# ANNUAL REPORT 2019

**MIECO CHIPBOARD BERHAD**
(Registration No. 197201001235 [12849-K])

# CONTENTS

# GROUP CORPORATE STRUCTURE
As At 29 May 2020

**MIECO CHIPBOARD BERHAD**
(Registration No. 197201001235 [12849-K])

(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

**Datuk Dr. Roslan Bin A. Ghaffar**
*Independent Non-Executive Chairman*

**Mr. Cheam Tow Yong**
*Independent Non-Executive Director*

**Dato' Sri Ng Ah Chai**
*Group Managing Director*

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

**Mr. Ng Wei Ping, Keith**
*Executive Director*

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

## AUDIT COMMITTEE

Mr. Cheam Tow Yong
*(Chairman)*
Dato' Abdul Rashid Bin Mat Amin
Datuk Dr. Roslan Bin A. Ghaffar

## NOMINATION COMMITTEE

Dato' Abdul Rashid Bin Mat Amin
*(Chairman)*
Mr. Cheam Tow Yong
Datuk Dr. Roslan Bin A. Ghaffar

## REMUNERATION COMMITTEE

Dato' Abdul Rashid Bin Mat Amin
*(Chairman)*
Mr. Cheam Tow Yong
Datuk Dr. Roslan Bin A. Ghaffar

## 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

## PRINCIPAL PLACE OF BUSINESS

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

Lot 74, Kawasan Perindustrian Gebeng
26080 Kuantan
Pahang Darul Makmur
Tel : 609 - 5835 120
Fax : 609 - 5833 408

## SECRETARY

Ng Geok Lian
*LS No. 0007155*

## REGISTRAR

Metra Management Sdn Bhd
35th Floor, Menara Multi-Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603 - 2698 3232
Fax : 603 - 2698 0313

## AUDITORS

Messrs Deloitte PLT (LLP0010145-LCA)
*(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
Ambank (M) Berhad
Public Bank Berhad
OCBC Al-Amin Bank Berhad
Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
Affin Islamic Bank Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

## STOCK CODE

MIECO 5001

## WEBSITE

www.mieco.com.my

# DIRECTORS' PROFILE

## DATUK DR. ROSLAN BIN A. GHAFFAR

*Independent Non-Executive Chairman*
*Member of Audit, Nomination and Remuneration Committees*

Datuk Dr. Roslan Bin A. Ghaffar, aged 67, male, a Malaysian, was appointed to the Board on 18 February 2019 as an Independent Non-Executive Chairman of Mieco Chipboard Berhad.

Datuk Dr. Roslan has over 30 years of experience in the areas of economics, finance and investment. He holds a Bachelor of Science degree from Louisiana State University, Baton Rouge, USA, and obtained a Ph.D. at the University of Kentucky, Lexington, USA. He has done over 30 years of public service and has extensive experience in overseeing corporate organizations.

Datuk Dr. Roslan was awarded the Kesatria Mangku Negara in 1998 and Johan Setia Mahkota in 2002 for his service to the government, particularly the Employees Provident Fund. In 2018 he was also conferred the Darjah Pangkuan Seri Melaka (DPSM). Apart from receiving the academic degrees he also attended various executive training programs which has included the Harvard Premier Management Program in 2006.

In 1974, Datuk Dr Roslan started work at Lembaga Pertubuhan Peladang Malaysia as an assistant credit officer upon completion of his Diploma studies at University Putra Malaysia (UPM). In 1975, he pursued further studies at Louisiana State University, Baton Rouge where he graduated with a Bachelor of Science degree. He subsequently continued post graduate studies at the University of Kentucky, Lexington, USA and completed his PhD in 1983. He resumed his services to Lembaga Pertubuhan Peladang in the same year.

In 1984, Datuk Dr. Roslan joined University Putra Malaysia as a lecturer in economics and was promoted to Associate Professor of Economics in 1991. For six years from 1985 to 1991, he also served as head of the Economics Department of University Putra Malaysia. In the 1992-1993 academic year, Datuk Dr. Roslan while on sabbatical leave from UPM, was with the University of Kentucky, Lexington, USA, as Visiting Professor. On various occasions while at the University Putra Malaysia, he had also served as consultant to various international and national organisations which included the World Bank, Asian Development Bank, Winrock International and the Economic Planning Unit of the Prime Minister's Department.

In 1994, Datuk Dr. Roslan joined the Employees Provident Fund and was given the responsibility to develop the economic and investment research capability of the Fund. With the given responsibility, he held the position of Director of Investment and Economic Research of the Malaysian EPF. He was promoted to the position of Senior Director in 1996 and in 2001 held the position of Deputy Chief Executive Officer of the Fund with the expanded responsibility of formulating and implementing investment strategies to meet the Fund's investment objectives until his retirement in 2007. The EPF had over RM 300 billion investment asset under management in 2007.

Datuk Dr. Roslan is currently the Chairman of Box-Pak (Malaysia) Berhad, a company listed on Bursa Securities Malaysia Berhad and Priceworth International Berhad. He is concurrently the Chairman of Straits International Education Group Sdn Bhd. Datuk Dr. Roslan is also an independent member of the board of Kwasa Land Sdn. Bhd and the director of MRCB-Quill Management Sdn Bhd, the Manager of Public Listed MRCB-Quill Reit.

Datuk Dr. Roslan 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.

Datuk Dr. Roslan attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2019.

## DATO' SRI NG AH CHAI
*Group Managing Director*

Dato' Sri Ng Ah Chai, aged 57, 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 24 June 2020.

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 2019.

## MR. NG WEI PING, KEITH
*Executive Director*

Mr Ng Wei Ping, Keith, aged 30, 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 24 June 2020.

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

Mr Keith attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2019.

# DIRECTORS' PROFILE
(Cont'd)

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

Mr. Cheam Tow Yong, aged 64, 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 and he has no conviction for any offences within the past five (5) years other than traffic offences, if any.

Mr. Cheam attended four (4) out of five (5) Board Meetings of the Company held during the financial year ended 31 December 2019.

## 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 69, 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.

He is currently also an Independent Non-Executive Director of SYF Resources Berhad.

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 all five (5) Board Meetings of the Company held during the financial year ended 31 December 2019.

## MR. KAJENDRA A/L PATHMANATHAN

*Independent Non-Executive Director*

Mr. Kajendra A/L Pathmanathan, aged 46, male, a Malaysian, was re-designated as Independent Non-Executive Director on 20 August 2019 from his position as Non-Independent Non-Executive Director.

Mr. Kajendra holds a Bachelor of Commerce degree and a Bachelor of Law degree, both from The University of Melbourne. He is also a member of the Institute of Chartered Accountants, Australia and New Zealand. 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 all five (5) Board Meetings of the Company held during the financial year ended 31 December 2019.

# KEY SENIOR MANAGEMENT PROFILE

Comprise of a Group Managing Director, an Executive Director, and a Key Senior Management staff. The profiles of the Group Managing Director and Executive Director are as stipulated on page 5 of this Annual Report.

## MR NG TIEN YING

Mr Ng Tien Ying, aged 36, 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 2019 ("FY2019").**

## 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, melamine faced boards ("MFC") and Medium Density Fibreboards ("MDF"). MIECO now has a total annual production capacity of over 1,000,000m$^3$ per annum and multiple manufacturing plants across locations in Pahang and Negeri Sembilan.

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 9001:2015 Quality Management System accreditation by AJA EQS Certification. MIECO have also secured a significant number of Ecolabels which meet US EPA, European and Japanese Industrial's standards.

At the time of preparing this statement, the Group, as well as many other companies around the world, are facing an unprecedented challenge in the wake of a major global disruption. On 11 March 2020, the World Health Organisation (WHO) declared the outbreak of COVID-19 as a global pandemic and this has unexpectedly become a new global threat to our daily lives.

In our home country, Malaysia, to contain the spread of COVID-19, the Movement Control Order (MCO) has been imposed by the government from 18 March to 12 May 2020 followed by the Conditional Movement Control Order ("CMCO") from 4 May to 9 June 2020. As the local economy and the rest of the world economy gradually re-opens, the Group will closely monitor ensuing developments both locally and globally to assess the potential impact on our business and operations which at this moment remains steeped in uncertainty in a fluid and unpredictable situation.

In 2019, our business remained steady, despite global challenges faced by the wood-based manufacturing industry. We intensified our efforts to push sales of our product mix with higher grade boards, develop the market for MFC to offset soaring costs of raw materials in the face of stiff competition. These helped to increase our revenue by 2%, from RM419.8 million in 2018 to RM427.3 million in 2019.

Revenue contribution from Malaysia in FY2019 was approximately RM344.7 million of total Group turnover with the rest arising from exports of RM82.6 million to more than 20 countries, mostly in the Asia Pacific Region. Export sales are mainly denominated in US Dollar.

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 & also the development of its more than 960 employees.

## REVIEW OF FINANCIAL PERFORMANCE

During the year under review, the Group revenue rose by 2%, from RM419.8 million in 2018 to RM427.3 million, driven mainly by the improved margins from the product mix strategies which had contributed to a higher average selling price based on the total sales volume.

Loss before taxation of RM0.5 million was recorded in 2019 which was an improvement of RM55.2 million from the loss before taxation of RM55.7 million in 2018. The improved results was mainly due to the improvement in sales margins and better cost efficiency coupled with the lower non-cash impairment loss of RM1.0 million on the plants arising from financial year end assessment of carrying value against its recoverable amount in 2019 as compared to RM26.1 million in 2018. After providing for tax and adjustments to deferred tax liability, the Group recorded a profit after taxation of RM1.7 million marking a turnaround of RM62.3 million from the loss after taxation of RM60.6 million in 2018.

In line with the improved results, the Group's operating activities generated cash of RM49.7 million as compared to RM13.6 million previously. After taking in the effect of working capital changes, net cash flow from operating activities for FY2019 was lower at RM35.5 million mainly due to the decrease in trade payables of RM12.0 million. For FY2018, net cash flow from operating activities was higher at RM59.0 million as inventory levels had been substantially reduced and there was an increase in trade payables.

Net cash used in investing activities was RM7.7 million for FY2019, comprising mainly for major part replacement and cost related to plant electrical installation works.

Net cash flow used in financing activities of RM29.3 million for FY2019 was mainly used for the repayment of Term Loans of RM17.7 million and finance cost of RM15.1 million.

Overall, cash and cash equivalents decreased by RM1.5 million to RM8.9 million as at 31 December 2019, mainly due to net cash flows used in financing activities and investing activities which were offset by net cash flows from operating activities.

Accordingly, Group borrowings has marginally reduced from RM236.3 million as at 31 December 2018 to RM232.6 million as at 31 December 2019. In turn the Group's gearing ratio has decreased to 90% as at the end of 2019 as compared to 95% in the previous year.

The Group continues to maintain a prudent approach towards managing its capital resources to ensure adequacy in meeting its operational requirements.

## REVIEW OF OPERATIONS

The first half of 2019 saw a slight recovery in chipboard prices before tapering off towards the end of the year as economic and global conditions started to soften with the intensifying US-China trade war. By end 2019, the price had almost dropped back to its level at early 2019.

While 2018 suffered from the aftermath of the steep fall in price, the relatively stable price environment in 2019 allowed the Group to effectively carry out various measures and adapt to a lower price regime.

As a result, the Group had managed to return to profitability with a net profit of RM1.7 million as the actions taken throughout the year had served to improve margins and reduce operating costs and overheads.

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 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. As you may already know, on 2 July 2019, a minor fire incident had occurred at our chipboard manufacturing plant in Kuala Lipis, Pahang belonging to Mieco Manufacturing Sdn Bhd., a wholly-owned subsidiary of MIECO. This incident had caused the plant to halt its operation for approximately 20 days. The plant resumed its operation on 22 July 2019. We will try to maintain the highest preventive maintenance level toward our plant and machinery to ensure their longevity and to continue improving the performance of the plant that produces higher margin value-added products for the Group.

On the product front, we have launched more than two dozens of new MFC colour designs in 2019 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 by continuing to focus on improving our product mix with higher grade boards which will assist us to command a price premium in this competitive market.

## CORPORATE DEVELOPMENT

As at the date of this report, being the latest practicable date, there are no corporate proposals announced and pending completions.

## BUSINESS STRATEGY

In facing the challenges ahead, the Group will build further upon its operating strengths and take positive action to improve its financial position.

At the business and operating level, we will have to be even more competitive and cost efficient, innovative and quick to react to market changes in order to stay ahead of the competition. The strategy to improve product mix with higher grade boards will continue but at the same time we will aim to procure sufficient orders to keep production running at optimal capacity. Marketing resources and activities will be increased and directed towards:-

- Improving service levels to maintain customer base and actively source for new customers.
- Closer market surveillance and intelligence to monitor changes in market conditions and respond appropriately.
- Increasing export sales to support operating capacity.

On the production floor, we will continue to seek further improvement in cost control and production efficiency in the key areas:-

- Sourcing and procurement
- Production planning and scheduling
- Machinery maintenance
- Inventory control
- Optimise production and inventory holding level on raw materials and finished goods

In the export market, we will further develop our presence in the Asia Pacific Region, particularly China, Korea, India and Philippines in order to tap into these areas to support our operations

As always, we will continue to build 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

With the turmoil in global markets ignited by the COVID-19 pandemic and oil price war, the world economy is expected to go into its downward cycle in 2020. The volatility and uncertainty in the markets have been unprecedented as the major countries of the world seek to manage the spread of the pandemic while at the same time, formulate and implement effective measures to support the financial markets and their economies. The extent and duration of the impact on the global economy will necessarily depend on the effectiveness of such measures eventually taken.

Malaysia's economic prospects for 2020 is being severely affected by the COVID-19 pandemic. Strict measures to contain the spread of the pandemic, both globally and domestically, will weigh considerably on both external demand and domestic growth.

Reflecting the longer duration of the MCO, followed by the Conditional MCO from 4 May to 9 June 2020, the Malaysian economy is expected to contract in the second quarter. However, economic activity is expected to gradually pick up in 2H 2020, following the lifting of the MCO, support from fiscal, monetary and financial measures and progress in transport-related projects by the public sector. The Malaysian economy is expected to register a positive recovery in 2021, in line with the projected improvement in global growth.

The economic stimulus measures announced will provide sizeable assistance to households and businesses. This is further augmented by Bank Negara Malaysia's broad array of measures, including reductions in the Overnight Policy Rate and Statutory Reserve Requirements, deferment of loan and financing repayments for a period of six months for individual and small medium enterprise borrowers, daily market operations to ensure ample liquidity and enhancements to existing financing facilities under Bank Negara Malaysia's Fund for small medium enterprises. Bank Negara Malaysia has also allowed banks to utilise their regulatory buffers to further ensure continued financial intermediation.

The growth outlook is subject to significant downside risks. This arises mainly from the uncertainties surrounding the spread of COVID-19 and the duration of containment measures globally. This uncertainty may also result in delays in household spending and business investments. In addition, the risks of commodity supply shocks remain. *(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, Bank Negara Malaysia)*

While we join the global community in praying for an early end to this pandemic, we brace ourselves to face the economic and operational impact in the ensuing period ahead. In difficult times, we believe that the pro-active, most competitive and the resilient shall prevail. This underlies the business strategy and operating plans in the key areas that we shall focus on in order to sustain through the period ahead.

## RISK MANAGEMENT

The global economic growth is affected due to the outbreak of COVID-19 and its rapid spread across the globe. Inevitably, social and economic conditions in Malaysia will be affected by the COVID-19, particularly, if the Government extends or implement additional orders/ policies, which may further restrict business activities. Therefore, there could potentially be disruption to the business progress of the Group and progress are expected to be slower during this outbreak period amidst market uncertainty.

With the spectre of the economic downturn leading to a fall in demand, we are stepping up our marketing development activities to retain and consolidate our local market share while looking to boost our export sales.

At the price point, the on-going operating measures that we have earlier implemented have increased our cost efficiency and will enable us to be highly competitive, underpinned by our product quality.

We will also be closely scrutineering the raw materials supply sources to ensure consistent supply at prices reflective of economic conditions. We believe that the whole supply chain will have to complement each other and act in cohesion.

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 foreseen much challenges in terms of workforce.

With respect to financial risk, we shall seek the continued support of our bankers to facilitate our operating requirements. At the same time, we will endeavour to work hard to minimise the impact of the challenging environment on our operations by proactively managing our working capital and financial resources.

## DIVIDEND

The Directors are of the opinion that the Group should continue to conserve cash to meet its operating requirements and therefore are not recommending the payment of dividends for financial year ended 2019. It is the Board's intention to resume the payment of dividends as soon as circumstances permit.

## APPRECIATION

On behalf of the Board, I would like to thank the MIECO team, shareholders, business partners and customers for their steadfast loyalty and unwavering commitment to the business and brand. We have been able to see through challenging times because of your continued support; thank you for the faith you place in us.

Also a heartfelt thank you to my fellow Board members, who have contributed wise counsel and helped us stay true to our goals.

Thank you.

**Dato' Sri Ng Ah Chai**
Group Managing Director

# SUSTAINABILITY STATEMENT

This FY 2019 Sustainability Statement ("the Statement") provides an overview of Mieco Chipboard Berhad's ("MIECO" or "the Group") sustainability initiatives and practices, highlighting the economic, environmental and social impact created.

MIECO strongly believes that by managing sustainability in our business, it enables the Group to have a strong foundation for long term future growth.

## SCOPE

This Sustainability Statement has been prepared in accordance with Bursa Malaysia's Main Market Listing Requirements and the Sustainability Reporting Guide. The Statement covers all of the Group's subsidiaries including Great Platform Sdn Bhd, which has been excluded in last year's Statement due to its undergoing of operational integration with the Group. All the reported information in the Statement covers the period from 1 January to 31 December 2019.

## SUSTAINABILITY GOVERNANCE

We at MIECO believes that sustainability governance is fundamental to the effective implementation of our sustainability initiatives. It also actively promotes oversight on our established initiatives and management process. Currently, the sustainability for specific sustainability management programmes reside with the respective functional units within the Group which includes the Human Resource Division, the Engineering Division, and the Environmental Health & Safety Division.

MIECO utilises a series of policies and practices to operationalise sustainability. This includes strategically assigning personnel to relevant functions, aligning policies with globally recognised ISO standards, and assessing topics that are material to stakeholders. The Group also routinely reviews the robustness of these activities to ensure their continuous effectiveness.

## STAKEHOLDERS

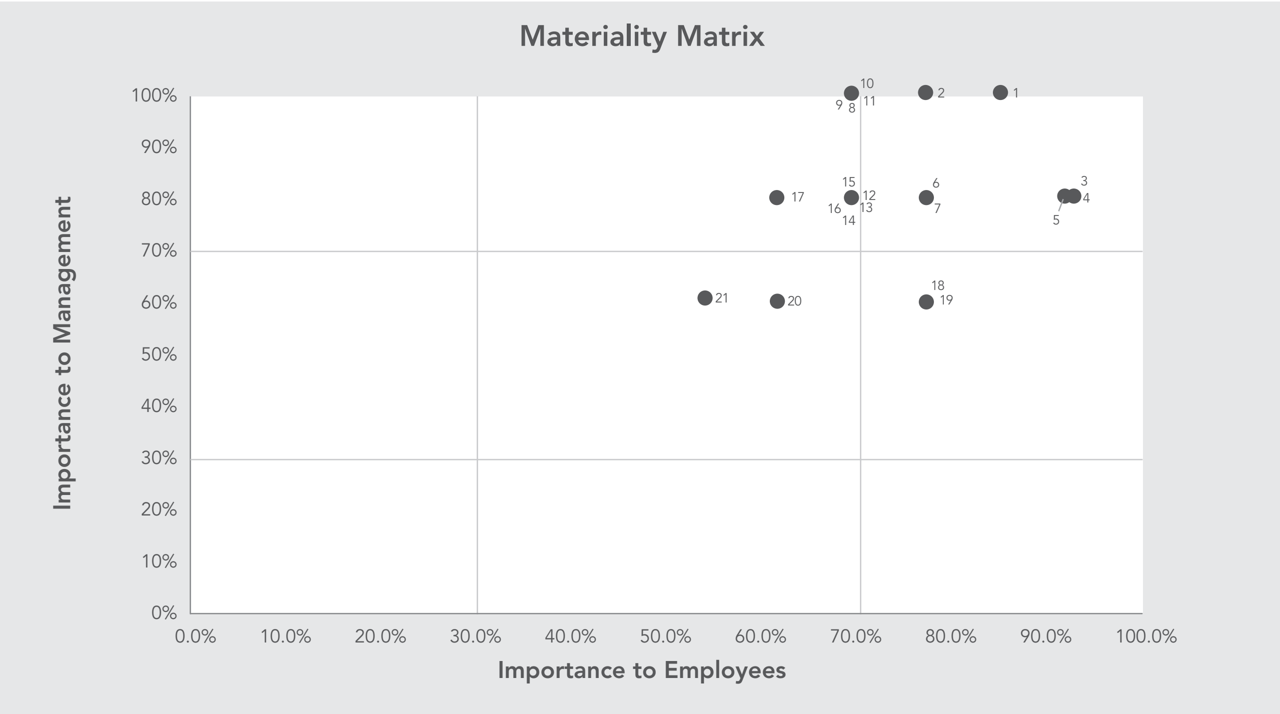
The Group has always been working closely with our stakeholders through various methods, which allows us to understand their areas of concern and enables us to better manage matters pertaining to the sustainability and materiality.

| Stakeholders | Engagement Activities | Frequency of engagement |
|---|---|---|
| Employees | - Employee induction training<br>- Townhall sessions<br>- Safety briefings<br>- Learning and developmental programmes<br>- Performance appraisals | - At least once a year<br>- Ad hoc basis<br>- A one-time briefing to new staff<br>- Throughout the year<br>- At least once a year |
| Customers | - Customer feedback mechanism | - Once a year |
| Investors | - Analyst briefings<br>- Annual General Meetings<br>- Financial statements | - Ad hoc basis<br>- Once a year<br>- At least four times a year |
| Government and regulatory authorities | - Meetings | - As and when required |
| Media | - Media releases<br>- Press conferences | - As and when required<br>- As and when required |
| Local communities | - Corporate Social Responsibility ("CSR") events | - Based on the HR Division's annual calendar |

## MATERIALITY

It is important for the Group to understand the key sustainability drivers that will significantly affect our business operations. We define material issues as issues that may have significant financial and non-financial impact on our organisation, including any issues that may directly or indirectly affect our value creation activities.

