ASIA FILE

# ASIA FILE CORPORATION BHD.

(313192 P)


# Annual Report 2019

| | |
|---|---|
| 2 | Corporate Information |
| 3 | Management Discussion And Analysis |
| 7 | Corporate Structure |
| 8 | Profile of Directors |
| 11 | Profile of Key Senior Management |
| 14 | Group Financial Highlights |
| 16 | Corporate Governance Overview Statement |
| 24 | Audit Committee Report |
| 27 | Statement on Risk Management and Internal Control |
| 30 | Sustainability Statement |
| 43 | Additional Compliance Information |
| 45 | Directors' Report |
| 51 | Financial Statements |
| 170 | List of Properties |
| 171 | Shareholdings Statistics |
| 174 | Analysis of Shareholdings |
| 175 | Notice of Annual General Meeting |
| | Proxy Form |

# Contents

# CORPORATE INFORMATION

| | |
|---|---|
| **BOARD OF DIRECTORS** | Dato' Lim Soon Huat<br>*(Executive Chairman)*<br>Ng Chin Nam<br>*(Independent Non-Executive Director)*<br>Lim Soon Wah<br>*(Executive Director)*<br>Lam Voon Kean<br>*(Independent Non-Executive Director)*<br>Nurjannah Binti Ali<br>*(Independent Non-Executive Director)*<br>Lim Soon Hee *(Alternate to Lim Soon Wah)*<br>*(Non-Independent Non-Executive Director)* |
| **COMPANY SECRETARIES** | Tai Yit Chan (MAICSA 7009143)<br>Ong Tze En (MAICSA 7026537) |
| **REGISTERED OFFICE** | 170-09-01, Livingston Tower, Jalan Argyll,<br>10050 George Town, Pulau Pinang.<br>Tel : 04-229 4390 Fax : 04-226 5860 |
| **PRINCIPAL PLACE OF BUSINESS** | Plot 16, Kawasan Perindustrian Bayan Lepas,<br>Phase IV, Mukim 12, Bayan Lepas,<br>11900 Penang, Malaysia.<br>Tel : 04-642 6601 Fax : 04-642 6602 |
| **REGISTRAR** | Agriteum Share Registration Services Sdn Bhd<br>(578473-T)<br>2nd Floor, Wisma Penang Garden<br>42, Jalan Sultan Ahmad Shah<br>10050 Pulau Pinang<br>Tel : 04-228 2321 Fax : 04-227 2391 |
| **STOCK EXCHANGE LISTING** | Main Market of Bursa Malaysia Securities Berhad |
| **AUDITORS** | KPMG PLT |

## Introduction

Listed on the Bursa Malaysia since 1996, the Group is principally involved in the manufacturing and marketing of various filing and stationery products. As an integrated files manufacturer, the Group offers a wide range of filing products and accessories made from paperboard, plastic and metal. Through its 100% owned subsidiary in United Kingdom, the Group also manufactures coloured paper and board for filing, educational and other specialty markets. As part of its product diversification plans, the Group has recently ventured into recyclable food wares.

Headquartered in Penang, the Group's manufacturing facilities consist of six production and warehousing sites in Malaysia. Its physical presence in Europe encompasses two files producing plants and one paper mill located in the United Kingdom and another two production facilities in Germany.

With a comprehensive local distribution network of more than 750 retailers, hyper markets, wholesalers and office suppliers, the Group prides itself as the leading file manufacturer in Malaysia. Its premier brand "ABBA" which is well recognised for its excellent quality and durability, remain as the leading brand name in Malaysia for filing and stationery products. The Group also carries other popular brand names such as OPTION, MEGA and GUNGYU which have enjoyed a strong presence in the local filing industry.

Globally, the Group exports its products across various parts of the world including Europe, USA, Asia Pacific, Australia, New Zealand, Middle East and Africa. The Group has partnered with numerous reputable office suppliers and wholesalers globally and has successfully established itself as one of the top filing suppliers in the United Kingdom and part of Europe.

## Financial Overview

| | FYE 2019 RM'000 | FYE 2018 RM'000 |
|---|---|---|
| Revenue | 327,787 | 351,814 |
| | | |
| Results from Operating Activities | 39,528 | 60,118 |
| | | |
| Finance Cost | (945) | (585) |
| Share of Profit of Associate | 15,984 | 11,837 |
| **Profit Before Tax ("PBT")** | **54,567** | **71,370** |
| *PBT %* | *16.65%* | *20.29%* |
| | | |
| Taxation | (6,731) | (12,072) |
| | | |
| **Profit After Tax ("PAT")** | **47,836** | **59,298** |
| *PAT %* | *14.59%* | *16.85%* |

## Revenue

Against a backdrop of a challenging business operating landscape, annual revenue recorded a decline of 6.8% to RM 327.8 million. The stagnant economy landscape in Europe and uncertainty from Brexit have impacted the overall sales as substantial of the Group's revenue is derived from Europe and the United Kingdom. Coupled with the weakening of Euro and GBP against the local currency, sales from Europe and the United Kingdom registered a drop of 9.7%. The decline was partially set off by improvement in sales generated locally which has jumped from RM 33.7 million to RM 40.6 million.

## Profitability

Operating profit declined during the year on the back of weaker revenue. The unfavourable exchange rate movement resulted in a foreign exchange loss of RM 2.8 million during the year as compared to foreign exchange gain recorded of RM 1.8 million in the preceding year. The weakening of the pair currencies of GBP/USD and EUR/USD has adversely impacted the bottom line as majority of imports are denominated in USD while export to the United Kingdom and Europe are mainly in GBP and EURO.

In addition, the machine downtime at a paper mill during the third quarter has affected the operation efficiency and spiked up the mill's production cost. Proactive action has since been taken to address the issue and the mill was subsequently backed to its normal operating condition.

As part of the measures to reduce operating cost, the Group has installed solar panels at some of its facilities in Penang which has successfully reduced the energy consumption at such facilities by up to 25%.

Lower revenue generated in some high cost overseas operating plants has further compressed the margin due to the relatively higher percentage of fixed operating costs incurred. In order to optimise the utilisation of operation resources, various new projects have been identified to broaden the current business beyond its traditional filing products.

After taking into consideration the share of profit of associate, the Group achieved a total profit before tax of RM 54.6 million. This represented a pre-tax margin of 16.6%. During the year, the Group enjoyed a lower tax rate due to tax refund of RM 2.4 million from Malaysia tax authority upon successful appeal of tax treatment on certain expenses.

## Group Financial Position

As at 31 March 2019, the Group's cash and cash equivalents amounted to RM 177.3 million while bank borrowings were recorded at RM 27.6 million. The bank borrowings were in relation to USD denominated trade loans utilised to finance import bills invoiced in USD. Other than the above bank borrowings, the Group does not incur any other external borrowings or loans.

The Group's financial position remains healthy with a total of RM 598.9 million in equity attributable to owners of the Company as at 31 March 2019.

## Dividend

Subject to the approval of the shareholders, the Board of Directors proposed a final dividend of RM 0.07 per share bringing total dividend for the financial year under review to RM 0.14 per share. The amount represents a total pay-out rate of 57% based on the net profit for the year. Over the years, the Group has consistently paid out cash dividend in every financial year since it was listed in 1996. This reflects the Group's commitment to continue rewarding its shareholders with sustainable returns.

## Anticipated Risks

### *Foreign Exchange ("forex") Risk*

As more than 87% of the Group revenues were invoiced in foreign currencies, forex volatilities associated with GBP, EURO and USD against Ringgit Malaysia would impact the consolidated earnings of the Group.

The Group will continue to monitor closely the movement of the exchange rates and adopt hedging strategies where appropriate to address the risk of major fluctuation in exchange rates.

### *Risk Associated with New Ventures*

To ensure a sustainable growth, the Group will be on continuous look out for new ventures whether within or outside its core business. This will no doubt create uncertainties as new areas are being explored and tested.

The Group's anticipated foray into new investment, will pose both challenges and opportunities to the Group. To minimise any potential losses from such new ventures, the Group will carry out proper due diligence process and in depth evaluation prior to making any new investment decision.

***Credit Risks of Customers***

As the Group extends credit terms to most of its customers, any default of payment by its customers or failure to pay on time will affect the financial position of the Group.

To mitigate the risk, the Group has put in place stringent credit control procedures to evaluate, review and monitor all potential new debts or current debts owed by its customers. The Group's policy of only delivering to creditworthy customers after detailed evaluation of customers' financial position helps to minimize occurrence of bad debts.

## Business Outlook and Prospects

Significant consolidation in the office supplies arena has taken place in recent times which resulted in a lot of entities being merged. Although the industry does not attract many new players, intense competition among the existing players will continue to exert pricing pressure and impact profit margin. To stay afloat under such circumstance, the Group will continue driving cost control measures and also to re-align itself better with its customers. The Group will restrategize its marketing approach by embracing digital and also tapping into the vast potential of e-commerce. Leveraging on the opportunities offered by the digital and e-commerce will not only spur its growth trajectory in the market, it will also help the Group in engaging with its customers more effectively. To better position itself as a one stop filling products supplier, the Group will add new products as well as to enhance the features and functions of the existing products in order to better fulfil the requirements of its customers. The contribution from the recyclable food ware business although was not significant in the current financial year, it has created a stable base for continued expansion. The Group sees it as positive initial step as it seeks to diversify its business beyond its traditional filing business.

The healthy balance sheet position with a strong cash flow will enable the Group to seize any good opportunity for any potential acquisitions which will provide it with business synergistic benefit.

The operating environment is expected to remain challenging going forward. The Group will continue to focus on strengthening its competitive advantage by putting in place a leaner and more efficient manufacturing process, adopting customer focused marketing strategy including digital marketing and offering quality products to its customers. The Group is confident that with the concerted effort from its team of employees, it will be able to navigate through these challenges successfully.

