Wonderful Malaysia Berhad 2019

Illustrative Financial Statements for
Malaysian Financial Reporting Standards

October 2019

KPMG in Malaysia
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Foreword

Wonderful Malaysia Berhad 2019 is KPMG PLT's Illustrative Financial Statements for financial statements prepared in accordance with Malaysian Financial Reporting Standards ("MFRS").

Wonderful Malaysia Berhad 2019 reflects the latest amendments to the disclosure requirements for annual financial statements ending 31 December 2019.

The significant changes to annual financial statements ending 31 December 2019 arise from the adoption of MFRS 16, *Leases* which is effective since 1 January 2019.

We have developed this publication in order to assist you in your preparation of the MFRS financial statements. We hope the publication will be a useful guide and will act as a starting point for you to understand the disclosure requirements towards preparing your upcoming annual financial statements.

Foong Mun Kong
Partner, Head of Audit

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Contents

About this publication

This set of Illustrative Financial Statements has been produced by KPMG PLT and the views expressed herein are those of KPMG PLT.

Content

The purpose of this publication is to assist entities in Malaysia which are currently preparing their financial statements in accordance with Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"). It illustrates one possible format for full financial statements, based on a fictitious multi-national corporation involved in general business and adopting MFRSs as its primary basis of accounting for the financial year ending 31 December 2019. The corporation is not a first-time adopter of MFRSs.

What's new?

This set of Illustrative Financial Statements takes account of the impact of the following new or revised MFRS, which are effective for the first time for an annual reporting period ending on 31 December 2019:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combination (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

Major changes since the previous edition of this publication are highlighted by a double line running down the left margin of the text in this publication.

Standards covered

This publication reflects MFRSs in issue as of 30 September 2019 that are required to be applied by an entity with an annual period beginning on 1 January 2019 (currently effective requirements).

This publication does not illustrate the requirements of all MFRSs. Examples of MFRSs not illustrated include MFRS 4, *Insurance Contracts*, MFRS 6, *Exploration for and Evaluation of Mineral Resources*, MFRS 126, *Accounting and Reporting by Retirement Benefit Plans*, MFRS 134, *Interim Financial Reporting* and MFRS 141*, Agriculture.*

This publication also reflects the disclosure requirements of the Companies Act 2016. However, it does not reflect the current Listing Requirements of Bursa Malaysia Securities Berhad and the requirements of the Malaysian Code on Corporate Governance 2017 issued by the Securities Commission in Malaysia.

While this publication is up to date at the time of printing, MFRSs and their interpretations change over time. Accordingly, this Illustrative Financial Statements should not be used as a substitute for referring to the standards and interpretations themselves, particularly when a specific requirement is not addressed in this publication or when there is uncertainty regarding the correct interpretations of the MFRS.

About this publication (continued)

Choice of accounting policies

The accounting policies disclosed in the Illustrative Financial Statements reflect the facts and circumstances of the fictitious entity on which these financial statements are based. They should not be relied upon for a complete understanding of the requirements of MFRSs and should not be used as a substitute for referring to the standards and interpretations themselves. The accounting policy disclosures appropriate for an entity depend on the facts and circumstances of that entity and may differ from the disclosures presented in the Illustrative Financial Statements.

MFRSs and IFRSs

MFRSs are issued by the MASB and are equivalent or fully comply with the IFRSs issued by the International Accounting Standards Board ("IASB"). These terms may be used interchangeably in this publication and have equivalent requirements.

Reporting date

A number of terms are used, either in MFRS or in practice, to describe the end of an entity's financial year, including 'reporting date', 'end of the reporting period', 'statement of financial position date', 'year end' and 'financial year end'. Generally, these terms are used interchangeably and have the same meaning.

Other ways KPMG PLT can help

Copies of this publication are available from the Department of Professional Practice of KPMG PLT. Please contact us at:

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Other KPMG PLT publications

We have a range of publications that can assist you further, including:

- Insights into IFRS
- Illustrative disclosure – Guide to annual financial statements - IFRS
- Disclosure Checklist – Guide to annual financial statements - IFRS

IFRS related technical information is also available at kpmg.com/ifrs

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References and abbreviations

The Illustrative Financial Statements is presented on the odd-numbered pages of this publication. The even-numbered pages contain explanatory comments and notes on disclosure requirements. The explanatory comments are not intended to be an exhaustive commentary. To the left of each item disclosed, a reference to the relevant standard is provided. For example, the reference 101.11 means paragraph 11 of MFRS 101. Generally the references relate only to disclosure requirements.

The following abbreviations are used for the purpose of referencing:

Bursa Malaysia	Bursa Malaysia Securities Berhad
IASB	International Accounting Standards Board
IC	Issues Committee Interpretation issued by the MASB
IFRS	International Financial Reporting Standard issued by the IASB
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standard issued by the MASB
Sxxx(x)	Section of the Companies Act 2016
WMB	Wonderful Malaysia Berhad

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Index to the Illustrative Financial Statements

Note	Reference	**Explanatory note**
1.	101.10(f), 40A-40D	A third statement of financial position as at the beginning of the preceding period is required only if a retrospective change in accounting policy, a retrospective correction of an error or a reclassification has a material effect on the information in the statement of financial position. Except for the disclosures required under MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*, notes related to the third statement of financial position are no longer required. The third statement of financial position to be presented is at the beginning of the preceding period, rather than at the beginning of the earliest comparative period presented. This is also the case even if an entity provides additional comparative information beyond the minimum comparative information requirements.
	101.10	In these Illustrative Financial Statements, the titles of the statements are consistent with the titles used in MFRS 101, *Presentation of Financial Statements*. However, these terms are not mandatory and different titles are permitted.
	101.45	The presentation and classification of items in the financial statements are retained from one period to the next unless: • changes are required by a new standard or interpretation; or • it is apparent, following a significant change to an entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate. In this case, the entity also considers the criteria for the selection and application of accounting policies in MFRS 108.
2.	101.55, 58	Additional line items, headings and subtotals are presented separately in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position. The judgement used is based on an assessment of the nature and liquidity of the assets, the function of assets within the entity, as well as the amounts, nature and timing of liabilities.
	101.57	MFRS 101 does not prescribe the order or format in which an entity presents items. Additional line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position and the descriptions used, and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions to provide information that is relevant to an understanding of an entity's financial position. As a minimum, the line items required by paragraph 54 of MFRS 101 shall be presented on the face of the statement of financial position.
	101.32	An entity does not offset assets and liabilities or income and expenses, unless required or permitted by a MFRS.
3.	15.110, 101.29-30, 55, 77	To meet the disclosure objective in MFRS 15, *Revenue from Contracts with Customers* and comply with the presentation and disclosure guidance in MFRS 101, an entity applies judgement in determining whether the following items should be presented separately (either in the statement of financial position or in the notes) or aggregated with another line item (and if so, then which line item): • refund liability; • costs to obtain a contract; • costs to fulfil a contract; • right to recover a returned good (asset); • liability from repurchase agreement; and • consideration paid to the customer (asset).
4.	101.60-61	In these Illustrative Financial Statements, we have presented current and non-current assets, and current and non-current liabilities as separate classifications in the statement of financial position. An entity may present its assets and liabilities broadly in order of liquidity if such presentation provides reliable and more relevant information. Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled within (i) no more than 12 months after the end of the reporting period, and (ii) more than 12 months after the end of the reporting period, an entity discloses in the notes the amount expected to be recovered or settled after more than 12 months.

Reference

Statements of financial position[1, 2, 3, 4]

101.10(a), 113 **As at 31 December 2019**

Reference		Note	Group 31.12.2019 RM'000	Group 31.12.2018 RM'000 Restated	Group 1.1.2018[1] RM'000 Restated	Company 31.12.2019 RM'000	Company 31.12.2018 RM'000
	Assets						
101.54(a)	Property, plant and equipment	3	250,400	310,490	358,570	-	-
16.47(a)	Right-of-use assets[5]	4	21,404	-	-	-	-
101.54(b), 16.48	Investment properties[5]	5	93,290	99,060	94,220	-	-
101.54(c)	Intangible assets	6	59,120	47,410	54,910	-	-
101.55	Investments in subsidiaries	7	-	-	-	280,180	190,360
101.54(e)	Investments in associates	8	20,250	15,580	10,910	-	-
101.54(d)	Other investments	9	37,530	36,714	34,200	-	-
101.54(o), 56	Deferred tax assets[6, 7]	10	1,513	13,800	12,120	-	-
101.54(h)	Trade and other receivables[8]	11	-	-	-	31,210	24,940
101.60	**Total non-current assets[4]**		483,507	523,054	564,930	311,390	215,300
101.54(g)	Inventories[9]	12	145,796	141,190	113,130	-	-
15.105, 109	Contract assets[3, 10]	13.1	3,607	2,855	2,960	-	-
15.110(c)	Contract costs[3]	13.2	1,083	1,635	1,712	-	-
101.54(h)	Trade and other receivables[8]	11	129,212	174,960	161,138	2,876	7,430
101.54(n)	Current tax assets[7]		2,478	1,150	2,600	-	-
101.55	Prepayments and other assets		280	702	250	60	-
101.54(d)	Derivative financial assets	14	2,234	3,251	4,050	-	-
101.54(d)	Other investments	9	5,400	5,605	7,320	-	-
101.54(i)	Cash and cash equivalents	15	10,412	18,500	18,000	14,980	11,490
			300,502	349,848	311,160	17,916	18,920
5.38-40, 101.54(j)	Assets classified as held for sale[11]	16	144,100	-	-	-	-
101.60	**Total current assets[4]**		444,602	349,848	311,160	17,916	18,920
	Total assets		928,109	872,902	876,090	329,306	234,220

Note	Reference	**Explanatory note**
5.	16.47(a), 48	An entity can either present right-of-use assets that do not meet the definition of investment property separately as right-of-use asset in the statement of financial position or within the same line item as it presents underlying assets of the same nature that it owns. Right-of-use asset that meets the definition of investment property are presented within investment property.
	16.47(b)	An entity can present lease liabilities separately in the statement of financial position. Otherwise, an entity discloses which line items in the statement of financial position include lease liabilities.
6.	101.56	When current and non-current classification is used in the statement of financial position, an entity does not classify deferred tax assets (liabilities) as current assets (liabilities).
7.	101.54(n)-(o), 112.71	An entity offsets current tax assets and current tax liabilities only if it has a legally enforceable right to set off the recognised amounts and intends to realise the asset and settle the liability on a net basis or simultaneously. An entity treats deferred tax assets and deferred tax liabilities in the same manner.
8.	15.105, 108, BC322-326	Any unconditional rights to consideration are presented separately as a receivable. A right to consideration is ‘unconditional’ if only the passage of time is required before payment of that consideration is due.
9.	15.B21, BC367	MFRS 15 and other standards do not specify where assets for rights to recover products from customers with regard to sale with a right of return should be presented. The Group has included the assets in ‘inventories’ and discloses them separately in the related note.
10.	15.105, 109, BC320-321	Although it is not specifically required, this guide has presented in the statement of financial position line items related to ‘contract assets’ and ‘contract liabilities’.
11.	5.38	An entity presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale is presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.
	5.40	Comparatives are not restated to reflect classification as held for sale at the current reporting period.
	101.66	In our view, non-current assets, assets of disposal groups and liabilities of disposal groups classified as held for sale or distribution are classified as current in the statement of financial position as they are expected to be realised within 12 months of the date of classification as held for sale or distribution. Consequently, the presentation of a “three column statement of financial position” with the headings of “Assets/Liabilities not for sale”, “Assets/Liabilities held for sale” and “Total” generally would not be appropriate if the assets and liabilities held for sale or distribution continue to be included in non-current line items.
	15.B30	If a customer does not have the option to purchase a warranty separately, then an entity accounts for the warranty in accordance with MFRS 137 unless the promised warranty, or a part of the promised warranty, provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.
	101.25	When the financial statements are not prepared on a going concern basis, disclose: (a) the fact that the financial statements are not prepared on a going concern basis; (b) the basis on which the financial statements are prepared; and (c) the reason why the entity is not considered to be a going concern.
	101.36	When an entity changes its reporting date and presents financial statements for a period longer or shorter than one year, an entity discloses, in addition to the period covered by the financial statements: (a) the reason for using a longer or shorter period; and (b) the fact that comparative amounts presented in the financial statements are not entirely comparable.

Reference

Statements of financial position[1, 2, 3, 4] (continued)

101.10(a), 113 **As at 31 December 2019**

Reference		Note	Group 31.12.2019 RM'000	Group 31.12.2018 RM'000 Restated	Group 1.1.2018[1] RM'000 Restated	Company 31.12.2019 RM'000	Company 31.12.2018 RM'000
	Equity						
101.54(r), 78(e)	Share capital		196,550	180,500	180,500	196,550	180,500
101.54(r), 78(e)	Reserves		193,218	132,422	82,550	48,540	49,910
	Equity attributable to owners of the Company	17	389,768	312,922	263,050	245,090	230,410
101.54(q), 10.22	**Non-controlling interests**		12,335	8,420	6,010	-	-
	Total equity		402,103	321,342	269,060	245,090	230,410
	Liabilities						
101.54(m)	Loans and borrowings	18	197,151	205,225	254,260	66,170	-
16.47(b)	Lease liabilities[5]		20,133	-	-	-	-
	Employee benefits	19	23,470	21,100	23,570	-	-
101.55, 120.24	Deferred income	20	14,620	15,000	15,000	-	-
101.54(l)	Provisions	21	9,100	4,000	8,000	-	-
101.54(o), 56	Deferred tax liabilities[6, 7]	10	25,166	15,670	7,950	1,186	-
101.60	**Total non-current liabilities[4]**		289,640	260,995	308,780	67,356	-
101.54(m)	Loans and borrowings	18	43,490	46,515	48,180	-	-
16.47(b)	Lease liabilities[5]		4,371	-	-	-	-
101.54(l)	Provisions	21	7,600	12,000	12,000	500	500
101.54(k)	Trade and other payables	22	134,213	228,999	235,290	16,360	3,310
15.105, 109	Contract liabilities[3,10]	13.1	1,400	1,300	1,680	-	-
101.54(m)	Derivative financial liabilities	14	1,192	1,751	1,100	-	-
			192,266	290,565	298,250	16,860	3,810
5.38-40, 101.54(p)	Liabilities classified as held for sale[11]	16	44,100	-	-	-	-
101.60	**Total current liabilities[4]**		236,366	290,565	298,250	16,860	3,810
	Total liabilities		526,006	551,560	607,030	84,216	3,810
	Total equity and liabilities		928,109	872,902	876,090	329,306	234,220

The notes on pages 33 to 281 are an integral part of these financial statements.

Note	Reference	**Explanatory note**
1.	101.82A	An entity presents line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped separately the items of other comprehensive income that would be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of other comprehensive income before related tax effects would also have to allocate the aggregated tax amount between these sections.
	101.10	An entity is still allowed to use other titles for the statement of profit and loss and other comprehensive income.
2.	101.10A	An entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections. The sections are presented together, with the profit or loss section presented first followed directly by the other comprehensive income section. An entity may present the profit or loss section in a separate statement of profit or loss. If so, the separate statement of profit or loss immediately precedes the statement presenting comprehensive income, which begins with profit or loss. Appendix 1 provides an illustration of the two-statement approach.
	101.88	An entity recognises all items of income and expense in a period in profit or loss unless a MFRS requires or permits otherwise.
	101.99	An entity presents an analysis of expenses based on function or nature. In these Illustrative Financial Statements, this analysis is based on functions within the entity. Individual material items are classified in accordance with their nature or function, consistent with the classification of items that are not material individually.
	101.104	Where expenses are disclosed by function, the nature of expenses, including depreciation and amortisation charges and employee benefits expense also needs to be disclosed in the notes to the financial statements.
3.	101.87	No items of income and expense may be presented as "extraordinary". The nature and amounts of material items are disclosed as a separate line item in the statement of profit or loss and other comprehensive income or in the notes.
	101.85	An entity presents additional line items, headings and subtotals when this is relevant to an understanding of its financial performance.
4.		MFRSs do not specify whether revenue can be presented only as a single line item in the statement of profit or loss and other comprehensive income, or whether an entity also may include the individual components of revenue in the statement of profit or loss and other comprehensive income, with a subtotal for revenue from continuing operations. In these Illustrative Financial Statements, we have presented revenue as one line item and the individual component of revenue are disclosed in the notes to the financial statements.
5.	5.37	Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation is included in profit or loss from continuing operations.
6.	16.49	An entity presents interest expense on lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which is presented separately in the statement of profit or loss and other comprehensive income.
7.	IC 17.14-15	When an entity settles the dividend payable, it recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss. An entity presents this difference as a separate line item in profit or loss.

Reference	Statements of profit or loss and other comprehensive income[1, 2, 3]					
101.10(b), 10A	**For the year ended 31 December 2019**					
			Group		**Company**	
		Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
	Continuing operations					
101.82(a), 103	Revenue[4]	23	1,006,520	966,360	16,560	6,150
101.99, 103, 102.36(d)	Cost of sales[2]		(554,750)	(561,860)	-	-
101.103	**Gross profit**		451,770	404,500	16,560	6,150
101.99, 103	Other income		11,190	3,680	390	100
101.99, 103	Distribution expenses[2]		(179,400)	(170,120)	-	-
101.99, 103	Administrative expenses[2]		(171,315)	(146,614)	(11,321)	(3,533)
101.99, 103, 138.126	Research and development expenses[2]		(11,090)	(6,970)	-	-
101.82(ba)	Net loss on impairment of financial instruments and contract assets	28	(105)	(1,076)	(97)	(7)
101.99, 103	Other expenses[2]		(12,308)	-	-	-
101.85	**Results from operating activities[5]**		88,742	83,400	5,532	2,710
	Finance income	24	8,966	4,800	4,260	1,650
101.82(b), 16.49	Finance costs[6]	25	(17,875)	(16,760)	(3,892)	-
	Net finance (costs)/income		(8,909)	(11,960)	368	1,650
IC 17.15	*Fair valuation gains/(losses) arising from distribution of non-cash assets to owners[7]*		*XXX*	*XXX*	*XXX*	*XXX*
101.82(aa)	*Gains/(Losses) arising from derecognition of financial assets measured at amortised cost*		*XXX*	*XXX*	*XXX*	*XXX*
101.82(ca)	*Gains/(Losses) arising from reclassification of financial assets measured at amortised cost to fair value through profit or loss*		*XXX*	*XXX*	*XXX*	*XXX*
101.82(cb)	*Gains/(Losses) arising from reclassification of financial assets measured at fair value through other comprehensive income to fair value through profit or loss*		*XXX*	*XXX*	*XXX*	*XXX*
101.82(c)	Share of profit of equity-accounted associates/*joint venture*, net of tax		4,670	5,870	-	-
101.85	**Profit before tax**		84,503	77,310	5,900	4,360
101.82(d), 112.77	Tax expense	26	(23,257)	(18,000)	(940)	(410)
101.85	**Profit from continuing operations**		61,246	59,310	4,960	3,950
	Discontinued operation					
5.33(a), 101.82(ea)	Profit/(Loss) from discontinued operation, net of tax[8]	27	3,790	(4,220)	-	-
101.81A(a)	**Profit for the year**	28	65,036	55,090	4,960	3,950

Note	Reference	Explanatory note
8.	5.33(b)	An entity discloses revenue, expenses, and the pre-tax profit or loss from discontinued operations; income tax on the profit or loss from discontinued operations; the gain or loss on the disposal or measurement to fair value less cost to sell; and income tax on that gain or loss. In this publication, we have illustrated this analysis in the notes. An entity also may present this analysis in the statement of profit or loss and other comprehensive income, in a section identified as relating to discontinued operations. For example, a columnar format presenting the results from continuing and discontinued operations in separate columns is acceptable. This analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition in paragraph 11 of MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.
	5.34	Unlike the statement of financial position, the comparative figures for discontinued operations would be restated to include information for all operations that have been discontinued by the end of the reporting period for the latest period presented.
9.	5.38	An entity presents separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.
10.	133.2	An entity is required to present earnings per share if its ordinary shares or potential ordinary shares are publicly traded, or if it is in the process of issuing ordinary shares or potential ordinary shares in public securities markets.
	133.4	If an entity chooses to disclose earnings per share information in its separate financial statements, then it presents such earnings per share information only in its statement of profit or loss and other comprehensive income and not in the consolidated financial statements.
	133.67, 69	If basic and diluted earnings per share are equal, dual presentation can be accomplished in one line in the statement of profit or loss and other comprehensive income. An entity presents basic and diluted earnings per share, even if the amounts are negative (i.e. a loss per share).
	133.66	An entity presents in the statement of profit or loss and other comprehensive income basic and diluted earnings per share for: • profit or loss from continuing operations attributable to the ordinary shareholders of the parent entity; and • profit or loss attributable to the ordinary shareholders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period.
	133.68	An entity that reports a discontinued operation discloses the basic and diluted amounts per share for the discontinued operation either in the statement of profit or loss and other comprehensive income or in the notes.
	133.73	If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the statement of profit or loss and other comprehensive income other than one required by MFRS 133, *Earnings per Share*, then basic and diluted amounts per share relating to such a component shall be disclosed with equal prominence and presented in the notes. An entity discloses the basis on which the numerator is determined, including whether amounts per share are before tax or after tax.
	101.94	An entity may present reclassification adjustments directly in the statement of profit or loss and other comprehensive income or in the notes. This analysis is based on presentation directly in the statement of profit or loss and comprehensive income.

Reference

Statements of profit or loss and other comprehensive income[1, 2, 3] (continued)

101.10(b), 10A **For the year ended 31 December 2019**

Reference		Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
101.82A	**Other comprehensive income, net of tax[9]**					
101.82A(a)(i)	**Items that will not be reclassified subsequently to profit or loss[1]**					
	Remeasurement of defined benefit liability/(asset)		720	(150)	-	-
	Revaluation of property, plant and equipment upon transfer of properties to investment properties		1,900	-	-	-
7.20(a)(vii)	Net change in fair value of equity investments designated at fair value through other comprehensive income		(1,234)	-	-	-
101.82A(b)(i)	*Share of other comprehensive income of equity-accounted associates/joint venture*		*XXX*	*XXX*	-	-
		29	1,386	(150)	-	-
101.82A(a)(ii)	**Items that are or may be reclassified subsequently to profit or loss[1]**					
7.24C(b)	Cash flow hedge		853	-	-	-
101.92, 94	*Costs of hedging reserve*		*XXX*	*XXX*	-	-
7.20(a)(viii)	Debt investments measured at fair value through other comprehensive income		1,590	410	-	-
121.52(b)	Foreign currency translation differences for foreign operations		2,669	2,472	-	-
101.82A(b)(ii)	*Share of other comprehensive income of equity-accounted associates/joint venture*		*XXX*	*XXX*	-	-
		29	5,112	2,882	-	-
101.81A(b)	**Other comprehensive income for the year, net of tax**		6,498	2,732	-	-
101.81A(c)	**Total comprehensive income for the year**		71,534	57,822	4,960	3,950
	Profit attributable to:					
101.81B(a)(ii)	Owners of the Company		61,276	52,900	4,960	3,950
101.81B(a)(i)	Non-controlling interests		3,760	2,190	-	-
	Profit for the year		65,036	55,090	4,960	3,950
	Total comprehensive income attributable to:					
101.81B(b)(ii)	Owners of the Company		67,504	55,412	4,960	3,950
101.81B(b)(i)	Non-controlling interests		4,030	2,410	-	-
	Total comprehensive income for the year		71,534	57,822	4,960	3,950
133.66, 68	**Basic earnings/(loss) per ordinary share (sen):[10]**					
	from continuing operations		57.0	57.2		
	from discontinued operation		4.1	(4.6)		
		30	61.1	52.6		
133.66, 68	**Diluted earnings/(loss) per ordinary share (sen):[10]**					
	from continuing operations		56.4	56.9		
	from discontinued operation		4.0	(4.5)		
		30	60.4	52.4		

The notes on pages 33 to 281 are an integral part of these financial statements.

Note	Reference	Explanatory note
1.	101.80	An entity without share capital (e.g. a partnership or trust) discloses information equivalent to that required for other entities, showing changes during the period in each category of equity interest and the rights, preferences and restrictions attaching to each category of equity interest.
2.	101.106A	An entity presents either in the statement of changes in equity or in the notes an analysis of other comprehensive income by item for each component of equity in accordance with paragraph 106A of MFRS 101, *Presentation of Financial Statements*. In these Illustrative Financial Statements, we have presented the analysis of other comprehensive income by item in the statement of changes in equity.
3.		Entities in Malaysia refer to section S127 of the Companies Act 2016 on purchases of own shares.
	132.33	An entity presents own shares purchased as a deduction from equity. Consideration received when own shares held are reissued is presented as a change in equity, and no gain or loss is recognised.
4.		MFRS 2, *Share-based Payment* does not address specifically how share-based payment transactions are presented within equity, e.g. whether an increase in equity in connection with a share-based payment transaction is presented in a separate line item within equity or within retained earnings. In our view, either approach would be allowed under MFRSs.
5.	16.C5(b), C7	MFRS 16 offers a range of transition options. In this Illustrative Financial Statements, the Group applied MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening retained earnings as at 1 January 2019.

Reference

Consolidated statement of changes in equity

101.10(c) **For the year ended 31 December 2019**

Reference	Group	Note	Share capital[1] RM'000	Treasury shares RM'000	Capital reserve RM'000	Translation reserve RM'000	*Costs of hedging reserve RM'000*	Hedging reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
			/---- Attributable to owners of the Company										----/		
			/---- Non-distributable								----/	Distributable			
	At 1 January 2018		180,500	-	-	(630)	*XXX*	-	1,080	-	8,000	74,100	263,050	6,010	269,060
	Remeasurement of define benefit liability[2]		-	-	-	-	-	-	-	-	-	(150)	(150)	-	(150)
	Debt instrument measured at FVOCI[2]		-	-	-	-	-	-	410	-	-	-	410	-	410
	Foreign currency translation differences for foreign operations[2]		-	-	-	2,252	-	-	-	-	-	-	2,252	220	2,472
	Total other comprehensive income for the year[2]		-	-	-	2,252	-	-	410	-	-	(150)	2,512	220	2732
101.106(d)(i)	Profit for the year		-	-	-	-	-	-	-	-	-	52,900	52,900	2,190	55,090
101.106(a)	**Total comprehensive income for the year**		-	-	-	2,252	-	-	410	-	-	52,750	55,412	2,410	57,822
	Contributions by and distributions to owners of the Company:														
132.33	- Own shares acquired[3]	17	-	(2,800)	-	-	-	-	-	-	-	-	(2,800)	-	(2,800)
	- Share-based payment transactions[4]	19	-	-	-	-	-	-	-	-	2,500	-	2,500	-	2,500
101.107	- Dividends to owners of the Company	31	-	-	-	-	-	-	-	-	-	(5,240)	(5,240)	-	(5,240)
	Total transactions with owners of the Company		-	(2,800)	-	-	-	-	-	-	2,500	(5,240)	(5,540)	-	(5,540)
	At 31 December 2018		180,500	(2,800)	-	1,622	*XXX*	-	1,490	-	10,500	121,610	312,922	8,420	321,342

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Reference

Consolidated statement of changes in equity (continued)

101.10(c)

For the year ended 31 December 2019

Reference	Group	Note	Share capital[1] RM'000	Treasury shares RM'000	Capital reserve RM'000	Translation reserve RM'000	*Cost of hedging reserve RM'000*	Hedging reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Reserve of disposal group held for sale RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
			/--- Attributable to owners of the Company											---/		
			/--- Non-distributable									---/	Distributable			
	At 1 January 2019, *as previously reported*		180,500	(2,800)	-	1,622	*XXX*	-	1,490	-	10,500	-	121,610	312,922	8,420	321,342
101.106(b)	Adjustment on initial application of MFRS 16, net of tax[5]		-	-	-	-	-	-	-	-	-	-	(293)	(293)	-	(293)
	At 1 January 2019, *restated*		180,500	(2,800)	-	1,622	*XXX*	-	1,490	-	10,500	-	121,317	312,629	8,420	321,049
	Remeasurement of defined benefit liability[2]		-	-	-	-	-	-	-	-	-	-	720	720	-	720
	Revaluation of property, plant and equipment upon transfer of properties to investment properties[2]		-	-	-	-	-	-	-	1,900	-	-	-	1,900	-	1,900
7.20(a)(vii)	Net change in fair value of equity investment designated at FVOCI		-	-	-	-	-	-	(1,234)	-	-	-	-	(1,234)	-	(1,234)
	Cash flow hedge[2]		-	-	-	-	*XXX*	853	-	-	-	-	-	853	-	853
7.20(a)(viii)	Debt investments measured at FVOCI[2]		-	-	-	-	-	-	1,590	-	-	-	-	1,590	-	1,590
	Foreign currency translation differences for foreign operations[2]		-	-	-	2,179	-	-	-	-	-	220	-	2,399	270	2,669
	Total other comprehensive income for the year[2]		-	-	-	2,179	*XXX*	853	356	1,900	-	220	720	6,228	270	6,498
101.106(d)(i)	Profit for the year		-	-	-	-	-	-	-	-	-	-	61,276	61,276	3,760	65,036
101.106(a)	**Total comprehensive income for the year**		-	-	-	2,179	*XXX*	853	356	1,900	-	220	61,996	67,504	4,030	71,534

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Reference

Consolidated statement of changes in equity (continued)

101.10(c) **For the year ended 31 December 2019**

Reference	Group	Note	Share capital[1] RM'000	Treasury shares RM'000	Capital reserve RM'000	Translation reserve RM'000	*Cost of hedging reserve RM'000*	Hedging reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Reserve of disposal group held for sale RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
			/---- Attributable to owners of the Company											----/		
			/---- Non-distributable									----/	Distributable			
	Contributions by and distributions to owners of the Company															
	- Share options exercised	17,19	450	-	-	-	-	-	-	-	-	-	-	450	-	450
	- Share-based payment transactions[4]	19	-	-	-	-	-	-	-	-	4,000	-	-	4,000	-	4,000
101.106(d)(iii)	- Issue of ordinary shares	17	15,600	-	-	-	-	-	-	-	-	-	-	15,600	-	15,600
101.106(d)(iii)	- Own shares sold[3]	17	-	220	-	-	-	-	-	-	-	-	80	300	-	300
132.33	- Issue of convertible notes, net of tax		-	-	1,800	-	-	-	-	-	-	-	-	1,800	-	1,800
101.106(d)(iii)	- Dividends to owners of the Company	31	-	-	-	-	-	-	-	-	-	-	(12,430)	(12,430)	-	(12,430)
			16,050	220	1,800	-	-	-	-	-	4,000	-	(12,350)	9,720	-	9,720
	Changes in ownership interests in a subsidiary	38	-	-	-	-	-	-	-	-	-	-	(85)	(85)	(115)	(200)
	Total transactions with owners of the Company		16,050	220	1,800	-	-	-	-	-	4,000	-	(12,435)	9,635	(115)	9,520
	Transfer upon the disposal of equity investment designated at FVOCI	9.1	-	-	-	-	-	-	(343)	-	-	-	343	-	-	-
5.38	Reclassification arising from disposal group held for sale		-	-	-	100	-	-	-	-	-	(100)	-	-	-	-
	At 31 December 2019		196,550	(2,580)	1,800	3,901	*XXX*	853	1,503	1,900	14,500	120	171, 221	389,768	12,335	402,103

The notes on pages 33 to 281 are an integral part of these financial statements.

Note	Reference	**Explanatory note**
1.		Entities in Malaysia refer to section S127 of the Companies Act 2016 on purchases of own shares.
	132.33	An entity presents own shares purchased as a deduction from equity. Consideration received when own shares held are reissued is presented as a change in equity, and no gain or loss is recognised.
2.		MFRS 2, *Share-based Payment* does not address specifically how share-based payment transactions are presented within equity, e.g. whether an increase in equity in connection with a share-based payment transaction is presented in a separate line item within equity or within retained earnings. In our view, either approach would be allowed under MFRSs.

Reference

Statement of changes in equity

101.10(c) **For the year ended 31 December 2019**

Reference	Company	Note	Share capital RM'000	Treasury shares RM'000	Capital reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total equity RM'000
			/---- Attributable to owners of the Company ----/					
			/---- Non-distributable ----/				Distributable	
	At 1 January 2018		180,500	-	-	8,000	43,500	232,000
101.106(a)	**Profit and total comprehensive income for the year**		-	-	-	-	3,950	3,950
	Contributions by and distributions to owners of the Company:							
101.106(d)(iii)	- Own shares acquired[1]	17	-	(2,800)	-	-	-	(2,800)
	- Share-based payment transactions[2]	19	-	-	-	2,500	-	2,500
101.106(d)(iii)	- Dividends to owners of the Company	31	-	-	-	-	(5,240)	(5,240)
	Total transactions with owners of the Company		-	(2,800)	-	2,500	(5,240)	(5,540)
	At 31 December 2018/1 January 2019		180,500	(2,800)	-	10,500	42,210	230,410
101.106(a)	**Profit and total comprehensive income for the year**		-	-	-	-	4,960	4,960
	Contributions by and distributions to owners of the Company:							
132.33	- Share options exercised	17,19	450	-	-	-	-	450
	- Share-based payment transactions[2]	19	-	-	-	4,000	-	4,000
101.106(d)(iii)	- Issue of ordinary shares	17	15,600	-	-	-	-	15,600
101.106(d)(iii)	- Own shares sold	17	-	220	-	-	80	300
	- Issue of convertible notes, net of tax		-	-	1,800	-	-	1,800
101.106(d)(iii)	- Dividends to owners of the Company	31	-	-	-	-	(12,430)	(12,430)
	Total transactions with owners of the Company		16,050	220	1,800	4,000	(12,350)	9,720
	At 31 December 2019		196,550	(2,580)	1,800	14,500	34,820	245,090

The notes on pages 33 to 281 are an integral part of these financial statements.

Note	Reference	**Explanatory note**
1.	107.18	In these Illustrative Financial Statements, we have presented cash flows from operating activities using the indirect method whereby the profit or loss for the period is adjusted for the effects of non-cash transactions, accruals and deferrals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. An entity also may present operating cash flows using the direct method, disclosing major classes of gross cash receipts and payments related to operating activities. Appendix 2 of this publication illustrates a statement of cash flows prepared under the direct method.
	107.43	An entity discloses investing and financing transactions that are excluded from the statement of cash flows where they do not require the use of cash or cash equivalents in a way that provides all relevant information about these activities.
	107.50(c)	An entity is encouraged, but not required, to disclose the aggregate amount of cash flows that represent increases in operating capacity separately from the cash flows that are required to maintain operating capacity.
2.	107.16(h)	An entity presents receipts from future, forward, option and swap contracts as part of either investing or financing activities, provided that they are not held for dealing or trading purposes in which case they should be presented as part of the operating activities. However, when a contract is accounted for as a hedge of an identifiable position, as in this fictitious company, the cash flows of the contracts are classified in the same manner as the cash flows of the positions being hedged. For example, cash flows arising from an interest rate swap entered into to hedge a bond issued is classified as financing activity.
3.	107.21	An entity discloses separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that the cash flows are reported on a net basis.
	107.22	Cash flows from operating, investing or financing activities may be reported on a net basis if the cash receipts and payments are on behalf of customers when the cash flows reflect the activities of the customer or when the cash receipts and payments for items concerned turnover quickly, the amounts are large, and the maturities are short.
4.	107.18, 20, IE A	For an entity that elects to present operating cash flows using the indirect method, often there is confusion about the correct starting point: should it be profit or loss, (i.e. the final figure in the statement of profit or loss and other comprehensive income), or can a different figure, such as profit before tax, be used? MFRS 107, *Statement of Cash Flows*, refers to profit or loss, but the example provided in the appendix to the standard starts with a different figure (i.e. profit before taxation). Both approaches have been seen in practice.
5.	107.18(b)	If interest expense is recognised due to a significant financing component in respect of a contract liability and an entity applies the indirect method to present cash flows from operating activities, then the interest is presented as a non-cash transaction in the reconciliation. Conversely, if interest income is recognised in respect of a contract asset, then that interest is presented as a cash transaction.
6.	107.31	MFRSs do not specify the classification of cash flows from interest and dividends received and paid. An entity is required to choose its own policy for classifying interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities, depending on the nature of the interest and dividends received or paid. The presentation selected is applied consistently.

Reference

Statements of cash flows[1, 3]

101.10(d), 111 **For the year ended 31 December 2019**

Reference		Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
107.18, 16.50(c)	**Cash flows from operating activities[1, 2]**					
	Profit/(Loss) before tax from:[4]					
	- continuing operations		84,503	77,310	5,900	4,360
	- discontinued operation	27	(1,620)	(4,660)	-	-
			82,883	72,650	5,900	4,360
	Adjustments for:					
	Amortisation of government grant	20	(380)	-	-	-
	Change in fair value of investment properties	5	(6,540)	(1,020)	-	-
	Depreciation of property, plant and equipment	3	50,010	51,220	-	-
	Depreciation of right-of-use assets	4	1,108	-	-	-
	Dividend income	23	(3,600)	(3,180)	(16,560)	(6,150)
	Equity settled share-based payment transactions	19	4,000	2,500	-	-
	Finance income	24	(8,966)	(4,800)	(4,260)	(1,650)
	Finance costs	25	17,875	16,760	3,892	-
	Gain on disposal of property, plant and equipment	28	(260)	(1,000)	-	-
	Gain on disposal of other investments	28	(334)	-	-	-
	Net impairment loss on financial assets	28	105	1,076	-	-
	Net impairment loss on intangible assets	6	160	2,850	-	-
	(Reversal of)/Impairment loss on property, plant and equipment	3	(3,930)	11,230	-	-
	Share of profit of equity-accounted associates/*joint venture*, net of tax		(4,670)	(5,870)	-	-
	Others		269	(1,128)	-	-
	Operating profit/(loss) before changes in working capital		127,730	141,288	(11,028)	(3,440)
	Change in employee benefits, provisions and deferred income		3,770	(7,000)	-	-
	Change in inventories		(21,896)	(20,290)	-	-
	Change in trade and other payables		(37,435)	(5,320)	(1,689)	2,890
	Change in trade and other receivables, prepayments and other financial assets		(23,768)	(14,551)	4,484	1,065
	Change in contract assets[5]		(374)	105	-	-
	Change in contract costs[5]		552	77	-	-
	Change in contract liabilities[5]		85	380	-	-
	Cash generated from/(used in) operations		48,664	94,689	(8,233)	515
107.31	Dividends received[6]		3,600	3,180	16,560	6,150
107.31	Interest received[6]		8,981	4,800	4,260	1,715
107.31, 32, 16.50(b)	Interest paid[6, 7]		(19,368)	(16,260)	(3,025)	-
107.35	Tax paid[8]		(1,630)	(10,070)	(210)	(250)
107.10	**Net cash from operating activities**		40,247	76,339	9,352	8,130

Note	Reference	Explanatory note
7.		In our view, to the extent that borrowing costs are capitalised in respect of qualifying assets, the cost of acquiring those assets which would include borrowing costs should be split in the statement of cash flows. In such circumstances, the interest paid will be included in operating or financing activities depending on the entity's accounting policy for presenting interest paid in the statement of cash flows. This is consistent with the requirement to classify separately the different components of a single transaction.
8.	107.35	Taxes paid are classified as operating activities unless it is practicable to identify them with, and therefore classify them as financing or investing activities.
9.		In our view, in the consolidated financial statements transaction costs associated with a business combination, although ancillary to the assets acquired, are classified as operating activities since the transaction costs are not capitalised.
10.	107.39	In these Illustrative Financial Statements, we have presented statements of cash flows that include an analysis of all cash flows in total, i.e. including both continuing and discontinued operations. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in the notes. However, in our view there are numerous ways in which cash flows from discontinued operations may be presented. This issue is discussed in our publication *Insights into IFRS*.
11.	16.53(g)	MFRS 16 requires a lessee to disclose the total cash outflow for leases. The Group disclosed additional information for cash outflows arising from different elements of its leases and presented this information within the statement of cash flows.