In order to identify and prioritise sustainability issues that are critical to the organisation, a material survey has been conducted with the Group's senior management and employees. There are 21 sustainability topics in the survey and the results of which have been used to generate the materiality matrix below:-




Seven material sustainability topics have been identified across the economic and social themes for fiscal 2019. Moving forward, MIECO aims to be more inclusive and systematic by integrating external stakeholder into our stakeholder engagement process.

Legend:

| No. | Sustainability Topic |
|---|---|
| 1 | Practice of good business conduct/ethics |
| 2 | Employee training |
| 3 | Safe working environment |
| 4 | Respecting human rights standards |
| 5 | Client satisfaction |
| 6 | Anti-corruption policies and procedures |
| 7 | Risk management |
| 8 | Water management |
| 9 | Material management |
| 10 | Energy management |
| 11 | Carbon emissions |

| No. | Sustainability Topic |
|---|---|
| 12 | Assessment of suppliers' environmental practices |
| 13 | Diverse and inclusive workplace |
| 14 | Employee benefits |
| 15 | Waste management |
| 16 | Client data privacy |
| 17 | Corporate social contribution to the local communities |
| 18 | Financial sustainability |
| 19 | Supply chain management |
| 20 | Land and biodiversity management |
| 21 | Assessment of suppliers' social practices |

## ECONOMICS

Managing financial sustainability, commitment to good business conduct and practices, and supply-chain management are important to ensure MIECO keeps delivering quality products and services.

**Financial Sustainability**

As a result of the measures implemented during the year 2019, the Group financial results have turned around from a net loss of RM60.6 in FY 2018 to a net profit of RM1.7 million in FY 2019.

Moving forward, the Group will persevere with the measures undertaken to further improve MIECO's financial performance which include improving the sales mix and expanding the customer base through the promotion of higher-value products, such as melamine-faced chipboard and higher-grade plain chipboard. Internally, the Group will stringently control the operation cost to improve the sourcing methods and utilisation of raw materials, and the reduction of overheads.

For further details, please refer to the Management Discussion and Analysis section as well as the Financial Statements section of this Annual Report.

**Commitment to Good Business Conduct**

In order to create and maintain an ethical business culture, all our employees are expected to observe the Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy, and Employee Handbook. The respective Code and Policy governs the Group in conducting business with integrity and ensuing compliance with all applicable laws, rules and regulations.

The Group also established a Whistleblowing Policy that provides a platform for all stakeholders to report any instance of misconduct or criminal offence. Any act which is against the Code of Conduct and Ethics and Anti-Bribery and Anti-Corruption Policy can be reported to the Managing Director or mailed directly to the Chairman of the Audit Committee.

MIECO's employees also have an alternative mechanism to submit their concerns in the workplace through the internal grievance procedure. This platform enable MIECO to identify issues that affect the welfare of our employees and the dynamics of the work environment in a systematic manner.

**Supply-Chain Management**

MIECO believe that sustainable supply-chain management is crucial for a responsible future.

Standard procedures for our contractor sourcing, as well as our raw material and equipment procurement were developed and used in the Group to ensure there is an efficient flow in the supply chain. A competent management of the supply chain will ensure that MIECO's impact on the broader environment remains positive.

The Group also has a Chain of Custody (CoC), as required under the Programme for the Endorsement of Forest Certification (PEFC) Standards (PEFC ST 2002:2013). In order to promote the traceability of our products, we have taken steps to track the flow of raw materials within the production process. In addition, we have established an accountability structure relating to the CoC to ensure continued compliance with the PEFC standards.

## ENVIRONMENT

In terms of environmental sustainability, MIECO's operations are always in compliance with the relevant laws and regulations in protecting the environment. MIECO maintains the ISO 14001:2015 Environmental Management Systems, the ISO 9001:2015 Quality Management Systems, the Programme for the Endorsement of Forest Certification (PEFC) Standards (PEFC ST 2002:2013), and *MyHijau* certification. MIECO also strive to produce environmental-friendly products. The Group's melamine laminated products are certified under the Singapore Green Label Certification developed by the Singapore Environment Council.

Internally, MIECO has an Environmental, Health and Safety (EHS) Policy, which covers the necessary considerations for the environment and our employees. This policy serves to remind MIECO’s employees of the importance of conserving natural assets and minimising any adverse impact on the environment.

MIECO has also established a list of key environmental objectives that outline our commitment to the environment. These objectives include the following:-

- Reduce environmental footprint
- Prevent pollution
- Improve employees’ and contractors’ awareness on environmental management

We have developed various programmes to address crucial environmental concerns, such as soil pollution, chemical management, air, water and waste management.

**Land and Biodiversity**

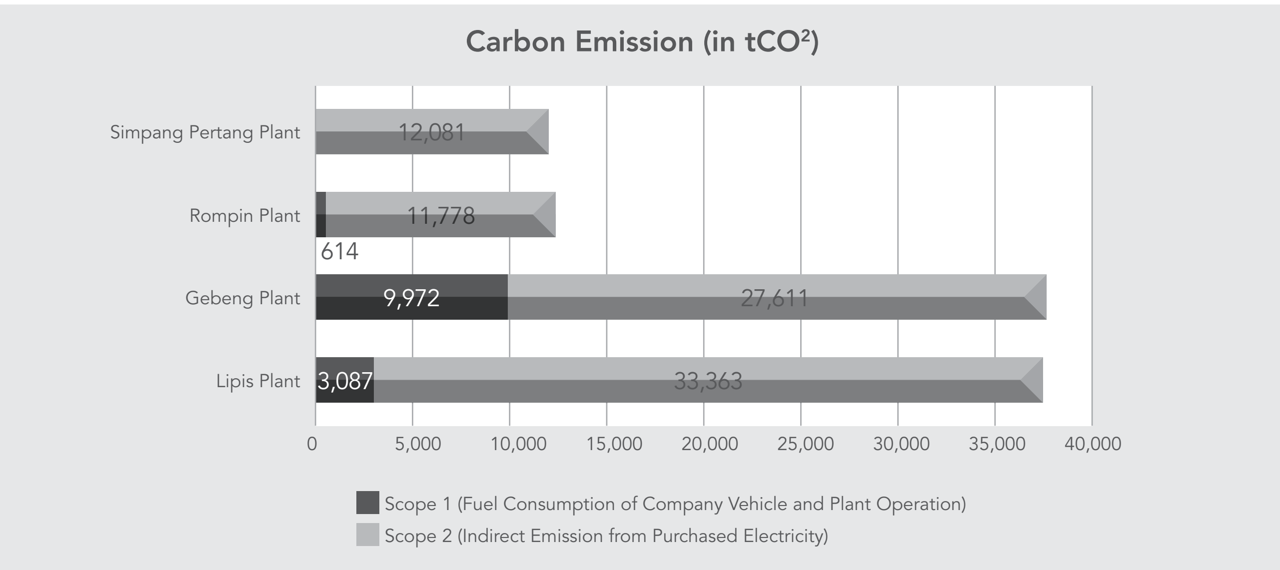
MIECO aims to reduce the impact of pollution on the surrounding ecosystem and biodiversity. This addresses environmental preservation issues and takes into consideration the concerns of various stakeholders. In order to mitigate the effects of chemicals and waste on air, water and soil, strict pollution prevention measures are taken. Proper and secure containers are used to manage liquid waste such as chemicals and oils. We also ensure that the chemical-handling area are off the drains to prevent accidental spillage at the source hence, minimising an adverse impact on rivers.

In enforcing our commitment to the responsible consumption of natural resources, MIECO ensures that raw materials are procured in adherence to Sustainable Forestry Management (SFM) processes by adhering to the PEFC Standards.

**Carbon Emissions**

MIECO is highly aware that the GHG emissions have adverse effects on the environment and health. Carbon emissions especially, have a significant impact on global warming and the achievement of the 2 Degree Scenario. Our manufacturing plants and company vehicles are the primary source of carbon emissions. We aim to control our carbon footprint, in line with the overarching goal to protect and conserve the environment. Hence the measurement of our emissions, therefore, aids in the mitigation of our impact on the global environment.

The Group has segmentised our carbon emissions to individual plants and their related scopes, as illustrated below:-




*Reference: http://www.carbonsolutions.com/calculator.html*

### Waste Management

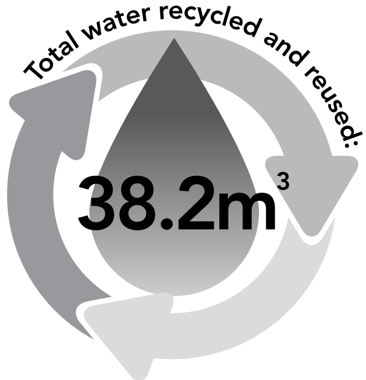
MIECO have always been committed in waste minimization. The Group applied the Japanese 5S principles (sort, set in order, shine, standardise, and sustain) when separating the waste for reuse and recycling in our workplace. This maximises workspace efficiency as the principles prescribe measures to reduce resource consumption, identify and eliminate waste, and create a clean and organised working environment. In addition, we ensure the safe disposal of sludge and wastewater according to the requirements of the Department of Environment.

For FY 2019, MIECO disposed 7,444 tonnes of general waste and recycled 72 tonnes of general waste.

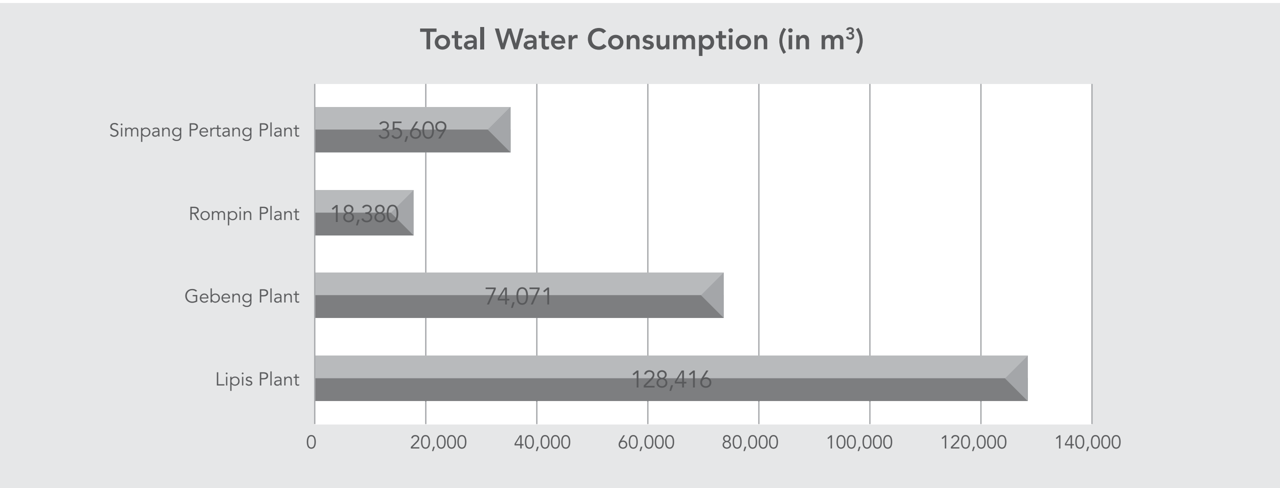
### Water Management

MIECO truly understands the importance of water conservation hence, has been taking initiatives to optimise water consumption. We have implemented the following programmes to reduce the Group's water consumption:

- Water treatment, recycling and reuse at Glue Kitchen
- Using sensors for water spray dryer
- Periodic checks on water consumption
- Systematically identifying and repairing leaky water pipes
- Educating employees on the importance of water conservation




In fiscal 2019, our water consumption and water recycled and reused are illustrated below:



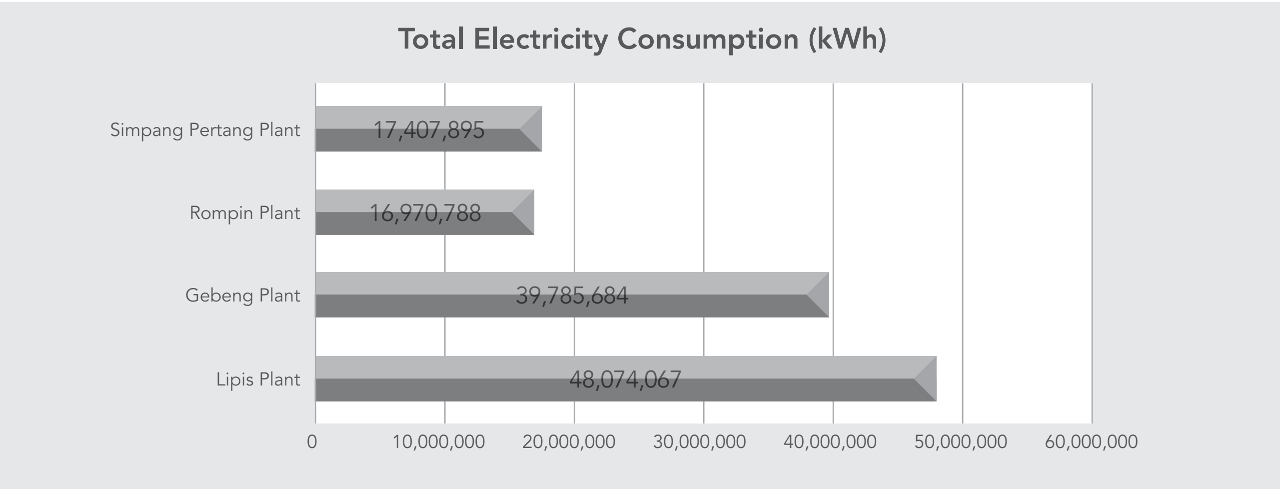

### Energy Management

MIECO is in line with the Government's aspiration on the nation's energy efficiency by pursuing energy efficiency measures in order to alleviate our environmental impact. The Group has taken steps to reduce energy consumption through the incorporation of a periodic service and maintenance protocol for our machines. This is to ensure that the machines are operating at an optimal level, to reduce inefficiencies during operation. Furthermore, we have procedures to ensure unused machines are switched off after having been idle for more than an hour, to reduce electricity consumption.

The Group, has established an Efficient Electrical Energy Management (EEEM) Policy that outlines the following commitments:-

- Minimise energy wastage to improve cost effectiveness, working conditions and productivity
- Effective communication of energy efficiency objectives to all employees
- Compliance with applicable acts and regulations
- Continuous improvement of management practices
- Use of new technology

The amount of electricity consumed for fiscal 2019 are illustrated below:-



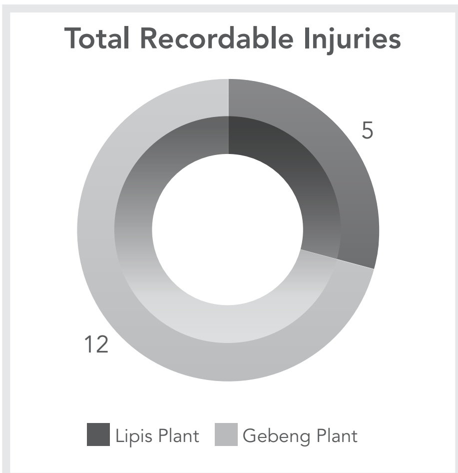

## SOCIAL

The welfare of employees is utmost to MIECO. The Group aspires to be a responsible employer by providing a safe and inclusive environment for our employees. Our core values shape and influence the way we work. Themes that are vital to MIECO include occupational health and safety, employee training, employee rights and benefits, workforce diversity, and community engagement.

**Occupational Health and Safety**

In order to ensure the safety of our employees, MIECO subscribes to the highest standards in health and safety management. Accordingly, our occupational safety management systems were certified in line with OHSAS 18001:2007, thus ensuring best practices in the Group's operations.

We have established separate health and safety committees for each of our plants. Both senior management and employees are equally represented in these committees. These committees are primarily responsible in the development of standard operating procedures (SOP) to guide our work processes. In addition, they undertake studies on potential hazards within the work place and periodically review existing practices.



We have also conducted health and safety training programmes, to ensure our employees are equipped with an appropriate understanding of the health and safety requirements of the workplace. In FY 2019, we did not record any injuries incident in both Rompin and Simpang Pertang plants as well as fatalities in the Group.

**Fatalities recorded: 0**

**Service Quality**

Quality management is an essential factor in our business processes. Stringent checks and balances are put in place to guarantee the quality of our products and services. Our quality policies emphasise the need for human capital development. We have taken measures to ensure our employees have adequate on-the-job training (OJT) to deliver products of the highest quality.

**Employee Rights and Benefits**

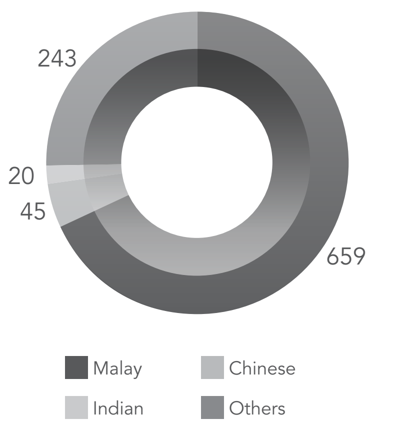
MIECO is committed to treating our employees fairly and rewarding excellence. Besides our compliance with the applicable laws and regulations, we also offer allowances, a comprehensive leave system, and medical as well as hospitalisation benefits.

Furthermore, we encourage work-life balance among our employees. To facilitate a healthy lifestyle, we have established Kelab Sukan Sosial MIECO (the Club), which took part in CSR programmes, as well as other activities for our employees.

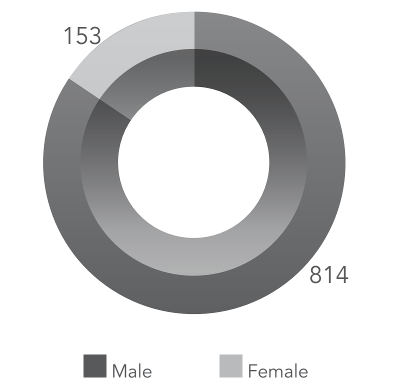
**Workforce Diversity**

The advantages of having a diverse workforce, which leads to building a strong and united organisation was recognised by MIECO. The Group strives to create a workforce that consist of different gender, age, ethnicity, religion, culture and background.

**Employee by Ethnicity**



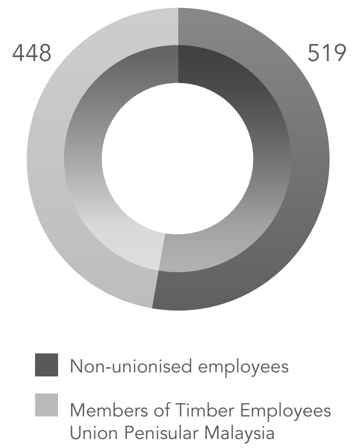

**Employee Gender Mix**



In order to denounce all forms of discrimination in our workplace, MIECO have implemented the relevant measures including the establishment of our Employee Handbook that clearly outlines the appropriate steps to be taken against discriminating actions. In 2019, there was no discriminatory conducts reported in MIECO.

MIECO's workforce consist of members of the Timber Employees Union Peninsular Malaysia (TEUPM). We are a strong proponent of the unionisation of labour, which we believe is of paramount importance as it ensures adequate worker representation while under our employment. The committee members of TEUPM engage with the Group's senior management periodically to identify material issues that affect employees' welfare. The number of employees who were members of the TEUPM are illustrated as per the chart shown.

