foreign currency transactions. Foreign exchange exposures originated from foreign currency receivables, payables and cash flows generated from transactions denominated in foreign currencies.

5 CAPITAL RISK MANAGEMENT AND FINANCIAL RISK (CONT'D)

5.2 Financial Risk Management Objectives and Policies (cont'd)

Foreign currency exchange risk management (cont'd)

The Group and the Company assess controls and monitor foreign exchange risk via regular review of foreign exchange movements and foreign exchange exposure for foreign transactions. Where necessary, foreign currency forward contracts are entered into to cover specific transactions to mitigate foreign currency exchange risk.

The Group's exposure to foreign currencies is as follows:

	US Dollar RM'000	Euro RM'000	Others* RM'000
As at 31 December 2017			
Group			
Trade and other receivables	22,476	2,631	0
Cash and cash equivalents	8	0	0
Trade and other payables	(7,318)	(1,046)	(66)
Gross currency exposure	15,166	1,585	(66)
Less: Trade receivables hedged using foreign exchange forward contracts	(1,711)	0	0
Net currency exposure	13,455	1,585	(66)

As at 31 December 2017, the Company is not exposed to any foreign currency exchange risk.

5 CAPITAL RISK MANAGEMENT AND FINANCIAL RISK (CONT'D)

5.2 Financial Risk Management Objectives and Policies (cont'd)

Foreign currency exchange risk management (cont'd)

The Group's exposure to foreign currencies are as follows:

	US Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Others* RM'000
As at 31 December 2016				
Group				
Trade and other receivables	16,259	11	4,792	72
Cash and cash equivalents	802	0	0	0
Trade and other payables	(4,992)	(48)	(266)	(35)
Gross currency exposure	12,069	(37)	4,526	37
Less: Trade receivables hedged using foreign exchange forward contracts	(10,262)	0	0	0
Net currency exposure	1,807	(37)	4,526	37

* Other currencies comprise Swiss Franc, Australian Dollar and British Pound.

As at 31 December 2016, the Company is not exposed to any foreign currency exchange risk.

If functional currencies of the Group weakened/strengthened against the above currencies by 5% (2016: 5%), with all other variables held constant, the Group's profit for the financial year would increase/decrease by RM0.7 million (2016: decrease/increase RM0.3 million).

Interest rate risk management

The Group's and the Company's exposure to interest rates risk are through the impact of rate changes on short-term and long-term borrowings. The Group and the Company do not make other placement in interest bearing deposits, non-guaranteed, fluctuating commercial papers and the like.

The carrying amounts, the range of applicable interest rate during the financial year and the remaining maturity of the Group's and of the Company's financial instruments that are exposed to the interest rate risk are disclosed in the respective notes.

5 CAPITAL RISK MANAGEMENT AND FINANCIAL RISK (CONT'D)

5.2 Financial Risk Management Objectives and Policies (cont'd)

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the end of reporting period, if interests rates had been 1% higher/lower and all other variables were held constant, the Group's profit or loss for the year would decrease/increase by RM0.8 million (2016: RM0.3 million) respectively. This is mainly attributable to the Group's exposure to interest rates on borrowings.

Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from cash and cash equivalents and receivables. The Group and the Company seek to control credit risk by having in place policies for credit control which cover, inter-alia, credit evaluation on all customer credit over a certain amount, imposition of collateral or security and strict adherence to credit approval limits. Regular reviews and monitoring of credit risk exposure and management of delinquent debtors form part of the operational controls implemented by the Group and the Company to reduce such risk.

Apart from the concentration risk of the major customers as disclosed in Note 11, the Group and the Company do not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's and the Company's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Company's receivables.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is the carrying amount of financial assets which are mainly trade and other receivables. The Group's and the Company's credit risks on cash and bank balances are limited as the Group and the Company place their funds with reputable financial institutions with high credit ratings.

Liquidity and cash flow risks managements

The Group's and the Company's policy on liquidity risk management is to maintain sufficient cash to meet operational needs and the availability of funding through adequate amounts of committed credit facilities and credit lines for working capital requirements. Daily monitoring of funds also minimises unexpected shortfall in funds.

In managing the Group's liquidity risk, the Group has taken initiatives to manage its working capital by improving selling prices of the Group's core products, improving production efficiency and carrying out costs saving plans to further reduce expenses incurred.

5 CAPITAL RISK MANAGEMENT AND FINANCIAL RISK (CONT'D)

5.2 Financial Risk Management Objectives and Policies (cont'd)

Liquidity and cash flow risks managements (cont'd)

The following are the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

		Contractual/Forecasted cash flows			
	Carrying amount RM'000	Total RM'000	Within 1 year RM'000	Between 1-5 years RM'000	After 5 years RM'000
As at 31 December 2017					
Group					
Trade and other payables	61,894	61,894	61,173	721	0
Amount due to former immediate holding company	40,418	43,395	10,849	32,546	0
Borrowings	80,819	88,106	70,618	13,932	3,556
	183,131	193,395	142,640	47,199	3,556
Company					
Trade and other payables	1,140	1,140	1,140	0	0
Amount due to subsidiaries	3,426	3,426	3,426	0	0
Amount due to former immediate holding company	40,418	43,395	10,849	32,546	0
	44,984	47,961	15,415	32,546	0
Financial guarantee contracts (Note 31) [1]	0	0	0	0	0

5 CAPITAL RISK MANAGEMENT AND FINANCIAL RISK (CONT'D)

5.2 Financial Risk Management Objectives and Policies (cont'd)

Liquidity and cash flow risks managements (cont'd)

	Carrying amount RM'000	Contractual/Forecasted cash flows Total RM'000	Within 1 year RM'000	Between 1-5 years RM'000	After 5 years RM'000
As at 31 December 2016					
Group					
Trade and other payables	85,634	85,634	84,593	1,041	0
Amount due to former immediate holding company	53,212	57,860	10,849	47,011	0
Derivative financial instruments	267	267	267	0	0
Borrowings	32,171	33,869	33,869	0	0
	171,284	177,630	129,578	48,052	0
Company					
Trade and other payables	1,186	1,186	1,186	0	0
Amount due to subsidiaries	3,426	3,426	3,426	0	0
Amount due to former immediate holding company	53,212	57,860	10,849	47,011	0
	57,824	62,472	15,461	47,011	0
Financial guarantee contracts (Note 31) [1]	0	0	0	0	0

[1] At the end of the reporting period, it was not probable that the counterparties to financial guarantee commitments will claim under the contract. Consequently, the amount included is RMNil.

5 CAPITAL RISK MANAGEMENT AND FINANCIAL RISK (CONT'D)

5.3 Fair value of financial instruments

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
As at 31 December 2017				
Derivative financial assets	0	50	0	50
As at 31 December 2016				
Derivative financial liabilities	0	(267)	0	(267)

The fair value of the Group's foreign exchange forward contracts at the end of the reporting period as disclosed in Note 19 is determined by reference to the differences between the contract rates and quoted forward exchange rates of contract with similar quantum and maturity profile at the end of the reporting period.

The Group's and the Company's non-current receivables and other financial liabilities are measured using expected future cash flows of forecasted payments discounted at current prevailing rates offered for similar types of credit or lending arrangements. The estimated fair value for the non-current receivables and other financial liabilities approximate their carrying value as at the reporting date.