# CORPORATE STRUCTURE

## ASIA FILE CORPORATION BHD.
(313192P)

### MALAYSIA
- 100% ASIA FILE PRODUCTS SDN BHD
- 100% AFP COMPOSITE SDN. BHD
- 100% ABBA MARKETING SDN. BHD.
- 100% SIN CHUAN MARKETING SDN. BHD
- 100% FORMOSA TECHNOLOGY SDN. BHD.
- 100% LIM & KHOO SDN. BHD

### GERMANY
- 100% PLASTOREG SMIDT GmbH

### SINGAPORE
100% PREMIER STATIONERY PTE. LTD

### UNITED KINGDOM
- 100% HIGHER KINGS MILL LIMITED
- 95% PREMIER STATIONERY LIMITED

**Dato' Lim Soon Huat,** aged 62, Male, a Malaysian and the Non-Independent Executive Chairman. He was appointed to the Board on 3 January 1996 and was subsequently appointed as Chairman of the Board on 16 July 2001.

He graduated from University of Melbourne with a Master Degree in Engineering. He has vast working experiences of more than 35 years in both public and private sectors. Prior to his involvement in business, he was involved in civil engineering projects undertaken by the Drainage and Irrigation Department. In 1986, he joined the filing and stationery industry and since then he has been playing a prominent role in all facets of the company management. He also holds directorship in various subsidiaries of Asia File Corporation Bhd Group.

As at 28 June 2019, he is the registered holder of 2,882,955 shares in Asia File Corporation Bhd and is deemed interested over 83,738,951 shares in Asia File Corporation Bhd registered under Prestige Elegance (M) Sdn Bhd. He also holds 50.01% of the total shareholding in Prestige Elegance (M) Sdn Bhd. During the financial year ended 31 March 2019, he attended four (4) Board of Directors' meetings.

**Lim Soon Wah,** aged 52, Male, a Malaysian and a Non-Independent Executive Director. He was appointed to the Board on 3 January 1996.

He obtained a Bachelor of Science Degree from University of Manitoba, Canada in 1986. Since then he has been actively involved in the production operation of the Company. He also holds directorships in several private limited companies.

As at 28 June 2019, he is the registered holder of 3,138,870 shares in Asia File Corporation Bhd. He also holds 10.75% of the total shareholding in Prestige Elegance(M) Sdn Bhd, a substantial shareholder of Asia File Corporation Bhd. During the financial year ended 31 March 2019, he attended four(4) Board of Directors' meetings.

**Ng Chin Nam**, aged 49, Male, a Malaysian. He was appointed to the Board on 11 June 2012 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee and Nomination & Remuneration Committee.

Mr. Ng is a member of the Chartered Institute of Management Accountants (CIMA). He has more than 20 years of experience in the fields of accounting, auditing, taxation and corporate finance. He started his career in 1992 in manufacturing environment. He joined an international audit firm as an audit senior in 1997 after obtaining his professional qualification from CIMA. He left the audit firm as assistant manager in 2000 to join a listed company as finance manager. In 2007, he left to assume role as Head of Management Information System (MIS), Human Resource and Finance in another listed company. Mr. Ng presently sits on the Boards of Atta Global Group Berhad and Niche Capital Emas Holdings Berhad. During the financial year ended 31 March 2019, he attended four(4) Board of Directors' meetings.

**Lam Voon Kean,** aged 67, Female, a Malaysian. She was appointed to the Board on 11 June 2012 as a Non-Independent Non-Executive Director. Thereafter, she was re-designated as Independent Non-Executive Director on 29 May 2014. She is a member of the Audit Committee and Nomination & Remuneration Committee.

Madam Lam has over 30 years of experience in the fields of accounting, auditing, corporate secretarial and advisory. She began her career with KPMG in 1974 under articleship and subsequently promoted as senior audit manager. She left KPMG in 1994 to join M & C Services Sdn Bhd [now known as Boardroom Corporate Services (Penang) Sdn Bhd after restructuring] as the senior manager and was promoted to managing director until her retirement in 2011. Madam Lam presently sits on the Boards of Globetronics Technology Bhd, RGB International Bhd, Alcom Group Bhd. and Tambun Indah Land Bhd. During the financial year ended 31 March 2019, she attended four(4) Board of Directors' meetings.

**Nurjannah binti Ali**, aged 60, Female, a Malaysian. She was appointed to the Board on 15 April 1999 as an Independent Non-Executive Director. She is a member of the Audit Committee and Nomination & Remuneration Committee.

With an accounting background, Puan Nurjannah has more than 15 years' experience in finance and corporate management. She presently sits on the Board of Public Packages Holdings Bhd and several other private limited companies. During the financial year ended 31 March 2019, she attended four(4) Board of Directors' meetings.

**Lim Soon Hee,** aged 56, Male, a Malaysian. He was appointed as a Non-Independent Non-Executive Alternate Director on 3 January 1996. On 5 June 2013, he was appointed as alternate director to Mr Lim Soon Wah.

He has more than 10 years' experiences in sales and marketing and holds directorships in various private limited companies.

As at 28 June 2019, he is the registered holder of 4,117,996 shares in Asia File Corporation Bhd. He also holds 8.74% of the total shareholding in Prestige Elegance (M) Sdn Bhd, a substantial shareholder of Asia File Corporation Bhd.

**Notes:**

i) Datin Khoo Saw Sim, a substantial shareholder, is the mother of directors, Dato' Lim Soon Huat and Mr Lim Soon Wah, and alternate director, Mr Lim Soon Hee. Other than as disclosed in the Profile of Directors, none of the directors has any family relationship with any other directors / major shareholders of the Company.

ii) Other than as disclosed in the Directors' Report and Notes to the Financial Statements, there is no other conflict of interest that the directors have with the Company.

iii) Except for Mr Ng Chin Nam, Puan Nurjannah binti Ali and Madam Lam Voon Kean which were disclosed in the Profile of Directors, none of the other directors hold any directorship in any other public listed companies.

iv) In the past five(5) years, none of the directors was convicted of any offence other than traffic offences.

# PROFILE OF KEY SENIOR MANAGEMENT

**Mr. Rodney Christopher Martin,** aged 60, Male, a British

- *Managing Director of Premier Stationery Limited*
- *Director of Higher Kings Mill Limited*

Mr. Rodney Christopher Martin graduated with a Business Degree from Middlesex University, England. He has been involved in the stationery and filing business for more than 30 years.

He was appointed as the managing director of Premier Stationery Limited since its establishment in 1997. He has been a director of Higher Kings Mill Limited since 2011. Mr. Rodney Christopher Martin is responsible for overseeing the operations of the two subsidiaries in the United Kingdom.

Mr. Rodney Christopher Martin does not have any family relationship with any director and / or major shareholder. He has no conflict of interest in any business arrangement involving the Company.

**Mr. Hubertus Rohe,** aged 62, Male, a German

- *Managing Director of Plastoreg Smidt GmbH*

Mr. Hubertus Rohe studied Marketing and Languages at European Business School.

He joined Plastoreg Smidt GmbH in November 1990 as Sales Director and was appointed as Managing Director in January 2003. In 2011 Mr. Hubertus Rohe was appointed as director of Higher Kings Mill Limited.

Prior to joining the Company, Mr. Hubertus Rohe assumed the role as Export Country Manager at Gloria Werke and was the Export Director at Brause GmbH in 1988.

Mr. Hubertus Rohe does not have any family relationship with any director and / or major shareholder. He has no conflict of interest in any business arrangement involving the Company.

**Ms. Goh Phaik Ngoh**, aged 51, Female, a Malaysian

- *Chief Financial Officer*

Ms. Goh Phaik Ngoh graduated with a Bachelor of Commerce Degree from University of Otago, New Zealand in 1991 and passed the Final Qualifying Examination organised by The New Zealand Society of Accountants in 1992.

Prior to joining Asia File group of companies in 1994, she was attached to the international accountancy firms of Messrs Arthur Andersen & Co and Coopers & Lybrand (Singapore).

She currently holds directorship in various subsidiaries of Asia File Group of companies.

Ms. Goh Phaik Ngoh does not have any family relationship with any director and / or major shareholder. She has no conflict of interest in any business arrangement involving the Company.

**Ms Lim Chin Chin**, aged 38, Female, a Malaysian

- *Business Operation Manager*

Ms. Lim Chin Chin graduated with a Bachelor of Mechanical and Manufacturing Engineering Degree from The University of Melbourne, Australia.

She joined the Group in 2005 and is actively involved in the various new projects undertaken by the Group of Companies. She also oversees Prepress Department and Computer Form division.

She currently holds directorship in various subsidiaries of Asia File Group of companies.

Ms. Lim Chin Chin is the daughter of Dato' Lim Soon Huat, the niece of Mr. Lim Soon Wah and Mr. Lim Soon Hee, the granddaughter of Datin Khoo Saw Sim and the sister of Ms. Lim Mei Chin. She has no conflict of interest in any business arrangement involving the Company except as disclosed in the Notes to the Financial Statements.

**Ms. Lim Mei Chin**, aged 34, Female, a Malaysian

❖ *Business Development Manager*

Ms. Lim Mei Chin graduated with a Bachelor of Mechanical Engineering Degree from The University of Melbourne, Australia.

She joined the Group in 2008 and is in charge of Soft Plastic division, Paper Mill division and is also actively involved in the various new projects undertaken by the Group of Companies.

She currently holds directorship in a subsidiary of Asia File Group of companies.

Ms. Lim Mei Chin is the daughter of Dato' Lim Soon Huat, the niece of Mr. Lim Soon Wah and Mr. Lim Soon Hee, the granddaughter of Datin Khoo Saw Sim and the sister of Ms. Lim Chin Chin. She has no conflict of interest in any business arrangement involving the Company.

