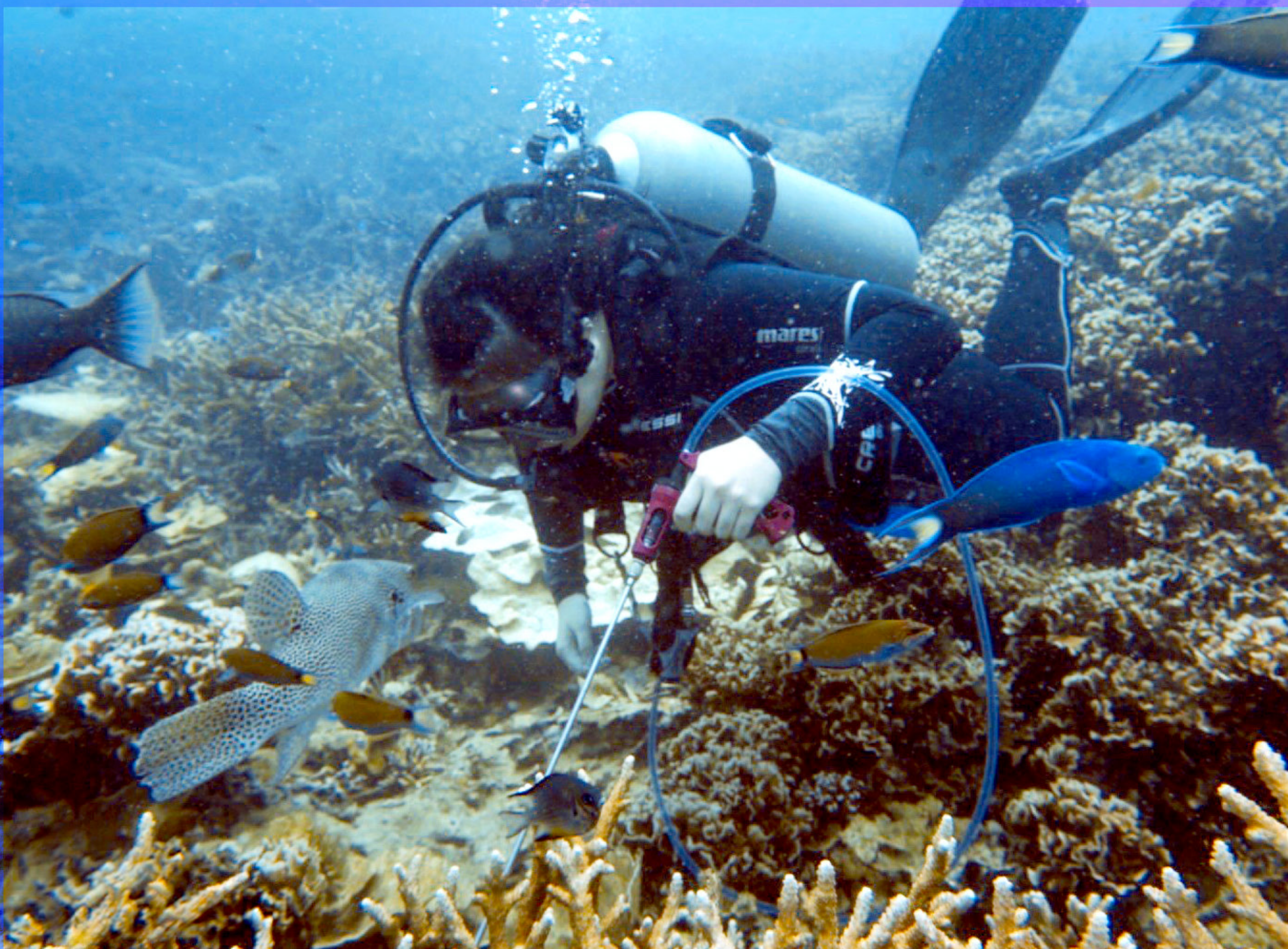
Wonderful Malaysia Berhad 2023

Illustrative Financial Statements for Malaysian Financial Reporting Standards

November 2023

KPMG in Malaysia



Foreword

Wonderful Malaysia Berhad 2023 is KPMG PLT's Illustrative Financial Statements for financial statements prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"). Our publication encompasses the most recent amendments to disclosure requirements, specifically for financial statements ending on 31 December 2023.

The primary focus of this edition revolves around the adoption of Amendments to MFRS 101, Presentation of Financial Statements - Disclosure of Accounting Policies which is effective since 1 January 2023. This publication illustrates the possible scenario of disclosing material accounting policy information.

In our commitment to sustainability and environmental responsibility, we are proud to introduce this digital publication. This eco-friendly approach aligns with our mission to contribute to a greener future. We aim for this digital guide to serve as an invaluable resource and starting point, simplifying the process of understanding and adhering to the disclosure requirements for your upcoming annual financial statements.

Foong Mun Kong

Partner, Head of Audit

The cover picture of this publication represents our unwavering 17-year commitment to coral reef conservation. Feel free to read more about this initiative and KPMG Malaysia's Impact Plan.

Contents

About this publication

This set of Illustrative Financial Statements has been produced by KPMG PLT.

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 2023. The corporation is not a first-time adopter of MFRSs.

What's new in 2023?

This set of Illustrative Financial Statements takes account of the impact of the following amendments to MFRS, which are effective or early adopted for annual reporting period ending on 31 December 2023:

- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*
- Amendments to MFRS 7, *Financial Instruments: Disclosures*, and MFRS 107, *Statement of Cash Flows – Supplier Finance Arrangements*

Standards covered

This publication reflects MFRSs in issue as of 30 September 2023 that are required to be applied by an entity with an annual period beginning on 1 January 2023 (currently effective requirements).

This publication does not illustrate the requirements of all MFRSs. Examples of MFRSs not illustrated include MFRS 6, *Exploration for and Evaluation of Mineral Resources*, MFRS 14, *Regulatory Deferral Accounts*, MFRS 17, *Insurance Contracts*, 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 Listing Requirements of Bursa Malaysia Securities Berhad and the requirements of the Malaysian Code on Corporate Governance 2021 issued by the Securities Commission in Malaysia.

While this publication is up to date at the time of issuance, accounting standards 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 MFRSs.

MFRSs and IFRS Accounting Standards

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

Need for judgement

This publication specifically focuses on compliance with MFRSs. Although it is not exhaustive, this guide illustrates the disclosures required for a hypothetical reporting entity, merely for illustrative purposes. The information contained herein is of a general nature and is not intended to address the circumstances of any particular entity.

The preparation and presentation of financial statements requires the preparer to exercise judgement – e.g. in terms of the choice of accounting policies, the ordering of notes to the financial statements, tailoring the disclosures to reflect the reporting entity's specific circumstances, and the relevance of disclosures considering the needs of the users.

About this publication (continued)

Materiality

Materiality is relevant to the presentation and disclosure of items in the financial statements. Preparers need to consider whether the financial statements include all of the information that is relevant to understanding an entity's financial position at the reporting date and its financial performance during the reporting period.

Preparers also need to take care not to reduce the understandability of their financial statements by obscuring material information with immaterial information or by aggregating material items that are different by nature or function. Individual disclosures that are not material to the financial statements do not need to be presented – even if they are a specific requirement of an accounting standard. Preparers need to consider the appropriate level of disclosure based on materiality for the reporting period.

Specific guidance on materiality and its application to the financial statements is included in paragraphs 29–31 of MFRS 101, *Presentation of Financial Statements*. In addition, paragraphs 117–117E include guidance on the application of materiality to disclosure of accounting policies.

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 KPMG publications and resource centres

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

Guides to financial statements

Illustrative disclosures and checklists

Climate change financial reporting resource centre

IFRS Today

Blogs, podcasts and videos

References and abbreviations

References are included to the left-hand margin of each item disclosed. For example, the reference 101.11 means paragraph 11 of MFRS 101. Generally the references relate only to presentation and disclosure requirements.

The following markings in the left-hand margin indicate the following:

Changes due to amendments to MFRS 101, *Presentation of Financial Statements – Disclosure of Accounting Policies*

Changes due to amendments that are effective or early adopted on 1 January 2023

The symbols in this publication are interactive buttons designed for viewing on a desktop or laptop. Please note that when accessed via a browser application or mobile devices, the interactive functions might not perform as intended. Below are their listed functions:

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Back to the respective primary statements (i.e. Statements of financial position "SOFP", Statements of profit or loss and other comprehensive income "SOPLOCI", Statements of changes in equity "SOCIE" and Statements of cash flows "SOCF")

Explanatory note

The following abbreviations are used often in this publication.

Bursa Malaysia	Bursa Malaysia Securities Berhad
CGU	Cash-generating unit
ECL	Expected credit losses
EPS	Earnings per share
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
IASB	International Accounting Standards Board
IC	Issues Committee Interpretation issued by the MASB
IFRS Accounting Standards	IFRS Accounting Standards issued by the IASB
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standard issued by the MASB
NCI	Non-controlling interests
OCI	Other comprehensive income
Sxxx(x)	Section of the Companies Act 2016
WMB	Wonderful Malaysia Berhad

Reference

Statements of financial position#

101.10(a), 113

As at 31 December 2023

Reference		Note	Group 31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	Group 1.1.2022 RM'000 Restated	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000
	Assets						
101.54(a)	Property, plant and equipment	3	250,400	294,030	342,110	-	-
16.47(a)	Right-of-use assets[2]	4	21,404	21,821	16,460	-	-
101.54(b), 16.48	Investment properties[2]	5	93,290	99,060	94,220	-	-
101.54(c)	Intangible assets	6	59,120	47,410	54,910	-	-
101.54(d)	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[3]	10	1,513	20,416	12,120	-	-
101.54(h)	Trade and other receivables[4]	11	-	-	-	31,210	24,940
101.60	**Total non-current assets[1]**		483,507	535,031	564,930	311,390	215,300
101.54(g)	Inventories[5]	12	145,796	141,190	113,130	-	-
15.105, 109	Contract assets[6]	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[4]	11	129,212	174,960	161,138	2,876	7,430
101.54(n)	Current tax assets[3]		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[7]	16	144,100	-	-	-	-
101.60	**Total current assets[1]**		444,602	349,848	311,160	17,916	18,920
	Total assets		928,109	884,879	876,090	329,306	234,220

Reference

Statements of financial position# (continued)

101.10(a), 113

As at 31 December 2023

Reference		Note	Group 31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	Group 1.1.2022 RM'000 Restated	Company 31.12.2023 RM'000	Company 31.12.2022 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	132,129	82,257	48,540	49,910
	Equity attributable to owners of the Company	17	389,768	312,629	262,757	245,090	230,410
101.54(q), 10.22	**Non-controlling interests**		12,335	8,420	6,010	-	-
	Total equity		402,103	321,049	268,767	245,090	230,410
	Liabilities						
101.54(m), 10.22	Loans and borrowings	18	197,151	185,930	232,441	66,170	-
16.47(b)	Lease liabilities[2]		20,133	23,814	19,204	-	-
119.63	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	2,349	-	-
101.54(0), 56	Deferred tax liabilities[3]	10	25,166	22,194	7,858	1,186	-
101.60	**Total non-current liabilities[1]**		289,640	272,038	300,422	67,356	-
101.54(m)	Loans and borrowings	18	43,490	43,990	53,831	-	-
16.47(b)	Lease liabilities[2]		4,371	3,752	3,000	-	-
101.54(i)	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[6]	13.1	1,400	1,300	1,680	-	-
101.54(m)	Derivative financial liabilities	14	1,192	1,751	1,100	-	-
			192,266	291,792	306,901	16,860	3,810
5.38-40, 101.54(p)	Liabilities classified as held for sale[7]	16	44,100	-	-	-	-
101.60	**Total current liabilities[1]**		236,366	291,792	306,901	16,860	3,810
	Total liabilities		526,006	563,830	607,323	84,216	3,810
	Total equity and liabilities		928,109	884,879	876,090	329,306	234,220

The notes on pages 14 to 121 are an integral part of these financial statements.