Other than disclosed above, the carrying amounts of the financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments which mainly consists of deposits, cash and bank balances, receivables, borrowings and payables.

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, office renovation and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Net book value							
At 1 January 2017	15,313	109,059	285,237	1,374	2,276	34	413,293
Additions	0	1,278	11,949	464	1,933	12,084	27,708
Disposals	0	0	0	0	(56)	0	(56)
Written off	0	0	(158)	(2)	0	0	(160)
Reclassification	0	650	1,459	0	0	(2,109)	0
Depreciation charge for the financial year	(229)	(1,479)	(14,638)	(835)	(498)	0	(17,679)
Write back of impairment loss	0	3,771	8,283	0	0	0	12,054
At 31 December 2017	15,084	113,279	292,132	1,001	3,655	10,009	435,160
At 31 December 2017							
Cost	19,212	133,592	583,982	14,514	10,060	10,009	771,369
Accumulated depreciation	(4,128)	(20,313)	(290,053)	(13,513)	(6,405)	0	(334,412)
Accumulated impairment losses	0	0	(1,797)	0	0	0	(1,797)
Net book value	15,084	113,279	292,132	1,001	3,655	10,009	435,160

6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, office renovation and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Net book value							
At 1 January 2016	15,543	95,443	281,262	1,530	1,540	6,700	402,018
Additions	0	218	3,738	670	1,292	1,571	7,489
Disposals	0	0	(844)	(280)	(442)	0	(1,566)
Reclassification	0	8,029	21	187	0	(8,237)	0
Depreciation charge for the financial year	(230)	(1,258)	(12,638)	(733)	(114)	0	(14,973)
Impairment loss	0	0	(7,809)	0	0	0	(7,809)
Write back of impairment loss	0	6,627	21,507	0	0	0	28,134
At 31 December 2016	15,313	109,059	285,237	1,374	2,276	34	413,293
At 31 December 2016							
Cost	19,212	131,664	580,802	14,102	9,141	34	754,955
Accumulated depreciation	(3,899)	(18,439)	(274,331)	(12,728)	(6,865)	0	(316,262)
Accumulated impairment losses	0	(4,166)	(21,234)	0	0	0	(25,400)
Net book value	15,313	109,059	285,237	1,374	2,276	34	413,293

6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fittings, office renovation and equipment RM'000
Company	
Net book value	
At 1 January 2017	9
Depreciation charge for the financial year	(8)
At 31 December 2017	1
At 31 December 2017	
Cost	4,920
Accumulated depreciation	(4,919)
Net book value	1
Net book value	
At 1 January 2016	65
Depreciation charge for the financial year	(56)
At 31 December 2016	9
At 31 December 2016	
Cost	4,920
Accumulated depreciation	(4,911)
Net book value	9

(a) The leasehold land in Gebeng and Kuala Lipis held by a subsidiary and all of its plant and machinery, both present and future, affixed to or on the said lands are charged as security for the outstanding amount of certain term loans of the Company and for certain bankers' acceptances, revolving credit and bank overdraft facilities as disclosed in Note 16.

(b) At the end of the reporting period, property, plant and equipment of the Group with net carrying amount of RM0.5 million (2016: RMnil) were acquired under hire-purchase agreements.

(c) The Group's paper lamination and certain downstream production lines which are fully impaired with carrying amount of RMnil, after the impairment of RM5.9 million, were disposed of during the current financial year.

(d) Impairment assessment for property, plant and equipment

In 2013, an impairment loss of RM45.8 million was recognised on the property, plant and equipment of a plant of a subsidiary ("Plant 3"). In 2016, a write back of impairment of property, plant and equipment of RM28.1 million was recognised in the profit or loss after an impairment assessment was performed in 2016. During the financial year, Plant 3 had shown further improvement with its production level returning to normal. This has been contributed by strong sales order in FY2017 and the management expects this to continue in the foreseeable future. Consequently, management performed an updated impairment assessment of Plant 3 in 2017. Based on management's assessment, the recoverable amount of Plant 3 as at 31 December 2017, based on value-in-use ("VIU") calculation is RM327.1 million, which is higher than its carrying value of RM293.8 million by RM33.3 million. Accordingly, a full write back of RM12.1 million (net of the depreciation amount had no impairment been recognised) was recognised in the profit or loss.

6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(d) Impairment assessment for property, plant and equipment (cont'd)

(i) Key assumptions used in the VIU calculation

The VIU calculation applied a discounted cash flow model using cash flow projections based on an approved 5-year budget and projections covering the remaining useful life of Plant 3 of 17 years. These projections reflect management's best estimate of the future results of Plant 3 based on past experience and future outlook.

The key estimates used in the cash flow projections are the selling prices of the products, key components of the raw material prices and the weighted average cost of capital specific to the Group's industry. The key assumptions of the projections are as follows:

- Selling prices are increased by 1.00% (2016: increased by 1.00%) year-on-year for the first 5 years of projection and beyond the fifth year are extrapolated to the end of the useful life based on a 1.50% (2016: 1.50%) year-on-year increase.
- Cost of major raw materials prices are increased by approximately 1.00% (2016: increased by approximately 1.00%) year-on-year and beyond the fifth year are extrapolated to the end of the useful life based on a 1.50% (2016: 1.50%) year-on-year increase.
- Sales and production volumes are assumed to remain constant.
- A pre-tax discount rate of 12.25% (2016: 11.50%) has been applied to the cash flow projections.

(ii) Impact of possible change in key assumptions

The Group's impairment assessment includes an assessment of changes in key assumptions that would impact the financial statements, as set out below:

- If the discount rate increased by 1.00%, the recoverable amount would be lower by RM18.4 million to RM14.9 million. As the recoverable amount is still above more than carrying amount of property plant and equipment, it will have no impact to the amount of impairment that has been written back.
- If the selling price decreased by 1.00%, the recoverable amount would be lower by RM12.6 million to RM20.7 million. As the recoverable amount is still above more than carrying amount of property plant and equipment, it will have no impact to the amount of impairment that has been written back.
- If the prices of key components of raw materials increased by 5.00%, the recoverable amount would be lower by RM27.0 million to RM6.3 million. As the recoverable amount is still above more than carrying amount of property plant and equipment, it will have no impact to the amount of impairment that has been written back.
- If the sales volume decreased by 1.00%, the recoverable amount would be lower by RM12.6 million to RM20.7 million. As the recoverable amount is still above more than carrying amount of property plant and equipment, it will have no impact to the amount of impairment that has been written back.