Reference

Statements of cash flows[1, 3] (continued)

101.10(d), 111 **For the year ended 31 December 2019**

Reference		Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
107.21	**Cash flows from investing activities[2, 3]**					
107.16(a)	Acquisition of investment properties	5	(5,050)	(4,370)	-	-
107.16(c)	Acquisition of other investments		(11,000)	(389)	-	-
107.16(a)	Acquisition of property, plant and equipment	3	(158,510)	(14,880)	-	-
107.39	Acquisition of subsidiary, net of cash and cash equivalents acquired[9]	38.1	(21,250)	-	(25,000)	-
107.16(c)	Increase in investments in subsidiaries		-	-	(64,820)	-
107.16(a)	Development costs	6	(12,720)	(5,150)	-	-
107.16(e)	Loans to subsidiaries		-	-	(5,760)	(2,000)
107.39	Disposal of discontinued operation[10]					
	- Proceeds from disposal, net of cash and cash equivalents disposed of	27	108,900	-	-	-
	- Tax paid on gain on disposal	27	(3,300)	-	-	-
107.16(b)	Proceeds from disposal of investment properties		24,800	1,680	-	-
107.16(d)	Proceeds from disposal of other investments		11,079	-	-	-
107.16(b)	Proceeds from disposal of property, plant and equipment		11,770	4,810	-	-
107.10	**Net cash used in investing activities**		(55,281)	(18,299)	(95,580)	(2,000)
107.21	**Cash flows from financing activities[2, 3]**					
107.42A	Acquisition of non-controlling interests	38.2	(200)	-	-	-
107.31	Dividends paid to owners of the Company[6]	31	(12,430)	(5,240)	(12,430)	(5,240)
107.17(c)	Proceeds from issue of convertible notes		48,000	-	48,000	-
	Equity-settled share-based payment transactions reimbursed by subsidiaries		-	-	4,100	2,500
107.17(c)	Proceeds from issue of redeemable preference shares		19,948	-	19,948	-
107.17(a)	Proceeds from issue of share capital		16,050	-	15,950	-
107.17(c)	Proceeds from loan from subsidiaries		-	-	13,850	-
	Proceeds from sale of treasury shares		300	-	300	-
107.17(d)	Repayment of other borrowings		(40,969)	(44,720)	-	-
107.17(e)	Payment of finance lease liabilities		-	(5,800)	-	-
107.17(e), 16.50(a)	Payment of lease liabilities		(3,753)	-	-	-
107.17(d)	Repayment of loan from associate		(20,000)	-	-	-
107.17(b)	Repurchase of treasury shares		-	(2,800)	-	(2,800)
107.10	**Net cash (used in)/from financing activities**		6,946	(58,560)	89,718	(5,540)

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Reference

Statements of cash flows[1, 3] (continued)

101.10(d), 111 **For the year ended 31 December 2019**

Reference		Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
	Net (decrease)/increase in cash and cash equivalents		(8,088)	(520)	3,490	590
107.28	Effect of exchange rate fluctuations on cash held		(520)	1,200	-	-
	Cash and cash equivalents at 1 January		15,680	15,000	11,490	10,900
	Cash and cash equivalents at 31 December	15	7,072	15,680	14,980	11,490

Cash outflows for leases as a lessee

Reference		Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
	Included in net cash from operating activities:					
	Payment relating to short-term leases	28	1,500	-	-	-
	Payment relating to leases of low-value assets	28	5,100	-	-	-
	Payment relating to variable lease payments not included in the measurement of lease liabilities	28	*XXX*	-	-	-
	Interest paid in relation to lease liabilities	25	1,378	-	-	-
	Included in net cash from financing activities:					
	Payment of lease liabilities		3,753	-	-	-
16.53(g)	**Total cash outflows for leases[11]**		11,731	-	-	-

Note	Reference	**Explanatory note**
1.	107.44A 107.44B	An entity shall provide information to enable users to evaluate changes in liabilities arising from financing activities that includes both cash flows and non-cash changes. This includes but not limited the following: • changes from financing cash flows; • changes arising from obtaining or losing control of subsidiaries or other business; • the effect of changes in foreign exchange rate; • changes in fair value; and • other changes.
2.	107.44E	If an entity provides the disclosures required by MFRS 107.44A in combination with disclosures of changes in other assets and liabilities, it discloses the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.
3.	101.30A	When aggregating information in the financial statements, an entity takes into account all relevant facts and circumstances. An entity shall not reduce the understandability of its financial statements by aggregating material items that have different natures or functions.

Reference

Statement of cash flows (continued)

For the year ended 31 December 2019

Reconciliation of movements of liabilities to cash flows arising from financing activities[1, 2]

107.44A-44E

Group

	At 1 January 2018 RM'000 Restated	Net changes from financing cash flows RM'000	At 31 December 2018 RM'000 Restated	Adjustment on initial application of MFRS 16 RM'000	At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Changes arising from obtaining control of subsidiaries RM'000	*Foreign exchange movement RM'000*	Other changes[3] RM'000	At 31 December 2019 RM'000
Bank loans	156,662	(45,732)	110,930	-	110,930	(45,810)	-	5,000	*XXX*	-	70,120
Bonds	94,402	598	95,000	-	95,000	861	-	-	-	-	95,861
Convertible notes	-	-	-	-	-	48,000	-	-	-	(1,778)	46,222
Redeemable preference shares	-	-	-	-	-	19,948	-	-	-	-	19,948
Finance lease liabilities	16,020	5,800	21,820	(21,820)	-	-	-	-	-	-	-
Lease liabilities	-	-	-	27,566	27,566	(3,753)	691	-	-	-	24,504
Loan from associate	20,000	-	20,000	-	20,000	(20,000)	-	-	*XXX*	-	-
Other bank facilities	756	414	1,170	-	1,170	3,980	-	-	-	-	5,150
Total liabilities from financing activities	287,840	(38,920)	248,920	5,746	254,666	3,226	691	5,000	*XXX*	(1,778)	261,805

Company

	At 31 December 2018/ 1 January 2019 RM'000	Net changes from financing cash flows RM'000	Other changes[3] RM'000	At 31 December 2019 RM'000
Convertible notes	-	48,000	(1,778)	46,222
Redeemable preference shares	-	19,948	-	19,948
Loans from subsidiaries	-	13,850	-	13,850
Total liabilities from financing activities	-	81,798	(1,778)	80,020

The notes on pages 33 to 281 are an integral part of these financial statements.

Note	Reference	**Explanatory note**
1.	101.7	The notes to the financial statements includes narrative descriptions or break-downs of amounts disclosed in the primary statements. They also include information about items that do not qualify for recognition in the financial statements.
	101.17(c)	An entity provides additional disclosures when compliance with the specific requirements in MFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
	101.21	When an entity has departed from a requirement of a MFRS in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it makes the disclosures set out in paragraph 20(c) and (d) of MFRS 101, *Presentation of Financial Statements*.
	101.138(a)	When an entity's principal place of business is different from its registered office, the entity discloses both the address of its registered office and principal place of business.
2.	101.36	When the entity changes its end of reporting period and annual financial statements are presented for a period longer or shorter than one year, an entity discloses the reason for the change and the fact that comparative amounts presented are not entirely comparable. In this and other cases, an entity may wish to present *pro forma* information that is not required by MFRSs, for example *pro forma* comparative financial statements are prepared as if the change in the end of the reporting period were effective for all periods presented.
3.	101.138(c), 124.13	An entity discloses the name of its parent and ultimate controlling party if different. It also discloses the name of its ultimate parent if not disclosed elsewhere in information published with the financial statements. In our view, the *ultimate parent* and the *ultimate controlling party* are not necessarily synonymous. This is because the definition of parent refers to an entity. Accordingly, an entity may have an ultimate parent and an ultimate controlling party. Therefore if the ultimate controlling party in the entity is an individual or a group of individuals, then the entity discloses the identity of that individual or the group of individuals and that relationship.
4.	110.17	An entity discloses the date that the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, then an entity discloses the fact.
5.	101.16	An entity whose financial statements comply with MFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with MFRSs unless they comply with all the requirements of MFRSs.
	101.MY16.1	Financial statements that have been prepared in accordance with MFRSs shall make an explicit and unreserved statement of compliance with IFRSs.
6.	101.19, 20, 23	In extremely rare circumstances in which management concludes that compliance with a requirement of a standard or an interpretation would be so misleading that it would conflict with the objective of financial statement set out in the Conceptual Framework for Financial Reporting, an entity may depart from the requirement if the relevant regulatory framework requires or otherwise does not prohibit such a departure. Extensive disclosures are required in these circumstances.
7.	108.30	When an entity has not applied a new MFRS that has been issued, but is not yet effective, the entity discloses: (a) that fact; and (b) known or reasonably estimable information relevant to assessing the possible impact that the application of the new MFRS will have on the entity's financial statements in the period of initial application.

Reference

Notes to the financial statements[1]

101.10(e), 138(a), 51(a) Wonderful Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business	**Registered office**
Wisma Extremely Wonderful	Wisma Wonderful
Jalan Hartamas	1505, Jalan Bintang Sinar
50490 Kuala Lumpur	46200 Petaling Jaya
Malaysia	Selangor, Malaysia

101.51(b)-(c) The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019[2] comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates *and joint venture*. The financial statements of the Company as at and for the financial year ended 31 December 2019 also include joint operations.

101.138(b) The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in the manufacture and sale of paper and paper products.

101.138(c), 124.13 The immediate and ultimate holding companies during the financial year were Very Wonderful Sdn Bhd and Extremely Wonderful Sdn Bhd respectively. Both companies were incorporated in Malaysia. The ultimate controlling party of the Group is Datuk Seri Mokhtar bin Haji Abdul Rahim who is the controlling shareholder of the ultimate holding company.[3]

110.17 These financial statements were authorised for issue by the Board of Directors on 24 February 2020.[4]

101.112(a)
1. Basis of preparation

101.114(c)(i)
(a) Statement of compliance[5, 6]

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

108.30, 31 The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:[7]

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Note	Reference	**Explanatory note**
1.	101.25, 110.16(b)	Where applicable, an entity discloses any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, whether they arise during the period or after the end of the reporting period. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.
2.	121.53	If the financial statements are presented in a currency different from the parent entity's functional currency, then an entity discloses that fact, its functional currency, and the reason for using a different presentation currency.
	S259(1)(c)	For statutory financial statements presented in Malaysia, the presentation currency shall be in Ringgit Malaysia.
	121.54	If there is a change in the functional currency of either the entity or a significant foreign operation, then the entity discloses that fact together with the reason for the change.
3.	101.122	An entity discloses the judgements apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.
	101.125	An entity discloses the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Reference

Notes to the financial statements

101.112(a) **1. Basis of preparation (continued)**

101.114(c)(i) **(a) Statement of compliance (continued)**

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2020 for those accounting standards, interpretations and amendments, that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

101.117(a) **(b) Basis of measurement[1]**

The financial statements have been prepared on the historical cost basis other than as disclosed in note 2.

101.51(d)-(e) **(c) Functional and presentation currencies[2]**

121.53 These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements[3]

101.122, 125, 129, 130 The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- note 4 – extension options and incremental borrowing rate in relation to leases
- note 5 – valuation of investment properties
- note 6 – measurement of the recoverable amounts of cash-generating units
- note 7 – investments in subsidiaries
- notes 21 and 36 – provisions and contingencies
- note 23 – revenue
- note 33 – measurement of expected credit loss ("ECL") and fair value of unquoted shares
- note 38 – business combinations

Note	Reference	**Explanatory note**
1.	101.10(f), 40A 108.28-29	When a change in accounting policy, either voluntarily or as a result of the initial application of a standard, has an effect on the current period or any prior period, an entity discloses, among other things, the amount of the adjustment for each line item in the financial statement which is affected. A third statement of financial position as at the beginning of the preceding period is required only if a retrospective change in accounting policy has a material effect on the information in the statement of financial position.
	108.49	If any prior period errors are corrected in the current year's financial statements, then an entity discloses: (a) the nature of the prior period error; (b) to the extent practicable, the amount of the correction for each financial statement line item affected, and basic and diluted earnings per share for each prior period presented; (c) the amount of the correction at the beginning of the earliest prior period presented; and (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.
2.	101.117(a)-(b)	The summary of accounting policies describe the measurement bases used in preparing the financial statements and the significant accounting policies used that are relevant to an understanding of the financial statements.
3.		When a change in accounting policy is the result of the adoption of a new, revised or amended MFRS, an entity applies the specific transitional requirements in that MFRS. However, in our view an entity nonetheless should comply with the disclosure requirements of MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* to the extent that transitional requirements do not include disclosure requirements. Even though it could be argued that the disclosures are not required because they are set out in the MFRS 108 requirements for voluntary changes in accounting policy, we believe that they are necessary in order to give a fair presentation.
4.	10.B87	Where necessary, adjustments are made to the financial statements of subsidiary to bring accounting policies in line with those used by other members of the group.

Reference

Notes to the financial statements

101.112(a), 117

2. Significant accounting policies[1, 2, 3]

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in note 42.

(a) Basis of consolidation

(i) Subsidiaries[4]

10.20 Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

10.6, 7 / 10.B49 The Group controls an entity when it is exposed, 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

127.10, 17(c) Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

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

3.32 For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

3.34 When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

3.19 For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

3.53 Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Note	Reference	**Explanatory note**
1.		The accounting for common control transactions in the absence of specific guidance in MFRSs is discussed in our publication *Insights to IFRS.* This publication illustrates one possible method to account for common control transactions.
2.		An associate may have accounting policies for items that are not applicable to the investor, for example when the investor's financial statements do not include line items in respect of an associate's financial statement items. If disclosure of the accounting policies of an associate is considered necessary for an understanding of income from associates, or the carrying amount of investments in associates in the statement of financial position, then in our view this information should be included in the accounting policy note regarding investments in associates. MFRSs do not specify whether the elimination of unrealised gains and losses resulting from transactions with equity accounted investees is presented as a reduction of the investment in the associate or as a reduction in the underlying asset, e.g. inventory. In our view, either approach is acceptable.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

10.23, B96

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

(iv) *Acquisitions from entities under common control*[1]

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group's equity and any resulting gain or loss is recognised directly in equity.

10.25, B98-B99

(v) Loss of control

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

(vi) Associates[2]

128.3

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

128.10, 20, 35, 12.21(b)(i)

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

128.38-39

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

128.22

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

Note	Reference	**Explanatory note**
1.		MFRSs do not specify whether the elimination of unrealised gains and losses resulting from transactions with equity accounted investees is presented as a reduction of the investment in the associate or as a reduction in the underlying asset, e.g. inventory. In our view, either approach is acceptable.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Associates (continued)

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

127.10, 17(c) Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Joint arrangements

11.4,7 Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

11.15, 20
- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group *and the Company* account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

11.16, 24
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. (127.10, 17(c)) Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(viii) Non-controlling interests

10.22 Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. (10.B94) Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

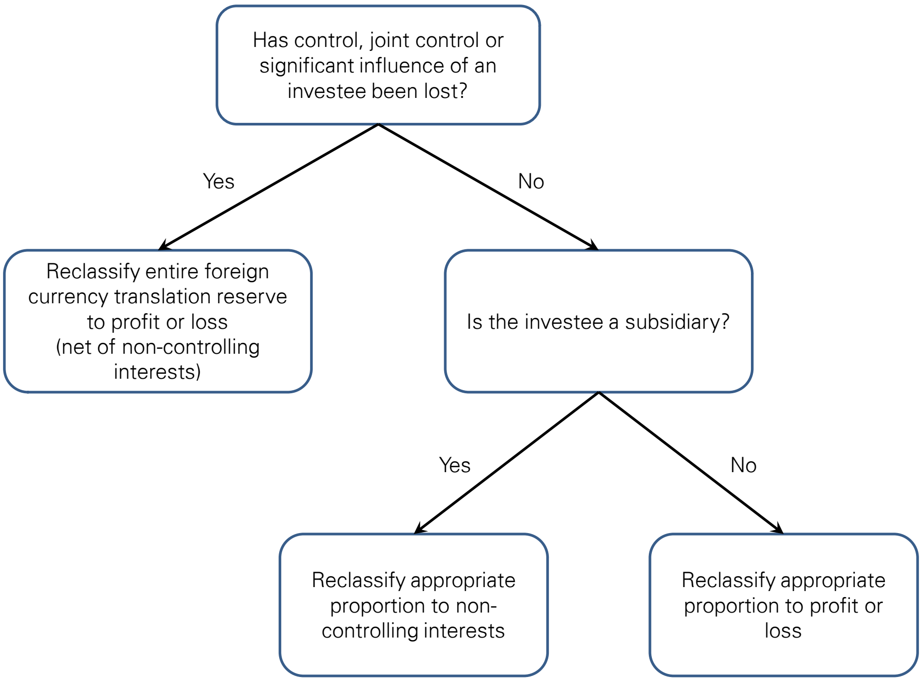
10.B94 Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ix) Transactions eliminated on consolidation[1]

10.B86(c) Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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

Note	Reference	**Explanatory note**
1.	1.C2	This statement is applicable for entity who applied MFRS 121, *The Effects of Changes in Foreign Exchange Rates* prospectively upon transition to the MFRS framework and not those who applied MFRS 121 retrospectively or retrospectively from a designated business combination date.
2.	129.8-9	Financial statements of an entity operating in a hyperinflationary economy, whether based on a historical cost or current cost approach, are stated in terms of the measuring unit current at the end of the reporting period. The gain or loss on the net monetary position is recognised in profit or loss of the entity.
	129.38	When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements prepared in accordance with MFRS 129, *Financial Reporting in Hyperinflationary Economies*, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.
3.	121.48-48D	The following decision tree outlines the principles that apply to reclassification of the foreign currency translation reserve on partial disposal of a foreign operation.



Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

121.21 Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

121.23(a) Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

121.23(b)-(c) Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

121.28, 9.B5.7.1, B5.7.2 Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

121.15, 32 In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

121.39, 47, 59

1.C2

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company.[1] 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.

121.42 *The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the end of the reporting period.*[2]

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

121.48C When the Group disposes of only part of its interest in a subsidiary 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.[3]

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Reference

Notes to the financial statements

2. Significant accounting policies (continued)

7.21, B5

(c) Financial instruments

(i) Recognition and initial measurement

9.3.1.1 A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

9.5.1.1, 5.1.3 A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

9.4.3.1, 4.3.3 An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

9.4.4.1, 5.6.1 Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes 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 of the business model.

(a) Amortised cost

9.4.1.2, 5.2.1(a), 5.2.2, 5.4 Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

9.Appendix A Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(m)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

9.4.1.2A, 5.7.10-11, 5.2.1(b) Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

9.Appendix A Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(m)(i)) where the effective interest rate is applied to the amortised cost.

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Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Fair value through other comprehensive income (continued)

(ii) Equity investments

9.5.7.5-6 This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

9.4.1.5, 5.1.1, 5.2.1(c) All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

9.5.7.1 Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

9.5.2.2 All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see note 2(m)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

9.4.2.1 Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

9.4.2.2 On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
9.4.3.5 (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

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

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Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

(b) Amortised cost

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

9.B5.7.2 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.

(iii) Regular way purchase or sale of financial assets

9.B3.1.3, 3.1.2, 7.B5(c) A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

9.B3.1.5 Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

9.B3.1.6 Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company; and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

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

9.4.2.1(c) Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

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

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

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Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting

9.6.4.1(b)

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Fair value hedge

9.6.5.2(a)

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

9.6.5.8 (a), 9.5.7.5

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

9.6.5.8 (b), 9.5.7.5

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

(b) Cash flow hedge

9.6.5.2(b)
9.6.5.11(a), (b), (c)

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

9.6.5.11(d)(i), (ii), (iii)

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

9.6.5.11(d)(i), (ii), (iii), 6.2.4

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

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Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

(b) Cash flow hedge (continued)

9.6.5.6, 6.5.12 Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

9.6.5.12(b) If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(c) Hedge of a net investment

A hedge of a net investment is a hedge in the interest of the net assets of a foreign operation.
9.6.5.13(a), (b) In a net investment hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The cumulative gain or loss recognised in other
9.6.5.14 comprehensive income is reclassified from equity into profit or loss on disposal of the foreign operation.

(vi) Derecognition

9.3.2.3, 3.2.6(a), 3.2.12 A financial asset or part of it is derecognised when, and only when, the contractual rights to the 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 asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

9.3.3.1, 3.3.2, 3.3.3 A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability 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.

(vii) Offsetting

132.42(a), (b) Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

Note	Reference	**Explanatory note**
1.	116.35	When an item of property, plant and equipment is revalued, the carrying amount of the asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset. The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 39 and 40 of MFRS 116, *Property, Plant and Equipment*.
2.	116.51, 61	The depreciation method, residual value and useful lives of items of property, plant and equipment are reviewed at least at the end of each reporting period and revised if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement[1]

116.30, 73(a) Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

116.15-20 Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

116.45 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.

116.68, 71 The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

116.7, 12 The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the
116.12-13 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

116.6,45-46 Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

116.73(b)-(c), 55, 56(d) Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	40 years
• plant and equipment	5 - 12 years
• fixtures and fittings	5 - 10 years
• major components	3 - 5 years
• *spare parts, stand-by equipment and servicing equipment*	*XX years*

116.51, 61 Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.[2]

Note	Reference	**Explanatory note**
1.	16.12	For a contract that is, or contains, a lease, an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract, unless the entity applies the practical expedient in paragraph 15 of MFRS 16.
	16.15	As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. A lessee shall not apply this practical expedient to embedded derivatives that meet the criteria in paragraph 4.3.3 of MFRS 9, *Financial Instruments*.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(e) Leases

16.C5(b), C7 The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

16.9, B9-B31 A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

16.12, 15 At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component[1].

(ii) Recognition and initial measurement

(a) As a lessee

16.22-24 The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use 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 the site on which it is located, less any lease incentives received.

16.26 The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Note	Reference	**Explanatory note**
1.	16.35	When an item of right-of-use asset relates to a class of property, plant and equipment to which the lessee applies the revaluation model in MFRS 116, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

16.BC168-BC169 The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

16.5, 6, 8, 60 The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

16.61-62 When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

16.17 If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

16.67-68 *The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.*

16.B58 When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

16.29-32 The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term[1]. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

16.36, 40, 42 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 an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

16.39 When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Note	Reference	Explanatory note
1.	IC 127.10(b)	An entity discloses the accounting treatment applied to any fee received in an arrangement in the legal form of a lease to which lease accounting is not applied because the arrangement does not, in substance, involve a lease.
2.	138.80	When an intangible asset is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortisation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or (b) the accumulated amortisation is eliminated against the gross carrying amount of the asset. The amount of the adjustment of accumulated amortisation forms part of the increase or decrease in the carrying amount that is accounted for in accordance with paragraphs 85 and 86 of MFRS 138, *Intangible Assets*.
3.	138.8	Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.
	138.57	Development costs are capitalised if all of the following features can be demonstrated: • the technical feasibility of completing the asset so that it will be available for use or sale; • the intention to complete the intangible asset and use or sell it; • the ability to use or sell the intangible asset; • how the asset will generate future economic benefits; • the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and • the ability to measure the expenditure attributable to the asset during its development reliably.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement (continued)

(b) As a lessor

16.81 The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

16.75-76 *The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments (see note 2(m)(i)).*

Previous financial year

As a lessee[1]

(i) Finance lease

117.8, 20 Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the
117.27 minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

117.25 Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

117.8 Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position.
140.75(b) Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property and measured using fair value model.

117.33
IC 115.3 Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

(f) Intangible assets[2, 3]

(i) Goodwill

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

Note	Reference	**Explanatory note**
1.	138.69(c)	Recognition of advertising and promotional expenditure as an intangible asset is not permitted beyond the point at which the entity has the right to access the goods purchased, or in the case of services, the point at which the services are received.
		Mail order catalogues are considered to be a form of advertising and promotional activities.
2.	138.71	Expenditure on an intangible item that was recognised initially as an expense is not recognised subsequently as part of the cost of an intangible asset.
	138.63, 69	Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Start-up costs (unless capitalised as part of the cost of an item of property, plant and equipment) as well as expenditure on training activities, advertising and promotional activities, and relocation or reorganisation also are expensed as incurred.
3.	138.88, 118(a), 97	An entity assesses and discloses whether the useful life of an intangible asset is finite or indefinite. For intangible asset with definite useful life, amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management).
	138.98	A variety of amortisation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the unit of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits.
	138.104, 107-108	Useful lives of intangible assets are reviewed at least at the end of each financial year and altered if estimates have changed significantly. Any change is accounted for by changing the amortisation charge prospectively. Intangible assets with an indefinite useful life is not amortised but is tested for impairment annually or more frequently if events or circumstances indicate that an asset might be impaired.
	138.92, 107-108	Computer software and many other intangible assets are susceptible to technological obsolescence. It therefore is likely that their useful lives will be short. Trademarks and other intangible assets which were determined to have indefinite useful lives are not amortised. Such trademarks and other intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or circumstances indicate that an asset might be impaired.
4.		An entity discloses the nature and amount of a change in an accounting estimate arising from changes in the assessment of an intangible asset's useful life, the amortisation method or its residual value, that has a material effect in the current period or is expected to have a material effect in subsequent periods.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Research and development

138.8, 54 Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

138.8, 57 Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

138.66 The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

138.74 Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Other intangible assets[1]

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

(iv) Subsequent expenditure[2]

138.20, 48, 63 Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation[3, 4]

138.107-108 Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

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

138.118(a) The estimated useful lives for the current and comparative periods are as follows:

• patents and trademarks	10 – 20 years
• capitalised development costs	5 – 7 years

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

Note	Reference	**Explanatory note**
1.	140.75(c)	If the classification of property is difficult, then an entity discloses the criteria developed to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.
2.	140.30	Investment property is accounted for either in accordance with the fair value model or the cost model. The model selected is applied to all investment properties (subject to exceptional cases when the entity adopts the fair value model, but is unable to determine reliably the fair value of certain property – see paragraphs 53–54 of MFRS 140, *Investment Property*).
	140.56, 79(a)-(b), (e)	If an entity accounts for investment property using the cost model, then it discloses the depreciation method and the useful lives or the depreciation rates used, as well as the fair value of such investment property.
3.	140.62	An entity that transfers its property from property, plant and equipment to investment property, revalues the property at the date of the transfer and any difference arising is treated the same way as a revaluation under MFRS 116, *Property, Plant and Equipment*.
	140.57	An entity shall transfer to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include: • commencement of owner-occupation, or a development with a view to owner-occupation, for a transfer from investment property to owner-occupied property; • commencement of development with a view to sale, for a transfer from investment property to inventories; • end of owner-occupation, for a transfer from owner-occupied property to investment property; and • inception of an operating lease to another party, for a transfer from inventories to investment property.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(g) Investment property[1]

140.75(a) **(i) Investment property carried at fair value**

140.5 Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

140.20,21 Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and
16.22-24 capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

140.35 Subsequently, investment properties are measured at fair value[2] with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

140.50 The fair value of investment properties held by the Group as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, the Group added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

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

(ii) Reclassification to/from investment property[3]

140.61-62 When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

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

Note	Reference	**Explanatory note**
1.	102.23	If an entity has inventory items that are ordinarily not interchangeable, and goods or services produced and segregated for specific projects, then their cost would be determined based on specific identification.
	102.25-26	The same cost formula is used for all inventory items with a similar nature and use. A difference in geographical location is not, in itself, sufficient to justify the use of different cost formulas.
2.	128.20	An entity shall apply MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place. After the disposal takes place, an entity shall account for any retained interest in the associate or joint venture in accordance with MFRS 9, *Financial Instruments* unless the retained interest continues to be an associate or a joint venture, in which case the entity uses the equity method.
	128.21	When an investment, or a portion of an investment, in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(h) Inventories[1]

102.36(a) Inventories are measured at the lower of cost and net realisable value.

102.9 102.10, 25 The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

102.6 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.

(i) Non-current asset held for sale or distribution to owners

5.6 Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

5.18, 15, 15A Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

5.23, 136.104-105, 136.2 Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, contract assets, contract costs, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

5.25 128.20 Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates *and joint venture* ceases once classified as held for sale or distribution.[2]

(j) Contract asset/Contract liability

15.105 A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see note 2(m)(i)).

15.106 A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) Contract cost

(i) Incremental cost of obtaining a contract

15.91, 92 The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfill a contract

15.95(a)-(c) The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

Note	Reference	Explanatory note
1.	9.5.5.15(a)(ii)	For lease receivables, contract assets and trade receivables with a significant financing component, an entity can choose as an accounting policy either to apply the general model for measuring loss allowance or always to measure the loss allowance at an amount equal to the lifetime expected credit loss.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(k) Contract cost (continued)

15.99, 101 These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less 15.104 expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(l) Cash and cash equivalents

107.6, 46 Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(m) Impairment

(i) Financial assets

9.5.5.1, B5.5.35, 9.5.5.17(a) The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

9.5.5.3, 5.5.5, 5.5.10 The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased 9.5.5.15-16 significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss[1].

9.B5.5.49 When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider 9.5.5.17(c) reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

9.Appendix A Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months 9.5.5.19 after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

9.B5.5.35 The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

9.5.5.8 An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

Note	Reference	**Explanatory note**
1.	136.80(b)	Each unit or group of units to which goodwill is allocated may not be larger than an operating segment determined in accordance with MFRS 8, *Operating Segments*.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(m) Impairment (continued)

(i) Financial assets (continued)

9.5.5.2 An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

9.Appendix A At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

9.5.4.4 The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets[1]

136.2, 9 The carrying amounts of other assets (except for inventories, contract assets, lease receivables, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) 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
136.10(a) such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

136.10, 80 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. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

136.6, 30, 31, 33, 55, 66 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.

136.59-60 An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Note	Reference	**Explanatory note**
1.		MFRSs do not specify the line item in the statement of profit or loss and other comprehensive income in which an impairment loss is presented. If an entity classifies expenses based on their function, then any impairment loss is allocated to the appropriate function. In our view, if an impairment loss cannot be allocated to a function, then it should be included in other expenses, with additional information provided in the notes.
2.	132.18(a), 20, AG25-26	When a preference share provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the share at or after a particular date for a fixed or determinable amount, the instrument contains a financial liability that is classified as such. A preference share that does not establish such a contractual obligation explicitly but that does so indirectly through its terms and conditions is also classified as a financial liability.
3.	132.33	If an entity reacquires its own equity instruments, those instruments ("treasury shares") are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received is recognised directly in equity.
	S127(9)	While the shares are held as treasury shares, the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of this provisions of any law or requirements of the constitution of the Company or the listing requirements of a stock exchange on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.
	S127(10)	Where the directors decide to distribute the treasury shares as share dividends, the costs of the shares on the original purchase shall be applied in the reduction of the funds otherwise available for distribution as dividends.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(m) Impairment (continued)

(ii) Other assets (continued)

136.104 Impairment losses are recognised in profit or loss.[1] Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

136.110, 114, 117, 119 An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(n) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expense

132.35 Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital[2]

132.18(a), 35, AG25-26 Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

132.18(a), 35, AG25-26 Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(iv) Repurchase, disposal and reissue of share capital (treasury shares)[3]

132.33 When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(v) Distributions of assets to owners of the Company

IC 17.11-14 The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

Note	Reference	Explanatory note
1.	132.15	The issuer of a financial instrument classifies the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangements and the definitions in MFRS 132, *Financial Instruments: Presentation*.
	132.16(b)	A financial instrument that is settled in the issuer's own equity instruments is a financial liability unless: (a) it is a non-derivative that does not require the issuer to deliver a variable number of its own equity instruments; or (b) it is a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.
	132.25	A financial instrument may require the entity to deliver cash or another financial asset, or otherwise to settle it in such a way that it would be a financial liability, in the event of the occurrence or non-occurrence of uncertain future events that are beyond the control of both the issuer and the holder of the instrument. The issuer of such instrument does not have the unconditional right to avoid delivering cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability). Therefore, it is a financial liability of the issuer unless: (a) the part of the contingent settlement provision that could require settlement in cash or another financial asset (or otherwise in such a way that it would be a financial liability) is not genuine; (b) the issuer can be required to settle the obligation in cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability) only in the event of liquidation of the issuer; or (c) the instrument has all the features and meets the conditions in paragraphs 16A and 16B of MFRS 132, *Financial Instruments: Presentation*.
	132.30	Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercise of the option may appear to have become economically advantageous to some holders.
2.	119.52, 83	If contributions are not payable within 12 months after the end of the annual period in which employees render the related services, they are discounted and the present value of the obligation is recognised as a liability in the statement of financial position.
3.	119.28, 30	Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans: • Under defined contribution plans, the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) are borne by the employee. • Under defined benefit plans, the entity has an obligation to provide the agreed benefits to current and former employees. The actuarial and investment risks are borne by the entity.
4.	119.123, 124	The net interest on the net defined benefit liability (asset) comprises: • interest cost on the defined benefit obligation; and • interest income on plan assets. Where applicable, net interest also includes the interest on the effect of the asset ceiling.
5.	119.83	The obligation for estimated future payments is measured on a discounted basis. The obligation is discounted using a high quality corporate bond rate or a government bond rate when there is an insufficiently deep corporate bond market. The currency and maturity of the bond should match the currency and maturity of the pension obligation.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(o) Compound financial instruments[1]

132.28 A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

132.28-32 Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

132.32, 38, AG31 The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

9.4.2.1 Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

132.35, AG32 Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(p) Employee benefits

(i) Short-term employee benefits[2]

119.9, 11(b) Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

119.19 A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

119.51

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans[3, 4, 5]

119.57, 83 The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

119.57(a), 63-64, IC 14.23-24

119.65(c)

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

119.122, 123, 127-130

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Note	Reference	Explanatory note
1.	2.47(b)	An entity discloses how it determined the fair value of equity instruments granted, other than share options granted in transactions in which fair value of goods and services received was determined based on fair value of the equity instruments granted. Such disclosure includes: • if fair value was not measured on the basis of an observable market price, how it was determined; • whether and how expected dividends were incorporated into the measurement of fair value; and • whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.
	2.47(c)	An entity discloses how it determined the incremental fair value of any share-based payment arrangements that were modified during the period.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(p) Employee benefits (continued)

(iii) Defined benefit plans (continued)

119.134

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

119.103, 109-110

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Share-based payment transactions

2.14-15,19-21

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

2.21A

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial lattice model.[1] Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(v) Termination benefits

119.165, 168(b)

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Note	Reference	Explanatory note
1.	137.36, 59	The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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 resources embodying economic benefits will be required to settle the obligation, the provision is reversed.
	137.47	The discount rate does not reflect risks for which future cash flow estimates have been adjusted.
	137.61	A provision is used only for expenditures for which the provision was originally recognised.
	137.63	Provisions for future operating losses are not recognised.
	137.75	If an entity starts to implement a restructuring plan, or announces its main features to those affected, only after the end of the reporting period, then disclose under MFRS 110, *Events after the Reporting Period* if restructuring is material and non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.
2.	137.IE2A-IE2B	If an entity does not have a widely published environmental policy in which it undertakes to clean up all contamination, a provision is recognised only when the entity: • has a legal obligation to clean up the site; or • has created a valid expectation on the part of those affected by the contamination that it will clean up the site. The accounting for site restoration provisions is a complex issue that involves analysing specific facts and circumstances. Depending on the circumstances, a site restoration provision might be recognised as part of the cost of the related asset, or as an expense in profit or loss.
3.		MFRSs do not provide guidance on the specific types of costs that would be considered unavoidable in respect of onerous contracts.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(q) Provisions

137.14 A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be
137.45, 47 required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.[1] The unwinding of the discount is recognised as finance cost.

(i) Warranties

137.39 A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

137.72 A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(iii) Site restoration[2]

137.21 In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(iv) Onerous contracts

137.66, 68, 69 A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost[3] of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Note	Reference	**Explanatory note**
1.	IC 110.3	Government assistance aimed at encouraging or providing long-term support of business activities in certain regions or industry sectors is a "government grant" within the scope of MFRS 120, *Accounting for Government Grants and Disclosure of Government Assistance*. Such grants are not credited directly to equity holders' interests, even if there are no conditions specifically relating to the operating activities of the entity.
	120.10A	The benefit of a loan with a below-market rate of interest received from a government is treated as a government grant and is recognised and measured in accordance with MFRS 9, *Financial Instruments.*
		A government grant may take the form of a transfer of a non-monetary asset. An alternative course that is sometimes followed is to recognise both asset and grant at a nominal amount. We believe that an entity should choose an accounting policy, to be applied consistently, to measure transferred or donated assets either at the fair value of the assets received or at the nominal amount paid. We prefer to measure these transactions at fair value.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(r) Revenue and other income

(i) Revenue from contracts with customers

15.31, 46-47 Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

15.35, 38 The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

16.81 Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as "revenue".

(iii) Government grants[1]

120.7
120.24
120.26 Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

120.12 Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(iv) Dividend income

9.5.7.1A Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(v) Interest income

9.5.7.1
123.12-13 Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

Note	Reference	**Explanatory note**
1.	123.24	When the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare that part for its intended use or sale are completed.
2.	112.71	An entity offset current tax assets and current tax liabilities if, and only if, the entity: (a) has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
3.	112.51C	In general, the measurement of deferred tax assets and liabilities is based on the expected manner or settlement of the underlying asset of liability. Paragraph 51C of MFRS 112, *Income Taxes* provides an exception to this measurement principle in respect of investment property that is measured using the fair value model in accordance with MFRS 140, *Investment Property*. Under the exception, the measurement of deferred tax assets and liabilities is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. Therefore, the presumption cannot be rebutted in respect of the land component of investment property as it is a non-depreciable asset.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(s) Borrowing costs

123.5,8 Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

123.5 Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

123.17, 20, 22 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.[1]

123.12, 13 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.

(t) Income tax[2]

112.6, 58 Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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.

112.46 Current tax is the expected tax payable or receivable on the taxable income or loss for the 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.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and
112.15, 24 their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a
112.47 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.

112.51C Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.[3] In all other cases, the
112.47 amount of deferred tax recognised is measured based on the expected manner of realisation or
112.53 settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

112.74 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 assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

112.34, 56 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 reinvestment allowance and investment tax allowance, 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 which the unutilised tax incentive can be utilised.

Note	Reference	**Explanatory note**
1.		It is not clear whether a business that will be disposed of by distribution to owners could be classified as a discontinued operation prior to its disposal. Although MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* extends the requirements in respect of non-current assets or disposal groups held for sale to such items held for distribution to owners, the cross-referencing in the amendments does not extend to discontinued operations. In our view, although the definition of a discontinued operation has not been extended explicitly, classification of non-current assets or disposal groups held for distribution to owners as a discontinued operation is appropriate if the remaining criteria of MFRS 5 are met.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(u) Discontinued operation[1]

5.32, 34

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(v) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

133.10

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

133.31

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(w) Operating segments

8.5

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(x) Contingencies

(i) Contingent liabilities

137.27-28
137.10(b)
137.10(a), 23

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

(ii) Contingent assets

137.31-34

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

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Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(y) Fair value measurements

13.6, 9, 16 Fair value of an asset or a liability, except for share-based payment and lease transactions, 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 the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

13.27 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 uses 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:

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

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

13.86 Level 3: unobservable inputs for the asset or liability.

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

Note	Reference	**Explanatory note**
1.	116.73(d)-(e)	An entity is required to present a reconciliation of the carrying amount for each class of property, plant and equipment from the beginning to the end of the reporting period. The separate reconciliations of the gross carrying amount and accumulated depreciation illustrated in these Illustrative Financial Statements are not required and a different format may be used. However, an entity is required to disclose the gross carrying amount and accumulated depreciation at the beginning and at the end of the reporting period.
	116.74(d)	An entity discloses the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.
	116.77	If an entity uses the revaluation model to account for property, plant and equipment, then it discloses the following in addition to the disclosures required by MFRS 13, *Fair Value Measurement*: • the effective date of the revaluation; • whether an independent valuer was involved; • for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been measured under the cost model (i.e. not revalued); and • the revaluation surplus, indicating the change for the period, and any restrictions on the distribution of the balance to shareholders.
	116.79	Entities are encouraged to disclose the following: • the carrying amount of temporarily idle property, plant and equipment; • the gross carrying amount of any fully depreciated property, plant and equipment that is still in use; • the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*; and • when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.
2.	16.95	For items of property, plant and equipment subject to an operating lease, a lessor shall apply the disclosure requirements of MFRS 116. In applying the disclosure requirements in MFRS 116, a lessor shall disaggregate each class of property, plant and equipment into assets subject to operating leases and assets not subject to operating leases. Accordingly, a lessor shall provide the disclosures required by MFRS 116 for assets subject to an operating lease (by class of underlying asset) separately from owned assets held and used by the lessor.
3.	123.26	An entity discloses the amount of borrowing costs capitalised during the period, and the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.