**Employee by Unions**

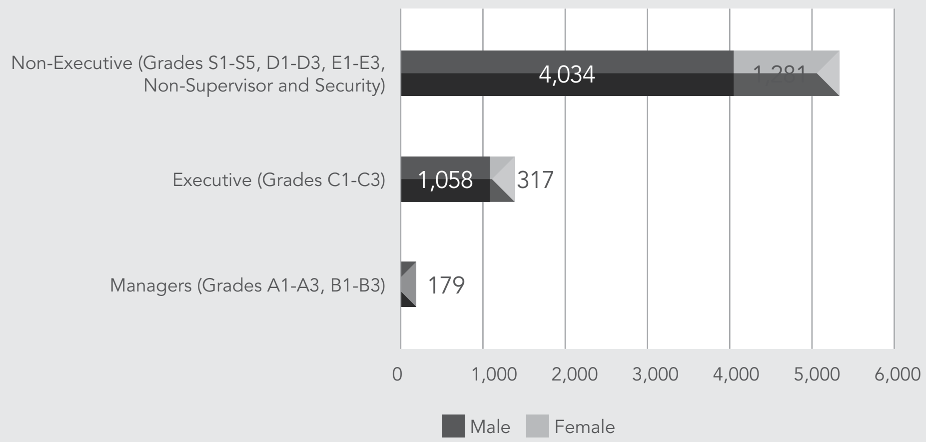



**Employee Training**

As an organisation that relies heavily on human capital in our operations, it is imperative that we manage capacity building in a comprehensive manner. To ensure consistent, high-quality output, MIECO provides the relevant training programmes to our employees. Moreover, our quality, environmental, operational safety and health (QEOSH) management system outlines specific provisions for continuous learning and development. Our training initiatives are focused on the following:

- Structured identification of training needs by superiors
- Induction programmes for new employees
- On-the-job training

**Employee Training Hours by Gender and Category**



**Community Engagement**

MIECO does not merely focus on doing business but also giving back to the community in various ways. Our CSR programmes are spearheaded by the Human Resources Department. However, some programmes were also conducted in collaboration with the members of the Club, TEUPM, BAKES (Badan Kebajikan Pekerja-Pekerja Islam MIECO) and representatives from various department. In 2019, our CSR programmes took up 2,900 man hours. The CSR programmes as well as other activities for our employees conducted during the year were as follows: -

| Type | Activity |
|---|---|
| CSR | • Donation to Masjid Lama Padang Tengku.<br>• Donation to Rumah Amal Siti Fatimah.<br>• Donation to Adik Putri Ariesha due to car accident.<br>• Green the Earth – Save our mangroves at Kuantan.<br>• Donation and helping out at orphanage home, Rumah Anak Yatim dan Miskin Dynasti, Kuantan.<br>• Donation and helping out at old folks home, Rumah Kebajikan Orang-Orang Tua Seri Permai, Kuantan.<br>• Visitation by Persatuan Pengilang Perabut Wilayah Persekutuan dan Selangor at Gebeng plant.<br>• Gotong-royong at Gebeng plant.<br>• Gotong-royong at Pertubuhan Anak-Anak Yatim Islam Al Ihsan, Kuala Lipis.<br>• Booth for Jobfair Carnival at Dewan Jubli Perak, Majlis Daerah Raub.<br>• Blood donation at both Lipis and Gebeng plant. |
| Employee Benefits | • Ibadah Korban programme.<br>• Health screening at Lipis plant.<br>• Financial assistance to eligible MIECO employees.<br>• Jamuan Hari Raya for MIECO's employees.<br>• Health screening and talk by Darul Makmur Medical Centre and Kuantan Medical Centre.<br>• Visits and delivery of "Get Well Gift" to warded employees at hospital.<br>• Visits and donations to MIECO employees who require serious medical attention. |

## Donation at Kuala Lipis

*Donation to Masjid Lama Padang Tengku.*

*Donation to Adik Putri Ariesha due to car accident.*


*Donation to Rumah Amal Siti Fatimah.*

## Blood Donation at Kuala Lipis Plant

## Blood Donation at Gebeng Plant

**Green the Earth – Save our mangroves at Kuantan**

**Donation and Helping Out at Orphanage Home, Rumah Anak Yatim dan Miskin Dynasti at Kuantan**

# FINANCIAL HIGHLIGHTS
## Financial Statistics 2015-2019

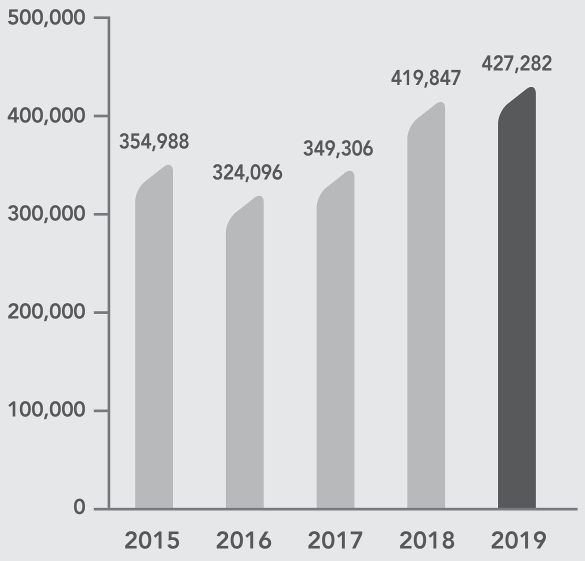
| | 2019 RM'000 | 2018 RM'000 | 2017 RM'000 | 2016 RM'000 | 2015 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Non-Current assets | | | | | |
| Property, plant and equipment | 522,202 | 561,634 | 435,160 | 413,293 | 402,018 |
| Right-of-use assets | 508 | - | - | - | - |
| Deferred tax assets | 5,433 | 5,433 | 10,189 | 10,189 | - |
| | 528,143 | 567,067 | 445,349 | 423,482 | 402,018 |
| Current assets | 160,713 | 163,815 | 153,570 | 136,110 | 134,402 |
| Assets classified as held for sales | 16,182 | - | - | - | - |
| **TOTAL ASSETS** | 705,038 | 730,882 | 598,919 | 559,592 | 536,420 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to equity holders of the Company** | | | | | |
| Share capital | 215,866 | 215,866 | 215,866 | 210,000 | 210,000 |
| Reserves | 124,673 | 123,038 | 186,849 | 165,766 | 82,209 |
| Total equity | 340,539 | 338,904 | 402,715 | 375,766 | 292,209 |
| Non-current liabilities | 111,652 | 152,631 | 59,081 | 57,618 | 58,738 |
| Current liabilities | 252,847 | 239,347 | 137,123 | 126,208 | 185,473 |
| Total liabilities | 364,499 | 391,978 | 196,204 | 183,826 | 244,211 |
| **TOTAL EQUITY AND LIABILITIES** | 705,038 | 730,882 | 598,919 | 559,592 | 536,420 |
| **GROUP RESULTS** | | | | | |
| Revenue | 427,282 | 419,847 | 349,306 | 324,096 | 354,988 |
| (Loss)/Profit before taxation | (513) | (55,655) | 48,026 | 72,519 | 18,643 |
| Tax credit/(expense) | 2,164 | (4,928) | (77) | 10,159 | - |
| Profit/(Loss) after taxation | 1,651 | (60,583) | 47,949 | 82,678 | 18,643 |
| Dividend paid | - | (5,250) | (21,000) | - | - |
| **SELECTED RATIOS *** | | | | | |
| Basic earnings/(loss) per share (sen) | 0.31 | (11.54) | 9.13 | 15.75 | 3.55 |
| Proposed dividend per share (sen) | - | - | 1.00 | 4.00 | - |
| Net assets per share (RM) | 0.65 | 0.65 | 0.77 | 0.72 | 0.56 |

* The 2015 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.

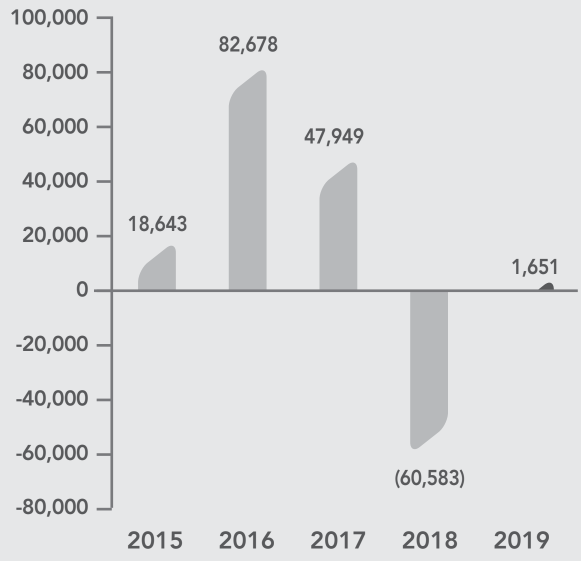
# FINANCIAL HIGHLIGHTS

## Financial Statistics 2015-2019 (Cont'd)

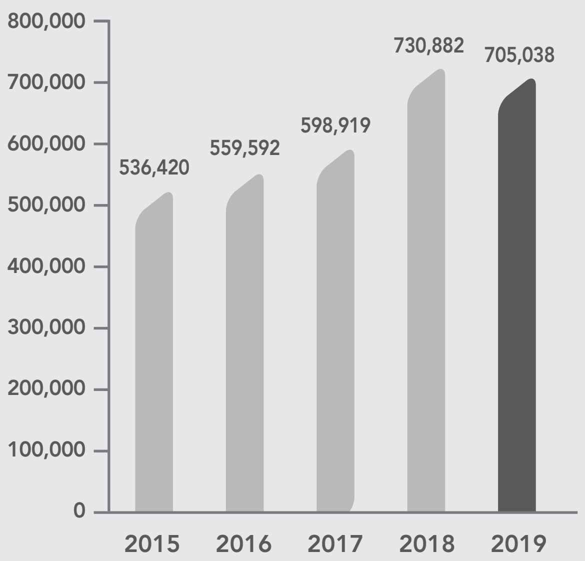
**REVENUE**
*(IN RM'000)*



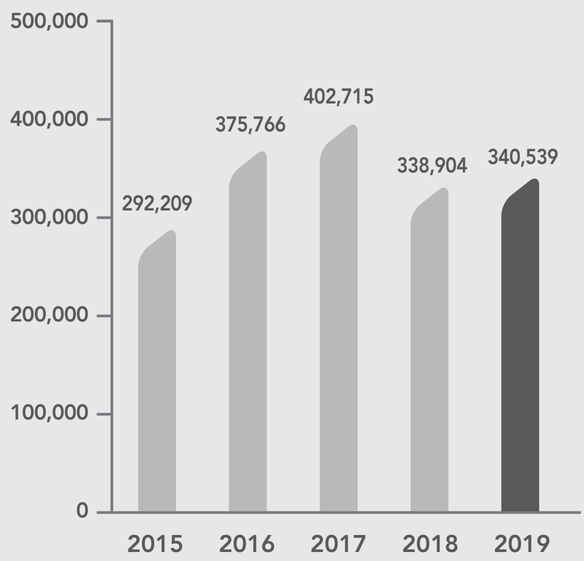

**PROFIT / (LOSS) AFTER TAXATION**
*(IN RM'000)*



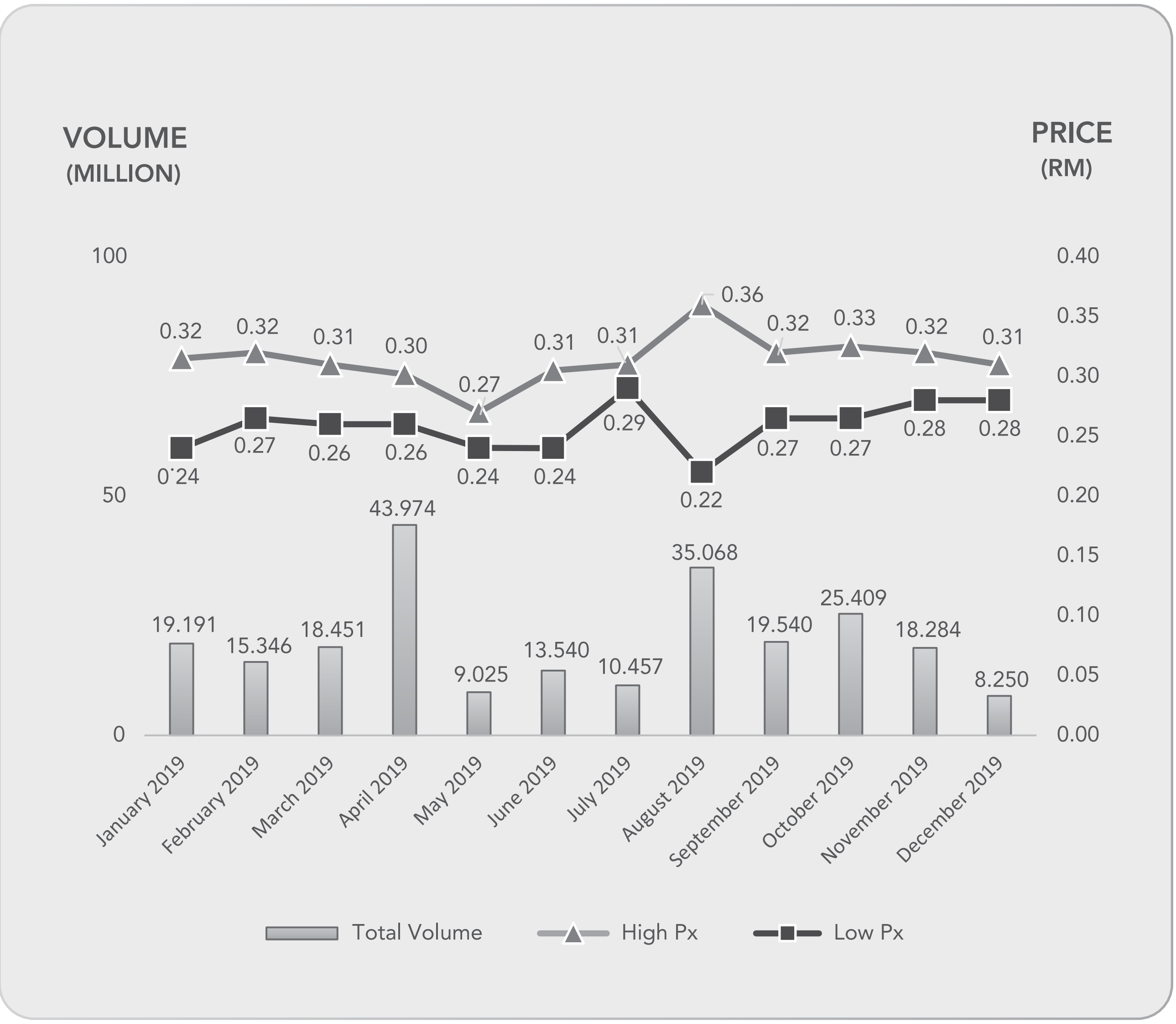

**TOTAL ASSETS**
*(IN RM'000)*




**SHAREHOLDERS' FUNDS**
*(IN RM'000)*



# SHARE PERFORMANCE



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of MIECO (the Board) acknowledges the importance of corporate governance hence, is dedicated to maintain an appropriate and sound system of good corporate governance within the Group. MIECO's corporate governance practices are consistent with the principles and best practices recommended in the latest Malaysian Code on Corporate Governance 2017 (the "Code") and other applicable laws, regulations and guidelines with the fundamental objective of enhancing the financial performance of the Group and realising shareholders' value as well as the interests of stakeholders.

The Board is pleased to outline the below application of the principles and recommendations by the Group set out in the Code during the financial year under review.

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### PART I - BOARD RESPONSIBILITIES

**Functions of the Board and Management**

The Board is collectively responsible for the management and governance of the Group. The Board sets strategic objectives, formulates policies and oversees the investments and operations of the Group.

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.

Certain functions of the Board have been delegated to the Audit Committee (AC), Nomination Committee (NC) and Remuneration Committee (RC) to assist in the execution of its duties and responsibilities. These committees operate under clearly defined terms of reference and have authority to review certain issues. The Chairman of the respective committees will report to the Board on the key issues deliberated and outcome of the committees meeting.

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

All the Directors hold not more than five directorships in public listed companies as they 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 listed company and the notification shall explain the expectation and an indication of the time commitment that will be spent on the new appointment.

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 2019. The attendance record of each Director is as follows:

| Directors | Total Meetings Attended | Percentage of Attendance % |
|---|---|---|
| Datuk Dr. Roslan Bin A. Ghaffar<br>*Independent Non-Executive Chairman* | 5/5 | 100 |
| Dato' Sri Ng Ah Chai<br>*Group Managing Director* | 5/5 | 100 |
| Mr. Cheam Tow Yong<br>*Independent Non-Executive Director* | 4/5 | 80 |
| Dato' Abdul Rashid Bin Mat Amin<br>*Independent Non-Executive Director* | 5/5 | 100 |
| Mr. Kajendra A/L Pathmanathan<br>*Independent Non-Executive Director* | 5/5 | 100 |
| Mr. Ng Wei Ping<br>*Executive Director* | 5/5 | 100 |

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2019 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.

**Position of Chairman and Executive Directors**

The Chairman leads the Board, ensuring the effective running of the Board. While, the Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations of the Group as well as coordinating the development and implementation of business and corporate strategies.

The roles of Chairman and Executive Directors are held by different individuals. This division of roles between the Chairman and the Executive Directors is clearly defined in the Board Charter to ensure that there is an appropriate balance of responsibilities and accountability.

**Qualified Company Secretary**

The Board is supported by a licensed Company Secretary. The Company Secretary constantly advises the Board to ensure that the Group's policies and procedures are in compliance with the relevant legislation and regulations.

The Company Secretary manages and attends all Board and Board Committee meetings to ensure that all key issues are discussed and the decisions/conclusions made are recorded accurately. The Company Secretary also works 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.

The Company Secretary stays updated with the changes in the relevant legislation and regulations and constantly attends the necessary training and development programmes in order to carry out her duties effectively.

**Board Meeting Materials and Access to Information**

The Directors are given adequate notice of Board meetings. The Board papers together with the agenda are circulated via emails or physical copies prior to the scheduled board meetings with sufficient time for 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.

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.

Minutes of meetings are recorded by the Company Secretary and circulated to Directors to ensure the minutes exactly represent the discussions and decisions of the Board.

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.

**Demarcation of Responsibilities and Business Conduct**

The Board has adopted a Board Charter which sets out the principal roles and responsibilities of the Board and Board Committees and also the matters reserved for the board.

The Board recognises the importance of having a good ethical corporate culture that promotes the values of transparency, integrity, accountability and social responsibility. The Board has adopted a Code of Conduct and Ethics for the Directors and employees 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.

In line with the Guidelines on Adequate Procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009, the Company has developed an Anti-Bribery and Anti-Corruption Policy and Procedure, which was approved by the Board and adopted by the Company on 21 May 2020.

A copy of the Board Charter, Code of Conduct and Ethics, Whistle Blowing Policy and Anti-Bribery and Anti-Corruption Policy and Procedure are available on the Company's website at www.mieco.com.my.

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 Sustainability Statement of the Group for the financial year ended 31 December 2019 are disclosed on pages 13 to 23 of this Annual Report.

## PART II - BOARD COMPOSITION

### Board Composition

During the financial year under review, one of the Directors has been re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director. 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, and three Independent Non-Executive Directors. 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 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. The Board Charter includes the limitation of the Independent Non-Executive Director's tenure to nine (9) years. 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.

The NC, chaired by an Independent Non-Executive Director, has been entrusted with the reviewing of candidates for the appointment of directors. 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, skills, and experience in business. The final decision on the appointment of a candidate nominated by the NC rests with the whole Board.

The Company does not set a specific target on the composition of the Board and management in terms of gender, age or ethnicity as it adheres to the practice of non-discrimination of any form throughout the Company. 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.

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 7 of this Annual Report.

### Nomination Committee

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

The NC consists of the following members:

- Dato' Abdul Rashid Bin Mat Amin *(Chairman / Independent Non-Executive Director)*
- Mr. Cheam Tow Yong *(Member / Independent Non-Executive Director)*
- Datuk Dr. Roslan Bin A. Ghaffar *(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;
- 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.

**Directors' Training**

The Board is aware that continuous training is important in keeping the Directors updated and informed on the changes and developments of the 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:

- **Corporate Liability on Corruption: A Basic Awareness & Implementation Framework**
- **Preference Shares – An Alternative to Borrowings**
- **Financial Reporting – Understanding the roles of Board Audit Committee, Company Secretary, Management & Auditors on the Timeliness & Accuracy of Reporting**
- **Engagement Session with Audit Committee Members on Integrated Reporting**

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

**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 annually. 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.

From the evaluations 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 of 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.

**Assessment of Independent Directors**

In order to ensure there is adequate check and balance at the Board level, 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.

An independence assessment is performed on the Independent Directors prior to their appointments and annually thereafter. In this respect, the NC, on behalf of the Board assesses the independence of its Independent Directors based on the criteria set out in the Main Market Listing Requirements of Bursa Securities. As at end of 2019, all the Independent Directors in office have reaffirmed their independence.

**PART III - REMUNERATION**

**Remuneration Policies and Procedures**

The RC is responsible in formulating and reviewing the policy framework and making recommendation to the Board on the annual remuneration packages and benefits extended to the executive members of the Board, considering the performance of each individual as well as corporate performance. While 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. The 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)*
- Datuk Dr. Roslan Bin A. Ghaffar *(Member / 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.

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.

The Directors also 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.

**Individual Directors' Remuneration on Named Basis**

The details of the remuneration of Directors of the Company comprising remuneration received from the Company and subsidiary company during the financial year ended 31 December 2019 are as follows:-

| | The Company | | | | The Group | | |
|---|---|---|---|---|---|---|---|
| | Fees RM'000 | Salaries & Bonus RM'000 | Sitting Allowance RM'000 | Company Total RM'000 | Salaries & Bonus RM'000 | Others RM'000 | Group Total RM'000 |
| **Executive Directors** | | | | | | | |
| Dato' Sri Ng Ah Chai | - | 2,760 | - | 2,760 | - | - | - |
| Ng Wei Ping | - | 462 | - | 462 | - | - | - |
| Total | - | 3,222 | - | 3,222 | - | - | - |
| **Non-Executive Directors** | | | | | | | |
| Datuk Dr. Roslan Bin A. Ghaffar** | 43.3 | - | 7.5 | 50.8 | - | - | - |
| Cheam Tow Yong | 48 | - | 6 | 54 | - | - | - |
| Dato' Abdul Rashid Bin Mat Amin | 41 | - | 7.5 | 48.5 | - | - | - |
| Kajendra A/L Pathmanathan | 36 | - | 7.5 | 43.5 | - | - | - |
| Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah* | 17.1 | - | - | 17.1 | | | |
| Total | 185.4 | - | 28.5 | 213.9 | - | - | - |

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

*Notes :*

* *Resigned on 18 February 2019.*

** *Appointed on 18 February 2019.*

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### PART I - AUDIT COMMITTEE

**Audit Committee**

The AC is comprised solely of Independent Directors. The position of Chairman of the AC and Board are held by different individuals. The details of the composition and activities of the AC are set out in the Audit Committee Report of this Annual Report.

**Independence of External Auditors**

The AC is tasked to review the nomination and appointment of the external auditors by assessing their suitability, objectivity and independence. Based on the terms of reference of the AC, the AC ensures that there is a cooling-off period of at least two years if a former key audit partner is to be appointed as a member of the AC.

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 the presence of any executive Board member 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.

### PART II - RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

**Risk Management and Internal Control Framework**

The Board acknowledges its overall responsibility in identifying threats and opportunities and maintaining a sound system of internal control to mitigate the threats and take advantage of the opportunities in order 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 C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### PART I - COMMUNICATION WITH STAKEHOLDERS

**Communication with Stakeholders**

The Board recognises the need for and the importance of constant, clear and effective communication with shareholders and other stakeholders. 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.

### PART II - CONDUCT OF GENERAL MEETINGS

**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 AGM 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. Poll voting was utilised during the last AGM held on 30 May 2019 for voting all the resolutions passed by the shareholders. The Board will continue to implement poll voting for all the resolutions to be passed in the forthcoming AGM. 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 on 29 May 2020.

## ADDITIONAL CORPORATE DISCLOSURE

**Utilisation of Proceeds**

During the financial year ended 31 December 2019 ("FY2019"), the Company did not raise funds via any corporate proposal.

**Recurrent Related Party Transactions**

Details of recurrent related party transactions are disclosed in Note 31(b) of the audited financial statements set out on page 123 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.

**Audit and Non-Audit Fees Paid**

The total audit and non-audit fees incurred by the Company and the Group during the FY2019 are as follows:

| | Mieco Chipboard Berhad (RM) | Mieco Chipboard Group (RM) |
|---|---:|---:|
| Audit Fees | 55,000 | 279,000 |
| Non-Audit Fees | - | 10,000 |

**Material Contracts**

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 2019.

**Contracts Relating to Loans**

During the FY2019, 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**

There was no insider trading reported during the FY2019.

# 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)*
Datuk Dr. Roslan Bin A. Ghaffar *(Member/Independent Non-Executive Director)*

## 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 2019, five AC meetings were held. The Independent Non-Executive Director (re-designated from Non-Independent Non-Executive Director on 20 August 2019) 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 reports. 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<br>*Independent Non-Executive Director* | 4/5 | 80 |
| Dato' Abdul Rashid Bin Mat Amin<br>*Independent Non-Executive Director* | 5/5 | 100 |
| Datuk Dr. Roslan Bin A. Ghaffar<br>*Independent Non-Executive Chairman*<br>*(Appointed on 18 February 2019)* | 5/5 | 100 |

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 2019. 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 recurrent related party transactions of the Group; and

(h) 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 2019, the outsourced IA, namely Messrs RSL PLT has carried out audit review on internal control, policy and procedures of the Group. Areas of audit included the Human Resources Management. 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 the 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 2019 amounted to RM14,300.00.