Reference

Statements of profit or loss and other comprehensive income#

101.10(b), 10A

For the year ended 31 December 2023

Reference		Note	Group 2023 RM'000	Group 2022 RM'000 Restated	Company 2023 RM'000	Company 2022 RM'000
	Continuing operations					
101.82(a), 103	Revenue[1]	23	1,006,520	966,360	16,560	6,150
101.99, 103, 102.36(d)	Cost of sales		(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		(179,400)	(170,120)	-	-
101.99, 103	Administrative expenses		(171,315)	(146,614)	(11,321)	(3,533)
101.99, 138.126	Research and development expenses		(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		(12,308)	-	-	-
101.85	**Results from operating activities[2]**		88,742	83,400	5,532	2,710
101.82(a)(i)	Finance income	24	8,966	4,800	4,260	1,650
101.82(b), 16.49	Finance costs[3]	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[4]*		*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[5]	27	3,790	(4,220)	-	-
101.81A(a)	**Profit for the year**	28	65,036	55,090	4,960	3,950

Reference

Statements of profit or loss and other comprehensive income# (continued)

101.10(b), 10A

For the year ended 31 December 2023

Reference		Note	Group 2023 RM'000	Group 2022 RM'000 Restated	Company 2023 RM'000	Company 2022 RM'000
101.82A	**Other comprehensive income, net of tax**[6]					
101.82A(a)(i)	**Items that will not be reclassified subsequently to profit or loss**					
	Remeasurement of defined benefit liability/(asset)		820	(150)	-	-
	Revaluation of property, plant and equipment upon transfer of properties to investment properties		1,800	-	-	-
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**					
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):**[7]					
	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):**[7]					
	from continuing operations		56.4	56.9		
	from discontinued operation		4.0	(4.5)		
		30	60.4	52.4		

The notes on pages 14 to 121 are an integral part of these financial statements.

Reference

Consolidated statement of changes in equity

101.10(c) **For the year ended 31 December 2023**

Reference			/---- Attributable to owners of the Company ----												
			/---- Non-distributable ----/								Distributable				
			Share capital[1]	Treasury shares	Capital reserve	Translation reserve	*Cost of hedging reserve*	Hedging reserve	Fair value reserve	Revaluation reserve	Share option reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	***RM'000***	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
	At 1 January 2022		180,500	-	-	(630)	*XXX*	-	1,080	-	8,000	73,807	262,757	6,010	268,767
	Remeasurement of defined 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	2,732
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 2022		180,500	(2,800)	-	1,622	*XXX*	-	1,490	-	10,500	121,317	312,629	8,420	321,049

Reference

Consolidated statement of changes in equity (continued)

101.10(c) **For the year ended 31 December 2023**

Reference			/------ Attributable to owners of the Company ------/													
			/------ Non-distributable ------/									Distributable			
			Share capital[1]	Treasury shares	Capital reserve	Translation reserve	*Cost of hedging reserve*	Hedging reserve	Fair value reserve	Revaluation reserve	Share option reserve	Reserve of disposal group held for sale	Retained earnings	Total	Non-controlling interest	Total equity
	Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	***RM'000***	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
	At 1 January 2023		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]		-	-	-	-	-	-	-	-	-	-	820	820	-	820
	Revaluation of property, plant and equipment upon transfer of properties to investment properties[2]		-	-	-	-	-	-	-	1,800	-	-	-	1,800	-	1,800
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	1,800	-	220	820	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	1,800	-	220	62,096	67,504	4,030	71,534

Reference

Consolidated statement of changes in equity (continued)

101.10(c)

For the year ended 31 December 2023

Reference	Group	Note	Share capital[1]	Treasury shares	Capital reserve	Translation reserve	*Costs of hedging reserve*	Hedging reserve	Fair value reserve	Revaluation reserve	Share option reserve	Reserve of disposal group held for sale	Retained earnings	Total	Non-controlling interest	Total equity
			/--- Attributable to owners of the Company											---/		
			/--- Non-distributable									---/	Distributable			
			RM'000	RM'000	RM'000	RM'000	*RM'000*	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	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
132.28	- 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

Reference

Consolidated statement of changes in equity (continued)

101.10(c)

For the year ended 31 December 2023

Reference	Group	Note	Share capital[1]	Treasury shares	Capital reserve	Translation reserve	*Cost of hedging reserve*	Hedging reserve	Fair value reserve	Revaluation reserve	Share option reserve	Reserve of disposal group held for sale	Retained earnings	Total	Non-controlling interest	Total equity
			Attributable to owners of the Company													
			Non-distributable										Distributable			
			RM'000	RM'000	RM'000	RM'000	*RM'000*	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	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 2023		196,550	(2,580)	1,800	3,901	*XXX*	853	1,503	1,800	14,500	120	171,321	389,768	12,335	402,103

The notes on pages 14 to 121 are an integral part of these financial statements.

Reference

Statement of changes in equity

101.10(c)

For the year ended 31 December 2023

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 2022		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[3]	17	-	(2,800)	-	-	-	(2,800)
	- Share-based payment transactions[4]	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 2022/1 January 2023		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:							
132.28	- Share options exercised	17, 19	450	-	-	-	-	450
	- Share-based payment transactions[4]	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 2023		196,550	(2,580)	1,800	14,500	34,820	245,090

The notes on pages 14 to 121 are an integral part of these financial statements.

Reference

Statements of cash flows

101.10(d), 111

For the year ended 31 December 2023

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
107.18, 16.50(c)	**Cash flows from operating activities[1,2]**					
	Profit/(Loss) before tax from:[1]					
	- continuing operations		84,503	77,310	5,900	4,360
101.111, 107.20	- 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	1,039	-	-
	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	97	7
	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	(2,167)	-	-
	Operating profit/(loss) before changes in working capital		127,730	141,288	(10,931)	(3,433)
	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)	4,387	1,058
	Change in contract assets[4]		(374)	105	-	-
	Change in contract costs[4]		552	77	-	-
	Change in contract liabilities[4]		85	380	-	-
	Cash generated from/(used in) operations		48,664	94,689	(8,233)	515
107.31	Dividends received[5]		3,600	3,180	16,560	6,150
107.31	Interest received[5]		8,981	4,800	4,260	1,715
107.31, 32, 16.50(b)	Interest paid[5]		(19,368)	(16,260)	(3,025)	-
107.35	Tax paid[6]		(1,630)	(10,070)	(210)	(250)
107.10	**Net cash from operating activities**		40,247	76,339	9,352	8,130

Reference

Statements of cash flows (continued)

101.10(d), 111

For the year ended 31 December 2023

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 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[7]	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[8]					
	- 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[5]	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)	(49,482)	-	-
16.50(a)	Payment of lease liabilities		(3,753)	(1,038)	-	-
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 from/(used in) financing activities**		6,946	(58,560)	89,718	(5,540)

Reference

Statements of cash flows (continued)

101.10(d), 111

For the year ended 31 December 2023

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 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

(a) Cash outflows for leases as a lessee

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
	Included in net cash from operating activities:					
	Payment relating to short-term leases	28	1,500	1,470	-	-
	Payment relating to leases of low-value assets	28	5,100	5,100	-	-
	Payment relating to variable lease payments not included in the measurement of lease liabilities	28	*XXX*	*XXX*	-	-
	Interest paid in relation to lease liabilities	25	1,378	382	-	-
	Included in net cash from financing activities:					
16.53	Payment of lease liabilities		3,753	1,038	-	-
	Total cash outflows for leases[9]		11,731	7,990	-	-

Reference

Statements of cash flows (continued)

For the year ended 31 December 2023

107.44A-44E

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities[10]

Group	At 1 January 2022	Net changes from financing cash flows	Acquisition of new lease	At 31 December 2022/ 1 January 2023	Net changes from financing cash flows	Acquisition of new lease	Changes arising from obtaining control of subsi-diaries	*Foreign exchange movement*	Other changes	At 31 December 2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	*RM'000*	RM'000	RM'000
Bank loans	161,424	(50,494)	-	110,930	(45,810)	-	5,000	*XXX*	-	70,120
Bonds	94,402	598	-	95,000	861	-	-	-	-	95,861
Convertible notes	-	-	-	-	48,000	-	-	-	(1,778)	46,222
Redeemable preference shares	-	-	-	-	19,948	-	-	-	-	19,948
Lease liabilities	22,204	(1,038)	6,400	27,566	(3,753)	691	-	-	-	24,504
Loan from associate	20,000	-	-	20,000	(20,000)	-	-	*XXX*	-	-
Other bank facilities	756	414	-	1,170	3,980	-	-	-	-	5,150
Total liabilities from financing activities	298,786	(50,520)	6,400	254,666	3,226	691	5,000	*XXX*	(1,778)	261,805

Company	At 31 December 2022/ 1 January 2023	Net changes from financing cash flows	Other changes	At 31 December 2023
	RM'000	RM'000	RM'000	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 14 to 121 are an integral part of these financial statements.

Reference

Notes to the financial statements

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 2023 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 consolidated financial statements of the Company as at and for the financial year ended 31 December 2023 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.

110.17 These financial statements were authorised for issue by the Board of Directors on 24 February 2024.

101.112(a) 1. Basis of preparation

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

101.16 The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), IFRS Accounting 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:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2024 for those accounting standards, interpretations and amendments, that are effective for annual periods beginning on or after 1 January 2024.
- from the annual period beginning on 1 January 2025 for those accounting standards, interpretations and amendments, that are effective for annual periods beginning on or after 1 January 2025.

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

Reference

Notes to the financial statements

1. Basis of preparation (continued)

101.112(a), 117

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured based on the measurement bases stated below:

Items	Measurement bases
Derivative financial instruments	Fair value
Non-derivative financial instruments at FVTPL	Fair value
Debt and equity securities at FVOCI	Fair value
Investment property	Fair value
Liabilities for cash-settled share-based payment arrangements	Fair value
Net defined benefit (asset) liability	Fair value of plan assets less the present value of the defined benefit obligation
Contingent consideration in a business combination	*Fair value*

101.51(d)-(e)

(c) Functional and presentation currencies

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

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 entered into during the year
- note 5 – valuation of investment properties
- note 6 – measurement of the recoverable amounts of cash-generating units
- note 7 – control assessment in relation to investments in certain subsidiaries
- note 21 – provisions: key assumptions on the likelihood and magnitude of an outflow of resources
- note 23 – revenue recognition
- note 33 – measurement of expected credit losses ("ECL") and fair value of unquoted shares
- note 36 – contingencies: key assumptions on the likelihood and magnitude of an outflow of resources
- note 38 – business combinations: fair value of the considerations transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.

Reference

Notes to the financial statements

108.28

2. Changes in material accounting policies

112.4A, 98M

2.1 Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules upon their release on 2 June 2023. The amendments provide a temporary mandatory relief from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure (see note 10).

The temporary mandatory relief applies retrospectively. However, there was no new legislation enacted or substantively enacted to implement the top-up tax at 31 December 2022 in the jurisdictions in which the Group operates. The retrospective application has no impact on the Group's consolidated financial statements.

2.2 Material accounting policy information

101.117, 117E

The Group also adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

2.3 Supplier finance arrangements

107.62

The Group has early adopted amendments to MFRS 107, *Statements of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk.

The Group participates in a supply chain financing arrangement for which the new disclosures will apply. The new disclosures are disclosed in note 22.

Reference

Notes to the financial statements

3. Property, plant and equipment

Reference	Group	Note	Land RM'000	Buildings RM'000	Plant and equipment (own use) RM'000	Plant and equipment (subject to operating lease) RM'000	Fixtures and fittings RM'000	Asset under construction RM'000	Total RM'000
	Cost								
116.73(d)	**At 1 January 2022**		20,000	54,280	278,630	3,000	55,090	-	411,000
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 2022/ At 1 January 2023**		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		-	-	-	-	-	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	3.4	-	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 2023**		20,000	66,560	178,990	3,830	50,090	41,000	360,470

Reference

Notes to the financial statements

3. Property, plant and equipment (continued)

Reference	Group	Note	Land	Buildings	Plant and equipment (own use)	Plant and equipment (subject to operating lease)	Fixtures and fittings	Asset under construction	Total
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
116.73(d)	**Depreciation and impairment loss**								
	At 1 January 2022								
	Accumulated depreciation		-	6,930	48,570	1,000	9,390	-	65,890
	Accumulated impairment loss		-	-	3,000	-	-	-	3,000
			-	6,930	51,570	1,000	9,390	-	68,890
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 2022/ At 1 January 2023**								
	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 2023**								
	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 2022		20,000	47,350	227,060	2,000	45,700	-	342,110
116.73(e)	At 31 December 2022/ 1 January 2023		20,000	47,050	180,910	2,290	43,780	-	294,030
116.73(e)	At 31 December 2023		20,000	60,200	90,720	2,480	36,000	41,000	250,400

Reference

Notes to the financial statements

3. Property, plant and equipment (continued)

3.1 Impairment loss and subsequent reversal

136.130(a), (c), (d)(i) In 2022, 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 2023, RM3,930,000 of the loss was reversed. See note 6 for further details of the impairment loss and subsequent reversal.

3.2 Security

116.74(a) At 31 December 2023, land and buildings with a carrying amount of RM50,000,000 (2022: RM47,000,000) are subject to a registered debenture to secure bank loans granted to the Group (see note 18).

3.3 Change in estimates

116.76, 108.39 During the financial year ended 31 December 2023, 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:

Group	2023	2024	2025	2026	2027	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

3.4 Transfer to investment property

During the financial year ended 31 December 2023, 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).