**Mr. Chiang Kok Nearn**, aged 44, Male, a Malaysian

❖ *Plant Manager at Permatang Tinggi, Penang*

Mr. Chiang Kok Nearn graduated with a Master Degree of Business Administration from University of South Australia.

He started his career with Swanson Plastics (Malaysia) Sdn Bhd as Production Manager in April 2006. He joined the Company as Plant Manager in July 2011 and is involved in overseeing the manufacturing operation in the plant located in Permatang Tinggi, Penang.

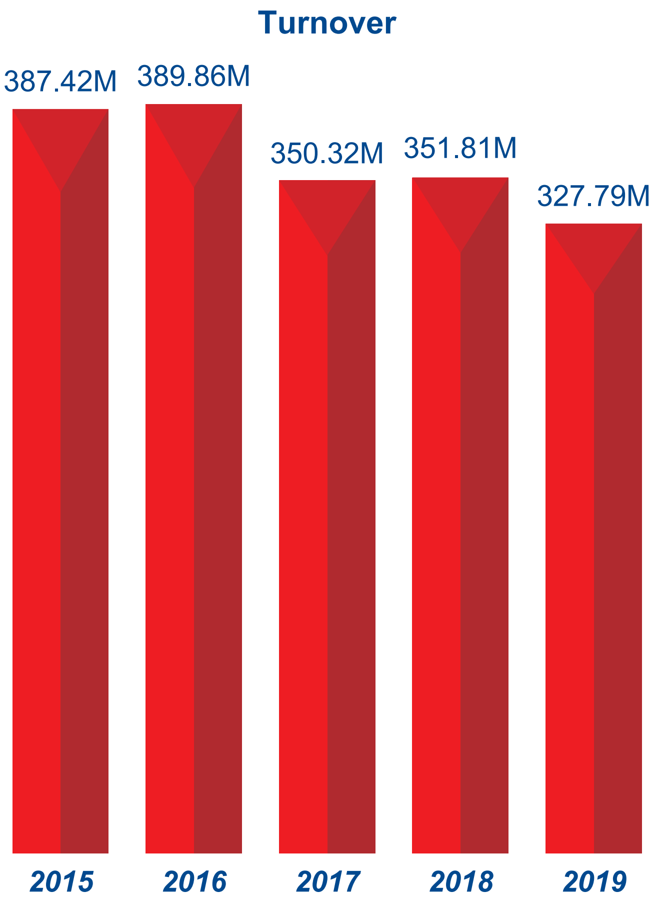
Mr. Chiang Kok Nearn does not have any family relationship with any director and / or major shareholder. He has no conflict of interest in any business arrangement involving the Company.

**Additional information**:-

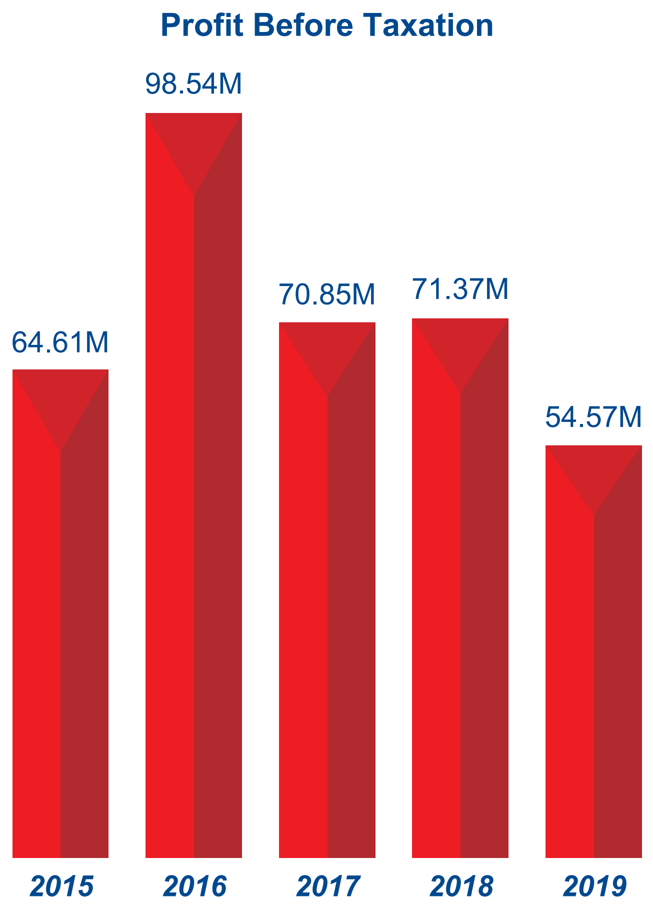
None of the Key Senior Management has:

(i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
(ii) been imposed with any public sanction or penalty by the relevant bodies during the financial year ended 31 March 2019.

# GROUP FINANCIAL HIGHLIGHTS

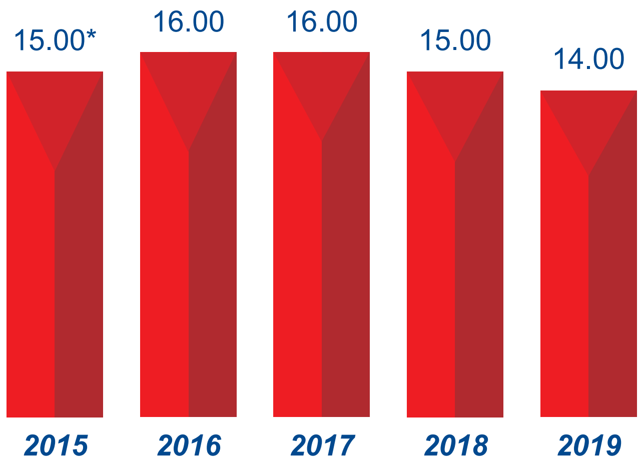



| Year | Turnover (RM) |
|---|---|
| 2015 | 387.42 M |
| 2016 | 389.86 M |
| 2017 | 350.32 M |
| 2018 | 351.81 M |
| 2019 | 327.79 M |



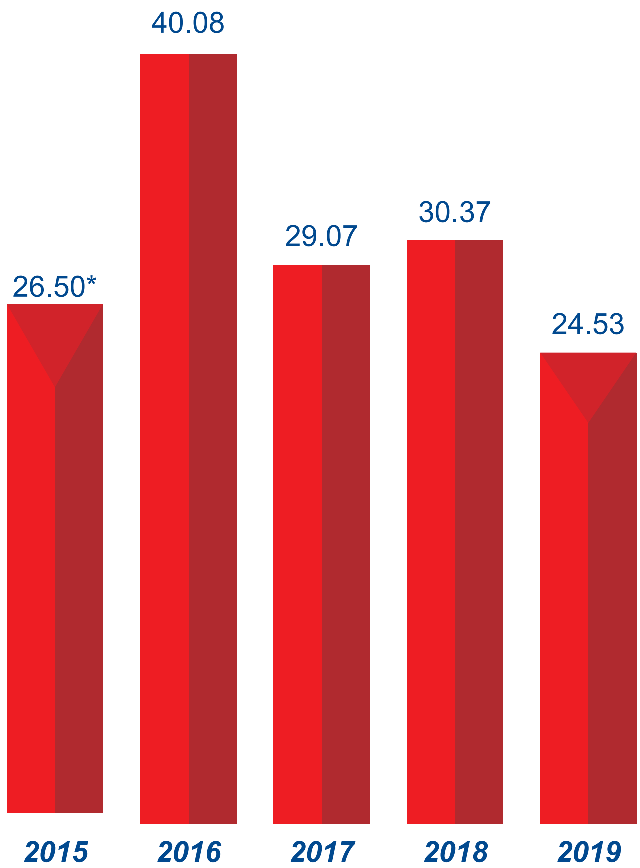

| Year | Profit Before Tax (RM) |
|---|---|
| 2015 | 64.61 M |
| 2016 | 98.54 M |
| 2017 | 70.85 M |
| 2018 | 71.37 M |
| 2019 | 54.57 M |

### Dividens Per Ordinary Share - Net (Sen)




| Year | Dividends Per Ordinary Share - Net (sen) |
|---|---|
| 2015 | 15.00* |
| 2016 | 16.00 |
| 2017 | 16.00 |
| 2018 | 15.00 |
| 2019 | 14.00 |

### Basic Earnings Per Share (Sen)




| Year | Basic Earnings Per Share (Sen) |
|---|---|
| 2015 | 26.50* |
| 2016 | 40.08 |
| 2017 | 29.07 |
| 2018 | 30.37 |
| 2019 | 24.53 |

** Based on enlarge share capital as a result of the bonus issue implemented in FYE 2015.*

## Introduction

This Statement is prepared in accordance with Main Market Listing Requirements ("Main Market LR") and The Malaysian Code on Corporate Governance ("MCCG") issued by Securities Commission Malaysia. This Statement gives the shareholders an overview of the corporate governance ("CG") practices of the Group during financial year 2019. This Statement is to be read together with the CG Report based on a prescribed format as outlined in the Main Market LR. This CG Report is available for reference at the Company's website www.asia-file.com as well as on Bursa Securities's website www.bursamalaysia.com.

MCCG is based on three (3) key principles of good corporate governance namely:-
A) Board Leadership and Effectiveness;
B) Effective Audit and Risk Management; and
C) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

## Principle A: Board Leadership and Effectiveness

***Board Responsibilities***

The Board is responsible towards the strategic planning, overseeing the resources and the overall operation of the Group. The roles and responsibilities of the Board in pursuit of its corporate objectives are set in the Board Charter. To ensure the effective discharge of its fiduciary duties and to enhance business and operational efficiency, the Board delegates specific responsibilities to the Board Committees namely Audit Committee ("AC") and Nomination & Remuneration Committee ("NRC"). All the Board Committees consist exclusively of Independent Non-Executive Directors. The Board Charter and the Terms of Reference of the Board Committees are available online at the Company's website www.asia-file.com and they will be reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness. In addition, the Board is also supported by suitably qualified company secretaries who are members of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") in ensuring that all Board meetings are properly convened.

