ANNUAL REPORT 2020

MIECO

MIECO CHIPBOARD BERHAD

(Registration No. 197201001235 [12849-K])

CONTENTS

GROUP CORPORATE STRUCTURE
AS AT 16 APRIL 2021

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

Dato' Sri Ng Ah Chai
Group Managing Director

Mr. Ng Wei Ping, Keith
Executive Director

Mr. Cheam Tow Yong
Independent Non-Executive Director

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

Mr. Kajendra A/L Pathmanathan
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
SSM Practicing Certificate No. 201908002080

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 UHY *(AF1411)*
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

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 68, 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 to 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 the director of MRCB-Quill Management Sdn Bhd, the Manager of Public Listed MRCB-Quill Reit. He is also a board member of SHP International Education Group Sdn Bhd.

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 four (4) Board Meetings of the Company held during the financial year ended 31 December 2020.

DATO' SRI NG AH CHAI
Group Managing Director

Dato' Sri Ng Ah Chai, aged 58, male, a Malaysian, was appointed to the Board on 15 November 2016 as a Group Managing Director of Mieco Chipboard Berhad. He is also a Key Senior Management team member of the Company.

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.

Dato' Sri Ng was the former Executive Chairman and Chief Executive Officer of SYF Resources Berhad and was re-designated as the Managing Director on 1 July 2020.

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 28 April 2021.

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

Dato' Sri Ng attended all four (4) Board Meetings of the Company held during the financial year ended 31 December 2020.

MR. NG WEI PING, KEITH
Executive Director

Mr Ng Wei Ping, Keith, aged 31, male, a Malaysian, was appointed to the Board on 13 October 2017 as Executive Director of Mieco Chipboard Berhad. He is also a Key Senior Management team member of the Company. 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 28 April 2021.

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

Mr Keith attended all four (4) Board Meetings of the Company held during the financial year ended 31 December 2020.

MR. CHEAM TOW YONG

Independent Non-Executive Director
Chairman of Audit Committee
Member of Nomination and Remuneration Committees

Mr. Cheam Tow Yong, aged 65, 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 all four (4) Board Meetings of the Company held during the financial year ended 31 December 2020.

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 70, 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 four (4) Board Meetings of the Company held during the financial year ended 31 December 2020.

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

Mr. Kajendra A/L Pathmanathan, aged 47, 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 and re-designated as Non-Independent Non-Executive Director on 30 December 2016.

Mr. Kajendra is currently the Chief Executive Officer of BRDB. He sits on the boards of BRDB and its 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 four (4) Board Meetings of the Company held during the financial year ended 31 December 2020.

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 37, male, a Malaysian, is the Manager, Finance & Accounts of MIECO. He holds an advance diploma in Accountancy from Tunku Abdul Rahman College and is 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 Company") and its subsidiary companies ("the Group") for the financial year ended 31 December 2020 ("FY2020").

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.

It has been a year since the Covid-19 pandemic hit and although the outbreak has yet to come to an end, the roll-out of vaccine have already started which gives hope for the pandemic come to an end. Simultaneously, with the gradual lifting of nationwide containment measures as well as support from better external demand conditions which are the key support to growth, we believe that the momentum of the recovery of our economic activities would continue to improve.

2020 has been a challenging year for the Group. Amidst all the uncertainties, whether from Covid-19, domestic and global macroeconomics or socio-politics, we continue to intensify 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.

Revenue contribution from Malaysia in FY2020 was approximately RM332.27 million of total Group's turnover with the rest arising from exports of RM45.06 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 930 employees.

REVIEW OF FINANCIAL PERFORMANCE

During the financial year under review, the Group reported a marginal decrease in revenue from RM427.28 million in 2019 to RM377.33 million. This 11% decrease was due primarily to the business stoppage and disruption of business operation in first half of the year caused by the Movement Control Order ("MCO") to curb the spread of Covid-19.

The full year loss before tax for FY2020 was RM3.91 million, compared to RM0.51 million loss before tax for the previous financial year, mainly due to the abovementioned business stoppage and disruption of business operation. Consequently, the Group suffered a net loss of RM4.48 million in FY2020 when compared to marginal net profit of RM1.65 million in FY2019. The higher loss was mainly due to the lower revenue coupled with the reversal of deferred tax assets of RM0.29 million as compared to the recognition of deferred tax assets of RM2.55 million in FY2019.

The Group registered net cash inflows from operating activities of RM40.97 million for FY2020 as compared to RM20.76 million for FY2019. The increment was in tandem with the decrement of both the inventories and receivable accounts.

In line with the disposal of our Gemas Plant, the Group's investing activities generated net cash inflows of RM9.58 million as compared to net cash outflows of RM7.79 million in the previous financial year. The improved cash flows position mainly due to the one time proceeds from the sale of Gemas Plant of RM16.3 million in FY2020.

Net cash outflows from financing activities of RM50.85 million for FY2020 was mainly used for the settlement of advances from former immediate holding company of RM20.88 million and repayment of term loans of RM14.99 million.

Overall, cash and cash equivalents decreased by RM0.30 million to RM8.64 million as at 31 December 2020, mainly due to net cash flows used in financing activities which was offset by funds generated from operating and investing activities.

Accordingly, the Group's borrowings has marginally reduced from RM233.47 million as at 31 December 2019 to RM204.61 million as at 31 December 2020. In turn, the Group's gearing ratio has decreased to 86% as at the end of FY2020 as compared to 94% in the previous financial year.

The Group will continue to maintain a prudent approach towards managing its capital resources to ensure adequacy in meeting its operational requirements and to fulfilling its financial commitments to all stakeholders.

REVIEW OF OPERATIONS

The Group performance was severely affected in the first two quarters due to the outbreak of COVID-19 and MCO implemented by the Government before the indications of recovery in the second half of the year. Going into 2021, we have seen positive increment of demand on the particle board markets, especially in the domestic market. This was indeed a heartening turn of events, coming on the back of several very challenging months.

The strong demand has led to increase in average selling price of our products. The particle board markets growth is expected to continue to be positive with the growing demand from the domestic market, and the Group expects the market to remain firm for the rest of 2021.

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

We continued to work closely with our 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 unplanned downtime during the year after the forced shutdown due to the implementation of MCO. 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 one dozen new MFC colour designs in 2020 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.

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

CORPORATE DEVELOPMENT

On 2 March 2021, the Board announced that the Company proposes to undertake a bonus issue of up to 315,000,000 new ordinary MIECO Shares on the basis of 3 Bonus Shares for every 5 existing MIECO Shares ("Proposed Bonus Issue of Shares"). The Proposed Bonus Issue of Shares is expected to enhance the marketability and trading liquidity of the ordinary shares of MIECO on the Main Market of Bursa Securities as a result of the increase in the number of ordinary shares in issue. Simultaneously it also enables the existing shareholders of MIECO to increase their number of shares held without incurring any cost, whilst maintaining their percentage of equity interest.

This Proposed Bonus Issue of Shares has obtained the shareholders' approval through the Extraordinary General Meeting held on 31 March 2021 and was completed with the listing and quotation of the Bonus Shares on the Main Market of Bursa Securities on 16 April 2021.

BUSINESS STRATEGY

In facing the challenges ahead, the Group business strategy remained firmly in progress to build further upon our operating strengths and take positive action to improve our financial position.

At the business and operating level, we will continue our efforts to be 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 keep production running at optimal capacity. Marketing resources and activities will continue to be our focus 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

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

The momentum in economic recovery in Malaysia was affected by the resurgence in COVID-19 cases and the introduction of targeted containment measures in several states in the fourth quarter of 2020. While there were minimal restrictions on production capacity, the movement restrictions implemented in selected states partly affected domestic demand during the quarter.

For 2021, while near-term growth will be affected by the re-introduction of stricter containment measures, the impact, however, will be less severe than that experienced in 2020. The growth trajectory is projected to improve from the second quarter onwards. The improvement will be driven by the recovery in global demand, turnaround in public and private sector expenditure amid continued support from policy measures including PENJANA, KITA PRIHATIN, 2021 Budget and PERMAI, and higher production from existing and new facilities in the manufacturing and mining sectors. The vaccine rollout from February 2021 onwards is also expected to lift sentiments.

The balance of risks remains tilted to the downside, stemming mainly from ongoing uncertainties surrounding the dynamics of the pandemic and potential challenges that might affect the rollout of vaccines both globally and domestically. *(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)*

We expect 2021 to be challenging but with potential for possible growth, benefiting from the recovery in global demand, continue policies support by the government and the rollout of mass inoculation against COVID-19.

RISK MANAGEMENT

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

However, since the market has shown some positive indication of recovery, we will make the most of the opportunities that come our way.

At the price point, we will stay focused with the on-going operating measures that we have earlier implemented which had increased our cost efficiency and 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 2020. 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 FY2020 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 subsidiary companies. All the reported information in the Statement covers the period from 1 January to 31 December 2020.

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

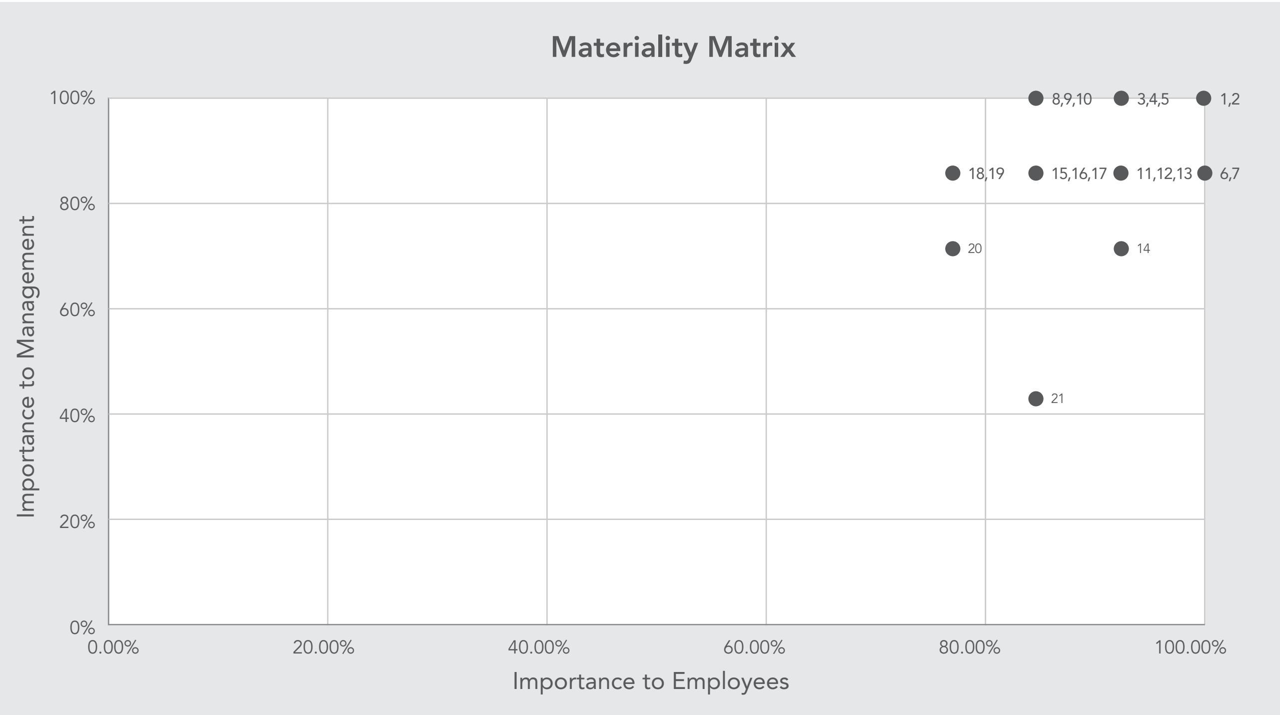
The Group has always been working closely with our stakeholders through various methods, which allows us to understand their areas of concern and enables us to better manage matters pertaining to the sustainability and materiality.

Stakeholders	Engagement Activities	Frequency of engagement
Employees	- Employee induction training - Townhall sessions - Safety briefings - Learning and developmental programmes - Performance appraisals	- At least once a year - Ad hoc basis - A one-time briefing to new staff - Throughout the year - At least once a year
Customers	- Customer feedback mechanism	- Once a year
Investors	- Analyst briefings - Annual General Meetings - Financial statements	- Ad hoc basis - Once a year - At least four times a year
Government and regulatory authorities	- Meetings	- As and when required
Media	- Media releases - Press conferences	- As and when required - 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: -



Ten material sustainability topics have been identified across the economic and social themes for fiscal 2020. Moving forward, MIECO aims to be more inclusive and systematic by integrating external stakeholder into our stakeholder engagement process.

Legend:

No.	Sustainability Topic
1	Safe working environment
2	Water management
3	Risk management
4	Employee benefits
5	Client satisfaction
6	Diverse and inclusive workplace
7	Employee training
8	Practice of good business conduct/ethics
9	Anti-corruption policies and procedures
10	Client data privacy
11	Material management

No.	Sustainability Topic
12	Respecting human rights standards
13	Financial sustainability
14	Carbon emissions
15	Supply chain management
16	Energy management
17	Corporate social contribution to the local communities
18	Waste management
19	Assessment of suppliers' environmental practices
20	Assessment of suppliers' social practices
21	Land and Biodiversity Management

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

The Group performance was severely affected due to the outbreak of COVID-19 and MCO implemented by the Government in the first half of 2020. Our operations were halted from 18 March 2020 till early of May 2020. Consequently, the revenue in FY2020 declined 11% to RM377.33 million, and a net loss of RM4.48 million was recorded in FY2020.

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), 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

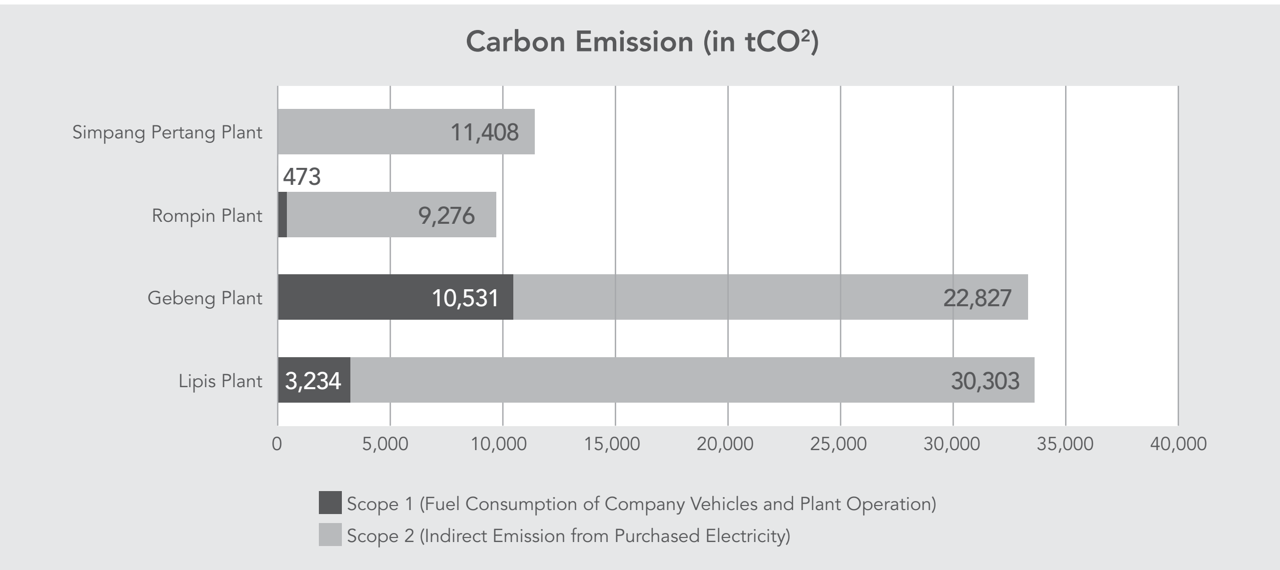
MIECO aims to reduce the impact of pollution on the surrounding ecosystem and biodiversity. This addresses environmental preservation issues and takes into consideration the concerns of various stakeholders. In order to mitigate the effects of chemicals and waste on air, water and soil, strict pollution 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.

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.

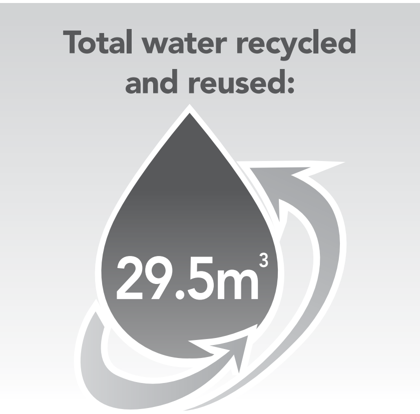


Reference: http://www.carbonsolutions.com/calculator.html

Waste Management

MIECO have always been committed in waste minimization. The Group apply 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 FY2020, MIECO disposed 8,012 tonnes of general waste and recycled 184 tonnes of general waste.