3.5 Plant and equipment subject to operating lease

16.92(a) The Group leases some of its plant and equipment 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.

Reference	The following are recognised in profit or loss:	Group	
		2023	2022
		RM'000	RM'000
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*

Reference	The operating lease payments to be received are as follows:	Group	
16.97		2023	2022
		RM'000	RM'000
	Less than one year	370	300
	One to two years	150	250
	Total undiscounted lease payments	520	550

Reference

Notes to the financial statements

3. Property, plant and equipment (continued)

3.6 Material accounting policy information

(a) Recognition and measurement

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

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

(b) Depreciation

116.73(b)-(c), 55, 66(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	4 - 12 years
• fixtures and fittings	5 - 10 years
• major components	3 - 5 years
• *spare parts, stand-by equipment and servicing equipment*	*xx years*

Reference

Notes to the financial statements

4. Right-of-use assets

Reference	Group	Note	Land	Buildings	Plant and equipment	Total
			RM'000	RM'000	RM'000	RM'000
16.53(j)	**At 1 January 2022**		2,061	2,886	11,513	16,460
16.53(h)	Addition		-	-	6,400	6,400
16.53(a)	Depreciation		(284)	(441)	(314)	(1,039)
	Impairment loss		*(XXX)*	*(XXX)*	*(XXX)*	*(XXX)*
	Reversal of impairment loss		*XXX*	*XXX*	*XXX*	*XXX*
16.53(j)	**At 31 December 2022/1 January 2023**		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 2023**		1,493	2,004	17,907	21,404

**Derecognition of the right-of-use assets during 2023 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*

	Group	
	2023	*2022*
	RM'000	*RM'000*
Recognised in profit or loss	*XXX*	*XXX*
Capitalised into property, plant and equipment	*XXX*	*XXX*
	XXX	*XXX*

4.2 Variable lease payments based on sales

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 year ended 31 December were as follows.*

Group	*Fixed payments*	*Variable payments*	*Total payments*	*Estimated annual impact on rent of a 1% increase in sales*
2023	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Leases with lease payments based on sales	*XXX*	*XXX*	*XXX*	*XXX*
2022				
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.

Reference

Notes to the financial statements

4. Right-of-use assets (continued)

4.3 Extension options

16.59(b)(ii), B50, IE10

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)	Potential future lease payments not included in lease liabilities (discounted)	Historical rate of exercise of extension options
2023	**RM'000**	**RM'000**	**%**
Buildings	2,628	620	28
2022			
Buildings	2,949	740	28

101.122

4.4 Significant judgements and assumptions in relation to leases entered into during the year

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

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 2023, the Group estimates that the expected amount payable under the residual guarantees is RMXXX (2022: RMXXX).

4.6 Sale and leaseback

16.59(d), B52

In 2008, 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 leases

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)

In 2022, the Group was 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 2023, RMXXX of the loss was reversed. See note XX for further details of the impairment loss and subsequent reversal.

Reference

Notes to the financial statements

4. Right-of-use assets (continued)

4.9 Material accounting policy information

(a) Lease and non-lease components

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.

(b) Recognition exemption

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.

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.

Reference

Notes to the financial statements

5. Investment properties

Reference		Note	Group 2023 RM'000	Group 2022 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 2023 RM'000	Group 2022 RM'000
140.75(a)	At fair value	92,290	99,060
140.75(a)	At cost - building under construction	1,000	-
		93,290	99,060

5.1 Nature of leasing activities

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
16.90(b) renewals are negotiated with the lessee and on average renewal periods are 4 years. The Group does not charge variable lease payments that do not depend on an index or rate.

5.2 Property transferred to investment properties

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.

5.3 Restrictions on investment properties

140.75(g) Investment properties of the Group amounting to RM15,000,000 (2022: RM15,000,000) have been charged to secure banking facilities granted to the Group (see note 18).

5.4 Investment property under construction

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.

5.5 Other income/expenses recognised in profit or loss in relation to investment properties

Reference		Group 2023 RM'000	Group 2022 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

Reference

Notes to the financial statements

5. Investment properties (continued)

16.97 ### 5.6 Maturity analysis of operating lease payments

	Group 2023 RM'000	Group 2022 RM'000
Less than one year	14,690	8,530
One to two years	15,780	2,625
Two to three years	12,210	2,625
Three to four years	11,300	2,625
Four to five years	7,440	2,625
More than five years	35,500	9,510
Total undiscounted lease payments	96,920	28,540

5.7 Fair value information

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

Group	2023			2022		
	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 2 RM'000	Level 3 RM'000	Total 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.

Level 3 fair value

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

Reference		Note	Group 2023 RM'000	Group 2022 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 2024. 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.*

Reference

Notes to the financial statements

5. Investment properties (continued)

5.7 Fair value information (continued)

13.93(d),(h), 99

Level 3 fair value (continued)

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	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 (2023: 2 - 3%, weighted average 2.6%, 2022: 2 - 3%, weighted average 2.7%). • Void periods (2023 and 2022: average 6 months after the end of each lease). • Occupancy rate (2023: 90 - 95%, weighted average 92.5%, 2022: 90 - 95%, weighted average 93.3%). • Rent-free periods (2023 and 2022: 3 months period on new leases). • Risk-adjusted discount rates (2023: 5 - 6.3%, weighted average 5.8%, 2022: 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.	• Average price per square foot (2023: RM1,300 - RM2,000, 2022: RM1,200 - RM1,900).	The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

Valuation processes applied by the Group for Level 3 fair value

13.93(g), 140.75(e)

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.

	Group	
	2023	***2022***
	RM'000	***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.

5.8 Material accounting policy information

140.35

Investment properties are measured subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise.

Reference

Notes to the financial statements

6. Intangible assets

Reference	Group	Note	Goodwill	Patents and trademarks	Development costs	Total
			RM'000	RM'000	RM'000	RM'000
138.118(e), 138.118(c)	**Cost**					
3.B67(d)(i)	**At 1 January 2022**		49,690	12,640	41,110	103,440
138.118(e)(i)	Addition		-	-	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 2022/1 January 2023**		49,690	10,930	45,510	106,130
138.118(e)(i), 3.B67(d)(ii)	Acquisitions through business combinations	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 2023**		51,190	16,060	59,330	126,580
	Amortisation and impairment loss					
138.118(c), 3.B67(d)(i)	**At 1 January 2022**					
	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 2022/1 January 2023**					
	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 2023**					
	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 2022		34,690	7,120	13,100	54,910
138.118(e)	At 31 December 2022/1 January 2023		34,690	4,720	8,000	47,410
138.118(e)	At 31 December 2023		35,030	7,850	16,240	59,120

Group reference: 138.118, 3.B67(d)

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

136.130(a), (d)(i) In 2022, 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 2023; however, as a result of the regulatory restrictions, production and the expected launch date has been deferred.

136.130(e) Accordingly, management estimated the recoverable amount of the product line in 2022. The recoverable amount was based on the assumption that the production line would go live in August 2023. In 2023, 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 product line estimated based on value in use method, is as follows:

		Group	
		2023 RM'000	2022 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% (2022: 9.8%) and a terminal growth rate of 3% from 2028 (2022: 3% from 2027).

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 2023 RM'000	Impairment loss in 2022 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.

6.3 Impairment testing for cash-generating units containing goodwill

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:

		Group	
		2023 RM'000	2022 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

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) 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. 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 (2022: nil) was recognised. The impairment loss was allocated fully to goodwill, and is included in cost of sales.

136.134(d) 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:

- 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% (2022: 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 2024 to 2028 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 2024 and in line with inflation thereafter. This represents an increase over the 20% estimate used in the impairment testing in 2022, and reflects various regulatory developments in New Zealand where the unit operates.
- A pre-tax discount rate of 9.8% (2022: 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%.

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.

Reference

Notes to the financial statements

6. Intangible assets (continued)

6.4 Material accounting policy information

(a) Recognition and measurement

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.

138.88, 118(a), 97

138.118(b) 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
138.118(a) 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.

Reference

Notes to the financial statements

7. Investments in subsidiaries

Reference		Company 2023 RM'000	Company 2022 RM'000
127.10, 16(c)	Cost of investment	280,180	190,360
	Less: Impairment loss	*XXX*	*XXX*
		280,180	190,360

Details of the subsidiaries are as follows:

Reference	Name of entity	Principal place of business/*Country of incorporation*	Principal activities	Effective ownership interest and voting interest 2023	Effective ownership interest and voting interest 2022
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#	New Zealand	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 2023 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.*

7.1 Significant judgements in relation to control of subsidiary

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.

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
12.14 significantly affect their returns. Consequently, they are regarded as subsidiaries of the Group. The Group has issued guarantees to certain banks in respect of the credit facilities amounting to RM700,000 (2022: RM700,000) granted to these entities.

Reference

Notes to the financial statements

7. Investments in subsidiaries (continued)

7.2 Non-controlling interests in subsidiaries

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

Reference		Silver Fir S.A.	Windmill N.V.	Other subsidiaries with immaterial NCI	Total
12.12(a)	**2023**	RM'000	RM'000	RM'000	RM'000
12.12(c)-(d)	NCI percentage of ownership interest and voting interest	55%	25%		
12.12(f)	Carrying amount of NCI	4,435	7,330	570	12,335
12.12(e)	Profit allocated to NCI	1,585	2,090	85	3,760
	2022				
12.12(c)-(d)	NCI percentage of ownership interest and voting interest	55%	40%		
12.12(f)	Carrying amount of NCI	3,550	3,950	920	8,420
12.12(e)	Profit allocated to NCI	480	1,645	65	2,190

Reference	Summarised financial information before intragroup elimination	Silver Fir S.A. 2023	Silver Fir S.A. 2022	Windmill N.V. 2023	Windmill N.V. 2022
12.12(g), B10-B11	**As at 31 December**	RM'000	RM'000	RM'000	RM'000
	Non-current assets	15,570	11,780	17,380	15,380
	Current assets	6,140	5,680	8,550	6,550
	Non-current liabilities	(8,760)	(6,760)	(3,060)	(3,860)
	Current liabilities	(4,350)	(3,760)	(1,500)	(1,900)
	Net assets	8,600	6,940	21,370	16,170
	Year ended 31 December				
	Revenue	45,070	30,070	50,880	40,880
	Profit for the year	7,200	4,800	8,360	6,580
	Total comprehensive income	7,418	5,002	8,580	6,660
	Cash flows from operating activities	3,800	3,890	3,390	3,590
	Cash flows from investing activities	1,580	1,480	1,780	1,790
	Cash flows used in financing activities	(870)	(970)	(1,080)	(1,200)
	Net increase in cash and cash equivalents	4,510	4,400	4,090	4,180
	Dividends paid to NCI	*XXX*	*XXX*	*XXX*	*XXX*

Reference

Notes to the financial statements

7. Investments in subsidiaries (continued)

7.3 Significant restrictions

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	
	2023	**2022**
	RM'000	**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 other Group entities, unless approval is obtained from non-controlling interests shareholders.

7.4 Material accounting policy information

127.10, 17(c) Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses.

Reference

Notes to the financial statements

8. Investments in associates

Reference		Group 2023 RM'000	Group 2022 RM'000
128.10, 16	Investment in shares	7,210	7,210
	Share of post-acquisition reserves	13,040	8,370
	Less: Impairment loss	*(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 2023	Effective ownership interest and voting interest 2022
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.

Reference	Group 2023	Paletel AB RM'000	*Other immaterial associates RM'000*	Total RM'000
12.21(c)(ii)				
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*
	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

Reference	**Summarised financial information**	Paletel AB
12.21(b)(ii), B12	**As at 31 December**	RM'000
	Non-current assets	43,806
	Current assets	35,154
	Non-current liabilities	(17,001)
	Current liabilities	(11,334)
	Net assets	50,625
	For the year ended 31 December	
	Revenue	257,960
	Profit from continuing operations	11,675
	Profit from discontinued operations	*XXX*
	Other comprehensive income	-
	Total comprehensive income	11,675
12.B12(a)	**Dividend received by the Group**	-

Reference

Notes to the financial statements

8. Investments in associates (continued)

Reference		Paletel AB	*Other immaterial associates*	Total
12.21(b)(ii)	**Group**			
	2022			
12.B14(b)	**Reconciliation of net assets to carrying amount as at 31 December**	**RM'000**	***RM'000***	**RM'000**
	Group's share of net assets	15,580	*XXX*	15,580
	Goodwill	*XXX*	*XXX*	*XXX*
	Elimination of unrealised profits	*XXX*	*XXX*	*XXX*
	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

Reference	**Summarised financial information**	**Paletel AB**
12.21(c)(ii), B12	**As at 31 December**	**RM'000**
	Non-current assets	34,500
	Current assets	28,950
	Non-current liabilities	(14,700)
	Current liabilities	(9,800)
	Net assets	38,950
	For the year ended 31 December	
	Revenue	217,500
	Profit from continuing operations	14,675
	Profit from discontinued operations	*XXX*
	Other comprehensive income	-
	Total comprehensive income	14,675
12.B12(a)	**Dividend received by the Group**	-

Reference

Notes to the financial statements

8. Investments in associates (continued)

8.1 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 (2022: RM1,770) in the current financial year and RM21,970 (2022: RM17,620) cumulatively, since the Group has no obligation in respect of these losses.