Reference

Notes to the financial statements

3. Property, plant and equipment[1, 2]

Group

Reference		Note	Land RM'000	Buildings RM'000	Plant and equipment (own use) RM'000	Plant and equipment (subject to operating lease)[2] RM'000	Fixtures and fittings RM'000	Asset under construction RM'000	Total RM'000
	Cost								
116.73(d)	At 1 January 2018		20,000	54,280	298,090	3,000	55,090	-	430,460
116.73(e)(i)	Additions		-	930	8,000	1,400	4,550	-	14,880
116.73(e)(ii)	Disposals		-	-	(9,800)	(1,010)	-	-	(10,810)
116.73(e)(viii)	Effect of movements in exchange rates		-	-	3,160	-	1,710	-	4,870
116.73(d)	At 31 December 2018, *as previously reported*		20,000	55,210	299,450	3,390	61,350	-	439,400
	Adjustment on initial application of MFRS 16		-	-	(19,460)	-	-	-	(19,460)
	At 1 January 2019, *as restated*		20,000	55,210	279,990	3,390	61,350	-	419,940
116.73(e)(iii)	Acquisitions through business combinations	38.1	-	1,850	15,800	-	1,900	-	19,550
116.73(e)(i), 74(b)	Other additions		-	17,500	95,000	440	6,570	39,000	158,510
123.26	Borrowing costs capitalised at 6% per annum[3]		-	-	-	-	-	2,000	2,000
	Transfer to investment property:								
116.73(e)(ix)	- Offset of accumulated depreciation		-	(3,000)	-	-	-	-	(3,000)
116.73(e)(iv)	- Revaluation of property transferred	3.5	-	2,000	-	-	-	-	2,000
116.73(e)(ix)	- Transfer of carrying amount	5	-	(7,000)	-	-	-	-	(7,000)
116.73(e)(ii)	Transfer to assets held for sale	16	-	-	(92,220)	-	-	-	(92,220)
116.73(e)(ii)	Disposals		-	-	(119,720)	-	(21,000)	-	(140,720)
116.73(e)(viii)	Effect of movements in exchange rates		-	-	140	-	1,270	-	1,410
116.73(d)	At 31 December 2019		20,000	66,560	178,990	3,830	50,090	41,000	360,470

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Reference

Notes to the financial statements

3. Property, plant and equipment (continued)[1, 2]

Group

Reference		Note	Land RM'000	Buildings RM'000	Plant and equipment (own use) RM'000	Plant and equipment (subject to operating lease)[2] RM'000	Fixtures and fittings RM'000	Asset under construction RM'000	Total RM'000
	Depreciation and impairment loss								
116.73(d)	At 1 January 2018								
	Accumulated depreciation		-	6,930	51,570	1,000	9,390	-	68,890
	Accumulated impairment loss		-	-	3,000	-	-	-	3,000
			-	6,930	54,570	1,000	9,390	-	71,890
116.73(e)(vii)	Depreciation for the year		-	1,230	42,200	200	7,590	-	51,220
116.73(e)(v)	Impairment loss	3.1	-	-	11,230	-	-	-	11,230
116.73(e)(ii)	Disposals		-	-	(6,900)	(100)	-	-	(7,000)
116.73(e)(viii)	Effect of movements in exchange rates		-	-	980	-	590	-	1,570
116.73(d)	At 31 December 2018, *as previously stated*								
	Accumulated depreciation		-	8,160	87,850	1,100	17,570	-	114,680
	Accumulated impairment loss		-	-	14,230	-	-	-	14,230
			-	8,160	102,080	1,100	17,570	-	128,910
	Adjustment on initial application of MFRS 16		-	-	(3,000)	-	-	-	(3,000)
	At 1 January 2019, *as restated*								
	Accumulated depreciation		-	8,160	84,850	1,100	17,570	-	111,680
	Accumulated impairment loss		-	-	14,230	-	-	-	14,230
			-	8,160	99,080	1,100	17,570	-	125,910
116.73(e)(vii)	Depreciation for the year		-	1,200	41,150	250	7,410	-	50,010
116.73(e)(vi)	Reversal of impairment loss	3.1	-	-	(3,930)	-	-	-	(3,930)
116.73(e)(ix)	Offset of accumulated depreciation on property transferred to investment property		-	(3,000)	-	-	-	-	(3,000)
116.73(e)(ii)	Transfer to assets held for sale	16	-	-	(10,580)	-	-	-	(10,580)
116.73(e)(ii)	Disposals		-	-	(38,080)	-	(11,270)	-	(49,350)
116.73(e)(viii)	Effect of movements in exchange rates		-	-	630	-	380	-	1,010
116.73(d)	At 31 December 2019								
	Accumulated depreciation		-	6,360	77,970	1,350	14,090	-	99,770
	Accumulated impairment loss		-	-	10,300	-	-	-	10,300
			-	6,360	88,270	1,350	14,090	-	110,070
101.78(a)	**Carrying amounts**								
116.73(e)	At 1 January 2018		20,000	47,350	243,520	2,000	45,700	-	358,570
116.73(e)	At 31 December 2018		20,000	47,050	197,370	2,290	43,780	-	310,490
116.73(e)	At 31 December 2019		20,000	60,200	90,720	2,480	36,000	41,000	250,400

Note	Reference	**Explanatory note**
1.	136.131	In respect of individual impairment losses or reversals which are not material, the entity aggregates the amount of impairment losses or reversals and discloses the following: • the main classes of assets affected by impairment losses or reversals; and • the main events and circumstances that led to the impairment losses or reversals.
2.	108.40	If the amount of the effect in future periods is not disclosed because estimating it is impracticable, then an entity discloses the fact.

Reference

Notes to the financial statements

3. Property, plant and equipment (continued)

3.1 Impairment loss and subsequent reversal[1]

136.130(a), (c), (d)(i)

In 2018, regulatory restrictions on the manufacture of a new product in the Standard Paper operating segment caused the Group to assess the recoverable amount of the related product line. The Group tested the related product line for impairment and recognised an impairment loss of RM11,230,000 with respect to plant and equipment. In 2019, RM3,930,000 of the loss was reversed. See note 6 for further details of the impairment loss and subsequent reversal.

3.2 Leased plant and equipment

117.31(a)

At 31 December 2018, the net carrying amount of leased plant and equipment was RM16,460,000.

3.3 Security

116.74(a)

At 31 December 2019, land and buildings with a carrying amount of RM50,000,000 (2018: RM47,000,000) are subject to a registered debenture to secure bank loans granted to the Group (see note 18).

3.4 Change in estimates

116.76, 108.39

During the financial year ended 31 December 2019, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain items of plant and equipment. Certain dye equipment, which management previously intended to sell after five years of use, is now expected to remain in production for twelve years from the date of purchase. As a result, the expected useful lives of these assets increased and their estimated residual values decreased. The effect of these changes on depreciation expense, recognised in cost of sales, in current and future periods is as follows:[2]

	2019	2020	2021	2022	2023	Later
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(Decrease)/Increase in depreciation expense	(2,560)	(2,560)	(1,130)	1,500	1,500	3,000

3.5 Transfer to investment property

During the financial year ended 31 December 2019, one building was transferred to investment property because it was no longer used by the Group and it was leased to a third party.

13.93(d)

Immediately before the transfer, the Group remeasured the property at fair value and recognised a gain of RM2,000,000 in other comprehensive income. The valuation techniques and significant unobservable inputs used in measuring the fair value of the building at the date of transfer were the same as those applied to investment property at the reporting date (see note 5).

3.6 Plant and equipment subject to operating lease

16.92(a)

The Group leases some of its plant and equipments to third parties. Each of the leases contains an initial non-cancellable period of 2 years. Subsequent renewals are negotiated with the lessee.

16.92(b)

The Group generally does not require a financial guarantee on the lease arrangement. Nevertheless, the Group requires two months of advanced rental payments from the lessee. These leases do not include residual value guarantees.

Note	Reference	Explanatory note
1.	16.52	A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.
2.	16.54	A lessee shall provide the disclosures specified in paragraph 53 in a tabular format, unless another format is more appropriate.
3.	16.54	The amounts disclosed shall include costs that a lessee has included in the carrying amount of another asset during the reporting period.
4.	16.B49	Additional information relating to variable lease payments that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: • the lessee's reasons for using variable lease payments and the prevalence of those payments; • the relative magnitude of variable lease payments to fixed payments; • key variables upon which variable lease payments depend and how payments are expected to vary in response to changes in those key variables; and • other operational and financial effects of variable lease payments. An entity considers if disclosing additional information about the proportion of total lease payments that arise from variable payments, and the sensitivity of those variable lease payments to changes in sales, is relevant to users of its financial statements.

Reference

Notes to the financial statements

3. Property, plant and equipment (continued)

3.6 Plant and equipment subject to operating lease (continued)

The following are recognised in profit or loss:

Reference	Group	2019 RM'000	2018 RM'000
140.75(f)(i), 16.90(b)	Lease income	350	300
16.90(a)(iii)	*Variable lease income that do not depend on an index or a rate*	*XXX*	*XXX*

The operating lease payments to be received are as follows:

16.94(a),(b)

Group	2019 RM'000	2018 RM'000
Less than one year	370	300
One to two years	150	250
Total undiscounted lease payments	520	550

4. Right-of-use assets[1, 2]

Reference	Group	Note	Land RM'000	Buildings RM'000	Plant and equipment RM'000	Total RM'000
16.53(j)	At 1 January 2019		1,777	2,445	17,599	21,821
16.53(h)	Addition		-	-	691	691
16.53(a)	Depreciation		(284)	(441)	(383)	(1,108)
	*Derecognition**		-	-	*(XXX)*	*(XXX)*
	Impairment loss	*4.8*	*(XXX)*	*(XXX)*	*(XXX)*	*(XXX)*
	Reversal of impairment loss	*4.8*	*XXX*	*XXX*	*XXX*	*XXX*
16.53(j)	At 31 December 2019		1,493	2,004	17,907	21,404

**Derecognition of the right-of-use assets during 2019 is as a result of entering into a finance sublease.*

16.59(a) The Group leases a number of warehouse and factory facilities that run between 1 year and 10 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect current market rentals.

16.54

4.1 Depreciation capitalised in carrying amount of another asset[3]

Group	2019 RM'000
Recognised in profit or loss	1,108
Capitalised into property, plant and equipment	*XXX*
	1,108

4.2 Variable lease payments based on sales[4]

16.59(b)(i), B49, IE9 *Some leases of retail stores contain variable lease payments that are based on sales that the Group makes at the store. Those payments are common in retail stores in the country where the Group operates. Fixed and variable rental payments for the period ended 31 December 2019 were as follows.*

Group	*Fixed payments RM'000*	*Variable payments RM'000*	*Total payments RM'000*	*Estimated annual impact on rent of a 1% increase in sales RM'000*
Leases with lease payments based on sales	*XXX*	*XXX*	*XXX*	*XXX*

The Group expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

Note	Reference	**Explanatory note**
1.	16.B50	Additional information relating to extension options or termination options that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: • the lessee's reasons for using extension options or termination options and the prevalence of those options; • the relative magnitude of optional lease payments to lease payments; • the prevalence of the exercise of options that were not included in the measurement of lease liabilities; and • other operational and financial effects of variable lease payments. An entity considers if disclosing additional information about the extension options – in particular, the exposure to future lease payments, is relevant to users of its financial statements.
2.	16.B51	Additional information relating to residual value guarantees that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: • the lessee's reasons for providing residual value guarantees and the prevalence of those guarantees; • the magnitude of a lessee's exposure to residual value risk; • the nature of underlying assets for which those guarantees are provided; and • other operational and financial effects of variable lease payments. An entity considers if disclosing additional information about its exposure to residual value risk is relevant to users of its financial statements.
3.	16.B52	Additional information relating to sale and leaseback transactions that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example: • the lessee's reasons for sale and leaseback transactions and the prevalence of those transactions; • key terms and conditions of individual sale and leaseback transactions; • payments not included in the measurement of lease liabilities; and • the cash flow effect of sale and leaseback transactions in the reporting period.
4.	16.59(c), B48(a)(ii)	MFRS 16 requires disclosure of restrictions or covenants imposed by leases. An entity considers if disclosing additional information about restrictions or covenants imposed by leases is relevant to users of its financial statements.

Reference

Notes to the financial statements

4. Right-of-use assets (continued)

4.3 Extension options[1]

16.59(b)(ii), B50, IE9

Some leases of office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group	**Lease liabilities recognised (discounted) RM'000**	**Potential future lease payments not included in lease liabilities (discounted) RM'000**	**Historical rate of exercise of extension options %**
Buildings	2,628	620	28

101.122

4.4 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.5 Residual value guarantees[2]

16.59(b)(iii), B51

The Group leases equipment, with lease terms of 3 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Group monitors the use of these equipment, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets. As at 31 December 2019, the Group estimates that the expected amount payable under the residual guarantees is RMXXX.

4.6 Sale and leaseback[3]

16.59(d), B52

In 2004, the Group sold one of its office buildings and leased the building back for 20 years. The Group has an option to repurchase the building at its market value at the end of the contract term. This sale and leaseback transaction enabled the Group to access more capital while continuing to use the office building. The rent is adjusted every five years to reflect increases in local market rents for similar properties.

4.7 Restriction imposed by lease[4]

16.59(c)

The lease contracts for IT equipments restrict the Group's ability to sublease the leased assets in the respective contracts.

4.8 Impairment loss and subsequent reversal

136.130(a),(c), (d)(i)

On 1 January 2019, the Group continues to be affected by regulatory restrictions on the manufacture of a new product in the Standard Paper operating segment. The Group tested the related product line for impairment and recognised an impairment loss of RMXXX with respect to the right-of-use asset. In 2019, RMXXX of the loss was reversed. See note 6 for further details of the impairment loss and subsequent reversal.

Note	Reference	**Explanatory note**

1.	140.78	For items for which fair value cannot be determined reliably, an entity discloses:
		• a description of the investment property;
		• an explanation of why fair value cannot be measured reliably;
		• if possible, the range of estimates within which fair value is highly likely to lie; and
		• on disposal of investment property not carried at fair value:
		  - the fact that the entity has disposed of investment property not carried at fair value;
		  - the carrying amount at the time of sale; and
		  - the gain or loss recognised.

	140.76(b)-(c), (e), (g) 140.78	In presenting a reconciliation of carrying amounts from the beginning to the end of the reporting period, an entity discloses changes in the carrying amounts of investment property resulting from acquisitions through business combinations, amounts classified as held for sale, disposals, foreign currency differences and other changes. Items for which fair value cannot be measured reliably are presented separately in the reconciliation.
	140.75(g)-(h)	An entity discloses the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. An entity also discloses any material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.
2.	140.79	If investment property is accounted for under the cost model, then an entity discloses the following in addition to the disclosures required by MFRS 13, *Fair Value Measurement*: • the depreciation methods used; • the useful lives or the depreciation rates used; • the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; • a reconciliation of the carrying amount at the beginning and end of the period; and • the fair value of the investment property.
3.	16.56	If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in MFRS 140, *Investment Properties*. In that case, a lessee is not required to provide the disclosures in paragraph 53(a), (f), (h) or (j) for those right-of-use assets.
4.		MFRS 140 makes no reference to providing disclosures on a class-by-class basis. An entity considers if disclosing additional information (e.g. portfolio by type of investment property and/or carrying amount of right-of-use assets included in investment properties) is relevant to users of its financial statements.
5.	140.8(e)	A property that is being constructed or developed for future use as investment property is classified as investment property.
	140.53	If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Reference

Notes to the financial statements

5. Investment properties[1, 2, 3, 4]

Reference		Note	Group 2019 RM'000	Group 2018 RM'000
140.76	At 1 January		99,060	94,220
140.76(a)	Additions		5,050	4,370
140.76(b)	*Acquisition through business combination*		*XXX*	*XXX*
140.76(c)	Disposal		(24,800)	(1,680)
140.76(d)	Change in fair value recognised in profit or loss		6,540	1,020
140.76(f)	Transfer from property, plant and equipment	3	7,000	-
140.76(e)	Effect of movements in exchange rates		440	1,130
140.76	At 31 December		93,290	99,060

Included in the above are:

Reference		Group 2019 RM'000	Group 2018 RM'000
140.75(a)	At fair value	92,290	99,060
140.75(a)	At cost - building under construction[5]	1,000	-
		93,290	99,060

16.92(a) Investment properties comprise a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 10 years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessee and on average renewal periods are 4 years.
16.90(b) The Group does not charge variable lease payments that do not depend on an index or rate.

140.57(c) During the financial year, a property has been transferred from property, plant and equipment to investment property (see note 3), since the building was no longer used by the Group and would be leased to a third party.

140.75(g) Investment properties of the Group amounting to RM15,000,000 (2018: RM15,000,000) have been charged to secure banking facilities granted to the Group (see note 18).

140.79(e) A commercial office building is currently under construction and the fair value of the property is unable to be determined as there are uncertainties in estimating its fair value. The building has only started its construction during the year. The estimated range of fair value is highly likely to be within a range of RM1,500,000 and RM2,000,000.

The following are recognised in profit or loss:

Reference		Group 2019 RM'000	Group 2018 RM'000
140.75(f)(i), 16.90(b)	Lease income	14,690	8,530
16.90(b)	*Variable lease income that do not depend on an index or a rate*	*XXX*	*XXX*
	Direct operating expenses:		
140.75(f)(ii)	- income generating investment properties	2,510	1,570
140.75(f)(iii)	- non-income generating investment properties	500	400

Note	Reference	Explanatory note
1.	16.94, 97	MFRS 16 requires a maturity analysis of the lease payments receivable. As a minimum, the lessor discloses the undiscounted lease payments to be received on an annual basis for each of the first five years and a total of the amounts for the remaining years.
2.	13.93(a)-(b)	When applicable, the fair value hierarchy within which the fair value measurements are categorised are separately disclosed for recurring and non-recurring fair value measurements. Recurring fair value measurements of assets and liabilities are those that MFRS requires or permits in the statement of financial position at the end of the reporting period. Non-recurring fair value measurements of assets and liabilities are those that MFRS requires or permits in the statement of financial position in particular circumstances.
3.		Fair value of investment properties are not categorised as Level 1 since there are no identical properties.

Reference

Notes to the financial statements

5. Investment properties (continued)

The operating lease payments to be received are as follows[1]:

16.97

	Group 2019 RM'000
Less than one year	14,690
One to two years	15,780
Two to three years	12,210
Three to four years	11,300
Four to five years	7,440
More than five years	35,500
Total undiscounted lease payments	96,920

117.56(a)

	2018 RM'000
Less than one year	8,530
Between one and five years	10,500
More than five years	9,510
Total undiscounted lease payments	28,540

Fair value information [2, 3]

13.93(a)-(b) Fair value of investment properties are categorised as follows:

	2019			2018		
Group	**Level 2**	**Level 3**	**Total**	**Level 2**	**Level 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Land and buildings	10,000	82,290	92,290	9,000	90,060	99,060

Level 2 fair value

13.93(d) Level 2 fair values of buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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Reference

Notes to the financial statements

5. Investment properties (continued)

Fair value information (continued)

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

Reference		Note	Group 2019 RM'000	Group 2018 RM'000
13.93(e)	At 1 January		90,060	85,720
13.93(e)(iii)	Additions		4,050	4,370
13.93(e)(iii)	Disposal		(24,800)	(1,680)
13.93(e)(iv)	Transfer from property, plant and equipment	3	7,000	-
13.93(e)(iv)	*Transfer into Level 3*	*a*	*XXX*	*XXX*
13.93(e)(iv)	*Transfer out of Level 3*	*b*	*(XXX)*	*(XXX)*
13.93(e)(i)	Gains and losses recognised in profit or loss			
	Change in fair value - Other income - Realised		3,450	380
13.93(f)	Change in fair value - Other income - Unrealised		2,090	140
	Effect of movements in exchange rates		440	1,130
13.93(e)	At 31 December		82,290	90,060

Note a - Transfer into Level 3

13.93(e)(iv) *The Group commenced refurbishment and redevelopment of an office building during the year. The refurbishment and redevelopment is expected to be completed by end of 2020. Prior to refurbishment and redevelopment, this property was valued using the sales comparison approach, which resulted in a Level 2 fair value. Upon refurbishment and redevelopment, the Group had revised its valuation technique for the property under construction by estimating the fair value of the building as if the construction is completed less the cost of construction. The revised valuation technique for the property under construction uses significant unobservable inputs. The fair value was therefore reclassified to Level 3.*

Note b - Transfer out of Level 3

13.93(e)(iv) *The Group completed refurbishment and redevelopment of a shopping mall during the year. During refurbishment and redevelopment, this property was valued using the property under construction approach, which resulted in a Level 3 fair value. Upon completion, the Group had revised its valuation technique to the sales comparison approach. The fair value was therefore reclassified to Level 2.*

Note	Reference	**Explanatory note**
1.	13.93(d)	The entity is not required to create quantitative information for inputs of fair value measurements categorised in Level 3 if the unobservable inputs are not developed by the entity when measuring fair value. However, when providing this disclosure, the entity does not ignore quantitative unobservable inputs that are significant to the fair value measurement that are reasonably available.
2.	140.77	When a valuation obtained for investment property carried at fair value is adjusted significantly for the purpose of the financial statements, the entity discloses a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments.

Reference

Notes to the financial statements

5. Investment properties (continued)

Fair value information (continued)

Level 3 fair value (continued)

13.93(d), (h), 99

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs[1]	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs. secondary), tenant credit quality and lease terms.	• Expected market rental growth (2019: 2 - 3%, weighted average 2.6%, 2018: 2 - 3%, weighted average 2.7%). • Void periods (2019 and 2018: average 6 months after the end of each lease). • Occupancy rate (2019: 90 - 95%, weighted average 92.5%, 2018: 90 - 95%, weighted average 93.3%). • Rent-free periods (2019 and 2018: 3 months period on new leases). • Risk-adjusted discount rates (2019: 5 - 6.3%, weighted average 5.8%, 2018: 5 - 6.5%, weighted average 5.9%).	The estimated fair value would increase (decrease) if: expected market rental growth were higher (lower); void periods were shorter (longer); occupancy rate were higher (lower); rent-free periods were shorter (longer); or risk-adjusted discount rates were higher (lower).
Sales comparison approach: Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	• Price per square foot (2019: RM1,300 - RM2,000, 2018: RM1,200 - RM1,900).	The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

13.93(g), 140.75(e)

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio every six months. Changes in Level 3 fair values are analysed by the management every six months after obtaining valuation report from the valuation company.

140,50(d), 77

The following fair value of leased of properties which has been adjusted significantly to avoid double counting is included in the carrying value of investment properties.[2]

Group	***2019 RM'000***	***2018 RM'000***
Fair value as per valuation report	*XXX*	*XXX*
Add: lease liabilities	*XXX*	*XXX*
Fair value of right-of-use properties	*XXX*	*XXX*

13.93(i)

Highest and best use

The Group's investment property is currently an office building. The highest and best use of the property should be a shopping mall as the investment property is on the prime land in the city centre. The office building had been refurbished and redeveloped in recent years thus it is not cost effective to convert it to a shopping mall at this current moment.

Note	Reference	**Explanatory note**
1.	138.122	An entity discloses the following: • for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity describes the factor(s) that played a significant role in determining that the asset has an indefinite useful life. • a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements. • for intangible assets acquired by way of a government grant and recognised initially at fair value: - the fair value recognised initially for these assets; - their carrying amount; and - whether they are measured after recognition under the cost model or the revaluation model. • the existence and carrying amounts of intangible assets whose title is restricted, and the carrying amounts of intangible assets pledged as security for liabilities. • the amount of contractual commitments for the acquisition of intangible assets.
	3.61, B67(d)(iii)-(v), 138.118	In presenting a reconciliation of the carrying amount of intangible assets and goodwill, an entity also discloses, if applicable: • assets classified as held for sale or included in a disposal group classified as held for sale in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* and other disposals. • decreases and increases in the carrying amount of intangible assets during the period resulting from impairment losses recognised or reversed in other comprehensive income. • adjustments to goodwill resulting from the recognition of deferred tax assets subsequent to a business combination.
	138.124	If an entity uses the revaluation model to account for intangible assets, then it discloses the following in addition to the disclosures required by MFRS 13, *Fair Value Measurement*: • the effective date of the revaluation for each class of the intangible assets. • the carrying amount of each class of revalued intangible assets. • the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model. • the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the reporting period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.
2.	138.33	If an intangible asset is acquired in a business combination, its cost is its fair value at the date of acquisition.
3.	128.32	In our view, it is not necessary to provide the disclosures for goodwill arising in a business combination for goodwill on equity accounted investees.

Reference

Notes to the financial statements

6. Intangible assets[1]

138.118, 3.B67(d) **Group**

Reference		Note	Goodwill RM'000	Patents and trademarks RM'000	Development costs RM'000	Total RM'000
138.118(e)	**Cost**					
138.118(c), 3.B67(d)(i)	At 1 January 2018		49,690	12,640	41,110	103,440
138.118(e)(i)	Additions		-	-	5,150	5,150
138.118(e)(vii)	Effect of movements in exchange rates		-	(1,710)	(750)	(2,460)
138.118(c), 3.B67(d)(i), (viii)	At 31 December 2018/1 January 2019		49,690	10,930	45,510	106,130
138.118(e)(i), 3.B67(d)(ii)	Acquisitions through business combinations[2, 3]	38.1	1,500	3,270	-	4,770
138.118(e)(i)	Other additions		-	-	12,720	12,720
123.26	Borrowing costs capitalised at 6% per annum		-	-	100	100
138.118(e)(vii)	Effect of movements in exchange rates		-	1,860	1,000	2,860
138.118(c), 3.B67(d)(viii)	At 31 December 2019		51,190	16,060	59,330	126,580
138.118(c),	**Amortisation and impairment loss**					
3.B67(d)(i)	At 1 January 2018					
	Accumulated amortisation		-	5,520	27,010	32,530
	Accumulated impairment loss		15,000	-	1,000	16,000
			15,000	5,520	28,010	48,530
138.118(e)(vi)	Amortisation for the year	6.1	-	1,000	6,770	7,770
138.118(e)(iv)	Impairment loss	6.2	-	-	2,850	2,850
138.118(e)(vii)	Effect of movements in exchange rates		-	(310)	(120)	(430)
138.118(c), 3.B67(d)(i),(viii)	At 31 December 2018/1 January 2019					
	Accumulated amortisation		-	6,210	33,660	39,870
	Accumulated impairment loss		15,000	-	3,850	18,850
			15,000	6,210	37,510	58,720
138.118(e)(vi)	Amortisation for the year	6.1	-	1,390	6,410	7,800
138.118(e)(iv), 3.B67(d)(v)	Impairment loss	6.3	1,160	-	-	1,160
138.118(e)(v)	Reversal of impairment loss	6.2	-	-	(1,000)	(1,000)
138.118(e)(vii)	Effect of movements in exchange rates		-	610	170	780
138.118(c), 3.B67(d)(viii)	At 31 December 2019					
	Accumulated amortisation		-	8,210	40,240	48,450
	Accumulated impairment loss		16,160	-	2,850	19,010
			16,160	8,210	43,090	67,460
	Carrying amounts					
138.118(e)	At 1 January 2018		34,690	7,120	13,100	54,910
138.118(e)	At 31 December 2018/1 January 2019		34,690	4,720	8,000	47,410
138.118(e)	At 31 December 2019		35,030	7,850	16,240	59,120

Note	Reference	Explanatory note
1.	136.130(f)	If the recoverable amount of an individual asset, including goodwill, or a cash-generating unit, is measured based on its fair value less costs of disposal, and a material impairment loss is recognised or, in the case of intangible assets other than goodwill (a reversal is prohibited for goodwill impairments), is reversed during the period, then an entity measures the basis used to determine fair value less costs of disposal. An entity is not required to provide the disclosures required by MFRS 13, *Fair Value Measurement*.
	136.130(c)	If a material impairment loss is recognised or reversed for an individual asset, then an entity discloses: • the nature of the asset; and • if the entity reports segment information in accordance with MFRS 8, *Operating Segments*, then the reportable segment to which the asset belongs.
	136.130(d)(iii)	If a material impairment loss is recognised or reversed for a cash-generating unit, and the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of recoverable amount, then an entity describes the current and former way of aggregating assets, and the reasons for changing the way in which the cash-generating unit is identified.
	136.130(a)	If an impairment loss, or a reversal thereof, is material, then an entity discloses the events and circumstances that led to the recognition or reversal of the impairment loss.
	136.126(c)-(d)	If applicable, an entity discloses the amount of impairment losses or reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.
2.	136.132,134	In this Illustrative Financial Statements, the Group disclosed a key assumption used (i.e. terminal growth rate) to determine the recoverable amount of the cash-generating unit, although it is required only for cash-generating units containing goodwill or indefinite-lived intangible assets.
3.	136.126	If an entity classifies expenses based on their function, then any loss is allocated to the appropriate function. In our view, if an impairment loss cannot be allocated to a function, then it is included in other expenses as a separate line item if significant (e.g. impairment of goodwill), with additional information given in a note. In our view, an entity presents an impairment loss that is recognised in published interim financial statements in the same line item in the annual financial statements, even if the asset subsequently is sold and the gain or loss on disposal is included in a line item different from impairment losses in the annual financial statements.
4.	136.84, 133	If any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit at the end of the reporting period, then the entity discloses the amount of the unallocated goodwill together with the reasons why that amount remains unallocated.
5.	136.99	Instead of calculating recoverable amount, an entity may use its most recent previous calculation of the recoverable amount of a cash-generating unit containing goodwill, if all of the following criteria are met: • there have been no significant changes in the assets and liabilities making up the unit since the calculation; • the calculation resulted in a recoverable amount that exceeded the carrying amount of the unit by a substantial margin; and • based on an analysis of the events and circumstances since the calculation, the likelihood that the current recoverable amount would be less than the current carrying amount of the unit is remote. The disclosures illustrated here are based on the assumption that the calculation of the recoverable amount was prepared in the current period. If a calculation made in a preceding period is used, then the disclosures are adjusted accordingly.

Reference

Notes to the financial statements

6. Intangible assets (continued)

6.1 Amortisation

138.118(d) The amortisation of patents and trademarks and development costs is allocated to the cost of inventory and is recognised in cost of sales as inventory is sold.

6.2 Impairment loss and subsequent reversal[1]

136.130(a), (d)(i) In 2018, regulatory restrictions on the manufacture of a new product in the Standard Paper operating segment did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. Before the inspection, the product was expected to be available for sale in 2019; however, as a result of the regulatory restrictions, production and the expected launch date was deferred.

136.130(e) Accordingly, management estimated the recoverable amount of the Standard Paper operating segment (the product line) in 2018. The recoverable amount was based on the assumption that the production line would go live in August 2019. In 2019, following certain changes to the recovery plan, the Group reassessed its estimates and reversed part of the initially recognised impairment.

The recoverable amount of the Standard Paper operating segment estimated based on value in use method, was as follows:

Reference	Group	2019 RM'000	2018 RM'000
136.130(e)	Recoverable amount	15,760	10,830

136.130(g),132 The estimate of value in use was determined using a pre-tax discount rate of 9.5% (2018: 9.8%) and a terminal growth rate of 3% from 2024 (2018: 3% from 2023).[2]

136.126(a)-(b), 130(b)-(c), (d)(ii) The impairment loss and its subsequent reversal was allocated *pro rata* to the individual assets constituting the production line (part of the Standard Paper operating segment) as follows:

Group	Reversal in 2019 RM'000	Impairment loss in 2018 RM'000
Plant and equipment	(3,930)	11,230
Capitalised development costs	(1,000)	2,850
	(4,930)	14,080

136.126(a)-(b) The impairment loss and subsequent reversal were recognised in cost of sales in the statements of profit or loss and other comprehensive income.[3]

6.3 Impairment testing for cash-generating units containing goodwill[4, 5]

136.80 For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

136.134(a) The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Reference		Group 2019 RM'000	Group 2018 RM'000
	European standard paper manufacturing and distribution	22,850	21,350
	New Zealand standard paper manufacturing and distribution	9,600	10,760
		32,450	32,110
136.135	Multiple units without significant goodwill	2,580	2,580
		35,030	34,690

Note	Reference	Explanatory note
1.	136.134	If fair value less costs of disposal is determined using discounted cash flow projections, the disclosure is similar with recoverable amount determined using value in use.
2.	136.134(f)	If a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount, then an entity discloses: • the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount. • the value assigned to the key assumption. • the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.

Reference

Notes to the financial statements

6. Intangible assets (continued)

6.3 Impairment testing for cash-generating units containing goodwill (continued)

European standard paper manufacturing and distribution

136.134(c), (e)

The European standard paper manufacturing and distribution cash-generating unit's impairment test was based on fair value less costs of disposal estimated using the market approach. The same method has been used in the previous financial year also. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation techniques used.

In the past year, competing businesses in the same sector and of generally similar size were bought and sold by companies in the industry as part of the ongoing industry consolidation. The sales prices for these units were used to derive a price to earnings ratio that was applied to the earnings of the unit to determine recoverable amount. Price to earnings ratios in the industry ranged from 21 to 25. The Group used a lower range estimate of 21 to estimate the recoverable amount of the unit. Unit earnings were determined for purposes of this calculation to be RM33,750,000 based on the unit's actual operating results, adjusted for allocation of the Group's borrowing costs and income tax expense. The estimated recoverable amount significantly exceeds the carrying amount of the unit (including goodwill). Management considers that it is not reasonably possible for the assumed price to earnings ratio to change so significantly as to eliminate this excess.

New Zealand standard paper manufacturing and distribution

136.134(c)-(d), (f), 101.125

The recoverable amount of the New Zealand standard paper manufacturing and distribution unit was based on its value in use, determined by discounting future cash flows to be generated by the New Zealand standard paper manufacturing and distribution unit.[1] The carrying amount of the unit amounting to RM26,760,000 was determined to be higher than its recoverable amount of RM25,600,000 and an impairment loss of RM1,160,000 (2018: nil) was recognised. The impairment loss was allocated fully to goodwill, and is included in cost of sales.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit and was based on the following key assumptions:[2]

136.134(d)(i)-(v)

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan. Cash flows for a further 20-year period were extrapolated using a constant growth rate of 4% (2018: 5%), which does not exceed the long-term average growth rate of the industry. Management believes that this 25-year forecast period was justified due to the long-term nature of the paper business.
- Revenue was projected at about RM22,000,000 in the first year of the business plan. The anticipated annual revenue growth included in the cash flow projections was between 5% and 7% for the years 2020 to 2024 based on average growth levels experienced over the five years.
- The paper price growth was assumed to be 1% per annum above inflation in the first 5 years which is in line with information obtained from external sources. The estimate was based on statistical analysis of long-term market price trends adjusted annually for actual experience.
- Environmental cost growth, based on past experience, was estimated to be 25% in 2020 and in line with inflation thereafter. This represents an increase over the 20% estimate used in the impairment testing in 2018, and reflects various regulatory developments in New Zealand where the unit operates.
- A pre-tax discount rate of 9.8% (2018: 10%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 40% at a market interest rate of 7%.

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Reference

Notes to the financial statements

6. Intangible assets (continued)

6.3 Impairment testing for cash-generating units containing goodwill (continued)

New Zealand standard paper manufacturing and distribution (continued)

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

Following an impairment in the New Zealand standard paper manufacturing and distribution cash-generating units, the recoverable amount is equal to the carrying amount. Therefore, any adverse change in a key assumption may result in a further impairment loss.

136.134(f) The above estimates are particularly sensitive in the following areas:

- An increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM1,050,000.
- A 10% decrease in future planned revenues would have increased the impairment loss by RM5,500,000.

Note	Reference	**Explanatory note**
1.	10.7	The consolidated financial statements include all entities that are controlled by the parent. Control is presumed to exist when the investor has all of the following: • power over the investee; • exposure, or rights, to variable returns from its involvement with the investee; and • the ability to use its power over the investee to affect the amount of investor's returns.
	12.10(b)(iii), 18	An entity presents a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control.
	12.10(b)(iv), 19	An entity discloses the gain or loss, if any, calculated in accordance with paragraph 25 of MFRS 10, *Consolidated Financial Statements* and: (a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and (b) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).
2.	136.126(a)-(b)	An entity discloses the following for each class of assets: • the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit or loss and other comprehensive income in which those impairment losses are included. • the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit or loss and other comprehensive income in which those impairment losses are reversed.
	136.128	The information required in paragraph 126 of MFRS 136, *Impairment of Assets* may be presented with other information disclosed for the class of assets.
	136.130(a)	An entity discloses the events and circumstances that led to the recognition or reversal of the impairment loss.
3.	12.12(b)	An entity discloses for each of its subsidiaries that have non-controlling interests that are material to the reporting entity the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary.
4.	127.16(b)(iii)	A parent discloses the proportion of voting rights held if different from the proportion of ownership interest.
5.	12.11	When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements (see paragraphs B92 and B93 of MFRS 10, *Consolidated Financial Statements*), an entity discloses: • the date of the end of the reporting period of the financial statements of that subsidiary; and • the reason for using a different date or period.
	S247(1)	The Companies Act 2016 requires the financial year end of a subsidiary to be changed to coincide with the parent within two years after the entity becomes a subsidiary.

Reference

Notes to the financial statements

7. Investments in subsidiaries[1]

Reference		Company 2019 RM'000	Company 2018 RM'000
127.10, 16(c)	Cost of investment	280,180	190,360
	Less: Impairment loss[2]	*(XXX)*	*(XXX)*
		280,180	190,360

Details of the subsidiaries are as follows:

Reference	Name of entity	Principal place of business/*Country of incorporation*[3]	Principal activities	Effective ownership interest and voting interest[4] 2019	Effective ownership interest and voting interest[4] 2018
127.16(b), 12.10(a), 12(b)	Wonder Paper Sdn Bhd	Malaysia	Manufacture and sale of paper products and recycled paper	100%	100%
	Wonder Sales Sdn Bhd	Malaysia	Marketing and distribution of paper products	100%	100%
	Wonder Vest Sdn Bhd	Malaysia	Construction	100%	100%
	Wonder Ware Sdn Bhd	Malaysia	Purchase and sale of machines	100%	100%
	Wonder Print Sdn Bhd	Malaysia	Manufacture and sale of paper used in printing industry	100%	100%
	Mermaid A/S#	Denmark	Manufacture and sale of paper used in printing industry	100%	100%
	Lei Sure Limited#	Romania	Manufacture and sale of paper products	100%	100%
	Papier GmbH#	Germany	Manufacture and distribution of recycled paper	100%	100%
	Oy Kossu AG#	Switzerland	Research and development of paper products	90%	90%
	Windmill N.V.#	Netherlands	Marketing and distribution of paper products	75%	60%
	Papyrus Pty Limited#	United Kingdom	Manufacture and distribution of recycled paper	100%	-
	Daun Maple Inc#	Canada	Marketing of paper products	48%	48%
	Silver Fir S.A.#	Spain	Manufacture and distribution of recycled paper	45%	45%
	Sloan Bio-Research Co#	United Kingdom	Research and development of paper products	-	-
	MayCo#	United States of America	Research and development of paper products	-	-

S266(2)(c) # Not audited by KPMG PLT.