7 INVESTMENT IN SUBSIDIARIES

	Company 2017 RM'000	2016 RM'000
Unquoted shares, at cost	52,495	52,495
Less: Impairment loss	(2,420)	(2,420)
Unquoted shares, at carrying value	50,075	50,075

The shares in subsidiaries are held directly by the Company unless otherwise stated. Details of the subsidiaries are as follows:

Name of company	Proportion of ownership interests 2017 %	2016 %	Principal activities
Mieco Manufacturing Sdn. Bhd.	100	100	Manufacturing and marketing of chipboards and related products
Mieco Marketing Sdn. Bhd.	100	100	Dormant
Mieco Marketing (S) Pte. Ltd. [1]	0	100	Dormant
Mieco Chemicals Sdn. Bhd.	100	100	Dormant
Mieco Wood Resources Sdn. Bhd.	100	100	Dormant
Mieco International (HK) Limited [2]	100	100	Dormant
Tudor Capital Sdn. Bhd.	100	100	Dormant
Aspire Benchmark Sdn. Bhd.	100	100	Dormant
Subsidiary of Mieco Wood Resources Sdn. Bhd.			
Mieco Reforestation Sdn. Bhd.	100	100	Dormant

All the subsidiaries are incorporated in Malaysia, except for Mieco Marketing (S) Pte. Ltd. and Mieco International (HK) Limited, which are incorporated in Singapore and Hong Kong respectively.

1 This subsidiary has been struck off from the Register of the Accounting and Corporate Regulatory Authority of Singapore with effect from 10 October 2017.

2 This subsidiary is not audited by Deloitte PLT. As the company is dormant, no statutory audit is required under Hong Kong Companies Ordinance.

8 AMOUNT DUE FROM/(TO) SUBSIDIARIES

Amount due to subsidiaries is unsecured, interest free and repayable on demand.

Amount due from subsidiaries is classified as follows:

	Company	
	2017 RM'000	2016 RM'000
Current - unsecured		
Interest bearing at effective interest rate of 5.35% (2016: 5.35%)	6,154	7,128
Interest free	9,907	10,407
	16,061	17,535
Less: allowance for doubtful debts	(1,685)	(2,112)
	14,376	15,423
Non-current - unsecured		
Interest bearing at effective interest rate of 5.35% (2016: 5.35%)	20,014	26,872
Interest free	312,323	340,372
	332,337	367,244
	346,713	382,667

The interest expense incurred by the Company on the external borrowings during the financial year amounting to RM1.7 million (2016: RM2.3 million) is fully re-charged to a subsidiary.

As at 31 December 2017, amounts due from several subsidiaries amounting to RM1.68 million (2016: RM2.11 million) were impaired by the Company as the amounts were deemed to be irrecoverable as the entities remained dormant as at the financial year end.

The change in the allowance for doubtful debts in respect of amounts due from subsidiaries during the financial year is as follows:

	Company	
	2017 RM'000	2016 RM'000
At beginning of financial year	2,112	2,137
Reversal during the financial year	(427)	(25)
At end of financial year	1,685	2,112

9 DEFERRED TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of financial year	10,189	0	0	0
(Charged)/Credited to profit or loss (Note 24):				
- Property, plant and equipment	7,636	(147)	3	11
- Provisions and employee defined benefit plan	(362)	381	31	(27)
- Inventories	(85)	1,640	0	0
- Receivables	(103)	92	(103)	(6)
- Others	(7,086)	8,223	69	22
	0	10,189	0	0
At end of financial year	10,189	10,189	0	0

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets (before offsetting)				
Provisions and employee defined benefit plan	3,166	3,528	162	131
Inventories	2,303	2,388	0	0
Receivables	513	616	404	507
Unused tax losses	3,811	3,805	1,150	1,142
Unused investment tax allowances	103,847	103,847	0	0
Unabsorbed capital allowances	50,040	61,452	0	0
Others	566	64	35	0
	164,246	175,700	1,751	1,780
Deferred tax assets not recognised	(86,193)	(89,687)	(1,751)	(1,775)
	78,053	86,013	0	5
Offsetting	(67,864)	(75,824)	0	(5)
Deferred tax assets (after offsetting)	10,189	10,189	0	0
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(67,864)	(75,500)	0	(3)
Others	0	(324)	0	(2)
	(67,864)	(75,824)	0	(5)
Offsetting	67,864	75,824	0	5
Deferred tax liabilities (after offsetting)	0	0	0	0

9 DEFERRED TAXATION (CONT'D)

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. At the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses, investment tax allowances and unused tax credits, for which no deferred tax assets have been recognised in the financial statements due to uncertainty of their realisation, are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deductible temporary differences	2,507	2,634	2,508	2,634
Unused tax losses	5,074	5,049	4,790	4,760
Unused investment tax allowances	351,555	366,015	0	0
	359,136	373,698	7,298	7,394

The Company's income tax rate is at 24% for the year of assessment 2017 (2016: 24%).

10 INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
At cost:		
Raw materials	7,748	5,807
Work-in-progress	989	917
Finished goods	41,245	19,067
Spares and consumables	18,963	14,387
	68,945	40,178

11 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	46,631	49,366	0	0
Less: allowance for doubtful debts	(453)	(453)	0	0
	46,178	48,913	0	0
Other receivables	26,783	17,255	885	169
Less: allowance for doubtful debts	(7,815)	(7,815)	(54)	(54)
	18,968	9,440	831	115
Deposits	93	148	7	7
Prepayments	844	419	5	15
	19,905	10,007	843	137
Total	66,083	58,920	843	137

Trade receivables

The credit terms of the trade receivables ranging from 1 to 90 days (2016: 1 to 90 days).

The maximum exposure to credit risk for trade receivables as at the reporting date is the carrying amount of each class of receivable mentioned above.

Of the total trade receivables balance of the Group at the end of the reporting period, 45% (2016: 37%) are due from five (2016: five) customers. There are no other customers which individually represents more than 5% of the total trade receivable balance.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

11 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The ageing analysis of the Group's trade receivables is as follows:

	Gross amount RM'000	Allowance for doubtful debts RM'000	Net of allowances RM'000
As at 31 December 2017			
Not past due	41,616	0	41,616
Past due 1 - 30 days	2,433	0	2,433
Past due 31 - 90 days	772	0	772
Past due more than 90 days	1,810	(453)	1,357
	46,631	(453)	46,178
As at 31 December 2016			
Not past due	48,161	0	48,161
Past due 1 - 30 days	586	0	586
Past due 31 - 90 days	416	(406)	10
Past due more than 90 days	203	(47)	156
	49,366	(453)	48,913

As at 31 December 2017, the Group's trade receivables amounting to RM4.6 million (2016: RM0.8 million) were past due but not impaired. The Group believes that, no additional impairment of trade receivables is necessary as these trade receivables mainly arose from sales to customers that have good records of payment in the past.

The change in the allowance for doubtful debts in respect of trade receivables during the financial year is as follows:

	Group	
	2017 RM'000	2016 RM'000
At beginning of financial year	453	49
Provision during the year	0	431
Reversal during the year	0	(27)
At end of financial year	453	453

11 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Other receivables

The change in the allowance for doubtful debts in respect of other receivables during the financial year is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning/At end of the financial year	7,815	7,815	54	54

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	18,136	36,436	247	193
Less: Deposits with licensed financial institutions	(5,972)	(953)	(190)	(184)
	12,164	35,483	57	9

Bank balances with licensed banks held on call are non-interest bearing. Deposits with licensed financial institutions are bank deposit placements with tenure of 365 days (2016: 365 days). The deposits of the Group and of the Company held with licensed financial institutions are restricted in usage and do not form part of cash and cash equivalents.