12.22(a) ### *8.2 Significant restrictions*

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) ### 8.3 Contingent liabilities

	Group	
	2023	**2022**
Share of associates' contingent liabilities incurred jointly with other investors:	**RM'000**	**RM'000**
- Guaranteed bank facilities	200	150
- Retirement benefits payable on termination in certain circumstances to directors under service agreements	540	430
	740	580

8.4 Material accounting policy information

127.10, 17(c) *Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses.*

Reference

Notes to the financial statements

8. Investment in joint venture

Reference		Group 2023 RM'000	Group 2022 RM'000
128.10, 16	Investment in shares	XXX	XXX
	Share of post-acquisition reserves	XXX	XXX
	Less: Impairment loss	(XXX)	(XXX)
		XXX	XXX
12.21(b)(iii), 13.93(b),97	Fair value of quoted shares		
	Level 1	XXX	XXX

12.20(a), 21(a)(i)-(iii) *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 RMXXX. 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 2023 RM'000	Group 2022 RM'000
12.21(a)(iv)	Percentage of ownership interest	XX%	XX%
	Percentage of voting interest	XX%	XX%
	Summarised financial information		
	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		
12.B12(b)(vi)	Profit/(Loss) from continuing operations	XXX	XXX
12.B12(b)(vii)	Profit/(Loss) from discontinued operations	XXX	XXX
12.B12(b)(viii)	Other comprehensive income	XXX	XXX
12.B12(b)(ix)	Total comprehensive income	XXX	XXX

Reference

Notes to the financial statements

8. Investment in joint venture (continued)

Reference		Group 2023 RM'000	Group 2022 RM'000
	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)*
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***	*XXX*	*XXX*
	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*

8.1 Unrecognised share of losses

12.22(c) *The Group has not recognised losses related to Entity A, totalling RMXXX (2022: RMXXX) in the current financial year and RMXXX (2022: RMXXX) cumulatively, since the Group has no obligation in respect of these losses.*

12.22(a) 8.2 Significant restrictions

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) 8.3 Contingent liabilities

	Group 2023 RM'000	Group 2022 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*

8.4 Material accounting policy information

127.10, 17(c) *Investment in joint venture is measured in the Company's statement of financial position at cost less any impairment losses.*

Reference

Notes to the financial statements

9. Other investments

Reference	Group	Note	Shares RM'000	Bonds RM'000	*Deposits with licensed banks RM'000*	Total RM'000
7.8	**2023**					
	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		2,670	-	-	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		5,400	-	-	5,400
7.8(f)	*Amortised cost*		-	-	*XXX*	-
			5,400	-	*XXX*	5,400
			20,570	22,360	*XXX*	42,930
	2022					
	Non-current					
7.8(h)	Fair value through other comprehensive income	9.1	14,154	3,745	-	17,899
7.8(f)	Amortised cost		-	18,815	-	18,815
			14,154	22,560	-	36,714
	Current					
7.8(a)	Fair value through profit or loss		5,605	-	-	5,605
7.8(f)	*Amortised cost*		-	-	*XXX*	-
			5,605	-	*XXX*	5,605
			19,759	22,560	*XXX*	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 RM'000
2023		
Colours Sdn Bhd	11,000	2,250
Box Arts Sdn Bhd	1,500	100
	12,500	2,350
2022		
Colours Sdn Bhd	12,000	1,300
Box Arts Sdn Bhd	1,734	100
New Dawn Sdn Bhd	420	500
	14,154	1,900

Reference

Notes to the financial statements

9. Other investments (continued)

9.1 Equity investments designated at fair value through other comprehensive income (continued)

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:

7.11A(d) **Group**	**Fair value at derecognition**	**Cumulative gain on disposal**	**Dividend income recognised during 2023**
	RM'000	**RM'000**	**RM'000**
New Dawn Sdn Bhd	420	343	150

9.2 Material accounting policy information

(a) Equity investments not held for trading

9.5.7.5-6 At initial recognition, the Group irrevocably elect to present subsequent changes in the fair value of the investments in other comprehensive income. This election is made on an investment-by-investment basis.

(b) Deposits with licensed banks

107.7 *The Group classifies deposits with licensed banks not held for working capital purposes that has a maturity of more than three months as other investments.*

Reference

Notes to the financial statements

10. Deferred tax assets/(liabilities)

10.1 Recognised deferred tax assets/(liabilities)

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

	Assets		Liabilities		Net	
Group	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	2,087	4,416	(41,205)	(23,014)	(39,118)	(18,598)
Right-of-use assets	-	-	(5,137)	(5,237)	(5,137)	(5,237)
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	6,616	-	-	5,881	6,616
Employee benefit plans	11,570	8,250	-	-	11,570	8,250
Provisions	5,570	5,280	-	-	5,570	5,280
Contract liabilities	-	-	(67)	(11)	(67)	(11)
Tax losses	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	31,326	(55,043)	(33,104)	(23,653)	(1,778)
Set-off of tax	(29,877)	(10,910)	29,877	10,910	-	-
Net tax assets/(liabilities)	1,513	20,416	(25,166)	(22,194)	(23,653)	(1,778)
Company						
Loans and borrowings	-	-	(1,186)	-	(1,186)	-

112.81(e) 10.2 Unrecognised deferred tax assets

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

	Group	
	2023	**2022**
	RM'000	**RM'000**
Tax losses	130	3,890
Other deductible temporary differences	1,030	2,000
	1,160	5,890
112.81(e) Tax losses for which no deferred tax asset was recognised expire as follows:		
Expiring in 2025	10	50
Expiring in 2026	20	30

101.129, 112.82 In 2022, 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 2023, management revised its estimates following the pilot of a new type of paper, which was proving to be popular with customers and was increasing the subsidiary's results from operating activities. As a result, an additional RM380,000 of previously unrecognised tax losses was recognised in 2023.

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 2023, the total tax exempt reserves amounted to RM600,000 (2022: RM540,000) would result in a tax liability of RM198,000 (2022: RM178,000) should the subsidiaries pay dividends from these reserves. This tax liability has not been provided for.

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Reference

Notes to the financial statements

112.81(g)(i)

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

10.3 Movement of temporary differences during the year

Group	At 1 January 2022 RM'000	Recognised in profit or loss (note 26) RM'000	Recognised in other comprehensive income (note 29) RM'000	At 31 December 2022/ 1 January 2023 RM'000	Recognised in profit or loss (note 26) RM'000	Recognised in other comprehensive income (note 29) RM'000	Recognised directly in equity (note 26) RM'000	Arising from business combinations (note 38) RM'000	Included in disposal group held for sales and discontinued operation (note 16 and note 27) RM'000	At 31 December 2023 RM'000
Property, plant and equipment	(7,361)	(11,237)	-	(18,598)	(21,690)	(200)	-	(730)	2,100	(39,118)
Right-of-use assets	(3,950)	(1,287)	-	(5,237)	100	-	-	-	-	(5,137)
Investment properties	(2,210)	(540)	-	(2,750)	(2,580)	-	-	-	-	(5,330)
Trade receivables	196	(92)	-	104	218	-	-	-	-	322
Inventories	-	410	-	410	50	-	-	(30)	400	830
Contract assets	(137)	38	-	(99)	(65)	-	-	-	-	(164)
Contract costs	(52)	29	-	(23)	19	-	-	-	-	(4)
Loans and borrowings	-	-	-	-	(586)	-	(600)	(90)	-	(1,276)
Lease liabilities	5,329	1,287	-	6,616	(735)	-	-	-	-	5,881
Employee benefit plans	6,740	1,460	50	8,250	3,400	(80)	-	-	-	11,570
Provisions	4,380	900	-	5,280	230	-	-	60	-	5,570
Contract liabilities	(83)	72	-	(11)	(56)	-	-	-	-	(67)
Tax losses	1,460	2,400	-	3,860	500	-	-	-	-	4,360
Other items	(50)	470	-	420	(1,510)	-	-	-	-	(1,090)
	4,262	(6,090)	50	(1,778)	(22,705)	(280)	(600)	(790)	2,500	(23,653)
Company										
Loans and borrowings	-	-	-	-	(586)	(600)	-	-	-	(1,186)

Reference

Notes to the financial statements

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

112.88B -88D

10.4 Global minimum top-up tax

As at 31 December 2023, the governments of the United Kingdom ("UK") and Malaysia ("MY") have each enacted and substantively enacted new legislation, respectively, to implement the global minimum top-up tax. The Group expects to be subjected to the top-up tax in relation to its operations in both UK and MY. However, since the newly enacted tax legislation in UK and MY will only come into effect in year 2024 and 2025, respectively, there is no current tax impact for the year ended 31 December 2023.

Based on the Group's initial assessment, if the top-up tax had been applied in 2023:

- the profits associated with the Group's operations in the UK for the year ended 31 December 2023 that would be subject to it amount to RM47,002,000 where the average effective tax rate applicable to those profits during 2023 was 12 percent.
- the profits associated with the Group's operations in MY for the year ended 31 December 2023 that would be subject to it amount to RM52,080,000 where the average effective tax rate applicable to those profits during 2023 was 14 percent.

112.88A

10.5 Temporary mandatory relief from deferred tax accounting

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

112.51C

10.6 Material accounting policy information

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying values 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. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Reference

Notes to the financial statements

101.78(b)

11. Trade and other receivables

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
101.60	**Non-current**					
	Non-trade					
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 Receivables due from subsidiaries

Loans to subsidiaries are unsecured, subject to interest at 6.5% (2022: 5% to 6%) per annum and repayable in 2027. Amount due from subsidiaries is unsecured, interest free and repayable on demand.

124.18(b)(i)

11.2 Related party balances

Included in trade receivables are related party balances as shown below.

	Note	Group 2023 RM'000	Group 2022 RM'000
Immediate holding company	a	2,200	2,500
Associate	b	21,376	7,934
		23,576	10,434

Note a

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

Note b

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

Reference

Notes to the financial statements

101.78(b)

11. Trade and other receivables (continued)

132.42

11.3 Offsetting of financial assets and financial liabilities

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

Group	**Note**	**Gross amount**	**Balances that are set off**	**Net carrying amount in the statement of financial position**
2023		**RM'000**	**RM'000**	**RM'000**
Trade receivables		197,066	(80,680)	116,386
Trade payables	22	(205,319)	80,680	(124,639)
2022				
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.

11.4 Transfer of trade receivables

7.14, 42D(a)-(c)

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	
	2023	***2022***
	RM'000	***RM'000***
Carrying amount of trade receivables transferred to a bank	*XXX*	*XXX*
Carrying amount of associated liabilities	*XXX*	*XXX*

Reference

Notes to the financial statements

11. Trade and other receivables (continued)

16.93 ***11.5 Net investment in lease***

Reference		Group 2023 RM'000	Group 2022 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 XX years, with annual rents indexed to consumer price index. Subsequent renewals are negotiated with the lessee and on average renewal periods are XX 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.*

16.94 *The lease payments to be received are as follows:*

Reference		Group 2023 RM'000	Group 2022 RM'000
	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 2023 RM'000	Group 2022 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*	*XXX*

Reference

Notes to the financial statements

12. Inventories

Reference		Note	Group 2023 RM'000	Group 2022 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*	12.2	*XXX*	*XXX*
			145,796	141,190
102.36(h)	Carrying amount of inventories pledged as security for bank borrowings	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 (included in cost of sales)	12.1	450	1,250
101.98(a) 102.36(f)	Reversal of write-down (included in cost of sales)	12.1	(160)	-

12.1 Impairment and reversal of impairment

136.126(b) 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 2023.

102.36(g) In 2023, following a change in estimates, RM160,000 of the write-down was reversed (see note 6.2).

12.2 Right to recover returned goods

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.

12.3 Material accounting policy information

102.10, 102.25 Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average method.