Attendance at the various Board meetings during the financial year ended 31 March 2019 is set out in the table below:-

| Name of director | Position | Board | AC | NRC |
|---|---|---|---|---|
| Dato' Lim Soon Huat | Non-Independent Executive Chairman | 4/4 | - | - |
| Mr. Lim Soon Wah | Non-Independent Executive Director | 4/4 | - | - |
| Mr. Ng Chin Nam | Independent Non-Executive Director | 4/4 | 4/4 | 2/2 |
| Pn. Nurjannah Binti Ali | Independent Non-Executive Director | 4/4 | 4/4 | 2/2 |
| Mdm. Lam Voon Kean | Independent Non-Executive Director | 4/4 | 4/4 | 2/2 |

Calendar of meetings are tabled as below:-

| Types of meeting | 31 May 2018 | 30 Aug 2018 | 30 Nov 2018 | 28 Feb 2019 |
|---|---|---|---|---|
| Board | ✓ | ✓ | ✓ | ✓ |
| AC | ✓ | ✓ | ✓ | ✓ |
| NRC | ✓ | - | - | ✓ |

The Group is committed to ensuring that its business and operations are conducted in an ethical, moral and legal manner. The Group has established a set of Code of Ethics and Conduct which governs the standard of ethics and conducts expected from the Directors and employees of the Group. In addition, the Group's employee handbook also outlines the moral responsibilities of the employees in discharging their duties in an ethical manner.

The Group has also put in place a Whistleblowing Policy which serves as an early warning system to detect any improper conduct within the Group and take early corrective action. The Whistleblowing Policy sets out the internal channel and reporting procedures for all employees and stakeholders of the Group to disclose any irregularities and the protection accorded to whistle blowers who disclose such allegations in good faith.

***Chairman of the Board***

The Chairman is responsible to lead the Board and ensure its effectiveness. The Chief Executive Dato' Lim Soon Huat assumed the role of Chairman upon the demise of the late Dato' Lim Eng Siang on 27 June 2001. The Board is mindful of the dual role of Chairman and Chief Executive held by Dato' Lim Soon Huat but is of the view that the present composition of the Board and its decision making process will provide sufficient check and balance. More than 50% of the current Board composition consists of Independent Directors with distinguished credentials and have also acted as Independent Directors in other public listed companies. The Board could rely on their extensive experience and knowledge to ensure that there is independence of judgement.

In addition during the decision making process, the majority view of the Board will be duly considered whereby no single Board member can dominate its decision making process. The Board is confident that there will not be any potential of conflict of interest as all related party transactions are disclosed in accordance with the Main Market LR. In view of the extensive experience of Dato' Lim Soon Huat in managing the Group's business, the Board is of the view that it could benefit from a knowledgeable Chairman in providing timely updates and guidance when deliberating on key issues or during discussions on latest developments.

Members of the Board have direct access to the Senior Management and are also given unrestricted access to the advices and services of other professional advisors in discharging their duties and responsibilities at the expense of the Group. All corporate announcements including quarterly financial results will be reviewed and approved by the Board prior to any announcement being made to the Bursa Securities.

***Board Composition***

The present Board composition comprises of two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Alternate Director. The two (2) Executive Directors have been actively involved in the industry for many years, bringing with them a wealth of valuable experiences in ensuring the success of the Group. The Non-Executive Directors, with their diversified backgrounds and specialization help to steer the Group in the right direction in fulfilling its role to its shareholders. A brief profile of each individual director is presented in the Profile of Directors section of this Annual Report.

The Board took note of the recommendation of the Code on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. The Board is of the view that Puan Nurjannah Binti Ali has performed her duties diligently and provided independent views in participating in deliberations and decision making of the Board and Board Committees. The length of her service on the Board does not in any way interfere with her exercise of independent judgement and ability to act in the best interest of the Group. In view of the above, the Board is making a recommendation to shareholders that Puan Nurjannah Binti Ali, who has served on the Board for more than nine (9) years, remains as Independent Non-Executive Director.

The Board is of the view that while it is important to promote diversity, the normal selection criteria of a Director based on effective blend of competences, skills, experience, and knowledge should remain a priority so as not to compromise on capabilities, experience and qualification. Nevertheless, the current Board composition reflects a balanced diversity with the fulfilment of at least 30% of woman participation at the Board level.

A summary of the Board composition is set out below:-

| | | | |
|---|---|---|---|
| **Independence** | Non-independent (40%) | Independent (60%) | |
| **Gender** | Male (60%) | Female (40%) | |
| **Ethnicity** | Malay (20%) | Chinese (80%) | |
| **Age Group** | < 55 years (40%) | 56-60 years (20%) | > 60 years (40%) |
| **Length of Service** | < 10 years (40%) | 11-20 years (20%) | > 20 years (40%) |

### *Nomination & Remuneration Committee ("NRC")*

The NRC comprises of three (3) members, all of whom are Independent Non-Executive Director. Mr. Ng Chin Nam is the Chairman of the Committee.

The Terms of Reference for NRC are available at the Company's website www.asia-file.com.

During the year, the NRC met twice (2) on 31 May 2018 and 28 Feb 2019. Both meetings were attended by all members of the Board Committee.

The activities undertaken by the NRC for the financial year ended 31 March 2019 were as follows:-

1. Reviewed the overall structure, size and composition of the Board with an aim to achieve a balance of views from the Board;

2. Reviewed the required mix of skills and experiences and other qualities including core competencies and time commitment of the members of the Board;

3. Assessed and reviewed the independence of the directors in delivering their judgment and decisions;

4. Reviewed the criteria for evaluating Board and Board Committees' performance and recommended to the Board the adoption of the Board Evaluation & Assessment Form for the annual performance review of the Directors for the financial year 2019;

5. Conducted annual performance evaluation and assessment on the effectiveness of the Board and each Board Committee in discharging its duties and responsibilities;

6. Reviewed and recommended to the Board a transparent and equitable remuneration policy and framework for the Directors and Senior Management of the Group;

7. Reviewed and recommended for the Board's approval on the salary increment framework and annual bonus for the directors and Senior Management of the Group and ensured alignment of compensation to company performance and compensation offered is in line with market practice.

### *Board Assessment*

Board assessment and evaluation is performed annually by the NRC with the objective to enhance its effectiveness, strength and to identify areas that require improvement. The assessment of independence of the Independent Directors is carried out upon appointment, annually and when any new interest or relationship develops.

During the financial year ended 31 March 2019, self-assessment was conducted on the Board, Board Committees and individual Directors based on the following criteria:-

(i) Board and Board Committees Evaluation
(ii) Assessment of Character, Experience, Integrity, Competence and Time Commitment
(iii) Assessment on Mix of Skill and Experience
(iv) Evaluation of Level of Independence of a Director

***Directors' Training***

The Board, as a whole, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately.

During the financial year under review, the Directors had participated in various programmes and seminars as set out below to enhance their knowledge and expertise:-

| Directors | Programmes | Organizer | Date |
|---|---|---|---|
| Dato' Lim Soon Huat | • Sustainability Reporting requirements<br>• Updates on MFRS 16 – Leases | In-house | 10 Apr 2018 |
| | • CANTON FAIR Phase 3 2018 | China Foreign Trade Centre (Group) | 1 to 3 May 2018 |
| | • Fine Food Melbourne 2018 | Diversified Exhibitions Australia | 10 to 13 Sep 2018 |
| | • Paperworld Frankfurt 2019 | Paperworld, Messe Frankfurt | 25 to 28 Jan 2019 |
| | • The 26th South China International Exhibition on Printing Industry | China Foreign Trade Centre (Group) | 4 to 6 Mar 2019 |
| | • Paperworld Middle East 2019 | Paperworld Middle East | 18 to 21 Mar 2019 |
| Mr. Lim Soon Wah | • Sustainability Reporting requirements<br>• Updates on MFRS 16 – Leases | In-house | 10 Apr 2018 |
| Mr. Ng Chin Nam | • Tax Seminar on Budget 2019 | Grant Thornton | 16 Nov 2018 |
| | • Sustainability Reporting Workshops for Practitioners (Preparers of Sustainability Statement/Report) | Bursa Malaysia | 4 to 5 Mar 2019 |
| Pn. Nurjannah Binti Ali | • Tax Seminar on Budget 2019 | BDO Tax | 15 Nov 2018 |

| Directors | Programmes | Organizer | Date |
|---|---|---|---|
| Mdm. Lam Voon Kean | • Hong Kong IPO for Malaysian Enterprises Conference - Hong Kong Capital Markets Analysis and IPO Practices | Yuanta Securities (Hong Kong) Co., Ltd | 17 May 2018 |
| | • Case Study Workshop for Independent Directors "Rethinking- Independent Directors: Board Best Practices" | Securities Industry Development Corporation (SIDC) | 5 Sep 2018 |
| | • Sustainability Reporting Workshops for Practitioners (Preparers of Sustainability Statement/Report) | Bursa Malaysia | 4 to 5 Mar 2019 |
| Mr. Lim Soon Hee | • Sustainability Reporting requirements<br>• Updates on MFRS 16 – Leases | In-house | 10 Apr 2018 |

In addition to the above, Directors are updated by the Management, Company Secretary and the External Auditors on the latest significiant development on various relevant rules and regulations during the Committee and Board Meetings.

***Directors' Remuneration***

NRC is responsible to review and recommend to the Board a transparent and equitable remuneration policy and framework for the directors and Senior Management of the Group.