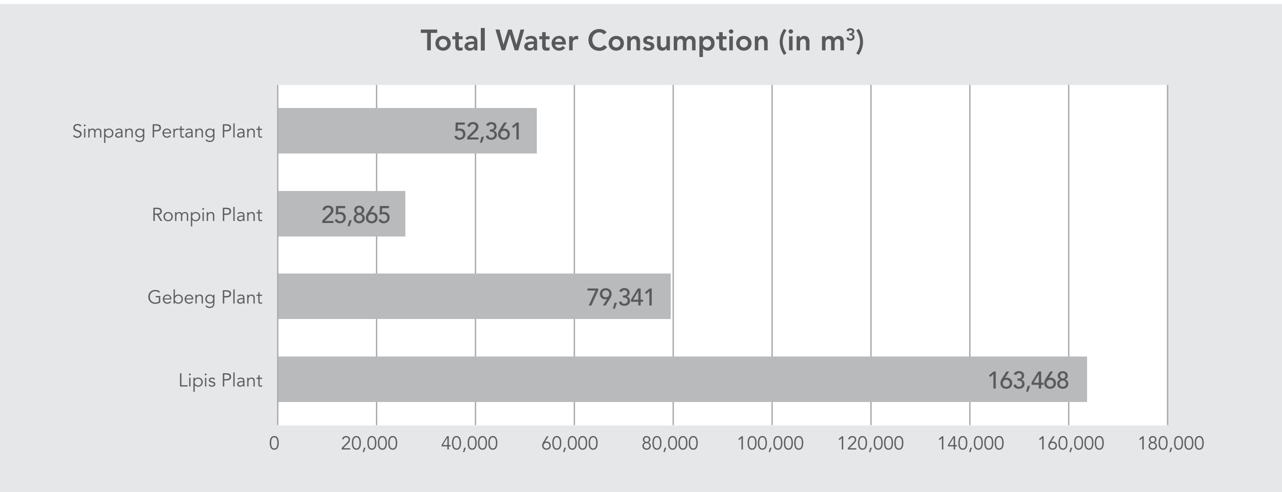


Water Management

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 2020, our water consumption and water recycled and reused are illustrated as per the charts shown.



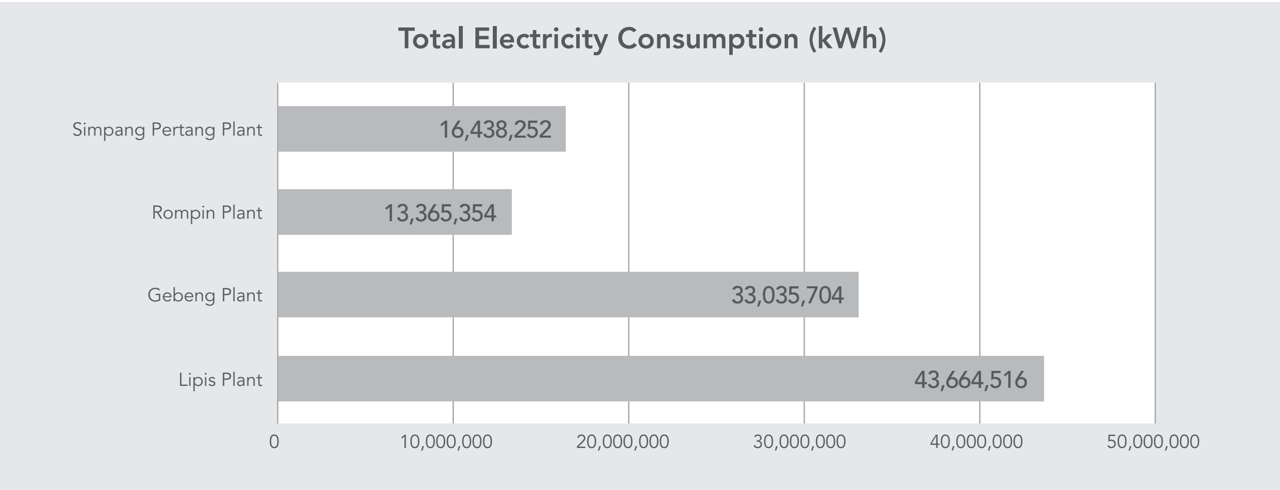
Energy Management

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 2020 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.

Mitigation of COVID-19

Since the outbreak of COVID-19, the Group makes additional efforts to mitigate the risk of COVID-19 infection to all employees. Strict SOPs such as temperature check for all employees and visitors at entry points, physical distancing, hand sanitisation practices, and wearing face mask/shield at all times, has been implemented. All employees are required to declare if they have travelled overseas or have been direct contact with COVID-19 patients.

Emergency protocols and Committees have been drawn up and established to handle COVID-19 cases. Voluntary COVID-19 screening has also been conducted according to the Ministry of Health (MOH)'s advice. Appropriate accommodation has been provided to foreign workers and it is strict adherence to the guidelines set by MOH.

SUSTAINABILITY STATEMENT
(Cont'd)

Occupational Health and Safety

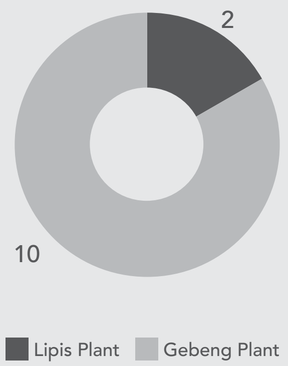
In order to ensure the safety of our employees, MIECO subscribes to the highest standards in health and safety management. Accordingly, our occupational safety management systems were certified in line with OHSAS 45001:2018, thus ensuring best practices in the Group's operations.

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.

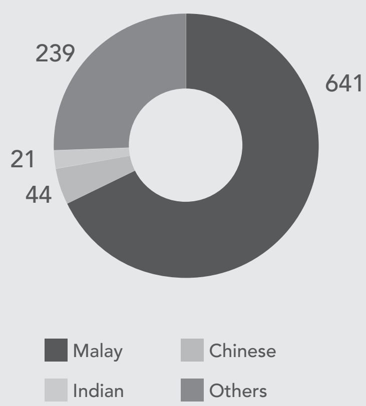
We have also conducted health and safety training programmes, to ensure our employees are equipped with an appropriate understanding of the health and safety requirements of the workplace. In FY2020, we did not record any injuries incident in both Rompin and Simpang Pertang plants as well as fatalities in the Group.

Fatalities recorded: 0

Total Recordable Injuries



Employee by Ethnicity



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.

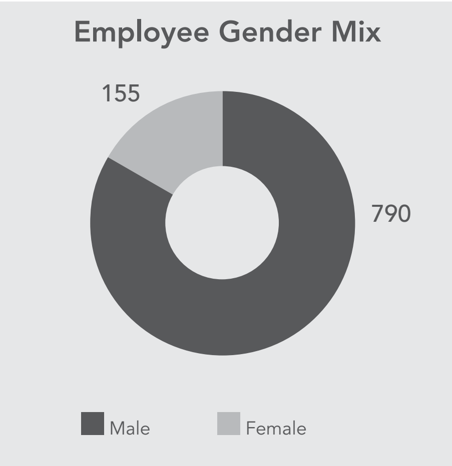
Employee Rights and Benefits

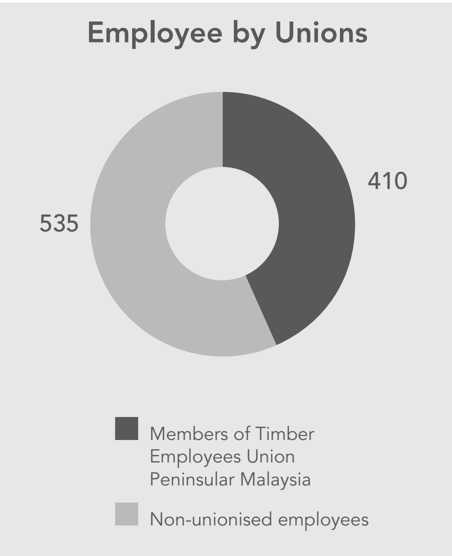
MIECO is committed to treating our employees fairly and rewarding excellence. Besides our compliance with the applicable laws and regulations, we also offer allowances, a comprehensive leave system, and medical as well as hospitalisation benefits.

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.





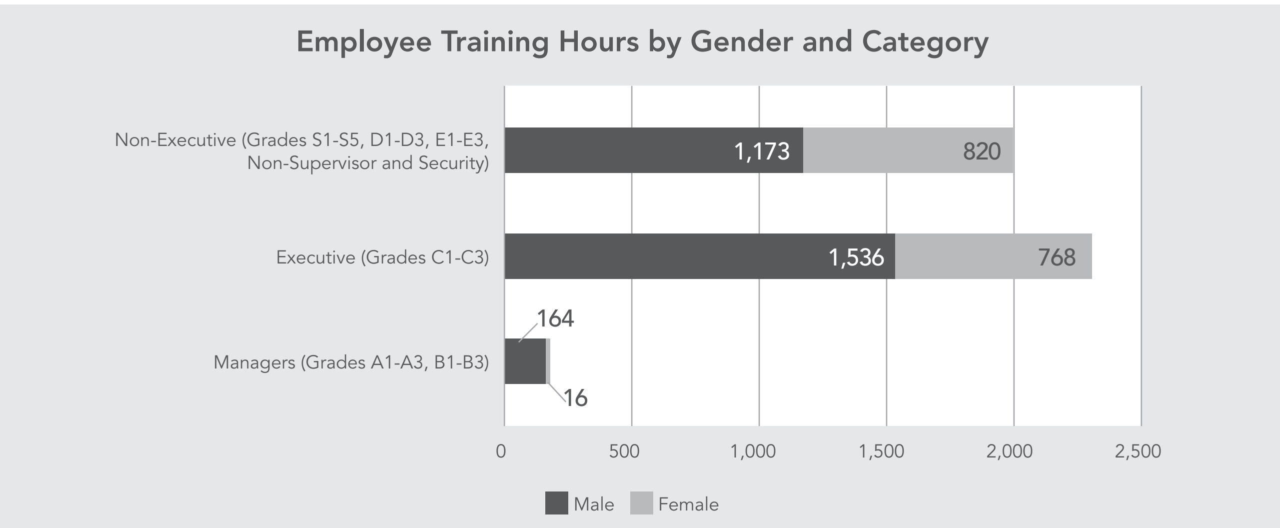
In order to denounce all forms of discrimination in our workplace, MIECO have implemented the relevant measures including the establishment of our Employee Handbook that clearly outlines the appropriate steps to be taken against discriminating actions. In 2020, there was no discriminatory conducts reported 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 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:

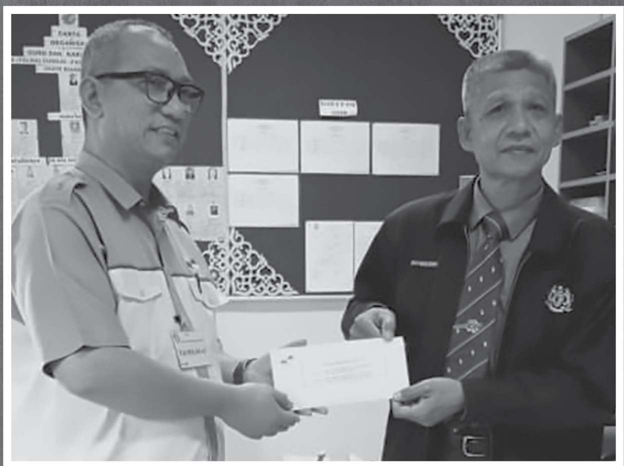
- Structured identification of training needs by superiors
- Induction programmes for new employees
- On-the-job training



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 2020, our CSR programmes took up 1,717 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 Bulan Sabit Merah Malaysia (Kuantan branch) • Donation to Balok, Kuantan Community • Donation to SK (Felda) Sg Panching Utara, Kuantan • Donation to Rumah Anak Yatim & Miskin Baitul Husna • Donation to Pertubuhan Kebajikan Anak-Anak Yatim Islam Al-Ihsan, Kuala Lipis • Gotong-royong at Gebeng plant • Blood donation at Gebeng plant • Research visit by Kuantan Forestry Department and University Putra Malaysia
Employee Benefits	• Distribution of Hari Raya cookies and meals • Visits and donations to employees and ex-employees diagnosed with critical illnesses • Visits and delivery of "Get Well Gift" to warded employees at hospital • Bowling competition at Kuantan • Kid Schooling Aid to employees with children • Futsal Tournament at Kuala Lipis

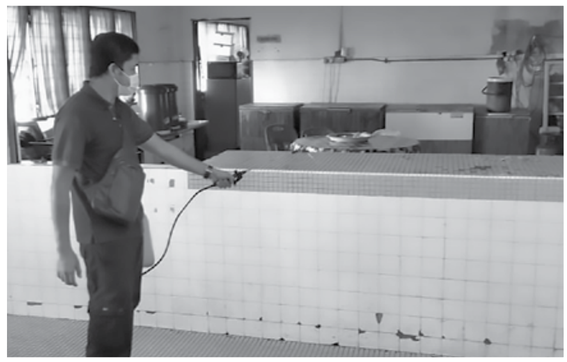


Donation to SK (Felda)
Sg. Panching Utara, Kuantan

Donation to Pertubuhan
Kebajikan Anak-Anak Yatim
Al-Ihsan, Kuala Lipis

Visitation and donation to MIECO's employees diagnosed with critical illness

Gotong-royong and Sanitization work at MIECO's plant



Blood Donation at MIECO's plant

FINANCIAL HIGHLIGHTS
FINANCIAL STATISTICS 2016-2020

	2020 RM'000	2019 RM'000 Restated	2018 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	360,975	370,498#	561,634	435,160	413,293
Right-of-use assets	140,786	152,212#	-	-	-
Deferred tax assets	5,147	5,433	5,433	10,189	10,189
	506,908	528,143	567,067	445,349	423,482
Current assets	139,656	160,720	163,815	153,570	136,110
Assets classified as held for sale	-	16,182	-	-	-
TOTAL ASSETS	646,564	705,045	730,882	598,919	559,592
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	215,866	215,866	215,866	215,866	210,000
Reserves	119,134	124,673	123,038	186,849	165,766
Total equity	335,000	340,539	338,904	402,715	375,766
Non-current liabilities	114,875	111,963#	152,631	59,081	57,618
Current liabilities	196,689	252,543#	239,347	137,123	126,208
Total liabilities	311,564	364,506	391,978	196,204	183,826
TOTAL EQUITY AND LIABILITIES	646,564	705,045	730,882	598,919	559,592
GROUP RESULTS					
Revenue	377,332	427,282	419,847	349,306	324,096
(Loss)/Profit before tax	(3,905)	(513)	(55,655)	48,026	72,519
Taxation	(573)	2,164	(4,928)	(77)	10,159
(Loss)/Profit for the financial year	(4,478)	1,651	(60,583)	47,949	82,678
Dividend paid	-	-	(5,250)	(21,000)	-
SELECTED RATIOS *					
Basic (loss)/earnings per share (sen)	(0.85)	0.31	(11.54)	9.13	15.75
Proposed dividend per share (sen)	-	-	-	1.00	4.00
Net assets per share (RM)	0.64	0.65	0.65	0.77	0.72

* The 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.

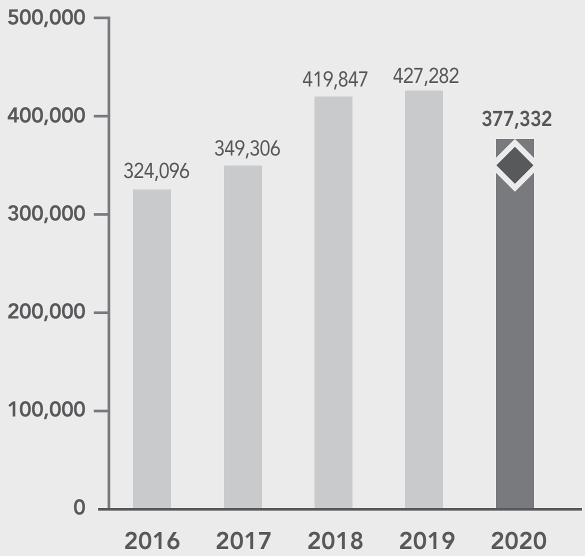
The 2019 figures have been restated to be consistent with the presentation in audited financial statements for the financial year ended 31 December 2020.