Reference

Notes to the financial statements

13. Contract with customers

13.1 Contract assets/(liabilities)

Reference		Group 2023 RM'000	Group 2022 RM'000
15.116(a)	Contract assets	3,607	2,855
15.116(a)	Contract liabilities	(1,400)	(1,300)

Contract assets

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, subject to certification of the milestone achieved for billing. 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 2023 are retentions of RM2,000,000 (2022: RM1,800,000) relating to construction work-in-progress. Retentions are unsecured, interest free and are expected to be collected as follows:

	Group 2023 RM'000	Group 2022 RM'000
Within 1 year	200	750
More than 1 year	1,800	1,050
	2,000	1,800

Contract liabilities

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

Reference		Group 2023 RM'000	Group 2022 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 of 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

Reference

Notes to the financial statements

13. Contract with customers (continued)

13.2 Contract costs

Reference		Group 2023 RM'000	Group 2022 RM'000
15.128(a)	Cost to obtain a contract	320	294
15.128(a)	Cost to fulfil a contract		
	- Pre-contract cost	448	557
	- Set-up cost	315	784
		763	1,341
15.128(b)	*Less: Impairment loss*	*(XXX)*	*(XXX)*
		1,083	1,635

Cost to obtain a contract

15.127(a) 15.99, 127(b) Cost to obtain a contract primarily comprises incremental commission fees paid to intermediaries as a result of obtaining contracts and they are recoverable. Capitalised commission fees are amortised when the related revenues are recognised. In 2023, the amount of amortisation was RM57,000 (2022: RM36,000).

15.94, 129 The Group applies the practical expedient 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

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 2023, the amount of amortisation was RM259,000 (2022: RM128,000).

Reference

Notes to the financial statements

14. Derivative financial assets/(liabilities)

Group	2023			2022		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	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.

Reference

Notes to the financial statements

107.45

15. Cash and cash equivalents

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 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	18	(3,340)	(2,820)	-	-
Cash and cash equivalents in the statements of cash flows		7,072	15,680	14,980	11,490

Reference

Notes to the financial statements

16. Disposal group held for sale

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 2023 to a plan to sell part of the facility. Efforts to sell the disposal group have commenced, and a sale is expected by April 2024. At 31 December 2023, the assets and liabilities of the disposal group are as follows:

Reference		Note	Group 2023 RM'000
5.38	**Assets classified as held for sale**		
	Property, plant and equipment	3	81,640
	Inventories		27,500
	Receivables		34,960
			144,100
5.38	**Liabilities classified as held for sale**		
	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.

5.38

16.1 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.

Reference

Notes to the financial statements

17. Capital and reserves

Share capital

Reference		Group and Company			
		Number of shares 2023 '000	Amount 2023 RM'000	Number of shares 2022 '000	Amount 2022 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

17.1 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.

17.2 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 value of the shares).

101.79(b)

17.3 Capital reserve

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

101.79(b)

17.4 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.

101.79(b)

17.5 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)

17.6 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)

17.7 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.

101.79(b)

17.8 Reserve of disposal group held for sale

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.

Reference

Notes to the financial statements

17. Capital and reserves (continued)

101.79(b)

17.9 Revaluation reserve

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

101.79(b)

17.10 Share option reserve

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

17.11 Treasury shares

101.79(a)(vi) Treasury shares comprises cost of acquisition of the Company's own shares. At 31 December 2023, the Group held 479,000 (2022: 520,000) of the Company's own shares.

Reference

Notes to the financial statements

18. Loans and borrowings

Reference		Note	Group 2023 RM'000	Group 2022 RM'000 Restated	Company 2023 RM'000	Company 2022 RM'000
101.69	**Non-current**					
	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	-
	Loan from associate	18.4	-	20,000	-	-
			197,151	185,930	66,170	-
101.69	**Current**					
	Bank loans	18.1	35,000	40,000	-	-
	Other bank facilities		5,150	1,170	-	-
	Bank overdraft	15	3,340	2,820	-	-
			43,490	43,990	-	-
			240,641	229,920	66,170	-

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

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

7.19 A subsidiary has a secured bank loan that amounts to RM20,000,000 at 31 December 2023. 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 time of total equity. At 31 December 2023, the subsidiary's debt to equity ratio was 0.6 time. Consequently, the entire loan has been classified as current liability.

7.18(c) Subsequently in March 2024, the subsidiary obtained a waiver of the breach of covenant for a period of 18 months. The bank revised the loan covenants ratio from 0.5 to 0.8 time.

Reference

Notes to the financial statements

18. Loans and borrowings (continued)

18.2 Convertible notes

	Note	Group and Company 2023 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	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 2024 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.

18.3 Redeemable preference shares

	Group and Company	
	Amount 2023	Number of shares 2023
Issued and fully paid shares classified as debt instruments:	RM'000	'000
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 2026 at RM1 each.

18.4 Loan from associate

124.18(b)(i) Loan from associate was unsecured, subject to interest at 8% per annum and payable on 30 June 2024. During the financial year, the Group early settled the loan.

Reference

Notes to the financial statements

19. Employee benefits

19.1 Retirement benefits

	Group	
	2023	2022
	RM'000	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 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 2024.

Reference

Notes to the financial statements

19. Employee benefits (continued)

19.1 Retirement benefits (continued)

Movement in net defined benefit liability

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	
		2023	2022	2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000	RM'000	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 (gain)/loss						
	• Actuarial (gain)/loss 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 2023, 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.

Reference

Notes to the financial statements

19. Employee benefits (continued)

19.1 Retirement benefits (continued)

119.142 **Plan assets**

Reference		Group 2023 RM'000	Group 2022 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
119.144 **Actuarial assumptions**

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

	Group 2023	Group 2022
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%

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 (2022: 18) for males and 22 (2022: 20) for females at the end of the reporting date.

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 17.1 years (2022: 17.5 years).

Reference

Notes to the financial statements

19. Employee benefits (continued)

19.1 Retirement benefits (continued)

Defined benefit obligation (continued)

101.125, 129, 119.145

Sensitivity analysis

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			
	2023		2022	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Discount rate (1% movement)	(3,350)	3,500	(3,050)	3,400
Future salary growth (1% movement)	1,800	(1,720)	1,780	(1,700)
Future pension growth (1% movement)	1,750	(1,680)	1,650	(1,600)
Future mortality (1% movement)	(700)	670	(750)	770
Medical cost trend rate (1% movement)	3,800	(2,500)	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.

19.2 Share-based payments arrangement

Share option programme (equity settled)

2.45(a) On 1 January 2019, 1 January 2022 and 1 January 2023, 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 2017. On 1 January 2023, 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:

2.45(a)

Grant date/employees entitled	Number of options ('000)	Vesting conditions	Contractual life of options
Option grant to key management on 1 January 2019	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 2022	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 2023	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 2023	1,000	3 years of service	5 years
Total share options	8,000		

Reference

Notes to the financial statements

19. Employee benefits (continued)

19.2 Share-based payments arrangement (continued)

Share option programme (equity settled) (continued)

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

Reference		Weighted average exercise price 2023	Number of options ('000) 2023	Weighted average exercise price 2022	Number of options ('000) 2022
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 2023 have an exercise price in the range of RM9.00 to RM12.00 (31 December 2022: RM9.00 to RM9.50) and a weighted average contractual life of 7.2 years (31 December 2022: 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 (2022: no options exercised).

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:

Reference	Fair value of share options and assumptions	Key management personnel 2023	Key management personnel 2022	Senior employees 2023	Senior employees 2022
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)	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%	-

Reference	Value of employee services received for issue of share options	Group 2023 RM'000	Group 2022 RM'000
2.51(a)	Share options granted in 2019	(700)	-
2.51(a)	Share options granted in 2022	1,900	2,500
2.51(a)	Share options granted in 2023	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.

Reference

Notes to the financial statements

20. Deferred income

	Group	
	2023	2022
Non-current	**RM'000**	**RM'000**
Government grant	14,620	15,000

120.39(b), 101.104 The Group received a government grant in 2020 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 (2022: Nil) has been amortised and recognised as other income in profit or loss.

20.1 Material accounting policy information

120.24 The Group has elected to present government grants related to assets as deferred income.

Reference

Notes to the financial statements

21. Provisions

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 2023**	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	-	-	(4,000)	-	-	(4,000)
137.84(e)	Unwinding of discount	-	-	600	-	-	600
137.84(a)	**At 31 December 2023**	2,800	4,000	8,100	1,600	200	16,700
	2023						
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
	2022						
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		Note	Company 2023 RM'000	Company 2022 RM'000
	Current			
	Financial guarantees			
	At 1 January	33.4	500	500
7.B8E	*Net change in loss allowance*		*XXX*	*XXX*
	At 31 December	33.4	500	500

21.1 Warranties

137.85(a), (b) The provision for warranties relates mainly to paper sold during the financial years ended 31 December 2023 and 2022. 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.

21.2 Restructuring

137.85(a), (b), 101.98(b), 101.125 During the financial year ended 31 December 2022, 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 2023. The restructuring was completed in 2023.

During the financial year ended 31 December 2023, 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 2024.

Reference

Notes to the financial statements

21. Provisions (continued)

21.3 Site restoration

137.85(a) 101.125 A provision of RM9,000,000 was made during the financial year ended 31 December 2022 in respect of the Group's obligation to rectify environmental damage in New Zealand. The required work was completed during 2023 at a cost of RM5,000,000. The unused provision of RM4,000,000 was reversed.

137.85(a), (b) In accordance with New Zealander law, land contaminated by the subsidiary in New Zealand must be restored to its original condition before the end of 2027. During the financial year ended 31 December 2023, 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
101.129 technology and materials that are available currently. The 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.

137.85(a), (b)

21.4 Onerous contracts

In 2023, 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.

137.85(a), (b), 3.23

21.5 Legal

As a result of the acquisition of Papyrus Pty Limited (see note 38.1), the Group assumed a contingent liability related to a legal action by a former employee of Papyrus Pty Limited.

Reference

Notes to the financial statements

22. Trade and other payables

Reference		Note	Group 2023 RM'000	Group 2022 RM'000 Restated	Company 2023 RM'000	Company 2022 RM'000
	Trade					
15.55, B21-25	Trade payables	11.3, 22.1	124,639	222,250	-	-
	Refund liabilities	12	*XXX*	*XXX*	-	-
			124,639	222,250	-	-
	Non-trade					
	Loans from subsidiaries	22.2	-	-	13,850	-
	Other payables		6,570	4,870	750	2,900
	Accrued expenses		3,004	1,879	1,760	410
	Contingent consideration	38.1	*XXX*	*XXX*	*XXX*	*XXX*
			9,574	6,749	16,360	3,310
			134,213	228,999	16,360	3,310

22.1 Supply chain financing arrangement

107.44H(a) The Group participates in a supply chain financing arrangement (SCF) under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this arrangement is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained nor the original liability was substantially modified on entering into the arrangement. From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers. The Group therefore discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables but discloses disaggregated amounts in the notes. All payables under the SCF are classified as current as at 31 December 2023 and 2022.

107.44H(b)(i),(ii)

Group	Total SCF trade payables RM'000	Not yet paid by finance provider RM'000	Paid by finance provider RM'000
At 1 January 2022	36,000	16,000	20,000
At 31 December 2022/1 January 2023	44,440	23,040	21,400
At 31 December 2023	39,390	20,390	19,000

107.44H(b)(iii)

Range of payment due dates (after invoice date)

	Trade payables that are part of the SCF	Comparable trade payables that not are part of the SCF
At 1 January 2022/31 December 2022/1 January 2023/ 31 December 2023	90 days	30-60 days

107.44H(c) The payments to the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating - i.e. payments for the purchased goods and services. The payments to a supplier by the bank are considered non-cash transactions and amount to RM166,000,000 (2022: RM169,000,000).