12.11 *The statutory financial year end of XXX Ltd., a newly acquired subsidiary was 30 November 2019 and it did not coincide with the Group. XXX Ltd is in the midst of changing its statutory financial year end to conform with the Group.*[5]

Note	Reference	**Explanatory note**
1.	12.7-9, 101.122	An entity discloses information about significant judgements and assumptions that it has made in determining: • that it has control of another entity; • that it has joint control of an arrangement or significant influence over another entity; and • the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle. The above disclosures include changes to those judgements and assumptions, and those made when changes in facts and circumstances are such that the conclusion about when the entity has control, joint control or significant influence changes during the reporting period.
2.	12.10(b)(ii)	An entity discloses information that enables users of its consolidated financial statements to evaluate the nature of, and changes in, the risks associated with its interests in consolidated structured entities.
	12.14	An entity discloses the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events and circumstances that could expose the entity to a loss – e.g. liquidity arrangements.
	12.15	If during the reporting period a parent or any of its subsidiaries has, without a contractual obligation to do so, provided financial or other support to a consolidated structured entity, then the entity discloses: • the type and amount of support provided, including situations in which the parent or its subsidiaries assisted the structured entity in obtaining financial support; and • the reasons for providing the support.
	12.16	If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a previously unconsolidated structured entity and that provision of support resulted in the entity controlling the structured entity, the entity discloses an explanation of the relevant factors in reaching that decision.
	12.17	An entity discloses any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the structured entity in obtaining financial support.
3.	12.10(a)(ii)	An entity discloses information that enables users of its consolidated financial statements to understand the interest that non-controlling interests have in the group's activities and cash flows.
	12.12, B10-B11	An entity discloses the following information for each of its subsidiaries that have non-controlling interests that are material to the entity: • the name of the subsidiary and its principal place of business (and country of incorporation if it is different from the principal place of business); • the proportion of ownership interests and the proportion of voting rights held by non-controlling interests if it is different from the proportion of ownership interests held; • the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period; • accumulated non-controlling interests of the subsidiary at the end of the reporting period; • dividends paid to non-controlling interests; and • summarised financial information of the subsidiary (before inter-company eliminations).
	12.B17	However, if an entity's interest in a subsidiary is classified as held-for-sale in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, then the entity is not required to present the summarised financial information for that subsidiary.

Reference

Notes to the financial statements

7. Investments in subsidiaries (continued)

12.7(a), 9(b) 101.122 Although the Group owns less than half of the ownership interest in Daun Maple Inc and Silver Fir S.A. and less than half of the voting power of these entities, the Directors have determined that the Group controls these two entities. The Group controls Daun Maple Inc by virtue of an agreement with its other investors; the Group has *de facto* control over Silver Fir S.A., on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercise their votes collectively.[1]

12.10(b)(ii) The Group does not hold any ownership interests in two structured entities, Sloan Bio-Research Co and MayCo. However, based on the terms of agreements under which these entities were established, the Group receives substantially all of the returns related to their operations and net assets (Sloan Bio-Research Co and MayCo perform research activities exclusively for the Group) and has the current ability to direct these entities' activities that most significantly affect their returns. Consequently, they are
12.14 regarded as subsidiaries of the Group.[1] The Group has issued guarantees to certain banks in respect of the credit facilities amounting to RM700,000 granted to these entities.[2]

7.1 Non-controlling interests in subsidiaries[3]

12.10(a)(ii), 12 The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Reference		2019 Silver Fir S.A. RM'000	2019 Windmill N.V. RM'000	2019 Other subsidiaries with immaterial NCI RM'000	2019 Total RM'000
12.12(a)					
12.12(c)-(d)	NCI percentage of ownership interest and voting interest	55%	25%		
12.12(f)	Carrying amount of NCI[4]	4,435	7,330	570	12,335
12.12(e)	Profit allocated to NCI[4]	1,585	2,090	85	3,760
12.12(g), B10-B11	**Summarised financial information before intra-group elimination**				
	As at 31 December				
	Non-current assets	15,570	17,380		
	Current assets	6,140	8,550		
	Non-current liabilities	(8,760)	(3,060)		
	Current liabilities	(4,350)	(1,500)		
	Net assets	8,600	21,370		
	Year ended 31 December				
	Revenue	45,070	50,880		
	Profit for the year	7,200	8,360		
	Total comprehensive income	7,418	8,580		
	Cash flows from operating activities	3,800	3,390		
	Cash flows from investing activities	1,580	1,780		
	Cash flows used in financing activities	(870)	(1,080)		
	Net increase in cash and cash equivalents	4,510	4,090		
	Dividends paid to NCI	-	-		

Note	Reference	Explanatory note
4.		Although not required by MFRS 12, *Disclosure of Interests in Other Entities*, we have illustrated the reconciliation between summarised financial information about subsidiaries with material non-controlling interests and the amounts included in the consolidated financial statements.
5.	12.10(b)(i)	If applicable, an entity discloses information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group.
	12.13	In this regard, the entity discloses: (a) significant restrictions (e.g. statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as: (i) those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group. (ii) guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group. (b) the nature and extent to which protective rights of non-controlling interests can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities, or approval of non-controlling interests is required either to access the assets or to settle the liabilities of a subsidiary). (c) the carrying amounts in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

Reference

Notes to the financial statements

7. Investments in subsidiaries (continued)

7.1 Non-controlling interests in subsidiaries (continued)

Reference		2018 Silver Fir S.A. RM'000	2018 Windmill N.V. RM'000	2018 Other subsidiaries with immaterial NCI RM'000	2018 Total RM'000
12.12(a)					
12.12(c)-(d)	NCI percentage of ownership interest and voting interest	55%	40%		
12.12(f)	Carrying amount of NCI[4]	3,550	3,950	920	8,420
12.12(e)	Profit allocated to NCI[4]	480	1,645	65	2,190
12.12(g), B10-B11	**Summarised financial information before intra-group elimination**				
	As at 31 December				
	Non-current assets	11,780	15,380		
	Current assets	5,680	6,550		
	Non-current liabilities	(6,760)	(3,860)		
	Current liabilities	(3,760)	(1,900)		
	Net assets	6,940	16,170		
	Year ended 31 December				
	Revenue	30,070	40,880		
	Profit for the year	4,800	6,580		
	Total comprehensive income	5,002	6,660		
	Cash flows from operating activities	3,890	3,590		
	Cash flows from investing activities	1,480	1,790		
	Cash flows used in financing activities	(970)	(1,200)		
	Net increase in cash and cash equivalents	4,400	4,180		
	Dividends paid to NCI	-	-		

7.2 Significant restrictions[5]

12.13(c) Other than those disclosed elsewhere in the financial statements, the carrying amounts of assets to which significant restrictions apply are as follows:

	Group 2019 RM'000	Group 2018 RM'000
Cash and cash equivalents	2,890	2,600
Other assets	600	600
	3,490	3,200

The above restrictions arise from the following:

12.13(a) **Restriction imposed by bank covenants**

The covenants of a bank loan taken by Lei Sure Limited, a subsidiary of the Company, restricts the ability of the subsidiary to provide advances to other companies within the Group or to declare dividends to its shareholders until settlement of the loan.

12.13(b) **Restriction imposed by shareholders' agreements**

Generally, for all the subsidiaries which are not wholly owned by the Group, the non-controlling shareholders hold protective rights restricting the Group's ability to use the assets of the subsidiary and settle the liabilities of the Group, unless approval is obtained from non-controlling interests shareholders.

Note	Reference	**Explanatory note**
1.	12.7, 9(d)-(e)	If an entity uses equity method for an investment in which it has less than 20% of the voting or potential voting power of the investee, but concludes that it has significant influence, then it discloses the reasons for this. Similarly, if an entity has 20% or more of the voting or potential voting power of the investee, but concludes that it does not have significant influence, then the reasons for this shall be disclosed.
	12.22(a)-(b)	Further disclosures are required if: the entity has used financial statements of an associate with a different end of the reporting period from its own in preparing the consolidated financial statements; and/or there are restrictions over the ability of the associate to transfer funds to the entity.
2.	136.126(a)-(b)	An entity discloses the following for each class of assets: • the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit or loss and other comprehensive income in which those impairment losses are included. • the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of profit or loss and other comprehensive income in which those impairment losses are reversed.
	136.128	The information required in paragraph 126 of MFRS 136, *Impairment of Assets* may be presented with other information disclosed for the class of assets.
	136.130(a)	An entity discloses the events and circumstances that led to the recognition or reversal of the impairment loss.
3.	12.21(a)(iv)	An entity discloses the proportion of voting rights held if different from the proportion of ownership interest.
4.	128.38	Where the share of losses or reserve decrements would reduce the equity-accounted amount of the investment (including any long term interests that in substance form part of the net investment in the associate) to or below zero, the investor discontinues recognising its share of any further losses unless the investor has a legal or constructive obligation to support the associate.
	128.39	When an investor resumes application of the equity method of accounting after having suspended its use, it must not take into account its share of the profits and reserve increments of the associate until such share offsets the share of losses and reserve decrements not recognised during the financial year(s) in which the equity method of accounting was not applied.
5.	12.B15	The summarised financial information required by paragraph B12 of MFRS 12, *Disclosure of Interests in Other Entities* is prepared by taking into account: • fair value adjustments at acquisition date in accordance to MFRS 128, *Investments in Associates and Joint Ventures*; and • alignment for accounting policy differences.

Reference

Notes to the financial statements

8. Investments in associates[1]

Reference		Group 2019 RM'000	Group 2018 RM'000
128.10, 16	Investment in shares	7,210	7,210
	Share of post-acquisition reserves	13,040	8,370
	Less: Impairment loss[2]	*(XXX)*	*(XXX)*
		20,250	15,580
12.21(b)(iii)	*Fair value of quoted shares*		
13.93(b), 97	*Level 1*	*XXX*	*XXX*

Details of a material associate are as follows:

Reference	Name of entity	Principal place of business/ *Country of incorporation*	Nature of the relationship	Effective ownership interest and voting interest[3] 2019	2018
12.21(a)	Paletel AB	Denmark	Produce paper pulp and is one of the strategic suppliers of the Group providing access to paper pulp.	40%	40%

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.[4]

Reference	Group Summarised financial information[5]	2019 Paletel AB RM'000	*Other immaterial associates RM'000*	Total RM'000
12.21(b)(ii), 21(c)(ii), B12	**As at 31 December**			
	Non-current assets	43,806		
	Current assets	35,154		
	Non-current liabilities	(17,001)		
	Current liabilities	(11,334)		
	Net assets	50,625		
	Year ended 31 December			
	Profit from continuing operations	11,675		
	Profit from discontinued operations	*XXX*		
	Other comprehensive income	-		
	Total comprehensive income	11,675		
	Included in the total comprehensive income is:			
	Revenue	257,960		
12.B14(b)	**Reconciliation of net assets to carrying amount as at 31 December**			
	Group's share of net assets	20,250	*XXX*	20,250
	Goodwill	*XXX*	*XXX*	*XXX*
	Elimination of unrealised profits	*XXX*	*XXX*	*XXX*
12.B16	Carrying amount in the statement of financial position	20,250	*XXX*	20,250
12.B16	**Group's share of results for the year ended 31 December**			
	Group's share of profit or loss from continuing operations	4,670	*XXX*	4,670
	Group's share of profit or loss from discontinued operations	*XXX*	*XXX*	*XXX*
	Group's share of other comprehensive income	-	*XXX*	-
	Group's share of total comprehensive income	4,670	*XXX*	4,670
	Other information			
12.B12(a)	Dividends received by the Group	-		

Note	Reference	**Explanatory note**
1.	12.22(a)	An entity discloses the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control of or significant influence over an associate) on the ability of associates to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity.
2.	12.23(b)	An entity discloses the share of the contingent liabilities that are incurred jointly with other investors and those that arise because the investor is severally liable for all or part of the liabilities of the associate.

Reference

Notes to the financial statements

8. Investments in associates (continued)

Reference	Group Summarised financial information	Paletel AB RM'000	2018 *Other immaterial associates* *RM'000*	Total RM'000
12.21(b)(ii), 21(c)(ii), B12	**As at 31 December**			
	Non-current assets	34,500		
	Current assets	28,950		
	Non-current liabilities	(14,700)		
	Current liabilities	(9,800)		
	Net assets	38,950		
	Year ended 31 December			
	Profit from continuing operations	14,675		
	Profit from discontinued operations	*XXX*		
	Other comprehensive income	-		
	Total comprehensive income	14,675		
	Included in the total comprehensive income is:			
	Revenue	217,500		
12.B14(b)	**Reconciliation of net assets to carrying amount as at 31 December**			
	Group's share of net assets	15,580	*XXX*	15,580
	Goodwill	*XXX*	*XXX*	*XXX*
	Elimination of unrealised profits	*XXX*	*XXX*	*XXX*
12.B16	Carrying amount in the statement of financial position	15,580	*XXX*	15,580
12.B16	**Group's share of results for the year ended 31 December**			
	Group's share of profit or loss from continuing operations	5,870	*XXX*	5,870
	Group's share of profit or loss from discontinued operations	*XXX*	*XXX*	*XXX*
	Group's share of other comprehensive income	-	*XXX*	-
	Group's share of total comprehensive income	5,870	*XXX*	5,870
	Other information			
12.B12(a)	Dividends received by the Group	-		

Unrecognised share of losses

12.7(b), 9(e), 101.122 Although the Group has 15% ownership in the equity interests of Cellulose S.A. However, the Group has determined that it has significant influence because it has representation on the board of Cellulose S.A.

12.22(c) The Group has not recognised losses related to Cellulose S.A., totalling RM4,350 (2018: RM1,770) in the current financial year and RM21,970 (2018: RM17,620) cumulatively, since the Group has no obligation in respect of these losses.

12.22(a) ***Significant restrictions[1]***

Country A is having a financial economic crisis, thus the country imposed a restriction on its financial control, hence restricting Entity B's, an associate of the Company, ability to transfer fund to the Company.

12.23(b) **Contingent liabilities[2]**

	Group 2019 RM'000	 2018 RM'000
Share of associates' contingent liabilities incurred jointly with other investors:		
- Guaranteed bank facilities	200	150
- Retirement benefits payable on termination in certain circumstances to directors under service agreements	540	430
	740	580

Note	Reference	**Explanatory note**
1.	12.20	An entity discloses information that enables users of its financial statements to evaluate the nature, extent and financial effects of its interests in joint arrangements and the nature of, and changes in, the risks associated with its interests in joint ventures.
	12.21	To provide information on the nature, extent and financial effects of an entity's interests in joint arrangements, MFRS 12, *Disclosure of Interests in Other Entities* contains specific disclosure requirements: • for each joint arrangement that is material to the entity, the name, the principal place of business, the nature of the entity's relationship with the joint arrangement, the proportion owned; • for each joint arrangement that is material to the entity, the accounting model, summarised financial information, the fair value of equity-accounted investment that has a quoted market price; and • in aggregate for all individually immaterial joint ventures, the carrying amount, the amount of the entity's share of those joint ventures' profit or loss from continuing operations, post-tax profit or loss from discontinued operations, other comprehensive income and total comprehensive income.
	12.22	In addition, the entity discloses: • the nature and extent of any significant restrictions on the ability of joint ventures to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity; • when the financial statements of a joint venture used in applying the equity method are as of a date or for a period that is different from that of the entity: – the date of the end of the reporting period of the financial statements of that joint venture; and – the reason for using a different date or period; and • the unrecognised share of losses of a joint venture, both for the reporting period and cumulatively, if the entity has stopped recognising its share of losses of the joint venture when applying the equity method.
	12.23	In the context of information on risks associated with interests in joint ventures, total commitments relating to interests in joint ventures and that may give rise to a future outflow of cash or other resources and contingent liabilities incurred relating to interests in joint ventures.
2.	12.B15	The summarised financial information required by paragraphs B12 and B13 of MFRS 12, *Disclosure of Interests in Other Entities* is prepared taking into account: • fair value adjustments at acquisition date in accordance to MFRS 128, *Investments in Associates and Joint Ventures*; and • alignment for accounting policy differences.

Reference

Notes to the financial statements

8. Investment in joint venture[1]

Reference		Group 2019 RM'000	Group 2018 RM'000
128.10, 16	*Investment in shares*	*XXX*	*XXX*
13.93(b), 97	*Share of post-acquisition reserves*	*XXX*	*XXX*
	Less: Impairment loss	*(XXX)*	*(XXX)*
		XXX	*XXX*
12.21(b)(iii)	*Fair value of quoted shares*		
	Level 1	*XXX*	*XXX*

12.20(a), 21 *Wonder Pulp AG ("Pulp"), the only joint arrangement in which the Group participates, is principally engaged in the production of paper pulp in Denmark. Pulp is one of the strategic suppliers of the Group providing access to paper pulp.*

12.7(c) *Pulp is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Pulp as a joint venture.*

12.20(b), 23(a), B18 *In accordance with the agreement under which Pulp is established, the Group and the other investor to the joint venture have agreed to make additional contribution in proportion to their interests to make up any losses, if required, up to a maximum amount of RM6,000,000. This commitment has not been recognised in the consolidated financial statements.*

12.21(b), B12-B13 *The following table summarises the financial information of Pulp, as adjusted for any differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Pulp, which is accounted for using the equity method.*

Reference		Group 2019 RM'000	Group 2018 RM'000
12.21(a)(iv)	*Percentage of ownership interest*	*XX%*	*XX%*
	Percentage of voting interest	*XX%*	*XX%*
	Summarised financial information[2]		
	As at 31 December		
12.B12(b)(ii)	*Non-current assets*	*XXX*	*XXX*
12.B12(b)(i)	*Current assets*	*XXX*	*XXX*
12.B13(a)	*Cash and cash equivalents*	*XXX*	*XXX*
12.B12(b)(iv)	*Non-current liabilities*	*(XXX)*	*(XXX)*
12.B12(b)(iii)	*Current liabilities*	*(XXX)*	*(XXX)*
12.B13(c)	*Non-current financial liabilities (excluding trade and other payables and provisions)*	*(XXX)*	*(XXX)*
12.B13(b)	*Current financial liabilities (excluding trade and other payables and provisions)*	*(XXX)*	*(XXX)*
	Year ended 31 December		
	Profit/(Loss) from continuing operations	*XXX*	*XXX*
	Profit/(Loss) from discontinued operations	*XXX*	*XXX*
	Other comprehensive income	*XXX*	*XXX*
	Total comprehensive income	*XXX*	*XXX*
	Included in the total comprehensive income are:		
12.B12(b)(v)	*Revenue*	*XXX*	*XXX*
12.B13(d)	*Depreciation and amortisation*	*(XXX)*	*(XXX)*
12.B13(e)	*Interest income*	*XXX*	*XXX*
12.B13(f)	*Interest expense*	*(XXX)*	*(XXX)*
12.B13(g)	*Income tax expense*	*(XXX)*	*(XXX)*

Note	Reference	**Explanatory note**
1.	12.22(a)	An entity discloses the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control of or significant influence over a joint venture) on the ability of joint venture to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity.
2.	12.23(b)	An entity discloses the share of the contingent liabilities that are incurred jointly with other investors and those that arise because the investor is severally liable for all or part of the liabilities of the joint venture.

Reference

Notes to the financial statements

8. *Investment in joint venture (continued)*

Reference		Group 2019 RM'000	Group 2018 RM'000
12.B14(b)	***Reconciliation of net assets to carrying amount as at 31 December***		
	Group's share of net assets	XXX	XXX
	Goodwill	XXX	XXX
	Elimination of unrealised profits	XXX	XXX
12.B16	*Carrying amount in the statement of financial position*	XXX	XXX
12.B16	***Group's share of results for year ended 31 December***		
	Group's share of profit or loss from continuing operations	XXX	XXX
	Group's share of profit or loss from discontinued operations	XXX	XXX
	Group's share of other comprehensive income	XXX	XXX
	Group's share of total comprehensive income	XXX	XXX
	Other information		
12.B12(a)	*Cash dividends received by the Group*	XXX	XXX

12.22(a) ***Significant restrictions***[1]

Country A is having a financial economic crisis, thus the country imposed a restriction on its financial control, hence restricting Entity C's, a joint venture of the Company, ability to transfer fund to the Company.

12.23(b) ***Contingent liabilities***[2]

	Group 2019 RM'000	Group 2018 RM'000
Share of joint venture's contingent liabilities incurred jointly with other investors:		
- Guaranteed bank facilities	XXX	XXX
- Retirement benefits payable on termination in certain circumstances to directors under service agreements	XXX	XXX
	XXX	XXX

Note	Reference	**Explanatory note**
1.	7.12B-15, 42D	An entity also discloses information about: • reclassifications of financial assets to or from the (amortised) cost categories, and the fair value categories; • transfer of financial assets in which all or part of the assets did not qualify for derecognition; • recognised instruments subject to enforceable master netting arrangements and similar agreements; • financial assets pledged as collateral for liabilities or contingent liabilities; and • collateral that is permitted to be sold or repledged in the absence of default by the owner of the collateral.
2.		In our view, derivative assets and liabilities are presented in a separate line item in the statement of financial position if they are significant. If derivative instruments are not significant, then they may be included within other financial assets and other financial liabilities, respectively, with additional details disclosed in the notes to the financial statements.
3.	7.9, 11	An entity discloses the following if the entity has designated as measured at fair value through profit or loss a financial asset that would otherwise be measured at fair value through other comprehensive income or amortised cost: • the maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements of the financial asset at the end of the reporting period, and the amount by which any instruments mitigate that risk; • the change in fair value of the financial asset (during the period and cumulatively) that is attributable to changes in credit risk, and the method used to comply with this disclosure requirement; if the entity believes that this disclosure does not represent faithfully the change in fair value attributable to changes in credit risk, then it discloses the reasons and the relevant factors; and • the change in fair value of any instruments that mitigate the related credit risk (during the period and cumulatively) that is attributable to changes in credit risk.
4.	7.11A(d)	Where there were investments derecognised during the year, dividends recognised during the period is to be disclosed separately.
5.	7.11B	Where investments were disposed during the reporting period, an entity discloses: • the reasons for disposing the investments; • the fair value of the investments at the date of derecognition; and • the cumulative gain or loss on disposal.

Reference

Notes to the financial statements

101.78(b)

9. Other investments[1]

Reference	Group 2019	Note	Shares RM'000	Bonds RM'000	Total RM'000
7.8	**Non-current**				
7.8(h)	Fair value through other comprehensive income	9.1	12,500	3,350	15,850
7.8(a)	Fair value through profit or loss[2, 3]		2,670	-	2,670
7.8(f)	Amortised cost		-	19,010	19,010
			15,170	22,360	37,530
	Current				
7.8(a)	Fair value through profit or loss[2, 3]		5,400	-	5,400
			20,570	22,360	42,930

Reference	Group 2018	Note	Shares RM'000	Bonds RM'000	Total RM'000
7.8	**Non-current**				
	Fair value through other comprehensive income	9.1	14,154	3,745	17,899
	Amortised cost		-	18,815	18,815
			14,154	22,560	36,714
	Current				
7.8(a)	Fair value through profit or loss[2, 3]		5,605	-	5,605
			19,759	22,560	42,319

9.1 Equity investments designated at fair value through other comprehensive income

7.11A The Group designated the investments in equity securities shown below as fair value through other comprehensive income because these investments in equity securities represent investments that the Group intends to hold for long-term strategic purposes.

Group	Fair value at 31 December RM'000	Dividend income recognised during the year[4] RM'000
2019		
Colours Sdn Bhd	11,000	2,250
Box Arts Sdn Bhd	1,500	100
	12,500	2,350
2018		
Colours Sdn Bhd	12,000	-
Box Arts Sdn Bhd	1,734	-
New Dawn Sdn Bhd	420	-
	14,154	-

7.11B During the year, the Group disposed the following investment which is carried at fair value through other comprehensive income because it is no longer in line with the Group's strategy:[5]

7.11A(d)

Group	Fair value at derecognition RM'000	Cumulative gain on disposal RM'000	Dividend income recognised during 2019[4] RM'000
New Dawn Sdn Bhd	420	343	150

Note	Reference	**Explanatory note**
1.	112.81(g)	An entity discloses, in respect of each type of temporary difference, and in respect of each type of unused tax losses and unused tax credits, the amount of deferred tax assets and liabilities recognised in the statement of financial position for each period presented; MFRSs are unclear as to what constitutes a type of a temporary difference. Disclosures presented in these Illustrative Financial Statements are based on the statement of financial position captions related to the temporary differences. Another possible interpretation is to present disclosures based on the reason for the temporary difference, e.g. depreciation. In our view, it is not appropriate to disclose gross deductible temporary differences with the related valuation allowance shown separately because, under MFRSs, it is *recognised* temporary differences that are required to be disclosed.
2.	112.81(i), 87A	An entity discloses the amount of income tax consequences of dividends to the owners that were proposed or declared before the financial statements were authorised for issue, but that are not recognised as a liability in the financial statements. An entity also discloses the important features of the income tax system(s) and the factors that will affect the amount of the potential income tax consequences of dividends.
3.	112.82	An entity discloses the amount of a deferred tax asset and the nature of the evidence supporting its recognition when: • the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and • the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.
4.	112.74	Deferred tax assets and liabilities are offset only when: • the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and • the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: - the same taxable entity; or - different taxable entities that intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.
5.	112.81(e)	The amount (and expiry date, if any) of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the statement of financial position must be disclosed.

Reference

Notes to the financial statements

10. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)[1, 2]

112.81(g)(i) Deferred tax assets and liabilities are attributable to the following:

	Assets[3]		Liabilities		Net[4]	
Group	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Property, plant and equipment	2,187	4,416	(41,205)	(21,727)	(39,018)	(17,311)
Right-of-use assets	-	-	(5,137)	-	(5,137)	-
Investment properties	-	-	(5,330)	(2,750)	(5,330)	(2,750)
Trade receivables	322	104	-	-	322	104
Inventories	830	410	-	-	830	410
Contract assets	-	-	(164)	(99)	(164)	(99)
Contract costs	-	-	(4)	(23)	(4)	(23)
Loans and borrowings	-	-	(1,276)	-	(1,276)	-
Lease liabilities	5,881	-	-	-	5,881	-
Employee benefit plans	11,470	8,250	-	-	11,470	8,250
Provisions	5,570	5,280	-	-	5,570	5,280
Contract liabilities	-	-	(67)	(11)	(67)	(11)
Tax loss carry-forwards	4,360	3,860	-	-	4,360	3,860
Other items	770	2,390	(1,860)	(1,970)	(1,090)	420
Tax assets/(liabilities)	31,390	24,710	(55,043)	(26,580)	(23,653)	(1,870)
Set off of tax[4]	(29,877)	(10,910)	29,877	10,910	-	-
Net tax assets/ (liabilities)	1,513	13,800	(25,166)	(15,670)	(23,653)	(1,870)
Company						
Loans and borrowings	-	-	(1,186)	-	(1,186)	-

112.81(e)

Unrecognised deferred tax assets[5]

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Tax loss carry-forwards	130	3,890	-	-
Other deductible temporary differences	1,030	2,000	-	-
	1,160	5,890	-	-

112.81(e) A tax loss of RM10,000 (2018: RM50,000) expires in 2021 under the tax legislation of Romania.

101.129, 112.82 In 2018, RM2,400,000 of previously unrecognised tax losses of a subsidiary that was suffering loss were recognised as management considered it probable that future taxable profits will be available against which they can be utilised. In 2019, management revised its estimates following the pilot of a new type of paper in Romania, which was proving to be popular with customers and was increasing the subsidiary's results from operating activities. As a result, an additional RM500,000 of previously unrecognised tax losses was recognised in 2019.

112.82A In some of the countries in which the Group operates, local tax laws provide that gains on the disposal of certain assets are tax exempted, provided that the gains are not distributed. At 31 December 2019, the total tax exempt reserves amounted to RM600,000 (2018: RM540,000) would result in a tax liability of RM198,000 (2018: RM178,000) should the subsidiaries pay dividends from these reserves. This tax liability has not been provided for.

Note	Reference	**Explanatory note**
1.	112.81(g)(ii)	When the amount of deferred tax recognised in profit or loss in respect of each type of temporary difference is apparent from the changes in the amounts recognised in the statement of financial position, this disclosure is not required.

Reference

Notes to the financial statements

10. Deferred tax assets/(liabilities) (continued)

112.81(g)(i)

Movement in temporary differences during the year[1]

Group	At 1 January 2018 RM'000	Recog-nised in profit or loss (note 26) RM'000	Recog-nised in other Compre-hensive income (note 29) RM'000	At 31 December 2018 RM'000	Adjust-ment on initial applica-tion of MFRS 16 RM'000	At 1 January 2019 RM'000	Recog-nised in profit or loss (note 26) RM'000	Recog-nised directly in equity (note 26) RM'000	Recog-nised in other Compre-hensive income (note 29) RM'000	Arising from business combina-tions (note 38) RM'000	Included in disposal group held for sales and discon-tinued operation (note 16 and note 27) RM'000	At 31 December 2019 RM'000
Property, plant and equipment	(6,074)	(11,237)	-	(17,311)	(1,287)	(18,598)	(21,690)	-	(100)	(730)	2,100	(39,018)
Right-of-use assets	-	-	-	-	(5,237)	(5,237)	100	-	-	-	-	(5,137)
Investment properties	(2,210)	(540)	-	(2,750)	-	(2,750)	(2,580)	-	-	-	-	(5,330)
Trade receivables	196	(92)	-	104	-	104	218	-	-	-	-	322
Inventories	-	410	-	410	-	410	50	-	-	(30)	400	830
Contract assets	(137)	38	-	(99)	-	(99)	(65)	-	-	-	-	(164)
Contract costs	(52)	29	-	(23)	-	(23)	19	-	-	-	-	(4)
Loans and borrowings	-	-	-	-	-	-	(586)	(600)	-	(90)	-	(1,276)
Lease liabilities	-	-	-	-	6,616	6,616	(735)	-	-	-	-	5,881
Employee benefit plans	6,740	1,460	50	8,250	-	8,250	3,400	-	(180)	-	-	11,470
Provisions	4,380	900	-	5,280	-	5,280	230	-	-	60	-	5,570
Contract liabilities	(83)	72	-	(11)	-	(11)	(56)	-	-	-	-	(67)
Tax loss carry-forwards	1,460	2,400	-	3,860	-	3,860	500	-	-	-	-	4,360
Other items	(50)	470	-	420	-	420	(1,510)	-	-	-	-	(1,090)
	4,170	(6,090)	50	(1,870)	92	(1,778)	(22,705)	(600)	(280)	(790)	2,500	(23,653)
Company												
Loans and borrowings	-	-	-	-	-	-	(586)	(600)	-	-	-	(1,186)

Note	Reference	Explanatory note
1.	7.9, 11	An entity discloses the following if the entity has designated as measured at fair value through profit or loss a financial asset that would otherwise be measured at fair value through other comprehensive income or amortised cost: • the maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements of the financial asset at the end of the reporting period, and the amount by which any instruments mitigate that risk; • the change in fair value of the financial asset (during the period and cumulatively) that is attributable to changes in credit risk, and the method used to comply with this disclosure requirement; if the entity believes that this disclosure does not represent faithfully the change in fair value attributable to changes in credit risk, then it discloses the reasons and the relevant factors; and • the change in fair value of any instruments that mitigate the related credit risk (during the period and cumulatively) that is attributable to changes in credit risk.
2.	7.12B-15, 42D	An entity also discloses information about: • reclassifications of financial assets to or from the (amortised) cost categories, and the fair value categories; • transfer of financial assets in which all or part of the assets did not qualify for derecognition; • recognised instruments subject to enforceable master netting arrangements and similar agreements; • financial assets pledged as collateral for liabilities or contingent liabilities; and • collateral that is permitted to be sold or repledged in the absence of default by the owner of the collateral.
3.	7.14	An entity discloses: (a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 3.2.23A of MFRS 9, *Financial Instruments*; and (b) the terms and conditions relating to its pledge.
4.	7.13B	An entity discloses information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set off associated with the entity's recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A of MFRS 7, *Financial Instruments: Disclosures*. When an entity applies amendments retrospectively, MFRS may require the presentation of a third statement of financial position. In our view, such a third statement would be required when the amendments have a material impact on the comparative statement of financial position at the beginning of the earliest comparative period.

Reference

Notes to the financial statements

101.78(b)

11. Trade and other receivables[1, 2, 3]

Reference		Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
101.60	**Non-current**					
124.18(b)	Loans to subsidiaries	11.1	-	-	31,210	24,940
‖	*Net investment in lease*	11.5	*XXX*	*XXX*	-	-
			-	-	31,210	24,940
101.60	**Current**					
	Trade					
101.78(b), 124.18(b)	Trade receivables from contracts with customers	11.3	116,386	165,940	-	-
	Other trade receivables		12,326	8,920	-	-
		11.2	128,712	174,860	-	-
	Non-trade					
124.18(b)	Amount due from subsidiaries	11.1	-	-	2,376	7,430
101.78(b)	Other receivables		500	100	500	-
‖	*Net investment in lease*	11.5	*XXX*	*XXX*	-	-
			500	100	2,876	7,430
			129,212	174,960	2,876	7,430
			129,212	174,960	34,086	32,370

124.18(b)(i) **11.1** Loans to subsidiaries are unsecured, subject to interest at 6.5% (2018: 5% to 6%) per annum and repayable in 2023.

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

124.18(b)(i) **11.2** Included in trade receivables are related party balances as shown below.

	Note	Group 2019 RM'000	Group 2018 RM'000
Immediate holding company	a	2,200	2,500
Associate	b	21,376	7,934
		23,576	10,434

124.18(b)(i) a) Trade receivables from immediate holding company is unsecured, interest free and with credit terms of 30 days to 90 days.

124.18(b)(i) b) Trade receivables from associate is unsecured with credit terms of 30 days to 90 days.

11.3 Offsetting of financial assets and financial liabilities[4]

The following table provides information of financial assets and liabilities that have been set off for presentation purpose:

Group	Note	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statement of financial position RM'000
2019				
Trade receivables		197,066	(80,680)	116,386
Trade payables	22	(205,319)	80,680	(124,639)
2018				
Trade receivables		232,840	(66,900)	165,940
Trade payables	22	(289,150)	66,900	(222,250)

Certain trade receivables and trade payables were set off for presentation purpose because they have enforceable right to set off and they intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Reference

Notes to the financial statements

101.78(b)

11. Trade and other receivables (continued)

7.14, 42D(a)-(c)

11.4 Transfer of trade receivables

The Group sold with recourse certain trade receivables to a bank for cash proceeds. These trade receivables have not been derecognised from the statement of financial position, because the Group retains substantially all the risks and rewards – primarily credit risk. The amount received on transfer has been recognised as a secured bank loan. The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank.

The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

The following information shows the carrying amount of trade receivables at the reporting date that have been transferred but have not been derecognised and the associated liabilities.

Group	***2019 RM'000***	***2018 RM'000***
Carrying amount of trade receivables transferred to a bank	*XXX*	*XXX*
Carrying amount of associated liabilities	*XXX*	*XXX*

11.5 Net investment in lease

16.93

Reference	**Group**	***2019 RM'000***	***2018 RM'000***
	At 1 January	*XXX*	*XXX*
	Addition	*XXX*	*XXX*
16.90(a)(ii)	*Interest income*	*XXX*	*XXX*
	Lease payments received	*(XXX)*	*(XXX)*
	Others	*XXX*	*XXX*
	At 31 December	*XXX*	*XXX*

16.92(a) *The Group leases several machines to third parties. Each of the leases contains an initial non-cancellable period of 15 years, with annual rents indexed to consumer price index. Subsequent renewals are negotiated with the lessee and on average renewal periods are 2 years.*

16.92(b) *These leases transfers substantially all the risk and rewards incidental to ownership of the machines. The Group expects the residual value of the machines at the end of the lease term to be minimal. These leases do not include buy-back agreements or residual value guarantees.*

The lease payments to be received are as follows:

Reference	***Group***	***2019 RM'000***	***2018 RM'000***
16.94(a),(b)	*Less than one year*	*XXX*	*XXX*
	One to two years	*XXX*	*XXX*
	Two to three years	*XXX*	*XXX*
	Three to four years	*XXX*	*XXX*
	Four to five years	*XXX*	*XXX*
	More than five years	*XXX*	*XXX*
	Total undiscounted lease payments	*XXX*	*XXX*
16.94(b)	*Unearned interest income*	*(XXX)*	*(XXX)*
	Net investment in lease	*XXX*	*XXX*

The following are recognised in profit or loss:

Reference	***Group***	***2019 RM'000***	***2018 RM'000***
16.90(a)(i)	*Gain/(Loss) for new finance lease entered into*	*XXX*	*XXX*
16.90(a)(iii)	*Variable lease income that do not depend on an index or a rate*	*XXX*	*-*

Note	Reference	**Explanatory note**
1.	102.39	When an entity presents an analysis of expenses using classification based on the nature of expenses in the statement of profit or loss and other comprehensive income, it discloses the costs recognised as an expense for raw materials and consumables, labour and other costs, together with the amount of the net change in inventories for the period.
	101.98(a)	A write-down to net realisable value as well as any reversal of such write-down may be of such size, incidence or nature that it requires separate disclosure in accordance with paragraph 97 of MFRS 101, *Presentation of Financial Statements*.
	102.36(c)	For commodity broker–traders who principally acquire inventories with the purpose of selling in the near future and generating a profit from price arbitration would generally measure such inventories at fair value less costs of disposal, then disclose the carrying amounts of inventories carried at fair value less costs to sell.
2.		In our view, write-downs of inventory to net realisable value as well as any reversals of such write-downs is presented in the same line item in profit or loss as the cost of inventories sold.

Reference

Notes to the financial statements

12. Inventories[1]

Reference		Group 2019 RM'000	Group 2018 RM'000
101.78(c), 102.36(b)	Raw materials and consumables	56,600	65,530
101.78(c), 102.36(b)	Work-in-progress	29,430	20,610
101.78(c), 102.36(b)	Finished goods	59,766	55,050
15.B21(c), B25, BC367	*Right to recover returned goods*	*XXX*	*XXX*
		145,796	141,190
102.36(h)	Carrying amount of inventories pledged as security for bank borrowings (see note 18)	24,500	20,900
	Recognised in profit or loss:		
102.36(d)	Inventories recognised as cost of sales	516,980	529,730
101.98(a), 102.36(e)	Write-down to net realisable value	450	1,250
101.98(a), 102.36(f)	Reversal of write-down	(160)	-

102.36(e)-(f), 101.98(a) — The write-down and reversal are included in cost of sales.[2]

136.126(b), 102.36(g) — Due to regulatory restrictions imposed on a new product in the Standard Paper operating segment, the Group tested the related product line for impairment and also wrote down the related inventories to their net realisable value, which resulted in a loss of RM450,000 in 2018. In 2019, following a change in estimates, RM160,000 of the write-down was reversed (see note 6.2).

15.B21(c), B25 — *An asset for a right to recover returned goods is recognised in relation to standard paper products sold with a right of return.*

These are measured by reference to the former carrying amount of the sold inventories less any expected costs to recover those inventories and any potential decreases in the value to the Group of the returned inventories. Refund liabilities of the same amounts were also recognised in trade and other payables.

Note	Reference	**Explanatory note**
1.	15.116(a)	An entity discloses the opening and closing balances of receivables, contract assets and contract liabilities from contract with customers if they are not otherwise separately presented or disclosed.
2.	15.118, BC346	Although MFRS 15, *Revenue from Contracts with Customers*, does not require tabular reconciliation of the aggregated contract balances, it requires the explanation of significant changes in the contract asset and the contract liability balances during the reporting period to include both qualitative and quantitative information.
3.	15.112, 113(b)	An entity is required to disclose impairment losses recognised on receivables from contracts with customers, if any exist.