FINANCIAL HIGHLIGHTS

FINANCIAL STATISTICS 2016-2020 (Cont'd)

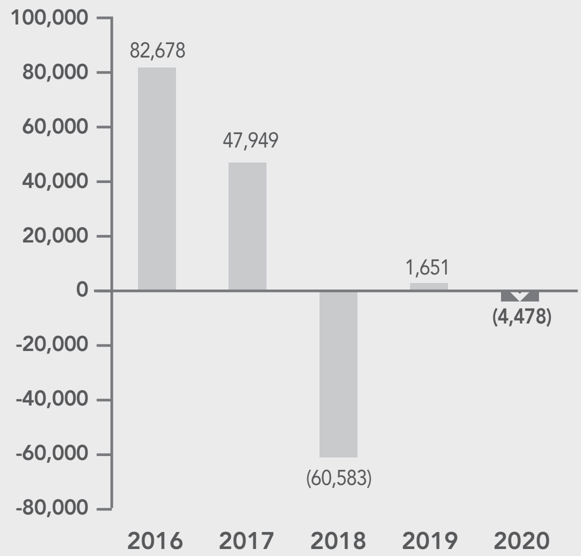
REVENUE

(IN RM'000)



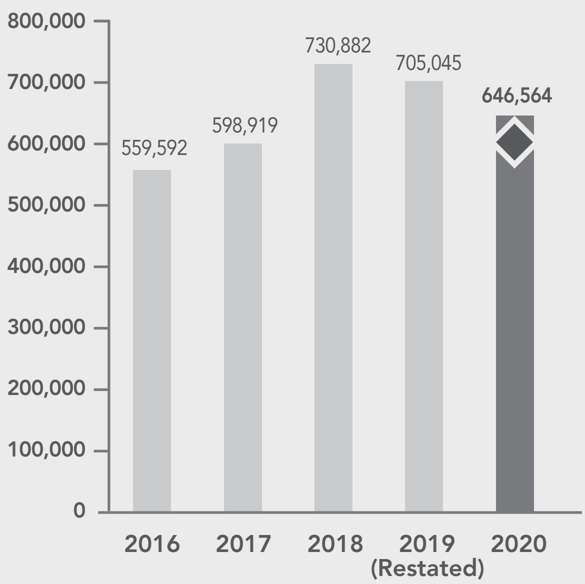
PROFIT / (LOSS) AFTER TAX

(IN RM'000)



TOTAL ASSETS

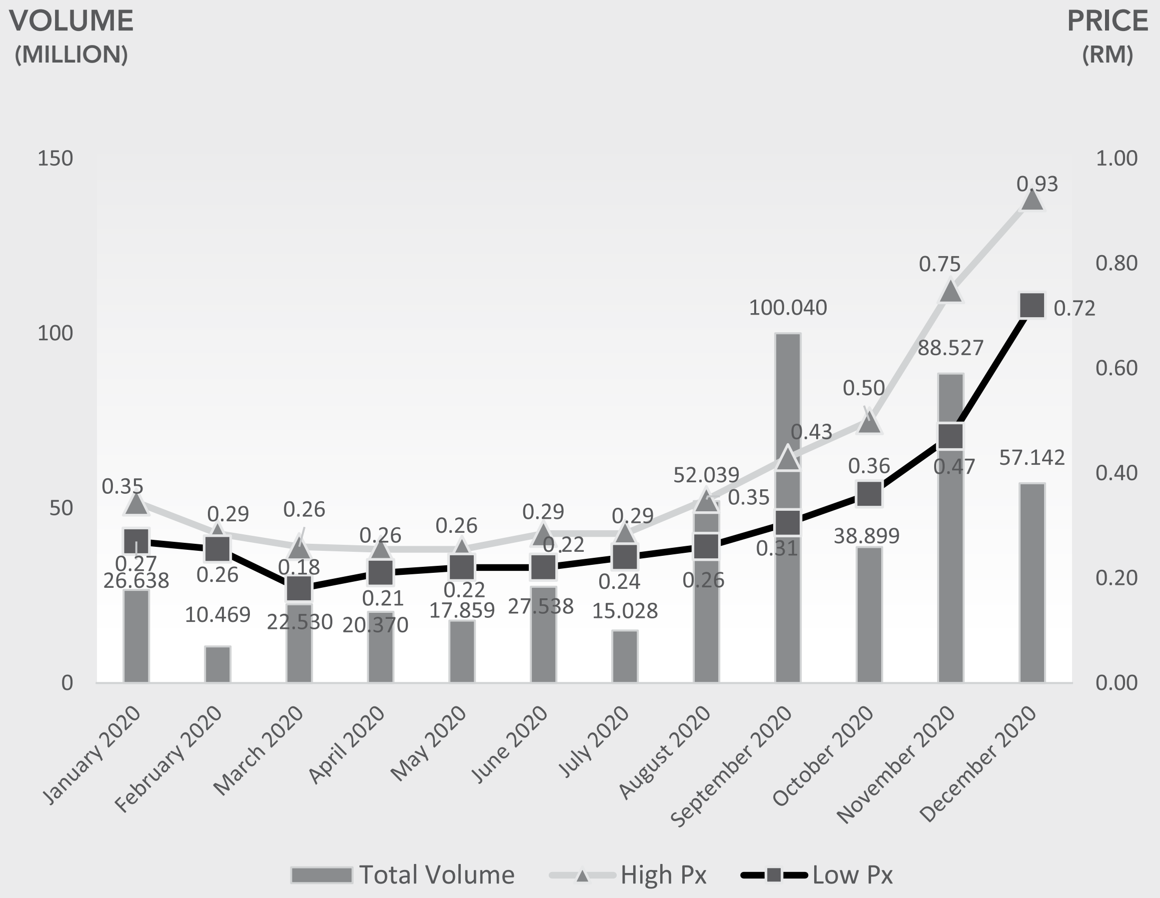
(IN RM'000)



SHAREHOLDERS' EQUITY

(IN RM'000)

SHARE PERFORMANCE



(Source: The Wall Street Journal)

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

Pursuant to the Board Charter of MIECO Group, the Board is required to meet at least 5 times a year, with additional meetings for particular matters convened as and when necessary. However, due to the outbreak of COVID-19 pandemic and the implementation of Movement Control Order by the Government, only 4 Board meetings were able to be held during the financial year ended 31 December 2020. The attendance record of each Director is as follows:

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

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2020 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 compliance with the relevant legislation and regulations.

The Company Secretary managed 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 work closely with the management to ensure timely flow of information to the Board.

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

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 adopted an Anti-Bribery and Anti-Corruption Policy and Procedure 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 2020 are disclosed on pages 13 to 23 of this Annual Report.

PART II - BOARD COMPOSITION

Board Composition

As at the date of this statement, the Board has six members, comprising one Independent Non-Executive Chairman, one Group Managing Director, one Executive Director, 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, Board committees, and the contributions of each Director and Committee member towards the effectiveness of their decision making process. The assessment includes assessment of independence of the Independent Directors too.

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 Board Committees' performance and effectiveness as a whole;
- Assessed the performance of each individual Director and Board Committees' member;
- 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 Provision Under The MACC Act: Mitigating A New Risk For Your Company**
- **Allowed Financial Assistance To Directors and Other Parties**
- **Complying With The Guideline For The Reporting Framework For Beneficial Ownership Of Legal Persons**
- **Corporate Liabilities Under The MACC Act Effective From 1 June 2020 And Its Mitigations**
- **Section 117 Capital Reduction**

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

Board and Board Committees Assessment

The NC has a formal assessment in place to assess the effectiveness of the Board and Board Committees as a whole, and the contribution of each individual Director and Board Committees' members annually. The assessment of the Board are based on specific criteria covering areas such as board structure, board operations, board roles and responsibilities and board chairman's roles and responsibilities. Whereas the assessment criteria for the Board Committee are based on its quality and composition, skills and competencies and the meeting administration and proceeding. For individual Director and Board Committee members' assessment, criteria covering contribution to interaction, quality of input, understanding of role and the 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 and Committee members. 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 2020, 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 RC 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 Directors' remuneration, sitting allowance and benefit-in-kind paid/payable to the Directors of the Company during the financial year ended 31 December 2020 are as follows:-

	The Company/The Group				
	Fees RM'000	Salaries RM'000	Sitting Allowance RM'000	Benefit-In-Kind RM'000	Total RM'000
Executive Directors					
Dato' Sri Ng Ah Chai	-	2,588.8	-	-	2,588.8
Ng Wei Ping	-	433.6	-	3.8	437.4
Total	-	3,022.4	-	3.8	3,026.2
Non-Executive Directors					
Datuk Dr. Roslan Bin A. Ghaffar	50	-	6.75	-	56.75
Cheam Tow Yong	48	-	6.75	-	54.75
Dato' Abdul Rashid Bin Mat Amin	41	-	6.75	-	47.75
Kajendra A/L Pathmanathan	36	-	6.75	-	42.75
Total	175	-	27	-	202

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

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. MIECO has conducted its first fully virtual AGM during the period of Recovery Movement Control Order ("RMCO") on 23 July 2020. The conduct of the fully virtual 47th AGM is in compliance with the Constitution of the Company which allow General Meetings to be held using any technology or method means. Shareholders are given the opportunity to participate in the question and answer session on the Group's operations and proposed resolutions. The Directors, senior management and the external auditors are available to respond to shareholders' queries during the AGM.

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

Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.29A of the Listing Requirements of Bursa Securities. Poll voting via Remote Participation and Voting facilities ("RPV") was utilised during the 47th AGM which was conducted on a virtual basis entirely through live streaming from the broadcast venue on 23 July 2020 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 Annual General Meeting. The Company will appoint one (1) scrutineer, who is independent of the Group and the person undertaking the polling process, to validate the votes casted.

COMPLIANCE STATEMENT

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

This statement was approved by the Board on 31 March 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

ADDITIONAL CORPORATE DISCLOSURE

Utilisation of Proceeds

During the financial year ended 31 December 2020 ("FY2020"), the Company did not raise funds via any corporate proposal.

Recurrent Related Party Transactions

Details of recurrent related party transactions are disclosed in Note 32(b) of the audited financial statements set out on page 118 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

The total audit and non-audit fees incurred by the Company and the Group during the FY2020 are as follows:

	The Company (RM)	The Group (RM)
Audit Fees	55,000	216,000
Non-Audit Fees	5,000	5,000

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 2020.

Contracts Relating to Loans

During the FY2020, there were no material contracts relating to loans entered into by the Company and its subsidiary companies involving Directors, Chief Executive and/or major shareholders.

Insider Trading

There was no insider trading reported during the FY2020.

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 2020, four AC meetings were held. The Independent Non-Executive Director and Senior Management attended all the AC meetings by invitation to brief the AC on specific issues. Internal auditors attended one of the AC meeting to present their internal audit report. The external auditors were present at two of the AC meetings where matters relating to the audit of the statutory financial statements were discussed. The AC held two private discussions with the external auditors without the presence of the executive management.

Details of attendance of the AC members are as follows:

Directors	Total Meetings Attended	Percentage of Attendance %
Mr. Cheam Tow Yong *Independent Non-Executive Director*	4/4	100
Dato' Abdul Rashid Bin Mat Amin *Independent Non-Executive Director*	4/4	100
Datuk Dr. Roslan Bin A. Ghaffar *Independent Non-Executive Chairman*	4/4	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 2020. 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 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;

(c) reviewed the annual audited financial statements of the Group with the external auditors before recommending to the Board for approval. 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;

(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 report 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 quarterly the recurrent related party transactions of the Group;

(h) prepared the Audit Committee Report for inclusion in the Company's Annual Report; and

(i) reviewed and recommended the Statement on Risk Management and Internal Control for the Board's approval.

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 2020, 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 Sales and Marketing and Credit Control. The resulting report of the audits undertaken, incorporating audit recommendations and management's responses were presented at the quarterly AC meeting for the AC's deliberation and issued to the management of the respective operating units concerned for appropriate remedial actions to be taken to improve the relevant systems and procedures within the agreed timelines. The senior management were present in the AC meeting to explain and clarify on the actions taken to rectify the audit issues highlighted.

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

Total costs incurred for the IA function of the Group for the financial year ended 31 December 2020 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 of Bursa Malaysia Securities Berhad, the Board of Directors of Mieco Chipboard Berhad ("the Board") 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 and Internal Control: Guidelines for Directors of Listed Issuers" ("the Guidelines").

RESPONSIBILITY OF THE BOARD

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, the 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 of the Group. Nevertheless, the Board recognises that the system of risk management and internal control should be continuously maintained, monitored and improved with appropriate actions taken to address identified control deficiencies and emerging risks.

RISK MANAGEMENT

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

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

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

- The Board is supported with several established Board committees in the execution of its responsibilities, namely the AC, Nomination Committee and Remuneration Committee. Each Committee has a 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 has 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.

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.

During the financial year, the internal auditors have performed the internal audit according to the Internal Audit Plan approved by Audit Committee. The areas reviewed by IA during the financial year 31 December 2020 is Sales and Marketing and Credit Control.

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 for the inclusion in this Annual Report. Their limited assurance review was performed in accordance with Audit and 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 management and internal control systems of the Group.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is factually inaccurate.

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 financial year under review and up to the date of the issuance of this Statement on Risk Management and Internal Control is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

This Statement on Risk Management and Internal Control was approved by the Board on 31 March 2021.

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 of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company at the end of the financial year, and of the financial performance and cash flows of the Group and of 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 of the Company to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year attributable to:		
Owners of the parent	4,478	1,131

RESERVES AND PROVISIONS

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

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The Directors in office since the beginning of the current financial year until 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

* *Director of the Company and its subsidiary companies*

The Director who held office in subsidiary companies (excluding Directors who are also Directors of the Company) since the beginning of the current financial year until the date of this report are:

Ng Geok Lian
Ng Tien Ying
Lim Kar Hor *(resigned on 18 May 2020)*

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end according to the Register of Directors' Shareholdings are as follows:

		Number of ordinary shares		
	At 1.1.2020	Bought	Sold	At 31.12.2020
Interests in the Company				
Direct interests				
Dato' Sri Ng Ah Chai	298,045,137	3,500,000	-	301,545,137

By virtue of his interests in the shares of the Company, Dato' Sri Ng Ah Chai is also deemed interested in the shares of all the subsidiary companies during the financial year to the extent the Company has an interest under Section 8 of the Companies Act 2016.

None of the other Directors in office at the end of the financial year had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 32(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in the companies which traded with certain companies in the Group in the ordinary course of business and rental received or due and receivable by a Director as disclosed in Note 32(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM10,000,000 and RM17,100 respectively. No indemnity was given to or insurance effected for auditors of the Company.

OTHER STATUTORY INFORMATION

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

  (i) to ascertain that 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 adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

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

  (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

  (iii) 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; or

  (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONT'D)

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

(i) 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 liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, and

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT

The significant event is disclosed in Note 36 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 37 to the financial statements.

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

The details of auditors' remuneration are disclosed in Note 25 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 31 March 2021.

DATO' SRI NG AH CHAI | **NG WEI PING**

KUALA LUMPUR

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 54 to 135 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 31 March 2021.

DATO' SRI NG AH CHAI **NG WEI PING**

KUALA LUMPUR

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Ng Wei Ping, being the Director primarily responsible for the financial management of Mieco Chipboard Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 54 to 135 are 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.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the)
Federal Territory on 31 March 2021) **NG WEI PING**

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MIECO CHIPBOARD BERHAD
[Registration No.: 197201001235 (12849-K)]
(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 as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 135.

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 2020, and of their financial performance and their cash flows for the financial 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 for Opinion

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

Independence and Other Ethical Responsibilities

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(d) to the financial statements, which indicates that the Group incurred a net loss of RM4,478,000 during the financial year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by RM57,033,000. As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d), 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 financial 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	How our audit addressed the key audit matters
1. Impairment of property, plant and equipment and right-of-use assets The Group recognised property, plant and equipment and right-of-use assets with carrying amount of RM361.0 million and RM140.8 million, representing 71% and 28% respectively of total non-current assets of the Group as at 31 December 2020. On an annual basis, management is required to assess for indicators of impairment to determine if impairment assessment should be carried out. During the financial year, the Directors made an annual impairment assessment of the following plants: • Lipis Plant • Rompin Plant • Simpang Pertang Plant • Gerik Plant The Group determined value in use for Lipis Plant, Rompin Plant and Simpang Pertang Plant, which are actively being used for production using a discounted cash flow approach. For Gerik Plant which is under construction, the Group engaged an independent valuers to determine the market value of the assets. Due to the significance of the amount and the subjectivity involved in estimating the value in use, we identified this as our area of audit focus as the impairment assessment involves in determining the recoverable amount using a discounted cash flow approach which is complex and highly judgemental.	We performed the following audit procedures, amongst others: - Obtained an understanding of the relevant internal controls over estimating the recoverable amount of the property, plant and equipment and right-of-use assets. - Discussed with management and obtained an understanding of impairment or potential reversal of previously recognised impairment loss assessment prepared by management. - Reviewed the cash flow projection with comparison to recent performance, trend analysis by reference to prior years' forecasts. - We assessed the reasonableness of the key assumptions used in the cash flow projection such as sales and production growth rate, selling price growth rate, cost of raw materials and discount rate. - We tested the sensitivity of the impairment calculations to changes in key assumptions used to evaluate the impact on recoverable amounts for active plants. - Obtained updated valuation report for Gerik Plant performed by an independent valuers to determine the market value of the assets as at 31 December 2020. - Evaluated the adequacy of the Group's disclosures of each key assumption on which the Group has based its cash flow projections as disclosed in Notes 4(b) and 5(e) to the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the 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)

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: (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 of the Company's internal control.