22.2 Loans from subsidiaries

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

Reference

Notes to the financial statements

23. Revenue

Group

Reference		Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
	2023			
15.113(a)	Revenue from contracts with customers	987,418	75,430	1,062,848
	Other revenue			
	- Rental income	14,690	-	14,690
	- Dividend income	3,600	-	3,600
	- Others	812	-	812
		19,102	-	19,102
	Total revenue	1,006,520	75,430	1,081,950
	2022			
15.113(a)	Revenue from contracts with customers	954,374	231,930	1,186,304
	Other revenue			
	- Rental income	8,530	-	8,530
	- Dividend income	3,180	-	3,180
	- Others	276	-	276
		11,986	-	11,986
	Total revenue	966,360	231,930	1,198,290

Company

2023	
Dividend income	16,560
2022	
Dividend income	6,150

Reference

Notes to the financial statements

23. Revenue (continued)

15.114-115

23.1 Disaggregation of revenue from contracts with customers

Reference	Group	Standard paper	Recycled paper	Paper products	Packaging	All other segments	Total
		/-------------------- Reportable segments			--------------------/		
		/----------------- Continuing		----------------/	Discontinued		
		Standard paper	Recycled paper	Paper products	Packaging	All other segments	Total
8.33(a)	**2023**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
	Primary geographical markets						
	Malaysia	64,496	45,045	54,259	14,333	26,617	204,750
	The Netherlands	39,549	27,621	33,271	8,789	16,321	125,551
	Germany	71,089	49,649	59,805	15,797	29,338	225,678
	United Kingdom	85,141	59,464	71,627	18,920	35,138	270,290
	The United States of America	63,833	44,581	53,700	14,185	17,242	193,541
	Other countries	13,676	5,987	14,872	3,406	5,097	43,038
		337,784	232,347	287,534	75,430	129,753	1,062,848
	Major products and service lines						
	Paper	302,515	135,269	-	-	-	437,784
	Made-to-order paper products	35,269	97,078	287,534	-	-	419,881
	Construction contracts	-	-	-	-	6,590	6,590
	Sale of machine	-	-	-	-	38,409	38,409
	Packaging and others	-	-	-	75,430	84,754	160,184
		337,784	232,347	287,534	75,430	129,753	1,062,848
	Timing of recognition						
	At a point in time	304,006	232,347	264,299	75,430	123,163	999,245
	Over time	33,778	-	23,235	-	6,590	63,603
		337,784	232,347	287,534	75,430	129,753	1,062,848
8.33(a)	**2022**						
	Primary geographical markets						
	Malaysia	68,761	37,109	43,658	41,475	27,287	218,290
	The Netherlands	34,792	18,777	22,090	20,986	13,805	110,450
	Germany	102,651	55,399	65,175	61,917	40,735	325,877
	The United States of America	64,029	34,556	40,654	38,621	25,408	203,268
	Other countries	111,771	52,958	67,903	68,931	26,856	328,419
		382,004	198,799	239,480	231,930	134,091	1,186,304
	Major products and service lines						
	Paper	349,240	132,764	-	-	-	482,004
	Made-to-order paper products	32,764	66,035	239,480	-	-	338,279
	Construction contracts	-	-	-	-	6,410	6,410
	Sale of machine	-	-	-	-	81,237	81,237
	Packaging and others	-	-	-	231,930	46,444	278,374
		382,004	198,799	239,480	231,930	134,091	1,186,304
	Timing of recognition						
	At a point in time	382,004	198,799	239,480	231,930	127,681	1,179,894
	Over time	-	-	-	-	6,410	6,410
		382,004	198,799	239,480	231,930	134,091	1,186,304

Reference

Notes to the financial statements

23. Revenue (continued)

23.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

15.119

Nature of goods or services	Timing of revenue recognition or method used to recognised 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 over time 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 over time as and when the packaging services are performed using the cost incurred method. The materials are owned by the customers. The Group 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 contracts	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.

Reference

Notes to the financial statements

23. Revenue (continued)

15.120 23.3 Transaction price allocated to the remaining performance obligations

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	2024	2025	2026	Total
	2023	**RM'000**	**RM'000**	**RM'000**	**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

Reference		2023	2024	2025	Total
	2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
15.120(a), (b)(i)	Sale of standard paper products	33,828	42,313	22,067	98,208
	Sale of recycled paper products	18,545	21,665	16,411	56,621
	Sale of made-to-order paper products	9,298	11,021	8,372	28,691
	Construction services	1,157	962	4,284	6,403
		62,828	75,961	51,134	189,923

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.

The Group applies the following practical expedients:

- 15.121-122 exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- 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

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.

Reference

Notes to the financial statements

24. Finance income

Reference		Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 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

Reference

Notes to the financial statements

25. Finance costs

Reference		Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
7.20(b)	Interest expense of financial liabilities that are not at fair value through profit or loss	17,799	16,189	3,781	-
16.53(b)	Interest expense on lease liabilities	1,378	382	-	-
	Other finance costs	813	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	-

Reference

Notes to the financial statements

26. Tax expense

26.1 Recognised in profit or loss

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 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)	Under/(Over) provision in prior year		1,390	(340)	-	-
112.80(h)	*Change in accounting policy*		*XXX*	*XXX*	*XXX*	*XXX*
112.80(e)	*Tax benefits arising from previously unrecognised:*					
	- 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*		*XXX*	*XXX*	*XXX*	*XXX*
112.80(g)	*Write-down of deferred tax assets/(Reversal of a previous write-down of deferred tax assets)*		*XXX*	*XXX*	*XXX*	*XXX*
112.80(h)	*Change in accounting policy*		*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

Reference

Notes to the financial statements

26. Tax expense (continued)

112.81(c)

26.2 Reconciliation of tax expense

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit for the year	65,036	55,090	4,960	3,950
Total income tax expense	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% (2022: 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) provision in prior year	1,520	(290)	(934)	-
	28,961	20,720	940	410

112.81(a)

26.3 Income tax recognised directly in equity

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Convertible notes					
- deferred tax	10	600	-	600	-

Reference

Notes to the financial statements

27. Discontinued operation/*Disposal of subsidiary*

5.41(a)-(b), (d) In May 2023, 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 2022 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 2023 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.

101.98(e) **Results of discontinued operation**

Reference		Note	Group 2023 RM'000	Group 2022 RM'000
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 5.33(b)(ii), 34	**Results from operating activities**		(1,620)	(4,660)
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), 112.81(h)(i)	Gain on sale of discontinued operation		8,460	-
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 (2022: loss of RM4,220,000) is attributable entirely to the owners of the Company.

Reference	**Cash flows from/(used in) discontinued operation/*disposal of subsidiary***	Group 2023 RM'000	Group 2022 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)

Reference	**Effect of disposal on the financial position of the Group**	Note	2023 RM'000
107.40(d)	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

Reference

Notes to the financial statements

27. Discontinued operation/*Disposal of subsidiary* (continued)

Reference		2023 RM'000
	Gain on disposal of discontinued operation/*disposal of subsidiary*	
	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

Reference

Notes to the financial statements

28. Profit for the year

Reference	Profit for the year is arrived at after charging/ (crediting):	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
S249(4)(e)	**Auditors' remunerations**					
	Audit fees:					
	- KPMG PLT		1,000	800	400	370
	- *Member firms of KPMG International Limited*		*XXX*	*XXX*	*XXX*	*XXX*
	- Other auditors		600	500	-	-
	Non-audit fees:					
	- KPMG PLT		210	170	170	130
	- Local affiliates of KPMG PLT		360	420	-	-
	- *Member firms of KPMG International Limited*		*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	a	4,600	-	-	-
101.104	Depreciation of property, plant and equipment	3	50,010	51,220	-	-
101.104	Depreciation of right-of-use assets	4	1,108	1,039	-	-
101.104	Personnel expenses (including key management personnel):					
	- 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		2,510	3,230	480	-

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.

Reference

Notes to the financial statements

28. Profit for the year (continued)

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
	Profit for the year is arrived at after charging/ (crediting) (continued):					
	Other expenses/(income) arising from leases					
16.53(c)	Expenses relating to short-term leases	b	1,500	1,470	-	-
16.53(d)	Expenses relating to leases of low-value assets	b	5,100	5,100	-	-
16.53(e)	*Expenses relating to variable lease payments not included in the measurement of lease liabilities*		*XXX*	*XXX*	*XXX*	*XXX*
16.53(f)	*Income from subleasing right-of-use assets (excluding subleasing of investment properties)*		*(XXX)*	*(XXX)*	*(XXX)*	*(XXX)*
16.53(i)	*(Gains)/Losses arising from sale and leaseback transactions*		*(XXX)*	*XXX*	*(XXX)*	*XXX*

Note b

16.60 The Group leases IT equipment with contract terms of 1 to 3 years (2022: 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 2023, the Group is committed to additional short-term leases of motor vehicles amounting to RM5,000,000 (2022: Nil) that are dissimilar to the portfolio of short-term leases of IT equipments expensed during the year.

Reference		Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
	Profit for the year is arrived at after charging/ (crediting) (continued):				
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

Reference

Notes to the financial statements

29. Other comprehensive income

Reference	Group	2023 Before tax RM'000	2023 Tax (expense) /benefit RM'000	2023 Net of tax RM'000	2022 Before tax RM'000	2022 Tax (expense) /benefit RM'000	2022 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	(80)	820	(200)	50	(150)
	Revaluation of property, plant and equipment on transfer of properties to investment properties	2,000	(200)	1,800	-	-	-
	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	(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*
	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	(110)	-	(110)	(450)	-	(450)
	- Reclassification adjustments for losses from impairment included in profit or loss	*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	*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

Reference

Notes to the financial statements

30. Earnings/(Loss) per ordinary share

30.1 Basic earnings/(loss) per ordinary share

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

Reference	Group	2023 Continuing operations RM'000	2023 Discontinued operation RM'000	2023 Total RM'000	2022 Continuing operations RM'000	2022 Discontinued operation RM'000	2022 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)
133.70(a)	Profit/(Loss) attributable to ordinary shareholders	53,346	3,790	57,136	52,980	(4,220)	48,760

Reference		Group 2023 '000	Group 2022 '000
133.70(b)	Weighted average number of ordinary shares as at 31 December	93,571	92,653

Reference		Group 2023 Sen	Group 2022 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

133.70(a)

30.2 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:

Group	2023 Continuing operations RM'000	2023 Discontinued operation RM'000	2023 Total RM'000	2022 Continuing operations RM'000	2022 Discontinued operation RM'000	2022 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

Reference

Notes to the financial statements

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

30.2 Diluted earnings/(loss) per ordinary share (continued)

	Group	
	2023	**2022**
	’000	**’000**
Weighted average number of ordinary shares at 31 December (basic)	93,571	92,653
Effect of conversion of convertible notes	1,700	-
Effect of share options on issue	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.

		Group	
		2023	**2022**
		Sen	**Sen**
	From continuing operations	56.4	56.9
133.68	From discontinued operation	4.0	(4.5)
	Diluted earnings per ordinary share	60.4	52.4

Reference

Notes to the financial statements

101.107

31. Dividends

Dividends recognised by the Company:

2023	Sen per share	Total RM'000	Date of payment
Final 2022 preference (non-redeemable preference shares)	7.88	4,140	28 February 2023
Final 2022 ordinary	5.85	5,450	28 February 2023
Interim 2023 ordinary	3.00	2,840	28 September 2023
		12,430	
2022			
Final 2021 preference (non-redeemable preference shares)	7.88	4,140	28 February 2022
Final 2021 ordinary	0.75	690	28 February 2022
Interim 2022 ordinary	0.45	410	9 September 2022
		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 RM'000
Final 2023 preference (non-redeemable preference shares)	7.88	4,140
Final 2023 ordinary	9.60	9,070
		13,210

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

Reference

Notes to the financial statements

32. Operating segments

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 2023 (see note 27).
• 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. 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 2023 (2022: 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 2023 (2022: 9.9%).

8.16 Other non-reportable segments comprise operations related to construction and rental of investment properties. None of these segments met the quantitative thresholds for reporting segments in 2023 and 2022.

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

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

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.

Reference

Notes to the financial statements

32. Operating segments (continued)

Group

Reference	2023	Standard paper RM'000	Recycled paper RM'000	Paper products RM'000	Packaging (discontinued) RM'000	Research and development RM'000	Total RM'000
8.21(b)	**Segment profit/(loss)**	68,802	47,868	27,676	(1,620)	9,978	152,704
	Included in the measure of segment profit/(loss) are:						
8.23(a), 32	Revenue from external customers	337,784	232,347	287,534	75,430	-	933,095
8.23(b)	Inter-segment revenue	10,980	17,871	1,298	-	187,989	218,138
8.23(i)	Write-down of inventories	(450)	-	-	-	-	(450)
8.23(i)	*Impairment of property, plant and equipment*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
8.23(i)	Impairment of intangible assets	(1,160)	-	-	-	-	(1,160)
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	-	-	-	-	4,670
	Not included in the measure of segment profit but provided to CODM						
8.23(e)	Depreciation *and amortisation*	(11,688)	(13,635)	(14,897)	(2,400)	(7,923)	(50,543)
8.23(d)	Finance costs	(7,366)	(4,899)	(2,892)	-	-	(15,157)
8.23(c)	Finance income	3,173	1,233	209	-	2,133	6,748
8.23(h)	*Tax expense*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
8.21(b)	**Segment assets**	369,505	209,843	109,372	101,540	80,982	871,242
	Included in the measure of segment assets are:						
8.24(a)	Investments in associates	20,250	-	-	-	-	20,250
8.24(b)	Additions to non-current assets other than financial instruments and deferred tax assets	109,677	30,983	12,389	-	10,998	164,047