# 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 IA function, the Board, through the 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.

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, NC and RC. 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.

- 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.

- The Group have developed an Anti-Bribery and Anti-Corruption Policy and Procedure to provide guidance on how to act when subjected to potential acts of bribery and matters of corruption.

## 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 Audit & Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants. AAPG 3 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 on 29 May 2020.

# 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 report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## 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 Company in each subsidiary is as disclosed in Note 8 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 |
|---|---|---|
| Loss before taxation | (513) | (433) |
| Tax credit/(expense) | 2,164 | (314) |
| Net profit/(loss) for the financial year | 1,651 | (747) |

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, except as disclosed in Note 37 to the financial statements.

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors also do not recommend any dividend payment 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.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

## 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:

| | |
|---|---|
| Dato' Sri Ng Ah Chai | |
| Dato' Abdul Rashid Bin Mat Amin | |
| Cheam Tow Yong | |
| Kajendra A/L Pathmanathan | |
| Ng Wei Ping | |
| Datuk Dr. Roslan Bin A. Ghaffar | (appointed on 18 February 2019) |
| Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Aishah Binti Sultan Haji Ahmad Shah | (resigned on 18 February 2019) |

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 | (resigned on 31 October 2019) |
| Lim Kar Hor | (resigned on 18 May 2020) |
| Ng Wei Ping | |
| Ng Geok Lian | |
| Ng Tien Ying | |

## 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 29 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 31 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 1.1.2019 | Bought | Sold | At 31.12.2019 |
| **Direct interest** | | | | |
| Dato' Sri Ng Ah Chai | 298,045,137 | - | - | 298,045,137 |

By virtue of the above Director's interest in the shares of the Company, the above mentioned Director is also deemed to have an interest in the shares of all the subsidiaries to the extent that the Company has interest.

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.

## INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

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 sales and service tax and stamp duty).

There was no indemnity given to or insurance effected for auditors of the Company.

## 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 all known bad debts had been 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 render the amount written off as bad debts or the amount of 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

## OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances:(cont'd)

(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.

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 EVENTS DURING THE YEAR

Details of significant events during the financial year are as disclosed in Note 37 to the financial statements.

## EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period during the financial year are as disclosed in Note 38 to the financial statements.

## AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 December 2019 is as disclosed in Note 25 to the financial statements.

## AUDITORS

The auditors, Deloitte PLT, will retire at the forthcoming Annual General Meeting and do not seek re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution dated 11 June 2020.

**DATO' SRI NG AH CHAI**
DIRECTOR

**NG WEI PING**
DIRECTOR

# STATEMENTS OF FINANCIAL POSITION
## As At 31 December 2019

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 6 | 522,202 | 561,634 | 23 | 1 |
| Right-of-use assets | 7 | 508 | - | 31 | - |
| Investment in subsidiaries | 8 | - | - | 82,139 | 57,139 |
| Amount due from subsidiaries | 9 | - | - | 267,565 | 306,868 |
| Deferred tax assets | 10 | 5,433 | 5,433 | - | - |
| | | 528,143 | 567,067 | 349,758 | 364,008 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 12 | 66,995 | 63,564 | - | - |
| Receivables, deposits and prepayments | 13 | 72,043 | 76,277 | 126 | 114 |
| Amount due from subsidiaries | 9 | - | - | 21,297 | 18,942 |
| Tax recoverable | | 23 | 405 | 1 | 316 |
| Derivative financial instruments | 21 | 64 | 34 | - | - |
| Cash and bank balances | 14 | 21,588 | 23,535 | 208 | 214 |
| | | 160,713 | 163,815 | 21,632 | 19,586 |
| Assets classified as held for sale | 11 | 16,182 | - | - | - |
| | | 176,895 | 163,815 | 21,632 | 19,586 |
| **TOTAL ASSETS** | | 705,038 | 730,882 | 371,390 | 383,594 |

# STATEMENTS OF FINANCIAL POSITION
## As At 31 December 2019 (Cont'd)

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | | | |
| Share capital | 15 | 215,866 | 215,866 | 215,866 | 215,866 |
| Reserves | 16 | 124,673 | 123,038 | 130,204 | 130,952 |
| **TOTAL EQUITY** | | 340,539 | 338,904 | 346,070 | 346,818 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Employee defined benefit plan | 17 | 13,935 | 12,631 | 475 | 401 |
| Other payables | 20 | 75 | 400 | - | - |
| Amount due to former immediate holding company | 19 | 3,287 | 17,252 | 3,287 | 17,252 |
| Borrowings | 18 | 93,900 | 119,802 | - | - |
| Finance lease liabilities | 22 | 455 | - | 32 | - |
| Deferred tax liabilities | 10 | - | 2,546 | - | - |
| | | 111,652 | 152,631 | 3,794 | 17,653 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 20 | 96,442 | 108,045 | 502 | 911 |
| Amount due to subsidiaries | 9 | - | - | 3,426 | 3,426 |
| Amount due to former immediate holding company | 19 | 17,597 | 14,786 | 17,597 | 14,786 |
| Borrowings | 18 | 138,727 | 116,516 | - | - |
| Finance lease liabilities | 22 | 81 | - | 1 | - |
| | | 252,847 | 239,347 | 21,526 | 19,123 |
| **TOTAL LIABILITIES** | | 364,499 | 391,978 | 25,320 | 36,776 |
| **TOTAL EQUITY AND LIABILITIES** | | 705,038 | 730,882 | 371,390 | 383,594 |

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## For The Financial Year Ended 31 December 2019

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| Revenue | 23 | 427,282 | 419,847 | 4,561 | 5,324 |
| Changes in inventories of finished goods and work-in-progress | | 3,220 | (24,552) | - | - |
| Raw materials and consumables used | | (240,326) | (232,142) | - | - |
| Purchase of packing materials | | (2,553) | (2,152) | - | - |
| Staff costs | 24 | (37,928) | (41,583) | (4,379) | (5,172) |
| Hiring of vehicles and equipment | | (143) | (1,509) | - | - |
| Shipping and handling expenses | | (26,466) | (27,648) | - | - |
| Upkeep, repairs and maintenance of assets | | (17,928) | (17,681) | (3) | (5) |
| Utilities | | (48,938) | (42,774) | - | - |
| Depreciation of property, plant and equipment | | (28,520) | (26,824) | (3) | - |
| Depreciation of right-of-use assets | | (87) | - | (2) | - |
| Impairment of property, plant and equipment - net | | (1,031) | (26,076) | - | - |
| Impairment of non-current assets held for sale | | (269) | - | - | - |
| Other expenses | | (20,056) | (19,957) | (605) | (985) |
| Goodwill written off | | - | (306) | - | - |
| Other operating income | | 8,015 | 1,148 | - | - |
| Profit/(Loss) from operations | 25 | 14,272 | (42,209) | (431) | (838) |
| Finance costs | 26 | (15,143) | (13,744) | (2) | - |
| Finance income | 26 | 358 | 298 | - | - |
| Loss before taxation | | (513) | (55,655) | (433) | (838) |
| Tax credit/(expense) | 27 | 2,164 | (4,928) | (314) | - |
| Net profit/(loss) for the financial year | | 1,651 | (60,583) | (747) | (838) |

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## For The Financial Year Ended 31 December 2019 (Cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Actuarial gain on employee defined benefit plan | 17 | - | 2,022 | - | 253 |
| Other comprehensive income for the financial year | | - | 2,022 | - | 253 |
| Total comprehensive income/(loss) for the financial year | | 1,651 | (58,561) | (747) | (585) |
| Net profit/(loss) attributable to owners of the Company | | 1,651 | (60,583) | (747) | (838) |
| Total comprehensive income/(loss) attributable to owners of the Company | | 1,651 | (58,561) | (747) | (585) |
| Basic earnings/(loss) per share (sen) | 28 | 0.31 | (11.54) | | |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For The Financial Year Ended 31 December 2019

| | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|
| | Issued and fully paid ordinary shares | | Non-distributable | Distributable | |
| | Number of shares '000 | Nominal value RM'000 | Foreign currency reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| At 1 January 2018 | 525,000 | 215,866 | (43) | 186,892 | 402,715 |
| Total comprehensive (loss)/income: | | | | | |
| - Net loss for the financial year | - | - | - | (60,583) | (60,583) |
| - Actuarial gain on employee defined benefit plan | - | - | - | 2,022 | 2,022 |
| Dividend paid in respect of financial year ended 31 December 2017 | - | - | - | (5,250) | (5,250) |
| At 31 December 2018 | 525,000 | 215,866 | (43) | 123,081 | 338,904 |
| At 1 January 2019 | 525,000 | 215,866 | (43) | 123,081 | 338,904 |
| Effects of adoption of MFRS 16 (Note 2.1(d)) | - | - | - | (16) | (16) |
| As restated | 525,000 | 215,866 | (43) | 123,065 | 338,888 |
| Total comprehensive income for the year | - | - | - | 1,651 | 1,651 |
| Balance as at 31 December 2019 | 525,000 | 215,866 | (43) | 124,716 | 340,539 |

# COMPANY STATEMENT OF CHANGES IN EQUITY
## For The Financial Year Ended 31 December 2019

| | Issued and fully paid ordinary shares | | Distributable | |
|---|---|---|---|---|
| | Number of shares '000 | Nominal value RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| At 1 January 2018 | 525,000 | 215,866 | 136,787 | 352,653 |
| Total comprehensive (loss)/income: | | | | |
| - Net loss for the financial year | - | - | (838) | (838) |
| - Actuarial gain on employee defined benefit plan | - | - | 253 | 253 |
| Dividend paid in respect of financial year ended 31 December 2017 | - | - | (5,250) | (5,250) |
| At 31 December 2018 | 525,000 | 215,866 | 130,952 | 346,818 |
| At 1 January 2019 | 525,000 | 215,866 | 130,952 | 346,818 |
| Effects of adoption of MFRS 16 (Note 2.1(d)) | - | - | (1) | (1) |
| As restated | 525,000 | 215,866 | 130,951 | 346,817 |
| Total comprehensive loss for the year | - | - | (747) | (747) |
| Balance as at 31 December 2019 | 525,000 | 215,866 | 130,204 | 346,070 |

# STATEMENTS OF CASH FLOWS

## For The Financial Year Ended 31 December 2019

| | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | | |
| Net profit/(loss) for the financial year | 1,651 | (60,583) | (747) | (838) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 28,520 | 26,824 | 3 | - |
| Depreciation of right of use assets | 87 | - | 2 | - |
| Loss/(Gain) on disposal of property, plant and equipment | 788 | (1) | - | - |
| Write off of property, plant and equipment | 427 | 16 | - | - |
| (Write back of allowance)/Allowance for inventories obsolescence | (870) | 740 | - | - |
| Finance costs on borrowings | 15,143 | 13,744 | 2 | - |
| Finance income | (358) | (298) | - | - |
| Provision for employee defined benefit plan | 1,472 | 1,919 | 74 | 128 |
| Fair value (gain)/loss on derivative financial instruments | (30) | 16 | - | - |
| Unrealised loss/(gain) on foreign exchange | 365 | (411) | - | - |
| Tax (credit)/expense | (2,164) | 4,928 | 314 | - |
| Impairment of property, plant and equipment | 1,031 | 26,076 | - | - |
| Write off of inventories | - | 315 | - | - |
| Goodwill written off | - | 306 | - | - |
| Impairment of trade receivables | 3,322 | - | - | - |
| Impairment on asset held for sale | 269 | - | - | - |
| | 49,653 | 13,591 | (352) | (710) |
| Changes in working capital: | | | | |
| (Increase)/Decrease in inventories | (2,561) | 23,467 | - | - |
| Decrease/(Increase) in receivables | 637 | (2,365) | (12) | 729 |
| (Decrease)/Increase in payables | (12,018) | 24,773 | (409) | (229) |
| | 35,711 | 59,466 | (773) | (210) |
| Employee defined benefit paid | (168) | (338) | - | (31) |
| Tax (paid)/refunded | - | (84) | 1 | - |
| Net cash flows generated from/(used in) operating activities | 35,543 | 59,044 | (772) | (241) |

# STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2019 (Cont'd)

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | 6 | (7,819) | (24,290) | (25) | - |
| Interest received | | 358 | 298 | - | - |
| Settlement of liabilities | 8 | - | (51,529) | - | - |
| Net cash outflows on acquisition | | - | (5,449) | - | (7,064) |
| Repayment from subsidiary | | - | - | 11,948 | 20,903 |
| Proceeds from disposal of property, plant and equipment | | 34 | 2 | - | - |
| Placement of fixed deposit with licensed bank | | (321) | (5,483) | (7) | (6) |
| Net cash flows (used in)/generated from investing activities | | (7,748) | (86,451) | 11,916 | 13,833 |
| **CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES** | | | | | |
| Net proceeds from/(repayment of): | | | | | |
| - hire purchase obligations | | (2,236) | (411) | - | - |
| - term loans | | (17,677) | 34,857 | - | - |
| - banker acceptance | | 18,511 | 18,542 | - | - |
| - revolving credit | | (1,500) | - | - | - |
| - lease liabilities | | (75) | - | (1) | - |
| Interest paid | | (15,143) | (13,744) | (2) | - |
| Repayment of amount due to former immediate holding company | | (11,154) | (8,381) | (11,154) | (8,381) |
| Dividend paid | | - | (5,250) | - | (5,250) |
| Net cash flows (used in)/generated from financing activities | | (29,274) | 25,613 | (11,157) | (13,631) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (1,479) | (1,794) | (13) | (39) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR** | | 10,370 | 12,164 | 18 | 57 |
| **CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR** | 14 | 8,891 | 10,370 | 5 | 18 |

## 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 Company in each subsidiary is as disclosed in Note 8.

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 11 June 2020.

## 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 ("IFRS") 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 MFRSs and IFRSs 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.

**Going Concern Assumption**

As of 31 December 2019, the current liabilities of the Group have exceeded the current assets by RM76.0 million, which includes assets classified as held for sales of RM16.2 million as disclosed in Note 37(b), current portion of borrowings of RM138.7 million and amount due to former immediate holding company of RM17.6 million. As of 31 December 2019, the Group complied with all of its loan covenants. Despite having the net current liabilities position and taking into consideration the negative impact on Group's operation due to COVID-19 as disclosed in Note 38, the Board of Directors is of the view that the Group will be able to operate as going concern in the foreseeable future with following measures put in place successfully by the Group:

(a) The Directors are in the midst of negotiating with former immediate holding company to obtain deferred repayment arrangement for year 2020 to improve the Group's short-term liquidity.

## 2 BASIS OF PREPARATION (CONT'D)

**Going Concern Assumption (cont'd)**

(b) COVID-19 relief moratorium - The Group has obtained the support of its bankers for temporary moratorium on term loan instalments and other short-term liquidity relief as disclosed in Note 38 to the financial statements.

(c) Production - The Company will continue to seek further improvement in cost control and production efficiency in the following key areas:
- Sourcing and procurement,
- Production planning and scheduling,
- Maintain highest preventive maintenance level to minimise machinery breakdown and to continue improving the performance of the plants,
- Optimise production and inventory holding level on raw materials and finished goods.

(d) Asset disposal pursuant to the streamlining and rationalisation of its production facilities. Subsequent to financial year end, the Gemas plant disposal is expected to be completed upon receipt of the remaining settlement from the purchaser as disclosed in Note 37(b) to the financial statements.

The Directors will closely monitor the progress of the above measures while evaluating the impact of subsequent developments on the Group's financial position and will pursue other options such as a private placement or rights issue at the appropriate time when necessary.

### 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 and Issues Committee Interpretation ("IC Interpretation") issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2019.

| | |
|---|---|
| MFRS 16 | Leases |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement |
| Amendments to MFRS 128 | Long-term interests in Associates and Joint Ventures |
| IC Interpretations 23 | Uncertainty over Income Tax Treatments |
| Annual Improvements to MFRSs 2015 - 2017 Cycle | |

The adoption of these new and revised MFRSs, Amendments to MFRS and IC Interpretation 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 except for the adoption of MFRS 16 as disclosed below:

**Impact on initial application of MFRS 16 *Leases***

In the current year, the Group and the Company have applied MFRS 16 *Leases* that is effective for annual periods that begin on or after 1 January 2019.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value asset. In contrast to lessee accounting, the requirement for lessor accounting have remained largely unchanged. Details of these requirements are described in Note 3. The impact of adoption of MFRS 16 on the Group's and the Company's financial statements is described below.

## 2 BASIS OF PREPARATION (CONT'D)

### 2.1 Adoption of new and revised Malaysian Financial Reporting Standards (cont'd)

**Impact on initial application of MFRS 16 *Leases* (cont'd)**

The date of initial application of MFRS 16 for the Group and the Company is 1 January 2019.

The Group and the Company have applied MFRS 16 using the cumulative catch-up approach which:

- requires the Group and the Company to recognise the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings as at the date of initial application; and
- does not permit restatement of comparatives, which continued to be presented under MFRS 117.

**(a) Impact of the new definition of a lease**

The Group and the Company have made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contract to the focus on 'risks and rewards' in MFRS 117.

The Group and the Company apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or changed on or after 1 January 2019, whether they are a lessor or a lessee in the lease contract. The new definition in MFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group and the Company.

**(b) Impact on Lessee Accounting**

<u>Operating leases</u>

MFRS 16 changes how the Group and the Company account for leases previously classified as operating leases under MFRS 117, which were off balance sheet.

Applying MFRS 16, for all leases, the Group and the Company:

- recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with MFRS 16;
- recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- separate the total amount of cash paid into a principal portion and interest on lease liabilities, presented within financing activities in the statement of cash flows.

## 2 BASIS OF PREPARATION (CONT'D)

### 2.1 Adoption of new and revised Malaysian Financial Reporting Standards (cont'd)

#### (b) Impact on Lessee Accounting (cont'd)

Operating leases (cont'd)

Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136.

For short-term leases (which lease term of 12 months or less) and leases of low-value assets (those assets valued at less than RM25,000), the Group and the Company have opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group and the Company have used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117.

- the Group and the Company have applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the Group and the Company have elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application;
- the Group and the Company have excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- the Group and the Company have used hindsight when determining the lease term when the contract remains options to extend or terminate the lease.

Finance leases

For leases that were classified as finance leases applying MFRS 117, the carrying amount of the leased assets and obligations under finance leases measured applying MFRS 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying MFRS 16 from 1 January 2019.

#### (c) Impact on Lessor Accounting

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, MFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

## 2 BASIS OF PREPARATION (CONT'D)

### 2.1 Adoption of new and revised Malaysian Financial Reporting Standards (cont'd)

**(d) Financial impact of initial application of MFRS 16**

The weighted average lessee incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 6.76%.

The following shows the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings as at 1 January 2019:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Operating lease commitments at 31 December 2018 | 790 | 63 |
| Leases of low-value assets | (7) | - |
| Undiscounted lease liability discounted using incremental borrowing rate at date of initial application | (172) | (29) |
| Lease liability recognised as at 1 January 2019 | 611 | 34 |

The Group has recognized RM595,000 as right-of-use assets and RM611,000 of lease liabilities upon transition to MFRS 16. The difference of RM16,000 is recognized in retained earnings.

The Company has recognized RM33,000 as right-of-use assets and RM34,000 of lease liabilities upon transition to MFRS 16. The difference of RM1,000 is recognized in retained earnings.

### 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 and IC interpretation which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

| | |
|---|---|
| MFRS 17 | Insurance Contracts[2] |
| Amendments to MFRS 3 | Definition of a Business[1] |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 | Interest Rate Benchmark Reform[1] |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current[3] |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material[1] |

Amendments to References to the Conceptual Framework in MFRS Standards

[1] Effective for annual periods beginning on or after 1 January 2020.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] Effective for annual periods beginning on or after 1 January 2022.
[4] Effective date deferred to a date to be determined and announced by MASB.

## 2 BASIS OF PREPARATION (CONT'D)

The Directors anticipate that the abovementioned MFRSs and amendments to MFRSs and IC interpretation 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.

## 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Economic Entities in the Group (cont'd)

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

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.

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 9 Financial Instruments 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

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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

#### (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.

Freehold land is not depreciated. 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 capital work-in-progress, on the same basis of other property, plant and equipment, commences when the assets are ready for their intended used.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Property, Plant and Equipment (cont'd)

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 machineries | 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.

### 3.4 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 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/expense 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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 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.

### 3.8 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.

### 3.9 Leases

The Group has applied MFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under MFRS 117. The details of accounting policies under both MFRS 117 and MFRS 16 are presented separately below.

<u>Accounting policies applied from 1 January 2019</u>

*As Lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use the incremental borrowing rate specific to the lessee.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Leases (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

*As Lessee (cont'd)*

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options; if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability by using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability and make a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever, the Group and the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137, to the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Leases (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

*As Lessee (cont'd)*

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

*As Lessor*

Leases for which the Group or the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group or the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's or the Company's net investment in the leases. Finance lease income is allocated to financial periods so as to reflect a constant periodic rate of return on the Group's or the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 31 December 2018

*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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 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.

### 3.11 Revenue and Other Income Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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) Consumer Goods, Chipboards and Related Products

Sales of goods are recognised upon delivery of products and when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

(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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 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.

### 3.13 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 Employee Benefits (cont'd)

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

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.

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.

### 3.14 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.14 Impairment of Non-Financial Assets (cont'd)

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.

### 3.15 Financial Instruments

Financial assets and financial liabilities are recognised in the Group's and Company's statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### (a) Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

(i) Classification of financial assets (cont'd)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group and the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

<u>Amortisation cost and effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

(i) Classification of financial assets (cont'd)

Amortisation cost and effective interest method (cont'd)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group and the Company recognise interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

(ii) Impairment of Financial Assets

The Group and the Company recognise a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognise lifetime ECL for trade receivable. The ECL on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

(ii) Impairment of Financial Assets (cont'd)

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's and the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's and the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

(ii) Impairment of Financial Assets (cont'd)

Significant increase in credit risk (cont'd)

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default,
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group and the Company consider a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group and the Company become a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group and the Company consider the changes in the risk that the specified debtor will default on the contract.

The Group and the Company regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revise them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

(ii) Impairment of Financial Assets (cont'd)

Definition of default (cont'd)

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 120 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group and the Company write off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's and the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's and the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial Instruments (cont'd)

**(a) Financial Assets (cont'd)**

(ii) Impairment of Financial Assets (cont'd)

Measurement and recognition of ECL (cont'd)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 16 Leases.