Reference

Notes to the financial statements

13. Contract with customers

13.1 Contract assets/(liabilities)[1]

15.116(a)

Group	2019 RM'000	2018 RM'000
Contract assets	3,607	2,855
Contract liabilities	(1,400)	(1,300)

15.117 The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 60 days.

101.61 Included in contract assets at 31 December 2019 are retentions of RM2,000,000 (2018: RM1,800,000) relating to construction work-in-progress. Retentions are unsecured, interest free and are expected to be collected as follows:

Group	2019 RM'000	2018 RM'000
Within 1 year	200	750
More than 1 year	1,800	1,050
	2,000	1,800

The contract liabilities primarily relate to the advance consideration received from a customer for construction contract, which revenue is recognised overtime during the construction of a paper mill. The contract liabilities are expected to be recognised as revenue over a period of 90 days.

15.118 Significant changes to contract assets and contract liabilities balances during the period are as follows:[2, 3]

Reference	Group	2019 RM'000	2018 RM'000
15.116(b)	Contract liabilities at the beginning of the period recognised as revenue	1,245	1,150
15.118(e)	Contract liabilities at the beginning at the period not recognised as revenue due to change in time frame	55	50
15.118(d)	Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	183	431
15.116(c), 118(b)	Increase/(Decrease) in revenue recognised in previous period arising from:		
	- Change in measure of progress	101	221
	- Change in variable consideration	(179)	(112)
	- Contract modification	120	232

Note	Reference	**Explanatory note**
1.	15.127	For assets recognised from the costs to obtain or fulfil a contract with customer, an entity shall describe the following: (a) the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer; (b) the method it uses to determine the amortisation for each reporting period;
	15.128	(c) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and (d) the amount of amortisation and any impairment losses recognised in the reporting period.

Reference

Notes to the financial statements

13. Contract with customers (continued)

13.2 Contract costs[1]

Reference		Group 2019 RM'000	Group 2018 RM'000
15.128(a)	Cost to obtain a contract	320	294
	Cost to fulfil a contract		
	- Pre-contract cost	448	557
	- Set-up cost	315	784
		763	1,341
		1,083	1,635
	Less:		
15.128(b)	- *Impairment loss*	*XXX*	*XXX*
		1,083	1,635

Cost to obtain a contract[1]

15.127(a) Cost to obtain a contract primarily comprises incremental commission fees paid to intermediaries as a result of obtaining contracts and they are recoverable.

15.99,127(b) Capitalised commission fees are amortised when the related revenues are recognised. In 2019, the amount of amortisation was RM57,000 (2018: RM36,000).

15.94, 129 The Group applies the practical expedient in para 94 of MFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Pre-contract cost and set-up cost[1]

15.127(a), (b), 128(b) With anticipated further contracts that will be signed subsequently over the next year, pre-contract cost and set-up cost are capitalised and amortised based on the estimated future revenue. In 2019, the amount of amortisation is RM259,000 (2018: RM128,000).

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Reference

Notes to the financial statements

14. Derivative financial assets/(liabilities)

		2019			2018		
	Group	**Nominal value RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Nominal value RM'000**	**Assets RM'000**	**Liabilities RM'000**
7.31	Derivatives at fair value through profit or loss						
	- Forward exchange contracts	108,000	1,406	(1,192)	106,000	2,253	(1,751)
	- Interest rate swap	-	-	-	35,000	998	-
	Derivatives used for hedging						
	- Interest rate swaps	50,000	828	-	-	-	-
		158,000	2,234	(1,192)	141,000	3,251	(1,751)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

Interest rate swaps are used to achieve an appropriate mix of fixed and floating interest rate exposure within the Group's policy. In the current financial year, the Group entered into interest rate swaps with nominal value of RM50,000,000 to hedge the cash flow risk in relation to the floating interest rate of a bank loan (see note 33.7.3). The previous financial year's interest rate swaps with nominal value of RM35,000,000 matured during the financial year.

Note	Reference	**Explanatory note**
1.	107.48	An entity discloses, together with a commentary by management, the amount of significant cash and cash equivalent balances not available for use by the entity.
2.	107.8	Bank overdrafts that are repayable on demand and form an integral part of an entity's cash management are included as a component of cash and cash equivalents.
3.	5.42	If there are changes to a plan of sale or distribution and an asset or a disposal group is no longer classified as held for sale or distribution, then the entity discloses, in the period of change, a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.
	5.8A	An entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all assets and liabilities of that subsidiary as held for sale when the criteria set out in paragraphs 6-8 of MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.
	5.36A	An entity that is committed to a sale plan involving loss of control of a subsidiary shall disclose the information required in paragraphs 33-36 of MFRS 5 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 32 of MFRS 5.
	5.5B	The disclosure requirements of MFRS 5 apply to non-current assets or disposal groups classified as held for sale and to discontinued operations. Disclosures required by other MFRSs apply when it refers specifically to non-current assets or disposal groups classified as held for sale or to discontinued operations; for example the disclosure of earnings per share for a discontinued operation. Disclosures required by other MFRSs may also apply where they relate to assets and liabilities in a disposal group that are not within the measurement scope of MFRS 5. Additional disclosures may be necessary to comply with the general requirements of MFRS 101, *Presentation of Financial Statements*, in particular for a fair presentation and in respect of sources of estimation uncertainty.
4.	5.38-39	The major classes of assets and liabilities classified as held for sale are disaggregated in the notes. This disclosure is not required if the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition.
	5.38	An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.
5.	5.15	An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. If the value of non-current assets is stated at fair value less costs to sell, an entity also complies with the disclosure requirements of MFRS 13, *Fair Value Measurement*.

Reference

Notes to the financial statements

107.45

15. Cash and cash equivalents[1]

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Short-term deposits		6,602	8,620	13,570	6,530
Bank balances		3,810	9,880	1,410	4,960
Cash and cash equivalents in the statements of financial position		10,412	18,500	14,980	11,490
Bank overdraft[2]	18	(3,340)	(2,820)	-	-
Cash and cash equivalents in the statements of cash flows		7,072	15,680	14,980	11,490

16. Disposal group held for sale[3]

5.41(a)-(b), (d)

Part of a manufacturing facility within the Standard Paper operating segment is presented as a disposal group held for sale following the commitment of the Group's management on 15 June 2019 to a plan to sell part of the facility. Efforts to sell the disposal group have commenced, and a sale is expected by April 2020. At 31 December 2019, the assets and liabilities of the disposal group are as follows:

5.38 **Assets classified as held for sale[4]**

	Note	Group 2019 RM'000
Property, plant and equipment	3	81,640
Inventories		27,500
Receivables		34,960
		144,100

5.38 **Liabilities classified as held for sale[4]**

	Note	RM'000
Payables and accruals		42,700
Deferred tax liabilities	10	1,400
		44,100

The carrying value of property, plant and equipment of the disposal group is the same as its carrying value before it was being reclassified to current asset.[5]

5.38 ***Cumulative income or expense recognised in other comprehensive income***

The cumulative income or expense recognised in other comprehensive income relating to the disposal group is RMXXX.

Note	Reference	**Explanatory note**
1.	101.79(a)(ii)	An entity discloses the number of shares issued and fully paid, and issued but not fully paid.
	101.79(a)(vii)	An entity discloses details of shares reserved for issue under options and sales contracts, including the terms and amounts.

Reference

Notes to the financial statements

17. Capital and reserves

Share capital[1]

Reference		Group and Company			
		Number of shares 2019 '000	Amount 2019 RM'000	Number of shares 2018 '000	Amount 2018 RM'000
101.79(a)(ii), (iii)	Issued and fully paid shares with no par value classified as equity instruments:				
101.79(a)(iv)	Ordinary shares				
	At 1 January	93,000	128,000	93,000	128,000
	Issued for cash under ESOS	50	450	-	-
	Issued for cash under private placement	15,600	15,600	-	-
	At 31 December	108,650	144,050	93,000	128,000
101.79(a)(iv)	Non-redeemable preference shares				
	At 1 January/31 December	52,500	52,500	52,500	52,500
		161,150	196,550	145,500	180,500

Ordinary shares

101.79(a)(v) 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. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

Non-redeemable preference shares

101.79(a)(v) Holders of non-redeemable preference shares receive a non-cumulative dividend of 7.88 sen per share at the Company's discretion. They do not have the right to participate in any additional dividends declared for ordinary shareholders. The non-redeemable preference shares do not carry the right to vote except for variation of holders' rights to the class of shares and rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the par value of the shares.

101.79(b)

Capital reserve

The capital reserve comprises the equity portion of convertible notes issued (see note 18.2).

101.79(b)

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of financial liabilities that hedge the Company's net investment in a foreign operation.

Note	Reference	**Explanatory note**
1.	116.77(f)	If items of property, plant and equipment are stated at revalued amounts, then the entity discloses the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.
2.	101.79(a)(vi)	An entity discloses separately the amount of treasury shares held, either in the statement of financial position or the statement of changes in equity or in the notes.
	124.18	If any of the shares are acquired from parties who are able to control or exercise significant influence over the Group, then an entity discloses details of the transaction.
3.	7.10, 10A, 11	If the entity has designated a financial liability as at fair value through profit or loss accordance with paragraph 4.2.2 of MFRS 9, *Financial Instruments* and is required to present the effects of changes in that liability's credit risk in other comprehensive income, it shall disclose as per requirements under paragraph 10, 10A and 11 of MFRS 9.
4.	101.74-76	When a breach of a loan agreement occurred during the period, and the breach has not been remedied or the terms of the loan payable have not been renegotiated by the end of the reporting period, the entity determines the effect of the breach on the current/non-current classification of the loan payable.
	7.18	For loans payable recognised at the end of the reporting period, an entity discloses: • details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable; • the carrying amount of the loans payable in default at the end of the reporting period; and • whether the default was remedied, or that the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.
	7.19	If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18 of MFRS 7, *Financial Instruments: Disclosures*, an entity discloses the same information as required by paragraph 18 of MFRS 7 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of loan were renegotiated, on or before the reporting date).
5.	101.73	An entity continues to classify its long-term interest-bearing liabilities as non-current, even if they are due to be settled within 12 months of the end of the reporting period, if an entity expects and is able, solely at its own discretion, to refinance or roll over an obligation for at least 12 months after the end of the reporting period under an existing loan facility.
6.	7.17	If an entity has issued an instrument that contains both a liability and an equity component and the instrument has multiple embedded derivative features the values of which are interdependent (such as a callable convertible debt instrument), then an entity discloses the existence of those features.

Reference

Notes to the financial statements

17. Capital and reserves (continued)

101.79(b)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

101.79(b)

Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the hedging reserve.

101.79(b)

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity and debt securities designated at fair value through other comprehensive income until the assets are derecognised or impaired.

Reserve of disposal group held for sale

101.79(b)

The reserve of disposal group held for sale comprises cumulative income or expenses recognised in other comprehensive income relating to disposal group held for sale.

101.79(b)

Revaluation reserve[1]

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment property.

101.79(b)

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

101.79(a)(vi), (b)

Treasury shares[2]

Treasury shares comprises cost of acquisition of the Company's own shares. At 31 December 2019, the Group held 479,000 (2018: 520,000) of the Company's own shares.

18. Loans and borrowings[3, 4]

Reference		Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
101.69	**Non-current[5]**					
	Bank loans	18.1	35,120	70,930	-	-
	Bonds		95,861	95,000	-	-
	Convertible notes	18.2	46,222	-	46,222	-
	Redeemable preference shares	18.3	19,948	-	19,948	-
	Finance lease liabilities	18.4	-	19,295	-	-
	Loan from associate	18.5	-	20,000	-	-
			197,151	205,225	66,170	-
101.69	**Current**					
	Bank loans	18.1	35,000	40,000	-	-
	Finance lease liabilities	18.4	-	2,525	-	-
	Other bank facilities		5,150	1,170	-	-
	Bank overdraft	15	3,340	2,820	-	-
			43,490	46,515	-	-
			240,641	251,740	66,170	-

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Reference

Notes to the financial statements

18. Loans and borrowings (continued)

18.1 Bank loans

Security

116.74(a), 140.75(g), 102.36(h) The bank loans are secured over land and buildings (see note 3), investment properties (see note 5) and inventories (see note 12).

Default of loan[4]

7.18 During the year, a subsidiary defaulted its interest payment on bank borrowings with a carrying amount of RM15,000,000. The subsidiary experienced a shortage of cash as there were some issues with its production during the year. Nevertheless, the production issues were resolved subsequent to the year end and consequently, the subsidiary has regularised its interest payments.

Breach of loan covenant[4]

7.19 A subsidiary has a secured bank loan that amounts to RM20,000,000 at 31 December 2019. According to the terms of the agreement, this loan is repayable in tranches over the next 5 years. However, the loan contains a debt covenant stating that at the end of each quarter, the subsidiary's net debt (in the covenant defined as the subsidiary's loans and borrowings net of cash and cash equivalents) cannot exceed 0.5 times of total equity. At 31 December 2019, the subsidiary's debt to equity ratio was 0.6. Consequently, the entire loan has been classified as current liability and the management is currently negotiating with the bank to waive the covenant.

18.2 Convertible notes[6]

	Group and Company 2019 RM'000
Proceeds from issue of 50,000,000 convertible notes	50,000
Transaction costs	(2,000)
Net proceeds	48,000
Amount classified as equity (see note 17)	(2,400)
Accreted interest	622
Carrying amount at 31 December	46,222

7.17, 132.38 The amount of the convertible notes classified as equity of RM2,400,000 is net of attributable transaction costs of RM100,000.

The convertible notes are convertible into 2,500,000 ordinary shares in June 2020 at the option of the holder, which is at a rate of one (1) ordinary share for every twenty (20) convertible notes held; unconverted notes become repayable on demand. The convertible notes carry a coupon rate of 6.5% per annum.

Note	Reference	**Explanatory note**
1.	IC 2.13	When a change in prohibition against redemption of a financial instrument leads to a transfer between financial liabilities and equity, the entity discloses separately the amount, timing and reason for the transfer.
2.	117.31(d)	An entity discloses the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period. A sublease must be accounted for separately if there is no right of set off.
	117.31(e)	A general description of the lessee's material leasing arrangements is required, including but not limited to the following: • the basis on which contingent rent payable is determined; • the existence and terms of renewal or purchase options and escalation clauses; and • restrictions imposed by lease arrangements such as those concerning dividends, additional debts and further leasing.

Reference

Notes to the financial statements

18. Loans and borrowings (continued)

18.3 Redeemable preference shares[1]

	Group and Company	
	Amount 2019 RM'000	Number of shares 2019 '000
Issued and fully paid shares classified as debt instruments:		
Redeemable preference shares		
At 1 January	-	-
Issued for cash	20,000	20,000
Transaction costs	(52)	-
At 31 December	19,948	20,000

101.79(a)(v) The salient features of the redeemable preference shares are as follows:

- they do not carry the right to vote, except for variation of holders' rights to the class of shares,
- they rank equally with other shares with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the issuance value of the shares,
- the holders are entitled to receive dividends,
- they are not convertible to ordinary shares,
- the Group is obliged to pay holders of redeemable preference shares annual dividends of 4.4% on 31 May each year until and including upon maturity, and
- they are redeemable at the option of the holder on or after 31 May 2022 at RM1 each.

18.4 Finance lease liabilities[2]

117.31(b) Finance lease liabilities are payable as follows:

Group

	Future minimum lease payments 2018 RM'000	Interest 2018 RM'000	Present value of minimum lease payments 2018 RM'000
Less than one year	15,310	2,620	12,690
Between one and five years	11,240	3,850	7,390
More than five years	5,310	3,570	1,740
	31,860	10,040	21,820

117.31(e) Included in the Group's previous year finance lease liabilities were leases of production plant and equipment amounting to RM15,800,000 under finance leases expiring from 1 to 9 years. At the end of the lease term, the Group has the option to purchase the equipment at 60% of market value, a price deemed to be a bargain purchase option. The terms of the leases require that additional debt and further leases are not undertaken without prior approval of the lessor.

18.5 Loan from associate

124.18(b)(i) Loan from associate was unsecured, subject to interest at 8% per annum and payable on 30 June 2020. During the financial year, the Group early settled the loan.

Note	Reference	**Explanatory note**
1.	119.133	Entities are not required to split post-employment benefit assets and liabilities into current and non-current classifications.
	119.138	An entity shall assess whether all or some disclosures should be disaggregated to distinguish plans or groups of plans with materially different risks. For example, an entity may disaggregate disclosure about plans showing one or more of the following features: • different geographical locations. • different characteristics such as flat salary pension plans, final salary pension plans or post employment medical plans. • different regulatory requirements. • different reporting segments. • different funding arrangements (e.g. wholly unfunded, wholly or partly funded).
	119.34, 148(d)	For any multi-employer defined benefit plans for which sufficient information is not available to use defined benefit accounting, an entity should disclose the following: • the fact that the plan is a defined benefit plan. • the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan. • the expected contributions to the plan for the next annual reporting period. • information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity. • an indication of the level of participation of the entity in the plan compared with other participating entities. Examples of measures that might provide such indication include the entity's proportion of the total contributions to the plan or the entity's proportion of the total number of active members, retired members, and former members entitled to benefits, if that information is available.
2.		For contributory plans, the accounting requirements are as follows:
	119.93	Contributions from employees or third parties set out in the formal terms of the plan either reduce service cost (if they are linked to service), or affect remeasurements of the net defined benefit liability (asset) (if they are not linked to service). An example of contributions that are not linked to service is when the contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses. If contributions from employees or third parties are linked to service, those contributions reduce the service cost as follows: (a) if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute the contributions to periods of service using the same attribution method required by paragraph 70 of MFRS 119, *Employee Benefits* for the gross benefit (i.e. either using the plan's contribution formula or on a straight-line basis); or (b) if the amount of the contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as a reduction of the service cost in the period in which the related service is rendered. Examples of contributions that are independent of the number of years of service include those that are a fixed percentage of the employee's salary, a fixed amount throughout the service period or dependent on the employee's age.
	119.70	In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity is required to attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity is required to attribute benefit on a straight-line basis from: (a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until (b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Reference

Notes to the financial statements

19. Employee benefits[1]

19.1 Retirement benefits

Group	2019 RM'000	2018 RM'000
Net defined benefit liability	17,000	15,490
Liability for long-service leave	6,470	5,610
Cash-settled share-based payment liability	*XXX*	*XXX*
Total employee benefit liabilities	23,470	21,100

119.139(a) The Group makes contributions to two non-contributory defined benefit plans[2] that provide pension and medical benefits for employees upon retirement. The plans entitle a retired employee to receive an annual payment equal to 1/60 of final salary for each year of service that the employee provided, and to the reimbursement of certain medical costs.

119.139(b) The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

119.147(a) The plan is fully funded by the Group's subsidiaries, except for the separate defined benefit plan for directors and executive officers which is funded by the parent company. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purpose for which the assumptions may differ from the assumptions above. Employees are not required to contribute to the plans.

119.147(b) The Group expects to pay RM350,000 in contributions to its defined benefit plans in 2020.

Movement in net defined benefit liability[3, 4, 5]

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

Reference	Group	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
119.140	Balance at 1 January	20,390	19,130	(4,900)	(5,000)	15,490	14,130
	Included in profit or loss						
119.141(a)	Current service cost	4,120	4,010	-	-	4,120	4,010
119.141(d)	Past service credit	1,000	1,200	-	-	1,000	1,200
119.141(b)	Interest cost/(income)	640	40	(360)	(350)	280	(310)
		5,760	5,250	(360)	(350)	5,400	4,900
	Included in other comprehensive income						
119.141(c)	Remeasurement loss/(gain)						
	- Actuarial loss/(gain) arising from:						
119.141(c)(ii)	- Demographic assumptions	(350)	50	-	-	(350)	50
119.141(c)(iii)	- Financial assumptions	(300)	230	-	-	(300)	230
	- Experience adjustments	(200)	170	-	-	(200)	170
119.141(c)(i)	- Return on plan assets excluding interest income	-	-	(50)	(250)	(50)	(250)
119.141(e)	*Effect of movements in exchange rate*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
		(850)	450	(50)	(250)	(900)	200
	Other						
119.141(f)	Contributions paid by the employer	-	-	(2,990)	(3,740)	(2,990)	(3,740)
119.141(g)	Benefits paid	(3,740)	(4,440)	3,740	4,440	-	-
		(3,740)	(4,440)	750	700	(2,990)	(3,740)
119.140	Balance at 31 December	21,560	20,390	(4,560)	(4,900)	17,000	15,490

119.139(c) In 2019, the pension arrangements for a number of employees in France have been adjusted to reflect new legal requirements in that country. As a consequence of the change in the retirement age, a past service cost (credit) was recognised immediately in the profit or loss.

Note	Reference	**Explanatory note**

3.	119.140-141	If applicable, an entity discloses the following in a separate reconciliation of the opening and closing balances of the present value of the defined benefit obligations for plan assets, the effect of the asset ceiling and any reimbursement rights:
		• current service cost.
		• interest income or expense.
		• remeasurement of the net defined liability (asset), showing separately:
		  - the return on plan assets.
		  - actuarial gains and losses arising from changes in demographic assumptions.
		  - actuarial gains and losses arising from changes in financial assumptions.
		  - changes in the effect of limiting a net defined benefit asset to the asset ceiling.
		• past service cost and gains and losses arising from settlements.
		• the effect of changes in foreign exchange rates.
		• contribution to the plan, showing separately those by the employer and by plan participants.
		• payments from the plan, showing separately the amount paid in respect of any settlements.
		• the effect of business combinations and disposals.

4.	119.147(c)	This disclosure may also include other information about the distribution of the timing of benefit payments, such as a maturity analysis of the benefit payments.
5.	119.130	Administration expenses do not include the cost of managing the plan assets. These costs are deducted from the return on plan assets.
6.	119.144	Significant actuarial assumptions are disclosed in absolute terms and not just as a margin between different percentages or other variables. When an entity provides disclosures in total for a grouping of plans, the entity provides such disclosures in the form of weighted averages or narrow ranges.

Reference

Notes to the financial statements

19. Employee benefits (continued)

19.1 Retirement benefits (continued)

Plan assets

119.142 Plan assets comprise:

Reference		Group 2019 RM'000	Group 2018 RM'000
119.142(b)	Equity securities:		
	- Consumer Markets	300	280
	- Pharmaceuticals	180	220
	- Oil and Gas	500	550
	- Telecoms	220	290
	- Financial Institutions	680	700
		1,880	2,040
119.142(c)	Government bonds	1,900	1,800
119.142(e)	Derivatives:		
	- Interest rate swaps	75	85
	- Forward foreign currency contracts	85	80
	- Longevity swaps	40	135
		200	300
119.143	Property occupied by the Group	300	340
119.143	Company's own ordinary shares	280	420
		4,560	4,900

119.142 All equity securities and government bonds have quoted price in active markets. All government bonds are issued by Malaysian government and are rated AAA or AA, based on rating agency XYZ's ratings.

119.146 At each reporting date, an Asset-Liability Matching study is performed by the pension fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the pension fund can be summarised as follows:

- a strategic asset mix comprising 40 - 50% equity securities, 40 - 50% government bonds and 0 - 10% other investments;
- interest rate risk is managed with the objective of reducing the cash flow interest rate risk by 40% through the use of debt instruments (government bonds) and interest rate swaps;
- currency risk is managed with the objective of reducing the risk by 30% through the use of forward foreign currency contracts; and
- longevity risk is managed with the objective of reducing the risk by 25% through the use of longevity swaps.

Defined benefit obligation

101.125 **Actuarial assumptions[6]**

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group 2019	Group 2018
Discount rate	5.1%	4.8%
Future salary growth	2.5%	2.5%
Medical cost trend rate	4.5%	4.0%
Future pension growth	3.0%	2.0%

119.144 Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 18 (2018: 18) for males and 22 (2018: 20) for females at the end of the reporting date.

At 31 December 2019, the weighted-average duration of the defined benefit obligation was 17.1 years (2018: 17.5 years).

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Reference

Notes to the financial statements

19. Employee benefits (continued)

19.1 Retirement benefits (continued)

Sensitivity analysis

101.125, 19, 119.145

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Group

	Defined benefit obligation	
	Increase	**Decrease**
2019	**RM'000**	**RM'000**
Discount rate (1% movement)	(3,350)	3,500
Future salary growth (1% movement)	1,800	(1,720)
Future pension growth (1% movement)	1,750	(1,680)
Future mortality (1% movement)	(700)	670
Medical cost trend rate (1% movement)	3,800	(2,500)
2018		
Discount rate (1% movement)	(3,050)	3,400
Future salary growth (1% movement)	1,780	(1,700)
Future pension growth (1% movement)	1,650	(1,600)
Future mortality (1% movement)	(750)	770
Medical cost trend rate (1% movement)	3,700	(2,800)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Note	Reference	**Explanatory note**
1.	2.52	An entity provides additional disclosures if the required disclosures in MFRS 2, *Share-based Payment* are not sufficient to enable the user to understand the nature and extent of the share-based payment arrangements, how the fair value of services have been determined for the period and the effect on profit or loss. For example, if an entity has classified any share-based payment transactions as equity settled in accordance with paragraph 33F of MFRS 2, the entity shall disclose an estimate of the amount that it expects to transfer to the tax authority to settle the employee's tax obligation when it is necessary to inform users about the future cash flow effects associated with the share-based payment arrangement.
2.	2.45(b)(v)	An entity discloses the number and the weighted average exercise price of share options that expired during the period.

Reference

Notes to the financial statements

19. Employee benefits (continued)

19.2 Share-based payments arrangement[1]

Share option programme (equity settled)

2.45(a) On 1 January 2015, 1 January 2018 and 1 January 2019, the Group granted share options to qualified key management personnel to purchase shares in the Company under the Employees Share Option Scheme approved by the shareholders of the Company on 1 October 2013. On 1 January 2019, the Group further granted share options on similar terms (except for exercise price) to qualified senior employees. In accordance with these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at the date of grant.

The terms and conditions related to the grants of the share option programme are as follows; all options are to be settled by physical delivery of shares:

Reference	Grant date/employees entitled	Number of options ('000)	Vesting conditions	Contractual life of options
2.45(a)	Option grant to key management on 1 January 2015	4,000	3 years of service and 5% increase in operating income in each of the 3 years	10 years
	Option grant to key management on 1 January 2018	2,000	3 years of service and 5% increase in operating income in each of the 3 years	6 years
	Option grant to key management on 1 January 2019	1,000	3 years of service and 5% increase in operating income in each of the 3 years	5 years
	Option grant to senior employees on 1 January 2019	1,000	3 years of service	5 years
	Total share options	8,000		

2.45(b) The number and weighted average exercise prices of share options are as follows:[2]

Reference		Weighted average exercise price 2019	Number of options ('000) 2019	Weighted average exercise price 2018	Number of options ('000) 2018
2.45(b)(i)	Outstanding at 1 January	RM9.17	6,000	RM9.00	4,000
2.45(b)(ii)	Granted during the year	RM12.00	2,000	RM9.50	2,000
2.45(b)(iii)	Forfeited during the year	RM9.20	(500)	-	-
2.45(b)(iv)	Exercised during the year	RM9.00	(50)	-	-
2.45(b)(vi)	Outstanding at 31 December	RM9.93	7,450	RM9.17	6,000
2.45(b)(vii)	Exercisable at 31 December	RM9.00	3,650	RM9.00	4,000

2.45(d) The options outstanding at 31 December 2019 have an exercise price in the range of RM9.00 to RM12.00 (31 December 2018: RM9.00 to RM9.50) and a weighted average contractual life of 7.2 years (31 December 2018: 8.3 years).

2.45(c) During the financial year, 50,000 share options were exercised. The weighted average share price at the date of exercise for the year was RM9.00 (2018: no options exercised).

Note	Reference	**Explanatory note**
1.	2.10-11	For equity-settled share-based payment transactions, other than transactions with employees and others providing similar services, an entity measures the goods or services received directly at the fair value of goods and services, unless that fair value cannot be estimated reliably.
	2.48	If the entity has measured the fair value of goods or services received during the period directly, then the entity discloses how that fair value was determined, e.g. whether fair value was measured at a market price for those goods or services.
	2.13, 49	If goods and services received in transactions, other than with employees and others providing similar services, were measured at the fair value of equity instruments granted because the fair value of the goods and services could not be estimated reliably, then the entity discloses that fact and why the fair value could not be measured reliably.
	2.47(b)-(c)	If the fair value of goods and services received was measured based on the fair value of equity instruments granted, then an entity discloses the number and weighted average fair value at the measurement date of any equity instruments other than share options, as well as the nature and incremental fair value and of any modifications made to share-based payment arrangements during the period.
2.		Deferred income related to a government grant generally is classified as a non-current liability. The portion that will be recognised in profit or loss in the next year is shown as a current liability.
3.	120.24	In this Illustrative Financial Statements, the Group elected to present government grants related to assets as deferred income. Alternatively, an entity may present such grants as a deduction in arriving at the carrying amount of the assets.
4.	120.39(c)	An entity discloses any unfulfilled condition and other contingencies attaching to government assistance that has been recognised.

Reference

Notes to the financial statements

19. Employee benefits (continued)

19.2 Share-based payments arrangement (continued)

2.46 The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs:[1]

Reference	Fair value of share options and assumptions	Key management personnel 2019	Key management personnel 2018	Senior employees 2019	Senior employees 2018
2.46	Fair value at grant date	RM4.50	RM4.00	RM3.90	-
2.47(a)(i)	Weighted average share price	RM12.00	RM10.50	RM12.00	-
	Share price at grant date	RM12.00	RM10.50	RM12.00	-
	Expected volatility (weighted average volatility)[1]	42.5%	40.9%	42.5%	-
	Option life (expected weighted average life)	4.6 years	5.8 years	4.4 years	-
	Expected dividends	3.2%	3.2%	3.2%	-
	Risk-free interest rate (based on Malaysian government bonds)	3.9%	3.8%	3.9%	-

Value of employee services received for issue of share options

Reference		Group 2019 RM'000	Group 2018 RM'000
2.51(a)	Share options granted in 2015	(700)	-
2.51(a)	Share options granted in 2018	1,900	2,500
2.51(a)	Share options granted in 2019	2,800	-
2.51(a)	Total expense recognised as share-based payments	4,000	2,500

The share options expense is not recognised in the profit or loss of the Company as it has been re-charged to the subsidiaries benefiting from the services of the employees.

20. Deferred income

	Group 2019 RM'000	Group 2018 RM'000
Non-current[2]		
Government grant[3]	14,620	15,000

Government grant[4]

120.39(b), 101.104 The Group received a government grant in 2016 which was conditional upon the construction of a factory on a specified site. The factory commenced its operations in the current year. The grant is being amortised over the useful life of the building. During the financial year, RM380,000 (2018: Nil) has been amortised and recognised as other income in profit or loss.

Note	Reference	**Explanatory note**
1.	137.92	In extremely rare cases, disclosure of some or all of the information required in respect of provisions can be expected to prejudice seriously the position of the entity in a dispute with other parties. In such cases only the following is disclosed: • the general nature of the dispute; • the fact that the required information has not been disclosed; and • the reason why the required information has not been disclosed.
	137.85	An entity discloses the following for each class of provision: • a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits. • an indication of the uncertainties about the amount or timing of those outflows; where necessary to provide adequate information, the major assumptions made concerning future events. • the amount of any expected reimbursement, stating the amount of any asset that has been recognised in that regard.
	137.84	There is no requirement to disclose comparative information in the reconciliation of provisions.
2.		In our view, the reversal of a provision is presented in the same line item in the statement of profit or loss and other comprehensive income as the original estimate.
	101.98(f)-(g)	An entity discloses separately items of income and expenses related to reversals of provisions and litigation settlements.
3.	137.9	MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets* applies to provisions for restructuring, including in the context of discontinued operations. When a restructuring meets the definition of a discontinued operation, additional disclosures may be required by MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Reference

Notes to the financial statements

21. Provisions[1]

Reference	Group	Warranties RM'000	Restruc-turing RM'000	Site restoration RM'000	Onerous contracts RM'000	Legal RM'000	Total RM'000
137.84(a)	At 1 January 2019	2,000	5,000	9,000	-	-	16,000
3.10	Assumed in a business combination	-	-	-	-	200	200
137.84(b)	Provisions made during the year	2,800	4,000	7,500	1,600	-	15,900
137.84(c)	Provisions used during the year	(2,000)	(5,000)	(5,000)	-	-	(12,000)
137.84(d)	Provisions reversed during the year[2]	-	-	(4,000)	-	-	(4,000)
137.84(e)	Unwinding of discount	-	-	600	-	-	600
137.84(a)	At 31 December 2019	2,800	4,000	8,100	1,600	200	16,700
	2019						
101.69	Non-current	1,000	-	8,100	-	-	9,100
101.69	Current	1,800	4,000	-	1,600	200	7,600
		2,800	4,000	8,100	1,600	200	16,700
	2018						
101.69	Non-current	1,000	3,000	-	-	-	4,000
101.69	Current	1,000	2,000	9,000	-	-	12,000
		2,000	5,000	9,000	-	-	16,000

Reference	Company	Financial guarantees (note 33.4) 2019 RM'000	2018 RM'000
	Current		
	At 1 January	500	500
7.B8E	*Net change in loss allowance*	*XXX*	*XXX*
	At 31 December	500	500

Warranties

137.85(a)-(b) The provision for warranties relates mainly to paper sold during the financial years ended 31 December 2018 and 2019. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur most of the liability over the next financial year. An expected reimbursement of warranty expense incurred of RM250,000 has been recognised in other receivables following a supplier accepting responsibility for the defective products.

Restructuring[3]

137.85(a)-(b) 101.98(b), 125 During the financial year ended 31 December 2018, the Group committed to a plan to restructure one of the product lines in the American paper manufacturing and distribution division due to a decrease in demand as a result of deteriorated economic circumstances. Following the announcement of the plan, the Group recognised a provision of RM5,000,000 for expected restructuring costs, including contract termination costs, consulting fees and employee termination benefits. Estimated costs were based on the terms of the relevant contracts. RM5,000,000 was charged against the provision in 2019. The restructuring was completed in 2019.

During the financial year ended 31 December 2019, a provision of RM4,000,000 was made to cover the costs associated with restructuring part of a manufacturing facility within the Standard Paper's operating segment that will be retained when the remainder of the facility is sold (see note 16). Estimated restructuring costs mainly include employee termination benefits and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be completed by June 2020.

Note	Reference	**Explanatory note**
1.	IC 5.11	An entity discloses its interest in and the nature of any decommissioning, restoration, and environmental rehabilitation funds, as well as any restrictions on access to the funds' assets.
	137.85(c), IC 5.13	If a right to receive reimbursement from the fund has been recognised as an asset, then an entity discloses the amounts of the asset and expected reimbursement.
	137.86, IC 5.12	If an obligation to make contributions to the fund has not been recognised as a liability, then an entity discloses the estimated financial effect of the obligation, a description of uncertainties related to the amount or timing of contributions, and any possible reimbursement.

Reference

Notes to the financial statements

21. Provisions (continued)

Site restoration[1]

137.85(a), 101.125 A provision of RM9,000,000 was made during the financial year ended 31 December 2018 in respect of the Group's obligation to rectify environmental damage in Romania. The required work was completed during 2019 at a cost of RM5,000,000. The unused provision of RM4,000,000 was reversed.

137.85(a)-(b) In accordance with Romanian law, land contaminated by the subsidiary in Romania must be restored to its original condition before the end of 2023. During the financial year ended 31 December 2019, the Group provided RM7,500,000 for this purpose. Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are available currently. The 101.129 Group has estimated a range of reasonably possible outcomes of the total cost which range from RM6,500,000 to RM8,500,000, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 10%, which is the risk-free rate in the jurisdiction of the liability. The rehabilitation is expected to occur progressively within the next four years.

Onerous contracts

137.85(a)-(b) In 2019, the Group entered into a contract with a new customer to print certain magazines on a monthly basis for fixed price over the next 3 years. The cost of the materials needed to satisfy the customer's requirements are higher than the prices fixed when initially entering into the contract. As such, a provision is recognised for the expected costs required to fulfill the requirements in excess of the contracted revenue.

Legal

137.85, 3.23 As a result of the acquisition of Papyrus Pty Limited (see note 38), the Group assumed a contingent liability related to a legal action by a former employee of Papyrus Pty Limited.

22. Trade and other payables

Reference		Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
	Trade					
	Trade payables	11.3	124,639	222,250	-	-
15.55, B21-25	*Refund liabilities*	12	*XXX*	*XXX*	-	-
			124,639	222,250	-	-
	Non-trade					
	Loans from subsidiaries	22.1	-	-	13,850	-
	Other payables		6,570	4,870	750	2,900
	Accrued expenses		3,004	1,879	1,760	410
			9,574	6,749	16,360	3,310
			134,213	228,999	16,360	3,310

22.1 Loans from subsidiaries

124.18(b)(i) Loans from subsidiaries are unsecured, interest free and repayable on demand.

Note	Reference	**Explanatory note**
1.	15.119, BC354	Under previous requirements in MFRS, entities had to disclose their accounting policies for recognising revenue. However, some users of financial statements raised concerns that in many cases, entities provided a 'boilerplate' description of the accounting policy without explaining how that accounting policy related to the contracts that the entity enters into with customers. To address this criticism, paragraph 119 of MFRS 15, *Revenue from Contracts with Customers*, requires an entity to disclose accounting policy disclosure requirements in existing standards by requiring an entity to provide more descriptive information about its performance obligations.

Reference

Notes to the financial statements

23. Revenue[1]

Reference	Group	Continuing operations 2019 RM'000	Continuing operations 2018 RM'000	Discontinued operation 2019 RM'000	Discontinued operation 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
15.113(a)	**Revenue from contracts with customers**	987,418	954,374	75,430	231,930	1,062,848	1,186,304
	Other revenue						
	- Rental income	14,690	8,530	-	-	14,690	8,530
	- Dividend income	3,600	3,180	-	-	3,600	3,180
	- Others	812	276	-	-	812	276
		19,102	11,986	-	-	19,102	11,986
	Total revenue	1,006,520	966,360	75,430	231,930	1,081,950	1,198,290
	Company						
	Dividend income	16,560	6,150	-	-	16,560	6,150

Note	Reference	**Explanatory note**
1.	15.114, IE210-IE211	The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the circumstances of the entity's contracts with customers. Some entities may need to use more than one type of category to meet the objective in paragraph 115 of MFRS 15, *Revenue from Contracts with Customers*, for disaggregating revenue. Other entities may meet the objective by using only one type of category.
	15.B88	When selecting the type of category (or categories) to use to disaggregate revenue, an entity shall consider how information about the entity's revenue has been presented for other purposes, including all of the following: (a) disclosures presented outside the financial statements (for example, in earnings releases, annual reports or investor presentations); (b) information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments; and (c) other information that is similar to the types of information identified in paragraph B88(a) and (b) and that is used by the entity or users of the entity's financial statements to evaluate the entity's financial performance or make resource allocation decisions.
	15.B89	Examples of categories that might be appropriate include, but are not limited to, the following:

Type of category	**Example**
Type of good or service	Major product lines
Geographical region	Country or region
Market or type of customer	Government and non-government customers
Type of contract	Fixed-price and time-and-materials contracts
Contract duration	Short-term and long-term contracts
Timing of transfer of goods or services	Goods or services transferred to customers: - at a point in time; or - overtime.
Sales Channels	Goods or services sold: - directly to customers; or - through intermediaries.

2.	15.112	An entity need not disclose information according to MFRS 15 if it has provided the information in accordance with another standards.
3.	15.115	An entity is required to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment, if the entity applies MFRS 8, *Operating Segments*.