Deposits with licensed financial institutions of the Group totalling RM5.7 million (2016: RMnil) have been pledged to secure bank credit and term loan facilities of the Group.

The weighted average interest rates that were effective at the reporting date are as follows:

	Group		Company	
	2017 % per annum	2016 % per annum	2017 % per annum	2016 % per annum
Deposits with licensed financial institutions	3.03	3.74	3.20	3.35

13 SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Authorised:				
1,000,000,000 ordinary shares of RM1 each	0	1,000,000	0	1,000,000
Issued and fully paid:				
Balance at beginning of the year	210,000	210,000	210,000	210,000
Effects of share spilt	315,000	0	0	0
Transfer from share premium	0	0	5,866	0
Balance at end of the year	525,000	210,000	215,866	210,000

During the financial year, the Company carried out a share split exercise involving the sub-division of ordinary shares from every two (2) existing ordinary shares into five (5) new ordinary shares.

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act, 2016 (Act), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provisions of the Act, the amount standing to the credit of the Company's share premium has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders. The Company has a period of 24 months from the effective date of the Act to use the existing balance credited in the share premium account in a manner as specified by the Act. Included in issued capital as of 31 December 2017 is an amount of RM5,866,000 transferred from share premium on 31 January 2017, which can be utilised in a manner as specified by the Act during the 24 month-transitional period.

14 RESERVES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable:				
Share premium	0	5,866	0	5,866
Foreign currency reserve	(43)	(43)	0	0
	(43)	5,823	0	5,866
Distributable:				
Retained earnings	186,892	159,943	136,787	159,137
	186,849	165,766	136,787	165,003

On 26 February 2018, the Directors declared an interim single-tier dividend of 1 sen per share on 525,000,000 ordinary shares, amounting to RM5,250,000 in respect of the financial year ended 31 December 2017, to be paid on 27 April 2018 and this has not been included as a liability in the financial statements.

15 EMPLOYEE DEFINED BENEFIT PLAN

The Group and the Company operate an unfunded retirement benefit for those employees who are eligible under the Group and the Company employment policy. The latest actuarial valuation of the plan was carried out on 13 February 2017.

The amount recognised in the Group's and the Company's statements of financial position are analysed as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Present value of defined benefit obligations	13,072	12,542	557	574

The movements during the financial year in the amounts recognised in the Group's and the Company's statements of financial position are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of financial year	12,542	12,044	574	418
Charged to profit or loss (Note 21)	1,533	1,513	102	81
Remeasurements (recognised in other comprehensive income):				
- Loss due to experience of the scheme	0	99	0	4
- (Gain)/Loss due to change in actuarial assumptions	0	(977)	0	79
Benefit paid	(1,003)	(137)	(119)	(8)
At end of financial year	13,072	12,542	557	574

The principal actuarial assumptions used in respect of the Group's and the Company's defined benefit plan are as follows:

	2017 %	2016 %
Discount rate	5.40	5.40
Expected rate of salary increases	6.20	6.20

15 EMPLOYEE DEFINED BENEFIT PLAN (CONT'D)

The expenses recognised in the profit or loss are analysed as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current service cost	895	883	78	58
Interest cost	638	630	24	23
	1,533	1,513	102	81

The sensitivity of the defined benefit plan as at 31 December 2017 to changes in the principal assumptions is as follows:

	Change in assumption	Impact on defined benefit obligation
Group		
Discount rate	Increase by 1%	Decrease by RM1,070,553
	Decrease by 1%	Increase by RM1,226,876
Expected rate of salary increases	Increase by 1%	Increase by RM1,272,178
	Decrease by 1%	Decrease by RM1,129,367
Company		
Discount rate	Increase by 1%	Decrease by RM51,181
	Decrease by 1%	Increase by RM59,720
Expected rate of salary increases	Increase by 1%	Increase by RM61,507
	Decrease by 1%	Decrease by RM53,634

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised in the statement of financial position.

As at 31 December 2017, the Group's and the Company's weighted average duration of the defined benefit obligation are 9 years (2016: 9 years) and 10 years (2016: 10 years) respectively.

15 EMPLOYEE DEFINED BENEFIT PLAN (CONT'D)

Expected maturity analysis of undiscounted pension obligation as at the reporting dates:

	Less than a year RM'000	Between 1 - 2 years RM'000	Between 2 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Group					
At 31 December 2017	786	1,745	4,224	41,229	47,984
At 31 December 2016	932	1,423	3,414	43,146	48,915
Company					
At 31 December 2017	10	231	44	2,842	3,127
At 31 December 2016	122	23	246	2,859	3,250

16 BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Secured:				
Term loan	1,900	0	0	0
Bankers' acceptances	46,440	25,889	0	0
Revolving credit	14,000	4,000	0	0
Bank overdraft	0	2,282	0	0
Unsecured:				
Term loan	277	0	0	0
Bankers' acceptances	3,349	0	0	0
Hire-purchase obligations	108	0	0	0
	66,074	32,171	0	0
Non-Current				
Secured:				
Term loan	12,905	0	0	0
Unsecured:				
Term loan	1,523	0	0	0
Hire-purchase obligations	317	0	0	0
	14,745	0	0	0
Total Borrowings	80,819	32,171	0	0

16 BORROWINGS (CONT'D)

The carrying amounts of the borrowings approximate their fair values at 31 December 2017.

Bank overdraft, bankers' acceptances, revolving credit and bank overdraft facilities are utilised to finance the purchase of raw materials and working capital.

As at the reporting date, the Group's bankers' acceptances, revolving credit, term loan and bank overdraft facilities amounting to RM75.2 million (2016: RM32.1 million) are secured against the property, plant and equipment of the Group as disclosed in Note 6 and deposits with licensed financial institutions of the Group as disclosed in Note 12.

Contractual term of borrowings are as follows:

	Weighted average interest rates	Total carrying amount	Maturity profile			
			<1 year	1 - 2 years	2 - 5 years	> 5 years
	%	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2017						
Bankers' acceptances	5.10-5.35	49,789	49,789	0	0	0
Revolving credit	5.93	14,000	14,000	0	0	0
Hire-purchase obligations	2.54	425	108	317	0	0
Term loan	4.30-7.91	16,605	2,177	2,462	10,489	1,477
		80,819	66,074	2,779	10,489	1,477
At 31 December 2016						
Bankers' acceptances	4.80-5.40	25,889	25,889	0	0	0
Revolving credit	5.65	4,000	4,000	0	0	0
Bank overdraft	6.65	2,282	2,282	0	0	0
		32,171	32,171	0	0	0

As at 31 December 2017, the Company has complied with all the financial covenants for the borrowings and did not default in any repayment of principals and interests in respect of this term loans as at the reporting date.

17 AMOUNT DUE TO FORMER IMMEDIATE HOLDING COMPANY

The former immediate holding company is BRDB Developments Sdn. Bhd. ("BRDB") and the former ultimate holding company is Ambang Sehati Sdn. Bhd. ("ASSB"), both of which are incorporated in Malaysia.