Reference

Notes to the financial statements

32. Operating segments (continued)

Group

Reference	2022	Standard paper RM'000	Recycled paper RM'000	Paper products RM'000	Packaging (discontinued) RM'000	Research and development RM'000	Total RM'000
8.21(b)	**Segment profit/(loss)**	74,201	37,658	27,869	(4,660)	12,096	147,164
	Included in the measure of segment profit/(loss) are:						
8.23(a), 32	Revenue from external customers	382,004	198,799	239,480	231,930	-	1,052,213
8.23(b)	Inter-segment revenue	19,897	13,799	1,348	-	179,328	214,372
8.23(i)	Write-down of inventories	(1,250)	-	-	-	-	(1,250)
8.23(i)	Impairment of property, plant and equipment	(11,230)	-	-	-	-	(11,230)
8.23(i)	Impairment of intangible assets	(2,850)	-	-	-	-	(2,850)
8.23(i)	*Reversal of impairment of property, plant and equipment*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
8.23(i)	*Reversal of impairment of intangible assets*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
8.23(g)	Share of profit of associates	5,870	-	-	-	-	5,870
	Not included in the measure of segment profit but provided to CODM						
8.23(e)	Depreciation *and amortisation*	(12,375)	(14,989)	(11,389)	(7,200)	(7,291)	(53,244)
8.23(d)	Finance costs	(6,117)	(3,878)	(2,873)	-	-	(12,868)
8.23(c)	Finance income	1,787	1,234	309	-	238	3,568
8.23(h)	*Tax expense*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
8.21(b)	**Segment assets**	307,331	234,982	108,943	11,298	78,987	741,541
	Included in the measure of segment assets are:						
8.24(a)	Investments in associates	15,580	-	-	-	-	15,580
8.24(b)	Additions to non-current assets other than financial instruments and deferred tax assets	6,376	12,509	1,098	(2,092)	2,324	20,215

Reference

Notes to the financial statements

32. Operating segments (continued)

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

Reference		Group 2023 RM'000	Group 2022 RM'000
8.28(b)	**Profit or loss**		
	Total profit or loss for reportable segments	152,704	147,164
	Other non-reportable segments	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:		
	- Corporate expenses	(2,931)	(2,837)
	- Others	(86)	(96)
	Consolidated profit (excluding tax and discontinued operation)	84,503	77,310

Reference	Group	External revenue RM'000	Depreciation *and amortisation* RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Addition to non-curent assets RM'000
8.28	**2023**						
	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
	2022						
	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

Reference

Notes to the financial statements

32. Operating segments (continued)

Geographical segments

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	
	External revenue	Non-current assets
2023	RM'000	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
2022		
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

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

	Revenue		Segment
	2023	2022	
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

Reference

Notes to the financial statements

33. Financial instruments

7.6, 7.8

33.1 Categories of financial instruments

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")

Group	Carrying amount	AC	Manda-torily at FVTPL	*FVTPL - DUIR*	FVOCI - EIDUIR	FVOCI - DI	Deriva-tives used for hedging
2023	**RM'000**	**RM'000**	**RM'000**	***RM'000***	**RM'000**	**RM'000**	**RM'000**
Financial assets							
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
Financial liabilities							
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)	-	-	-	-
2022							
Financial assets							
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	-
Financial liabilities							
Loans and borrowings	(229,920)	(229,920)	-	-	-	-	-
Trade and other payables	(228,999)	(228,999)	-	-	-	-	-
Derivative financial liabilities	(1,751)	-	(1,751)	-	-	-	-
	(460,670)	(458,919)	(1,751)	-	-	-	-

Company	AC	
	2023	**2022**
Financial assets	**RM'000**	**RM'000**
Trade and other receivables	34,086	32,370
Cash and cash equivalents	14,980	11,490
	49,066	43,860
Financial liabilities		
Loans and borrowings	(66,170)	-
Trade and other payables	(16,360)	3,310
	(82,530)	3,310

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.2 Net gains and losses arising from financial instruments

Reference		Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
	Net gains/(losses) on:				
	Financial assets at FVTPL:				
7.20(a)(i)	- Mandatorily required by MFRS 9	1,240	890	-	-
	- Designated upon initial recognition	*XXX*	*XXX*	*XXX*	*XXX*
		1,240	890	-	-
	Financial liabilities at FVTPL:				
7.20(a)(i)	- Mandatorily required by MFRS 9	(110)	(100)	-	-
	- Designated upon initial recognition				
	- recognised in profit or loss	*XXX*	*XXX*	*XXX*	*XXX*
	- recognised in other comprehensive income	*XXX*	*XXX*	*XXX*	*XXX*
		(110)	(100)	-	-
7.20(a)(viii)	Debt instruments at FVOCI:				
	- 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 FVOCI:				
	- recognised in profit or loss	2,500	-	-	-
	- recognised in other comprehensive income	(1,234)	-	-	-
		1,266	-	-	-
7.20(a)(vi)	Financial assets at AC	1,545	1,211	3,799	1,650
7.20(a)(v)	Financial liabilities at AC	(18,835)	(18,643)	(3,911)	-
7.20A	*Derecognition of financial assets at AC arising from non-recourse factoring:*				
	- gains	*XXX*	*XXX*	*XXX*	*XXX*
	- losses	*XXX*	*XXX*	*XXX*	*XXX*
		XXX	*XXX*	*XXX*	*XXX*
		(13,054)	(16,232)	(112)	1,650

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

33.4 Credit risk

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 assesses whether any of the trade receivables and contract assets are credit impaired.

7.33F(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 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.

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.

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:

	Group	
	2023	**2022**
	RM'000	**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

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 adopts the simplified approach and 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.

Reference	Group	2023 Gross-carrying amount	2023 Loss allow-ance	2023 Net balance	2022 Gross-carrying amount	2022 Loss allow-ance	2022 Net balance
		RM'000	RM'000	RM'000	RM'000	RM'000	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

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(c) Trade receivables which are credit impaired amounting to RM2,185,000 (2022: 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 (2022: RM800,000).

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 The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below:

	Group	Trade receivables - Lifetime ECL	Trade receivables - Credit impaired	Contract asset - Lifetime ECL	Total
		RM'000	RM'000	RM'000	RM'000
7.35B(b)	**At 1 January 2022**	3,105	5,139	28	8,272
	Amounts written off	(770)	(890)	-	(1,660)
	Net remeasurement of loss allowance	384	692	-	1,076
	At 31 December 2022/1 January 2023	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
	At 31 December 2023	831	2,971	14	3,816

7.35L As at 31 December 2023, RM106,000 (2022: 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 2023:*

- *Increase in the Group's credit impaired balance in North America of RMXXX, resulted in an increase in the Group's impairment allowances in 2023 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 2023 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 (2022: RMXXX). There were no movements in respect of the impairment loss on net investment in a lease during the year.

Cash and cash equivalents *and deposits with licensed banks*

7.33(a)-(b), 34(a), 35B(a) The cash and cash equivalents *and deposits* 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.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.4 Credit risk (continued)

Other receivables

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 and the Company manage 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 Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

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.

Financial guarantees

9.4.2.1(c), 17.7(e) 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*.

Risk management objectives, policies and processes for managing the risk

7.33(b) 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 (2022: 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	
	Lifetime ECL	
	2023	2022
	RM’000	RM’000
At 1 January	500	500
Net remeasurement of loss allowance	-	-
At 31 December	500	500

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.4 Credit risk (continued)

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.

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.

Group	**2023**			**2022**		
	Gross-carrying amount	**Loss allow-ance**	**Net balance**	**Gross-carrying amount**	**Loss allow-ance**	**Net balance**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Low credit risk	32,596	-	32,596	32,870	-	32,870
Significant increase in credit risk	1,000	(10)	990	-	-	-
Credit impaired	205	(205)	-	118	(118)	-
	33,801	(215)	33,586	32,988	(118)	32,870

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	
	2023	**2022**
	RM'000	**RM'000**
At 1 January	118	111
Amounts written off	*(XXX)*	*(XXX)*
Net remeasurement of loss allowance	97	7
At 31 December	215	118

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.

Reference

Notes to the financial statements

33. Financial instruments (continued)

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.

Maturity analysis

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	Group	Carrying amount	Contractual interest rate/ coupon/ discount rate	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
	2023	**RM'000**		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
7.39(a)	Non-derivative financial liabilities							
	Bank loans	70,120	5.0% - 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% - 5.0%	33,172	6,946	8,274	7,862	10,090
	Other bank facilities	5,150	3.5% - 4.5%	5,150	5,150	-	-	-
	Bank overdrafts	3,340	6.0% - 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
	2022							
7.39(a)	Non-derivative financial liabilities							
	Bank loans	110,930	5.0% - 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	-
	Lease liabilities	27,566	3.5% - 4.3%	31,860	3,600	7,720	3,520	17,020
	Other bank facilities	1,170	3.5% - 4.5%	1,170	1,170	-	-	-
	Bank overdrafts	2,820	6.0% - 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	-	-
		486,485		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)	-	-	-
		485,983		536,525	302,326	58,993	152,621	22,585

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

Reference	Company	Carrying amount	Contractual interest rate/ coupon/ discount rate	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
	2023	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000
7.39(a)	Non-derivative financial liabilities							
	Convertible notes	46,222	6.5%	63,000	3,250	3,250	56,500	-
	Financial guarantees	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
	2022							
7.39(a)	Non-derivative financial liabilities							
	Financial guarantees	500	-	82,409	82,409	-	-	-
	Other payables	3,310	-	3,310	3,310	-	-	-
		3,810		85,719	85,719	-	-	-

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.6 Market risk

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:

Group	**2023 Denominated in**			**2022 Denominated in**		
Balances recognised in the statement of financial position	**USD RM'000**	**GBP RM'000**	**CHF RM'000**	**USD RM'000**	**GBP RM'000**	**CHF RM'000**
Trade receivables	43,650	13,670	-	62,500	17,800	-
Bank loans	(4,470)	(8,450)	(12,600)	(5,210)	(48,550)	(12,750)
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)	(12,750)
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)

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

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% (2022: 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)

	Equity		Profit or loss	
Group	**2023**	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
USD	-	-	387	365
GBP	-	-	1,181	1,088
CHF	(120)	(112)	-	-
	(120)	(112)	1,568	1,453

A 10% (2022: 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.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.6 Market risk (continued)

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 (2022: RM35,000,000) in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. At 31 December 2023, 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	
	2023	2022	2023	2022
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 (2022: RM6,000) arising from interest bearing instruments designated as fair value through other comprehensive income.

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
2023	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
2022				
Floating rate instruments	-	-	(1,014)	1,014
Interest rate swaps	52	(52)	-	-
Cash flow sensitivity (net)	52	(52)	(1,014)	1,014

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.6 Market risk (continued)

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% (2022: 10%) strengthening in FBMKLCI at the end of the reporting period would have increased post-tax profit or loss by RM540,000 (2022: RM465,000) for investments classified as fair value through profit or loss. A 10% (2022: 10%) weakening in FBMKLCI would have had equal but opposite effect on profit or loss.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.7 Hedging activities

33.7.1 Currency risk - Transactions in foreign currency

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)-(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.

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.7 Hedging activities (continued)

33.7.3 Cash flow hedge

9.6.5.11(d)(i),(ii),(iii), 6.2.4 The Group applied the requirements of MFRS 9, *Financial Instruments* for hedge accounting. 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.

7.23B At 31 December 2023, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

Reference		Maturity		
	Group	**Under 1 year**	**1 - 2 years**	**2 - 5 years**
	2023	**RM'000**	**RM'000**	**RM'000**
	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 (2022: Nil). The interest rate swaps have nominal value of RM50,000,000 (2022: Nil) and are settled every six monthly, consistent with the interest repayment schedule of the bank loan.

At 31 December 2022, 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	**Change in value used for calculation of hedge ineffectiveness**	**Cash flow hedge reserve**	**Cost of hedging reserve**	**Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied**
31 December 2023	**RM'000**	**RM'000**	**RM'000**	**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	-	-

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.7 Hedging activities (continued)

33.7.3 Cash flow hedge (continued)

	Foreign currency risk		Interest rate risk
Group	***Forward exchange contracts - Sales, receivables and borrowings***	***Forward exchange contracts - Inventory purchases***	**Interest rate swaps**
2023	**RM'000**	**RM'000**	**RM'000**
Hedging instruments			
Nominal amount	*XXX*	*XXX*	50
Carrying amount - assets	*XXX*	*XXX*	828
Carrying amount - liabilities	*XXX*	*XXX*	-
Line item in the statement of financial position where the hedging instrument is included	*Derivative financial assets/(liabilities)*	*Derivative financial assets/(liabilities)*	Derivative financial assets/(liabilities)
Hedge ineffectiveness			
Changes in the value of hedging instrument recognised in OCI	*XXX*	*XXX*	-
Hedge ineffectiveness recognised in profit or loss	*XXX*	*XXX*	(25)
Line item in profit or loss that includes hedge ineffectiveness	*Finance costs*	*Finance costs*	Finance costs
Cost of hedging and hedging reserve			
Cost of hedging recognised in OCI	*XXX*	*XXX*	-
Amount from hedge reserve transferred to cost of inventory	*XXX*	*XXX*	-
Amount from costs of hedging reserve transferred to cost of inventory	*XXX*	*XXX*	-
Reclassification			
Amount reclassified from hedge reserve to profit or loss	*XXX*	*XXX*	(170)
Amount reclassified from costs of hedging reserve to profit or loss	*XXX*	*XXX*	-
Line item in profit or loss affected by the reclassification	*Finance costs*	*Finance costs*	Finance costs

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.