Reference

Notes to the financial statements

23. Revenue (continued)

15.114-115

23.1 Disaggregation of revenue[1, 2, 3]

8.33(a)

Group	Reportable segments: Standard paper 2019 RM'000	Standard paper 2018 RM'000	Recycled paper 2019 RM'000	Recycled paper 2018 RM'000	Packaging (discontinued) 2019 RM'000	Packaging (discontinued) 2018 RM'000	Paper products 2019 RM'000	Paper products 2018 RM'000	All other segments 2019 RM'000	All other segments 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Primary geographical markets												
Malaysia	64,496	68,761	45,045	37,109	14,333	41,475	54,259	43,658	26,617	27,287	204,750	218,290
The Netherlands	39,549	34,792	27,621	18,777	8,789	20,986	33,271	22,090	16,321	13,805	125,551	110,450
Germany	71,089	102,651	49,649	55,399	15,797	61,917	59,805	65,175	29,338	40,735	225,678	325,877
United Kingdom	85,141	-	59,464	-	18,920	-	71,627	-	35,138	-	270,290	-
The United States of America	63,833	64,029	44,581	34,556	14,185	38,621	53,700	40,654	17,242	25,408	193,541	203,268
Other countries	13,676	111,771	5,987	52,958	3,406	68,931	14,872	67,903	5,097	26,856	43,038	328,419
	337,784	382,004	232,347	198,799	75,430	231,930	287,534	239,480	129,753	134,091	1,062,848	1,186,304
Major products and service lines												
Paper	302,515	349,240	135,269	132,764	-	-	-	-	-	-	437,784	482,004
Made-to-order paper products	35,269	32,764	97,078	66,035	-	-	287,534	239,480	-	-	419,881	338,279
Construction contracts	-	-	-	-	-	-	-	-	6,590	6,410	6,590	6,410
Sale of machine	-	-	-	-	-	-	-	-	38,409	81,237	38,409	81,237
Packaging and others	-	-	-	-	75,430	231,930	-	-	84,754	46,444	160,184	278,374
	337,784	382,004	232,347	198,799	75,430	231,930	287,534	239,480	129,753	134,091	1,062,848	1,186,304
Timing of recognition												
At a point in time	304,006	382,004	232,347	198,799	75,430	231,930	264,299	239,480	123,163	127,681	999,245	1,179,894
Over time	33,778	-	-	-	-	-	23,235	-	6,590	6,410	63,603	6,410
	337,784	382,004	232,347	198,799	75,430	231,930	287,534	239,480	129,753	134,091	1,062,848	1,186,304
Revenue from contracts with customers	337,784	382,004	232,347	198,799	75,430	231,930	287,534	239,480	129,753	134,091	1,062,848	1,186,304
Other revenue	-	-	-	-	-	-	-	-	19,102	11,986	19,102	11,986
Total revenue	337,784	382,004	232,347	198,799	75,430	231,930	287,534	239,480	148,855	146,077	1,081,950	1,198,290

Note	Reference	**Explanatory note**
1.	15.111 101.31	MFRS 15 requires detailed disclosure of entities' performance obligations in contracts with customers. The standard does not specify the level of detail required for this information (i.e. judgement is required in this regard).
	15.111	An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.
	15.119(b)	An entity shall disclose information about its performance obligations in contracts with customers, including a description of the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with paragraphs 56–58 of MFRS 15).

Reference

Notes to the financial statements

23. Revenue (continued)

23.2 Nature of goods and services[1]

The following information reflects the typical transactions of the Group:

15.119

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Paper	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 60 days from invoice date.	Discounts are given to customers where the customers pay within 15 days from invoice date.	The Group allows returns only for exchange with new goods (i.e. no cash refunds are offered).	Not applicable.
Made-to-order paper products	Revenue is recognised overtime as costs are incurred. These contracts would meet the no alternative use and the Group have rights to payment for work performed.	Credit period of 60 days from invoice date.	There would be penalty charges where the goods are delivered late.	Not applicable.	Assurance warranties of 2 years are given to customers.
Packaging services	Revenue is recognised overtime as and when the packaging services are performed using the cost incurred method. The materials are owned by the customers. The company is merely providing packaging services.	Credit period of 30 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Agent for sale of machine	Revenue is recognised at a point in time when the machine is delivered and accepted by the customer at its premise.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Assurance warranties of 2 years are given to customers.
Construction contract	Revenue is recognised overtime using the cost incurred method. The construction of the paper mill is on land owned by the customer.	Based on agreed milestones, certified by architects.	The Group would be awarded completion bonus where the construction work is completed 3 months before the agreed timeline.	Not applicable.	Defect liability period of 2 years is given to the customer.

Note	Reference	**Explanatory note**
1.	15.111	MFRS 15, *Revenue from Contracts with Customers*, does not require disclosure of information about remaining performance obligations by product and/ or service. However, the Group believes that the disaggregated information provided enables users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows.
2.	15.120(b)(i)	MFRS 15 requires disclosures based on the time bands that would be most appropriate for the duration of the remaining performance obligations. The Group uses a one-year time band.
3.	15.121	As a practical expedient, an entity need not disclose the information in paragraph 120 of MFRS 15 for a performance obligation if either of the following conditions is met: (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or (b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16 of MFRS 15.
	15.B16	As a practical expedient, if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided), the entity may recognise revenue in the amount to which the entity has a right to invoice.
4.	15.123	An entity shall disclose the judgements, and changes in the judgements, made in applying this Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity shall explain the judgements, and changes in the judgements, used in determining both of the following: (a) the timing of satisfaction of performance obligations; and (b) the transaction price and the amounts allocated to performance obligations.

Reference

Notes to the financial statements

23. Revenue (continued)

23.3 Transaction price allocated to the remaining performance obligations[1, 2]

15.120 The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Reference	Group	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
15.120(a), (b)(i)	Sale of standard paper products	54,344	32,326	12,455	99,125
	Sale of recycled paper products	22,325	20,767	15,980	59,072
	Sale of made-to-order paper products	13,211	11,454	-	24,665
	Construction services	1,022	6,028	5,872	12,922
		90,902	70,575	34,307	195,784

15.120(b)(i), 121-122 The above revenue does not include variable consideration other than selected paper products, which will be priced based on market price at the date of delivery. Such products are calculated using current market price as at the reporting date.

15.121-122 The Group applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.[3]
- 15.63, 129 exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

23.4 Significant judgements and assumptions arising from revenue recognition[4]

15.123 The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

- For construction contracts, the Group measured the performance of construction work done by comparing the actual costs incurred with the estimated total costs required to complete the construction. Significant judgements are required to estimate the total contract costs to complete. In making these estimates, management relied on professionals' estimates and also on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised.
- The Group is entitled to completion bonus if certain construction projects are completed 3 months before the agreed timeline. The Group applied significant judgment to determine the probability of securing the completion bonus and to include the completion bonus as part of the total transaction price. The Group considered internal and external information, and used the assistance of professional engineers to estimate the probability. In applying the judgment, the Group also determined that the recognition of revenue will not result in a significant revenue reversal.
- For standard and recycled paper products contracts that permit the customer to return an item, revenue is adjusted for expected returns to the extent that it is highly probable that a significant reversal in revenue recognised will not occur. The Group estimated the returns based on the historical data.

Note	Reference	**Explanatory note**
1.	7.20	There is no guidance in MFRSs as to what is included in finance income and finance costs. An entity discloses as part of its accounting policies which items constitute finance income and finance costs.

Reference

Notes to the financial statements

24. Finance income[1]

Reference		Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
7.20(b)	Interest income of financial assets calculated using the effective interest method that are:				
	- at amortised cost	8,201	4,400	4,100	1,500
	- at fair value through other comprehensive income	724	400	160	150
		8,925	4,800	4,260	1,650
	Interest income on net investment in lease	*XXX*	*XXX*	-	-
	Other finance income	56	-	-	-
		8,981	4,800	4,260	1,650
	Recognised in profit or loss	8,966	4,800	4,260	1,650
123.26(a)	Capitalised into qualifying assets as a reduction of borrowing costs:				
	- property, plant and equipment	15	-	-	-
		8,981	4,800	4,260	1,650

25. Finance costs[1]

Reference		Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
7.20(b)	Interest expense of financial liabilities that are not at fair value through profit or loss	18,399	16,571	3,781	-
16.53(b)	Interest expense on lease liabilities	1,378	-	-	
	Other finance costs	213	189	111	-
		19,990	16,760	3,892	-
	Recognised in profit or loss	17,875	16,760	3,892	-
123.26(a)	Interest expense of financial liabilities that are not at fair value through profit or loss capitalised into qualifying assets:				
	- property, plant and equipment	2,015	-	-	-
	- intangible assets	100	-	-	-
16.54	*Interest expense on lease liabilities capitalised into qualifying assets:*				
	- property, plant and equipment	*XXX*	*XXX*	*XXX*	*XXX*
	- intangible assets	*XXX*	*XXX*	*XXX*	*XXX*
		19,990	16,760	3,892	-

Note	Reference	**Explanatory note**
1.	IC 125.4	A change in the tax status of an entity or its shareholders does not give rise to increases or decreases in amounts recognised directly in equity, unless those consequences relate to transactions and events that result in a direct credit or charge to the recognised amount of equity. Those tax consequences that relate to changes in the recognised amount of equity, in the same or a different period (not included in net profit or loss), are charged or credited directly to equity.
2.	112.80(h)	An entity discloses the amount of income tax expense (income) relating to those changes in accounting policies and errors that are included in the determination of profit or loss in accordance with MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* because they cannot be accounted for retrospectively.
3.	112.80(e)	In the reconciliation of the current year's tax expense, any benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense, are disclosed separately.
4.	112.81(d)	An entity is required to explain the changes in the applicable tax rate(s) compared to the previous accounting period.
5.	112.80(g)	Any deferred tax expenses arising from the write-down, or reversal of a previous write-down, of a deferred tax asset are disclosed separately.

Reference

Notes to the financial statements

26. Tax expense[1]

Recognised in profit or loss

Reference		Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
	Income tax expense on continuing operations		23,257	18,000	940	410
112.81(h)(ii)	Income tax benefit on discontinued operation (excluding gain on sale)	27	(250)	(440)	-	-
112.81(h)(i)	Income tax on gain on sale of discontinued operation	27	3,300	-	-	-
	Share of tax of equity-accounted associates/*joint venture*		2,654	3,160	-	-
	Total income tax expense		28,961	20,720	940	410
	Major components of income tax expense include:					
	Current tax expense					
112.80(a)	Current year		2,212	11,810	354	410
112.80(b)	Prior year		1,390	(340)	-	-
112.80(h)	*Change in accounting policy*[2]		*XXX*	*XXX*	*XXX*	*XXX*
112.80(e)	*Tax benefits arising from previously unrecognised:*[3]					
	- Tax losses		*XXX*	*XXX*	*XXX*	*XXX*
	- Temporary differences		*XXX*	*XXX*	*XXX*	*XXX*
	Total current tax recognised in profit or loss		3,602	11,470	354	410
	Deferred tax expense					
112.80(c)	Origination and reversal of temporary differences		22,955	8,440	1,520	-
	Under/(Over) provision in prior year		130	50	(934)	-
112.80(f)	Tax benefits arising from previously unrecognised tax losses		(380)	(2,400)	-	-
112.80(d)	*Effect of changes in tax rate*[4]		*XXX*	*XXX*	*XXX*	*XXX*
112.80(g)	*Write-down of deferred tax asset/(Reversal of a previous write-down of deferred tax assets)*[5]		*XXX*	*XXX*	*XXX*	*XXX*
112.80(h)	*Change in accounting policy*[2]		*XXX*	*XXX*	*XXX*	*XXX*
	Total deferred tax recognised in profit or loss	10	22,705	6,090	586	-
	Share of tax of equity-accounted associates/*joint venture*		2,654	3,160	-	-
	Total income tax expense		28,961	20,720	940	410

Note	Reference	Explanatory note
1.	112.85	The reconciliation of the effective tax expense is based on an applicable tax rate that provides the most meaningful information to users. In these Illustrative Financial Statements, the reconciliation is based on the entity's domestic tax rate, with a reconciliation item in respect of tax rates applied by the Group entities in other jurisdictions. However, in some cases, it might be more meaningful to aggregate separate reconciliations prepared using the domestic tax rate in each individual jurisdiction.
2.		In these Illustrative Financial Statements, total income tax expense for the purpose of reconciliation of the effective tax rate includes income tax expense of the Group and income tax expense of equity-accounted investees. A different presentation of the reconciliation that excludes tax expense of equity-accounted investees is also commonly used.

Reference

Notes to the financial statements

26. Tax expense (continued)

112.81(c)

Reconciliation of tax expense[1]

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year	65,036	55,090	4,960	3,950
Total income tax expense[2]	28,961	20,720	940	410
Profit excluding tax	93,997	75,810	5,900	4,360
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	22,559	18,194	1,416	1,046
Effect of tax rates in foreign jurisdictions	517	2,079	-	-
Difference in effective tax rate of equity-accounted associates/*joint venture*	140	180	-	-
Effect of higher tax rate on gain on disposal of discontinued operation	1,185	-	-	-
Non-deductible expenses	5,680	2,607	2,004	1,394
Tax exempt income	(2,360)	(310)	(1,546)	(2,030)
Recognition of previously unrecognised tax losses	(380)	(2,400)	-	-
Current year losses for which no deferred tax asset was recognised	100	660	-	-
Under/(Over) provided in prior years	1,520	(290)	(934)	-
	28,961	20,720	940	410

112.81(a)

Income tax recognised directly in equity

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Convertible notes					
- deferred tax	10	600	-	600	-

Note	Reference	**Explanatory note**
1.	5.35	The nature and amount of any adjustments related to the disposal of discontinued operations in prior periods are classified and disclosed separately.
2.		In some cases there may be transactions between the continuing and discontinued operations, for example intra-segment sales and purchases. If the transactions between the continuing and discontinued operations are expected to continue after the operations are disposed of, then in our view the presentation of the discontinued operation should reflect the continuance of the relationship as such information enables users of the financial statements to evaluate the financial effects of the discontinued operations.
3.	5.33(b)	This information is not required to be presented for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.
4.	5.33(c)	The net cash flow attributable to the operating, investing and financing activities of discontinued operations may be disclosed separately in the statement of cash flows.
	5.33(c)	This information need not be presented for a newly acquired subsidiary that is classified as held for sale on acquisition.
5.	12.19	If an entity loses control of a subsidiary during the reporting period, the entity discloses the gain or loss, if any, calculated in accordance with paragraph 25 of MFRS 10, *Consolidated Financial Statements,* and: (a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and (b) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Reference

Notes to the financial statements

27. Discontinued operation[1]/*Disposal of subsidiary*

5.41(a)-(b), (d) In May 2019, the Group sold its entire Packaging operating segment. The segment was not a discontinued operation or classified as held for sale as at 31 December 2018 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment in early 2019 due to the strategic decision to place greater focus on the Group's core operation, being the manufacture of paper used in the printing industry.

Profit attributable to the discontinued operation was as follows:

Reference	Results of discontinued operation[2,3]	Note	Group 2019 RM'000	Group 2018 RM'000
101.98(e)				
5.33(b)(i), 34	Revenue	23	75,430	231,930
5.33(b)(i), 34	Expenses		(77,050)	(236,590)
5.33(b)(i), 34	**Results from operating activities**		(1,620)	(4,660)
5.33(b)(ii), 34, 112.81(h)(ii)	Tax benefit	26	250	440
5.34	**Results from operating activities, net of tax**		(1,370)	(4,220)
5.33(b)(iii)	Gain on sale of discontinued operation		8,460	-
112.81(h)(i), 5.33(b)(ii)	Tax on gain on sale of discontinued operation	26	(3,300)	-
	Profit/(Loss) for the year		3,790	(4,220)

5.33(d) The profit from discontinued operation of RM3,790,000 (2018: loss of RM4,220,000) is attributable entirely to the owners of the Company.

Reference	Cash flows from/(used in) discontinued operation[4]/*disposal of subsidiary*	Group 2019 RM'000	Group 2018 RM'000
5.33(c), 34	Net cash used in operating activities	(2,250)	(9,100)
	Net cash from investing activities	108,900	8,520
	Net cash from financing activities	*XXX*	*XXX*
	Effect on cash flows	106,650	(580)

107.40(d) **Effect of disposal on the financial position of the Group**

Reference		Note	2019 RM'000
	Property, plant and equipment		79,860
	Inventories		1,340
	Trade receivables		38,770
	Other receivables		780
107.40(c)	Cash and cash equivalents		1,100
	Deferred tax liabilities	10	(1,100)
	Trade and other payables		(19,210)
	Net assets and liabilities		101,540
	Gain on sale of discontinued operation		8,460
107.40(a)-(b)	Consideration received, satisfied in cash		110,000
	Cash and cash equivalents disposed of		(1,100)
	Net cash inflow		108,900

Gain on disposal of discontinued operation/*disposal of subsidiary*[5]

Reference		2019 RM'000
	Discontinued operations	
12.19(b)	- Attributable to gain on disposed interest	8,460
12.19(b)	- *Attributable to gain on retained interest as associate/joint venture/simple investment*	*XXX*
		8,460
	Other subsidiaries	
12.19(b)	- *Attributable to gain on disposed interest*	*XXX*
12.19(b)	- *Attributable to gain on retained interest as associate/joint venture/simple investment*	*XXX*
		XXX

Note	Reference	**Explanatory note**
1.	A9C Part A(18)	A9C Part A (18) requires the disclosure of the amount of non-audit fees paid to external auditors or company affiliated to the audit firm for the financial year. Bursa Malaysia did not define the term "affiliated". We are of the view that the term should be interpreted broadly.
2.	101.87, 97	An entity does not present any items of income or expense as extraordinary items, in the statements presenting profit or loss and other comprehensive income, or in the notes. Exceptional events such as a flood are part of the normal business risks faced by an entity and do not warrant presentation in a separate component of the statement of profit or loss. In addition, an entity is required to disclose the nature and the amount of material items of income and expense.
	101.98	Circumstances that would give rise to the separate disclosure of items of income and expense include: (a) write-downs of inventories to net realisable value or property, plant and equipment to recoverable amount, as well as reversals of such write-downs; (b) restructuring of the activities of an entity and reversals of any provisions for the costs of restructuring; (c) disposals of items of property, plant and equipment; (d) disposals of investments; (e) discontinued operations; (f) litigation settlements; and (g) other reversals of provisions.
3.	101.104	An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.
4.	121.52(a)	An entity discloses the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with MFRS 9, *Financial Instruments*.

Reference

Notes to the financial statements

28. Profit for the year

Reference		Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
	Profit for the year is arrived at after charging/(crediting):					
S249(4)(e)	***Auditors' remunerations***					
	Audit fees:					
	- KPMG PLT		1,000	800	400	370
	- Overseas affiliates of KPMG PLT		1,750	1,250	-	-
	- Other auditors		600	500	-	-
	Non-audit fees:[1]					
	- KPMG PLT		210	170	170	130
	- Local affiliates of KPMG PLT		360	420	-	-
	- Overseas affiliates of KPMG PLT		100	100	100	100
	- *Other auditors*		*XXX*	*XXX*	*XXX*	*XXX*
	Material expenses/(income)					
101.34(a), 98(c), 116.68	Gain on disposal of property, plant and equipment		(260)	(1,000)	-	-
101.98(d)	Gain on disposal of other investment		334	-	-	-
101.97	Flood related expenses[2]	a	4,600	-	-	-
101.104	Depreciation of property, plant and equipment[3]	3	50,010	51,220	-	-
	Depreciation of right-of-use assets[3]	4	1,108	-	-	-
101.104	Personnel expenses (including key management personnel):[3]					
	- Contributions to state plans		14,680	12,670	106	91
	- Expenses related to defined benefit plans	19	5,400	4,900	-	-
	- Share-based payments	19	4,000	2,500	-	-
	- Wages, salaries and others		186,350	166,590	880	760
121.52(a)	Net foreign exchange loss[4]		2,510	3,230	480	-
	Expenses/(income) arising from leases					
16.53(c)	Expenses relating to short-term leases	b	1,500	-	-	-
16.53(d)	Expenses relating to leases of low-value assets	b	5,100	-	-	-
16.53(e)	*Expenses relating to variable lease payments not included in the measurement of lease liabilities*		*XXX*	-	-	-
16.53(f)	*Income from subleasing right-of-use assets (excluding subleasing of investment properties)*		*(XXX)*	-	-	-
16.53(i)	*Gains or losses arising from sale and leaseback transactions*		*XXX*	-	-	-
117.35(c)	Rental expense		-	6,570	-	-
101.82(ba), 7.B8E	***Net loss on impairment of financial instruments and contract assets***					
	Financial assets at amortised cost		105	1,076	97	7
	Financial assets at fair value through other comprehensive income		*XXX*	*XXX*	*XXX*	*XXX*
	Financial guarantees		*XXX*	*XXX*	*XXX*	*XXX*
	Contract assets		*XXX*	*XXX*	*XXX*	*XXX*
			105	1,076	97	7

Note	Reference	**Explanatory note**
1.	16.55	A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying the recognition exemption in MFRS 16 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term lease expense disclosed applying paragraph 53(c) relates.
2.	101.94	An entity may present reclassification adjustments directly in the statement of profit or loss and other comprehensive income or in the notes. This analysis is based on presentation directly in the statement of profit or loss and comprehensive income.

Reference

Notes to the financial statements

28. Profit for the year (continued)

Note a

101.97 A wholly owned subsidiary incurred expenses amounting to RM4,600,000 due to a flood. The expenses relate to the survey of facilities and the removal of damaged items.

Note b[1]

16.60 The Group leases IT equipment with contract terms of 1 to 3 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

16.55 At 31 December 2019, the Group is committed to additional short-term leases of motor vehicles amounting to RM5,000,000 that are dissimilar to the portfolio of short-term leases of IT equipments expensed during the year.

29. Other comprehensive income

Reference	Group	2019 Before tax RM'000	2019 Tax (expense) /benefit RM'000	2019 Net of tax RM'000	2018 Before tax RM'000	2018 Tax (expense) /benefit RM'000	2018 Net of tax RM'000
101.90-91, 112.81(ab)	**Items that will not be reclassified subsequently to profit or loss**						
	Remeasurement of defined benefit liability	900	(180)	720	(200)	50	(150)
	Revaluation of property, plant and equipment on transfer of properties to investment properties	2,000	(100)	1,900	-	-	-
	Net change in fair value of equity investments at fair value through other comprehensive income	(1,234)	-	(1,234)	-	-	-
		1,666	(280)	1,386	(200)	50	(150)
	Share of gains/(losses) of equity-accounted associates/joint venture			*XXX*			*XXX*
				1,386			(150)
	Items that are or may be reclassified subsequently to profit or loss						
9.6.5.11(a)	Cash flow hedge						
	- Gains during the year	1,023	-	1,023	-	-	-
	- Reclassification adjustments for gains included in profit or loss[2]	(170)	-	(170)	-	-	-
	- *(Gains)/Losses capitalised to initial carrying amount of hedge items*	*XXX*	*XXX*	*XXX*	-	-	-
		853	-	853	-	-	-
9.6.5.11(d)(ii)	*Cost of hedging reserve*						
	- *Net change in fair value*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
	- *Net amount reclassified to profit or loss*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
		XXX	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*

Note	Reference	Explanatory note
1.	101.94	An entity may present reclassification adjustments directly in the statement of profit or loss and other comprehensive income or in the notes. This analysis is based on presentation directly in the statement of profit or loss and comprehensive income.
2.	133.2	An entity is required to present earnings per share if its ordinary shares or potential ordinary shares are publicly traded, or if it is in the process of issuing ordinary shares or potential ordinary shares in public securities markets.
3.	133.70(c)-(d)	Entities are also required to disclose the following, where applicable: • instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. • a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for in accordance with paragraph 64 of MFRS 133, *Earnings per Share*, that occur after the end of the reporting period and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.
4.	133.64	When earnings per share calculations reflect changes in the number of shares due to events that happened after the end of the reporting period, an entity discloses that fact.

Reference

Notes to the financial statements

29. Other comprehensive income (continued)

101.90-91, 112.81(ab)

Reference	Group	2019 Before tax	2019 Tax (expense) /benefit	2019 Net of tax	2018 Before tax	2018 Tax (expense) /benefit	2018 Net of tax
	Items that are or may be reclassified subsequently to profit or loss (continued)						
	Debt investments at fair value through other comprehensive income						
	- Gains during the year	1,700	-	1,700	860	-	860
7.20(a)(viii)	- Reclassification adjustments for gains on disposal included in profit or loss[1]	(110)	-	(110)	(450)	-	(450)
	- Reclassification adjustments for losses from impairment included in profit or loss[1]	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
		1,590	-	1,590	410	-	410
	Foreign currency translation differences for foreign operations						
	- Gains during the year	2,669	-	2,669	2,472	-	2,472
	- Reclassification to profit or loss on disposal of subsidiary [1]	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
		2,669	-	2,669	2,472	-	2,472
	Share of gains/(losses) of equity-accounted associates/joint venture			*XXX*			*XXX*
				5,112			2,882

30. Earnings/(Loss) per ordinary share[2, 3, 4]

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

133.70(a) Profit/(Loss) attributable to ordinary shareholders

Group	2019 Continuing operations RM'000	2019 Discontinued operation RM'000	2019 Total RM'000	2018 Continuing operations RM'000	2018 Discontinued operation RM'000	2018 Total RM'000
Profit/(Loss) for the year attributable to owners of the Company	57,486	3,790	61,276	57,120	(4,220)	52,900
Dividends on non-redeemable preference shares	(4,140)	-	(4,140)	(4,140)	-	(4,140)
Profit/(Loss) attributable to ordinary shareholders	53,346	3,790	57,136	52,980	(4,220)	48,760

Note	Reference	**Explanatory note**
1.	133.73	If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of profit other than profit or loss for the period attributable to ordinary shareholders, such amounts are calculated using the weighted average number of ordinary shares determined in accordance with MFRS 133, *Earnings per Share.*
	133.73	If a component of profit is used that is not reported as a line item in the statement of profit or loss and other comprehensive income, then an entity presents a reconciliation between the component used and a line item that is reported in the statement of profit or loss and other comprehensive income.
2.	133.41	Potential ordinary shares are treated as being dilutive only when their conversion to ordinary shares would decrease earnings (increase loss) per share from continuing operations.
	133.58, 60	All financial instruments or other contracts that may result in the issuance of ordinary shares of the reporting entity to the holder of the financial instrument or other contracts, at the option of the issuer or the holder are potential ordinary shares of the entity.
3.	133.45	For the purpose of calculating diluted earnings per share, an entity assumes the exercise of dilutive options and other dilutive potential ordinary shares of the entity. The assumed proceeds from the issue are deemed to have been received at fair value. The difference between the number of ordinary shares issued and the number of shares that would have been issued at their fair value is treated as an issue of ordinary shares for no consideration.

Reference

Notes to the financial statements

30. Earnings/(Loss) per ordinary share (continued)

Basic earnings/(loss) per ordinary share (continued)

Reference		Group 2019 '000	Group 2018 '000
133.70(b)	Weighted average number of ordinary shares at 31 December	93,571	92,653

Reference		Group 2019 Sen	Group 2018 Sen
	From continuing operations	57.0	57.2
133.68	From discontinued operation	4.1	(4.6)
	Basic earnings per ordinary share	61.1	52.6

Diluted earnings/(loss) per ordinary share

The calculation of diluted earnings/(loss) per ordinary share was based on profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

133.70(a) Profit/(Loss) attributable to ordinary shareholders (diluted)[1]

Group	2019 Continuing operations RM'000	2019 Discontinued operation RM'000	2019 Total RM'000	2018 Continuing operations RM'000	2018 Discontinued operation RM'000	2018 Total RM'000
Profit/(Loss) attributable to ordinary shareholders (basic)	53,346	3,790	57,136	52,980	(4,220)	48,760
Interest expense on convertible notes, net of tax	622	-	622	-	-	-
Profit/(Loss) attributable to ordinary shareholders (diluted)	53,968	3,790	57,758	52,980	(4,220)	48,760

	Group 2019 '000	Group 2018 '000
Weighted average number of ordinary shares at 31 December (basic)	93,571	92,653
Effect of conversion of convertible notes[2]	1,700	-
Effect of share options on issue[3]	390	360
Weighted average number of ordinary shares at 31 December (diluted)	95,661	93,013

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

Reference		Group 2019 Sen	Group 2018 Sen
	From continuing operations	56.4	56.9
133.68	From discontinued operation	4.0	(4.5)
	Diluted earnings/(loss) per ordinary share	60.4	52.4

Note	Reference	**Explanatory note**
1.	110.13	If the dividends are declared after the end of the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time.

Reference

Notes to the financial statements

101.107

31. Dividends[1]

Dividends recognised by the Company:

2019	Sen per share	Total amount RM'000	Date of payment
Final 2018 preference (non-redeemable preference shares)	7.88	4,140	28 February 2019
Final 2018 ordinary	5.85	5,450	28 February 2019
Interim 2019 ordinary	3.00	2,840	28 September 2019
Total amount		12,430	
2018			
Final 2017 preference (non-redeemable preference shares)	7.88	4,140	28 February 2018
Final 2017 ordinary	0.75	690	28 February 2018
Interim 2018 ordinary	0.45	410	9 September 2018
Total amount		5,240	

101.137(a)
110.13

After the end of the reporting period the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2019 preference (non-redeemable preference shares)	7.88	4,140
Final 2019 ordinary	9.60	9,070
Total amount		13,210

101.137(b)

Other than the above, there is no cumulative preference dividends not recognised in the current financial year.

Note	Reference	**Explanatory note**
1.	8.2-3	An entity is required to present segment information if its securities are publicly traded, or if it is in the process of issuing equity or debt securities in public securities markets. Other entities may choose to present segment information, but such entities should not describe information as segment information unless this information complies fully with MFRS 8, *Operating Segments*.
2.	8.23	Entities are required to disclose the following about each reportable segment if the specified amounts are included in the measure of profit or loss reviewed by the chief operating decision maker ("CODM"), or are otherwise provided regularly to the CODM, even if not included in that measure of segment profit or loss: • revenues from external customers; • revenues from transactions with other operating segments of the same entity; • interest revenue; • interest expense; • depreciation and amortisation; • material items of income and expense disclosed in accordance with paragraph 97 of MFRS 101, *Presentation of Financial Statements;* • the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method; • income tax expense or income; and • material non-cash items other than depreciation and amortisation.
3.		In these Illustrative Financial Statements, the packaging segment, which is also a discontinued operation, is presented as an operating segment.
4.	8.22(aa)	An entity discloses the judgements made by management in applying the aggregation criteria in paragraph 12 of MFRS 8, *Operating Segments*. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.
5.	8.23	An entity reports a measure of total assets and liabilities for each reportable segment only if such amounts are regularly provided to the chief operating decision maker.

Reference

Notes to the financial statements

32. Operating segments[1, 2]

8.20-22 The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the *Group's Chief Executive Officer*) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Standard Paper* Includes purchasing, manufacturing and distributing pulp and paper.
- *Recycled Paper* Includes purchasing, recycling and distributing pulp and paper.
- *Packaging* Includes designing and manufacturing packaging materials; this segment was sold in May 2019 (see note 27).[3]
- *Paper Products* Includes manufacturing and distribution of paper bags, paper boxes, wallpaper materials and consumable paper products.
- *Research and Development* Includes research and development activities.

8.22(aa) The manufacturing and distribution of paper bags division, paper boxes division, wallpaper materials division and consumable paper products division are being managed by three different operating segments within the Group. These operating segments are aggregated to form a reportable segment as Paper Products due to the similar nature and economic characteristics of the products.[4] The nature, production process and methods of distribution of the products for these divisions are similar. The type of customers for the products are similar, which consist of consumers and industrial customers. The following are the similar economic characteristics of these divisions:

- Sales growth are relatively consistent throughout the years ranging from 1.8% to 2.3% with 2% in 2019 (2018: 1.9%).
- Level of capital investments are relatively consistent throughout the years ranging from 9.5% to 10% of the divisions' gross revenue with 9.8% in 2019 (2018: 9.9%).

8.16 Other non-reportable segments comprise operations related to construction and rental of investment property. None of these segments met the quantitative thresholds for reporting segments in 2019 and 2018.

8.27(a) There are varying levels of integration between Paper Products reportable segments and the Standard Paper and Recycled Paper reportable segments. This integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on negotiated basis.

8.20, 23, 25, 27 Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets[5]

8.23, 27 The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities[5]

8.23 Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

Segment capital expenditure

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

Note	Reference	**Explanatory note**
1.	8.IG5	Because the Group's reportable segments are based on differences in products and services, no additional disclosures of revenue information about products and services are required, i.e. the disclosures required in paragraph 32 of MFRS 8, *Operating Segments* with regard to revenue from external customers for each product or service, or each group of similar products and services, are provided already in the overall table on information about reportable segments.
2.	8.23	An entity reports interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest, and the CODM relies primarily on net interest revenue to assess the performance of the segment and to make decisions about resources to be allocated to the segment. In that situation, an entity may report that segment's interest revenue net of interest expense, and disclose that it has done so.

Reference

Notes to the financial statements

32. Operating segments (continued)

Reference	Group	Standard paper		Recycled paper		Packaging (discontinued)		Paper products		Research and development		Total	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
8.21(b)	**Segment profit/(loss)**	68,802	74,201	47,868	37,658	(1,620)	(4,660)	27,676	27,869	9,978	12,096	152,704	147,164
	Included in the measure of segment profit/(loss) are:												
8.23(a), 32	Revenue from external customers[1]	337,784	382,004	232,347	198,799	75,430	231,930	287,534	239,480	-	-	933,095	1,052,213
8.23(b)	Inter-segment revenue	10,980	19,897	17,871	13,799	-	-	1,298	1,348	187,989	179,328	218,138	214,372
8.23(i)	Write-down of inventories	(450)	(1,250)	-	-	-	-	-	-	-	-	(450)	(1,250)
8.23(i)	Impairment of property, plant and equipment	-	(11,230)	-	-	-	-	-	-	-	-	-	(11,230)
8.23(i)	Impairment of intangible assets	(1,160)	(2,850)	-	-	-	-	-	-	-	-	(1,160)	(2,850)
8.23(i)	Reversal of impairment of property, plant and equipment	3,930	-	-	-	-	-	-	-	-	-	3,930	-
8.23(i)	Reversal of impairment of intangible assets	1,000	-	-	-	-	-	-	-	-	-	1,000	-
8.23(g)	Share of profit of associates	4,670	5,870	-	-	-	-	-	-	-	-	4,670	5,870
	Not included in the measure of segment profit but provided to CODM												
8.23(e)	Depreciation *and amortisation*	(11,688)	(12,375)	(13,635)	(14,989)	(2,400)	(7,200)	(14,897)	(11,389)	(7,923)	(7,291)	(50,543)	(53,244)
8.23(d)	Finance costs[2]	(7,366)	(6,117)	(4,899)	(3,878)	-	-	(2,892)	(2,873)	-	-	(15,157)	(12,868)
8.23(c)	Finance income[2]	3,173	1,787	1,233	1,234	-	-	209	309	2,133	238	6,748	3,568
8.23(h)	*Tax expense*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
8.21(b)	**Segment assets**	369,505	307,331	209,843	234,982	101,540	11,298	109,372	108,943	80,982	78,987	871,242	741,541
	Included in the measure of segment assets are:												
8.24(a)	Investment in associates	20,250	15,580	-	-	-	-	-	-	-	-	20,250	15,580
8.24(b)	Additions to non-current assets other than financial instruments and deferred tax assets	109,677	6,376	30,983	12,509	-	(2,092)	12,389	1,098	10,998	2,324	164,047	20,215

Note	Reference	**Explanatory note**
1.	8.16	MFRS 8, *Operating Segments* requires that information about other business activities and operating segments that are not reportable be combined and disclosed in an "all other segments" category separate from other reconciling items in the reconciliations required by paragraph 28 of MFRS 8. The sources of the revenue included in the "all other segments" category are described. In our view, business activities which do not meet the definition of an operating segment (e.g. corporate activities) are not included in the "all other segments" category; instead the amounts for these activities are reported in the reconciliation of the total reportable segment amounts to the financial statements.

Reference

Notes to the financial statements

32. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and other material items

Reference		Group 2019 RM'000	Group 2018 RM'000
8.28(b)	**Profit or loss**		
	Total profit or loss for reportable segments	152,704	147,164
	Other non-reportable segments[1]	4,276	4,107
	Components not monitored by CODM	2,035	830
	Elimination of inter-segment profits	(13,088)	(13,338)
	Loss on discontinued operation	1,620	4,660
	Depreciation *and amortisation*	(51,118)	(51,220)
	Finance costs	(17,875)	(16,760)
	Finance income	8,966	4,800
	Unallocated expenses:[1]		
	Corporate expenses	(2,931)	(2,837)
	Others	(86)	(96)
	Consolidated profit (excluding tax and discontinued operations)	84,503	77,310

Note	Reference	**Explanatory note**
1.	8.28(c)	An entity provides reconciliation of the total of the reportable segments' assets to the entity's assets if the segment assets are reported in accordance with paragraph 23 of MFRS 8, *Operating Segments*.

Reference

Notes to the financial statements

32. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and other material items (continued)

8.28

Group	External revenue RM'000	Depreciation *and amortisation* RM'000	Finance costs RM'000	Finance income RM'000	Segment assets[1] RM'000	Additions to non-current assets RM'000
2019						
Total reportable segments	933,095	(50,543)	(15,157)	6,748	871,242	164,047
Other non-reportable segments	80,988	(877)	(1,772)	2,344	88,712	-
Components not monitored by CODM	67,867	(2,098)	(1,506)	434	73,594	12,233
Elimination of inter-segment transactions or balances	-	-	560	(560)	(3,899)	-
Discontinued operation	(75,430)	2,400	-	-	(101,540)	-
Consolidated total	1,006,520	(51,118)	(17,875)	8,966	928,109	176,280

8.28

2018	External revenue RM'000	Depreciation *and amortisation* RM'000	Finance costs RM'000	Finance income RM'000	Segment assets[1] RM'000	Additions to non-current assets RM'000
Total reportable segments	1,052,213	(53,244)	(12,868)	3,568	741,541	20,215
Other non-reportable segments	87,987	(3,176)	(2,897)	873	77,659	-
Components not monitored by CODM	58,090	(2,000)	(1,233)	597	67,687	2,093
Elimination of inter-segment transactions or balances	-	-	238	(238)	(2,687)	-
Discontinued operation	(231,930)	7,200	-	-	(11,298)	2,092
Consolidated total	966,360	(51,220)	(16,760)	4,800	872,902	24,400

Note	Reference	**Explanatory note**
1.	8.31, 32, 33	An entity presents entity-wide disclosures related to the following items regardless of whether the information is used by the Chief Operating Decision Maker in assessing segment performance: • products and services • geographic areas • non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts This information is provided by both: the entity's country of domicile; and by foreign individual country, if material. In our view, disclosing such information by region, e.g. Europe or Asia, does not meet the requirement to disclose information by individual foreign country, if material. Such information should be disclosed by the individual foreign country, e.g. France, the Netherlands, and Singapore, when material. These disclosures apply to all entities subject to MFRS 8, *Operating Segments*, including entities that have only one reportable segment. However, information required by the entity-wide disclosures need not be repeated if it is included already in the segment disclosures.
2.		In our view, if revenue has been disclosed based on geographical information in the revenue note, an entity may not need to repeat its disclosure for that information in operating segments.
3.	8.34, 124.BC49(c)	MFRS 8, *Operating Segments* no longer regards all government-related entities as a single customer by default. MFRS 8 requires exercising judgement to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In doing so, it requires the reporting entity to consider the extent of economic integration between those entities.

Reference

Notes to the financial statements

32. Operating segments (continued)

Geographical segments[1]

8.33(a)-(b) The Standard Paper and Recycled Paper segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Malaysia (country of domicile), The Netherlands, Germany, and the United States of America.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments, investments in associates and deferred tax assets.