Specific disclosure of the directors and Senior Management's remuneration in relation to Practice 7.1 and 7.2 of the MCCG are provided separately in the Corporate Governance Report.

## Principle B: Effective Audit and Risk Management

***Audit Committee ("AC")***

The AC of the Group comprises of three (3) Independent Non-Executive Directors. It is chaired by Mr. Ng Chin Nam, who is a member of the Chartered Institute of Management Accountants and possessed more than 20 years of experience in accounting related filed. The remaining two (2) members of the committee also come from strong accounting and financial background. This will enable them to understand matters discussed during the AC meetings in particular on accounts related and financial reporting issues.

During the year, AC organized two (2) private sessions with the external auditor, Messrs. KPMG PLT ("KPMG") without the presence of Executive Directors and management. The meetings with the auditors provide a direct communication and enable the members of the Committee to assess the suitability, objectivity and independence of the external auditors. The AC is satisfied that KPMG will be able to carry out their responsibilities in an unbiased and professional manner.

The detailed composition and summary of activities of the AC are set out separately under Audit Committee Report in this Annual Report.

***Risk Management and Internal Control Framework***

The Board assumes the overall responsibility for the Group's risk management and internal control system. AC will assist the Board in evaluating the adequacy of the effectiveness of the risk management and internal control framework adopted by the Group. This evaluation covers financial, operational, and compliance controls as well as the processes for identification, evaluation and management of the significant risks faced by the Group.

Details of Risk Management and Internal Control which provides an overview of the Group's risk management and internal control framework is set out in the Statement on Risk Management and Internal Control in this Annual Report.

## Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

***Communication with Stakeholders***

a) **Communication with Shareholders and Investors**
The Group recognizes the importance of keeping its shareholders and the general public informed of the development and performance of the Group. As part of on-going effort to strengthen relationship with its shareholders, the Group continuously discloses and disseminates relevant and comprehensive information in a timely manner to its shareholders as well as to the general investing public.

A range of communication channels are used to build a more constructive relationship between the Group and its stakeholders.

b) **Annual Report**
Annual Report is a vital source of information for shareholders, investors and the general public. Information on the Group's business performance, financials and its management are disclosed in the Annual Report. The contents of the Annual Report are continuously enhanced to take into account the latest development in the area of corporate governance and regulatory requirements. The complete version of the Annual Report is sent to every shareholder in either printed or electronic format. An online version of the Annual Report is also available on the Group's own corporate website.

c) **Announcements to Bursa Securities**
Announcement of quarterly financial results, circulars and announcements are made via Bursa Securities in full compliance with regulatory authorities' disclosure requirements and is also made available on the Group's own corporate website.

d) **Investor Relations**
The Board recognizes the importance of keeping shareholders and investors informed of the Group's business and corporate developments. The Board's primary contact with major shareholders is via the Executive Chairman and Chief Financial Officer, who have regular dialogue with institutional investors and deliver presentations to analysts periodically.

The objective is to provide updates on the Group's financial performance, corporate developments as well as to discuss strategic matters and address issues which the institutional investors and analysts may have with respect to the business or operations of the Group.

e) **Company Website**
The Company's website for the Group can be accessed by the public at www.asia-file.com. It archives all corporate and financial information that had been made public, such as the quarterly announcement of the financial results of the Group, announcements and disclosures made pursuant to the disclosure requirements as set out in Bursa Malaysia Main Market LR.

Other corporate information such as Profile of Directors, Board Charter, Code of Ethics and Conduct, Whistleblowing Policy and Terms of Reference for AC and NRC are also made available to the shareholders and public on the website.

***Conduct of General Meetings***

The Board views the Annual General Meeting ("AGM") as the primary forum to communicate with shareholders. AGM held each year provide an excellent platform for shareholders to participate in the question and answer session.

The Company issued the Notice of its AGM at least 28 days ahead as per requirement of Companies Act 2016 and Main Market LR providing sufficient time for shareholders to review the Notice of AGM and appoint proxies to attend the AGM if necessary.

All Board members, Senior Management and the Group's external auditors are available to respond to shareholders' questions during the AGM.

A media conference is usually held immediately after the AGM where the Executive Chairman and Chief Financial Officer will update media representatives on the resolutions passed and answer questions on matters related to the Group.

This Statement is made in accordance with a resolution of the Board dated 1 July 2019.

The Board is pleased to present the following report on the Audit Committee and its activities for the financial year ended 31 March 2019.

## Audit Committee Composition and Attendance

The Audit Committee comprises of three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee, Mr. Ng Chin Nam is a member of the Chartered Institute of Management Accountants ("CIMA"). All members of the Audit Committee come from strong accounting background and as such possess the necessary knowledge to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the Audit Committee.

Composition and attendance at the Audit Committee meetings during the year are as follows:-

| Name of member | Position | Attendance |
|---|---|---|
| Mr. Ng Chin Nam | Chairman, Independent Non-Executive Director | 4/4 |
| Pn. Nurjannah Binti Ali | Member, Independent Non-Executive Director | 4/4 |
| Mdm. Lam Voon Kean | Member, Independent Non-Executive Director | 4/4 |

The Audit Committee meets at least four (4) times annually. In addition, at least twice (2) a year, the Audit Committee meets with the external auditors without the Executive Directors and management being present. The meetings for the Audit Committee were held on 31 May 2018, 30 August 2018, 30 November 2018, and 28 February 2019.

Meetings of the Audit Committee were attended by the Company Secretary. Minutes of each meeting were distributed and confirmed by all members.

## Summary of Activities during the Year

The Audit Committee carried out its duties and responsibilities in accordance with its terms of reference. During the year, the Committee carried out the following activities:-

### a) *Financial Reporting*

i) Reviewed the unaudited quarterly and annual audited financial statements of the Group and recommended them to the Board for approval. The reviews were carried out together with the Chief Financial Officer who will provide any explanation or clarification required by the members of the Audit Committee.

ii) The focus of review was on:-
- Changes in implementation of major accounting policies;
- Introduction of new accounting standards and additional statutory / regulatory disclosure requirements;
- Significant adjustments arising from the audit;
- Significant and unusual events; and
- Compliance with accounting standards and other legal / statutory requirements.

### b) External Audit

i) Reviewed with the external auditors:-
   - Their audit plan which includes the audit strategy and scope of work for the year; and
   - The results of their annual audit, audit report and management letter together with management's response to their findings.

ii) Hold two (2) meetings with the external auditors without the presence of the Executive Directors or management to reinforce the independence of the external audit function of the Company.

iii) Evaluated the performance, effectiveness and independence of the external auditors and made recommendations to the Board on their appointment and remuneration.

On 28 February 2019, prior to the commencement of the audit, the external auditors presented a summary of their audit plan and strategy which outline the engagement team, materiality, audit scope, methodology, potential key audit matters and focus areas to the Audit Committee. An audit status presentation by the external auditors to the Audit Committee was carried out on 31 May 2019. The presentation provided a summary of the external auditors' key findings arising from the audit of the consolidated financial statements as at and for the year ended 31 March 2019. No major issues which warrant any specific attention was highlighted during the meetings with the external auditors.

### c) Internal Audit

i) Reviewed and approved the Annual Audit Plan to ensure adequate scope and comprehensive coverage over the activities of the Group and ensured that all high risk areas are audited annually.

During the year, the Annual Audit Plan for the calendar year 2019 was presented by the Head of the Internal Audit Department ("IAD") and was subsequently approved by the Audit Committee on 30 November 2018.

ii) Reviewed the internal audit reports which were tabled during the year, the audit recommendations made and management's response to these recommendations. Where appropriate, the Committee has directed management to rectify and improve control procedures and workflow processes based on the internal auditors' recommendations and suggestions for improvement.

iii) Monitored the corrective actions taken on the outstanding audit issues to ensure that all the key risks and control weaknesses have been addressed.

### d) Related Party Transactions

Reviewed the related party transactions to ensure that they were properly accounted for and disclosed in the Annual Report.

*e) **Annual Reporting***

Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control, Corporate Governance Overview Statement and Corporate Governance Report prior to recommending to the Board for approval.

## Training

During the financial year 2019, all members of the Audit Committee have attended various seminars, training programs and conferences. The details of trainings attended are disclosed in the Corporate Governance Overview Statement of this Annual Report.

## Internal Audit Function

The Audit Committee is aware of the importance of an independent and adequately resourced internal audit function in discharging its duties and responsibilities. The Group's IAD assists the Audit Committee in reviewing the effectiveness of the Group's internal control systems whilst ensuring that there is an appropriate balance of controls and risks in achieving its business objectives. The IAD also carries out investigative audit where there are improper, dishonest and illegal acts reported.

The IAD reviews the effectiveness of the internal control structures over the Group's activities focusing on high risk areas using a risk-based approach. All high risk activities in each auditable area are audited annually.

The scope of internal audit covers the audits of all key operating units and follow-up audits on all key departments and operations, including subsidiaries within the Group in accordance with the approved Annual Audit Plan. The findings and recommendations were highlighted to the management for their comments and necessary action. The internal audit reports are presented and reported by the Head of the IAD to the Audit Committee on a quarterly basis.

During the financial year 2019, total costs incurred for the Internal Audit function comprising staff payroll and benefits, training, travelling and incidental costs amounted to approximately RM 243,000.

This Report is made in accordance with a resolution of the Board dated 1 July 2019.

## Introduction

The Board is pleased to provide the following statement which outlines the nature and scope of the risk management and internal control of the Group during the financial year under review. The associated company of the Group has not been dealt with as part of the Group for the purpose of applying this guidance.

## Board's Responsibility

The Board acknowledges its responsibility for the adequacy and effectiveness of the Group's risk management and internal control system which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and effectiveness.

The Board recognises that a good control system will assist the achievement of corporate objectives. However, in view of the limitations inherent in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve corporate objectives. Hence, it can only provide reasonable, but not absolute assurance against material misstatement or loss.