Amount due to former immediate holding company is as follows:

	Group and Company	
	2017 RM'000	2016 RM'000
Current - unsecured		
Interest free	3,721	3,721
Interest bearing at effective interest rate of 5.35% (2016: 5.35%)	6,155	5,456
	9,876	9,177
Non-current - unsecured		
Interest free	10,529	15,491
Interest bearing at effective interest rate of 5.35% (2016: 5.35%)	20,014	28,544
	30,543	44,035
	40,419	53,212

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade payables	47,471	68,704	0	0
Accrued expenses	4,630	4,388	996	984
Other payables	8,832	11,261	144	202
Amount due to a former related company (Note 28)	240	240	0	0
	61,173	84,593	1,140	1,186
Non-current				
Amount due to a former related company (Note 28)	721	1,041	0	0
	61,894	85,634	1,140	1,186

18 TRADE AND OTHER PAYABLES (CONT'D)

The credit terms of trade and other payables ranging from 1 to 90 days (2016: 1 to 90 days).

Amount due to a former related company, a subsidiary of the former immediate holding company, is unsecured, interest free and repayable on demand.

Amount due to a related party, a company in which a Director of the Company has financial interest, is unsecured, interest free and repayable on demand.

Included in trade payables is an amount due to related parties, Seng Yip Furniture Sdn. Bhd. and Great Platform Sdn. Bhd., as disclosed in Note 28.

Included in other payables is an amount due to a related party, Tomisho Sdn. Bhd., as disclosed in Note 28.

19 DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivatives comprise solely foreign exchange forward contracts incepted to hedge its currency exposures arising from future sales of goods and trade receivables after netting of the purchases of raw materials in United States Dollar ("USD"). Foreign exchange forward contracts are entered into with licensed banks. The foreign exchange forward contracts generally have a maturity period between 1 to 6 months.

Details of the Group's derivative financial instruments are outlined below:

	Group	
	2017 RM'000	2016 RM'000
Asset/(Liability)		
Fair value of remeasured foreign forward exchange contracts	50	(267)

At 31 December 2017, the Group's foreign exchange forward contracts entered into are as follows:

		2017	
Hedged items	Currency to be received	RM'000 equivalent	Average contractual rate
Trade receivables	US Dollar 0.4 million	1,711	4.2223

		2016	
Hedged items	Currency to be received	RM'000 equivalent	Average contractual rate
Trade receivables	US Dollar 2.338 million	10,262	4.3896

These contracts are executed with credit worthy/reputable financial institutions in Malaysia. As such, credit risk and liquidity risk in respect of non-performance by counterparties to these contracts are minimal.

20 REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	349,306	324,096	0	0
Management fee receivable from a subsidiary	0	0	3,633	3,494
	349,306	324,096	3,633	3,494

21 STAFF COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and bonuses	20,853	19,626	2,700	1,738
Defined contribution plan	2,576	2,672	310	226
Employee defined benefit plan (Note 15)	1,533	1,513	102	81
Other employee benefits	9,751	9,788	170	402
	34,713	33,599	3,282	2,447

Details of the defined benefit plan for the Group and the Company are set out in Note 15.

Included in the staff costs of the Group and the Company are Executive Director's remuneration, excluding estimated monetary value of benefits-in-kind, as disclosed in Note 26.

22 PROFIT/(LOSS) FROM OPERATIONS

The following items have been charged/(credited) in arriving at profit/(loss) from operations:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Write off of:				
- property, plant and equipment	160	0	0	0
- inventories	0	135	0	0
Fair value (gain)/loss on derivative financial instruments	(317)	188	0	0
Auditors' remuneration:				
- current financial year	170	192	75	60
- overprovision in prior financial year	0	(1)	0	0
Management fees	0	365	0	365
Allowance/(Reversal of allowance) for doubtful debts - net:				
- subsidiary	0	0	0	(25)
- trade receivables	0	404	0	0
Debts waiver	0	0	(65)	0
Rental of building	135	447	0	0
Unrealised loss/(gain) on foreign exchange				
- trade receivables and payables	1,325	(948)	0	0
- amount due from a subsidiary	0	0	0	(11)
- others	0	(2)	0	0
(Gain)/Loss on disposal of property, plant and equipment	(248)	1,517	0	0
(Write back of allowance)/Allowance for inventories obsolescence	(354)	6,833	0	0
Provision for employee defined benefit plan	1,533	1,513	102	81
Rental income	(60)	(60)	0	0

23 FINANCE COSTS AND FINANCE INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance costs				
Interest expense on:				
- Bank overdraft	43	333	0	0
- Bankers' acceptances	2,338	1,785	0	0
- Hire purchase liabilities	0	3	0	3
- Term loans	213	535	0	530
- Amount due to former immediate holding company	1,671	1,820	1,671	1,820
- Revolving credit	127	223	0	0
- Foreign currency trade financing	0	1	0	0
Loan facility fees	76	200	0	30
	4,468	4,900	1,671	2,383
Less: offsetting	0	0	(1,671)	(2,350)
	4,468	4,900	0	33
Finance income				
Recovery of interest from a subsidiary in respect of term loan	0	0	0	(530)
Recovery of interest from a subsidiary in respect of borrowings from former immediate holding company	0	0	(1,671)	(1,820)
Interest income	(319)	(52)	0	(44)
	(319)	(52)	(1,671)	(2,394)
Less: offsetting	0	0	1,671	2,350
	(319)	(52)	0	(44)

24 TAX (EXPENSE)/CREDIT

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Tax expense for the financial year:				
In respect of the current year:				
- Malaysian income tax	(68)	0	0	0
- Deferred tax (Note 9)	0	10,189	0	0
	(68)	10,189	0	0
Under provision prior year				
- Malaysian income tax	(9)	(30)	(4)	0
	(77)	10,159	(4)	0

The effective tax rates of the Group's and the Company's profit/(loss) before taxation differ from the statutory income tax rate of 24% (2016: 24%) and is reconciled as below:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Statutory income tax rate of Malaysia	24	24	24	24
Tax effects of:				
- Income not subjected to tax	0	(21)	0	(24)
- Expenses not deductible	1	3	0	0
- Utilisation of deferred tax assets previously not recognised	(8)	(6)	(24)	0
- Recognition of deferred tax assets previously not recognised	0	(14)	0	0
- Others	(17)	0	0	0
Effective tax rate	0	(14)	0	0

25 EARNINGS PER SHARE

The earnings per share of the Group is calculated based on the profit attributable to owners of the Company of RM47.9 million (2016: RM82.7 million) divided by the weighted average number of 525.0 million (2016: 525.0 million) ordinary shares in issue during the financial year. The basic earnings per ordinary share for the financial year ended 31 December 2016 has been recomputed to take into consideration the share split as disclosed in Note 13.

The weighted average number of ordinary shares in issue has not been adjusted to assume dilution as the Group does not issue any financial instruments or other contract that may entitle its holders to ordinary shares. Accordingly, the diluted earnings per share is the same as the basic earnings per share.