If the Group and the Company measure the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determine at the current reporting date that the conditions for lifetime ECL are no longer met, the Group and the Company measure the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

(iii) 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 it transfers 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 continues to control the transferred asset, the Group and the Company recognise its retained interest in the asset and an associated liability for amounts it 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 recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**(b) Financial Liabilities and Equity Instruments**

(i) Classification as debt or equity

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial Instruments (cont'd)

#### (b) Financial Liabilities and Equity Instruments (cont'd)

(ii) Equity instruments

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

(iii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group and the Company, are measured in accordance with the specific accounting policies set out below.

(iv) Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

(v) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial Instruments (cont'd)

#### (b) Financial Liabilities and Equity Instruments (cont'd)

(vi) 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group and the Company exchange with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group and the Company account for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

#### (c) Derivatives Instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate.

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

### 3.16 Non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is expected to be completed within one year from the date of classification. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.17 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.

### 3.18 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:

### (a) Impairment of Property, Plant and Equipment

The Group assesses impairment of property, plant and equipment when there is an indication that the carrying amount of an asset may be impaired, the asset's recoverable amount, being the higher of its fair value less costs to sell and its value-in-use ("VIU"), will be assessed. The assessment of the recoverable amounts involves a number of methodologies.

In determining the VIU of an asset, being the future economic benefits to be expected from its continued use and ultimate disposal, the Group makes estimates and assumptions that require significant judgements. While the Group believes these estimates and assumptions of VIU such as discount rate, revenue growth and costs of sales could be reasonable and appropriate, changes on these estimates and assumptions of VIU could impact the Group's financial position and results.

The measurement of the fair values for property, plant and equipment performed by management is based on independent professional valuations with reference to direct comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, depreciated replacement cost method of valuation, is the cost replacing the plant, machinery and equipment as new including costs for installation, infrastructure and professional fees and allowing for depreciation for physical, functional and economical obsolescence.

The management believes that the chosen valuation techniques and assumptions are appropriate in determining the fair values of the Group's property, plant and equipment.

The assumptions used, results and impact of possible changes in the key assumptions of the impairment assessment of the property, plant and equipment are disclosed in Note 6.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

### (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. The carrying amount of the Company's investment in subsidiaries at the end of the reporting period is disclosed in Note 8.

### (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. As of 31 December 2019, the deferred tax assets of the Group are as disclosed in Note 10.

### (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 and the Company recognise 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. Further information on income taxes is disclosed in Note 27.

### (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 and the Company determine 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 and the Company consider 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.

The information about defined benefit plan at the reporting date is disclosed in Note 17.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

### (f) Impairment loss on Trade Receivables - ECL

The policy for allowance for doubtful debts of the Group is based on ECL model as required by MFRS 9. A considerable amount of judgement is required in assessing ECL on receivables using a provision matrix by reference to past default experience of the receivables and an analysis of the receivable's current financial position, adjusted for factors that are specific to the receivables, general economic conditions of the industry in which the receivables operate and an assessment of both current as well as the forecast direction of conditions at the reporting date.

The carrying amounts of receivables at the reporting date and information about the ECL is disclosed in Note 13.

### (g) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years based on past experience with similar assets or/and common life expectancies of the industry. The Group reviews the remaining useful lives of property, plant and equipment at the end of each reporting period and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets resulting in revision of future depreciation or amortisation charges.

The information about depreciation of property, plant and equipment at the reporting date is disclosed in Note 6.

## 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.

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

### 5.1 Capital Management (cont'd)

The Group monitors capital using a gearing ratio. 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 | |
|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 |
| Borrowings (Note 18) | 232,627 | 236,318 |
| Finance lease liabilities (Note 22) | 536 | - |
| Trade and other payables (Note 20) | 96,517 | 108,445 |
| Cash and bank balances | (21,588) | (23,535) |
| Net debt | 308,092 | 321,228 |
| Equity | 340,539 | 338,904 |
| Gearing ratio | 0.90 | 0.95 |

### 5.2 Financial Risk Management Objectives and Policies

The Group's and the Company's financial risk management objectives and policies seek to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Group and the Company operate 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.

Foreign currency exchange risk management

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.

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.

## 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 is as follows:

| | US Dollar RM'000 | Euro RM'000 | Renminbi RM'000 | Others* RM'000 |
|---|---|---|---|---|
| **As at 31 December 2019** | | | | |
| **Group** | | | | |
| Trade and other receivables | 7,200 | 504 | 3,193 | (60) |
| Cash and cash equivalents | 85 | - | 1 | - |
| Trade and other payables | (1,829) | (958) | - | (104) |
| Gross currency exposure | 5,456 | (454) | 3,194 | (164) |
| Less: Trade receivables hedged using foreign exchange forward contracts | (7,180) | - | - | - |
| Net currency exposure | (1,724) | (454) | 3,194 | (164) |

* Other currencies comprise Swiss Franc and Singapore Dollar.

As at 31 December 2019, the Company is not exposed to any foreign currency exchange risk.

| | US Dollar RM'000 | Euro RM'000 | Renminbi RM'000 | Others* RM'000 |
|---|---|---|---|---|
| **As at 31 December 2018** | | | | |
| **Group** | | | | |
| Trade and other receivables | 17,486 | 490 | 589 | (30) |
| Cash and cash equivalents | 19 | - | 1,404 | - |
| Trade and other payables | (5,972) | (2,090) | (58) | (131) |
| Gross currency exposure | 11,533 | (1,600) | 1,935 | (161) |
| Less: Trade receivables hedged using foreign exchange forward contracts | (6,678) | - | - | - |
| Net currency exposure | 4,855 | (1,600) | 1,935 | (161) |

* Other currencies comprise Swiss Franc and Singapore Dollar.

As at 31 December 2018, 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% (2018: 5%), with all other variables held constant, the Group's profit for the financial year would increase/decrease by RM0.04 million (2018: decrease/increase RM0.3 million).

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

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

Interest rate risk management (cont'd)

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.

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 0.25% 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 0.25% higher/lower and all other variables were held constant, the Group's profit or loss for the year would decrease/increase by RM0.6 million (2018: RM0.6 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 bank balances 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 13, 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 cash and bank balances and 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.

## 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)

As of 31 December 2019, the current liabilities of the Group have exceeded the current assets by RM76.0 million. Various actions have been/will be taken as disclosed in Note 2 which the Board of Directors of the Company believes will improve the working capital of the Group.

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 2-5 years RM'000 | After 5 years RM'000 |
| **As at 31 December 2019** | | | | | |
| **Group** | | | | | |
| Trade and other payables | 96,517 | 96,523 | 96,443 | 80 | - |
| Amount due to former immediate holding company | 20,884 | 21,828 | 18,212 | 3,616 | - |
| Borrowings | 232,627 | 245,933 | 134,901 | 92,593 | 18,439 |
| Finance lease liabilities | 536 | 671 | 115 | 431 | 125 |
| | 350,564 | 364,955 | 249,671 | 96,720 | 18,564 |
| **Company** | | | | | |
| Trade and other payables | 502 | 502 | 502 | - | - |
| Amount due to subsidiaries | 3,426 | 3,426 | 3,426 | - | - |
| Amount due to former immediate holding company | 20,884 | 21,828 | 18,212 | 3,616 | - |
| Finance lease liabilities | 33 | 60 | 3 | 12 | 45 |
| | 24,845 | 25,816 | 22,143 | 3,628 | 45 |
| Financial guarantee contracts (Note 34) [1] | - | - | - | - | - |

## 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)

| | | Contractual/Forecasted cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount RM'000 | Total RM'000 | Within 1 year RM'000 | Between 2-5 years RM'000 | After 5 years RM'000 |
| **As at 31 December 2018** | | | | | |
| **Group** | | | | | |
| Trade and other payables | 108,445 | 108,445 | 108,045 | 400 | - |
| Amount due to former immediate holding company | 32,038 | 33,761 | 15,680 | 18,081 | - |
| Borrowings | 236,318 | 271,626 | 125,517 | 108,850 | 37,259 |
| | 376,801 | 413,832 | 249,242 | 127,331 | 37,259 |
| **Company** | | | | | |
| Trade and other payables | 911 | 911 | 911 | - | - |
| Amount due to subsidiaries | 3,426 | 3,426 | 3,426 | - | - |
| Amount due to former immediate holding company | 32,038 | 33,761 | 15,680 | 18,081 | - |
| | 36,375 | 38,098 | 20,017 | 18,081 | - |
| Financial guarantee contracts (Note 34) [1] | - | - | - | - | - |

[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 2019** | | | | |
| Derivative financial assets | - | 64 | - | 64 |
| **As at 31 December 2018** | | | | |
| Derivative financial assets | - | 34 | - | 34 |

The fair value of the Group's foreign exchange forward contracts at the end of the reporting period as disclosed in Note 21 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.

| | Carrying amount RM'000 | Fair value RM'000 |
|---|---|---|
| **Group** | | |
| **As at 31 December 2019** | | |
| Borrowings | 93,900 | 87,078 |
| **As at 31 December 2018** | | |
| Borrowings | 119,802 | 111,079 |

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 (including non-trade amounts due from/(to)group companies), except for non-current borrowings which are accounted for at amortised cost using effective interest rate method.

## 6 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM'000 | Freehold buildings RM'000 | Leasehold land RM'000 | Leasehold buildings RM'000 | Plant and machineries 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 2019 | 15,023 | 34,609 | 18,356 | 117,313 | 337,351 | 11,935 | 4,525 | 22,522 | 561,634 |
| Additions | - | 154 | - | 83 | 3,522 | 149 | 208 | 3,703 | 7,819 |
| Disposals | - | - | - | - | (768) | - | (54) | - | (822) |
| Write off | - | - | - | - | (427) | - | - | - | (427) |
| Reclassification | - | - | - | 4,192 | 716 | - | 13 | (4,921) | - |
| Depreciation charge for the financial year | - | (750) | (274) | (1,730) | (23,147) | (1,527) | (1,092) | - | (28,520) |
| Impairment loss | - | - | - | - | (1,183) | - | - | - | (1,183) |
| Write back of impairment | 152 | - | - | - | - | - | - | - | 152 |
| Reclassified as assets classified as held for sale (Note 11) | (5,000) | (10,783) | - | - | - | (668) | - | - | (16,451) |
| At 31 December 2019 | 10,175 | 23,230 | 18,082 | 119,858 | 316,064 | 9,889 | 3,600 | 21,304 | 522,202 |
| **At 31 December 2019** | | | | | | | | | |
| Cost | 10,671 | 28,507 | 22,765 | 148,272 | 676,783 | 26,536 | 12,027 | 24,954 | 950,515 |
| Accumulated depreciation | - | (1,347) | (4,683) | (23,880) | (344,423) | (16,647) | (8,427) | - | (399,407) |
| Accumulated impairment losses | (496) | (3,930) | - | (4,534) | (16,296) | - | - | (3,650) | (28,906) |
| Net book value | 10,175 | 23,230 | 18,082 | 119,858 | 316,064 | 9,889 | 3,600 | 21,304 | 522,202 |

## 6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Freehold land RM'000 | Freehold buildings RM'000 | Leasehold land RM'000 | Leasehold buildings RM'000 | Plant and machineries 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 2018 | - | - | 15,084 | 113,279 | 292,132 | 1,001 | 3,655 | 10,009 | 435,160 |
| Acquisition of subsidiary | 14,672 | 31,828 | 2,450 | 9,500 | 29,200 | 5,903 | 20 | 61,528 | 155,101 |
| Additions | - | 194 | 105 | 785 | 2,727 | 364 | 1,819 | 18,296 | 24,290 |
| Disposals | - | - | - | - | - | (1) | - | - | (1) |
| Written off | - | - | - | - | - | (1) | - | (15) | (16) |
| Reclassification | 999 | 7,159 | 982 | - | 48,481 | 5,993 | 32 | (63,646) | - |
| Depreciation charge for the financial year | - | (642) | (265) | (1,717) | (21,875) | (1,324) | (1,001) | - | (26,824) |
| Impairment loss | (648) | (3,930) | - | (4,534) | (13,314) | - | - | (3,650) | (26,076) |
| At 31 December 2018 | 15,023 | 34,609 | 18,356 | 117,313 | 337,351 | 11,935 | 4,525 | 22,522 | 561,634 |
| **At 31 December 2018** | | | | | | | | | |
| Cost | 15,671 | 39,643 | 22,765 | 143,997 | 676,682 | 28,426 | 11,940 | 26,172 | 965,296 |
| Accumulated depreciation | - | (1,104) | (4,409) | (22,150) | (324,220) | (16,491) | (7,415) | - | (375,789) |
| Accumulated impairment losses | (648) | (3,930) | - | (4,534) | (15,111) | - | - | (3,650) | (27,873) |
| Net book value | 15,023 | 34,609 | 18,356 | 117,313 | 337,351 | 11,935 | 4,525 | 22,522 | 561,634 |

## 6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Furniture, fittings, office renovation and equipment RM'000 |
|---|---|
| **Company** | |
| **Net book value** | |
| At 1 January 2019 | 1 |
| Additions | 25 |
| Depreciation charge for the financial year | (3) |
| At 31 December 2019 | 23 |
| **At 31 December 2019** | |
| Cost | 4,945 |
| Accumulated depreciation | (4,922) |
| Net book value | 23 |
| **Net book value** | |
| At 1 January 2018 | 1 |
| Depreciation charge for the financial year | - |
| At 31 December 2018 | 1 |
| **At 31 December 2018** | |
| Cost | 4,920 |
| Accumulated depreciation | (4,919) |
| Net book value | 1 |

(a) The freehold land and building and the leasehold land and building of the Group and all of its plant and machinery, both present and future, affixed to or on the said lands are charged as security for the borrowings of the Group as disclosed in Note 18.

(b) At the end of the reporting period, property, plant and equipment of the Group with net carrying amount of RM13.4 million (2018: RM15.7 million) were acquired under hire-purchase agreements.

## 6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Impairment assessment for property, plant and equipment

As at 31 December 2019, several plants of the Group were tested for impairment due to their net current liabilities position, minor fire incident occurred in Plant 3, continuing losses incurred for Rompin Plant and Simpang Pertang Plant, delayed in construction in Gerik Plant resulted from damage to electrical cables spanning from main electrical sub-station to the Gerik plant electrical sub-station during construction, and the plant and machineries in Gemas Plant has been idle. Based on management's assessment, the results are as follows:

<u>Plant 3</u>

- The recoverable amount, based on value-in-use ("VIU") calculation is RM276.0 million, which is equivalent to its carrying value of RM276.0 million.

<u>Rompin Plant</u>

- The recoverable amount, based on VIU calculation is RM51.9 million, which is higher than its carrying value of RM51.4 million by RM0.5 million.

<u>Simpang Pertang Plant</u>

- The recoverable amount, based on VIU calculation is RM28.6 million, which is higher than its carrying value of RM28.5 million by RM0.1 million.

<u>Gerik Plant</u>

- The recoverable amount for land and buildings, based on fair value less cost to sell is RM15.8 million which is higher than its carrying value of RM15.6 million by RM0.2 million, and

- The recoverable amount of plant and machineries, based on fair value less cost to sell, is RM14.3 million which is lower than its carrying value of RM15.5 by RM1.2 million. The basis of determining the fair value of these assets is disclosed in Note 4(a).

Accordingly, an impairment loss on plant and machineries of RM1.2 million and a write back on land and buildings of RM0.2 million are recognised in the profit and loss for the year.

<u>Gemas Plant</u>

- The recoverable amount for land and buildings which has been classified as asset held for sale, based on fair value less cost to sell, is RM16.2 million which is lower than its carrying value of RM16.5 by RM0.3 million,

- The recoverable amount for plant and machineries, based on fair value less cost to sell, is RM11.4 million which is higher than its carrying value of RM6.5 by RM4.9 million. The basis of determining the fair value of these assets is disclosed in Note 4(a).

Accordingly, an impairment loss of RM0.3 million was recognised in the profit or loss for the year. Further information on asset classified held for sales is disclosed in Note 11.

## 6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

The key assumptions used in determining the VIU for Plant 3, Rompin and Simpang Pertang Plant are as follows:

- Pre-tax discount rate ranging from 11.34% to 13.3%.
- Sale volume growth rate ranging from 1% to 4% in 2020 and increase 2% for the next four years and remain constant for the remaining useful life of the plants, except for Simpang Pertang Plant which increase at 1% for the remaining useful life to achieve its optimum capacity; and
- Selling price growth rate ranging from 1% to 3.5% in FY2020 and increase at rate ranging from 1.5% to 2% for the next four years and increase at rate ranging from 1.0% to 1.25% for the remaining useful life of the plants.

The Group's impairment assessment includes an assessment of changes in key assumptions. Any adverse change in a key assumption may result in a further impairment loss as set out below:

<u>Plant 3</u>

- An increase of 1.0% point in the discount rate used would have increased the impairment loss by RM16.8 million.
- A decrease of 1.0% point in the sales volume used would have increased the impairment loss by RM13.2 million.
- A decrease of 1.0% point in the sales price used would have increased the impairment loss by RM12.8 million.

<u>Simpang Pertang Plant</u>

- An increase of 1.0% point in the discount rate used would have increased the impairment loss by RM1.7 million.
- A decrease of 1.0% point in the sales volume used would have increased the impairment loss by RM2.9 million.
- A decrease of 1.0% point in the sales price used would have increased the impairment loss by RM3.6 million.

<u>Rompin Plant</u>

- An increase of 1.0% point in the discount rate used would have increased the impairment loss by RM2.6 million.
- A decrease of 1.0% point in the sales volume used would have increased the impairment loss by RM1.4 million.
- A decrease of 1.0% point in the sales price used would have increased the impairment loss by RM3.3 million.

## 7 RIGHT-OF-USE ASSETS

The Group leases several assets including buildings, plant and machineries and equipment. The average lease term is 12 years (2018: 12 years).

| | Group | | |
|---|---|---|---|
| | Buildings RM'000 | Equipment RM'000 | Total RM'000 |
| **Cost** | | | |
| At 31 December 2018/1 January 2019 | - | - | - |
| Effect on adoption of MFRS 16 | 562 | 33 | 595 |
| At 31 December 2019 | 562 | 33 | 595 |
| **Accumulated depreciation** | | | |
| At 31 December 2018/1 January 2019 | - | - | - |
| Depreciation for the year | 85 | 2 | 87 |
| At 31 December 2019 | 85 | 2 | 87 |
| **Carrying amounts** | | | |
| At 31 December 2019 | 477 | 31 | 508 |

The Company lease equipment. The average lease term is 22 years (2018: 22 years).

| | Company Equipment RM'000 |
|---|---|
| **Cost** | |
| At 31 December 2018/1 January 2019 | - |
| Effect on adoption of MFRS 16 | 33 |
| At 31 December 2019 | 33 |
| **Accumulated depreciation** | |
| At 31 December 2018/1 January 2019 | - |
| Depreciation for the year | 2 |
| At 31 December 2019 | 2 |
| **Carrying amounts** | |
| At 31 December 2019 | 31 |

| | Group 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|
| Depreciation expense on right-of-use assets | 87 | 2 |
| Interest expense on lease liabilities | 37 | 2 |
| Expense relating to leases of low value assets | 9 | - |

The Group and the Company do not committed to any short-term lease.

## 8 INVESTMENT IN SUBSIDIARIES

| | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|
| Unquoted shares, at cost | 84,559 | 59,559 |
| Less: Accumulated impairment losses | (2,420) | (2,420) |
| Unquoted shares, at carrying value | 82,139 | 57,139 |

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 2019 % | Proportion of ownership interests 2018 % | Principal activities |
|---|---|---|---|
| Mieco Manufacturing Sdn. Bhd. | 100 | 100 | Manufacturing and marketing of chipboards and related products |
| Great Platform Sdn. Bhd. | 100 | 100 | Manufacturing and trading of particle board and medium density fibre board |
| Mieco Marketing Sdn. Bhd. | 100 | 100 | Dormant |
| Mieco Chemicals Sdn. Bhd. | 100 | 100 | Dormant |
| Mieco Wood Resources Sdn. Bhd. | 100 | 100 | Dormant |
| Mieco International (HK) Limited [1] | 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 |
| **Subsidiary of Great Platform Sdn. Bhd.** | | | |
| Particleboard Malaysia Sdn. Bhd. | 100 | 100 | Dormant |

All the subsidiaries are incorporated in Malaysia, except for Mieco International (HK) Limited, which is incorporated in Hong Kong.

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

## 8 INVESTMENT IN SUBSIDIARIES (CONT'D)

During the financial year, the Company subscribed for additional 25,000,000 new ordinary shares at RM1 per ordinary shares in Great Platform Sdn. Bhd. by setting off against part of the advances from the Company and retained its ownership of 100%.

As of 31 December 2019, the shares in Great Platform Sdn Bhd with a carrying value of RM7.064 million has been pledge as security for the outstanding amount of certain term loan as disclosed in Note 18.

Acquisition of subsidiaries

On 27 February 2018, the Company acquired 100% of the shares in Great Platform Sdn. Bhd. ("GPSB") from SYF Resources Berhad, a company in which certain directors of the Company are also directors and has substantial interest, for a total purchase consideration of RM7.06 million.

The fair values of assets and liabilities recognised on acquisition were as follows:

| | Group 2018 RM'000 |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Property, plant and equipment | 155,101 |
| **Current Assets** | |
| Inventories | 19,141 |
| Trade and other receivables | 7,215 |
| Tax receivables | 15 |
| Cash and bank balances | 3,300 |
| **Total Assets** | 184,772 |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Trade and other payables | (21,575) |
| Bank borrowings | (18,573) |
| Bank overdraft | (1,685) |
| **Non-current Liabilities** | |
| Bank borrowings | (82,228) |
| Deferred tax liabilities | (2,424) |
| **Total Liabilities** | (126,485) |
| Fair value of identifiable net assets acquired | 58,287 |
| Less: Settlement of liabilities to former holding company | (51,529) |
| | 6,758 |

## 8 INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

The effect of the acquisition on cash flows is as follows:

| | Group 2018 RM'000 |
|---|---|
| Cash and cash equivalents acquired | 1,615 |
| Less: Consideration paid | (7,064) |
| Net cash outflows on acquisition, net of cash and cash equivalents acquired | (5,449) |

Goodwill was recognised as a result of the acquisition as follows:

| | Group 2018 RM'000 |
|---|---|
| Total consideration transferred | 7,064 |
| Less: Fair value of identifiable net assets acquired | (6,758) |
| | 306 |

The acquisition of GPSB is for the purpose of synergy where value and performance of two companies' combined will be greater than the sum of the separate individual parts. Through the acquisition, Mieco Manufacturing Sdn Bhd ("MMSB") will transfer all the lower grade chipboard production to GPSB and the MMSB could focus on the high quality chipboard. Thus, the acquisition did not make a substantial change to manufacturing process which could give additional advantage to the Group and hence the goodwill of RM0.3 million had been written off.