## Risk Management and Internal Control

The Board recognises that risk is inherent in its business activities. The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group and this is integrated into the Group's risk management and internal control system. This process has been in place throughout the financial year and up to the date of approval of this statement. The Group does not adopt any one risk management standard or guideline as it believes that it will be more beneficial to tailor the approach based on the specific circumstances of the Group.

The responsibility to manage the risks resides at all levels within the Group. The daily operational risks such as bad debts, health and safety, regulatory compliance, product defects and others are mainly managed at the different operating units which will be guided by the established operating procedures. Key business and critical risks which have significant impact on the operations of the Group such as business sustainability, project expansions, and product diversification are managed at the top management level.

The Group's current risk governance structure consists of the followings:-

***The Board***

- Assume the overall responsibility for the Group's risk management and internal control system;
- Review and approve the various internal control procedures and improvement plans recommended by the Senior Management and Heads of Operating Units ("HOU");

- ❖ Ensure the adequacy and effectiveness of the Group's internal control systems in order to accommodate the changes in business environment or regulatory requirements.

***Audit Committee***
- ❖ Assist the Board in evaluating the adequacy of risk management and internal control framework;
- ❖ Review and approve Annual Audit Plan submitted by the Internal Audit Department ("IAD");
- ❖ Quarterly review and approve the internal audit report presented by the IAD.

***Senior Management and Heads of Operating Units***
- ❖ Establish, formulate and recommend sound internal control procedures to be adopted by individual operating unit;
- ❖ Oversees the effective implementation of risk policies and guidelines, and cultivation of risk management culture within the Group;
- ❖ Review and monitor periodically the status of the Group's principal risks and the required mitigation actions.

***Internal Audit Function***
- ❖ Assist the Board to monitor the adequacy and effectiveness of the risk management processes and internal control systems that are in place within the Group;
- ❖ Play an active role in evaluating whether the existing controls and procedures have been properly implemented and adhered to within the Group;
- ❖ Ensure the implementation of corrective and preventive action plans ("CPAP") and meeting the agreed deadlines.

## Internal Audit Function

The Group has an in-house IAD which is under the purview of the Audit Committee and is independent of the activities they audit. The IAD consists of four (4) full time staff and led by Ms Lim Hooi Cheng who has an in depth knowledge of the Group's operation. She obtained her Master in Business Administration ("MBA") from University Utara Malaysia and is also a member of Malaysian Institute of Accountants ("MIA").

A detailed Annual Audit Plan which entails the scope of audit, audit timeline and the human resources allocation for each area of audit will be prepared and presented to the Audit Committee for approval.

The following annual plans were reviewed and approved by the Audit Committee:-

| Approved on | Period covered |
|---|---|
| 30 November 2017 | 1 January 2018 - 31 December 2018 |
| 30 November 2018 | 1 January 2019 - 31 December 2019 |

Internal audits are carried out on all departments and operating units, the frequency of which is determined by the level of risk assessed. During the year, a total of fifteen (15) departments and / or operating units within the Group were audited by IAD.

The audits are carried out based on the detailed audit procedures as stated on the audit program designed for each of the audit area. A risk-based approach is adopted in establishing the Annual Audit Plan. Risk Registers for the various processes undertaken by the individual department are set up to identify major risks for such processes. The registers will document the potential impact of those risks, the existing control mechanism available to mitigate the risk and also the recommended control measures to be adopted. The internal audit program will be updated subsequently to take into consideration the changes in the risk profile.

Upon completion of each audit, an initial report will be issued to the respective HOU in which major audit findings will be highlighted. A deadline will be given for the respective HOU to respond and provide an appropriate CPAP. IAD will review the responses received and a meeting will be held to discuss on the above. During the meetings, a deadline will be mutually agreed to implement the rectifying actions listed under the CPAP.

An internal audit monitoring worksheet will be created to enable the IAD to closely monitor on the implementation of the CPAP. Depending on the severity of the risks identified, it may warrant a re-audit within a shorter period as opposed to the predetermined timetable. In addition, various routine reviews are also conducted to ensure compliance with the established operating procedures.

In the event that new operating procedures or control mechanisms are introduced to strengthen the internal control system, IAD will provide training support to the Group upon request or where necessary, to ensure that the established risk management process is carried out appropriately. Observations arising from the internal audit are presented, together with Management's response and proposed action plans, to the Audit Committee for its review and approval on a quarterly basis. Although a number of internal control weaknesses were identified during this process, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

## Conclusion

The Board is of the opinion that the Group's overall risk management and internal control system are operating adequately and effectively in all material aspects and have received the same assurance from both the Executive Chairman and Chief Financial Officer of the Group.

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. The Group will continue to review and implement measures to improve the risk management and internal control environment of the Group.

This Statement is made in accordance with a resolution of the Board dated 1 July 2019.

# SUSTAINABILITY STATEMENT

## Introduction

The Board of Directors of Asia File Corporation Bhd and its subsidiaries ("the Group") are pleased to present this Sustainability Statement for the financial year ended 31 March 2019. This Statement has been prepared in accordance with Paragraph 29 of Part A Appendix 9C and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Group recognises the importance of embedding sustainability considerations into the Group's operations when developing business strategies and management processes. The Group believes in striking a balance between achieving operational profitability whilst simultaneously managing economic, environmental and social risks and opportunities in order to sustain long-term business continuity.

## Governance Structure and Scope of Coverage

The Group's sustainability strategies are driven by the Board who is involved in formulating plans to identify, evaluate and manage sustainability related matters within the Group. The Board is assisted by Senior Management who manages the implementation of sustainability matters at their respective operation units to ensure that intended goals and objectives are met. The Internal Audit Department will conduct periodical checks to monitor and ensure compliance by all operation units.

This Statement is applicable for the financial year ended 31 March 2019 and covers all major plants in Malaysia and overseas.

## Stakeholder Engagement

The Group acknowledges that the involvement of stakeholders is fundamental to achieve our sustainability goals and thus various communication platforms with relevant stakeholders are made available within the Group.

A summarized table of the various types of stakeholder engagements are listed as below:-

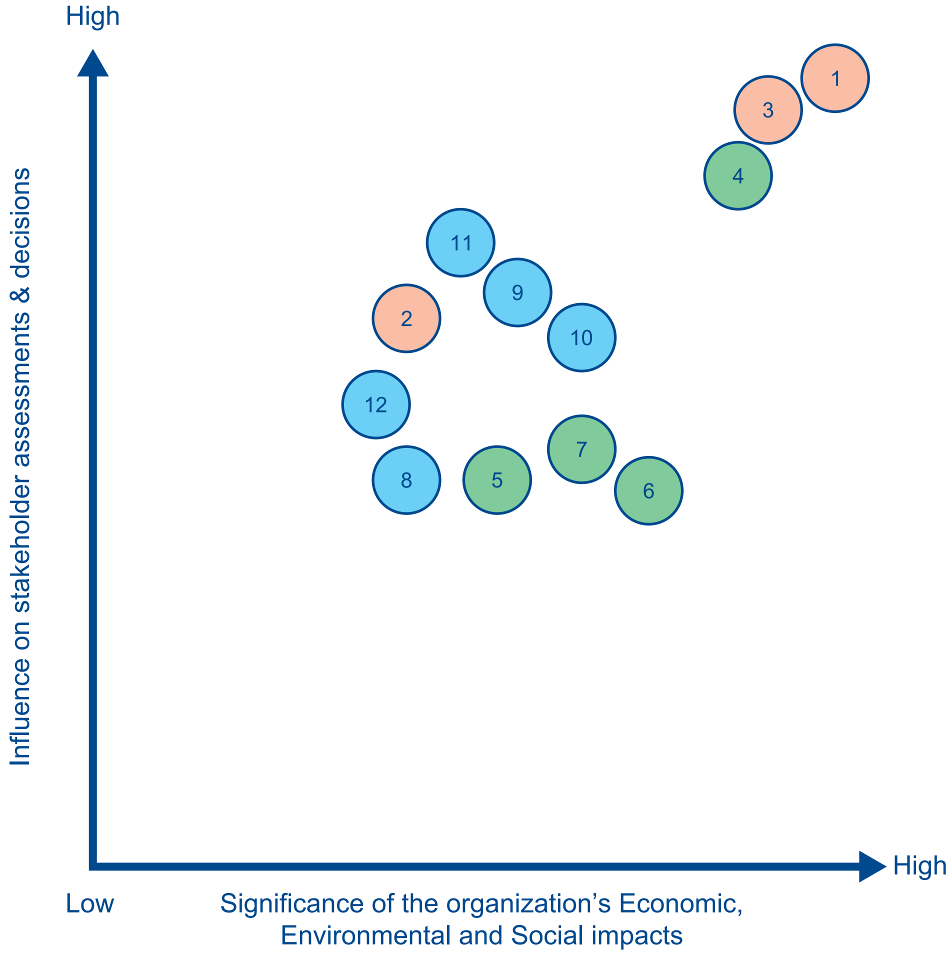
| Group | Focus areas | Types of engagement |
|---|---|---|
| Shareholders | - Group financial performance<br>- Business direction | - Annual general meetings<br>- Analysts' briefings<br>- Annual report<br>- Corporate website<br>- Press release |
| Employees | - Career development and progression<br>- Employee welfare and benefits<br>- Occupational health and safety | - Annual performance review<br>- Grievance mechanism<br>- Employees' training<br>- Regular safety inspection |

| Group | Focus areas | Types of engagement |
|---|---|---|
| Regulators & Government Authorities | - Compliance with related laws and regulations<br>- Corporate governance | - Attending related courses and seminars to keep abreast with changes in rules and regulations<br>- Regular inspection by local authorities |
| Local Communities | - Corporate social responsibility<br>- Environmental protection | - Donations and sponsorships<br>- Corporate social responsible and community projects |
| Customers | - Customer satisfaction<br>- Product quality<br>- Timely delivery | - Various platforms for customer feedback and complaints<br>- Frequent customer engagement and interaction<br>- Product brochures<br>- Periodical visit and audit by customer |
| Suppliers | - Sustainable and consistency in supply<br>- Quality of goods and services | - Suppliers’ evaluation form<br>- Suppliers’ engagement and meetings |

## Materiality Assessment and Key Sustainability Matters

Based on the stakeholders' engagements carried out during the year, materiality assessment had been conducted to identify and prioritise key sustainability matters which would have most impact to our business operation and key stakeholders.