26 DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company				
Non-executive Directors:				
- fees - overprovision of prior year's fees	0	(72)	0	(72)
- fees	264	158	264	158
- allowances and other emoluments	44	47	44	47
	308	133	308	133
Executive Directors:				
- salaries and bonus	1,506	668	1,506	668
- allowances and other emoluments	0	200	0	200
- defined contribution plan	181	80	181	80
- other employee benefits	1	4	1	4
- estimated monetary value of benefits-in-kind	0	6	0	6
	1,688	958	1,688	958
Sub-total	1,996	1,091	1,996	1,091
Directors of subsidiaries				
Non-executive Directors:				
- fees	0	8	0	0
Sub-total	0	8	0	0
Total	1,996	1,099	1,996	1,091
Total (excluding estimated monetary value of benefits-in-kind)	1,996	1,093	1,996	1,085

27 CAPITAL COMMITMENTS

	Group	
	2017 RM'000	2016 RM'000
Approved and contracted for:		
(a) Proposed acquisition of 100% issued capital of Great Platform Sdn. Bhd. (Note 32)	57,886	0
(b) Capital expenditure:		
- property, plant and equipment	931	0

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions negotiated between the Group and the related parties.

(a) Relationship with related parties

Related parties	Relationship
BRDB Developments Sdn. Bhd.	Former immediate holding company
BR Property Holdings Sdn. Bhd.	Subsidiary of the former immediate holding company
Mieco Manufacturing Sdn. Bhd.	Wholly-owned subsidiary
Mieco Marketing Sdn. Bhd.	Wholly-owned subsidiary
Seng Yip Furniture Sdn. Bhd.	A Director of the Company is a director and has substantial financial interest in this company
Tomisho Sdn. Bhd.	A Director of the Company is a director and has substantial financial interest in this company
Great Platform Sdn. Bhd.	A Director of the Company is a director and has substantial financial interest in this company
Kiara Susila Sdn. Bhd.	A Director of the Company has substantial financial interest in this company

(b) Significant transactions with related parties

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
BRDB Developments Sdn. Bhd.				
- Management fee payable	0	365	0	365
- Interest expense	1,671	1,820	1,671	1,820
BR Property Holdings Sdn. Bhd.				
- Rental of office building	0	235	0	0
Mieco Manufacturing Sdn. Bhd.				
- Interest income	0	0	(1,671)	(2,350)
- Management fee receivable	0	0	(3,633)	(3,494)
Seng Yip Furniture Sdn. Bhd.				
- Purchase of logs, slabs and sawdust	8,225	2,895	0	0
- Sales of chipboards	(2,272)	(1,402)	0	0
- Rental income	(60)	(15)	0	0
- Commission paid	26	0	0	0
Tomisho Sdn. Bhd.				
- Purchase of furniture and office equipment	0	42	0	0
Great Platform Sdn. Bhd.				
- Purchase of chipboards	2,175	0	0	0
- Sales of chipboards	(118)	0	0	0
Kiara Susila Sdn. Bhd.				
- Rental of office building	112	0	0	0

28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

(c) Significant balances with related parties

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount due to former immediate holding company				
BRDB Developments Sdn. Bhd.	40,419	53,212	40,419	53,212
Amount due to a former related company				
BR Property Holdings Sdn. Bhd.	961	1,281	0	0
Amount due from/(to) subsidiaries				
Mieco Manufacturing Sdn. Bhd.	0	0	341,209	377,090
Mieco Marketing Sdn. Bhd.	0	0	5,494	5,494
Tudor Capital Sdn. Bhd.	0	0	(3,411)	(3,411)
Amount due to related parties				
Seng Yip Furniture Sdn. Bhd.	259	715	0	0
Great Platform Sdn. Bhd.	352	0	0	0
Tomisho Sdn. Bhd.	0	44	0	0

(d) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including Directors of the Company.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Remuneration and benefits	1,708	1,280	1,708	1,183
Post-employment benefits	206	128	206	117
	1,914	1,408	1,914	1,300

29 OPERATING SEGMENT

The Group operates principally within one segment, that is, manufacturing and sales of wood based products. Other operation of the Group comprises investment holding which is not of sufficient size to be reported separately. This is consistent with the internally generated reports reviewed by Board of Directors to make strategic decisions.

The products of the Group were sold to the following geographical areas.

	Revenue	
	2017 RM'000	2016 RM'000
Malaysia	260,831	240,083
Hong Kong and China	23,241	13,696
Others	65,234	70,317
	349,306	324,096

	Total assets		Capital expenditure	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	598,919	559,592	27,708	7,489

The carrying value of non-current assets located in foreign countries is not material as at the reporting date.

30 FINANCIAL INSTRUMENTS BY CATEGORY

The table below provides an analysis of the financial instruments by category.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loan and receivables				
Non-current				
Amount due from subsidiaries	0	0	332,337	367,244
Current				
Receivables and deposits	65,239	58,501	838	122
Amount due from subsidiaries	0	0	14,376	15,423
Cash and bank balances	18,136	36,436	247	193
	83,375	94,937	15,461	15,738

30 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other financial liabilities at amortised cost				
Non-current				
Amount due to former immediate holding company	30,543	44,035	30,543	44,035
Trade and other payables	721	1,041	0	0
Borrowings	14,745	0	0	0
	46,009	45,076	30,543	44,035
Current				
Trade and other payables	61,173	84,593	1,140	1,186
Amount due to subsidiaries	0	0	3,426	3,426
Amount due to former immediate holding company	9,876	9,177	9,876	9,177
Borrowings	66,074	32,171	0	0
	137,123	125,941	14,442	13,789
Financial asset/(liabilities) at fair value through profit or loss				
Derivative financial instruments	50	(267)	0	0

31 FINANCIAL GUARANTEE CONTRACTS

	Company	
	2017 RM'000	2016 RM'000
Financial guarantees (unsecured) issued by the Company to licensed financial institutions for banking facilities granted to a subsidiary	89,366	49,069

32 SIGNIFICANT AND SUBSEQUENT EVENTS

Acquisition of the entire issued and paid up capital of Great Platform Sdn. Bhd. ("GREAT PLATFORM")

On 26 July 2017, the Company entered into a conditional share sale agreement with SYF Resources Berhad for the proposed acquisition of the entire issued share capital of Great Platform Sdn. Bhd. ("Proposed Acquisition") and the proposed assumption of liabilities owing by Great Platform to SYF Resources Berhad ("Proposed Assumption of Liabilities") for a total purchase consideration of RM7,063,341 for the Proposed Acquisition and RM51,528,809 for the Proposed Assumption of Liabilities, to be satisfied entirely via cash.

The proposed transaction was completed on 27 February 2018.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

The Directors of Mieco Chipboard Berhad state that, in their opinion, the accompanying financial statements 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 of 31 December 2017 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 March 2018.

DATO' SRI NG AH CHAI
DIRECTOR

NG WEI PING
DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, Ng Wei Ping, the Director primarily responsible for the financial management of Mieco Chipboard Berhad, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

NG WEI PING

Subscribed and solemnly declared by the abovenamed Ng Wei Ping at Kuala Lumpur in Federal Territory, this 28th day of March 2018.

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MIECO CHIPBOARD BERHAD
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **MIECO CHIPBOARD BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2017 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 41 to 101.