If the acquisition had occurred on 1 January 2018, it will contribute to the Group's results for the current financial year by the following amount:

| | Group 2018 RM'000 |
|---|---|
| Revenue | 91,851 |
| Loss for the year | (29,159) |

## 8 INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

The acquired subsidiary has contributed the following results to the Group from the effective date of acquisition to the end of the financial year:

| | Group 2018 RM'000 |
|---|---|
| Revenue | 81,029 |
| Loss for the year | (21,611) |

The following table shows the movement in goodwill that is written off at the end of the financial year:

| | Group 2018 RM'000 |
|---|---|
| Gross carrying amount | 306 |
| Written-off against goodwill | (306) |

## 9 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 | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| **Current - unsecured** | | |
| Interest bearing at effective interest rate of 5.35% (2018: 5.35%) | 11,263 | 9,401 |
| Interest free | 11,719 | 11,226 |
| | 22,982 | 20,627 |
| Less: Accumulated impairment losses | (1,685) | (1,685) |
| | 21,297 | 18,942 |
| **Non-current - unsecured** | | |
| Interest bearing at effective interest rate of 5.35% (2018: 5.35%) | 2,345 | 11,415 |
| Interest free | 265,220 | 295,453 |
| | 267,565 | 306,868 |
| | 288,862 | 325,810 |

## 9 AMOUNT DUE FROM/(TO) SUBSIDIARIES (CONT'D)

The interest expense incurred by the Company on the external borrowings during the financial year amounting to RM0.8 million (2018: RM1.2 million) is fully re-charged to a subsidiary.

As at 31 December 2019, amounts due from several subsidiaries amounting to RM1.69 million (2018: RM1.69 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 movements in the accumulated impairment losses in respect of amounts due from subsidiaries during the financial year is as follows:

| | Company | |
|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 |
| At beginning/At end of financial year | 1,685 | 1,685 |

## 10 DEFERRED TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| At beginning of financial year | 2,887 | 10,189 | - | - |
| Acquisition of subsidiary (Note 8) | - | (2,424) | - | - |
| (Charged)/Credited to profit or loss (Note 27): | | | | |
| - Property, plant and equipment | 2,948 | 481 | - | (1) |
| - Provisions and employee defined benefit plan | 253 | (74) | (43) | (5) |
| - Inventories | (482) | 178 | - | - |
| - Receivables | 797 | - | - | - |
| - Others | (970) | (5,463) | 43 | 6 |
| | 2,546 | (4,878) | - | - |
| At end of financial year | 5,433 | 2,887 | - | - |

## 10 DEFERRED TAXATION (CONT'D)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Deferred tax assets (before offsetting)** | | | | |
| Provisions and employee defined benefit plan | 3,345 | 3,092 | 114 | 157 |
| Inventories | 1,999 | 2,481 | - | - |
| Receivables | 1,310 | 513 | 404 | 404 |
| Unused tax losses | 6,833 | 6,222 | 1,137 | 1,190 |
| Unused investment tax allowances | 103,847 | 103,847 | - | - |
| Unabsorbed capital allowances | 53,576 | 57,675 | - | - |
| Others | 189 | 220 | 21 | 35 |
| | 171,099 | 174,050 | 1,676 | 1,786 |
| Deferred tax assets not recognised | (92,351) | (94,900) | (1,676) | (1,786) |
| | 78,748 | 79,150 | - | - |
| Offsetting | (73,315) | (73,717) | - | - |
| Deferred tax assets (after offsetting) | 5,433 | 5,433 | - | - |
| **Deferred tax liabilities (before offsetting)** | | | | |
| Property, plant and equipment | (73,315) | (76,263) | - | - |
| Offsetting | 73,315 | 73,717 | - | - |
| Deferred tax liabilities (after offsetting) | - | 2,546 | - | - |

## 10 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 | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| (Taxable)/Deductible temporary differences | (245,330) | (252,738) | 2,247 | 2,486 |
| Unused tax losses | 17,667 | 17,512 | 4,739 | 4,958 |
| Unused investment tax allowances | 432,696 | 432,696 | - | - |
| Unabsorbed capital allowances | 211,419 | 227,968 | - | - |
| | 416,452 | 425,438 | 6,986 | 7,444 |

The Company's income tax rate is at 24% for the year of assessment 2019 (2018: 24%).

On 5 May 2014, MIDA has approved the application of the "Pioneer Status" by the Group under Promotions of Investment Act, 1986, of which 70% of the statutory income from the manufacturing of medium density fibreboard is exempted from tax for a year of 5 years. The Group has on 21 July 2018 obtained pioneer certificate from MIDA stating the Group will be able to enjoy pioneer status starting from 1 November 2016 to 31 October 2021 for pioneer activity of producing medium density fibreboard.

The availability of the unused tax credits for offsetting future taxable profits of the Group are subject to the agreement with the tax authorities.

Pursuant to guideline issued by the Malaysian tax authorities in 2018, the Ministry of Finance ("MOF") have allowed companies to carry forward their unabsorbed capital allowance and unused investment tax allowances indefinitely until it is fully absorbed. With the effect from year of assessment 2019, any unutilised business losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment. This can be utilised against income from the same business sources for unabsorbed capital allowances and utilised against income from any business sources for unused tax losses.

## 11 ASSET CLASSIFIED AS HELD FOR SALE

On 5 November 2019, Great Platform Sdn. Bhd. ("GPSB"), a wholly owned subsidiary, has entered into a Sale and Purchase Agreement ("S&P Agreement") with Bagus Timber Sdn. Bhd. ("Bagus Timber") to dispose of its Gemas plant consisting of a freehold land, buildings and immovable erected on the land to Bagus Timber. The net consideration for the disposal less costs to sell is RM16.2 million. During the financial year, the Directors reviewed the Company's asset classified as held for sale for indication of impairment and concluded that accumulated impairment losses of RM0.27 million as at the end of the reporting period is deemed appropriate in respect of assets classified as held for sale are as follows:

| | Group 2019 RM'000 |
|---|---|
| Freehold land reclassified from property, plant and equipment (Note 6) | 5,000 |
| Freehold buildings reclassified from property, plant and equipment (Note 6) | 10,783 |
| Furniture, fittings, office renovation and equipment reclassified from property, plant and equipment (Note 6) | 668 |
| Impairment on asset held for sale | (269) |
| | 16,182 |

The freehold land and building under asset classified as held for sale are charged as security for the borrowings of the Group as disclosed in Note 18.

## 12 INVENTORIES

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| At cost: | | |
| Raw materials | 14,919 | 13,582 |
| Work-in-progress | 1,551 | 1,452 |
| Finished goods | 33,879 | 25,798 |
| Spares and consumables | 24,974 | 27,560 |
| | 75,323 | 68,392 |
| Less: Allowance for obsolescence of inventories | (8,328) | (10,336) |
| | 66,995 | 58,056 |
| At net realisable value: | | |
| Finished goods | - | 5,508 |
| | 66,995 | 63,564 |

## 12 INVENTORIES (CONT'D)

Movement in the allowance for obsolescence of inventories are as follows:

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| At beginning of the financial year | (10,336) | (9,596) |
| Addition (Note 25) | - | (740) |
| Allowance no longer required (Note 25) | 870 | - |
| Written off | 1,138 | - |
| At end of the financial year | (8,328) | (10,336) |

During the financial year, inventories of the Group recognised as cost of sales amounted to RM239.6 million (2018: RM258.8 million). The cost of inventories recognised as an expense includes RM Nil (2018: RM0.31 million) in respect of write downs of inventory to net realisable value, which was based on Directors' best estimate and assumptions of NRV of finished goods which are based on selling price of the products subsequent to 31 December 2019 (2018: 31 December 2018) less the estimated cost necessary to make the sale.

## 13 RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Trade receivables | 66,094 | 66,977 | - | - |
| Less: Accumulated impairment losses | (3,775) | (453) | - | - |
| | 62,319 | 66,524 | - | - |
| Other receivables | 13,326 | 14,360 | 170 | 158 |
| Less: Accumulated impairment losses | (7,715) | (7,815) | (54) | (54) |
| | 5,611 | 6,545 | 116 | 104 |
| Deposits | 2,273 | 1,818 | 5 | 5 |
| Prepayments | 1,840 | 1,390 | 5 | 5 |
| | 9,724 | 9,753 | 126 | 114 |
| Total | 72,043 | 76,277 | 126 | 114 |

Trade receivables

The credit terms of the trade receivables ranging from 1 to 90 days (2018: 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.

## 13 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Of the total trade receivables balance of the Group at the end of the reporting period, 49% (2018: 50%) are due from six (2018: ten) 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.

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

| | Gross amount RM'000 | Accumulated impairment loss RM'000 | Net RM'000 |
|---|---|---|---|
| **As at 31 December 2019** | | | |
| Not past due | 43,321 | (39) | 43,282 |
| Past due 1 - 30 days | 14,998 | (31) | 14,967 |
| Past due 31 - 90 days | 3,392 | (50) | 3,342 |
| Past due more than 90 days | 4,383 | (3,655) | 728 |
| | 66,094 | (3,775) | 62,319 |
| **As at 31 December 2018** | | | |
| Not past due | 42,057 | - | 42,057 |
| Past due 1 - 30 days | 14,441 | - | 14,441 |
| Past due 31 - 90 days | 7,543 | - | 7,543 |
| Past due more than 90 days | 2,936 | (453) | 2,483 |
| | 66,977 | (453) | 66,524 |

As at 31 December 2019, the Group's trade receivables amounting to RM19.0 million (2018: RM24.5 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 Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Receivables that are individually determined to be credit impaired at the financial year end is RM3,530,858 (2018: RM453,000).

## 13 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The Group writes off a trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

| | | Trade receivables - days past due | | | |
|---|---|---|---|---|---|
| | Not past due RM'000 | 1 - 30 RM'000 | 31 - 90 RM'000 | > 90 RM'000 | Total RM'000 |
| **As at 31 December 2019** | | | | | |
| Expected credit loss rate | 0.09% | 0.21% | 1.47% | 2.83% | |
| Estimated total gross carrying amount at default | 39 | 31 | 50 | 124 | 244 |
| Lifetime ECL | - | - | - | 3,531 | 3,531 |
| | | | | | 3,775 |
| **As at 31 December 2018** | | | | | |
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | |
| Estimated total gross carrying amount at default | - | - | - | - | - |
| Lifetime ECL | - | - | - | 453 | 453 |
| | | | | | 453 |

The following table shows the movements in the accumulated impairment losses that has been recognised for trade receivables in accordance with the simplified approach set out in MFRS 9:

| | Collectively assessed RM'000 | Individually assessed RM'000 | Total RM'000 |
|---|---|---|---|
| **Balance as at 1 January/31 December 2018** | | | |
| Net remeasurement of loss allowance | - | 453 | 453 |
| Impairment loss recognised during the year (Note 25) | 244 | 3,078 | 3,322 |
| **Balance as at 31 December 2019** | 244 | 3,531 | 3,775 |

## 13 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Other receivables

The following table shows the movements in the accumulated impairment losses that has been recognised for other receivables in accordance with the simplified approach set out in MFRS 9:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| At beginning of the financial year | 7,815 | 7,815 | 54 | 54 |
| Write off against receivables | (100) | - | - | - |
| At end of the financial year | 7,715 | 7,815 | 54 | 54 |

## 14 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Cash and bank balances | 9,812 | 12,080 | 5 | 18 |
| Deposits and placement with licensed banks | 11,776 | 11,455 | 203 | 196 |
| | 21,588 | 23,535 | 208 | 214 |
| Less: Restricted deposits | (11,776) | (11,455) | (203) | (196) |
| | 9,812 | 12,080 | 5 | 18 |
| Less: Bank overdraft (Note 18) | (921) | (1,710) | - | - |
| | 8,891 | 10,370 | 5 | 18 |

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 (2018: 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 and the Company totalling RM11.8 million and RM0.2 million respectively (2018: RM11.5 million and RM0.2 million) 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 | |
|---|---|---|---|---|
| | 2019 % per annum | 2018 % per annum | 2019 % per annum | 2018 % per annum |
| Deposits with licensed financial institutions | 3.07 | 3.21 | 3.35 | 3.35 |

## 15 SHARE CAPITAL

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2019 '000 | 2018 '000 | 2019 RM'000 | 2018 RM'000 |
| Issued and fully paid: | | | | |
| **Ordinary shares** | | | | |
| At beginning/At end of financial year | 525,000 | 525,000 | 215,866 | 215,866 |

## 16 RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Non-distributable:** | | | | |
| Foreign currency reserve | (43) | (43) | - | - |
| **Distributable:** | | | | |
| Retained earnings | 124,716 | 123,081 | 130,204 | 130,952 |
| | 124,673 | 123,038 | 130,204 | 130,952 |

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

## 17 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 8 February 2019.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Present value of defined benefit obligations | 13,935 | 12,631 | 475 | 401 |

## 17 EMPLOYEE DEFINED BENEFIT PLAN (CONT'D)

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 | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| At beginning of financial year | 12,631 | 13,072 | 401 | 557 |
| Charged to profit or loss (Note 25) | 1,472 | 1,919 | 74 | 128 |
| Remeasurements (recognised in other comprehensive income): | | | | |
| - Gain due to change in actuarial assumptions | - | (2,022) | - | (253) |
| Benefit paid | (168) | (338) | - | (31) |
| At end of financial year | 13,935 | 12,631 | 475 | 401 |

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

| | 2019 % | 2018 % |
|---|---|---|
| Discount rate | 5.30 | 5.30 |
| Expected rate of salary increases | 5.00 | 5.00 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Current service cost | 820 | 917 | 53 | 80 |
| Interest cost | 652 | 689 | 21 | 30 |
| Past service cost | - | 313 | - | 18 |
| | 1,472 | 1,919 | 74 | 128 |

## 17 EMPLOYEE DEFINED BENEFIT PLAN (CONT'D)

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

| | Change in assumption | Impact on defined benefit obligation |
|---|---|---|
| **As at 31 December 2019** | | |
| **Group** | | |
| Discount rate | Increase by 1% | Decrease by RM1,208,050 |
| | Decrease by 1% | Increase by RM1,399,650 |
| Expected rate of salary increases | Increase by 1% | Increase by RM1,460,613 |
| | Decrease by 1% | Decrease by RM1,280,871 |
| **Company** | | |
| Discount rate | Increase by 1% | Decrease by RM56,478 |
| | Decrease by 1% | Increase by RM68,014 |
| Expected rate of salary increases | Increase by 1% | Increase by RM70,031 |
| | Decrease by 1% | Decrease by RM59,049 |
| **As at 31 December 2018** | | |
| **Group** | | |
| Discount rate | Increase by 1% | Decrease by RM1,242,146 |
| | Decrease by 1% | Increase by RM1,290,128 |
| Expected rate of salary increases | Increase by 1% | Increase by RM1,214,658 |
| | Decrease by 1% | Decrease by RM1,201,170 |
| **Company** | | |
| Discount rate | Increase by 1% | Decrease by RM50,320 |
| | Decrease by 1% | Increase by RM60,828 |
| Expected rate of salary increases | Increase by 1% | Increase by RM58,205 |
| | Decrease by 1% | Decrease by RM49,214 |

The above sensitivity analysis 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 2019, the Group's and the Company's weighted average duration of the defined benefit obligation are 12 years (2018: 12 years) and 14 years (2018: 14 years) respectively.

## 17 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 2019 | 506 | 987 | 3,094 | 46,235 | 50,822 |
| At 31 December 2018 | 565 | 506 | 2,739 | 47,577 | 51,387 |
| **Company** | | | | | |
| At 31 December 2019 | 17 | 22 | 53 | 3,430 | 3,522 |
| At 31 December 2018 | 14 | 17 | 53 | 3,452 | 3,536 |

## 18 BORROWINGS

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| **Current** | | |
| **Secured:** | | |
| Term loans | 23,359 | 17,152 |
| Bankers' acceptances | 65,497 | 62,894 |
| Revolving credits | 14,000 | 15,500 |
| Bank overdraft | 921 | 1,710 |
| **Unsecured:** | | |
| Term loans | 981 | 897 |
| Bankers' acceptances | 31,638 | 15,730 |
| Hire-purchase obligations | 2,331 | 2,633 |
| | 138,727 | 116,516 |
| **Non-Current** | | |
| **Secured:** | | |
| Term loans | 89,308 | 112,294 |
| **Unsecured:** | | |
| Term loans | 2,365 | 3,347 |
| Hire-purchase obligations | 2,227 | 4,161 |
| | 93,900 | 119,802 |
| Total Borrowings | 232,627 | 236,318 |

## 18 BORROWINGS (CONT'D)

The carrying amounts of the borrowings approximate their fair values at 31 December 2019.

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

As at the reporting date, the Group's bankers' acceptances, revolving credits, term loans and bank overdraft facilities amounting to RM193.3 million (2018: RM209.6 million) are secured against the property, plant and equipment of the Group as disclosed in Note 6, investment in subsidiary as disclosed in Note 8 and deposits with licensed financial institutions as disclosed in Note 14.

Contractual term of borrowings are as follows:

| | Weighted average interest rates | Total carrying amount | Maturity profile | | | |
|---|---|---|---|---|---|---|
| | | | <1 year | 1 - 2 years | 3 - 5 years | > 5 years |
| | % | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 31 December 2019** | | | | | | |
| Bankers' acceptances | 3.65-5.59 | 97,135 | 97,135 | - | - | - |
| Revolving credits | 5.95 | 14,000 | 14,000 | - | - | - |
| Hire-purchase obligations | 0.88-3.50 | 4,558 | 2,331 | 1,986 | 241 | - |
| Term loans | 7.01-8.39 | 116,013 | 24,340 | 19,810 | 55,089 | 16,774 |
| Bank overdraft | | 921 | 921 | - | - | - |
| | | 232,627 | 138,727 | 21,796 | 55,330 | 16,774 |
| **At 31 December 2018** | | | | | | |
| Bankers' acceptances | 3.90-5.82 | 78,624 | 78,624 | - | - | - |
| Revolving credits | 6.2 | 15,500 | 15,500 | - | - | - |
| Hire-purchase obligations | 3.3 | 6,794 | 2,633 | 2,633 | 1,528 | - |
| Term loans | 7.01-8.54 | 133,690 | 18,049 | 22,407 | 59,320 | 33,914 |
| Bank overdraft | | 1,710 | 1,710 | - | - | - |
| | | 236,318 | 116,516 | 25,040 | 60,848 | 33,914 |

As at 31 December 2019, the Group has complied with all the financial covenants for the borrowings and did not default in any repayment of principals and interests as at the reporting date.

## 18 BORROWINGS (CONT'D)

Reconciliation of liabilities arising from financing activities

The table below details the reconciliation of the opening and closing amounts in the statements of financial position for each liability for which cash flows have been, or would be, classified as financing activities in the statements of cash flows:

| Group | 2018 RM'000 | Proceeds RM'000 (a) | Repayments RM'000 (a) | 2019 RM'000 |
|---|---|---|---|---|
| Term loans | 133,690 | - | (17,677) | 116,013 |
| Bankers' acceptances | 78,624 | 18,511 | - | 97,135 |
| Revolving credits | 15,500 | - | (1,500) | 14,000 |
| Hire-purchase obligations | 6,794 | - | (2,236) | 4,558 |
| | 234,608 | 18,511 | (21,413) | 231,706 |

| Group | 2017 RM'000 | Proceeds RM'000 (a) | Repayments RM'000 (a) | Acquisition of subsidiary RM'000 | 2018 RM'000 |
|---|---|---|---|---|---|
| Term loans | 16,605 | 46,800 | (11,943) | 82,228 | 133,690 |
| Bankers' acceptances | 49,789 | 18,542 | - | 10,293 | 78,624 |
| Revolving credits | 14,000 | - | - | 1,500 | 15,500 |
| Hire-purchase obligations | 425 | 1,445 | (1,856) | 6,780 | 6,794 |
| | 80,819 | 66,787 | (13,799) | 100,801 | 234,608 |

(a) The net financing cash flows from bank borrowings make up the net amount of proceeds and repayments of borrowings.

## 19 AMOUNT DUE TO FORMER IMMEDIATE HOLDING COMPANY

The former immediate holding company was BRDB Developments Sdn. Bhd. ("BRDB") and the former ultimate holding company was 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 | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| **Current - unsecured** | | |
| Interest free | 6,202 | 5,375 |
| Interest bearing at effective interest rate of 5.35% (2018: 5.35%) | 11,395 | 9,411 |
| | 17,597 | 14,786 |
| **Non-current - unsecured** | | |
| Interest free | 943 | 5,837 |
| Interest bearing at effective interest rate of 5.35% (2018: 5.35%) | 2,344 | 11,415 |
| | 3,287 | 17,252 |
| | 20,884 | 32,038 |

Reconciliation of liabilities arising from financing activities

The table below details the reconciliation of the opening and closing amounts in the statements of financial position for each liability for which cash flows have been, or would be, classified as financing activities in the statements of cash flows:

Group and Company

| | 2018 RM'000 | Repayments RM'000 | 2019 RM'000 |
|---|---|---|---|
| Amount due to former holding company | 32,038 | (11,154) | 20,884 |

| | 2017 RM'000 | Repayments RM'000 | 2018 RM'000 |
|---|---|---|---|
| Amount due to former holding company | 40,419 | (8,381) | 32,038 |

## 20 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Current** | | | | |
| Trade payables | 69,971 | 80,278 | - | - |
| Accrued expenses | 13,102 | 12,266 | 500 | 911 |
| Other payables | 12,972 | 15,154 | 2 | - |
| Amount due to a former related company (Note 31) | 397 | 347 | - | - |
| | 96,442 | 108,045 | 502 | 911 |
| **Non-current** | | | | |
| Amount due to a former related company (Note 31) | 75 | 400 | - | - |
| | 96,517 | 108,445 | 502 | 911 |

The credit terms of trade and other payables ranging from 7 to 90 days (2018: 7 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 party, Seng Yip Furniture Sdn. Bhd. amounted to RM5.5 million (2018: RM7.3 million) as disclosed in Note 31.