The results of the assessment are mapped out in the materiality matrix below:-



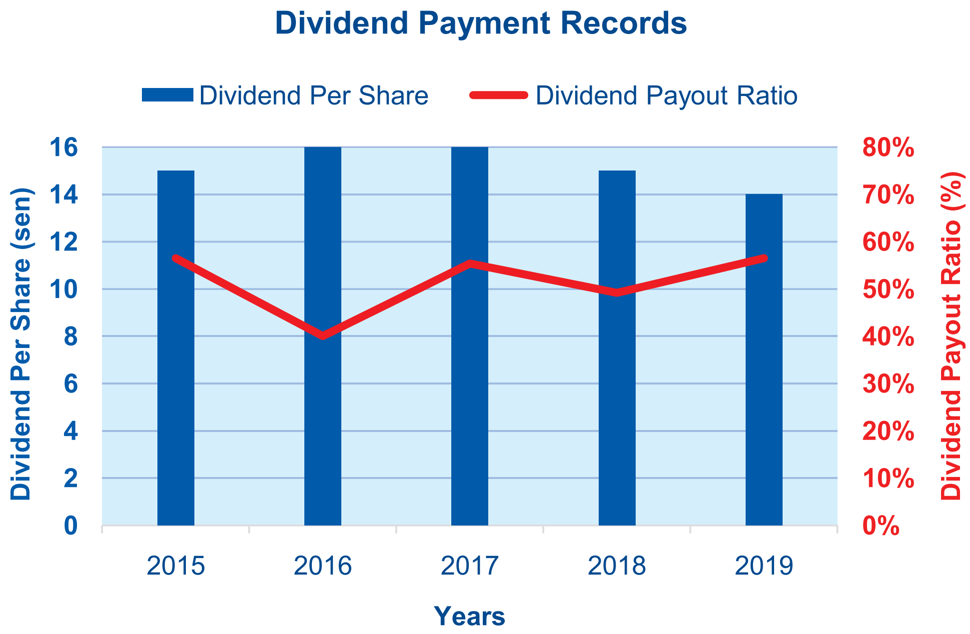

| Economic | Environmental | Social |
|---|---|---|
| 1. Revenue & Profitability<br>2. Community Engagement<br>3. Business Integrity | 4. Compliance<br>5. Waste Management<br>6. Energy & Water Reduction<br>7. Material Management | 8. Workforce Diversity & Equal Opportunity<br>9. Human Rights<br>10. Occupational Health & Safety<br>11. Human Capital & Employee Welfare<br>12. Social Contribution |

## Economic Sustainability

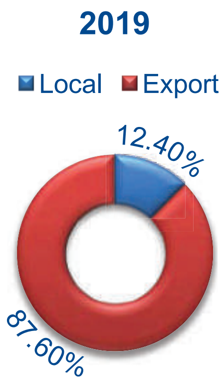
The Group acknowledges that maintaining a positive economic performance is essential to the Group's business continuity.

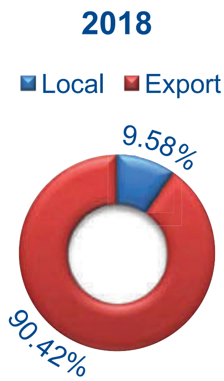
### *a) Revenue & Profitability*

The Group continues to strive for improved performance in its operations and has successfully generated sustainable profits over the years. The stable financial performance by the Group has enabled it to reward its shareholders with consistent dividend payout.

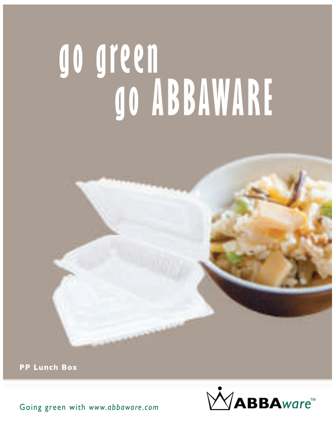


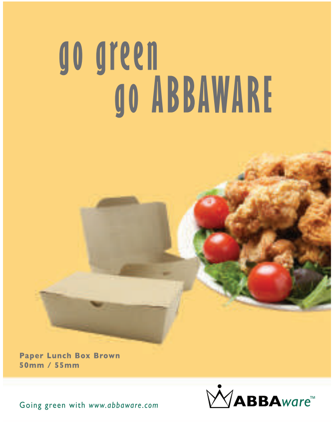

As an export oriented company, more than 85% of the Group's total revenue is generated from sales to foreign countries including the United Kingdom, Germany, USA, Australia, New Zealand, Middle East countries and etc. The substantial export sales from the Group contribute positively towards the nation's trade surplus and economic growth of the country.



In order to achieve long-term sustainability goals, the Group has diversified its product lines to recyclable food wares such as plastic container, paper and plastic lunch box, paper bowl, paper cup etc since January 2018.





### *b) Community Engagement*

In tandem with the growth of its business, the Group is able to deliver economic values to its local communities by providing employment opportunities, safe and healthy workplace environment, developing mutually beneficial business relationships with local small and medium enterprises and re-employment of retired employees who are qualified for the job vacancies.

### *c) Business Integrity*

The Group is committed to upholding integrity and adopting ethical and good governance practices in its operations. We promote zero tolerance towards fraud, bribery, corruption and money laundering. A Whistleblowing Policy has been established and adopted within the Group to facilitate the reporting of unethical and improper business conducts that would affect the interest of the Group and its stakeholders. We believe in promoting a transparent culture by creating a clear communication structure to increase the confidence level of stakeholders towards our business. Details of the Whistleblowing Policy can be obtained from our website at www.asia-file.com.

## Environmental Sustainability

The Group is committed to minimizing the potential impact of its operations on the environment by adopting and applying environmentally responsible practices in achieving long-term sustainability growth.

### *a) Compliance*

The Group has put into consideration safety and environmental factors in all its operational decisions and explores possible opportunities to minimise any adverse impact from manufacturing operations. As the Group is in the business dealing with papers and plastics, it places great emphasis on compliance with the environmental rules and regulations set by the various governing authorities both locally and abroad.

### *b) Waste Management*

In terms of managing waste disposal, the Group has implemented various procedures to reuse and recycle waste products whenever possible. The Group has a recycling unit at its Permatang Tinggi plant that recycles plastic wastes to be reused in production in order to minimise the consumption of plastic material.

For materials or wastes that could not be reused or recycled, the Group has appointed government approved waste contractors to dispose of such wastes. The Group ensures that all hazardous materials or wastes such as ink and solvents are to be stored in safe places and to be disposed of in an appropriate manner through authorised contractors.

In order to minimize the use of new resources, the Group creates awareness among its employees on environment conservation by encouraging them to adopt the 3R lifestyle, "Reduce, Reuse and Recycle" whenever possible. In support of Waste Segregation at Source campaign held by the Penang State Government, we have continued to encourage our employees to segregate recyclable and non-recyclable wastes into different waste bins. To support the campaign "Save Paper Save Tree", employees are also urged to print documents on double-sided or recycled printed papers to reduce paper consumption.

### *c) Energy & Water Reduction*

As the cost of energy continues to rise, the significance of electricity consumption as a component to our overall operation costs increases. We have initiated a drive to reduce electricity consumption via the installation of solar panels on the roof top of our main factories in Penang during the year. The projects were completed in early February 2019 and have since then successfully reduced the energy consumption at the facilities by up to 25%.

The Group has been continuously devoting efforts to reduce the usage of electricity and water as well as carbon footprint. As part of its measures to save energy, the Group minimises forklifts' fuel consumption by replacing old forklifts with rechargeable forklifts, replacing factory lightings with energy saving LED tubes, shutting down unnecessary machines during off-peak period, regularly monitoring the usage of electricity and water and carrying out routine checks to ensure all piping, water valves and relevant equipment are in good condition and no wastage occurs. As part of the effort to reduce water wastage, rain water has been collected for some of the cleaning purpose in the factories.

### *d) Material Management*

The core business objective of our paper mill in the United Kingdom is to manufacture environmental friendly bio-degradable paper products from recycled materials in order to reduce environmental impact from its operation. In order to promote sustainable forest management, the paper mill is not only accredited with ISO 14001, it also offers products with strong environmental ethics such as Blue Angel, Program for The Endorsement of Forest Certification ("PEFC") and Forest Steward Council ("FSC").

To support the environmental and economic sustainability, we have moved a step further by using heat treatment pallets in our palletized shipments since July 2018. No chemical is used in the manufacturing of heat-treated pallets as compared to methyl bromide treated pallets used previously.

## Social Sustainability

The Group evaluates social sustainability from the aspect of internal employees and surrounding communities.

### *a) Workforce Diversity & Equal Opportunity*

The Group promotes principles of equality and practises no discrimination against employees on gender, age and ethnicity. The Group is committed to building a diverse workforce and to provide a workplace that nurtures inclusion, equity and respect for all. A grievances policy is established to provide a mechanism for our employees to raise their grievances during their employment with the Group. This policy ensures such grievances are dealt with promptly, fairly and in accordance with other related policies of the Group.

We encourage the creation of an environment that supports women in management positions as we continue to recruit, groom, retain and promote women in the workforce.