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 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis of Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*Our audit performed and responses thereon*
Impairment of property, plant and equipment In 2013, an impairment loss of RM45.8 million was recognised on the property, plant and equipment of a plant of the major subsidiary, Mieco Manufacturing Sdn Bhd ("Mieco Manufacturing") ("Plant 3"). In 2016, arising from an impairment assessment, a write back of impairment of property, plant and equipment of RM28.1 million was recognised in the profit or loss, reducing the balance of impairment of plant 3 to RM17.6 million. During the current financial year, Plant 3 had shown further improvement with its production level returning to normal. This has been contributed by strong sales order in FY2017 and the management expects this to continue in the foreseeable future. Consequently, management performed an updated impairment assessment of Plant 3 in 2017. The Group assessed impairment of property, plant and equipment by calculating its value-in-use ("VIU") using a discounted cash flow model. Based on the assessment, the VIU calculated is RM327.1 million, which is higher than its carrying value of RM293.8 million. Accordingly, a full write back of RM12.1 million (net of the depreciation amount had no impairment loss been recognised) was recognised in the profit or loss. Projected future cash flows used in the impairment testing involve significant degree of management estimates on the key assumptions such as sale and production volume growth, cost of raw materials, selling price growth and discount rate used. Refer to key estimates and assumptions disclosed in Note 6.	Our audit procedures, among others, included: • Involvement of our own valuation specialist to review the appropriateness of the impairment model; • We performed retrospective review of the cash flow projection used in the model to assess the reliability of management's estimates; • We challenged the reasonableness of the key bases and assumptions underpinning the model, including sale and production volume growth, cost of raw materials, selling price growth and discount rate used; and • We performed sensitivity analysis on management's assumptions to reflect reasonably possible future alternative scenarios.

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 directors' report, which we obtained prior to the date of this auditors' report, and the remaining other 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), which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the remaining other information included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 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 the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate 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 identify during our audit.

We also provide 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 determine 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 describe 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, we also report that in the case of consolidated financial statements, the names of the subsidiaries, of which we have not acted as auditors, are indicated 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 contents of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

HUANG KHEAN YEONG
Partner - 2993/05/18 (J)
Chartered Accountant

Kuala Lumpur
28 March 2018

ANALYSIS OF SHAREHOLDINGS
As At 13 April 2018

Issued Share Capital	:	525,000,000 Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

	No. of Holders	% of Holders	No. of Shares	% of Shares
Size of Holdings				
Less than 100	699	10.94	15,648	0.00
100 – 1,000	480	7.51	231,044	0.04
1,001 – 10,000	3,021	47.27	15,247,427	2.90
10,001 – 100,000	1,878	29.38	60,877,504	11.60
100,001 – less than 5% of issued shares	311	4.87	283,793,450	54.06
5% and above of issued shares	2	0.03	164,834,927	31.40
Total	6,391	100.00	525,000,000	100.00

DIRECTORS' INTEREST IN SHARES BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
In the Company				
Dato' Sri Ng Ah Chai	298,045,137	56.77	-	-
Cheam Tow Yong	400,000	0.076	-	-

THIRTY (30) LARGEST SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS

	Name	Shareholding	%
1)	RHB Nominees (Tempatan) Sdn Bhd *OSK Capital Sdn Bhd for Ng Ah Chai*	137,834,927	26.25
2)	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	27,000,000	5.14
3)	M&A Nominee (Tempatan) Sdn Bhd *Insas Credit & Leasing Sdn Bhd for Ng Ah Chai*	23,060,210	4.39
4)	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (8103749)*	20,500,000	3.90
5)	M&A Nominee (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (M&A)*	16,000,000	3.05
6)	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Ng Ah Chai (PBCL-0G0503)*	15,750,000	3.00

ANALYSIS OF SHAREHOLDINGS
As At 13 April 2018 (Cont'd)

THIRTY (30) LARGEST SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS (Cont'd)

	Name	Shareholding	%
7)	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	13,000,000	2.48
8)	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank New York (Norges Bank 14)*	12,347,600	2.35
9)	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (Margin)*	11,000,000	2.10
10)	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (100426)*	9,450,000	1.80
11)	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	6,850,000	1.30
12)	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Chik Eng*	6,250,000	1.19
13)	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	6,200,000	1.18
14)	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (MGN-NAC0003M)*	6,000,000	1.14
15)	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Kim Song (Margin)*	5,800,000	1.10
16)	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Hong Leong (Margin)*	5,699,250	1.09
17)	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Hong Leong*	4,322,800	0.82
18)	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tee Tiam Hock*	3,960,600	0.75
19)	Chua Hock Gee	3,375,000	0.64
20)	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Chik Keng*	3,357,500	0.64
21)	Citigroup Nominees (Asing) Sdn Bhd *Exempt an for OCBC Securities Private Limited (Client A/C-NR)*	2,975,000	0.57
22)	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (UOB AM SC EQ)*	2,600,000	0.50
23)	Ng Ah Chai	2,600,000	0.50
24)	Yayasan Guru Tun Hussein Onn	2,344,750	0.45
25)	Lee Pei Mei	2,162,700	0.41
26)	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Islamic Trustee Berhad for PMB Shariah Mid-Cap Fund*	2,010,000	0.38

ANALYSIS OF SHAREHOLDINGS
As At 13 April 2018 (Cont'd)

THIRTY (30) LARGEST SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS (Cont'd)

	Name	Shareholding	%
27)	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (001)*	2,000,000	0.38
28)	Tan Chong Yen	1,900,000	0.36
29)	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for Apex Dana Al-Sofi-I (ADAS-I) (410325)*	1,820,000	0.35
30)	Lim Hock Ho	1,497,000	0.29

SUBSTANTIAL SHAREHOLDER BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Sri Ng Ah Chai	298,045,137	56.77	-	-

LIST OF PROPERTIES

Location	Tenure	Land area	Description	Approximate age of building (Years)	Net book value RM'000	Acquisition date	Balance of lease by Year
PAHANG							
Lot 73, Gebeng Industrial Area 26080 Kuantan Pahang Darul Makmur	Lease expiring 18.08.2048	653,670 sq.ft.	Warehouse & Industrial land	2	12,976	26.10.1999	31
Lot 74, Gebeng Industrial Area 26080 Kuantan Pahang Darul Makmu	Lease expiring 22.02.2097	1,254,528 sq.ft.	Chipboard factory & Industrial Land	15-23	35,802	24.08.1995	80
Lot 3, Kawasan Perindustrian Kechau Tui 27100 Lipis Pahang Darul Makmur	Lease expiring 2104	2,178,000 sq. ft.	Chipboard factory & Industrial Land	13	78,197	05.12.2004	87
Lot 27, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	158,253 sq.ft.	Industrial land		211	20.12.2006	88
Lot 28, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	299,257 sq.ft.	Industrial land		398	20.12.2006	88
Lot 29, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	304,484 sq.ft.	Industrial land		405	20.12.2006	88
Lot 30, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	281,398 sq.ft.	Industrial land		374	20.12.2006	88

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting (45th AGM) of Mieco Chipboard Berhad (MIECO or Company) will be held at Melati Room, Level 2, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor on Wednesday, 30 May 2018 at 10:00 a.m.

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.