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions 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 disclosure 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, actions taken to eliminate threats or safeguards applied.

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 financial 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 requirement of the Companies Act 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MIECO CHIPBOARD BERHAD (Cont'd)
[Registration No.: 197201001235 (12849-K)]
(Incorporated in Malaysia)

OTHER MATTERS

(a) The financial statement of the Group and of the Company for the financial year ended 31 December 2019 was audited by another auditor who expressed an unmodified opinion on those statements on 11 June 2020.

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

UHY
Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 02239/07/2022 J
Chartered Accountant

KUALA LUMPUR
31 March 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000 Restated	Company 2020 RM'000	Company 2019 RM'000 Restated
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	360,975	370,498	44	23
Right-of-use assets	5	140,786	152,212	29	31
Investment in subsidiary companies	6	-	-	82,139	82,139
Amount due from subsidiary companies	7	-	-	267,071	267,565
Deferred tax assets	8	5,147	5,433	-	-
		506,908	528,143	349,283	349,758
CURRENT ASSETS					
Inventories	9	52,601	66,995	-	-
Trade receivables	10	55,662	62,319	-	-
Other receivables	11	10,520	9,724	99	126
Amount due from subsidiary companies	7	-	-	9,347	21,297
Tax recoverable		3	30	2	1
Derivative financial assets	12	46	64	-	-
Fixed deposits with licensed banks	13	12,187	11,776	209	203
Cash and bank balances		8,637	9,812	23	5
		139,656	160,720	9,680	21,632
Assets held for sale	14	-	16,182	-	-
		139,656	176,902	9,680	21,632
TOTAL ASSETS		646,564	705,045	358,963	371,390

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000 Restated	Company 2020 RM'000	Company 2019 RM'000 Restated
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	215,866	215,866	215,866	215,866
Reserves	16	119,134	124,673	129,065	130,204
TOTAL EQUITY		335,000	340,539	344,931	346,070
NON-CURRENT LIABILITIES					
Other payables	17	5,749	75	5,749	-
Amount due to former immediate holding company	18	-	3,287	-	3,287
Lease liabilities	19	1,587	2,682	31	32
Bank borrowings	20	92,195	91,984	-	-
Employee defined benefit plan	21	15,344	13,935	480	475
		114,875	111,963	6,260	3,794
CURRENT LIABILITIES					
Trade payables	22	59,461	69,971	-	-
Other payables	17	26,398	26,160	4,345	502
Amount due to former immediate holding company	18	-	17,597	-	17,597
Amount due to subsidiary companies	7	-	-	3,426	3,426
Lease liabilities	19	498	2,412	1	1
Bank borrowings	20	110,328	136,396	-	-
Tax payable		4	7	-	-
		196,689	252,543	7,772	21,526
TOTAL LIABILITIES		311,564	364,506	14,032	25,320
TOTAL EQUITY AND LIABILITIES		646,564	705,045	358,963	371,390

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	23	377,332	427,282	4,585	4,561
Cost of sales		(352,659)	(395,445)	-	-
Gross profit		24,673	31,837	4,585	4,561
Other income		7,352	8,363	-	-
Selling and distribution expenses		(3,503)	(4,468)	-	-
Administrative expenses		(20,638)	(17,780)	(5,714)	(4,992)
Net loss on impairment of financial instruments		(241)	(3,322)	-	-
Finance costs	24	(11,548)	(15,143)	(2)	(2)
Loss before tax	25	(3,905)	(513)	(1,131)	(433)
Taxation	26	(573)	2,164	-	(314)
(Loss)/Profit for the financial year		(4,478)	1,651	(1,131)	(747)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Other comprehensive loss					
Items that will not be reclassified subsequently to profit or loss					
Actuarial loss on employee defined benefit plan	21	(1,061)	-	(8)	-
Total other comprehensive loss for the financial year		(1,061)	-	(8)	-
Total comprehensive (loss)/ income for the financial year		(5,539)	1,651	(1,139)	(747)
(Loss)/Profit for the financial year attributable to owners of the parent		(4,478)	1,651	(1,131)	(747)
Total comprehensive (loss)/income for the financial year attributable to owners of the parent		(5,539)	1,651	(1,139)	(747)
(Loss)/Earnings per share	27				
Basic (loss)/earnings per share (sen)		(0.85)	0.31		
Diluted (loss)/earnings per share (sen)		(0.85)	0.31		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to Owners of the Parent			
	Non-Distributable		Distributable	
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
Group				
At 1 January 2019, as previously reported	215,866	(43)	123,081	338,904
Effect on adoption of MFRS 16	-	-	(16)	(16)
At 1 January 2019, as restated	215,866	(43)	123,065	338,888
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,651	1,651
At 31 December 2019	215,866	(43)	124,716	340,539
At 1 January 2020	215,866	(43)	124,716	340,539
Loss for the financial year	-	-	(4,478)	(4,478)
Other comprehensive loss for the financial year	-	-	(1,061)	(1,061)
Total comprehensive loss for the financial year	-	-	(5,539)	(5,539)
At 31 December 2020	215,866	(43)	119,177	335,000

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Cont'd)

	Non-Distributable Share Capital RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
Company			
At 1 January 2019, as previously reported	215,866	130,952	346,818
Effect on adoption of MFRS 16	-	(1)	(1)
At 1 January 2019, as restated	215,866	130,951	346,817
Loss for the financial year, representing total comprehensive loss for the financial year	-	(747)	(747)
At 31 December 2019	215,866	130,204	346,070
At 1 January 2020	215,866	130,204	346,070
Loss for the financial year	-	(1,131)	(1,131)
Other comprehensive loss for the financial year	-	(8)	(8)
Total comprehensive loss for the financial year	-	(1,139)	(1,139)
At 31 December 2020	215,866	129,065	344,931

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(3,905)	(513)	(1,131)	(433)
Adjustments for:				
Depreciation of property, plant and equipment	25,170	24,199	9	3
Depreciation of right-of-use assets	3,556	4,408	2	2
Fair value loss/(gain) on derivative financial instruments	18	(30)	-	-
Finance costs	11,548	15,143	2	2
Impairment losses on:				
- Assets held for sale	-	269	-	-
- Property, plant and equipment	4,874	1,183	-	-
- Trade receivables	243	3,322	-	-
Inventories written down	722	-	-	-
Inventories written off	329	6	-	-
Property, plant and equipment written off	449	427	-	-
Provision for employee defined benefit plan	1,535	1,472	77	74
Unrealised loss on foreign exchange	67	369	-	-
Finance income	(349)	(358)	-	-
(Gain)/Loss on disposal of:				
- Assets held for sale	(118)	-	-	-
- Property, plant and equipment	(25)	788	-	-
- Right-of-use assets	(5)	-	-	-
Income from rent concessions	(4)	-	-	-
Reversal of impairment losses on:				
- Property, plant and equipment	(3,595)	(152)	-	-
- Right-of-use assets	(1,146)	-	-	-
- Trade receivables	(2)	-	-	-
Reversal of inventories written down	-	(870)	-	-
Operating profit/(loss) before working capital changes carried down	39,362	49,663	(1,041)	(352)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Cont'd)

	Group 2020 RM'000	Group 2019 RM'000 Restated	Company 2020 RM'000	Company 2019 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)				
Operating profit/(loss) before working capital changes brought down	39,362	49,663	(1,041)	(352)
Changes in working capital:				
Inventories	13,343	(2,567)	-	-
Trade receivables	6,385	609	-	-
Other receivables	(980)	29	27	(12)
Trade payables	(10,653)	(10,249)	-	-
Other payables	5,975	(1,770)	9,592	(409)
Amount due from subsidiary companies	-	-	12,444	11,948
	14,070	(13,948)	22,063	11,527
Cash generated from operations	53,432	35,715	21,022	11,175
Interest paid	(11,548)	(15,143)	(2)	(2)
Interest received	349	358	-	-
Tax paid	(78)	(73)	(1)	-
Tax refund	-	73	-	1
Employee defined benefit paid	(1,187)	(168)	(80)	-
Net cash from operating activities	40,968	20,762	20,939	11,174
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(6,464)	(7,736)	(30)	(25)
Purchase of right-of-use assets [Note 5(d)]	(366)	(83)	-	-
Proceeds from disposal of assets held for sale	16,300	-	-	-
Proceeds from disposal of property, plant and equipment	40	34	-	-
Proceeds from disposal of right-of-use assets	71	-	-	-
Net cash from/(used in) investing activities	9,581	(7,785)	(30)	(25)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Cont'd)

	Group		Company	
	2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000 Restated
Cash Flows From Financing Activities				
Increase in fixed deposits pledged with licensed banks	(411)	(321)	(6)	(7)
Net (repayment of)/proceed from bankers' acceptance	(9,950)	18,511	-	-
Net repayment of revolving credit	-	(1,500)	-	-
Repayment in term loans	(14,986)	(17,677)	-	-
Repayment of lease liabilities	(4,615)	(2,311)	(1)	(1)
Repayment of amount due to former immediate holding company	(20,884)	(11,154)	(20,884)	(11,154)
Net cash used in financing activities	(50,846)	(14,452)	(20,891)	(11,162)
Net (decrease)/increase in cash and cash equivalents	(297)	(1,475)	18	(13)
Effects of exchange translation differences on cash and cash equivalents	43	(4)	-	-
Cash and cash equivalents at the beginning of the financial year	8,891	10,370	5	18
Cash and cash equivalents at the end of the financial year	8,637	8,891	23	5
Cash and cash equivalents at the end of the financial year comprises:				
Fixed deposits with licensed banks	12,187	11,776	209	203
Cash and bank balances	8,637	9,812	23	5
Bank overdraft	-	(921)	-	-
	20,824	20,667	232	208
Less: Fixed deposits pledged with licensed banks	(12,187)	(11,776)	(209)	(203)
	8,637	8,891	23	5

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is 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 principal activities of the subsidiary companies are disclosed in Note 6. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

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

The principal place of business of the Company is located as follows:

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

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

2 BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new standards and amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 16	Covid-19 - Related Rent Concessions

Early adoption of amendments to MFRS

In current financial year, the Group and the Company have elected to early adopt Amendments to MFRS 16 *Covid-19-Related Rent Concessions* which is effective from the annual period, beginning on or after 1 June 2020.

The amendments grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

2 BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Early adoption of amendments to MFRS (Cont'd)

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(i) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(ii) Any reduction in lease payments affects only payments due on or before 30 June 2021; and
(iii) There is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual improvement to MFRSs Standards 2018 - 2020: • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141		1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

2 BASIS OF PREPARATION (CONT'D)

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency. All financial information is presented in RM and has been rounded to the nearest RM in thousands except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following is the judgement made by management in the process of applying the Group's accounting policies that has the most significant effect on the amounts recognised in the financial statements:

<u>Determining the lease term of contracts with renewal options - the Group as lessee</u>

The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for such leases. The Group typically exercises its option to renew for those leases with renewal option.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

<u>Useful lives of property, plant and equipment and right-of-use ("ROU") assets</u>

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amounts at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 respectively.

2 BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Impairment of property, plant and equipment and ROU assets

The Group assesses whether there is any indication that property, plant and equipment and ROU assets are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The 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. Projected future cash flows are calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment.

The key assumptions used to determine the recoverable amounts are disclosed in Notes 4 and 5 respectively.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised capital allowances, unutilised investment tax allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which unused tax losses, unutilised capital allowances, unutilised investment tax allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 8.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand level and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods or rendering of services are based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

2 BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Provision for expected credit loss of financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss for trade and other receivables and amount due from subsidiary companies. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. Information about the expected credit loss is disclosed in Note 10.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit obligations. The defined benefit liability of the Group at the reporting date is disclosed in Note 21.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2020, the Group and the Company have tax payable of RM4,000 and RMNil (2019: RM7,000 and RMNil) and tax recoverable of RM3,000 and RM2,000 (2019: RM30,000 and RM1,000) respectively.

2 BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 34(c) regarding financial assets and liabilities. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

(d) Going concern assumption

The Group incurred a net loss of RM4,478,000 during the financial year ended 31 December 2020. As of that date, the Group's current liabilities exceeded its current assets by RM57,033,000. Despite having the net current liabilities position and taking into consideration the negative impact on Group's operation due to COVID-19, the Board of Directors of the Company is of the view that the preparation of the financial statements of the Group for the financial year ended 31 December 2020 on a going concern basis remain appropriate given the following measures being taken and would be taken by the Group to address the material uncertainty related to going concern:

(a) 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. In addition, the Company has also obtained most of the bankers support to extend the repayment period of their existing term loans.

(b) 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; and
- Optimise production and inventory holding level on raw materials and finished goods.

The Directors closely monitoring the progress of the above measures while evaluating the impact of subsequent developments on the Group's financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 *Financial Instruments* either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer accounting policy Note 3(k)(i) on impairment of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group losses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. Refer accounting policy Note 3(k)(i) on impairment of non-financial assets.

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency translation (Cont'd)

(i) Foreign currency transactions and balances (Cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operations is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

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

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Capital work-in-progress consists of land and buildings and plant and machineries under construction and/or installation for intended use as production facilities. The amount is stated at cost until the property, plant and equipment are ready for their intended use.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold buildings	2%
Plant and machineries	3% - 33%
Furniture, fittings, office renovation and equipment	10% - 50%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases

As lessee

The Group and the Company recognise a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land	Over the remaining lease period
Leasehold buildings	2% - 5%
Plant and machineries	3% - 33%
Motor vehicles	20%
Buildings	Over the lease term
Equipment	Over the lease term

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(e) Financial assets

Recognition and initial measurement

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in profit or loss.

Financial asset categories and subsequent measurement

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets (Cont'd)

Financial asset categories and subsequent measurement (Cont'd)

The Group and the Company classify their financial assets as follows:

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortised cost are subsequently measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain and loss on derecognition is recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, fixed deposits with licensed banks and cash and bank balances. The Company's financial assets at amortised cost include other receivables, amount due from subsidiary companies and cash and bank balances.

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

The Group and the Company have not designated any financial assets at FVTOCI.

(iii) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVTOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

The Group's financial assets at FVTPL include derivative financial assets. The Company has not designated any financial assets at FVTPL.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in Note 3(k)(ii) on impairment of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets (Cont'd)

Regular way purchase or sale of financial assets

Regular way purchase or sale are purchase or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchase or sale of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including new asset obtained less any new liability assumed) is recognised in profit or loss.

(f) Financial liabilities

Recognition and initial measurement

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

At initial recognition, the Group and the Company measure a financial liability at its fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments.

Financial liability categories and subsequent measurement

The Group and the Company classify their financial liabilities as follows:

(i) Financial liabilities at amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

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

The Group's financial liabilities designated as amortised cost comprise trade and other payables, amount due to former immediate holding company, bank borrowings and lease liabilities. The Company's financial liabilities designated as amortised cost comprise other payables, amount due to former immediate holding company, amount due to subsidiary companies and lease liabilities.

(ii) Financial liabilities at fair value through profit or loss

The Group and the Company have not designated any financial liabilities at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial liabilities (Cont'd)

Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(g) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

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

(h) Offsetting of financial instruments

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

(i) Inventories

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

Cost of raw materials comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience and the economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(n) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits (Cont'd)

(iii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan is an approved fund independent of the Group's finances and 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.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of reporting period.

The defined benefit obligation, calculated annually using the Projected Unit Credit Method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at statements of financial position date of Government securities which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to profit or loss in subsequent period.

Past-service costs are recognised immediately in profit or loss.

The Group recognises gains and losses on the settlement of a defined benefit plan when settlement occurs.

(o) Revenue and other income recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Sales of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue and other income recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

(b) Rendering of services

Revenue from rendering of services and management fees are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

(q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Income taxes (Cont'd)

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

Unutilised investment tax allowances, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(s) Contingencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment are not depreciated once classified as held for sale.