## 21 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 | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Fair value of remeasured foreign forward exchange contracts | 64 | 34 |

## 21 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

At 31 December 2019, the Group's foreign exchange forward contracts entered into are as follows:

| Hedged items | Currency to be received | 2019 RM'000 equivalent | Average contractual rate |
|---|---|---|---|
| Trade receivables | US Dollar 1.7 million | 7,180 | 4.1455 |

| Hedged items | Currency to be received | 2018 RM'000 equivalent | Average contractual rate |
|---|---|---|---|
| Trade receivables | US Dollar 1.6 million | 6,678 | 4.1651 |

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.

## 22 FINANCE LEASE LIABILITIES

| | Group 2019 RM'000 | Company 2019 RM'000 |
|---|---|---|
| Analysed as: | | |
| Non-current | 455 | 32 |
| Current | 81 | 1 |
| | 536 | 33 |
| Maturity analysis | | |
| Year 1 | 81 | 1 |
| Year 2 | 85 | 1 |
| Year 3 | 91 | 1 |
| Year 4 | 85 | 1 |
| Year 5 | 88 | 1 |
| Onwards | 106 | 28 |
| | 536 | 33 |

## 22 FINANCE LEASE LIABILITIES (CONT'D)

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Reconciliation of liabilities arising from financing activities

The table below details the reconciliation of the opening and closing amounts in the statements of financial position for each liability for which cash flows have been, or would be, classified as financing activities in the statements of cash flows:

| | Adoption of MFRS 16 At 1 January 2019 RM'000 | Repayments RM'000 | 2019 RM'000 |
|---|---|---|---|
| **Group** | | | |
| Lease liabilities | 611 | (75) | 536 |
| **Company** | | | |
| Lease liabilities | 34 | (1) | 33 |

## 23 REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Revenue from contracts with customers:** | | | | |
| Sale of goods | 427,282 | 419,847 | - | - |
| Management fee receivable from a subsidiary | - | - | 4,561 | 5,324 |
| | 427,282 | 419,847 | 4,561 | 5,324 |

Group revenue excludes intra-group transactions.

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Timing of revenue recognition** | | | | |
| Point in time | 427,282 | 419,847 | - | - |
| Over time | - | - | 4,561 | 5,324 |
| | 427,282 | 419,847 | 4,561 | 5,324 |

## 24 STAFF COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| Wages, salaries and bonuses | 23,630 | 25,863 | 3,686 | 4,374 |
| Defined contribution plan | 2,770 | 2,984 | 499 | 534 |
| Employee defined benefit plan (Note 17) | 1,472 | 1,919 | 74 | 128 |
| Other employee benefits | 10,056 | 10,817 | 120 | 136 |
| | 37,928 | 41,583 | 4,379 | 5,172 |

Details of the defined benefit plan for the Group and the Company are set out in Note 17.

Included in the staff costs of the Group and the Company are Executive Director's remuneration, as disclosed in Note 29.

## 25 PROFIT/(LOSS) FROM OPERATIONS

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| Write off of property, plant and equipment | 427 | 16 | - | - |
| Inventories written down | - | 315 | - | - |
| Fair value (gain)/loss on derivative financial instruments | (30) | 16 | - | - |
| Auditors' remuneration: | | | | |
| Statutory audit | | | | |
| - current financial year | 289 | 174 | 65 | 60 |
| - overprovision in prior year | 75 | - | (20) | - |
| Other assurance services: | | | | |
| - current financial year | 34 | 15 | 34 | 15 |
| Expense relating to low value leases | 9 | - | - | - |
| Rental of building | - | 121 | - | - |
| Unrealised loss/(gain) on foreign exchange | | | | |
| - trade receivables and payables | 365 | (411) | - | - |
| Realised (gain)/loss on foreign exchange | (1,758) | (4) | - | - |
| Loss/(Gain) on disposal of property, plant and equipment | 788 | (1) | - | - |
| Impairment loss on trade receivables | 3,322 | - | - | - |
| Provision for employee defined benefit plan | 1,472 | 1,919 | 74 | 128 |
| (Write back of allowance)/Allowance for inventories obsolescence | (870) | 740 | - | - |
| Rental income (Note 36) | (528) | (510) | - | - |
| Goodwill written off | - | 306 | - | - |
| Gain from insurance claims | (5,438) | - | - | - |

## 26 FINANCE COSTS AND FINANCE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| **Finance costs** | | | | |
| Interest expense on: | | | | |
| - Bank overdraft | 150 | 277 | - | - |
| - Bankers' acceptances | 4,884 | 3,585 | - | - |
| - Hire purchase liabilities | 417 | 444 | - | - |
| - Term loans | 7,510 | 6,871 | - | - |
| - Amount due to former immediate holding company | 789 | 1,242 | 789 | 1,242 |
| - Revolving credits | 900 | 917 | - | - |
| - Foreign currency trade financing | 456 | 333 | - | - |
| - Finance lease liabilities | 37 | - | 2 | - |
| Loan facility fees | - | 75 | - | - |
| | 15,143 | 13,744 | 791 | 1,242 |
| Less: offsetting | - | - | (789) | (1,242) |
| | 15,143 | 13,744 | 2 | - |
| **Finance income** | | | | |
| Recovery of interest from a subsidiary in respect of borrowings from former immediate holding company | - | - | (789) | (1,242) |
| Interest income | (358) | (298) | - | - |
| | (358) | (298) | (789) | (1,242) |
| Less: offsetting | - | - | 789 | 1,242 |
| | (358) | (298) | - | - |

## 27 TAX CREDIT/(EXPENSE)

| | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| Tax credit/(expense) for the financial year: | | | | |
| In respect of the current year: | | | | |
| - Malaysian income tax | (68) | (50) | - | - |
| - Deferred tax (Note 10) | 6 | (4,878) | - | - |
| | (62) | (4,928) | - | - |
| Over/(Under) provision prior year | | | | |
| - Malaysian income tax | (314) | - | (314) | - |
| - Deferred tax (Note 10) | 2,540 | - | - | - |
| | 2,164 | (4,928) | (314) | - |

The effective tax rates of the Group's and the Company's loss before taxation differ from the statutory income tax rate of 24% (2018: 24%) and is reconciled as below:

| | Group 2019 % | Group 2018 % | Company 2019 % | Company 2018 % |
|---|---|---|---|---|
| Statutory loss tax rate of Malaysia | (24) | (24) | (24) | (24) |
| Tax effects of | | | | |
| - Income not subjected to tax | (52) | - | 23 | - |
| - Expenses not deductible | 485 | 16 | - | - |
| - Deferred tax assets not recognised | - | 12 | 1 | 24 |
| - Utilisation of deferred tax assets previously not recognised | (421) | (4) | - | - |
| - Others | - | (8) | - | - |
| Over/(Under)provision in prior years: | | | | |
| - Income tax | (61) | - | (72) | - |
| - Deferred tax | 495 | - | - | - |
| | 422 | (8) | (72) | - |

## 28 EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share of the Group is calculated based on the profit attributable to owners of the Company of RM1.7 million (2018: loss attributable to owners of the Company of RM60.6 million) divided by the weighted average number of 525.0 million (2018: 525.0 million) ordinary shares in issue during the financial year.

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/(loss) per share is the same as the basic earnings/(loss) per share.

## 29 DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| **Directors of the Company** | | | | |
| Non-executive Directors: | | | | |
| - fees | 161 | 233 | 161 | 233 |
| - allowances and other emoluments | 53 | 37 | 53 | 37 |
| | 214 | 270 | 214 | 270 |
| Executive Directors: | | | | |
| - salaries and bonus | 3,222 | 3,352 | 3,222 | 3,352 |
| - defined contribution plan | 387 | 402 | 387 | 402 |
| - other employee benefits | 2 | 2 | 2 | 2 |
| | 3,611 | 3,756 | 3,611 | 3,756 |
| Total | 3,825 | 4,026 | 3,825 | 4,026 |

## 30 CAPITAL COMMITMENTS

| | Group | |
|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 |
| **Approved and contracted for:** | | |
| Capital expenditure: | | |
| - property, plant and equipment | 7,420 | 14,029 |

## 31 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 a former immediate holding company |
| Mieco Manufacturing Sdn. Bhd. | Wholly-owned subsidiary |
| Great Platform Sdn. Bhd. | Wholly-owned subsidiary |
| Mieco Marketing Sdn. Bhd. | Wholly-owned subsidiary |
| Tudor Capital 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 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 | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **BRDB Developments Sdn. Bhd.** | | | | |
| - Interest expense | 789 | 1,242 | 789 | 1,242 |
| **Mieco Manufacturing Sdn. Bhd.** | | | | |
| - Interest income | - | - | (789) | (1,242) |
| - Management fee receivable | - | - | (4,561) | (5,324) |
| **Seng Yip Furniture Sdn. Bhd.** | | | | |
| - Purchase of logs, slabs and sawdust | 14,175 | 14,789 | - | - |
| - Sales of chipboards | (2,407) | (6,719) | - | - |
| - Rental income | (528) | (510) | - | - |
| - Commission paid | 211 | 286 | - | - |
| **Tomisho Sdn. Bhd.** | | | | |
| - Sales of chipboards | (1,829) | (2,376) | - | - |
| **Kiara Susila Sdn. Bhd.** | | | | |
| - Rental of office building | 96 | 96 | - | - |

## 31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

(c) Significant balances with related parties

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Amount due to former immediate holding company** | | | | |
| BRDB Developments Sdn. Bhd. | 20,884 | 32,038 | 20,884 | 32,038 |
| **Amount due to a former related company** | | | | |
| BR Property Holdings Sdn. Bhd. | 472 | 747 | - | - |
| **Amount due from/(to) subsidiaries** | | | | |
| Mieco Manufacturing Sdn. Bhd. | - | - | 256,829 | 268,778 |
| Great Platform Sdn. Bhd. | - | - | 26,529 | 51,529 |
| Mieco Marketing Sdn. Bhd. | - | - | 5,494 | 5,494 |
| Tudor Capital Sdn. Bhd. | - | - | (3,411) | (3,411) |
| **Amount due to related parties** | | | | |
| Seng Yip Furniture Sdn. Bhd. | 5,507 | 7,293 | - | - |

(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 | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Remuneration and benefits | 3,224 | 3,354 | 3,224 | 3,354 |
| Post-employment benefits | 387 | 402 | 387 | 402 |
| | 3,611 | 3,756 | 3,611 | 3,756 |

## 32 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 | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Malaysia | 344,664 | 324,226 |
| Hong Kong and China | 39,492 | 32,940 |
| Others | 43,126 | 62,681 |
| | 427,282 | 419,847 |

| | Total assets | | Capital expenditure | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Malaysia | 705,038 | 730,882 | 7,819 | 24,290 |

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

## 33 FINANCIAL INSTRUMENTS BY CATEGORY

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

| | Financial assets at fair value through profit or loss | | Financial assets at amortised cost | | Financial liabilities at amortised cost | |
|---|---|---|---|---|---|---|
| **Group** | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Financial Assets** | | | | | | |
| **Current** | | | | | | |
| Derivative financial instruments | 64 | 34 | - | - | - | - |
| Receivables and deposits | - | - | 70,203 | 74,887 | - | - |
| Cash and bank balances | - | - | 21,588 | 25,535 | - | - |
| | 64 | 34 | 91,791 | 100,422 | - | - |

## 33 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

| Group | Financial assets at fair value through profit or loss | | Financial assets at amortised cost | | Financial liabilities at amortised cost | |
|---|---|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Financial Liabilities** | | | | | | |
| **Non-current** | | | | | | |
| Amount due to former immediate holding company | - | - | - | - | 3,287 | 17,252 |
| Other payables | - | - | - | - | 75 | 400 |
| Borrowings | - | - | - | - | 93,900 | 119,802 |
| Finance lease liabilities | - | - | - | - | 455 | - |
| | - | - | - | - | 97,717 | 137,454 |
| **Current** | | | | | | |
| Trade and other payables | - | - | - | - | 96,442 | 108,045 |
| Amount due to former immediate holding company | - | - | - | - | 17,597 | 14,786 |
| Borrowings | - | - | - | - | 138,727 | 116,516 |
| Finance lease liabilities | - | - | - | - | 81 | - |
| | - | - | - | - | 252,847 | 239,347 |

| Company | Financial assets at amortised cost | | Financial liabilities at amortised cost | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Financial Assets** | | | | |
| **Non-current** | | | | |
| Amount due from subsidiaries | 267,565 | 306,868 | - | - |
| **Current** | | | | |
| Receivables and deposits | 121 | 109 | - | - |
| Amount due from subsidiaries | 21,297 | 18,942 | - | - |
| Cash and bank balances | 208 | 214 | - | - |
| | 21,626 | 19,265 | - | - |

## 33 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

| Company | Financial assets at amortised cost | | Financial liabilities at amortised cost | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Financial Liabilities** | | | | |
| **Non-current** | | | | |
| Amount due to former immediate holding company | - | - | 3,287 | 17,252 |
| Finance lease liabilities | - | - | 32 | - |
| | - | - | 3,319 | 17,252 |
| **Current** | | | | |
| Trade and other payables | - | - | 502 | 911 |
| Amount due to subsidiaries | - | - | 3,426 | 3,426 |
| Amount due to former immediate holding company | - | - | 17,597 | 14,786 |
| Finance lease liabilities | - | - | 1 | - |
| | - | - | 21,526 | 19,123 |

## 34 FINANCIAL GUARANTEE CONTRACTS

| | Company | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Financial guarantees (unsecured) issued by the Company to licensed financial institutions for banking facilities granted to a subsidiary | 247,209 | 250,384 |

The financial guarantees have not been recognised since the fair value on initial recognition was not material as the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiary companies' borrowings in view of the securities pledged by the subsidiary companies as disclosed in Note 6, Note 8 and Note 14.

## 35 LEASE COMMITMENTS

At the end of reporting period, the Group and the Company have cancellable lease commitments as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Less than one year | - | 119 | - | 3 |
| Between one and five years | - | 447 | - | 12 |
| More than five years | - | 224 | - | 48 |
| | - | 790 | - | 63 |

The Group and the Company have entered into cancellable operating lease agreements for the use office building, staff quarters and automated teller machine ("ATM"). These leases have an average term of 12 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group and the Company by entering into these leases.

As explained in Note 2, the Group and the Company have changed its accounting policies for leases. The new policies are as described in Note 2.1(a). The impact of the change and the reconciliation for the differences between operating lease commitments disclosed as at 31 December 2018 and lease liabilities recognised at the date of initial application of 1 January 2019 are as disclosed in Note 2.1(d).

## 36 OPERATING LEASE ARRANGEMENT

Operating leases, in which the Group is the lessor, relates to property owned by the Group with lease terms of between 25 to 31 months, with one to two years extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

| | Group 2019 RM'000 |
|---|---|
| Maturity analysis of operating lease payments: | |
| Year 1 | 599 |
| Year 2 | 599 |
| Year 3 | 132 |
| | 1,330 |

The following table presents the amounts reported in statement of comprehensive income.

| | Group 2019 RM'000 |
|---|---|
| Lease income on operating leases (Note 25) | 528 |

## 36 OPERATING LEASE ARRANGEMENT (CONT'D)

All of the properties held have committed tenants for the next 4 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting date, the Group had contracted with tenants for the following future minimum lease payments:

| | Group<br>2018<br>RM'000 |
|---|---|
| Maturity analysis of operating lease payments: | |
| Within one year | 528 |
| Within one year to two years | 599 |
| More than 2 years | 731 |
| | 1,858 |

## 37 SIGNIFICANT EVENTS DURING THE YEAR

a) On 2 July 2019, Mieco Manufacturing Sdn. Bhd., a wholly owned subsidiary, has a minor fire incident occurred at one of its chipboard manufacturing plant in Lipis, Pahang. The damages sustained from the fire incident are restricted to the conti-roll press section while other sections of the machinery and building were not affected. Damages to the conti-roll press section has been repaired and the plant has resumed operation on 22 July 2019 within the financial period. Subsequently, the Group has recognised a repair and maintenance expenses to restore the damaged machineries amounting to RM1.3 million and a write-off of machinery amounted to RM0.4 million that could not be salvaged during the fire. A gain from insurance claims of RM5.4 million has been recognised being the settlement of the claim for Material Damage of this fire incident which is disclosed in Note 25.

b) On 5 November 2019, Great Platform Sdn. Bhd. ("GPSB"), a wholly owned subsidiary, has entered into a Sale and Purchase Agreement ("S&P Agreement") with Bagus Timber Sdn. Bhd. ("Bagus Timber") to dispose of its Gemas plant consisting of a freehold land, buildings and immovable erected on the land to Bagus Timber. The total consideration for the disposal is RM16.3 million with the costs related to sale of RM0.1 million, of which a 10% deposit amounting to RM1.63 million was paid on 12 November 2019. The remaining RM14.67 million would be paid by Bagus Timber in accordance to the terms and conditions as stipulated in the S&P Agreement.

   Subsequent to the financial year end, the Group has received RM6.79 million from Bagus Timber of which RM4.89 million was used to repay the loan to Public Bank Berhad and discharge the land and building pledged to the bank as security. The discharge documents, transfer and subsequent charge to Bagus Timber bank financier have been presented to the relevant Land Authority on 10 June 2020. Subsequently, upon fulfilment of pre-disbursements by Bagus Timber, the remaining of RM7.88 million will be released by their bank financier to complete the transaction.

   As of 31 December 2019, the net book value of the property, plant and equipment amounting to RM16.5 million was reclassified to assets held for sale, with impairment loss of RM0.3 million being recognised upon measurement to the lower of fair value less costs to sell of RM16.2 million as disclosed in Note 11.

## 37 SIGNIFICANT EVENTS DURING THE YEAR (CONT'D)

c) On 18 March 2019, GPSB has entered into a Lease Agreement with Holy Crane Wood Product Sdn. Bhd. ("Holy Crane") to lease out its Gerik plant which consists of 3 pieces of freehold industrial land, including the machineries and buildings located in Gerik, Perak upon completion of construction of the Gerik plant. The lease is for a tenure of 15 years and the monthly rental is RM267,447 with an option to purchase all the said assets located in Gerik, Perak. The lease was expected to commence in September 2019 but has been delayed due to damage to electrical cables spanning from main electrical sub-station to the Gerik plant electrical sub-station during construction. Following the damage, repair works are ongoing to fix the damaged electrical cables. As of 31 December 2019, the Gerik Plant amounted to RM31.1 million has been classified as capital work-in-progress as disclosed in Note 6.

## 38 EVENTS AFTER THE REPORTING PERIOD

The World Health Organisation has declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. In response to this pandemic, the Malaysian government implemented Movement Control Order ("MCO") effective from 18 March 2020 to 12 May 2020, followed by a Conditional Movement Control Order ("CMCO") until 9 June 2020. During MCO, the Group has to stop its manufacturing activities. The Group has resumed its business in Rompin Plant and Simpang Pertang Plant on 23 April 2020, Plant 3 on 28 April 2020 and Plant 2 on 12 May 2020 with Standard Operating Procedures ("SOP") imposed during the MCO and CMCO period. The Gerik plant is still pending completion while Gemas plant remains idle.

Therefore, as at the date of the financial statements are authorised for issue, it is premature to carry out a full assessment or quantification of the possible impacts that COVID-19 will have on the Group for the financial year ending 31 December 2020, due to the uncertainty about its consequences, in the short, medium and long term. The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact.

However, the Group has carried out a preliminary assessment of the current situation based on the best information available as at 30 April 2020. Due to the aforementioned considerations, such information may be incomplete. From the preliminary assessment performed, there are several risks identified as follows:

a) **Valuation risk:**

The Group's future estimates and assumptions on its cash flow projections may have a negative impact in the recoverable amount of the Group's property, plant and equipment due to the sensitivity to changes in estimates and assumptions. Based on management's assessment, the results are as follows:

<u>Plant 3</u>

The revised recoverable amount, based on Value In Use ("VIU") of RM270.7 million is lower than its carrying value of RM275.9 million as at balance sheet date. Accordingly, an estimated impairment loss on property, plant and equipment of RM5.2 million will reduce the carrying amount subsequent to year end.

<u>Rompin Plant</u>

The revised recoverable amount, based on VIU of RM48.9 million is lower than its carrying value of RM51.4 million as at balance sheet date. Accordingly, an estimated impairment loss on property, plant and equipment of RM2.5 million will reduce the carrying amount subsequent to year end.

## 38 EVENTS AFTER THE REPORTING PERIOD (CONT'D)

**a) Valuation risk: (cont'd)**

Gerik Plant

The revised recoverable amount, based on fair value less cost to sell of RM13.4 million is lower than its carrying value of RM15.8 million as at balance sheet date. Accordingly, an estimated impairment loss on land and buildings of RM2.4 million will reduce the carrying amount subsequent to year end.

The revised recoverable amount, based on fair value less cost to sell is RM12.2 million is lower than its carrying value of RM14.3 million as at balance sheet date. Accordingly, an estimated impairment loss on plant and machineries of RM2.1 million will reduce the carrying amount subsequent to year end.

The Group's deferred tax asset is estimated to reduce by RM5.2 million subsequent to year end due to insufficient probable future taxable profits available against which the deductible temporary differences can be utilised.

There has been no significant increase in credit risk based on the assessment of customer's credit risk taken into consideration of customer's past collection records and adjusted for forward looking information.

**b) Liquidity risk:**

During MCO period, Bank Negara Malaysia ("BNM") has ordered Malaysian banks to implement 6 months automatic moratorium for all SMEs and individual loans, while those not belonging to either categories have an option also to apply for the moratorium. Following this initiative, the Group has applied for 6 months moratorium on its existing loans and borrowings to improve its future 6 months cash flow for the financial year ending 31 December 2020. As of the date of the financial statements, the Group has obtained approval from all its 5 financial institutions.

As at to date, the Group has not breach any of its bank loans and borrowings covenants. Any breach of these covenants may result in the change of classification of non-current liabilities to current liabilities.

**c) Operational risk:**

The uncertain and unpredictable events may have a risk of causing temporary interruption to the Group's sales while continue to incur certain significant fixed costs. For this reason, the Group will persevere with its on-going strategy to improve its product mix, further improve on its cost control, dispose its assets to streamline and rationalize its production facilities, improve its production efficiency and to pursue various alternative actions to improve its financial performance.

Considering all of the aforementioned factors, the Group will closely monitor the impact of COVID-19 on its ongoing operations and its financial performance, and will report the impact to its financial statements on a timely manner.

# 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 2019 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 11 June 2020.

**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 11th day of June 2020.

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 2019 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 48 to 131.