	Group	
	Hedging reserve	***Cost of hedging reserve***
	RM'000	***RM'000***
At 1 January 2023	-	*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*
At 31 December 2023	853	*XXX*

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.8 Fair value information

7.29(a) The carrying amounts of cash and cash equivalents, *deposits with licensed banks,* 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.

The tables below analyses other financial instruments at fair value.

7.25, 13.93(a)-(b), 97, 99

2023	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets					
Measured at fair value					
Bonds	3,350	3,350	3,350	-	-
Shares	20,570	20,570	8,070	-	12,500
Interest rate swaps	828	828	-	-	828
Forward exchange contracts	1,406	1,406	-	1,406	-
Not measured at fair value					
Bonds	19,010	19,150	19,150	-	-
Financial liabilities					
Measured at fair value					
Forward exchange contracts	(1,192)	(1,192)	(1,192)	-	-
Not measured at fair value					
Bank loans	(70,120)	(69,130)	-	-	(69,130)
Bonds	(95,861)	(95,500)	-	(95,500)	-
Convertible notes	(46,222)	(45,880)	-	(45,880)	-
Redeemable preference shares	(19,948)	(19,360)	-	-	(19,360)
Company					
Financial assets					
Not measured at fair value					
Loans to subsidiaries	31,210	30,550	-	-	30,550
Financial liabilities					
Not measured at fair value					
Convertible notes	(46,222)	(45,880)	-	-	(45,880)
Financial guarantees	(500)	(500)	-	-	(500)
Redeemable preference shares	(19,948)	(19,360)	-	-	(19,360)

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.8 Fair value information (continued)

2022	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets					
Measured at fair value					
Bonds	3,745	3,745	3,745	-	-
Shares	19,759	19,759	17,259	-	2,500
Interest rate swaps	998	998	-	-	998
Forward exchange contracts	2,253	2,253	-	2,253	-
Not measured at fair value					
Bonds	18,815	18,955	18,955	-	-
Financial liabilities					
Measured at fair value					
Forward exchange contracts	(1,751)	(1,751)	-	(1,751)	-
Not measured at fair value					
Bank loans	(110,930)	(109,800)	-	-	(109,800)
Bonds	(95,000)	(94,750)	-	(94,750)	-
Redeemable preference shares	(20,000)	(20,500)	-	-	(20,500)
Company					
Financial assets					
Not measured at fair value					
Loans to subsidiaries	24,940	24,850	-	-	24,850
Financial liabilities					
Not measured at fair value					
Financial guarantees	(500)	(500)	-	-	(500)

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.8 Fair value information (continued)

Level 2 fair value

Derivatives

13.93(d) 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 (2022: no transfer in either directions).

13.93(c), 95 *On XX September 2023, 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 2023 (2022: 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 2023 RM'000	Group 2022 RM'000
	Derivatives used for hedging		
13.93(e)	**At 1 January**	-	*XXX*
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*

Reference		Group 2023 RM'000	Group 2022 RM'000
	Unquoted shares		
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

Reference

Notes to the financial statements

33. Financial instruments (continued)

33.8 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 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: 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: 4 - 7 (2022: 4 - 7)	The estimated fair value would increase/decrease if the adjusted market multiple were higher/ lower.

13.93(h) (ii) **Sensitivity analysis**

Group	Profit or loss		Other comprehensive income, net of tax	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
2023				
Interest rate (1% movement)	56	(56)	-	-
Adjusted market multiple (5% movement)	-	-	321	(321)
2022				
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 Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

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	Related financial instruments that are not offset	Net amount
2023		**RM'000**	**RM'000**	**RM'000**
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	-
Derivative financial assets				
Interest rate swaps	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	-

9.B3.1.3, 3.1.2, 7.B5(c)

33.10 Material accounting policy information

The Group or the Company applies settlement date accounting for regular way purchase or sale of financial assets.

Reference

Notes to the financial statements

101.134

34. Capital management

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 2023, the Group's strategy, which was unchanged from 2022, was to maintain the debt-to-equity ratio at the lower end range within 0.4:1 to 0.8:1. The debt-to-equity ratios at 31 December 2023 and at 31 December 2022 were as follows:

		Group	
		2023	2022
	Note	RM'000	RM'000
			Restated
Loans and borrowings	18	240,641	229,920
Lease liabilities		24,504	27,566
Less: Cash and cash equivalents	15	(10,412)	(18,500)
Net debt		254,733	238,986
Total equity		402,103	321,049
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).

Reference

Notes to the financial statements

35. Capital and other commitments

Reference		Group 2023 RM'000	Group 2022 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
12.23(a), B18-B20	***Joint venture***		
	Share of capital commitment of the joint venture	*XXX*	*XXX*
138.122(e)	***Intangible assets***		
	Contracted but not provided for	*XXX*	*XXX*

Reference

Notes to the financial statements

36. Contingencies

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 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 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.				
	In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.	9,500	-	-	-
137.89	**Contingent assets**				
	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.	10,000	-	-	-

Reference

Notes to the financial statements

37. Related parties

Significant related party transactions

124.18(a) 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 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
124.19(a)	**Immediate holding company**				
	Sale of goods	5,690	4,280	-	-
124.19(c)	**Subsidiaries**				
	Interest income on loans	-	-	3,780	3,250
	Management fee income	-	-	390	100
	Share options recharged	-	-	4,100	2,500
124.19(d)	**Associates**				
	Sale of goods	28,467	12,250	-	-
	Interest income on loans	-	1,600	-	-
	Administrative fee income	240	240	-	-
	Management entity				
124.18A	*Key management personnel services fee*	*XXX*	*XXX*	*XXX*	*XXX*
124.17, 19(f) S249(4)(a)-(b)	**Key management personnel**				
	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
	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

Reference

Notes to the financial statements

37. Related parties (continued)

Significant related party transactions (continued)

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 (2022: 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.

Government-related entities

Example 1: Individually significant transaction because of size of transaction

124.26(b)(i) *In 2021, 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 2022 to 2024, 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	**2023**	**2022**
		RM'000	**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.

124.26(b)(i) ***Example 2: Individually significant transaction carried out on 'non-market' terms***

On 30 December 2022, 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 2023 to 2027. 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	**2023**	**2022**
		RM'000	**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.

Reference

Notes to the financial statements

37. Related parties (continued)

Government-related entities (continued)

Example 3: Individually significant transaction outside normal day-to-day business operations

124.26(b)(i) *Pursuant to an agreement dated 1 January 2023, 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	
	2023	***2022***
	RM'000	***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 2023, 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.

Reference

Notes to the financial statements

38. Acquisition of subsidiary and non-controlling interests

38.1 Acquisition of subsidiary - Papyrus Pty Limited

3.59(a), B64(a)-(d), 3.B64(q)

On 31 March 2023, 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 2023, the subsidiary contributed revenue of RM50,290,000 and profit of RM2,080,000. If the acquisition had occurred on 1 January 2023, 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 2023.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

3.B64(f), 107.40(a)

Reference	**Fair value of consideration transferred**	Note	**Group 2023 RM'000**
107.40(b)	Cash and cash equivalents		25,000
	Contingent consideration	22	*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		*(XXX)*
			25,000

3.B67(i), 107.40(d)

Reference	**Identifiable assets acquired and liabilities assumed**	Note	**Group 2023 RM'000**
	Property, plant and equipment	3	19,550
	Intangible assets	6	3,270
	Inventories		3,750
	Trade and other receivables		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	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.

Contingent consideration

3.B64(g), B67(b) *The Group has agreed to pay the selling shareholders in three year's time additional consideration of RMXXX if the acquiree's cumulative EBITDA over the next three years exceeds RMXXX. The Group has included RMXXX as contingent consideration related to the additional consideration, which represents its fair value at the date of aquisition. At 31 December 2023, the contingent consideration had increased to RMXXX (see note 22).*

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 2023 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 2023 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*		*XXX*
	Fair value of existing interest in the acquiree		*XXX*
	Goodwill	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.*

3.B64(l),(m) **Acquisition-related costs**

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 - Windmill N.V.

In June 2023, 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 2023 RM'000
Equity interest at 1 January 2023	392
Effect of increase in Company's ownership interest	115
Share of comprehensive income	290
Equity interest at 31 December 2023	797

Reference

Notes to the financial statements

38. Acquisition of subsidiary and non-controlling interests (continued)

38.3 Material accounting policy information

(a) Acquisition of subsidiary with non-controlling interests

3.19 *The Group elects to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets at the acquisition date.*

(b) Acquisition from entities under common control

During the year, the Group acquired a new subsidiary. 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.

Reference

Notes to the financial statements

39. Interest in joint operation

12.21(a) The Group has a 50% (2022: 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.

Reference

Notes to the financial statements

7.42A, 42B, 42E, 12.29

40. Interest in unconsolidated structured entities

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	
	2023 RM'000	**2022 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.

Reference

Notes to the financial statements

41. Subsequent event

110.21(a),(b) At the end of January 2024, 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 2024, 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 2024.

Reference

Notes to the financial statements

42. Comparative figures

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			
	31.12.2022		1.1.2022	
	As restated	As previously reported	As restated	As previously reported
	RM'000	RM'000	RM'000	RM'000
Trade and other payables	228,999	248,999	235,290	255,290
Loans and borrowings – non-current	185,930	165,930	232,441	212,441

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 2023

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
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 gains/(losses) 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 2023

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	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 2023

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
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)	(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 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

Appendix 3 - Explanatory note to the statements of financial position

General

Reference	Title of statements and changes to reporting period
101.10	In these Illustrative Financial Statements, the titles of the statements are consistent with the titles used in MFRS 101. However, these terms are not mandatory and different titles are permitted.
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.
	Third statement of financial position
101.10	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, notes related to the third statement of financial position are not 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.
	Presentation and classification (i.e. offsetting, additional line items)
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.
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.
15.110, 101.29, 30, 55, 77	To meet the disclosure objective in MFRS 15 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).
	Going concern
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.

Appendix 3 - Explanatory note to the statements of financial position (continued)

No.	Reference	Current and non-current classification
1.	101.60, 61	In these Illustrative Financial Statements, we have made current and non-current distinction 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.
		Right-of-use assets and lease liabilities
2.	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.
		Deferred tax and current tax
3.	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).
	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.
		Trade receivables - unconditional rights
4.	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.
		Sale with a right of return - Inventories
5.	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.
		Contract assets and contract liabilities
6.	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'.
		Assets and liabilities held for sale or distribution
7.	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.

Appendix 3 - Explanatory note to the statements of profit or loss and other comprehensive income

General

Reference	Title of statements
101.10	In these Illustrative Financial Statements, the titles of the statements are consistent with the titles used in MFRS 101. However, these terms are not mandatory and different titles are permitted.
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.
	Presentation and classification
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.
101.88	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.
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.
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.

Appendix 3 - Explanatory note to the statements of profit or loss and other comprehensive income (continued)

No.	Reference	Revenue
1.	101.60, 61	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.
		Remeasurement gain/(loss) of non-current asset classified as held for sale
2.	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.
		Interest expense on lease liability
3.	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.
		Distribution of non-cash assets to owners
4.	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.
		Discontinued operations
5.	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.
	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.
		Other comprehensive income relating to non-current asset classified as held for sale
6.	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.

Appendix 3 - Explanatory note to the statements of profit or loss and other comprehensive income (continued)

Earnings per share

7. 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, 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.

Appendix 3 - Explanatory note to the statements of changes in equity

No.	Reference	Entities without share capital
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.
		Presentation of analysis of other comprehensive income
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. In these Illustrative Financial Statements, we have presented the analysis of other comprehensive income by item in the statement of changes in equity.
		Treasury shares
3.	S127	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.
		Share-based payment transactions
4.		MFRS 2 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.

Appendix 3 - Explanatory note to the statements of cash flows

No.	Reference	Operating activities
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.
	107.18, 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 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.
	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.
		Cash flow from hedging activities
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.
		Gross cash receipts and payments
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.
		Significant financing component - contract assets and contract liabilities
4.	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.
		Interest and dividends
5.	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.
		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.

Appendix 3 - Explanatory note to the statements of cash flows (continued)

No.	Reference	Taxes paid
6.	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.
		Transaction cost associated with a business combination
7.	107.16(h)	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.
		Cash flows from discontinued operations
8.	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.
		Total cash outflow for leases
9.	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.
		Reconciliation of movements of liabilities to cash flows arising from financing activities
10.	107.44A, 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.
	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.
	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.