(u) Fair value measurement

Fair value of an asset or a liability is determined as 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. The measurement assumes that the transaction to sell the asset or transfer of the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. 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
2020									
Group									
Cost									
At 1 January 2020, as previously reported	10,671	28,507	22,765	148,272	676,783	26,536	12,027	24,954	950,515
Reclassification	-	(313)	(267)	680	1,523	(1,623)	-	-	-
Transfer to right-of-use assets (Note 5)	-	-	(22,498)	(148,952)	(19,218)	-	(1,974)	-	(192,642)
At 1 January 2020, as restated	10,671	28,194	-	-	659,088	24,913	10,053	24,954	757,873
Additions	-	-	-	-	1,770	144	123	4,427	6,464
Disposals	-	-	-	-	-	-	(132)	-	(132)
Written off	-	-	-	-	-	(213)	-	(403)	(616)
Transfer from/(to) right-of-use assets (Note 5)	-	-	-	-	19,218	-	-	(285)	18,933
Reclassification	-	-	-	-	154	-	-	(154)	-
At 31 December 2020	10,671	28,194	-	-	680,230	24,844	10,044	28,539	782,522
Accumulated depreciation									
At 1 January 2020, as previously reported	-	1,347	4,683	23,880	344,423	16,647	8,427	-	399,407
Transfer to right-of-use assets (Note 5)	-	-	(4,683)	(23,880)	(7,047)	-	(794)	-	(36,404)
At 1 January 2020, as restated	-	1,347	-	-	337,376	16,647	7,633	-	363,003
Charge for the financial year	-	564	-	-	22,638	1,282	686	-	25,170
Disposals	-	-	-	-	-	-	(117)	-	(117)
Written off	-	-	-	-	-	(167)	-	-	(167)
Transfer from right-of-use assets (Note 5)	-	-	-	-	8,007	-	-	-	8,007
At 31 December 2020	-	1,911	-	-	368,021	17,762	8,202	-	395,896

4. 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
2020									
Group									
Accumulated impairment losses									
At 1 January 2020, as previously reported	496	3,930	-	4,534	16,296	-	-	3,650	28,906
Transfer to right-of-use assets (Note 5)	-	-	-	(4,534)	-	-	-	-	(4,534)
At 1 January 2020, as restated	496	3,930	-	-	16,296	-	-	3,650	24,372
Additions	68	1,660	-	-	-	-	-	3,146	4,874
Reversal of impairment losses	-	-	-	-	(3,595)	-	-	-	(3,595)
Reclassification	-	-	-	-	(1,183)	-	-	1,183	-
At 31 December 2020	564	5,590	-	-	11,518	-	-	7,979	25,651
Carrying amount									
At 31 December 2020	10,107	20,693	-	-	300,691	7,082	1,842	20,560	360,975
2019									
Group									
Cost									
At 1 January 2019, as previously reported	15,671	39,643	22,765	143,997	676,682	28,426	11,940	26,172	965,296
Reclassification*	-	(313)	(267)	680	1,523	(1,623)	-	-	-
Transfer to right-of-use assets (Note 5)*	-	-	(22,498)	(144,677)	(19,218)	-	(1,974)	-	(188,367)
At 1 January 2019, as restated	15,671	39,330	-	-	658,987	26,803	9,966	26,172	776,929
Additions	-	154	-	-	3,522	149	208	3,703	7,736
Disposals	-	-	-	-	(1,290)	-	(134)	-	(1,424)
Written off	-	-	-	-	(2,847)	-	-	-	(2,847)
Transfer to assets held for sale (Note 14)	(5,000)	(11,290)	-	-	-	(2,039)	-	-	(18,329)
Transfer to right-of-use assets (Note 5)	-	-	-	-	-	-	-	(4,192)	(4,192)
Reclassification	-	-	-	-	716	-	13	(729)	-
At 31 December 2019	10,671	28,194	-	-	659,088	24,913	10,053	24,954	757,873

4. 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
2019									
Group									
Accumulated depreciation									
At 1 January 2019, as previously reported	-	1,104	4,409	22,150	324,218	16,491	7,415	-	375,787
Transfer to right-of-use assets (Note 5)*	-	-	(4,409)	(22,150)	(5,125)	-	(399)	-	(32,083)
At 1 January 2019, as restated	-	1,104	-	-	319,093	16,491	7,016	-	343,704
Charge for the financial year	-	750	-	-	21,225	1,527	697	-	24,199
Disposals	-	-	-	-	(522)	-	(80)	-	(602)
Written off	-	-	-	-	(2,420)	-	-	-	(2,420)
Transfer to assets held for sale (Note 14)	-	(507)	-	-	-	(1,371)	-	-	(1,878)
At 31 December 2019	-	1,347	-	-	337,376	16,647	7,633	-	363,003
Accumulated impairment losses									
At 1 January 2019, as previously reported	648	3,930	-	4,534	15,113	-	-	3,650	27,875
Transfer to right-of-use assets (Note 5)*	-	-	-	(4,534)	-	-	-	-	(4,534)
At 1 January 2019, as restated	648	3,930	-	-	15,113	-	-	3,650	23,341
Additions	-	-	-	-	1,183	-	-	-	1,183
Reversal of impairment losses	(152)	-	-	-	-	-	-	-	(152)
At 31 December 2019	496	3,930	-	-	16,296	-	-	3,650	24,372
Carrying amount									
At 31 December 2019	10,175	22,917	-	-	305,416	8,266	2,420	21,304	370,498

* Reclassifications were made to be consistent with current year presentation.

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

	Furniture, fittings, office renovation and equipment RM'000
2020	
Company	
Cost	
At 1 January 2020	4,945
Additions	30
Written off	(6)
At 31 December 2020	4,969
Accumulated depreciation	
At 1 January 2020	4,922
Charge for the financial year	9
Written off	(6)
At 31 December 2020	4,925
Carrying amount	
At 31 December 2020	44

	Furniture, fittings, office renovation and equipment RM'000
2019	
Company	
Cost	
At 1 January 2019	4,920
Additions	25
At 31 December 2019	4,945
Accumulated depreciation	
At 1 January 2019	4,919
Charge for the financial year	3
At 31 December 2019	4,922
Carrying amount	
At 31 December 2019	23

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

(a) The freehold land and buildings and all of the plant and machineries, both present and future of the Group, affixed to or on the said lands have been pledged to licensed banks as securities for banking facilities granted to the Group as disclosed in Note 20(a).

(b) Impairment assessment for property, plant and equipment

As at 31 December 2020, the Group has performed a review of the recoverable amount of the Group's plants. Based on management's assessment, the results are as follows:

Gerik Plant

For the purpose of impairment testing, the recoverable amount of Gerik Plant is determined as follows:

- The recoverable amount for freehold land and buildings, based on fair value less cost to sell is RM15.8 million, which is lesser than its carrying amount of RM17.5 million by RM1.7 million, and

- The recoverable amount of plant and machineries, based on fair value less cost to sell is RM12.9 million, which is lesser than its carrying amount of RM16.1 million by RM3.2 million.

The fair value of the freehold land and buildings and plant and machineries are based on valuation report issued by KGV International Property Consultants dated 15 March 2021, using market value approach.

Accordingly, impairment losses on freehold land and buildings and plant and machineries amounted to RM4.9 million are recognised in administrative expenses in the statements of profit or loss and other comprehensive income during the financial year.

Lipis Plant

The recoverable amount of Lipis Plant is higher than its carrying amount and was based on its value in use. Accordingly, a reversal of impairment losses on plant and machineries amounted to RM3.3 million is recognised in other income in the statements of profit or loss and other comprehensive income during the financial year.

Value in use was determined by discounting the future cash flows to be generated from the use of Lipis Plant over its remaining useful life. The key assumptions used in determining the value in use are as follows:

- Pre-tax discount rate of 9.3%;

- Sale volume growth rate of 13.6% in FY2021 and increase 2.0% for the remaining useful life of Lipis Plant; and

- Selling price growth rate of 2.8% in FY2021 and increase 2.0% for the next four years and increase 1.3% for the remaining useful life of Lipis Plant.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

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

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

Lipis Plant (Cont'd)

Sensitivity analysis

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would cause the carrying amount of property, plant and equipment and right-of-use assets to exceed the recoverable amount of Lipis Plant by:

- An increase by 1.0% point in the discount rate used would have decreased the recoverable amount by RM1.69 million and decreased the reversal of impairment loss by RM1.69 million.
- A decrease by 1.0% point in the sales volume used would have decreased the recoverable amount by RM5.76 million, decreased the reversal of impairment loss by RM4.40 million and additional impairment loss of RM1.36 million.
- A decrease by 1.0% point in the sales price used would have decreased the recoverable amount by RM11.97 million, decreased the reversal of impairment loss by RM4.40 million and additional impairment loss of RM7.56 million.

Rompin Plant

The recoverable amount of Rompin Plant is higher than its carrying amount and was based on its value in use. Value in use was determined by discounting the future cash flows to be generated from the use of Rompin Plant over its remaining useful life. The key assumptions used in determining the value in use are as follows:

- Pre-tax discount rate of 9.3%;
- Sale volume growth rate of 8.7% in FY2021 and increase 2.0% for the next four years and remain constant for the remaining useful life of Rompin Plant; and
- Selling price growth rate of Nil in FY2021 and increase 1.3% for the next four years and increase 1.0% for the remaining useful life of Rompin Plant.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

Sensitivity analysis

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of Rompin Plant.

Simpang Pertang Plant

The recoverable amount of Simpang Pertang Plant is higher than its carrying amount and was based on its value in use. Accordingly, a reversal of impairment losses on plant and machineries amounted to RM0.3 million is recognised in other income in the statements of profit or loss and other comprehensive income during the financial year.

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

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

Simpang Pertang Plant (Cont'd)

Value in use was determined by discounting the future cash flows to be generated from the use of Simpang Pertang Plant over its remaining useful life. The key assumptions used in determining the value in use are as follows:

- Pre-tax discount rate of 9.3%;
- Sale volume growth rate of 8.4% in FY2021 and increase 2.0% for the next four years and remain constant for the remaining useful life of Simpang Pertang Plant; and
- Selling price growth rate of Nil in FY2021 and increase 1.3% for the next four years and increase 1.0% for the remaining useful life of Simpang Pertang Plant.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

Sensitivity analysis

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of Simpang Pertang Plant.

5. RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
2020							
Group							
Cost							
At 1 January 2020, as previously reported	-	-	-	-	562	33	595
Reclassified from accumulated depreciation	-	-	-	-	85	2	87
Transfer from property, plant and equipment (Note 4)	22,498	148,952	19,218	1,974	-	-	192,642
At 1 January 2020, as restated	22,498	148,952	19,218	1,974	647	35	193,324
Additions	-	-	-	1,976	-	-	1,976
Disposals	-	-	-	(160)	-	-	(160)
Transfer from/(to) property, plant and equipment (Note 4)	-	285	(19,218)	-	-	-	(18,933)
At 31 December 2020	22,498	149,237	-	3,790	647	35	176,207

5. RIGHT-OF-USE ASSETS (CONT'D)

	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
2020							
Group							
Accumulated depreciation							
At 1 January 2020, as previously reported	-	-	-	-	85	2	87
Reclassified from cost	-	-	-	-	85	2	87
Transfer from property, plant and equipment (Note 4)	4,683	23,880	7,047	794	-	-	36,404
At 1 January 2020, as restated	4,683	23,880	7,047	794	170	4	36,578
Charge for the financial year	273	1,768	960	468	85	2	3,556
Disposals	-	-	-	(94)	-	-	(94)
Transfer to property, plant and equipment (Note 4)	-	-	(8,007)	-	-	-	(8,007)
At 31 December 2020	4,956	25,648	-	1,168	255	6	32,033
Accumulated impairment losses							
At 1 January 2020, as previously reported	-	-	-	-	-	-	-
Transfer from property, plant and equipment (Note 4)	-	4,534	-	-	-	-	4,534
At 1 January 2020, as restated	-	4,534	-	-	-	-	4,534
Reversal of impairment losses	-	(1,146)	-	-	-	-	(1,146)
At 31 December 2020	-	3,388	-	-	-	-	3,388
Carrying amount							
At 31 December 2020	17,542	120,201	-	2,622	392	29	140,786
2019							
Group							
Cost							
At 1 January 2019, as previously reported	-	-	-	-	-	-	-
Effect on adoption of MFRS 16	-	-	-	-	562	33	595
Reclassified from accumulated depreciation*	-	-	-	-	85	2	87
Transfer from property, plant and equipment (Note 4)*	22,498	144,677	19,218	1,974	-	-	188,367
At 1 January 2019, as restated	22,498	144,677	19,218	1,974	647	35	189,049
Additions	-	83	-	-	-	-	83
Transfer from property, plant and equipment (Note 4)	-	4,192	-	-	-	-	4,192
At 31 December 2019	22,498	148,952	19,218	1,974	647	35	193,324

5. RIGHT-OF-USE ASSETS (CONT'D)

	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
2019							
Group							
Accumulated depreciation							
At 1 January 2019, as previously reported	-	-	-	-	-	-	-
Reclassified from cost*	-	-	-	-	85	2	87
Transfer from property, plant and equipment (Note 4)*	4,409	22,150	5,125	399	-	-	32,083
At 1 January 2019, as restated	4,409	22,150	5,125	399	85	2	32,170
Charge for the financial year	274	1,730	1,922	395	85	2	4,408
At 31 December 2019	4,683	23,880	7,047	794	170	4	36,578
Accumulated impairment losses							
At 1 January 2019, as previously reported	-	-	-	-	-	-	-
Transfer from/(to) property, plant and equipment (Note 4)*	-	4,534	-	-	-	-	4,534
At 1 January 2019, as restated/ 31 December 2019	-	4,534	-	-	-	-	4,534
Carrying amount							
At 31 December 2019	17,815	120,538	12,171	1,180	477	31	152,212

	Equipment RM'000
2020	
Company	
Cost	
At 1 January 2020, as previously reported	33
Reclassified from accumulated depreciation	1
At 1 January 2020, as restated/31 December 2020	34
Accumulated depreciation	
At 1 January 2020, as previously reported	2
Reclassified from cost	1
At 1 January 2020, as restated	3
Charge for the financial year	2
At 31 December 2020	5
Carrying amount	
At 31 December 2020	29

5. RIGHT-OF-USE ASSETS (CONT'D)

	Equipment RM'000
2019	
Company	
Cost	
At 1 January 2019, as previously reported	-
Effect on adoption of MFRS 16	33
Reclassified from accumulated depreciation*	1
At 1 January 2019, as restated/31 December 2019	34
Accumulated depreciation	
At 1 January 2019, as previously reported	-
Reclassified from cost*	1
At 1 January 2019, as restated	1
Charge for the financial year	2
At 31 December 2019	3
Carrying amount	
At 31 December 2019	31

* Reclassifications were made to be consistent with current year presentation.

(a) The leasehold land and buildings of the Group have been pledged to licensed banks as securities for banking facilities granted to the Group as disclosed in Note 20(a).

(b) The remaining lease terms of the leasehold land range from 28 to 85 years (2019: 29 to 86 years).

(c) The carrying amount of right-of-use assets of the Group held under lease liabilities are as follows:

	Group	
	2020 RM'000	2019 RM'000
Motor vehicles	2,622	1,180
Plant and machineries	-	12,171
	2,622	13,351

The leased assets are pledged as securities for the related lease liabilities as disclosed in Note 19.

5. RIGHT-OF-USE ASSETS (CONT'D)

(d) The aggregate additional costs for the right-of-use assets of the Group during the financial year acquired under leases financing and cash payments are as follows:

	Group	
	2020 RM'000	2019 RM'000
Aggregate costs	1,976	83
Less: Leases financing	(1,610)	-
Cash payments	366	83

(e) Impairment assessment for right-of-use assets

As at 31 December 2020, the Group has performed a review of the recoverable amount of the Group's plants. Based on management's assessment, the results are as follows:

<u>Lipis Plant</u>

The recoverable amount of Lipis Plant is higher than its carrying amount and was based on its value in use. Accordingly, a reversal of impairment losses on leasehold buildings amounted to RM1.1 million is recognised in other income in the statements of profit or loss and other comprehensive income during the financial year.

The key assumptions used in determining the value in use and the sensitivity analysis of Lipis Plant is disclosed in Note 4(b).

6. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company	
	2020 RM'000	2019 RM'000
In Malaysia		
Unquoted shares, at cost	84,079	84,559
Less: Accumulated impairment losses	(1,940)	(2,420)
	82,139	82,139

Movement in the allowance for impairment losses of investment in subsidiary companies are as follows:

	Company	
	2020 RM'000	2019 RM'000
At 1 January	2,420	2,420
Written off*	(480)	-
At 31 December	1,940	2,420

* Amount written off related to disposal of investment in subsidiary companies in previous financial year.

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Direct holding:				
Mieco Manufacturing Sdn. Bhd.	Malaysia	100	100	Manufacturing and marketing of chipboards and related products
Great Platform Sdn. Bhd. ("GPSB")	Malaysia	100	100	Manufacturing and trading of particle board and medium density fibre board
Mieco Marketing Sdn. Bhd.	Malaysia	100	100	Dormant
Mieco Chemicals Sdn. Bhd.	Malaysia	100	100	Dormant
Mieco Wood Resources Sdn. Bhd.	Malaysia	100	100	Dormant
Mieco International (HK) Limited*	Hong Kong	100	100	Dormant
Tudor Capital Sdn. Bhd.	Malaysia	100	100	Dormant
Aspire Benchmark Sdn. Bhd.	Malaysia	100	100	Dormant
Indirect holding:				
Held through Mieco Wood Resources Sdn. Bhd. Mieco Reforestation Sdn. Bhd.	Malaysia	100	100	Dormant
Held through Great Platform Sdn. Bhd. Particleboard Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant

* *Not audited by UHY. As the company is dormant, no statutory audit is required under Hong Kong Companies Ordinance.*

As at 31 December 2020, the shares in GPSB with a carrying value of RM7,064,000 (2019: RM7,064,000) has been pledged as security for outstanding of certain term loan as disclosed in Note 20(c).

7. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

(a) Amount due from subsidiary companies

	Note	Company 2020 RM'000	Company 2019 RM'000
Non-current			
Non-trade related			
Interest bearing	(i)	5,749	2,345
Non-interest bearing	(ii)	261,322	265,220
		267,071	267,565
Current			
Non-trade related			
Interest bearing	(i)	3,600	11,263
Non-interest bearing	(ii)	7,432	11,719
		11,032	22,982
Less: Accumulated impairment losses		(1,685)	(1,685)
		9,347	21,297
		276,418	288,862

(i) This represents unsecured, interest bearing loan at effective interest rate of 10.00% (2019: 5.35%) per annum and repayable in 3 years (2019: 4 years).

(ii) This represents unsecured, non-interest bearing advances and repayable on demand.

(b) Amount due to subsidiary companies

This represents unsecured, non-interest bearing advances and repayable on demand.

8. DEFERRED TAX ASSETS

	Group 2020 RM'000	Group 2019 RM'000
At 1 January	5,433	2,887
Recognised in profit or loss	(286)	2,546
At 31 December	5,147	5,433

8. DEFERRED TAX ASSETS (CONT'D)

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group	
	2020 RM'000	2019 RM'000
Deferred tax assets	75,150	78,748
Deferred tax liabilities	(70,003)	(73,315)
	5,147	5,433

The components and movements of the deferred tax assets and liabilities of the Group are as follows:

	Other temporary differences RM'000	Unutilised capital allowances RM'000	Unutilised investment tax allowances RM'000	Unused tax losses RM'000	Total RM'000
Group					
Deferred tax assets					
At 1 January 2020	6,304	53,576	15,765	3,103	78,748
Recognised in profit or loss	553	(3,199)	1,138	(243)	(1,751)
Under/(Over) provision in prior year	116	533	(573)	(1,923)	(1,847)
At 31 December 2020	6,973	50,910	16,330	937	75,150
At 1 January 2019	5,609	55,207	13,184	1,274	75,274
Recognised in profit or loss	695	(3,977)	2,581	37	(664)
Under provision in prior year	-	2,346	-	1,792	4,138
At 31 December 2019	6,304	53,576	15,765	3,103	78,748

8. DEFERRED TAX ASSETS (CONT'D)

The components and movements of the deferred tax assets and liabilities of the Group are as follows: (Cont'd)

	Accelerated capital allowances RM'000
Group	
Deferred tax liabilities	
At 1 January 2020	(73,315)
Recognised in profit or loss	1,465
Over provision in prior year	1,847
At 31 December 2020	(70,003)
At 1 January 2019	(72,387)
Recognised in profit or loss	670
Under provision in prior year	(1,598)
At 31 December 2019	(73,315)

The deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other temporary differences	2,249	2,241	2,249	2,241
Unutilised capital allowances	8	-	8	-
Unutilised investment tax allowances	364,654	369,396	-	-
Unused tax losses	24,077	23,621	4,998	4,738
	390,988	395,258	7,255	6,979

The deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen from subsidiary companies that have recent history of losses.

With effect from year of assessment 2019, the unused tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation.

9. INVENTORIES

	Group 2020 RM'000	2019 RM'000
Raw materials	7,351	11,787
Work-in-progress	1,502	1,550
Finished goods	22,846	33,310
Spares and consumables	20,550	20,348
Goods-in-transit	352	-
	52,601	66,995
Recognised in profit or loss		
Inventories recognised as cost of sales	210,334	239,659
Inventories written down	722	-
Inventories written off	329	6
Reversal of inventories written down	-	(870)

10. TRADE RECEIVABLES

	Group 2020 RM'000	2019 RM'000
Trade receivables		
- Related party	117	-
- Third parties	59,561	66,094
	59,678	66,094
Less: Accumulated impairment losses	(4,016)	(3,775)
	55,662	62,319

Related party represent a company in which certain Directors of the Group are also the director and/or shareholder who have substantial financial interest.

Trade receivable of the Group are non-interest bearing and are generally on 1 to 90 days (2019: 1 to 90 days) terms. Other credit terms are assessed and approved on a case by case basis. Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

10. TRADE RECEIVABLES (CONT'D)

Movement in the allowance for impairment losses on trade receivables are as follows:

	Lifetime allowance RM'000	Credit impaired RM'000	Loss allowance RM'000
Group			
At 1 January 2020	244	3,531	3,775
Impairment losses recognised	45	198	243
Reversal of impairment losses	-	(2)	(2)
At 31 December 2020	289	3,727	4,016
At 1 January 2019	-	453	453
Impairment losses recognised	244	3,078	3,322
At 31 December 2019	244	3,531	3,775

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The ageing analysis of trade receivables as at the end of the reporting period is as follows:

	Gross amount RM'000	Loss allowance RM'000	Net amount RM'000
Group			
2020			
Not past due	43,507	(174)	43,333
Past due			
Less than 30 days	9,750	(40)	9,710
31 to 60 days	1,699	-	1,699
61 to 90 days	666	(38)	628
More than 90 days	329	(37)	292
	12,444	(115)	12,329
Credit Impaired			
Individual impaired	3,727	(3,727)	-
	59,678	(4,016)	55,662

10. TRADE RECEIVABLES (CONT'D)

The ageing analysis of trade receivables as at the end of the reporting period is as follows: (Cont'd)

	Gross amount RM'000	Loss allowance RM'000	Net amount RM'000
Group			
2019			
Not past due	43,321	(39)	43,282
Past due			
Less than 30 days	14,998	(31)	14,967
31 to 60 days	2,685	(38)	2,647
61 to 90 days	707	(12)	695
More than 90 days	852	(124)	728
	19,242	(205)	19,037
Credit Impaired			
Individual impaired	3,531	(3,531)	-
	66,094	(3,775)	62,319

Trade receivables that are not past due nor individually impaired are creditworthy debtors with good payment records with the Group.

As at 31 December 2020, gross trade receivables of RM12,444,000 (2019: RM19,242,000) were past due but not individually impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM3,727,000 (2019: RM3,531,000). These relate to a number of independent customers that are in financial difficulties and have defaulted on payments.

11. OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables	13,575	10,920	139	167
Deposits	1,847	2,273	5	5
Prepayments	1,252	1,840	6	5
GST receivable	1,561	2,406	3	3
	18,235	17,439	153	180
Less: Accumulated impairment losses				
- Other receivables	(7,706)	(7,706)	(54)	(54)
- Deposits	(9)	(9)	-	-
	(7,715)	(7,715)	(54)	(54)
	10,520	9,724	99	126

11. OTHER RECEIVABLES (CONT'D)

Movement in the allowance for impairment losses on other receivables are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	7,715	7,815	54	54
Written off	-	(100)	-	-
At 31 December	7,715	7,715	54	54

12. DERIVATIVE FINANCIAL ASSETS

The Group's derivatives comprise solely forward foreign exchange contracts, entered into with a licensed bank to hedge its exposures to foreign exchange risk arising from its export sales of goods denominated in United States Dollar ("USD"). The forward foreign exchange contracts generally have a maturity period between 1 to 6 months.

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

	Group			
	Contract amount		Financial assets	
	2020 USD'000	2019 USD'000	2020 RM'000	2019 RM'000
Derivatives held for trading at fair value through profit or loss				
- Forward foreign exchange contracts	1,441	1,732	46	64

13. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group and of the Company amounting to RM12,187,000 and RM209,000 (2019: RM11,776,000 and RM203,000) respectively have been pledged as securities for the banking facilities granted to the Group as disclosed in Note 20(b).

The maturity of the fixed deposits of the Group and of the Company are 365 days and 365 days (2019: 365 days and 365 days) respectively.

The weighted average interest rates of the fixed deposits of the Group and of the Company are as follows:

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Fixed deposits with licensed banks	1.73	3.07	2.73	3.35

14. ASSETS HELD FOR SALE

The assets held for sale at the end of the reporting period of the Group are as follows:

	Group	
	2020 RM'000	2019 RM'000
Freehold land	-	5,000
Freehold buildings	-	10,783
Furniture, fittings, office renovation and equipment	-	668
Less: Impairment losses on assets held for sale	-	(269)
	-	16,182

In the previous financial year, the freehold land and buildings of the Group have been pledged to licensed bank as securities for banking facilities granted to the Group as disclosed in Note 20(a).

On 5 November 2019, GPSB, a wholly-owned subsidiary company of the Company, entered into a sale and purchase agreement with Bagus Timber Sdn. Bhd. for the disposal of its Gemas plant consisting of a freehold land, buildings and immovable erected on the land for a total consideration of RM16,300,000.

The disposal has been completed during the financial year ended 31 December 2020.

15. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2020 Units ('000)	2019 Units ('000)	2020 RM'000	2019 RM'000
Issued and fully paid ordinary shares				
At 1 January/31 December	525,000	525,000	215,866	215,866

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

16. RESERVES

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Non-distributable:				
Foreign currency translation reserve	(43)	(43)	-	-
Distributable:				
Retained earnings	119,177	124,716	129,065	130,204
	119,134	124,673	129,065	130,204

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

17. OTHER PAYABLES

	Note	Group 2020 RM'000	Group 2019 RM'000 Restated	Company 2020 RM'000	Company 2019 RM'000 Restated
Non-current					
Other payables	(a)	5,749	-	5,749	-
Amount due to a former related company	(b)	-	75	-	-
		5,749	75	5,749	-
Current					
Other payables					
- Related party	(c)	36	211	-	-
- Third parties	(a)	14,735	12,362	3,877	2
		14,771	12,573	3,877	2
Amount due to a former related company	(b)	-	397	-	-
Accruals		6,551	7,356	468	500
Deposits received	(d)	5,076	5,834	-	-
		26,398	26,160	4,345	502

17. OTHER PAYABLES (CONT'D)

(a) Included in the other payables of the Group and of the Company is a loan from a third party of RM9,593,000 (2019: RMNil), which is unsecured, interest bearing at effective interest rate of 10.00% (2019: Nil) per annum and repayable in 3 years (2019: Nil).

(b) Amount due to a former related company represents a subsidiary company of the former immediate holding company.

(c) Related party represents a company in which a Director of the Company has substantial financial interest.

(d) Included in the deposits of the Group is deposit of RMNil (2019: RM1,141,000) received from a purchaser in relation to the disposal of Gemas Plant as disclosed in Note 14.

18. AMOUNT DUE TO FORMER IMMEDIATE HOLDING COMPANY

		Group/Company	
		2020	2019
	Note	RM'000	RM'000
Non-current			
Non-trade related			
Interest bearing	(a)	-	2,344
Non-interest bearing	(b)	-	943
		-	3,287
Current			
Non-trade related			
Interest bearing	(a)	-	11,395
Non-interest bearing	(b)	-	6,202
		-	17,597
		-	20,884

The former holding company is BRDB Developments Sdn. Bhd., a private limited liability company incorporated and domiciled in Malaysia.

(a) This represents unsecured, interest bearing loan at effective interest rate of Nil (2019: 5.35%) per annum and repayable in Nil years (2019: 4 years).

(b) This represents unsecured, non-interest bearing advances and repayable on demand.

19. LEASE LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000 Restated
At 1 January, as previously reported	5,094	6,794	33	-
Effect on adoption of MFRS 16	-	611	-	34
At 1 January, as restated	5,094	7,405	33	34
Additions	1,610	-	-	-
Accretion of interest	251	454	2	2
Payments	(4,866)	(2,765)	(3)	(3)
Rent concessions related to COVID-19	(4)	-	-	-
At 31 December	2,085	5,094	32	33
Presented as:				
Non-current	1,587	2,682	31	32
Current	498	2,412	1	1
	2,085	5,094	32	33

The maturity analysis of lease liabilities of the Group and of the Company at the end of the reporting period are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000 Restated
Minimum lease payments:				
Within one year	566	2,809	3	3
Later than one year and not later than two years	469	2,273	3	3
Later than two years but not later than five years	1,267	954	9	9
Later than five years	42	126	42	45
	2,344	6,162	57	60
Less: Future finance charges	(259)	(1,068)	(25)	(27)
Present value of lease liabilities	2,085	5,094	32	33

The Group leases various leasehold land and buildings, motor vehicles, plant and machineries, buildings and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The weighted average incremental borrowing rate applied to lease liabilities of the Group and of the Company at the reporting date are 3.08% and 6.76% (2019: 4.27% and 6.76%) respectively.

20. BANK BORROWINGS

	Group	
	2020 RM'000	2019 RM'000 Restated
Secured		
Bank overdraft	-	921
Bankers' acceptance	60,905	65,497
Revolving credit	14,000	14,000
Term loans	98,465	112,954
	173,370	193,372
Unsecured		
Bankers' acceptance	26,280	31,638
Term loans	2,873	3,370
	29,153	35,008
	202,523	228,380
Non-current		
Secured		
Term loans	90,384	89,595
Unsecured		
Term loans	1,811	2,389
	92,195	91,984
Current		
Secured		
Bank overdraft	-	921
Bankers' acceptance	60,905	65,497
Revolving credit	14,000	14,000
Term loans	8,081	23,359
Unsecured		
Bankers' acceptance	26,280	31,638
Term loans	1,062	981
	110,328	136,396
	202,523	228,380

20. BANK BORROWINGS (CONT'D)

The bank overdraft, bankers' acceptance, revolving credit and term loans are secured by the followings:

(a) legal charge over freehold land and buildings and leasehold land and buildings of certain subsidiary companies as disclosed in Notes 4(a), 5(a) and 14 respectively;

(b) fixed deposits of certain subsidiary companies as disclosed in Note 13;

(c) legal charge over shares of a subsidiary company, GPSB, as disclosed in Note 6;

(d) Specific debenture over the new equipment financed by the bank to be installed on the freehold land and buildings of a subsidiary company; and

(e) corporate guarantee by the Company.

Maturity of the bank borrowings of the Group are as follows:

	Group	
	2020 RM'000	2019 RM'000 Restated
Within one year	110,328	136,396
Between one and two years	11,496	19,810
Between two and five years	34,153	55,400
After five years	46,546	16,774
	202,523	228,380

The weighted average interest rates per annum of the bank borrowings of the Group at the reporting date are as follows:

	Group	
	2020 %	2019 % Restated
Bank overdraft	-	5.96
Bankers' acceptance	3.90	4.52
Revolving credit	4.76	5.95
Term loans	6.26	7.39

21. EMPLOYEE DEFINED BENEFIT PLAN

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Present value of defined benefit obligations	15,344	13,935	480	475

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 20 January 2021.

The movement in the present value of defined benefit obligations of the Group and of the Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	13,935	12,631	475	401
Recognised in profit or loss:				
- Current service costs	831	820	53	53
- Interest expenses	704	652	24	21
Remeasurement recognised in other comprehensive income:				
- Effects of changes in demographic assumptions	(7)	-	(4)	-
- Effects of changes in financial assumptions	1,969	-	86	-
- Effect of experience adjustment	(901)	-	(74)	-
Benefits paid by the plan	(1,187)	(168)	(80)	-
At 31 December	15,344	13,935	480	475

The principal actuarial assumptions at the end of the reporting period are:

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Discount rate	3.90	5.30	3.90	5.30
Expected rate of salary increases	5.00	5.00	5.00	5.00

21. EMPLOYEE DEFINED BENEFIT PLAN (CONT'D)

As at 31 December 2020, the Group's and the Company's weighted average duration of the defined benefit obligation was 10 years and 15 years (2019: 12 years and 14 years) respectively.

Sensitivity analysis

The effect of changes in the principal actuarial assumptions on the present value of unfunded obligations of the Group and of the Company are as follows:

	Group		Company	
	+1% RM'000	-1% RM'000	+1% RM'000	-1% RM'000
2020				
(Decrease)/Increase of present value of the unfunded obligations				
- Discount rate	(1,448)	1,695	(64)	78
- Expected salary	1,579	(1,381)	73	(62)
2019				
(Decrease)/Increase of present value of the unfunded obligations				
- Discount rate	(1,208)	1,400	(56)	68
- Expected salary	1,461	(1,281)	70	(59)

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.

22. TRADE PAYABLES

	Group	
	2020 RM'000	2019 RM'000
Trade payables		
- Related party	4,130	5,296
- Third parties	55,331	64,675
	59,461	69,971

Related party represents a company in which a Director of the Company have substantial financial interest.