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 2019, 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.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 2 to the consolidated financial statements, which indicates the Group's current liabilities exceeded its current assets by RM76.0 million. This, and other events or conditions as disclosed in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*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 (cont'd)*

| *Key audit matters* | *Our audit performed and responses thereon* |
|---|---|
| <u>Impairment of property, plant and equipment</u><br><br>During the financial year, the Directors made an annual impairment assessment of the following plants of the Group due to existence of impairment indicators.<br>• Plant 3<br>• Rompin Plant<br>• Simpang Pertang Plant<br>• Gerik Plant<br>• Gemas Plant<br><br>The recoverable amount were determined by the directors based on the higher of value-in-use and fair value less costs to sell. For Simpang Pertang, Rompin and Plant 3 which are actively being used for production, management prepared cash flows projections for Plant 3, Simpang Pertang plant and Rompin plant to determine the value-in-use. For Gerik plant which is under construction and hence, has no value-in-use, the Group has engaged independent valuers to determine the market value of the properties. For Gemas plant and machineries which are idle, and hence, has no value-in-use, the Group has engaged independent valuers to determine the market value of the assets. For land and buildings in Gemas plant which has been classified as asset held for sale upon entering into S&P Agreement with Bagus Timber, the impairment assessment review is based on realisable value (deemed as fair value less costs to sell).<br><br>The key basis and assumptions used in the estimation of the recoverable amount involved a significant degree of management judgement. More details are disclosed in Note 6.<br><br>As a result, an impairment of the property, plant and equipment of RM1.03 million was recognised during the current financial year. | Our audit procedures, among others, included:<br>• Obtained understanding of the management control processes and evaluated the design and implementation of controls over the impairment assessment of property, plant and equipment.<br>• Discussed with management and obtained an understanding of impairment or potential reversal of previously recognised impairment loss assessment prepared by management.<br>• Obtained management prepared cash flows projections for active plants, being Plant 3, Simpang Pertang plant and Rompin plant which their recoverable amount is based on value-in-use.<br>• We performed retrospective review on prior cash flow projection used in the model to assess the reliability of management's estimates.<br>• Involvement of our own valuation specialist to review the appropriateness of the impairment model and discount rate.<br>• We have 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.<br>• We have assessed the sensitivity analysis on key assumptions used by management for the impairment of property, plant and equipment.<br>• Obtained the valuation report fair value of the properties in Gerik Plant which is construction-in-progress and Gemas Plants which are unsold plant and machineries as at 31 December 2019 performed by independent external valuation specialist to determine the market value.<br>• We have assessed the competency, capabilities and objectivity of the valuers and verified their qualifications and challenged the variables and assumptions used in the valuations.<br>• Held a discussion with the valuer to gain understanding of the basis and assumption used and challenge the basis and assumption used. This includes the valuation model used and basis of valuation adopted and assumption used.<br>• We have made comparison of the carrying amount against the values determined by the independent valuers to evaluate whether impairment is required. |

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

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of 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.

*Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)*

- 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 8 to the Financial Statements.

## OTHER MATTER

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

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

**LIM CHU GUAN**
**Partner - 03296/03/2021 J**
**Chartered Accountant**

Kuala Lumpur
11 June 2020

# ANALYSIS OF SHAREHOLDINGS
As At 29 May 2020

| | | |
|---|---|---|
| Issued and Fully Paid-Up Capital | : | 525,000,000 shares |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | 1 vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Holdings | No. of Holders | % of Holders | No. of Shares | % of Shares |
|---|---|---|---|---|
| Less than 100 | 717 | 11.78 | 16,950 | 0.00 |
| 100 – 1,000 | 446 | 7.33 | 209,058 | 0.04 |
| 1,001 – 10,000 | 2,796 | 45.93 | 14,130,322 | 2.69 |
| 10,001 – 100,000 | 1,834 | 30.12 | 61,177,949 | 11.65 |
| 100,001 – less than 5% of issued shares | 291 | 4.78 | 263,630,500 | 50.22 |
| 5% and above of issued shares | 4 | 0.06 | 185,835,221 | 35.40 |
| Total | 6,088 | 100 | 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 | % |
| <u>In the Company</u> | | | | |
| Dato' Sri Ng Ah Chai | 298,045,137 | 56.77 | - | - |

## THIRTY (30) MAJOR SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS

| | Name | Shareholding | % |
|---|---|---|---|
| 1) | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai* | 54,400,000 | 10.36 |
| 2) | M&A Nominee (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai (M&A)* | 51,625,000 | 9.83 |
| 3) | RHB Nominees (Tempatan) Sdn Bhd<br>*OSK Capital Sdn Bhd for Ng Ah Chai* | 50,210,221 | 9.56 |
| 4) | JF Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai* | 29,600,000 | 5.64 |
| 5) | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai (8103749)* | 24,350,000 | 4.64 |
| 6) | M & A Nominee (Tempatan) Sdn Bhd<br>*Insas Credit & Leasing Sdn Bhd for Ng Ah Chai* | 23,060,210 | 4.39 |

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

| | Name | Shareholding | % |
|---|---|---|---|
| 7) | RHB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai* | 16,775,000 | 3.20 |
| 8) | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank For Ng Ah Chai (PBCL-0G0503)* | 15,750,000 | 3.00 |
| 9) | AMSEC Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for PNL Business Services Sdn Bhd* | 11,727,300 | 2.23 |
| 10) | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai (100426)* | 11,600,000 | 2.21 |
| 11) | AMSEC Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai* | 8,500,000 | 1.62 |
| 12) | JF Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Lee Kim Song (Margin)* | 5,685,900 | 1.08 |
| 13) | RHB Capital Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Chee Chik Eng* | 5,280,000 | 1.01 |
| 14) | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Tee Tiam Hock* | 4,986,300 | 0.95 |
| 15) | RHB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Lim Pang Kiam* | 4,979,000 | 0.95 |
| 16) | RHB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Hin Seong* | 4,967,100 | 0.95 |
| 17) | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai (001)* | 4,670,000 | 0.89 |
| 18) | MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai (MGN-NAC0003M)* | 3,850,000 | 0.73 |
| 19) | JF Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Chee Chik Eng (Margin)* | 3,834,500 | 0.73 |
| 20) | JF Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Chee Chik Keng (Margin)* | 3,771,100 | 0.72 |
| 21) | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Kumpulan Wang Persaraan (Diperbadankan) (UOB AM SC EQ)* | 2,900,000 | 0.55 |
| 22) | Lim Saow Wai | 2,860,000 | 0.55 |
| 23) | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Siu Hee Kheng* | 2,818,000 | 0.54 |
| 24) | Lim See Teok | 2,500,000 | 0.48 |
| 25) | JF Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Cheng Kien Wing (Margin)* | 2,486,900 | 0.47 |

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

| | Name | Shareholding | % |
|---|---|---|---|
| 26) | RHB Capital Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chee Chik Keng | 2,457,500 | 0.47 |
| 27) | Ong Ngoh Ing @ Ong Chong Oon | 2,400,000 | 0.46 |
| 28) | Wang, Kun-Lung | 2,100,800 | 0.40 |
| 29) | Tan Chong Yen | 2,100,000 | 0.40 |
| 30) | RHB Capital Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ng Ah Chai* | 1,850,000 | 0.35 |

## 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
As At 31 December 2019

| Location | Tenure | Land area | Description | Approximate age of building (Years) | Net book value RM'000 | Acquisition date | Balance of lease by Year |
|---|---|---|---|---|---|---|---|
| **Mieco Manufacturing Sdn Bhd** Lot 73, Gebeng Industrial Area 26080 Kuantan Pahang Darul Makmur | Lease expiring 18.08.2048 | 653,670 sq.ft. | Warehouse & Industrial land | 4 | 12,968 | 26.10.1999 | 29 |
| **Mieco Manufacturing Sdn Bhd** Lot 74, Gebeng Industrial Area 26080 Kuantan Pahang Darul Makmu | Lease expiring 22.02.2097 | 1,254,528 sq.ft. | Chipboard factory & Industrial Land | 17-25 | 34,895 | 24.08.1995 | 78 |
| **Mieco Manufacturing Sdn Bhd** Lot 3, Kawasan Perindustrian Kechau Tui 27100 Lipis Pahang Darul Makmur | Lease expiring 2104 | 2,178,000 sq. ft. | Chipboard factory & Industrial Land | 15 | 76,106 | 05.12.2004 | 85 |
| **Mieco Manufacturing Sdn Bhd** Lot 27, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur | Lease expiring 20.12.2105 | 158,253 sq.ft. | Industrial land | | 206 | 20.12.2006 | 86 |
| **Mieco Manufacturing Sdn Bhd** Lot 28, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur | Lease expiring 20.12.2105 | 299,257 sq.ft. | Industrial land | | 389 | 20.12.2006 | 86 |
| **Mieco Manufacturing Sdn Bhd** Lot 29, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur | Lease expiring 20.12.2105 | 304,484 sq.ft. | Industrial land | | 396 | 20.12.2006 | 86 |

# LIST OF PROPERTIES

As At 31 December 2019 (Cont'd)

| Location | Tenure | Land area | Description | Approximate age of building (Years) | Net book value RM'000 | Acquisition date | Balance of lease by Year |
|---|---|---|---|---|---|---|---|
| **Mieco Manufacturing Sdn Bhd** Lot 30, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur | Lease expiring 20.12.2105 | 281,398 sq.ft. | Industrial land | | 365 | 20.12.2006 | 86 |
| **Great Platform Sdn Bhd** Lot PT 1150 Mukim Gemas 73400 Daerah Tampin Negeri Sembilan | Freehold | 563,882 sq.ft. | Land, office, factory and warehouse | 7 | 15,783 | 23.12.2011 | |
| **Great Platform Sdn Bhd** Lot 7056, Pekan Simpang Pertang 72300 Daerah Jelebu Negeri Sembilan | Lease expiring 18.06.2094 | 281,692 sq.ft. | Land, office, factory and warehouse | 6 | 11,539 | 15.11.2013 | 75 |
| **Great Platform Sdn Bhd** Lot 436, 437 & 488 Jalan Bahau, Rompin 73500 Bahau Negeri Sembilan | Freehold | 1,744,849 sq.ft. | Land, office, factory and warehouse | 3 | 22,275 | 10.06.2016 | |
| **Great Platform Sdn Bhd** Batu 103 Jalan Klian Intan 33310 Gerik Perak | Freehold | 934,523 sq.ft. | Land, office, factory and warehouse | 3 | 11,131 | 13.01.2017 | |
| **Great Platform Sdn Bhd** Lot 4656, 4657 Pekan Simpang Pertang 72300 Daerah Jelebu Negeri Sembilan | Lease expiring 18.06.2089 | 13,522 sq.ft | Industrial land | | 1,075 | 06.04.2017 | 70 |

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting (47th AGM) of Mieco Chipboard Berhad (MIECO or Company) will be conducted on a virtual basis entirely through live streaming from the broadcast venue at Board Room, No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor on Thursday, 23 July 2020 at 10.00 a.m.

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors thereon.

**AS ORDINARY BUSINESS**

2. To approve the Payment of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM250,000.00 from 24 July 2020 until the next Annual General Meeting of the Company. — Ordinary Resolution 1 (Please refer to Explanatory Note 1)

3. To re-elect the following Directors retiring in accordance with Clause 103 of the Company's Constitution and who, being eligible, offer themselves for re-election:

   (i) Cheam Tow Yong — Ordinary Resolution 2
   (ii) Ng Wei Ping — Ordinary Resolution 3

4. To appoint Auditors and to authorise the Directors to fix their remuneration. — Ordinary Resolution 4 (Please refer to Explanatory Note 2)

   Notice pursuant to Section 271 (4) of the Companies Act, 2016, a copy of which is set out and marked "Annexure A", has been received by the Company to propose the following Ordinary Resolution:

   "THAT Messrs UHY be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Deloitte PLT and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration."

**AS SPECIAL BUSINESS**

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

5. **Authority to Issue Shares**

   "THAT, subject always to the Companies Act 2016, the Constitution 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 5 (Please refer to Explanatory Note 3)

6. **Proposed Renewal of Existing 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 the Circular to Shareholders dated 24 June 2020, 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;

Ordinary Resolution 6
(Please refer to Explanatory Note 4)

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."

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 Constitution 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:

Ordinary Resolution 7
(Please refer to Explanatory Note 5)

(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."

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

By Order of the Board

**NG GEOK LIAN (LS 0007155)**
**COMPANY SECRETARY**

Cheras, Selangor.
24 June 2020

**NOTES:**

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 (COVID-19), the 47th AGM will be conducted on a virtual basis entirely through live streaming and online remote voting via Remote Participation and Voting facilities ("RPV") which are available on website at www.metramanagement.com.my. Please follow the procedures provided in the Administrative Details of 47th AGM in order to register, participate and vote remotely via the RPV.

2. The Broadcast Venue of the 47th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be at the main venue of the meeting. No shareholders/ proxies from the public should be physically present at the Broadcast Venue on the day of the 47th AGM.

3. Members may submit questions to the Board of Directors prior to the 47th AGM to stephanie@mieco.com.my no later than 10.00 a.m. on Monday, 20 July 2020 or to use the Question and Answer platform to transmit questions to Board of Directors via RPV during live streaming.

4. Since the 47th AGM will be conducted via a virtual meeting, a member entitled to attend and vote at the meeting may appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Proxy Form.

5. 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.

6. 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.

7. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owner 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.

8. 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.

9. The instrument appointing a proxy must be deposited at the Company's Share Registrar, Metra Management Sdn. Bhd. at 35th Floor, Menara Multi- Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur ("Share Registrar Office") not less than 48 hours before the time for holding the 47th AGM or at any adjournment thereof, either by hand or post to the Share Registrar Office or email to corporate@mweh.com.my. In the case where the instrument appointing a proxy is delivered by email, the original instrument appointing a proxy shall also be deposited at the Share Registrar Office, either by hand or post not less than 48 hours before the time for holding the 47th AGM or at any adjournment thereof.

10. 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 15 July 2020 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.

11. Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 47th AGM will be put to vote on a poll.

**Explanatory Notes on Ordinary Business:**

1) The Ordinary Resolution 1, 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.

   The total estimated Directors' fees and benefits payable to Non-Executive Directors are calculated based on the current Board of Directors ("Board") size and the number of scheduled Board's and Board Committees' meetings for the period from 24 July 2020, being the day after the Forty-Seventh Annual General Meeting 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 1, 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.

2) The Ordinary Resolution 4, the shareholders' approval is sought for the appointment of Messrs UHY in place of the retiring Auditors, Deloitte PLT. This resolution, if approved, will allow Messrs. UHY to hold office until the conclusion of the next AGM of the Company and will authorise the Board to determine their remuneration thereof.

**Explanatory Notes on Special Business:**

3) The Ordinary Resolution 5, 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.

   As at the date of this Notice, the Company has not issued any new shares pursuant to the General Mandate granted to the Directors at the Forty-Sixth (46th) Annual General Meeting held on 30 May 2019 and which will lapse at the conclusion of the Forty-Seventh (47th) Annual General Meeting.

4) The Ordinary Resolution 6, 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 2.1.3 of the Circular to Shareholders dated 24 June 2020, 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 Circular to Shareholders dated 24 June 2020.

5) The Ordinary Resolution 7, 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 Circular to Shareholders dated 24 June 2020.

**Personal Data Privacy** by lodging of a completed Proxy Form to the Company and the Share Registrar (as the case maybe) for appointing a proxy(ies) and/or representative(s) to attend and/or in person at the 47th AGM and any adjournment therefore, a shareholder of the Company and the Share Registrar is hereby: i. consenting to the collection, use and disclosure of the member's personal data by the Company and to Share Registrar (as the case maybe) for the purpose of the processing and administration by the Company and the Share Registrar (as the case maybe) of proxy(ies) and representative(s) appointed for the 47th AGM (including any adjournment thereof), and in order for the Company and the Share Registrar (as the case maybe) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively the "Purpose"). ii. warranting that where the member discloses the personal data of shareholder's proxy(ies) and/or representative(s) to the Company and the Share Registrar (as the case maybe), the shareholder has obtained to prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company and the Share Registrar (as the case maybe) of the personal data of such proxy(ies) and/or representative(s) for the purpose ("Warranty"); and iii. agreeing that the member will indemnify the Company and the Share Registrar (as the case maybe) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of Warranty.

For the purpose of the paragraph, "personal data" shall have the same meaning given in section 4 of Personal Data Protection Act 2010.

# 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 47th AGM of the Company.

2. The detailed information relating to general mandate for issue of securities pursuant to Paragraph 6.03(3) of the Listing Requirements of Bursa Securities are set out under Explanatory Note 3 of the Notice of the 47th AGM of the Company.

# ANNEXURE A

Dato' Sri Ng Ah Chai
No. 11, Jalan Puncak Perdana 1,
Perdana Height, Batu 9,
43200 Cheras, Selangor.

Date: 15 June 2020

The Board of Directors
**MIECO CHIPBOARD BERHAD**
(Registration No. 197201001235(12849-K))
Registered Office
No. 1, Block C, Jalan Indah 2/6,
Taman Indah, Batu 11,
43200 Cheras, Selangor.

Dear Sirs,

**RE: APPOINTMENT OF AUDITORS**

I, Dato' Sri Ng Ah Chai being a shareholder of Mieco Chipboard Berhad, hereby give notice pursuant to Section271(4) of the Companies Act, 2016, of my intention to nominate **Messrs UHY** for appointment as Auditors of the Company to replace the retiring Auditors, **Deloitte PLT** and to propose the following resolution to be considered at the forthcoming Annual General Meeting to be convened at a date to be determined by the Board of Directors.

"THAT **Messrs UHY** be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, **Deloitte PLT** and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration."

Thank you.

Yours faithfully,

Dato' Sri Ng Ah Chai
Shareholder

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MIECO

Mieco Chipboard Berhad
(Registration No. 197201001235 [12849-K])

# 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)*

________________________Tel No.______________ Email address ______________________

or failing him, ______________________________________ NRIC No. __________________
*(FULL NAME IN BLOCK CAPITALS)*

of ________________________________________________________________________________
*(ADDRESS)*

Tel No. ___________________ Email address ____________________________ or failing him,

the **CHAIRMAN OF THE MEETING** as my/our proxy to vote on my/our behalf at the Forty-Seventh Annual General Meeting of the Company to be conducted on a virtual basis entirely through live streaming from the broadcast venue at Board Room, No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor on Thursday, 23 July 2020 at 10.00 a.m. and at any adjournment thereof.

| No. | Agenda | FOR | AGAINST |
|---|---|---|---|
| **Ordinary Business** | | | |
| 1. | Ordinary Resolution 1 - To approve the payment of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM250,000.00 from 24 July 2020 until the next Annual General Meeting of the Company. | | |
| 2. | Ordinary Resolution 2 - To re-elect Cheam Tow Yong who retires by rotation in accordance with Clause 103 of the Company's Constitution and being eligible, offers himself for re-election. | | |
| 3. | Ordinary Resolution 3 - To re-elect Ng Wei Ping who retires by rotation in accordance with Clause 103 of the Company's Constitution and being eligible, offers himself for re-election. | | |
| 4. | Ordinary Resolution 4 - To appoint Messrs UHY as Auditors of the Company in place of the retiring Auditors, Deloitte PLT and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | | |
| **Special Business** | | | |
| 5. | Ordinary Resolution 5 - Authority to Issue Shares | | |
| 6. | Ordinary Resolution 6 - Proposed Shareholders' Mandate | | |
| 7. | Ordinary Resolution 7 - Proposed Renewal of Share Buy-Back | | |

*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 _____________, 2020.

| 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** |

| Number Of Shares Held |
|---|
| |

_____________________________
**Signature Of Member**

Fold this flap for sealing

*Notes:*

1. *As part of the initiatives to curb the spread of Coronavirus Disease 2019 (COVID-19), the 47th AGM will be conducted on a virtual basis entirely through live streaming and online remote voting via Remote Participation and Voting facilities ("RPV") which are available on website at www.metramanagement.com.my. Please follow the procedures provided in the Administrative Details of 47th AGM in order to register, participate and vote remotely via the RPV.*
2. *The Broadcast Venue of the 47th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be at the main venue of the meeting. No shareholders/proxies from the public should be physically present at the Broadcast Venue on the day of the 47th AGM.*
3. *Members may submit questions to the Board of Directors prior to the 47th AGM to stephanie@mieco.com.my no later than 10.00 a.m. on Monday, 20 July 2020 or to use the Question and Answer platform to transmit questions to Board of Directors via RPV during live streaming.*
4. *Since the 47th AGM will be conducted via a virtual meeting, a member entitled to attend and vote at the meeting may appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Proxy Form.*
5. *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.*
6. *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.*
7. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owner 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.*
8. *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.*

Then fold here

AFFIX
STAMP

The Share Registrar
**Metra Management Sdn. Bhd.**
35th Floor, Menara Multi-Purpose,
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia

1st fold here

9. *The instrument appointing a proxy must be deposited at the Company's Share Registrar, Metra Management Sdn. Bhd. at 35th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur ("Share Registrar Office") not less than 48 hours before the time for holding the 47th AGM or at any adjournment thereof, either by hand or post to the Share Registrar Office or email to corporate@mweh.com.my. In the case where the instrument appointing a proxy is delivered by email, the original instrument appointing a proxy shall also be deposited at the Share Registrar Office, either by hand or post not less than 48 hours before the time for holding the 47th AGM or at any adjournment thereof.*
10. *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 15 July 2020 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.*
11. *Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 47th AGM will be put to vote on a poll.*

***Personal Data Privacy*** *by lodging of a completed Proxy Form to the Company and the Share Registrar (as the case maybe) for appointing a proxy(ies) and/or representative(s) to attend and/or in person at the 47th AGM and any adjournment therefore, a shareholder of the Company and the Share Registrar is hereby: i. consenting to the collection, use and disclosure of the member's personal data by the Company and to Share Registrar (as the case maybe) for the purpose of the processing and administration by the Company and the Share Registrar (as the case maybe) of proxy(ies) and representative(s) appointed for the 47th AGM (including any adjournment thereof), and in order for the Company and the Share Registrar (as the case maybe) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively the "Purpose"). ii. warranting that where the member discloses the personal data of shareholder's proxy(ies) and/or representative(s) to the Company and the Share Registrar (as the case maybe), the shareholder has obtained to prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company and the Share Registrar (as the case maybe) of the personal data of such proxy(ies) and/or representative(s) for the purpose ("Warranty"); and iii. agreeing that the member will indemnify the Company and the Share Registrar (as the case maybe) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of Warranty.*

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