2. To approve the following payments to Directors:-

   (i) Directors' fees of RM250,000.00 to the Non-Executive Directors for the financial year ended 31 December 2017. — Ordinary Resolution 1 (Please refer to Explanatory Note 1)

   (ii) Payment of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM400,000.00 from 1 January 2018 until the next Annual General Meeting of the Company. — Ordinary Resolution 2 (Please refer to Explanatory Note 1)

3. To re-elect the following Directors retiring in accordance with the Articles 81 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   (i) Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah — Ordinary Resolution 3

   (ii) Mr. Kajendra A/L Pathmanathan — Ordinary Resolution 4

4. To re-elect Mr. Ng Wei Ping, the Director who is retiring pursuant to Article 88 of the Company's Articles of Association, and being eligible, offered himself for re-election. — Ordinary Resolution 5

5. To re-appoint Messrs Deloitte PLT as auditors of the Company and to authorise the Directors to fix their remuneration. — Ordinary Resolution 6

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:

6. **Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

   "THAT, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Part A of the Circular to Shareholders dated 30 April 2018, provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders;

THAT such approval shall continue to be in force until the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the next Annual General Meeting;

(ii) the expiration of the period within which the next Annual General Meeting is to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) such approval is revoked or varied by resolution passed by shareholders in a general meeting before the next Annual General Meeting;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this Ordinary Resolution."

Ordinary Resolution 7
(Please refer to Explanatory Note 2)

7. **Proposed Renewal of Authority for the Company to Purchase Its Own Shares ("Proposed Renewal of Share Buy-Back")**

"THAT, subject always to the Companies Act 2016, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that:

(i) the aggregate number of shares purchased does not exceed 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase(s);

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest Audited Financial Statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends;

THAT the authority conferred by this Resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting;

AND THAT authority be and is hereby given to the Directors of the Company to act and take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase."

Ordinary Resolution 8
(Please refer to Explanatory Note 3)

8. **Authority to Issue Shares**

"THAT, subject always to the Companies Act 2016, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered, pursuant to Section 75 and Section 76 of the Companies Act 2016, 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 that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Ordinary Resolution 9
(Please refer to Explanatory Note 4)

9. To transact any other business of which due notice shall have been given.

By Order of the Board

NG GEOK LIAN (LS 07155)
COMPANY SECRETARY

Cheras, Selangor.
30 APRIL 2018

NOTES:

1. A proxy may but need not be a member of the Company and a member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.

2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 its holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.

5. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the office of the Share Registrar, Metra Management Sdn. Bhd. at 30.02, 30th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

6. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors ("ROD") as at 24 May 2018 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

Explanatory Notes on Ordinary Business:

1. The Ordinary Resolution 1 & 2, Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company shall be approved at a general meeting.

   In this respect, the Board wishes to seek shareholders' approval for the following payments to Directors at the 45th AGM in two (2) separate resolutions as below:

   - Resolution 1 on payment of Directors' Fees totalling RM250,000.00 to Non-Executive Directors in respect of the financial year ended 31 December 2017; and

   - Resolution 2 on the Directors' fees and benefits payable to Non-Executive Directors from 1 January 2018 until the next AGM of the Company. The basis of the Directors' fees and benefits proposed for the 17 month-period is the same as the previous financial year ended 31 December 2017.

   The total estimated Directors' fees and benefits payable to Non-Executive Directors are calculated based on the number of scheduled Board's and Board Committees' meetings for the current financial year ending 31 December 2018 until the next Annual General Meeting and other benefits.

   In the event that the proposed Directors' fees and benefits payable to Non-Executive Directors are insufficient due to enlarged size of the board of directors, approval will be sought at the next AGM for additional Directors' fees and benefits to meet the shortfall.

   Resolution 2, if passed, will facilitate the payment of Directors' fees and benefits to Non-Executive Directors on a monthly basis and/or as and when required. The Board is of the view that Directors should be paid such fees and meeting allowances upon them discharging their responsibilities and rendering their services to the Company. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

Explanatory Notes on Special Business:

2. The Ordinary Resolution 7, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in Section 2.3 of the Circular to Shareholders dated 30 April 2018, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

   For further information on this resolution, please refer to the Part A of the Circular/Statement to Shareholders dated 30 April 2018 which is despatched together with the Annual Report 2017.

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

3. The Ordinary Resolution 8, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company.

   For further information on this resolution, please refer to the Part B of the Circular/Statement to Shareholders dated 30 April 2018 which is despatched together with the Annual Report 2017.

4. The Ordinary Resolution 9, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares/total number of voting shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting. This General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

1. No individual is standing for election as a Director at the forthcoming Forty-Fifth Annual General Meeting of the Company.

Mieco Chipboard Berhad
(12849-K) (Incorporated in Malaysia)

FORM OF PROXY

CDS ACCOUNT NO.
_ _ _ - _ _ _ - _ _ _ _ _ _ _ _ _

I/We ____ Tel No. ____________________
(FULL NAME IN BLOCK CAPITALS)

NRIC No./Company No. __________________________ of __________________________
(ADDRESS)

____ being a Member

of **MIECO CHIPBOARD BERHAD**, hereby appoint ______________________________________
(FULL NAME IN BLOCK CAPITALS)

NRIC No. ____________________ of _______________________________________
(ADDRESS)

or failing him, __________________________________ NRIC No. ___________________
(FULL NAME IN BLOCK CAPITALS)

of ____ or failing him,
(ADDRESS)

the CHAIRMAN OF THE MEETING as my/our proxy to vote on my/our behalf at the Forty-Fifth Annual General Meeting of the Company to be held at Melati Room, Level 2, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor on Wednesday, 30 May 2018 at 10.00 a.m. and at any adjournment thereof.

No.	Agenda	Ordinary Resolutions	FOR	AGAINST
1	To approve the payment of Directors' fees of RM250,000.00 to the Non-Executive Directors for the financial year ended 31 December 2017.	1		
2	To approve the payment of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM400,000.00 from 1 January 2018 until the next Annual General Meeting of the Company.	2		
3	To re-elect Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah who retires by rotation in accordance with Article 81 of the Company's Articles of Association and being eligible, offers herself for re-election.	3		
4	To re-elect Mr. Kajendra A/L Pathmanathan who retires by rotation in accordance with Article 81 of the Company's Articles of Association and being eligible, offers himself for re-election.	4		
5	To re-elect Mr. Ng Wei Ping who retires by rotation in accordance with Article 88 of the Company's Articles of Association and being eligible, offers himself for re-election.	5		
6	To re-appoint Messrs. Deloitte PLT as Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration	6		
7	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	7		
8	Proposed Renewal of Share Buy-Back	8		
9	Authority to Issue Shares	9		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand(s) this _______ day of ______________, 2018.

____
Signature Of Member

Number Of Shares Held

For appointment of two (2) proxies, percentage of shareholdings to be represented by the two (2) proxies		
	No. Of Shares	Percentage
Proxy 1		
Proxy 2		
Total		**100**

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar
Metra Management Sdn. Bhd.
30.02, 30th Floor,
Menara Multi-Purpose, Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia

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Notes:

1. *A proxy may but need not be a member of the Company and a member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.*
2. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
3. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 its holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.*
5. *For a proxy to be valid, the Form of Proxy duly completed must be deposited at the office of the Share Registrar, Metra Management Sdn. Bhd. at 30.02, 30th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.*
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