The normal trade credit term granted to the Group range from 7 to 90 days (2019: 7 to 90 days) depending on the terms of the contracts.

23. REVENUE

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue from contracts with customers				
Sale of goods	377,332	427,282	-	-
Management fees from subsidiary companies	-	-	4,585	4,561
Total revenue from contracts with customers	377,332	427,282	4,585	4,561
Timing of revenue recognition				
At a point in time	377,332	427,282	-	-
Over time	-	-	4,585	4,561
Total revenue from contracts with customers	377,332	427,282	4,585	4,561

Breakdown of Group's revenue from contracts with customers:

	Manufacturing and sales of wood based products 2020 RM'000	2019 RM'000
Georaphical market		
Malaysia	332,266	344,664
Hong Kong and China	19,179	39,492
Others	25,887	43,126
	377,332	427,282

24. FINANCE COSTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Interest expenses on:				
Bank overdraft	59	150	-	-
Bankers' acceptance	3,349	4,884	-	-
Foreign currency trade financing	644	456	-	-
Revolving credit	1,112	900	-	-
Term loans	5,606	7,510	-	-
Lease liabilities	251	454	2	2
Amount due to former immediate holding company	238	789	238	789
Other payables	289	-	289	-
	11,548	15,143	529	791
Less: Recovery of interest from a subsidiary company in respect of advances from former immediate holding company and a third party	-	-	(527)	(789)
	11,548	15,143	2	2

25. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	Group		Company	
	2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000
Auditors' remuneration				
- Statutory audit				
- Current year	216	289	55	65
- (Over)/Under provision in prior years	(6)	75	-	(20)
- Other	5	34	5	34
Depreciation of:				
- Property, plant and equipment	25,170	24,199	9	3
- Right-of-use assets	3,556	4,408	2	2
Fair value loss/(gain) on derivative financial instruments	18	(30)	-	-
Inventories written down	722	-	-	-
Inventories written off	329	6	-	-
Impairment losses on:				
- Assets held for sale	-	269	-	-
- Property, plant and equipment	4,874	1,183	-	-
- Trade receivables	243	3,322	-	-
Leases expenses relating to short-term leases	159	9	-	-
Non-executive Directors' remuneration				
- Fees	175	185	175	185
- Allowances	27	29	27	29
Property, plant and equipment written off	449	427	-	-
Provision for employee defined benefit plan	1,535	1,472	77	74
Gain from insurance claims	(28)	(5,438)	-	-
(Gain)/Loss on disposal of:				
- Assets held for sale	(118)	-	-	-
- Property, plant and equipment	(25)	788	-	-
- Right-of-use assets	(5)	-	-	-
(Gain)/Loss on foreign exchange:				
- Realised	(604)	(1,758)	-	-
- Unrealised	67	369	-	-
Income from rent concessions	(4)	-	-	-
Interest income	(349)	(358)	-	-
Rental income	(599)	(528)	-	-
Reversal of impairment losses on:				
- Property, plant and equipment	(3,595)	(152)	-	-
- Right-of-use assets	(1,146)	-	-	-
- Trade receivables	(2)	-	-	-
Reversal of inventories written down	-	(870)	-	-

26. TAXATION

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Tax expenses recognised in profit or loss				
Malaysian income tax				
Current tax provision	84	68	-	-
Under provision in prior years	18	314	-	314
	102	382	-	314
Real property gain tax	185	-	-	-
Deferred tax (Note 8)				
Relating to origination and reversal of temporary differences	286	(6)	-	-
Over provision in prior years	-	(2,540)	-	-
	286	(2,546)	-	-
	573	(2,164)	-	314

Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expenses applicable to loss before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Loss before tax	(3,905)	(513)	(1,131)	(433)
At Malaysian statutory tax rate of 24% (2019: 24%)	(937)	(123)	(271)	(104)
Income not subject to tax	(196)	(369)	-	-
Expenses not deductible for tax purposes	2,528	2,712	205	99
Deferred tax assets not recognised	(1,025)	(2,158)	66	5
Real property gain tax	185	-	-	-
Under provision of income tax in prior years	18	314	-	314
Over provision of deferred tax in prior years	-	(2,540)	-	-
Tax expenses for the financial year	573	(2,164)	-	314

On 5 May 2014, Malaysian Investment Development Authority ("MIDA") has approved the application of the "Pioneer Status" 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 for Great Platform Sdn. Bhd. ("GPSB"), a wholly-owned subsidiary company of the Company. GPSB has on 21 July 2017 obtained pioneer certificate from MIDA stating it will be able to enjoy pioneer status starting from 1 November 2016 to 31 October 2021 for pioneer activity of producing medium density fibreboard.

26. TAXATION (CONT'D)

The Group and the Company have the following estimated unutilised capital allowances, unutilised investment tax allowances and unused tax losses available to offset against future taxable profits. The said amounts are subject to approval by the tax authorities.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised capital allowances	212,133	225,454	8	-
Unutilised investment tax allowances	432,696	432,696	-	-
Unused tax losses	27,981	28,538	4,998	4,738
	672,810	686,688	5,006	4,738

27. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The basic (loss)/earnings per share are calculated based on the consolidated (loss)/profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2020	2019
(Loss)/Profit attributable to the owners of the parent (RM'000)	(4,478)	1,651
Weighted average number of ordinary shares in issue (in thousand of shares)	525,000	525,000
Basic (loss)/earning per ordinary share (sen)	(0.85)	0.31

(b) Diluted (loss)/earnings per share

The Group has no dilution in their (loss)/earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

28. STAFF COSTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Salaries, wages and other emoluments	23,381	23,630	3,816	3,686
Defined contribution plans	2,631	2,770	469	499
Employee defined benefit plans	1,536	1,472	77	74
Social security contributions	378	400	14	14
Other benefits	7,692	9,656	102	106
	35,618	37,928	4,478	4,379

The staff costs do not include the estimated monetary value of benefit-in-kind of the Group and of the Company amounting to RM4,000 and RM4,000 (2019: RMNil and RMNil) respectively.

Included in the staff costs above is aggregate amount of remuneration received/receivable by the Executive Directors of the Group and of the Company during the financial year as below:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Salaries and other emoluments	3,022	3,222	3,022	3,222
Defined contribution plans	363	387	363	387
Social security contributions	2	2	2	2
	3,387	3,611	3,387	3,611

The Directors' remuneration does not include the estimated monetary value of benefit-in-kind of the Group and of the Company amounting to RM4,000 and RM4,000 (2019: RMNil and RMNil) respectively.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below shows the details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	Note	At 1 January RM'000 Restated	Effect on adoption of MFRS 16 RM'000	Financing cash flows (i) RM'000	New lease [Note 5(d)] RM'000	Other changes (ii) RM'000	At 31 December RM'000
Group							
2020							
Amount due to former immediate holding company	18	20,884	-	(20,884)	-	-	-
Bankers' acceptance	20	97,135	-	(9,950)	-	-	87,185
Revolving credit	20	14,000	-	-	-	-	14,000
Term loans	20	116,324	-	(14,986)	-	-	101,338
Lease liabilities	19	5,094	-	(4,615)	1,610	(4)	2,085
		253,437	-	(50,435)	1,610	(4)	204,608

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

The table below shows the details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes: (Cont'd)

	Note	At 1 January RM'000 Restated	Effect on adoption of MFRS 16 RM'000	Financing cash flows (i) RM'000	New lease [Note 5(d)] RM'000	Other changes (ii) RM'000	At 31 December RM'000
Group							
2019							
Amount due to former immediate holding company	18	32,038	-	(11,154)	-	-	20,884
Bankers' acceptance	20	78,624	-	18,511	-	-	97,135
Revolving credit	20	15,500	-	(1,500)	-	-	14,000
Term loans	20	134,001	-	(17,677)	-	-	116,324
Lease liabilities	19	6,794	611	(2,311)	-	-	5,094
		266,957	611	(14,131)	-	-	253,437

	Note	At 1 January RM'000 Restated	Effect on adoption of MFRS 16 RM'000	Financing cash flows (i) RM'000	At 31 December RM'000
Company					
2020					
Amount due to former immediate holding company	18	20,884	-	(20,884)	-
Lease liabilities	19	33	-	(1)	32
		20,917	-	(20,885)	32
2019					
Amount due to former immediate holding company	18	32,038	-	(11,154)	20,884
Lease liabilities	19	-	34	(1)	33
		32,038	34	(11,155)	20,917

(i) The financing cash flows include the net amount of proceeds from or repayment of bankers' acceptance and revolving credit and repayment of lease liabilities, term loans and amount due to former immediate holding company in the statements of cash flows.

(ii) Other changes include income from rent concessions.

30. FINANCIAL GUARANTEES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unsecured				
Corporate guarantee given for banking facilities granted to subsidiary companies	-	-	214,870	247,209
Secured				
Banker's guarantee in favour of third parties	6,720	1,063	-	-

The Group has provided financial guarantee amounted to RM5,184,000 (2019: RM1,054,000) to Tenaga Nasional Berhad for the rental of certain electricity equipment and for the supply of electricity.

31. CAPITAL COMMITMENTS

	Group	
	2020 RM'000	2019 RM'000
Approved and contracted for:		
Purchase of property, plant and equipment	7,606	7,420

32. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

32. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

Related party transactions have been entered into the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the Group and the Company have the following transactions with related parties during the financial year:

	2020 RM'000	2019 RM'000
Group		
Transaction with former immediate holding company		
Interest expense paid/payable	238	789
Transactions with companies in which certain Directors of the Company are also the Directors and/or shareholders that have substantial financial interests		
Sales	2,642	4,236
Rental received/receivable	456	456
Lease expenses paid	92	96
Purchases	13,497	14,175
Commission paid/payable	151	211
Company		
Transactions with a subsidiary company		
Interest back charged received/receivable	527	789
Management fee received/receivable	4,585	4,561
Transaction with former immediate holding company		
Interest expense paid/payable	238	789

(c) Compensation of key management personnel

The remuneration of Directors are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000 Restated
Fees	175	185	175	185
Salaries and other emoluments	3,049	3,251	3,049	3,251
Defined contribution plans	363	387	363	387
Social security contributions	2	2	2	2
	3,589	3,825	3,589	3,825

The Directors' remuneration does not include the estimated monetary value of benefit-in-kind of the Group and of the Company amounting to RM4,000 and RM4,000 (2019: RMNil and RMNil) respectively.

33. SEGMENT INFORMATION

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.

Geographical segments

Revenue and addition to non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Total assets		Capital expenditure*	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000
Group						
Malaysia	332,266	344,664	646,564	705,045	8,440	7,819
Hong Kong and China	19,179	39,492	-	-	-	-
Others	25,887	43,126	-	-	-	-
	377,332	427,282	646,564	705,045	8,440	7,819

* Capital expenditure consist of addition of property, plant and equipment and right-of-use assets.

Major customers

The Group has large and diversified customers base which consists of individuals and corporations. There was no single customer (2019: Revenue from one customer amounting to RM46,528,000) that contributed 10% or more of the Group's revenue.

34. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

34. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

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

	Financial assets at FVTPL RM'000	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Group				
2020				
Financial assets				
Trade receivables	-	55,662	-	55,662
Other receivables	-	7,707	-	7,707
Derivative financial assets	46	-	-	46
Fixed deposits with licensed banks	-	12,187	-	12,187
Cash and bank balances	-	8,637	-	8,637
	46	84,193	-	84,239
Financial liabilities				
Trade payables	-	-	59,461	59,461
Other payables	-	-	32,147	32,147
Lease liabilities	-	-	2,085	2,085
Bank borrowings	-	-	202,523	202,523
	-	-	296,216	296,216
Group				
2019				
Financial assets				
Trade receivables	-	62,319	-	62,319
Other receivables	-	5,478	-	5,478
Derivative financial assets	64	-	-	64
Fixed deposits with licensed banks	-	11,776	-	11,776
Cash and bank balances	-	9,812	-	9,812
	64	89,385	-	89,449
Financial liabilities				
Trade payables	-	-	69,971	69,971
Other payables	-	-	26,235	26,235
Amount due to former immediate holding company	-	-	20,884	20,884
Lease liabilities	-	-	5,094	5,094
Bank borrowings	-	-	228,380	228,380
	-	-	350,564	350,564

34. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

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

	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Company			
2020			
Financial assets			
Other receivables	90	-	90
Amount due from subsidiary companies	276,418	-	276,418
Fixed deposits with licensed banks	209	-	209
Cash and bank balances	23	-	23
	276,740	-	276,740
Financial liabilities			
Other payables	-	10,094	10,094
Amount due to subsidiary companies	-	3,426	3,426
Lease liabilities	-	32	32
	-	13,552	13,552
2019			
Financial assets			
Other receivables	118	-	118
Amount due from subsidiary companies	288,862	-	288,862
Fixed deposits with licensed banks	203	-	203
Cash and bank balances	5	-	5
	289,188	-	289,188
Financial liabilities			
Other payables	-	502	502
Amount due to former immediate holding company	-	20,884	20,884
Amount due to subsidiary companies	-	3,426	3,426
Lease liabilities	-	33	33
	-	24,845	24,845

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks. The Company's exposure to credit risk arises principally from its receivables from customers, deposits with banks, amount due from subsidiary companies and financial guarantees given to licensed banks for banking facilities granted to certain subsidiary companies. There are no significant changes as compared to prior years.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to its subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

At each reporting date, the Group assesses whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group's and the Company's maximum exposure to credit risk.

The Group's credit exposures are concentrated mainly on 2 (2019: 1) debtors, which accounted for 23% (2019: 11%) of total trade receivables balance at the end of the reporting period. There are no other customers which individually represents more than 10% of the total trade receivables balance. The Company has no significant concentration of credit risks except for advances to its subsidiary companies where risks of default have been assessed to be low.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

Financial guarantees

The Company provides unsecured financial guarantees to licensed banks for credit facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The Company's maximum exposure to credit risk is RM214,870,000 (2019: RM247,209,000), representing the outstanding credit facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Group						
2020						
Non-derivative financial liabilities						
Trade payables	59,461	-	-	-	59,461	59,461
Other payables	26,890	4,010	2,222	-	33,122	32,147
Lease liabilities	566	469	1,267	42	2,344	2,085
Bank borrowings	115,207	16,125	45,414	51,630	228,376	202,523
	202,124	20,604	48,903	51,672	323,303	296,216

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. (Cont'd)

	On demand or within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Group						
2019						
Non-derivative financial liabilities						
Trade payables	69,971	-	-	-	69,971	69,971
Other payables	26,159	80	-	-	26,239	26,235
Amount due to former immediate holding company	18,212	3,616	-	-	21,828	20,884
Lease liabilities	2,809	2,273	954	126	6,162	5,094
Bank borrowings	132,207	26,011	63,785	18,439	240,442	228,380
	249,358	31,980	64,739	18,565	364,642	350,564
Company						
2020						
Non-derivative financial liabilities						
Other payables	4,837	4,010	2,222	-	11,069	10,094
Amount due to subsidiary companies	3,426	-	-	-	3,426	3,426
Lease liabilities	3	3	9	42	57	32
Financial guarantee*	-	-	-	-	-	-
	8,266	4,013	2,231	42	14,552	13,552
Company						
2019						
Non-derivative financial liabilities						
Other payables	502	-	-	-	502	502
Amount due to former immediate holding company	18,212	3,616	-	-	21,828	20,884
Amount due to subsidiary companies	3,426	-	-	-	3,426	3,426
Lease liabilities	3	3	9	45	60	33
Financial guarantee*	-	-	-	-	-	-
	22,143	3,619	9	45	25,816	24,845

* At the end of the reporting period, no events have arisen which may cause the financial guarantees provided by the Company to be called upon or claimed by any counter party pursuant to the relevant contract entered by the Company. Consequently, the amount is RMNil.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro ("EUR"), Chinese Renminbi ("RMB") and Swiss Franc ("CHF").

The Group's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the statements of profit or loss and other comprehensive income. The Group monitors its foreign currency denominated assets and liabilities and uses hedging instrument such as forward contracts as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement. The Group's policy requires all transactions for hedging foreign currency exchange risk exposure be executed within the parameters approved by the Board of Directors.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in				
	USD RM'000	EUR RM'000	RMB RM'000	CHF RM'000	Total RM'000
Group					
2020					
Financial assets					
Trade receivables	1,946	-	517	-	2,463
Other receivables	1,667	1,134	133	-	2,934
Cash and bank balances	86	-	2	-	88
Financial liabilities					
Trade payables	(95)	(1,869)	-	(31)	(1,995)
Other payables	(2,632)	-	-	-	(2,632)
	972	(735)	652	(31)	858
Less: Trade receivables hedged using forward foreign exchange contracts*	(1,946)	-	-	-	(1,946)
	(974)	(735)	652	(31)	(1,088)

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows: (Cont'd)

	Denominated in				
	USD RM'000 Restated	EUR RM'000	RMB RM'000 Restated	CHF RM'000 Restated	Total RM'000
Group					
2019					
Financial assets					
Trade receivables	6,297	-	3,238	-	9,535
Other receivables	195	504	166	-	865
Cash and bank balances	85	-	1	-	86
Financial liabilities					
Trade payables	(491)	(958)	-	(44)	(1,493)
Other payables	(2,550)	-	-	-	(2,550)
	3,536	(454)	3,405	(44)	6,443
Less: Trade receivables hedged using forward foreign exchange contracts*	(6,297)	-	-	-	(6,297)
	(2,761)	(454)	3,405	(44)	146

* Trade receivables denominated in USD are being hedged using forward foreign exchange contracts.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency risk sensitivity

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD, EUR, RMB and CHF exchange rates against RM with all other variables held constant.