Geographical information

Group

2019	**External revenue[2] RM'000**	**Non-current assets RM'000**
Malaysia	204,750	215,379
The Netherlands	125,551	59,816
Germany	225,678	68,775
United Kingdom	270,290	20,000
The United States of America	193,541	38,071
Other countries	62,140	22,173
Packaging (discontinued)	(75,430)	-
	1,006,520	424,214

2018	**External revenue[2] RM'000**	**Non-current assets RM'000**
Malaysia	218,290	191,840
The Netherlands	110,450	36,000
Germany	325,877	60,104
The United States of America	203,268	56,910
Other countries	340,405	112,106
Packaging (discontinued)	(231,930)	-
	966,360	456,960

Major customers[3]

8.34 The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		**Segment**
	2019	**2018**	
All common control companies of:	**RM'000**	**RM'000**	
Customer A	125,651	115,555	Standard Paper and Recycled Paper
Customer B	136,715	144,321	Standard Paper and Recycled Paper

Note	Reference	**Explanatory note**
1.		An entity tailors the illustrative notes to reflect its objectives, policies and processes and the exposures to financial risks.
2.	7.8	An entity discloses the carrying amounts of each of the following categories, as defined in MFRS 9, *Financial Instruments*, either in the statement of financial position or in the notes: • financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of MFRS 9 and (ii) those mandatorily measured at fair value through profit or loss in accordance with MFRS 9; • financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of MFRS 9 and (ii) those that meet the definition of held for trading in MFRS 9; • financial assets measured at amortised cost; • financial liabilities measured at amortised cost; and • financial assets measured at fair value though other comparative income, showing separately (i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of MFRS 9; and (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of MFRS 9.
3.	7.9	If an entity has designated as measured at fair value through profit or loss financial asset (or group of financial assets) that would otherwise be measured at fair value through other comprehensive income or amortised cost, it shall disclose: • the maximum exposure to credit risk (see paragraph 36(a) of MFRS 7, *Financial Instruments: Disclosures*) of the financial asset (or group of financial assets) at the end of the reporting period; • the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk (see paragraph 36(b) of MFRS 7); • the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either: i. as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or ii. using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset. Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates; and • the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.

Reference

Notes to the financial statements

33. Financial instruments[1]

7.6, 7.8

33.1 Categories of financial instruments[2, 3,4,5]

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9
- *Designated upon initial recognition ("DUIR")*

(b) Amortised cost ("AC")

(c) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR")
- Debt instrument ("DI")

2019 Financial assets	**Carrying amount RM'000**	**AC RM'000**	**Manda-torily at FVTPL RM'000**	***FVTPL - DUIR RM'000***	**FVOCI - EIDUIR RM'000**	**FVOCI - DI RM'000**	**Deriva-tives used for hedging RM'000**
Group							
Other investments	42,930	19,010	8,070	*XXX*	12,500	3,350	-
Trade and other receivables	129,212	129,212	-	-	-	-	-
Derivative financial assets	2,234	-	1,406	-	-	-	828
Cash and cash equivalents	10,412	10,412	-	-	-	-	-
	184,788	158,634	9,476	*XXX*	12,500	3,350	828
Company							
Trade and other receivables	34,086	34,086	-	-	-	-	-
Cash and cash equivalents	14,980	14,980	-	-	-	-	-
	49,066	49,066	-	-	-	-	-
Financial liabilities							
Group							
Loans and borrowings	(240,641)	(240,641)	-	-	-	-	-
Trade and other payables	(134,213)	(134,213)	-	-	-	-	-
Derivative financial liabilities	(1,192)	-	(1,192)	-	-	-	-
	(376,046)	(374,854)	(1,192)	-	-	-	-
Company							
Loans and borrowings	(66,170)	(66,170)	-	-	-	-	-
Trade and other payables	(16,360)	(16,360)	-	-	-	-	-
	(82,530)	(82,530)	-	-	-	-	-

Note	Reference	**Explanatory note**
4.	7.12B	An entity discloses if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of MFRS 9, *Financial Instruments*. For each such event, an entity shall disclose: • the date of reclassification; • a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements; and • the amount reclassified into and out of each category.
	7.12C	For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income in accordance with paragraph 4.4.1 of MFRS 9: • the effective interest rate determined on the date of reclassification; and • the interest revenue recognised.
	7.12D	If, since its last annual reporting date, an entity has reclassified financial assets out of the fair value through other comprehensive income category so that they are measured at amortised cost or out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income it shall disclose: • the fair value of the financial assets at the end of the reporting period; and • the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets had not been reclassified.
5.		In these Illustrative Financial Statements, there is no carrying amount to be presented for the following categories of financial instruments in the current year: • financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition; and • financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition.

Reference

Notes to the financial statements

33. Financial instruments[1] (continued)

33.1 Categories of financial instruments[2,3,4,5] (continued)

2018	Carrying amount RM'000	AC RM'000	Manda-torily at FVTPL RM'000	*FVTPL -DUIR RM'000*	FVOCI -EIDUIR RM'000	FVOCI -DI RM'000
Financial assets						
Group						
Other investments	42,319	18,815	5,605	*XXX*	14,154	3,745
Trade and other receivables	174,960	174,960	-	-	-	-
Derivative financial assets	3,251	-	3,251	-	-	-
Cash and cash equivalents	18,500	18,500	-	-	-	-
	239,030	212,275	8,856	*XXX*	14,154	3,745
Company						
Trade and other receivables	32,370	32,370	-	-	-	-
Cash and cash equivalents	11,490	11,490	-	-	-	-
	43,860	43,860	-	-	-	-
Financial liabilities						
Group						
Loans and borrowings	(251,740)	(251,740)	-	-	-	-
Trade and other payables	(228,999)	(228,999)	-	-	-	-
Derivative financial liabilities	(1,751)	-	(1,751)	-	-	-
	(482,490)	(480,739)	(1,751)	-	-	-
Company						
Trade and other payables	(3,310)	(3,310)	-	-	-	-

Note	Reference	**Explanatory note**
1.	7.20(a)	MFRS 7, *Financial Instruments: Disclosures* requires an entity to disclose the net gains or losses arising from the use of financial instruments. This can be disclosed either in the statement of profit or loss and other comprehensive income or in the notes: • financial instruments at fair value through profit or loss, showing separately those on financial instruments designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of MFRS 9, and those on financial instruments that are mandatorily measured at fair value through profit or loss; • financial liabilities measured at amortised cost; • financial assets measured at amortised cost; • investments in equity instruments designated at fair value through other comprehensive income; and • financial assets measured at fair value through comprehensive income, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.
2.	9.B5.7.9	Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the entity may transfer the cumulative gain or loss within equity.
3.	7.20(c)	An entity disclose the fee income and expense (other than amounts included in determining the effective interest rate) from: • financial assets and financial liabilities that are not at fair value through profit or loss; and • trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions. This can be disclosed either in the statement of profit or loss and other comprehensive income or in the notes.
4.	7.20A	An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.2 Net gains and losses arising from financial instruments[1, 3]

Reference		Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
	Net gains/(losses) on:				
	Financial assets at fair value through profit or loss:				
7.20(a)(i)	- *Designated upon initial recognition*	*XXX*	-	*XXX*	-
	- Mandatorily required by MFRS 9	1,240	890	-	-
		1,240	890	-	-
	Financial liabilities at fair value through profit or loss:				
7.20(a)(i)	- *Designated upon initial recognition*				
	- *recognised in profit or loss*	*XXX*	*XXX*	*XXX*	*XXX*
	- *recognised in other comprehensive income*	*XXX*	*XXX*	*XXX*	*XXX*
	- Mandatorily required by MFRS 9	(110)	(100)	-	-
		(110)	(100)	-	-
7.20(a)(viii)	Debt instruments at fair value through other comprehensive income:				
	- recognised in profit or loss	250	-	-	-
	- recognised in other comprehensive income	1,700	860	-	-
	- reclassified from other comprehensive income to profit or loss	(110)	(450)	-	-
		1,840	410	-	-
7.20(a)(vii)	Equity instruments designated at fair value through other comprehensive income:[2]				
	- recognised in profit or loss	2,500	-	-	-
	- recognised in other comprehensive income	(1,234)	-	-	-
		1,266	-	-	-
7.20(a)(vi)	Financial assets at amortised cost	1,545	1,211	3,799	1,650
7.20(a)(v)	Financial liabilities at amortised cost	(18,835)	(18,643)	(3,911)	-
7.20A	*Derecognition of financial assets at amortised cost arising from non-recourse factoring:*[4]				
	- *gains*	*XXX*	-	*XXX*	-
	- *losses*	*XXX*	-	*XXX*	-
		XXX	-	*XXX*	-
		(13,054)	(16,232)	(112)	1,650

Note	Reference	**Explanatory note**
1.	7.34(a)	MFRS 7, *Financial Instruments: Disclosures* requires the disclosure of risk information in a format based on the information provided internally to key management personnel of the entity (as defined in MFRS 124, *Related Party Disclosures*, e.g. the entity's board of directors or chief executive officer).
	7.34(c)	An entity discloses concentrations of risk if not apparent from disclosures required by paragraph 34(a) and (b) of MFRS 7.
	7.35, IG20	If the quantitative data at the end of the reporting period are not representative, then an entity provides further information that is representative such as the entity's average exposure to risk during the financial year. For example, if an entity's business is seasonal and the balance of trade receivables fluctuates materially during the financial year, then a sensitivity analysis based solely on the position at the end of the reporting period would not be representative.
2.	7.36, B2	The disclosures in respect of credit risk apply to each "class" of financial asset, which is not defined in MFRS 7, *Financial Instruments: Disclosures*. In determining classes of financial instruments, an entity shall at a minimum distinguish instruments measured at amortised cost from those measured at fair value and treat as a separate class or classes those financial instruments outside the scope of MFRS 7.
3.	7.36(a), B9, 35K(a)	The disclosure of maximum exposure to credit risk ignores any collateral held or other credit enhancement, and is usually the gross carrying amount of the financial asset, net of any amounts offset in accordance with MFRS 132, *Financial Instruments: Presentation* and any loss allowance recognised in accordance with MFRS 9, *Financial Instruments*.
4.	7.36(b)	The disclosure of collateral held as security and other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk.
5.	7.B8, IG18-19	The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. For example, concentrations of credit risk may arise from industry sectors, credit rating or other measures of credit quality, geographical distribution or a limited number of individual counterparties or groups of closely related counterparties. Therefore, the disclosure of risk concentrations includes a description of the shared characteristics.

Reference

Notes to the financial statements

33. Financial instruments (continued)

7.31

33.3 Financial risk management[1]

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

33.4 Credit risk[2]

7.33(a) Credit risk is the risk of a financial loss 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 the individual characteristics of each customer and investment in debt securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

7.33(b) Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

7.35F(d), 35G(a)(iii), 9.A At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

7.35F(e), 9.5.4.4 The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company 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 and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

7.35K(a) As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position. [3]

7.35K(b)(i), 36(b) The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks. [4]

7.15 *The Group receives collaterals in the form of equity securities from certain trade receivables amounting to RMXXX in which the Group is permitted to sell or repledge the collateral in the absence of default. The fair value of the collateral held is RMXXX. During the year, RMXXX of the collateral is sold and there is no obligation to return the collateral. There are no specific terms and conditions to use the collaterals.*

Concentration of credit risk

7.34(a), (c), 35B(c) The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period by geographic region was:[5]

	Group	
	2019 RM'000	2018 RM'000
Domestic	43,380	42,507
North America	40,007	55,121
Europe	45,435	78,456
Others	3,497	1,631
	132,319	177,715

Note	Reference	**Explanatory note**
1.	7.35M	To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts
	7.16A	The carrying amount of financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of MFRS 9, *Financial Instruments* is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements.
	9.4.1.2A	A financial asset should be measured fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (b) 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.
	7.38	When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other standards, an entity discloses for such assets held at reporting date: (a) the nature and carrying amount of the assets; and (b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Reference

Notes to the financial statements

33 Financial instruments (continued)

33.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. The Group's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team; and
b) Above 90 days past due, the Group will commence a legal proceeding against the customer.

7.35B(a), 35F(c) The Group uses an allowance matrix to measure ECLs of trade receivables for all segments except for construction segment. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

7.35G(a)-(b) Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

For construction contracts, as there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

7.35M, B8, 35F(c) The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature[1].

Group	2019 Gross-carrying amount RM'000	2019 Loss allow-ance RM'000	2019 Net balance RM'000	2018 Gross-carrying amount RM'000	2018 Loss allow-ance RM'000	2018 Net balance RM'000
Current (not past due)	113,168	480	112,688	139,163	967	138,196
1-30 days past due	2,375	26	2,349	4,750	52	4,698
31-60 days past due	4,958	250	4,708	9,995	504	9,491
61-90 days past due	6,721	815	5,906	13,533	1,641	11,892
	127,222	1,571	125,651	167,441	3,164	164,277
Credit impaired						
More than 90 days past due	3,885	569	3,316	7,831	1,147	6,684
Individually impaired	5,028	1,676	3,352	10,131	3,377	6,754
	136,135	3,816	132,319	185,403	7,688	177,715
7.35K(a) Trade receivables	132,514	3,802	128,712	182,520	7,660	174,860
Contract assets	3,621	14	3,607	2,883	28	2,855
	136,135	3,816	132,319	185,403	7,688	177,715
Collateralised trade receivables						
- where no loss allowance recognised	31,623	-	31,623	33,005	-	33,005
- where loss allowance recognised	48,045	1,300	46,745	50,995	4,000	46,995
	79,668	1,300	78,368	84,000	4,000	80,000

7.35K(c) Trade receivables and contract assets which are credit impaired amounting to RM2,185,000 (2018: RM1,555,000) are partially collateralised in the form of financial guarantee by banks. Impairment loss has been provided to the extent of the collateral value of the financial guarantee of RM1,200,000 (RM800,000).

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

7.35K(b)(iii) There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by collateral such as land and equity instruments held as securities and other credit enhancement in managing exposure to credit risk.

7.35H, 42P, 7.16 The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

Reference		Trade receivables Lifetime ECL	Trade receivables Credit impaired	Contract asset	Total
		RM'000	RM'000	RM'000	RM'000
7.35B(b)	**Balance at 1 January 2018**	3,105	5,139	28	8,272
	Amounts written off	(770)	(890)	-	(1,660)
	Net remeasurement of loss allowance	384	692	-	1,076
	Balance at 31 December 2018/1 January 2019	2,719	4,941	28	7,688
	Amounts written off	(1,940)	(2,023)	(14)	(3,977)
	Net remeasurement of loss allowance	52	53	-	105
	Balance at 31 December 2019	831	2,971	14	3,816

7.35L As at 31 December 2019, RM106,000 (2018: Nil) of trade receivables were written off but they are still subject to enforcement activity.

7.35I, B8D *The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the changes in the impairment loss allowance during 2019:*

- *Increase in the Group's credit impaired balance in North America of RMXXX, resulted in an increase in the Group's impairment allowances in 2019 of RMXXX; and*
- *The growth of the Group's business in Europe resulted in increase in trade receivables of RMXXX and increase in the Group's impairment allowances in 2019 of RMXXX.*

Net investment in a lease

Risk management objectives, policies and processes for managing the risk

7.33(a)-(b), 34(a), 35B(a) *The Group manages credit risk on net investment in a lease together with its leasing arrangements.*

At the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group's 12-month ECL in relation to the net investment in a lease is RMXXX (2018: RMXXX). There were no movements in respect of the impairment loss on net investment in a lease during the year.

Note	Reference	**Explanatory note**
1.		In these Illustrative Financial Statements, the credit quality of other receivables has not been described in view that it is not considered significant to the financial statements.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.4 Credit risk (continued)

Cash and cash equivalents

7.33(a)-(b), 34(a), 35B(a)

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables[1]

7.33(a)-(b), 34(a), 35B(a)

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

Investment in debt securities

7.33(a)-(b), 34(a), 35B(a)

At the end of the reporting period, the Group only invested in high quality infrastructure bonds which are guaranteed by governments. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

There is no history of default on these bonds and there are no indicators that these bonds may default. The Group is of the view that the loss allowance is not material and hence, it is not provided for.

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.4 Credit risk (continued)

Financial guarantees

7.33(b) ***Risk management objectives, policies and processes for managing the risk***

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

7.33(a), 34(c), 36(a) The maximum exposure to credit risk amounts to RM87,331,000 (2018: RM82,409,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiaries' secured loans.

Recognition and measurement of impairment loss

7.35F(a), (d) The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

7.B8E The movement in the allowance for impairment in respect of financial guarantees is as follows:

Company	**2019**	**2018**
	RM'000	**RM'000**
Balance at 1 January	500	500
Net remeasurement of loss allowance	-	-
Balance at 31 December	500	500

Inter-company loans and advances

7.33(b) ***Risk management objectives, policies and processes for managing the risk***

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

7.33(a), 34(c), 36(a) As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.4 Credit risk (continued)

Inter-company loans and advances (continued)

Recognition and measurement of impairment loss

7.35B(a), 35F(c), 35G(a)-(b) Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full;
- The subsidiary's loan or advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

7.35M, B8I The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances.

Company	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
2019			
Low credit risk	32,596	-	32,596
Significant increase in credit risk	1,000	(10)	990
Credit impaired	205	(205)	-
	33,801	(215)	33,586
2018			
Low credit risk	32,870	-	32,870
Significant increase in credit risk	-	-	-
Credit impaired	118	(118)	-
	32,988	(118)	32,870

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.4 Credit risk (continued)

Inter-company loans and advances (continued)

Recognition and measurement of impairment loss (continued)

7.35H, 42P The movement in the allowance for impairment in respect of subsidiaries' loans and advances during the year is as follows:

Company	**Lifetime ECL RM'000**
Balance at 1 January 2018	111
Amount written off	*(XXX)*
Net remeasurement of loss allowance	7
Balance at 31 December 2018/1 January 2019	118
Amount written off	*(XXX)*
Net remeasurement of loss allowance	97
Balance at 31 December 2019	215

7.35I, B8D The significant increase in net measurement of loss allowance is primarily due to a subsidiary which its business venture was not successful.

33.5 Liquidity risk

7.33(a) Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

7.33(b), 39(c) The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

7.B10A It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Note	Reference	**Explanatory note**
1.	7.B11	In preparing the maturity analyses required by paragraph 39(a) and (b) of MFRS 7, *Financial Instruments: Disclosures*, an entity uses its judgement to determine an appropriate number of time bands.
	7.B11C(b)	When an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay.
	7.B11C(a)	When a counterparty has a choice of when an amount is paid, the liability is allocated to the earliest period in which the entity can be required to pay.
	7.B11D	Contractual cash flows are undiscounted and therefore may not agree with the carrying amounts in the statement of financial position.

2.	7.B11C(c)	For issued financial guarantee contracts, an entity discloses the maximum amount of the guarantee that is allocated to the earliest period in which the guarantee could be called.
	7.BC57	International Accounting Standards Board decided to require disclosure of a maturity analysis for financial liabilities showing the remaining earliest contractual maturities (paragraph 39(a) and paragraphs B11–B16 of MFRS 7, *Financial Instruments: Disclosures*). Liquidity risk, i.e. the risk that the entity will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected. International Accounting Standards decided to require disclosure based on the earliest contractual maturity date because this disclosure shows a worst case scenario.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis[1]

7.34(a) The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

Reference	2019 Group	Carrying amount RM'000	Contractual interest rate/coupon/ Discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
7.39(a)	*Non-derivative financial liabilities*							
	Bank loans	70,120	5.0% to 6.0%	79,132	36,750	14,648	18,711	9,023
	Bonds	95,861	6.5%	126,000	6,500	6,500	113,000	-
	Convertible notes	46,222	6.5%	63,000	3,250	3,250	56,500	-
	Redeemable preference shares	19,948	4.4%	25,280	880	880	2,640	20,880
16.58	Lease liabilities	24,504	3.5% to 5.0%	33,172	6,946	8,274	7,862	10,090
	Other bank facilities	5,150	3.5% to 4.5%	5,150	5,150	-	-	-
	Bank overdrafts	3,340	6.0% to 6.5%	3,340	3,340	-	-	-
	Trade and other payables	134,213	-	134,213	134,213	-	-	-
		399,358		469,287	197,029	33,552	198,713	39,993
7.39(b), B11D(d)	*Derivative financial liabilities*							
	Forward exchange contracts (gross settled):							
	Outflow	-	-	108,262	108,262	-	-	-
	Inflow	(214)	-	(108,476)	(108,476)	-	-	-
		399,144		469,073	196,815	33,552	198,713	39,993
	Company							
7.39(a)	*Non-derivative financial liabilities*							
	Convertible notes	46,222	6.5%	63,000	3,250	3,250	56,500	-
	Financial guarantees[2]	500	-	87,331	87,331	-	-	-
	Redeemable preference shares	19,948	4.4%	25,280	880	880	2,640	20,880
	Other payables	16,360	-	16,360	16,360	-	-	-
		83,030		191,971	107,821	4,130	59,140	20,880

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

Reference	2018 Group	Carrying amount RM'000	Contractual interest rate/coupon/ Discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
7.39(a)	*Non-derivative financial liabilities*							
	Bank loans	110,930	5.0% to 6.5%	116,478	58,139	23,173	29,601	5,565
	Bonds	95,000	6.5%	132,500	6,500	6,500	119,500	-
	Finance lease liabilities	21,820	3.5% to 4.3%	31,860	3,600	7,720	3,520	17,020
	Other bank facilities	1,170	3.5% to 4.5%	1,170	1,170	-	-	-
	Bank overdrafts	2,820	6.0% to 6.5%	2,820	2,820	-	-	-
	Trade and other payables	228,999	-	228,999	228,999	-	-	-
	Loan from associate	20,000	8.0%	23,200	1,600	21,600	-	-
		480,739		537,027	302,828	58,993	152,621	22,585
7.39(b), B11D(d)	*Derivative financial liabilities*							
	Forward exchange contracts (gross settled):							
	Outflow	-	-	105,850	105,850	-	-	-
	Inflow	(502)	-	(106,352)	(106,352)	-	-	-
		480,237		536,525	302,326	58,993	152,621	22,585
	Company							
7.39(a)	*Non-derivative financial liabilities*							
	Financial guarantees	500	-	87,331	87,331	-	-	-
	Other payables	3,310	-	3,310	3,310	-	-	-
		3,810		90,641	90,641	-	-	-

Note	Reference	**Explanatory note**
1.	7.33	For each type of risks arising from financial instrument, including market risks (namely currency risk, interest rate risk and other price risk), an entity discloses: (a) the exposures to the risk and how they arise; (b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and (c) any changes in (a) and (b) from the previous period.
2.	7.34(a)	The disclosure of quantitative data about exposures to risks arising from financial instruments is based on the information provided internally to key management personnel of the entity (as defined in MFRS 124, *Related Party Disclosures*), for example the entity's board of directors and chief executive officer.
	7.40	MFRS 7, *Financial Instruments: Disclosures* requires a sensitivity analysis of market risks unless the exposure is not material (see MFRS 101, *Presentation of Financial Statements* for a discussion of materiality). An entity discloses: (a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the end of the reporting period. The estimation of a reasonably possible change in a relevant risk variable depends on an entity's circumstances; (b) the methods and assumptions used in preparing the sensitivity analysis and (c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.
	7.41	If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40 of MFRS 7. The entity also discloses: (a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and (b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.
	7.42	An entity discloses the fact and reasons when the sensitivity analyses are unrepresentative of a risk inherent in a financial instrument, for example, because the year end exposure does not reflect the exposure during the financial year.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.6 Market risk[1, 2]

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

33.6.1 Currency risk

7.33(a), 21C, 22A(a)

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Great Britain Pound ("GBP") and Swiss Franc ("CHF").

Risk management objectives, policies and processes for managing the risk

7.33(b), 21A, 22A(b)-(c), 22C

The Group hedges at least 70% of its foreign currency denominated trade receivables and trade payables. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

7.34(a), B24

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

	2019			2018		
	Denominated in			*Denominated in*		
Group	**USD RM'000**	**GBP RM'000**	**CHF RM'000**	**USD RM'000**	**GBP RM'000**	**CHF RM'000**
Balances recognised in the statement of financial position						
Trade receivables	43,650	13,670	-	62,500	17,800	-
Bank loans	(4,470)	(8,450)	(12,600)	(5,210)	(48,550)	(12,570)
Trade payables	(39,800)	(33,470)	-	(102,450)	(26,800)	-
Intra-group balances	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
	(620)	(28,250)	(12,600)	(45,160)	(57,550)	(12,570)
Forecast transactions						
Forecast sales	77,905	37,900	-	68,945	48,900	-
Forward exchange contract on forecast sales	(74,092)	(34,170)	-	(69,270)	(36,580)	-
Forecast purchases	(73,450)	(30,500)	-	(90,660)	(20,990)	-
Forward exchange contract on forecast purchases	78,956	29,520	-	81,212	25,140	-
	9,319	2,750	-	(9,773)	16,470	-
Net exposure	8,699	(25,500)	(12,600)	(54,933)	(41,080)	(12,570)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a Euro functional currency. The exposure to currency risk of Group entities which do not have a Euro functional currency is not material and hence, sensitivity analysis is not presented.

7.40(b)

A 10% (2018: 10%) strengthening of the Euro against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted transactions.

7.40(a)

	2019		2018	
Group	**Equity RM'000**	**Profit or loss RM'000**	**Equity RM'000**	**Profit or loss RM'000**
USD	-	387	-	365
GBP	-	1,181	-	1,088
CHF	(120)	-	(112)	-
	(120)	1,568	(112)	1,453

Note	Reference	**Explanatory note**
1.		In these Illustrative Financial Statements, this sensitivity analysis relates to fixed rate instruments designated as fair value through other comprehensive income.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

A 10% (2018: 10%) weakening of Euro against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

33.6.2 Interest rate risk

7.33(a) The Group's investments in fixed rate debt securities and its fixed rate 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. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

7.33(b) The Group adopts a policy of ensuring that between 80% and 90% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The Group has entered into interest rate swaps with notional contract amount of RM50,000,000 (2018: RM35,000,000) in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. At 31 December 2019, the swaps mature over the next four years following the maturity of a floating rate bank loan and has a fixed swap rate of 7.5% (see note 33.7.2).

Exposure to interest rate risk

7.34(a) The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Group		Company	
	2019	2018	2019	2018
Fixed rate instruments	RM'000	RM'000	RM'000	RM'000
Financial assets	28,962	31,180	44,780	31,470
Financial liabilities	(203,355)	(150,370)	(66,170)	-
	(174,393)	(119,190)	(21,390)	31,470
Floating rate instruments				
Financial liabilities	(61,790)	(101,370)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

7.40(a)-(b) The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change of 100 basis point in interest rates would have increased or decreased equity by RM15,000 (2018: RM6,000) arising from interest bearing instruments designated as fair value through other comprehensive income.[1]

Cash flow sensitivity analysis for variable rate instruments

7.40(a)-(b) A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

7.40(a)

	Equity		Profit or loss	
Group	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
2019	RM'000	RM'000	RM'000	RM'000
Floating rate instruments	-	-	(618)	618
Interest rate swaps	50	(50)	-	-
Cash flow sensitivity (net)	50	(50)	(618)	618

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

7.40(a)

	Equity		Profit or loss	
Group	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Floating rate instruments	-	-	(1,014)	1,014
Interest rate swap	52	(52)	-	-
Cash flow sensitivity (net)	52	(52)	(1,014)	1,014

33.6.3 Other price risk

7.33(a) Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

7.33(b) Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

7.40(a)-(b) A 10% (2018: 10%) strengthening in FBMKLCI at the end of the reporting period would have increased post-tax profit or loss by RM540,000 (2018: RM465,000) for investments classified as fair value through profit or loss. A 10% (2018: 10%) weakening in FBMKLCI would have had equal but opposite effect on profit or loss.

Note	Reference	**Explanatory note**
1.	7.24B(a), 24C(a)	In these Illustrative Financial Statements, the Group has not designated any fair value hedging relationships. For an entity that has a fair value hedge, the required disclosures would include: • the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities); • the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities); • the line item in the statement of financial position that includes the hedged item; • the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; • the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses; • hedge ineffectiveness – i.e. the difference between the hedging gains or losses of the hedging instrument and the hedged item recognised in profit or loss; and • the line item in the statement of profit or loss and OCI that includes the recognised hedge ineffectiveness.
2.	7.24C(b)(vi)	In these Illustrative Financial Statements, the Group did not designate any net positions in a hedging relationship. For an entity that did, the required disclosures would include the hedging gains or losses recognised in a separate line item in the statement of profit or loss and OCI.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.7 Hedging activities[1]

33.7.1 Currency risk – Transactions in foreign currency[2]

7.22A(a)-(c), 22B

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group. The functional currencies of Group companies are primarily the Malaysian ringgit ("MYR"). The currencies in which these transactions are primarily denominated are Great Britain Pound ("GBP"), U.S. Dollars ("USD") and Swiss Franc ("CHF").

7.21A, 22A(b)-(c), 22B

The group's risk management policy is to hedge XX% to XX% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months at any point in time. The Group purchases forward foreign exchange contracts to hedge foreign transactions. The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. Most of these contracts have a maturity of less than one year from the reporting date. The forward elements of forward exchange contracts are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The Group determines that critical terms of the forward exchange contracts to align with the hedged item.

7.22B(b)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

7.23D

In these hedge relationships, the main sources of ineffectiveness are:
- *the effect of the counterparty and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and*
- *changes in the timing of the hedged transactions.*

33.7.2 Interest rate risk

7.21C, 22A(b)-22A(c), 22B-22C

The Group adopts a policy ensuring that between 80% and 90% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio 1:1.

7.22B(b)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

7.23D

In these hedge relationships, the main sources of ineffectiveness are:
- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

Note	Reference	Explanatory note
1.	7.22A	An entity shall explain its risk management strategy for each risk category of risk exposures that it decides to hedge and for which hedge accounting is applied. This explanation should enable users of financial statements to evaluate: (a) how each risk arises; (b) how the entity manages each risk; this includes whether the entity hedges an item in its entirety for all risks or hedges a risk component (or components) of an item and why; and (c) the extent of risk exposures that the entity manages.
	7.22B	To meet the requirements in paragraph 22A of MFRS 7, *Financial Instruments: Disclosures*, the information should include a description of: (a) the hedging instruments that are used (and how they are used) to hedge risk exposures; (b) how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness; and (c) how the entity establishes the hedge ratio and what the sources of hedge ineffectiveness are.
	7.22C	When an entity designates a specific risk component as a hedged item it shall provide, in addition to the disclosures required by paragraphs 22A and 22B of MFRS 7, qualitative or quantitative information about: (a) how the entity determined the risk component that is designated as the hedged item); and (b) how the risk component relates to the item in its entirety.
2.	7.23A	Unless exempted by paragraph 23C of MFRS 7, an entity shall disclose by risk category quantitative information to allow users of its financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows of the entity.
3.	7.24A	An entity shall disclose, in a tabular format, the following amounts related to items designated as hedging instruments separately by risk category for each type of hedge (fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation): (a) the carrying amount of the hedging instruments (financial assets separately from financial liabilities); (b) the line item in the statement of financial position that includes the hedging instrument; (c) the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and (d) the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.7 Hedging activities[1, 3] (continued)

33.7.3 Cash flow hedge[2]

7.23B At 31 December 2019, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

Reference	Group	Maturity Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
	2019			
	Foreign currency risk			
	Forward exchange contracts			
7.23B(a)	*Net exposure*	*XXX*	*XXX*	*XXX*
7.23B(b)	*Average MYR:USD forward contract*	*XXX*	*XXX*	*XXX*
	Average MYR:GBP forward contract	*XXX*	*XXX*	*XXX*
	Average MYR:CHF forward contract	*XXX*	*XXX*	*XXX*
	Interest rate risk			
	Interest rate swaps			
	Net exposure	250	262	533
	Fixed interest rates	5%	5%	5%

The Group has entered into interest rate swaps during the year to hedge the cash flow risk in relation to the floating interest rate of a bank loan of RM50,000,000 (2018: Nil). The interest rate swaps have nominal value of RM50,000,000 (2018: Nil) and are settled every six monthly, consistent with the interest repayment schedule of the bank loan.

At 31 December 2018, the Group did not hold any instruments to hedge exposures to changes in foreign currency and interest rates.

7.24B(b) The amounts at the reporting date relating to items designated as hedged items were as follows:

Group	31 December 2019 Change in value used for calculation of hedge ineffectiveness RM'000	Cash flow hedge reserve RM'000	Costs of hedging reserve RM'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
Foreign currency risk				
Sales, receivables and borrowings	*XXX*	*XXX*	*XXX*	*XXX*
Inventory purchases	*XXX*	*XXX*	*XXX*	*XXX*
Interest rate risk				
Variable rate instruments	(25)	853	-	-

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.7 Hedging activities (continued)

33.7.3 Cash flow hedge (continued)

7.21B, 21D, 24A, 24C(b)

The amount relating to items designated as hedging instruments and hedge effectiveness are as follows:

2019				
		Carrying amount		
Group	**Nominal amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Line item in the statement of financial position where the hedging instrument is included**
Foreign currency risk				
Forward exchange contracts - Sales, receivables and borrowings	*XXX*	*XXX*	*XXX*	*Derivative financial assets/(liabilities)*
Forward exchange contracts - Inventory purchases	*XXX*	*XXX*	*XXX*	*Derivative financial assets/(liabilities)*
Interest rate risk				
Interest rate swaps	50,000	828	-	Derivative financial assets/(liabilities)

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.7 Hedging activities (continued)

33.7.3 Cash flow hedge (continued)

2019 Group	Changes in the value of hedging instrument recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Line item in profit or loss that includes hedge ineffectiveness	Costs of hedging recognised in OCI RM'000	Amount from hedge reserve transferred to cost of inventory RM'000	Amount from costs of hedging reserve transferred to cost of inventory RM'000	Amount reclassified from hedge reserve to profit or loss RM'000	Amount reclassified from costs of hedging reserve to profit or loss RM'000	Line item in profit or loss affected by the reclassification
Foreign currency risk									
Forward exchange contracts - Sales, receivables and borrowings	*XXX*	*XXX*	*Finance costs*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*Revenue*
Forward exchange contracts - Inventory purchases	*XXX*	*XXX*	*Finance costs*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*Finance costs*
Interest rate risk									
Interest rate swaps	-	(25)	Finance costs	-	-	-	(170)	-	Finance costs

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.7 Hedging activities (continued)

33.7.3 Cash flow hedge (continued)

7.24E-24F

The following table provides reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	2019	
Group	**Hedging reserve RM'000**	***Cost of hedging reserve RM'000***
Balance at 1 January	-	*XXX*
Cash flow hedge		
Changes in fair value:		
Foreign currency risk – inventory purchases	*XXX*	*XXX*
Foreign currency risk – other items	*XXX*	*XXX*
Interest rate risk	1,023	-
Amount reclassified to profit or loss:		
Foreign currency risk – other items	*XXX*	*XXX*
Interest rate risk	(170)	-
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	*XXX*	*XXX*
Tax on movements on reserves during the year	*XXX*	*XXX*
Balance at 31 December	853	*XXX*

Note	Reference	Explanatory note
1.	7.25	An entity discloses the fair value of each class of financial assets and financial liabilities in a way that permits it to be compared with the carrying amount.
	7.B2	“Classes” are distinct from “categories” of financial instruments specified in MFRS 139, *Financial Instruments: Recognition and Measurement*. In determining classes of financial instrument, an entity shall at the minimum distinguish instruments measured at amortised cost from those measured at fair value and treat as a separate class or classes those financial instruments outside the scope of MFRS 7, *Financial Instruments: Disclosures*.
2.	13.93(b), 97	For fair value measurements recognised in the statement of financial position and fair values disclosed, an entity discloses the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.
3.	7.29(d)	Disclosures of fair fair value for lease liabilities are not required.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.8 Fair value information[1]

7.29(a) The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

7.25, 13.93(a)-(b), 97, 99 The tables below analyses other financial instruments at fair value.[2, 3]

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2019 Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
Financial assets										
Bonds	3,350	-	-	3,350	19,150	-	-	19,150	22,500	22,360
Shares	8,070	-	12,500	20,570	-	-	-	-	20,570	20,570
Interest rate swaps	-	-	828	828	-	-	-	-	828	828
Forward exchange contracts	-	1,406	-	1,406	-	-	-	-	1,406	1,406
	11,420	1,406	13,328	26,154	19,150	-	-	19,150	45,304	45,164
Financial liabilities										
Forward exchange contracts	-	(1,192)	-	(1,192)	-	-	-	-	(1,192)	(1,192)
Bank loans	-	-	-	-	-	-	(69,130)	(69,130)	(69,130)	(70,120)
Bonds	-	-	-	-	-	(95,500)	-	(95,500)	(95,500)	(95,861)
Convertible notes	-	-	-	-	-	(45,880)	-	(45,880)	(45,880)	(46,222)
Redeemable preference shares	-	-	-	-	-	-	(19,360)	(19,360)	(19,360)	(19,948)
	-	(1,192)	-	(1,192)	-	(141,380)	(88,490)	(229,870)	(231,062)	(233,343)
2019 Company										
Financial assets										
Loans to subsidiaries	-	-	-	-	-	-	30,550	30,550	30,550	31,210
Financial liabilities										
Convertible notes	-	-	-	-	-	-	(45,880)	(45,880)	(45,880)	(46,222)
Financial guarantees	-	-	-	-	-	-	(500)	(500)	(500)	(500)
Redeemable preference shares	-	-	-	-	-	-	(19,360)	(19,360)	(19,360)	(19,948)
	-	-	-	-	-	-	(65,740)	(65,740)	(65,740)	(66,670)

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.8 Fair value information (continued)

2018 Group	**Fair value of financial instruments carried at fair value**				**Fair value of financial instruments not carried at fair value**				**Total fair value**	**Carrying amount**
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
Financial assets										
Bonds	3,745	-	-	3,745	18,955	-	-	18,955	22,700	22,560
Shares	17,259	-	2,500	19,759	-	-	-	-	19,759	19,759
Interest rate swap	-	-	998	998	-	-	-	-	998	998
Forward exchange contracts	-	2,253	-	2,253	-	-	-	-	2,253	2,253
	21,004	2,253	3,498	26,755	18,955	-	-	18,955	45,710	45,570
Financial liabilities										
Forward exchange contracts	-	(1,751)	-	(1,751)	-	-	-	-	(1,751)	(1,751)
Bank loans	-	-	-	-	-	-	(109,800)	(109,800)	(109,800)	(110,930)
Bonds	-	-	-	-	-	(94,750)	-	(94,750)	(94,750)	(95,000)
Finance lease liabilities	-	-	-	-	-	-	(20,780)	(20,780)	(20,780)	(21,820)
Loans from associates	-	-	-	-	-	-	(20,500)	(20,500)	(20,500)	(20,000)
	-	(1,751)	-	(1,751)	-	(94,750)	(151,080)	(245,830)	(247,581)	(249,501)
2018 Company										
Financial assets										
Loans to subsidiaries	-	-	-	-	-	-	24,850	24,850	24,850	24,940
Financial liabilities										
Financial guarantees	-	-	-	-	-	-	(500)	(500)	(500)	(500)

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.8 Fair value information (continued)

Level 2 fair value

13.93(d) ***Derivatives***

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Transfers between Level 1 and Level 2 fair values

13.93(c) There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018: no transfer in either directions).

13.93(c), 95 *On XX September 2019, financial assets measured at fair value through other comprehensive income with a carrying amount of RMXXX were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities became no longer regularly available. In order to determine the fair value of such debt securities, the Group used a valuation technique in which all significant inputs were based on observable market data. There has been no transfer from Level 2 to Level 1 in 2019 (2018: no transfer in either directions).*

Level 3 fair value

13.93(e) The following table shows a reconciliation of Level 3 fair values:

Reference		Group 2019 RM'000	Group 2018 RM'000
	Derivatives used for hedging		
13.93(e)	At 1 January	-	-
13.93(e)(iii)	*Purchases*	*XXX*	*XXX*
13.93(e)(iii)	*Settlement*	*XXX*	*XXX*
13.93(e)(iv)	*Transfer into Level 3*	*XXX*	*XXX*
13.93(e)(iv)	*Transfer out of Level 3*	*(XXX)*	*(XXX)*
13.93(e)(i)	Gains and losses recognised in profit or loss		
13.93(e)(i), (f)	Other expenses – Unrealised	(195)	*XXX*
13.93(e)(i)	*Other expenses – Realised*	*XXX*	*XXX*
13.93(e)(ii)	Gains and losses recognised in other comprehensive income		
13.93(e)(ii)	Cash flow hedge	1,023	*XXX*
13.93(e)	At 31 December	828	*XXX*

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Reference

Notes to the financial statements

33. Financial instruments (continued)

33.8 Fair value information (continued)

Level 3 fair value (continued)

Reference		Group 2019 RM'000	Group 2018 RM'000
	Unquoted share		
13.93(e)	At 1 January	2,500	2,500
13.93(e)(iii)	Purchases	10,738	-
13.93(e)(iii)	Settlement	(239)	-
13.93(e)(iv)	*Transfer into Level 3*	*XXX*	*XXX*
13.93(e)(iv)	*Transfer out of Level 3*	*(XXX)*	*(XXX)*
13.93(e)(i)	Gains and losses recognised in profit or loss – Net changes in fair value (unrealised)	(347)	-
13.93(e)(ii)	Gains and losses recognised in other comprehensive income	(152)	-
13.93(e)	At 31 December	12,500	2,500

13.93(d), (h), 99 The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative used for hedging	The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.	Interest rate (2019: 3 - 8%)	The estimated fair value would increase/ decrease if the interest rate were lower/higher.
Unquoted shares	The fair value of unquoted shares is based on market comparison technique. The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the unquoted shares.	Adjusted market multiple (2019 and 2018: 4 - 7)	The estimated fair value would increase/ decrease if the adjusted market multiple were higher/lower.

Note	Reference	Explanatory note
1.	13.93	Most of the MFRS 13, *Fair Value Measurement* disclosure requirements regarding financial assets and financial liabilities measured at fair value are already required under MFRS 7, *Financial Instruments: Disclosures*. However, MFRS 13 includes additional disclosure requirements on recurring fair value measurements categorised within Level 3, including a narrative description of the sensitivity of the fair value measurements to changes in unobservable inputs, inter-relationships with another unobservable input and, for financial assets and liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. Contingent consideration is measured at fair value using unobservable inputs (Level 3) on a recurring basis.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.8 Fair value information (continued)

Level 3 fair value (continued)

(a) Financial instruments carried at fair value (continued)

13.93(h)(ii)

Sensitivity analysis[1]

	Profit or loss		Other comprehensive income, net of tax	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
2019				
Interest rate (1% movement)	56	(56)	-	-
Adjusted market multiple (5% movement)	-	-	321	(321)
2018				
Adjusted market multiple (5% movement)	-	-	58	(58)
Interest rate (1% movement)	*XXX*	*(XXX)*	*XXX*	*(XXX)*

(b) Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Redeemable preference shares, bank loans, finance lease liabilities and loan to subsidiaries	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.
Financial guarantees	Probability weighted discounted cash flows taking into account the likelihood of the guaranteed party defaulting and the estimated loss exposure if the party guaranteed were to default.

13.93(g)

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Finance Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

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Reference

Notes to the financial statements

33. Financial instruments (continued)

7.13B, 13E, B50

33.9 Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group currently does not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

7.13C, B46

Group	Note	Carrying amounts of financial instruments in the statement of financial position RM'000	Related financial instruments that are not offset RM'000	Net amount RM'000
2019				
Derivative financial assets				
Interest rate swaps	14	828	(442)	386
Forward exchange contracts	14	1,406	(750)	656
		2,234	(1,192)	1,042
Derivative financial liabilities				
Forward exchange contracts	14	(1,192)	1,192	-
2018				
Derivative financial assets				
Interest rate swap	14	998	(538)	460
Forward exchange contracts	14	2,253	(1,213)	1,040
		3,251	(1,751)	1,500
Derivative financial liabilities				
Forward exchange contracts	14	(1,751)	1,751	-

Note	Reference	**Explanatory note**
1.	101.134	An entity discloses information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
	101.135	To comply with the above requirement, an entity discloses the following: (a) qualitative information about its objectives, policies and processes managing capital, including: (i) a description of what it manages as capital; (ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and (iii) how it is meeting its objectives for managing capital. (b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (e.g. some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (e.g. components arising from cash flow hedges). (c) any changes in (a) and (b) from the previous period. (d) whether during the period it complied with any externally imposed capital requirements to which it is subject. (e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance. The entity bases these disclosures on the information provided internally to key management personnel, e.g. the entity's board of directors or CEO.

Reference

Notes to the financial statements

34. Capital management[1]

101.134 The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

101.135(a)-(b) During 2019, the Group's strategy, which was unchanged from 2018, was to maintain the debt-to-equity ratio at the lower end range within 0.4:1 to 0.7:1. The debt-to-equity ratios at 31 December 2019 and at 31 December 2018 were as follows:

	Group	
	2019 RM'000	**2018 RM'000 Restated**
Loans and borrowings (note 18)	240,641	251,740
Lease liabilities	24,504	-
Less: Cash and cash equivalents (note 15)	(10,412)	(18,500)
Net debt	254,733	233,240
Total equity	402,103	321,342
Debt-to-equity ratio	0.6	0.7

101.135(c) There was no change in the Group's approach to capital management during the financial year.

101.135(e) The Group is also required to maintain a maximum debt-to-equity ratio of 0.5 to comply with a bank covenant, failing which, the bank may call an event of default. The Group has breached this covenant (see note 18).

Note	Reference	**Explanatory note**
1.	138.122(e), 140.75(h)	An entity also discloses the amount of contractual commitments for the acquisition of intangible assets, development and for the purchase, construction, enhancements, repairs and maintenance of investment property.
2.	12.23(a)	An entity discloses commitments that it has relating to its joint venture separately from the amount of other commitments as specified in paragraphs B18-B20 of MFRS 12, *Disclosure of Interests in Other Entities*.

Reference

Notes to the financial statements

35. Capital and other commitments[1]

Reference		Group 2019 RM'000	Group 2018 RM'000
	Capital expenditure commitments		
116.74(c)	**Plant and equipment**		
	Contracted but not provided for	27,720	-
140.75(h)	**Investment properties**		
	Contracted but not provided for	8,950	400
	Joint venture[2]		
12.23(a), B18-B20	*Share of capital commitment of the joint venture*	*XXX*	*XXX*
	Intangible assets		
138.122(e)	*Contracted but not provided for*	*XXX*	*XXX*

Note	Reference	**Explanatory note**
1.	137.91	When it is not practicable to estimate the potential financial effect of a contingent liability or an asset, an entity discloses that fact.
2.	137.92	In extremely rare cases, disclosure of some or all of the information required in respect of contingencies can be expected to seriously prejudice the position of the entity in a dispute with other parties. In such cases, only the following is disclosed: • the general nature of the provision; • the fact that the required information has not been disclosed; and • the reason why the required information has not been disclosed.
3.	12.23(b)	An entity disclose in accordance with MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets,* unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures or associates (including its share of contingent liabilities incurred jointly with other investors with joint control of, or significant influence over, the joint ventures or associates), separately from the amount of other contingent liabilities.
4.	137.89	In the case of a contingent asset, an entity discloses a brief description of its nature and, where practicable, an estimate of its financial effect.
5.	112.88	An entity discloses any tax-related contingent liabilities and contingent assets in accordance with MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities and contingent assets may arise, for example, from unresolved disputes with the taxation authorities.

Reference

Notes to the financial statements

36. Contingencies[1, 5]

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Reference		Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
101.125, 137.86(a)-(c)	**Contingent liabilities not considered remote**				
	Litigation				
	A subsidiary is defending an action brought by an environmental agency in Europe. While liability is not admitted, if defence against the action is unsuccessful, then fines and legal costs could amount to RM9,500,000. Based on legal advice, the Directors do not expect the outcome of the action to have a material effect on the Group's financial position.				
137.92	In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.[2]	9,500	-	-	-
12.23(b)	***Joint and several liability[3]***				
	Share of joint venture operation's contingent liabilities:				
	- restoration costs	*XXX*	*XXX*	*XXX*	*XXX*
137.89	**Contingent assets[4]**				
	Litigation				
	A subsidiary is making a claim for down time and loss of profits against a manufacturer for purchases of products. The manufacturer does not agree with the claim and a legal suit has been filed against the manufacturer. The legal suit is currently pending hearing.				
137.92	In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.[2]	10,000	-	-	-

Note	Reference	**Explanatory note**
1.	124.9	A party is related to an entity if any of the following are met: (a) directly, or indirectly through one or more intermediaries, the party: • controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); • has an interest in the entity that gives it significant influence over the entity; or • has joint control over the entity; (b) the party is an associate of the entity; (c) the party is a joint venture in which the entity is a venturer; (d) the party is a member of the key management personnel of the entity or its parent; (e) the party is a close member of the family of any individual referred in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity; or (h) the party is an entity, or any member of a group of which it is a part, that provides key management personnel services to the entity or to the parent of the entity.
	124.13	If the entity's parent does not produce financial statements available for public use, then the entity discloses the name of the next most senior parent that does so. Payments by an entity may relate to services provided by the recipients to third parties. If an entity acts as an agent and makes payments to an individual on behalf of another party, then in our view the entity is required to disclose only compensation paid as consideration for services rendered to the entity. In our view, an entity is required to disclose the portions of transactions with joint ventures or associates that are not eliminated in the consolidated financial statements.
2.	124.19	The disclosure required in relation to related parties should be made separately for each for the following categories: (a) the parent; (b) entities with joint control of, or significant influence over, the entity; (c) subsidiaries; (d) associates; (e) joint ventures in which the entity is a joint venturer; (f) key management personnel of the entity or its parent; and (g) other related parties.
3.	124.17A	If an entity obtains key management personnel services from another entity (the 'management entity'), the entity is not required to apply the requirements in paragraph 17 of MFRS 124, *Related Party Disclosures* to the compensation paid or payable by the management entity to the management entity's employees or directors.
	S249(4)(a)-(d)	Under Companies Act 2016, section 249(4)(a)-(d) requires the following disclosures regarding Directors: (a) the directors' remuneration; (b) the directors' retirement benefits; (c) compensation to directors for loss of office; and (d) loans, quasi-loans and other dealings in favour of directors.
4.	124.18A	An entity discloses the amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity.
5.		In our view, materiality considerations cannot be used to override the explicit requirements of MFRS 124, *Related Party Disclosures* for the disclosure of elements of key management personnel compensation.

Reference

Notes to the financial statements

37. Related parties

Identity of related parties[1, 2, 3]

124.9 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 jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties 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 *and entity that provides key management personnel services to the Group*. The key management personnel include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates and key management personnel.

124.18(a) **Significant related party transactions**

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in notes 11, 18 and 22.

Reference		Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
124.19(a)	**A. Immediate holding company**				
	Sale of goods	5,690	4,280	-	-
124.19(c)	**B. Subsidiaries**				
	Interest income on loans	-	-	3,780	3,250
	Management fee income	-	-	390	100
	Share options recharged	-	-	4,100	2,500
124.19(d)	**C. Associates**				
	Sale of goods	28,467	12,250	-	-
	Interest income on loans	-	1,600	-	-
	Administrative fee income	240	240	-	-
	D. Management entity				
124.18A	*Key management personnel services fee[4]*	*XXX*	*XXX*	*XXX*	*XXX*
124.17, 19(f) S249(4)(a)-(b)	**E. Key management personnel[5]**				
	Directors				
	- Fees	480	450	360	340
	- Remuneration	1,345	1,200	880	760
	- Other short-term employee benefits	275	150	-	-
	Total short-term employee benefits	2,100	1,800	1,240	1,100
	Post-employment benefits	377	252	106	91
	Other long-term benefits	80	70	-	-
	Share-based payments	135	305	-	-
		2,692	2,427	1,346	1,191

Note	Reference	**Explanatory note**
1.	124.25	A reporting entity is exempt from the disclosure requirements of paragraph 18 of MFRS 124, *Related Party Disclosures* in relation to related party transactions and outstanding balances, including commitments, with: (a) a government that has control or joint control of, or significant influence over, the reporting entity; and (b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and other entity.
	124.26	If the reporting entity applies the exemption in paragraph 25 of MFRS 124, it discloses the following about the transactions and related outstanding balances referred to in paragraph 25 of MFRS 124: (a) the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence); (b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements: • the nature and amount of each individually significant transaction; and • for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21 of MFRS 124.
2.		For the purpose of the examples disclosures, we assume the Group is indirectly controlled by the Government of Malaysia. It is also assumed that in addition to selling to various private sector entities, products are sold to government agencies and departments of Malaysia. In providing disclosures, entities need to assess the appropriate level of detail so that voluminous disclosures do not mask important information that may affect an assessment of the entity's results of operations and financial condition. Other formats are possible.

Reference

Notes to the financial statements

37. Related parties (continued)

Significant related party transactions (continued)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
E. Key management personnel (continued)				
124.17 ***Other key management personnel***				
Short-term employee benefits	3,788	3,275	-	-
Post-employment benefits	320	280	-	-
Other long-term benefits	87	76	-	-
Termination benefits	118	-	-	-
Share-based payments	385	565	-	-
	4,698	4,196	-	-
	7,390	6,623	1,346	1,191

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

119.151(b) In addition to their salaries, the Group also provides non-cash benefits to key management personnel and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, key management personnel retire at age 60 and are entitled to receive annual payments equivalent to 50% of their salary at the date of retirement until the age of 70, at which time their entitlement falls to 25% of their salary at the date of retirement. For salaried key management personnel, the Group also contributes to state plans at the minimum statutory rate.

S253 (1) (c): 5Sch Part1 2(b) The estimated monetary value of Directors' benefit-in-kind is RM867,000 (2018: RM811,000).

Executive officers also participate in the Group's share option programme (see note 19.2).

124.17(d) Certain executive officers are subject to mutual term of notice of 12 months. Upon resignation at the Group's request, they are entitled to termination benefits up to 24 months' gross salary.

F. Government-related entities[1, 2]

Example 1: Individually significant transaction because of size of transaction

124.26(b)(i) *In 2017, a subsidiary entity, Wonder Paper Sdn Bhd, entered into a procurement agreement with the Department of Commerce, such that Wonder Paper Sdn Bhd would act as the sole supplier of recycled paper products to the Department's various agencies for a term of three years from 2018 to 2020, with an agreed bulk discount of 10% compared to list of prices that Wonder Paper Sdn Bhd would generally charge on individual orders.*

Group	***Note***	***2019 RM'000***	***2018 RM'000***
Sale of goods		*XXX*	*XXX*
Amount due from Department of Commerce	*a*	*XXX*	*XXX*

Note a

Payable under normal 30 days credit terms.

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Reference

Notes to the financial statements

37. Related parties (continued)

F. Government-related entities (continued)

Example 2: Individually significant transaction carried out on 'non-market' terms

124.26(b)(i) *On 30 December 2018, the Department of Finance contracted Wonder Paper Sdn Bhd to be the sole designer and supplier of materials for office fit-outs for all of government offices. The contract lasts for a term of five years from 2019 to 2023. Under the agreement, the Department of Finance will reimburse Wonder Paper Sdn Bhd for the cost of each fit-out. However, Wonder Paper Sdn Bhd will not be entitled to earn a margin above cost for this activity.*

Group	***Note***	***2019 RM'000***	***2018 RM'000***
Sale of goods		*XXX*	*XXX*
Amount due from Department of Finance	*a*	*XXX*	*XXX*

Note a

Payable under normal 30 days credit terms.

Example 3: Individually significant transaction outside normal day-to-day business operations

124.26(b)(i) *Pursuant to an agreement dated 1 January 2019, Wonder Paper Sdn Bhd and the Department of Trade and Enterprise agreed to participate and co-operate with a third party consortium in the development, funding and operation of a research and development centre. Wonder Paper Sdn Bhd will also sublease a floor in its headquarter building as an administrative office for the joint operation.*

	Group	
	2019 RM'000	***2018 RM'000***
Capital invested	*XXX*	*XXX*
Rental income	*XXX*	*XXX*

Example 4: Collectively, but not individually, significant transactions

124.26(b)(ii) *Wonder Paper Sdn Bhd operates in an economic regime dominated by entities directly or indirectly controlled by the Government of Malaysia through its government authorities, agencies, affiliations and other organisations, collectively referred to as government-related entities. Wonder Paper Sdn Bhd has transactions with other government-related entities including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, leasing of assets and use of public utilities.*

These transactions are conducted in the ordinary course of Wonder Paper Sdn Bhd's business on terms comparable to those with other entities that are not government-related. Wonder Paper Sdn Bhd has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities or not.

For the financial year ended 31 December 2019, management estimates that the aggregate amount of Wonder Paper Sdn Bhd's significant transactions with other government-related entities are at least 50% of its sales of recycled paper products and between 30% to 40% of its purchase of materials.

Note	Reference	**Explanatory note**
1.	3.45	If the initial accounting for an acquisition was based on provisional values, and those provisional values are adjusted within 12 months of the acquisition date, then comparative information is restated, including recognition of any additional depreciation, amortisation and other profit or loss effect resulting from finalising the provisional values. In these Illustrative Financial Statements, there were no acquisitions in the comparative period.
2.	3.63	If the specific disclosures pursuant to the requirements of MFRS 3, *Business Combinations* and other MFRSs are not sufficient to enable the users of the financial statements to evaluate the nature and financial effects of business combinations effected in the current period, or any adjustments recognised in the current period relating to business combinations effected in prior periods, then an entity discloses additional information.
3.	3.B67(e)	For each material business combination, or in aggregate for individually immaterial business combinations that are material collectively, an entity discloses and explains any gain or loss recognised in the current reporting period that: • relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or the previous reporting period; and • is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance.
4.	3.B64(f)	To meet the objective in paragraph 59 of MFRS 3, the acquirer discloses for each business combination that occurs during the reporting period, the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as: (i) cash; (ii) other tangible or intangible assets, including a business or subsidiary of the acquirer; (iii) liabilities incurred, for example, a liability for contingent consideration; and (iv) equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of measuring the fair value of those instruments or interests.
5.	3.B64(g)	For contingent consideration arrangements and indemnification assets, an entity discloses the amount recognised at the acquisition date, a description of the arrangement and the basis for determining the amount, and an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, this fact and the reasons why a range cannot be estimated. If the maximum payment amount is unlimited, then an entity discloses this fact.
6.	3.B64(l)	For transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with paragraph 51 of MFRS 3, an entity discloses a description and how the acquirer accounted for each transaction, the amounts and the line item in the financial statements in which each amount is recognised. The entity shall disclose the method used to determine the settlement amount if the transaction is the effective settlement of a pre-existing relationship.
7.	3.B64(h)	For acquired receivables, an entity discloses the fair value of the receivables, the gross contractual amounts receivables, and the best estimate at the acquisition date of the contractual cash flows not expected to be collected. The disclosures shall be provided by major class of receivables, such as loans, direct finance leases and any other class of receivables.
8.	3.23	At the acquisition date, an entity recognises a contingent liability assumed in a business combination only if it represents a present obligation arising from a past event and its fair value can be reasonably measured. Contingent liabilities that are present obligations are recognised in the acquisition accounting because they meet the definition of a liability, even if it is not probable that an outflow of resources will be required to settle the obligation. A possible obligation is not recognised because it is not a liability.

Reference

Notes to the financial statements

38. Acquisition of subsidiary and non-controlling interests[1, 2, 3]

38.1 Acquisition of subsidiary – Papyrus Pty Limited

3.59(a), B64(a)-(d)
3.B64(q)

On 31 March 2019, the Group acquired all the shares in Papyrus Pty Limited for RM25,000,000, satisfied in cash. The company manufactures and distributes recycled paper. The acquisition of Papyrus Pty Limited has further expanded the Group's operation into Europe. In the 9 months to 31 December 2019, the subsidiary contributed revenue of RM50,290,000 and profit of RM2,080,000. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been RM1,089,950,000, and consolidated profit for the financial year would have been RM74,500,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Reference	Fair value of consideration transferred[4]	Group 2019 RM'000
3.B64(f), 107.40(a)		
107.40(b)	Cash and cash equivalents	25,000
	Contingent consideration [5]	*XXX*
	Equity instruments issued (XXX ordinary shares)	*XXX*
3.B56	*Replacement share-based payment awards – value of past service*	*XXX*
	Settlement of pre-existing relationship [6]	*(XXX)*
		25,000

Reference	Identifiable assets acquired and liabilities assumed	Note	Group 2019 RM'000
3.B64(i), 107.40(d)			
	Property, plant and equipment	3	19,550
	Intangible assets	6	3,270
	Inventories		3,750
	Trade and other receivables[7]		2,807
101.55, 15.118(a)	Contract assets		378
107.40(c)	Cash and cash equivalents		3,750
101.55, 15.118(a)	Contract liabilities		(15)
	Loans and borrowings		(5,000)
	Deferred tax liabilities	10	(790)
	Provision for legal case[8]	21	(200)
	Trade and other payables		(4,000)
	Total identifiable net assets		23,500

3.B64(h)

The trade and other receivables comprise gross contractual amounts due of RM3,320,000 of which RM150,000 was expected to be uncollectible at the acquisition date.

3.B67(a)(i)-(ii)

The following fair values have been determined on a provisional basis:

- the fair value of intangible assets (Papyrus Pty Limited's patents and trademarks) has been determined provisionally pending completion of an independent valuation.
- the fair values of inventories as well as property, plant and equipment are pending completion of certain physical inventory counts and the confirmation of the physical existence and condition of certain property, plant and equipment.
- the amount for legal contingencies are pending finalisation of examination and valuation of the filed cases.

Note	Reference	Explanatory note
1.	3.B64(o)	For each business combination in which the acquirer holds less than 100% of the equity interests in the acquiree at the acquisition date, the acquirer discloses the amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount and for each non-controlling interest in an acquiree measured at fair value, the valuation techniques and significant inputs used to measure that value.
2.	3.B64(p)	In a business combination that is achieved in stages, the acquirer discloses the acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date and the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination and the line item in the statement of profit or loss and other comprehensive income in which that gain or loss is recognised.
3.	3.B64(n)	If an acquirer in a business combination makes a bargain purchase, then the acquirer discloses the amount of the gain recognised, the line item in the statement of profit or loss and other comprehensive income in which the gain is recognised, and a description of the reasons why the transaction resulted in a gain.
4.		When non-controlling interests were initially measured at their proportionate interest in the identifiable net assets of a subsidiary, because no goodwill was initially attributed to non-controlling interests, there are different approaches to the determination of the adjustment to non-controlling interests that are acceptable for purchases and sales of non-controlling interests when retaining control. In our view, each of the following approaches is acceptable: • *Approach 1*. Attribute a proportionate amount of all the net assets of the subsidiary including recognised goodwill. This view interprets "interests in the subsidiary" in Appendix B96 of MFRS 10, *Consolidated Financial Statements* as related to all net assets, including goodwill, recognised in the parent's consolidated financial statements. Under this approach, recognised goodwill is treated as any other asset. • *Approach 2*. Attribute a proportionate amount of the net assets of the subsidiary; however, in doing so there are two separate asset pools: one asset pool is in respect of the parent's interest (net assets including goodwill) and the other asset pool is in respect of the non-controlling interests (identifiable net assets but no goodwill). Under this approach, a purchase of equity interests from non-controlling shareholders results in adjusting non-controlling interests for the proportionate amount of the non-controlling interests asset pool because the parent is buying a portion of that pool of assets. Conversely, a sale of equity interests to the non-controlling shareholders results in adjusting non-controlling interests for a proportionate amount of the parent's assets-plus-goodwill pool because the parent is selling a portion of that asset pool to the non-controlling interests. • *Approach 3*. Attribute a proportionate amount of only the identifiable net assets of the subsidiary. This view interprets "interests in the subsidiary" in Appendix B96 of MFRS 10 as related to identifiable assets only since non-controlling interests have been initially recognised only in respect of identifiable assets. Other approaches also may be acceptable depending on the circumstances. An entity should choose an accounting policy, to be applied consistently, to both sales and purchases of equity interests in subsidiaries when control exists before and after the transaction when non-controlling interests are measured initially at their proportionate interest in the identifiable net assets of the acquiree.

Reference

Notes to the financial statements

38. Acquisition of subsidiary and non-controlling interests (continued)

38.1 Acquisition of subsidiary – Papyrus Pty Limited (continued)

Reference	Net cash outflow arising from acquisition of subsidiary	Group 2019 RM'000
107.40(b)	Purchase consideration settled in cash and cash equivalents	(25,000)
107.40(c)	Cash and cash equivalents acquired	3,750
		(21,250)

107.40

Goodwill

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

Reference		Note	Group 2019 RM'000
	Total consideration transferred		25,000
	Fair value of identifiable net assets		(23,500)
3.B64(o), (p)(ii)	*Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree* [1]		*XXX*
	Fair value of existing interest in the acquiree [2]		*XXX*
	Goodwill[3]	6	1,500

3.B64(e), (k) The goodwill is attributable mainly to the skills and technical talent of Papyrus Pty Limited's work force, and the synergies expected to be achieved from integrating the company into the Group's existing recycled paper business. None of the goodwill recognised is expected to be deductible for income tax purposes.

3.B64(p) *The remeasurement to fair value of the Group's existing XX% interest in the acquiree resulted in a gain of RMXXX (RMXXX less RMXXX carrying value of equity-accounted investee at acquisition date plus RMXXX of translation reserve transferred to profit or loss), which has been recognised in other income in the statement of profit or loss and other comprehensive income.*[2]

Acquisition-related costs

3.B64(l)-(m) The Group incurred acquisition-related costs of RM2,000,000 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

10.23, B96 38.2 Acquisition of non-controlling interests[4] - Windmill N. V.

In June 2019, the Group acquired an additional 15% interest in Windmill N. V. for RM200,000 in cash, increasing its ownership from 60% to 75%. The carrying amount of Windmill N. V.'s net assets in the Group's financial statements on the date of the acquisition was RM767,000. The Group recognised a decrease in non-controlling interests of RM115,000 and a decrease in retained earnings of RM85,000.

12.18 The following summarises the effect of changes in the equity interest in Windmill N. V. that is attributable to owners of the Company:

	Group 2019 RM'000
Equity interest at 1 January 2019	392
Effect of increase in Company's ownership interest	115
Share of comprehensive income	290
Equity interest at 31 December 2019	797

Note	Reference	**Explanatory note**
1.	12.C2B	The disclosure requirements related to interests in unconsolidated structured entities may be presented prospectively as from the first annual period for which MFRS 12, *Disclosure of Interests in Other Entities* is applied.
2.	12.24-31	The disclosure objective in respect of an entity's interests in unconsolidated structured entities is to provide information that helps users of its financial statements: • to understand the nature and extent of its interests in unconsolidated structured entities; and • to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities. In order to meet this disclosure objective, MFRS 12, *Disclosure of Interests in Other Entities* requires extensive qualitative and quantitative disclosures about the nature of an entity's interests and the nature of its risks. In particular, the standard requires certain disclosures if an entity has sponsored an unconsolidated structured entity for which it does not have an interest at the end of the reporting period. An entity discloses additional information that is necessary to meet the disclosure objective. Determining whether an entity has an 'interest' in another entity that requires disclosures could involve significant judgement.
3.	110.21(b)	If the financial effect of a material non-adjusting event after the reporting period cannot be estimated, an entity discloses that fact.
4.	110.21-22	For each material category of non-adjusting event after the end of the reporting period, an entity discloses the nature of the event and an estimate of its financial effect or a statement that such an estimate cannot be made. The following are examples of non-adjusting events that may require disclosure: • a major business combination after the reporting period but before the financial statements are authorised for issue. • disposing of a major subsidiary. • announcing a plan to discontinue an operation. • major purchases of assets, classification of assets as held for sale in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* other disposals of assets or expropriation of major assets by government. • the destruction of a major production plant by a fire after the reporting period. • announcing, or commencing the implementation of, a major restructuring. • major ordinary share transactions or potential ordinary share transactions after the reporting period. • abnormally large changes after the reporting period in asset prices or foreign exchange rates. • changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities. • entering into significant commitments or contingent liabilities (e.g. by issuing significant guarantees). • commencing major litigation arising solely out of events that occurred after the reporting period.
5.	3.59(b), B66	For each business combination effected after the end of the reporting period but before the financial statements are authorised for issue, an entity discloses the information pursuant to the requirements of MFRS 3, *Business Combinations* to enable users of its financial statements to evaluate the nature and financial effect of each business combination. The disclosure requirements are the same as those required for business combinations effected during the period. If disclosure of any information is impracticable, then an entity discloses this fact and the reasons for it.

Reference

Notes to the financial statements

39. Interest in joint operation

12.21(a)

The Group has a 50% (2018: 50%) ownership interest in a joint operation, Envelope R & D with Syarikat Beautiful Sdn Bhd. Envelope R & D's principal place of business is in Malaysia. Envelope R & D performs research and development on new paper types and is strategic for the Group's innovation and future growth.

40. Interest in unconsolidated structured entities[1, 2]

7.42A, 42B, 42E, 12.29

The Group entered into a factoring arrangement under which it sold certain trade receivables to an unconsolidated structured entity, Compello Trust. On sales of goods, Compello Trust immediately received the face value of the receivable less a premium that covers the cost of financing. The level of the premium is reviewed quarterly. The Group maintains the customer relationship and collects the amount due from customers on behalf of the securitisation vehicle. In the event the customer defaults on the amount owing, the receivable is put back to the company at its face value.

The receivables are not derecognised from the statement of financial position, and the amount received on transfer is recognised as a financial liability (see note XX).

At reporting date, the following balances relate to the Group's involvement with Compello Trust.

	Group	
	2019 RM'000	***2018 RM'000***
Carrying amount of receivables transferred to the securitisation vehicle – included in trade and other receivables (current assets)	*XXX*	*XXX*
Carrying amount of liabilities recognised in connection with receivables transferred to the securitisation vehicle – included in loans and borrowings (current liabilities)	*XXX*	*XXX*
Maximum exposure to loss (carrying amount of receivables transferred)	*XXX*	*XXX*

The Group concluded that it does not control, and therefore should not consolidate, the securitisation vehicle. The securitisation vehicle acquires the trade receivables of numerous companies in the paper product industry, and issues commercial paper to a variety of investors; the Group does not hold any of the commercial paper. Taken as a whole, the Group does not have power over the relevant activities of the securitisation vehicle.

41. Subsequent event[3, 4, 5]

110.21(a)-(b)

At the end of January 2020, the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to current market conditions, it is intended to reduce the Group's workforce by 400 positions worldwide by the end of 2020, by means of non-replacement whenever possible. The Group expects the restructuring associated with the reduction in workforce to cost the Group between RM600,000 and RM850,000 in 2020.

Note	Reference	Explanatory note
1.		This example is included to illustrate a change in accounting policy and the relevant disclosures in accordance with MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*.
2.	16.C5(b), C7, C14-C15	MFRS 16 offers a range of transition options. The Group applies MFRS 16 using the modified restrospective approach. As a lessee, the Group elects to use a number of practical expedients. As a lessor, it does not make any adjustment on transition. The Group does not restate its comparative figures but recognise the cumulative effect of adopting MFRS 16 as an adjustment to retained earnings in the beginning of the current period.
3.	16.C12	If a lessee elects to apply MFRS 16 using the modified retrospective approach, the lessee shall disclose information about initial application required by paragraph 28 of MFRS 108, except for the information specified in paragraph 28(f) of MFRS 108.
	108.28(f)	MFRS 108 paragraph 28(f) requires a lessee to disclose the amount of adjustment arising from the initial application of a MFRS for the current period and each prior period presented.

Reference

Notes to the financial statements

42. Significant changes in accounting policies[1]

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

16.C3-C4 On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

16.C5(b), C7 Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

16.C8, C12(a) At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 6%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

16.C13 The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- 16.C10(a) applied a single discount rate to a portfolio of leases with similar characteristics;
- 16.C10(c) applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- 16.C10(d) excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- 16.C10(e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- 16.C10(b) *adjusted the right-of-use assets by the amount of provision for onerous contract under MFRS 137 immediately before the date of initial application, as an alternative to an impairment review.*

16.C11 For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

As a lessor

16.C15 Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the the sublease is an operating lease under MFRS 16.

16.C16, C18 *Under MFRS 16, the Group continues to account for the sale and leaseback for an office building completed in 2004 as a sale and leaseback transaction. The Group recognised a right-of-use asset and a lease liability for the leaseback on 1 January 2019, measured in the same way as other right-of-use assets and lease liabilities at that date.*

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Reference

Notes to the financial statements

42. Significant changes in accounting policies (continued)

42.1 Impacts on financial statements

16.C12 Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

16.C12(b) The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

Reference		RM'000
117.35(a)	Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	19,325
	Discounted using the incremental borrowing rate at 1 January 2019	18,071
	Finance lease liabilities recognised at 31 December 2018	21,820
	Recognition exemption for short-term leases	(1,500)
	Recognition exemption for leases of low-value assets	(10,825)
	Extension and termination options reasonably certain to be exercised	*XXX*
	Variable lease payments based on an index or a rate	*XXX*
	Residual value guarantees	*XXX*
	Lease liabilities recognised at 1 January 2019	27,566

Note	Reference	**Explanatory note**
1.	101.41	When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose: (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification.
	108.42	An entity corrects material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by: (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.
	108.49	An entity discloses the following: (a) the nature of the prior period error; (b) for each prior period presented, to the extent practicable, the amount of the correction: (i) for each financial statement line item affected; and (ii) if MFRS 133, *Earnings per Share* applies to the entity, for basic and diluted earnings per share; (c) the amount of the correction at the beginning of the earliest prior period presented; and (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected. Financial statements of subsequent periods need not repeat these disclosures.

Reference

Notes to the financial statements

43. Comparative figures[1]

101.41, 108.49 In previous financial years, a non-current loan from an associate was erroneously classified in trade payables. The effects of correction of the error are disclosed below:

	Group			
	31.12.2018		1.1.2018	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
Trade and other payables	228,999	248,999	235,290	255,290
Loans and borrowings – non-current	205,225	185,225	254,260	234,260

108.49 The above error does not have any impact on the earnings for ordinary shares of the Group.

Appendix 1

Specimen: Statements of profit or loss (Two-statement approach)

For the year ended 31 December 2019

	Group		Company	
	2019	**2018**	**2019**	**2018**
Continuing operations	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	XXX	XXX	XXX	XXX
Cost of sales	(XXX)	(XXX)	(XXX)	(XXX)
Gross profit	XXX	XXX	XXX	XXX
Other income	XXX	XXX	XXX	XXX
Distribution expenses	(XXX)	(XXX)	(XXX)	(XXX)
Administrative expenses	(XXX)	(XXX)	(XXX)	(XXX)
Research and development expenses	(XXX)	(XXX)	(XXX)	(XXX)
Net gain/(loss) on impairment of financial instruments and contract assets	XXX	(XXX)	XXX	(XXX)
Other expenses	(XXX)	(XXX)	(XXX)	(XXX)
Results from operating activities	XXX	XXX	XXX	XXX
Finance income	XXX	XXX	XXX	XXX
Finance costs	(XXX)	(XXX)	(XXX)	(XXX)
Net finance (costs)/income	(XXX)	(XXX)	XXX	XXX
Fair valuation gain/(loss) arising from distribution of non-cash assets to owners	XXX	XXX	XXX	XXX
Share of profit of equity-accounted associates/joint venture, net of tax	XXX	XXX	-	-
Profit before tax	XXX	XXX	XXX	XXX
Tax expense	(XXX)	(XXX)	(XXX)	(XXX)
Profit from continuing operations	XXX	XXX	XXX	XXX
Discontinued operation				
Profit/(Loss) from discontinued operation, net of tax	XXX	(XXX)	XXX	(XXX)
Profit for the year	XXX	XXX	XXX	XXX
Profit attributable to:				
Owners of the Company	XXX	XXX	XXX	XXX
Non-controlling interests	XXX	XXX	XXX	XXX
Profit for the year	XXX	XXX	XXX	XXX
Basic earnings per ordinary share (sen):				
from continuing operations	XX	XX		
from discontinued operation	XX	XX		
	XX	XX		
Diluted earnings per ordinary share (sen):				
from continuing operations	XX	XX		
from discontinued operation	XX	XX		
	XX	XX		

Appendix 1

Specimen: Statements of profit or loss and other comprehensive income (Two-statement approach)

For the year ended 31 December 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit for the year	XXX	XXX	XXX	XXX
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit liability	XXX	(XXX)	XXX	(XXX)
Revaluation of property, plant and equipment upon transfer of properties to investment properties	XXX	XXX	XXX	XXX
Net change in fair value of equity investments designated at fair value through other comprehensive income	XXX	XXX	XXX	XXX
Share of other comprehensive income of equity-accounted associates/joint venture	XXX	XXX	-	-
	XXX	(XXX)	XXX	XXX
Items that are or may be reclassified subsequently to profit or loss				
Cash flow hedge	XXX	XXX	XXX	XXX
Cost of hedging reserve	XXX	XXX	XXX	XXX
Debt investments measured at fair value through other comprehensive income	XXX	XXX	XXX	XXX
Foreign currency translation differences for foreign operations	XXX	XXX	XXX	XXX
Share of other comprehensive income of equity-accounted associates/joint venture	XXX	XXX	-	-
	XXX	XXX	XXX	XXX
Other comprehensive income for the year, net of tax	XXX	XXX	XXX	XXX
Total comprehensive income for the year	XXX	XXX	XXX	XXX
Total comprehensive income attributable to:				
Owners of the Company	XXX	XXX	XXX	XXX
Non-controlling interests	XXX	XXX	XXX	XXX
Total comprehensive income for the year	XXX	XXX	XXX	XXX

Appendix 2

Specimen: Statements of cash flows (Direct method)

For the year ended 31 December 2019

	Group		Company	
	2019	**2018**	**2019**	**2018**
Cash flows from operating activities	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash receipts from customers	XXX	XXX	XXX	XXX
Cash paid to suppliers and employees	(XXX)	(XXX)	(XXX)	(XXX)
Cash generated from operating activities	XXX	XXX	XXX	XXX
Dividends received	XXX	XXX	XXX	XXX
Interest paid	(XXX)	(XXX)	(XXX)	(XXX)
Tax paid	(XXX)	(XXX)	(XXX)	(XXX)
Net cash from operating activities	XXX	XXX	XXX	XXX
Cash flows from investing activities				
Acquisition of investment properties	(XXX)	(XXX)	(XXX)	(XXX)
Acquisition of other investments	(XXX)	(XXX)	(XXX)	(XXX)
Acquisition of property, plant and equipment	(XXX)	(XXX)	(XXX)	(XXX)
Acquisition of subsidiary, net of cash and cash equivalents acquired	(XXX)	(XXX)	(XXX)	(XXX)
Dividends received	XXX	XXX	XXX	XXX
Interest received	XXX	XXX	XXX	XXX
Loans to subsidiaries	-	-	(XXX)	(XXX)
Proceeds from disposal of investment properties	XXX	XXX	XXX	XXX
Proceeds from disposal of other investments	XXX	XXX	XXX	XXX
Proceeds from disposal of property, plant and equipment	XXX	XXX	XXX	XXX
Net cash used in investing activities	(XXX)	(XXX)	(XXX)	(XXX)
Cash flows from financing activities				
Dividends paid to owners of the Company	(XXX)	(XXX)	(XXX)	(XXX)
Payment of lease liabilities	(XXX)	-	(XXX)	-
Proceeds from the issue of convertible notes	XXX	XXX	XXX	XXX
Proceeds from the issue of redeemable preference shares	XXX	XXX	XXX	XXX
Proceeds from the issue of share capital	XXX	XXX	XXX	XXX
Proceeds from sale of treasury shares	XXX	XXX	XXX	XXX
Repayment of other borrowings	(XXX)	(XXX)	(XXX)	(XXX)
Repayment of finance lease liabilities	-	(XXX)	-	(XXX)
Repayment of loan from associate	(XXX)	(XXX)	(XXX)	(XXX)
Net cash from/(used in) financing activities	XXX	(XXX)	XXX	(XXX)
Net (decrease)/increase in cash and cash equivalents	(XXX)	(XXX)	XXX	XXX
Effect of exchange rate fluctuations on cash held	XXX	XXX	XXX	XXX
Cash and cash equivalents at 1 January	XXX	XXX	XXX	XXX
Cash and cash equivalents at 31 December	XXX	XXX	XXX	XXX

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