	Effects on loss before tax	
	2020 RM'000	2019 RM'000
Group		
Change in currency rate		
USD		
- Strengthened by 5% (2019: 5%)	(49)	(138)
- Weakened by 5% (2019: 5%)	49	138
EUR		
- Strengthened by 5% (2019: 5%)	(37)	(23)
- Weakened by 5% (2019: 5%)	37	23
RMB		
- Strengthened by 5% (2019: 5%)	33	170
- Weakened by 5% (2019: 5%)	(33)	(170)
CHF		
- Strengthened by 5% (2019: 5%)	(2)	(2)
- Weakened by 5% (2019: 5%)	2	2

(b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments:				
Financial assets				
Amount due from subsidiary company	-	-	9,349	13,608
Fixed deposits with licensed banks	12,187	11,776	209	203
	12,187	11,776	9,558	13,811
Financial liabilities				
Other payables	(9,593)	-	(9,593)	-
Amount due to former immediate holding company	-	(13,739)	-	(13,739)
Lease liabilities	(2,085)	(5,094)	(32)	(33)
	(11,678)	(18,833)	(9,625)	(13,772)
Floating rate instruments:				
Financial liabilities				
Bank overdraft	-	(921)	-	-
Bankers' acceptance	(87,185)	(97,135)	-	-
Revolving credit	(14,000)	(14,000)	-	-
Term loans	(101,338)	(116,324)	-	-
	(202,523)	(228,380)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of reporting period would not affect profit or loss.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's loss before tax by RM2,025,000 (2019: RM2,284,000), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate borrowings approximate their fair value as the borrowings will be re-priced to market interest rate on or near reporting date.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value for which fair value is disclosed, together with their fair value show in the statements of financial position.

	Fair value of financial instruments carried at fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2020				
Financial assets				
Derivative financial assets	-	46	-	46
2019				
Financial assets				
Derivative financial assets	-	64	-	64

The fair value above has been determined using the following basis:

- The fair value of forward foreign exchange contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contracts using a risk-free interest rate.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair value hierarchy during the financial year.

35. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group includes within net debt, trade payables, other payables, lease liabilities and bank borrowings less cash and bank balances. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at the end of the reporting period are as follows:

	Group	
	2020 RM'000	2019 RM'000 Restated
Trade payables	59,461	69,971
Other payables	32,147	26,235
Lease liabilities	2,085	5,094
Bank borrowings	202,523	228,380
	296,216	329,680
Less: Cash and bank balances	(8,637)	(9,812)
Net debt	287,579	319,868
Total equity	335,000	340,539
Gearing ratio (times)	0.86	0.94

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

36. SIGNIFICANT EVENT

Impact of COVID-19 Pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak has resulted in travel restrictions, quarantines, lockdowns and other precautionary measures imposed by various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Company operates.

On 16 March 2020, the Malaysian Government imposed the Movement Control Order ("MCO") from 18 March 2020 and subsequently entered into various phases of the MCO until 14 April 2021 to curb the spread of the COVID-19 pandemic in Malaysia.

36. SIGNIFICANT EVENT (CONT'D)

Impact of COVID-19 Pandemic (Cont'd)

Due to implementation of the MCO, the Group has temporary shut down its premises from 18 March 2020 till 3 May 2020 in alignment with the MCO policy. Subsequently, on 4 May 2020, the Group resumes its operations with proper standard operating procedures put in place. The disruption of its operations during the financial year due to MCO and the relevant financial impact has been taken into account in the financial results of the Group.

As the COVID-19 pandemic situation is still evolving as at the date of authorisation of the financial statements, the ultimate impact of the COVID-19 is highly uncertain and subject to change. The Group will continuously monitor the impact of COVID-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures to minimise the potential impact of the outbreak on the Group's operation.

37. SUBSEQUENT EVENT

The Company had on 2 March 2021 announced that it proposed to undertake a bonus issue of up to 315,000,000 new ordinary shares in the Company ("Mieco Shares") on the basis of 3 bonus shares for every 5 existing Mieco Shares held on an entitlement date to be determined later ("Proposed Bonus Issue of Shares").

On 11 March 2021, the Company announced that Bursa Malaysia Securities Berhad has, vide its letter dated 10 March 2021 resolved to approve the listing and quotation for up to 315,000,000 bonus shares to be issued pursuant to the Proposed Bonus Issue of Shares.

The Proposed Bonus Issue of Shares was approved by shareholders of the Company at an Extraordinary General Meeting held on 31 March 2021.

38. COMPARATIVE INFORMATION

(a) The financial statements of the Group and of the Company as at 31 December 2019 were audited by another firm of chartered accountants.

(b) The following reclassifications were made to the financial statements of prior year to be consistent with current year presentation.

Statements of Financial Position

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group			
Non-Current Assets			
Property, plant and equipment	522,202	(151,704)	370,498
Right-of-use assets	508	151,704	152,212
Current Assets			
Receivables, deposits and prepayments	72,043	(72,043)	-
Trade receivables	-	62,319	62,319
Other receivables	-	9,724	9,724
Tax recoverable	23	7	30
Fixed deposits with licensed banks	-	11,776	11,776
Cash and bank balances	21,588	(11,776)	9,812

38. COMPARATIVE INFORMATION (CONT'D)

(b) The following reclassifications were made to the financial statements of prior year to be consistent with current year presentation. (Cont'd)

Statements of Financial Position (Cont'd)

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group			
Non-Current Liabilities			
Finance lease liabilities	455	(455)	-
Lease liabilities	-	2,682	2,682
Bank borrowings	93,900	(1,916)	91,984
Current Liabilities			
Trade and other payables	96,442	(96,442)	-
Trade payables	-	69,971	69,971
Other payables	-	26,160	26,160
Finance lease liabilities	81	(81)	-
Lease liabilities	-	2,412	2,412
Bank borrowings	138,727	(2,331)	136,396
Tax payable	-	7	7
Company			
Current Assets			
Fixed deposits with licensed banks	-	203	203
Cash and bank balances	208	(203)	5
Non-Current Liabilities			
Finance lease liabilities	32	(32)	-
Lease liabilities	-	32	32
Current Liabilities			
Trade and other payables	502	(502)	-
Other payables	-	502	502
Finance lease liabilities	1	(1)	-
Lease liabilities	-	1	1

38. COMPARATIVE INFORMATION (CONT'D)

(b) The following reclassifications were made to the financial statements of prior year to be consistent with current year presentation. (Cont'd)

Statements of Cash Flows

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group			
Cash Flows From Operating Activities			
Net profit for the financial year	1,651	(1,651)	-
Loss before tax	-	(513)	(513)
Adjustments for:			
Depreciation of property, plant and equipment	28,520	(4,321)	24,199
Depreciation of right-of-use assets	87	4,321	4,408
Write back of allowance for inventories obsolescence	(870)	870	-
Tax credit	(2,164)	2,164	-
Unrealised loss on foreign exchange	365	4	369
Inventories written off	-	6	6
Reversal of inventories written down	-	(870)	(870)
Changes in working capital:			
Increase in inventories	(2,561)	2,561	-
Decrease in receivables	637	(637)	-
Decrease in payables	(12,018)	12,018	-
Inventories	-	(2,567)	(2,567)
Trade receivables	-	609	609
Other receivables	-	29	29
Trade payables	-	(10,249)	(10,249)
Other payables	-	(1,770)	(1,770)
Cash generated from operations			
Interest paid	-	(15,143)	(15,143)
Interest received	-	358	358
Tax paid	-	(73)	(73)
Tax refund	-	73	73
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	(7,819)	83	(7,736)
Purchase of right-of-use assets	-	(83)	(83)
Interest received	358	(358)	-
Placement of fixed deposits with licensed banks	(321)	321	-

38. COMPARATIVE INFORMATION (CONT'D)

(b) The following reclassifications were made to the financial statements of prior year to be consistent with current year presentation. (Cont'd)

Statements of Cash Flows (Cont'd)

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group			
Cash Flows From Financing Activities			
Net proceeds from/(repayment of):			
- Finance lease liabilities	(2,236)	2,236	-
- Term loans	(17,677)	17,677	-
- Bankers' acceptance	18,511	(18,511)	-
- Revolving credit	(1,500)	1,500	-
- Lease liabilities	(75)	75	-
Interest paid	(15,143)	15,143	-
Increase in fixed deposits pledged with licensed banks	-	(321)	(321)
Proceed from bankers' acceptance	-	18,511	18,511
Proceed from revolving credit	-	(1,500)	(1,500)
Repayment of bankers' acceptance	-	-	-
Repayment of revolving credit	-	-	-
Repayment in term loans	-	(17,677)	(17,677)
Repayment of lease liabilities	-	(2,311)	(2,311)
Effects of exchange translation differences on cash and cash equivalents	-	(4)	(4)
Company			
Cash Flows From Operating Activities			
Net loss for the financial year	(747)	747	-
Loss before tax	-	(433)	(433)
Adjustment for:			
Tax credit	314	(314)	-
Changes in working capital:			
Increase in receivables	(12)	12	-
Decrease in payables	(409)	409	-
Other receivables	-	(12)	(12)
Other payables	-	(409)	(409)
Amount due from subsidiary companies	-	11,948	11,948
Cash generated from operations			
Interest paid	-	(2)	(2)

38. COMPARATIVE INFORMATION (CONT'D)

(b) The following reclassifications were made to the financial statements of prior year to be consistent with current year presentation. (Cont'd)

Statements of Cash Flows (Cont'd)

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Company			
Cash Flows From Investing Activities			
Repayment from subsidiary	11,948	(11,948)	-
Placement of fixed deposits with licensed banks	(7)	7	-
Cash Flows From Financing Activities			
Interest paid	(2)	2	-
Increase in fixed deposits pledged with licensed banks	-	(7)	(7)

39. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 March 2021.

ANALYSIS OF SHAREHOLDINGS
AS AT 16 APRIL 2021

Issued and Fully Paid-Up Capital : 839,999,966 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	659	12.67	18,086	0.00
100 – 1,000	408	7.85	161,178	0.02
1,001 – 10,000	2,216	42.62	11,460,984	1.37
10,001 – 100,000	1,619	31.13	49,008,876	5.83
100,001 – less than 5% of issued shares	296	5.69	411,190,623	48.95
5% and above of issued shares	2	0.04	368,160,219	43.83
Total	**5,200**	**100**	**839,999,966**	**100.00**

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

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
In the Company				
Dato' Sri Ng Ah Chai	482,472,219	57.44	-	-

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

	Name	Shareholding	%
1)	Ng Ah Chai	275,200,219	32.76
2)	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	92,960,000	11.07
3)	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (8103749)*	38,960,000	4.64
4)	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB for Ng Ah Chai (PB)*	25,200,000	3.00
5)	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Peng Sian @ Chua Peng Sian (MG0195-166)*	18,196,000	2.16
6)	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Chik Keng (Margin)*	15,224,640	1.81
7)	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account- Ambank (M) Berhad for Divine Inventions Sdn.Bhd.(Smart)*	14,960,000	1.78

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

	Name	Shareholding	%
8)	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	13,600,000	1.62
9)	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Peng Sian @ Chua Peng Sian (MGN-LPS0005M)*	12,000,000	1.43
10)	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Kim Song (Margin)*	11,977,760	1.43
11)	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Chik Eng (Margin)*	11,720,320	1.40
12)	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chiau Beng Teik (MY2975)*	11,360,000	1.35
13)	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (100426)*	10,560,000	1.26
14)	Amanahraya Trustees Berhad *PMB Shariah Aggressive Fund*	10,360,000	1.23
15)	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Cheng Kien Wing (Margin)*	9,938,080	1.18
16)	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (001)*	8,752,000	1.04
17)	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Chik Eng*	8,448,000	1.01
18)	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (Margin)*	8,000,000	0.95
19)	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Pang Kiam*	7,966,400	0.95
20)	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Peng Sian @ Chua Peng Sian*	7,680,000	0.91
21)	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Divine Inventions Sdn Bhd (MY3789)*	7,280,000	0.87
22)	Yeoh Yew Choo	6,972,800	0.83
23)	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (MG-NAC0003M)*	6,160,000	0.73
24)	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yap Chee Kheng*	5,440,000	0.65
25)	Tin @ Tan Pek-Han	5,200,000	0.62
26)	UOBM Nominees (Tempatan) Sdn Bhd *UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund*	4,908,640	0.58
27)	Lim Saow Wai	4,576,000	0.54

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

	Name	Shareholding	%
28)	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Siu Hee Kheng*	4,508,800	0.54
29)	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Chik Keng*	3,932,000	0.47
30)	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account - Ambank (M) Berhad for Chiau Beng Teik (Smart)*	3,520,000	0.42

SUBSTANTIAL SHAREHOLDER BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Sri Ng Ah Chai	482,472,219	57.44	-	-

LIST OF PROPERTIES
AS AT 31 DECEMBER 2020

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	5	12,581	26.10.1999	28
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	18-26	34,425	24.08.1995	77
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	16	76,621	05.12.2004	84
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		203	20.12.2006	85
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		384	20.12.2006	85
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		391	20.12.2006	85

LIST OF PROPERTIES
AS AT 31 DECEMBER 2020 (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		361	20.12.2006	85
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	7	11,732	15.11.2013	74
Great Platform Sdn Bhd Lot 436, 437 & 488 Jalan Bahau, Rompin 73500 Bahau Negeri Sembilan	Freehold	1,744,152 sq.ft.	Land, office, factory and warehouse	4	21,810	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	4	8,990	13.01.2017	
Great Platform Sdn Bhd Lot 4656, 4657 Pekan Simpang Pertang 72300 Daerah Jelebu Negeri Sembilan	Lease expiring 18.06.2089	145,550 sq.ft	Industrial land		1,045	06.04.2017	69

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Eighth Annual General Meeting ("48th 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, 27 May 2021 at 9.30 a.m.

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 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 RM300,000.00 from 28 May 2021 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) Kajendra A/L Pathmanathan — Ordinary Resolution 2
   (ii) Datuk Dr. Roslan Bin A. Ghaffar — Ordinary Resolution 3

4. To re-appoint Messrs UHY as auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. — Ordinary Resolution 4

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 2)

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

"THAT, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in the Circular to Shareholders dated 28 April 2021, 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 3)

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 4)

(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)
SSM Practicing Certificate No. 201908002080
COMPANY SECRETARY

Cheras, Selangor
28 April 2021

NOTES:

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 (COVID-19), the 48th AGM of the Company 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 48th AGM in order to register, participate and vote remotely via the RPV.

2. The Broadcast Venue of the 48th 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 48th AGM.

3. Members may submit questions to the Board of Directors prior to the 48th AGM to stephanie@mieco.com.my no later than 9.30 a.m. on Monday, 24 May 2021 or to use the Question and Answer platform to transmit questions to Board of Directors via RPV during live streaming.

4. Since the 48th 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 Form of Proxy.

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 48th 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 48th AGM or at any adjournment thereof.

10. For the 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 20 May 2021 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 48th AGM will be voted by 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 meetings for the period from 28 May 2021, being the day after the Forty-Eighth 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.

Explanatory Notes on Special Business:

2) 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-Seventh (47th) Annual General Meeting held on 23 July 2020 and which will lapse at the conclusion of the Forty-Eighth (48th) Annual General Meeting.

3) 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 28 April 2021, 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 28 April 2021.

4) 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 28 April 2021.

Personal Data Privacy by lodging of a completed Form of Proxy 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 48th 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 48th 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 (excluding the above Directors who are standing for re-election) at the forthcoming 48th 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 Note 2 of the Notice of the 48th AGM of the Company.

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-Eighth 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, 27 May 2021 at 9.30 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 RM300,000.00 from 28 May 2021 until the next Annual General Meeting of the Company.		
2.	Ordinary Resolution 2 - To re-elect Kajendra A/L Pathmanathan 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 Datuk Dr. Roslan Bin A. Ghaffar 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 re-appoint Messrs UHY as Auditors of the Company for the ensuing year and to authorise the Board of 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 casted. 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 _____________, 2021.

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**

____
Signature Of Member

Number Of Shares Held

Fold this flap for sealing

Notes:

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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 48th 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 48th AGM or at any adjournment thereof.*
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