### *b) Human Rights*

The Group is highly committed in creating and maintaining an environment that respects and supports human rights of its employees. The Group prohibits the recruitment of child labour as well as all forms of slavery and human trafficking through compliance with all related employment laws and regulations.

Our Slavery and Human Trafficking Statement describes the Group's approach to the identification of slavery risks and steps taken to prevent slavery and human trafficking within the Group.

### *c) Occupational Health & Safety*

The Group strives to provide and maintain a safe and healthy workplace for all its employees, contractors and visitors. To achieve this, steps are taken to ensure that equipment and building safety systems are in good functioning condition and well maintained.

To increase the safety awareness among the employees, several health and safety programs had been initiated. Among them were safety awareness trainings, fire drill practices, regulation enforcement requiring employees (at certain units) to wear personal protective equipment, setting up of emergency response team at each plant, compliance with occupational health and safety regulations and regular inspections of machines and building structures. The Safety Committee and Internal Audit Department are responsible to ensure that the Group's safety policies have been strictly adhered to by all employees.


*During the safety training, workers learnt to use fire extinguisher to put out the fire*

### *d) Human Capital & Employee Welfare*

The Group acknowledges that the sustainability of the Group is highly dependent on strong human capital. As part of its human capital development, various in-house programmes and job-skills related trainings were conducted to equip employees with improved skills and knowledge. The Group also sponsored employees to attend external seminars and workshops to keep them abreast of new developments in their respective field of expertise.

Various programmes have been organised by the Group for the benefit of its employees such as festive celebrations and events which encourage employees to mingle and interact with one another in order to foster team spirit and to build a closer working relationship.

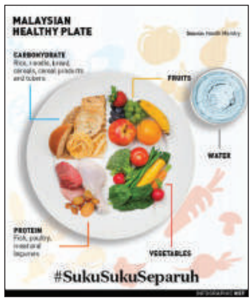

*D.I.Y Christmas tree competition*

During the year, the Group organised a team building event at Lexis Suites Hotel, Teluk Kumbar, Penang. Participating employees have had a great time taking part in the various team building games organised by the hotel.


*We are one big family!*

Sport activities such as badminton, bowling and aerobic were organised to encourage employees to adopt a healthy and balanced lifestyle.

A health talk on "Fight Cancer, Eat Right" by dieticians from Hospital Lam Wah Ee was conducted during the year to educate employees on how having a balance diet could help to reduce the risk of cancer through practising the concept of "Suku Suku Separuh".





*Bowling session*

### *e) Social Contribution*

The Group continues its support to various local charitable organisations. During the year, the Group organised a fund raising campaign for a welfare home for children in Butterworth, Penang. Employees had voluntarily set aside their time to plan and coordinate the campaign. We have successfully collected a total of RM 10,000 for the welfare home.

In support of Penang's tourism, the Group has fully sponsored the printing of "Penang City Eye magazine", a periodical magazine published since 2014 to spark the interest in Penang's rich heritage, culture and arts. The magazines are made available free of charge at most of cafés, restaurants, book stores and homestay houses located in Georgetown, Penang.



As part of its community projects, the Group has donated files and stationery items to some primary and secondary schools. The Group also sponsored files and stationery in support of community events organised by certain societies or organizations. During the year, the Group has sponsored the sport activity "Asia File Penang Open Table Tennis Invitational Championships 2018", which was organised by Penang Table Tennis Association.

In addition, the Group has also taken initiative to hire handicapped employees who are keen to seek employment to sustain their living.


*AIESEC Workshop in Penang, which was organized by University Science of Malaysia in Feb 2019*

*Event Day of Intervarsity Corporate Strategy Challenge (ICSC) 2019, which was organized by University of Malaya Accounting Club (UMAC)*


## Going Forward

The Group is committed to embedding sustainability considerations in its business by considering the impact of its operations on the economy, environment and society. To fulfil its role as a responsible employer and corporate citizen, the Group will adopt and apply effective economic approach, environmental friendly practises, caring social policies and good corporate governance.

This Statement is made in accordance with a resolution of the Board dated 1 July 2019.

# ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:

1. **Utilisation of Proceeds Raised from Corporate Proposals**

   There were no proceeds raised by Asia File Corporation Bhd ("the Company") from any corporate proposal during the financial year.

2. **Share Buy-back**

   There were no shares of the Company were purchased during the year pursuant to the Shares Buy Back scheme.

3. **Options or Convertible Securities**

   There were no options issued by the Company during the financial year under review as disclosed in the Directors' Report.

4. **Depository Receipt Programme**

   The Company did not sponsor any Depository Receipt Programme during the financial year.

5. **Sanctions and/or Penalties**

   There were no sanctions and/or penalties imposed on the Company and its subsidiaries ("the Group"), Directors or Management by the relevant regulatory bodies during the financial year.

6. **Audit and Non-audit Fees**

   Fees for statutory audit paid to KPMG or its affiliates by the Company and the Group for the financial year amounted to RM22,000 and RM263,027 respectively.

   Fees for non-audit services paid to KPMG or its affiliates by the Company and the Group for the financial year amounted to RM14,000 and RM36,001 respectively.

7. **Variation in Results**

   There were no profit estimates, forecasts or projections made or released by the Company for the financial year ended 31 March 2019.

8. **Profit Guarantee**

   The Company did not provide any profit guarantee during the financial year.

**9. Material Contracts**

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interests, either still subsisting at the end of the financial year or entered into since the previous financial year.

**10. Recurrent Related Party Transactions of a Revenue or Trading Nature**

Details of transactions with related parties undertaken by the Asia File Group during the period under review are disclosed in Note 28 to the Financial Statements.

## Compliance Statement

The Group has complied with the relevant principles and practices of the MCCG in so far as they are applicable to the Group. The explanation for departure from the practices are available in the Corporate Governance Report.

## Directors' Responsibility Statement for the Audited Financial Statements

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

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

(a) Adopted appropriate accounting policies and applied them consistently;
(b) Made judgements and estimates that are reasonable and prudent; and
(c) Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

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

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2019.

## Principal activities

The principal activities of the Company are that of investment holding, commission agent and provider of management services. The principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

## Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

## Results

| | Group RM | Company RM |
|---|---|---|
| Profit for the year attributable to: | | |
| Owners of the Company | 47,765,108 | 24,273,018 |
| Non-controlling interests | 71,132 | - |
| | 47,836,240 | 24,273,018 |

## Reserves and provisions

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

## Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows :

i) In respect of the financial year ended 31 March 2018 as reported in the Directors' Report of that year :

- an interim ordinary dividend of 3 sen per ordinary share totalling RM5,842,772 declared on 30 November 2017 and paid on 8 February 2018; and

- a second interim ordinary dividend of 4 sen per ordinary share totalling RM7,790,362 declared on 28 February 2018 and paid on 24 May 2018.

ii) In respect of the financial year ended 31 March 2018 :

- a final ordinary dividend of 8 sen per ordinary share totalling RM15,580,725 declared on 28 September 2018 and paid on 1 November 2018.

iii) In respect of the financial year ended 31 March 2019 :

- an interim ordinary dividend of 3 sen per ordinary share totalling RM5,842,772 declared on 30 November 2018 and paid on 14 February 2019; and

- a second interim ordinary dividend of 4 sen per ordinary share totalling RM7,790,362 declared on 28 February 2019 and paid on 16 May 2019.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 March 2019 is 7 sen per ordinary share, subject to the approval of the members at the forthcoming Annual General Meeting.

## Directors of the Company

Directors who served during the financial year until the date of this report are :

Dato' Lim Soon Huat
Lim Soon Wah
Nurjannah Binti Ali
Ng Chin Nam
Lam Voon Kean
Lim Soon Hee (Alternate to Mr. Lim Soon Wah)

## Directors of subsidiaries

Pursuant to Section 253(2) of the Companies Act 2016, the directors who served in the subsidiaries during the financial year and up to the date of this report are as follows :

Datin Khoo Saw Sim
Dato' Lim Soon Huat
Lim Soon Wah
Lim Soon Hee
Chan Sook Chin
Goh Phaik Ngoh
Lim Chin Chin
Rodney Christopher Martin
Hubertus Rohe
Lim Mei Chin

## Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouse and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **Balance at 1.4.2018** | **Bought** | **(Sold)** | **Balance at 31.3.2019** |
| Interest in the Company : | | | | |
| **Dato' Lim Soon Huat** | | | | |
| - own | 2,882,955 | - | - | 2,882,955 |
| - others* | 4,377,960 | - | - | 4,377,960 |
| **Lim Soon Wah** | | | | |
| - own | 3,138,870 | - | - | 3,138,870 |
| - others* | 210,712 | - | - | 210,712 |
| **Lim Soon Hee** | | | | |
| - own | 4,117,996 | - | - | 4,117,996 |
| Deemed interest in the Company : | | | | |
| **Dato' Lim Soon Huat** | | | | |
| - own | 83,738,951 | - | - | 83,738,951 |

* These are shares held in the name of the spouse and/or children and are treated as interests of the Director in accordance with the Companies Act.

## Directors' interests in shares (cont'd)

By virtue of his interests in the shares of the Company, Dato' Lim Soon Huat is also deemed interested in the shares of the subsidiaries during the financial year to the extent the Company has an interest.

Other than as disclosed above, none of the other Directors holding office at 31 March 2019 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and no debentures were issued by the Company during the financial year.

## Options granted over unissued shares

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

## Indemnity and insurance costs

There was no indemnity given to or insurance effected for Directors, officers or auditors of the Company during the financial year.

## Other statutory information

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 March 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Subsequent event

The details of such event are disclosed in Note 36 to the financial statements.

## Auditors

The auditors, KPMG PLT have indicated their willingness to accept reappointment.

The auditors' remuneration is disclosed in Note 22 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

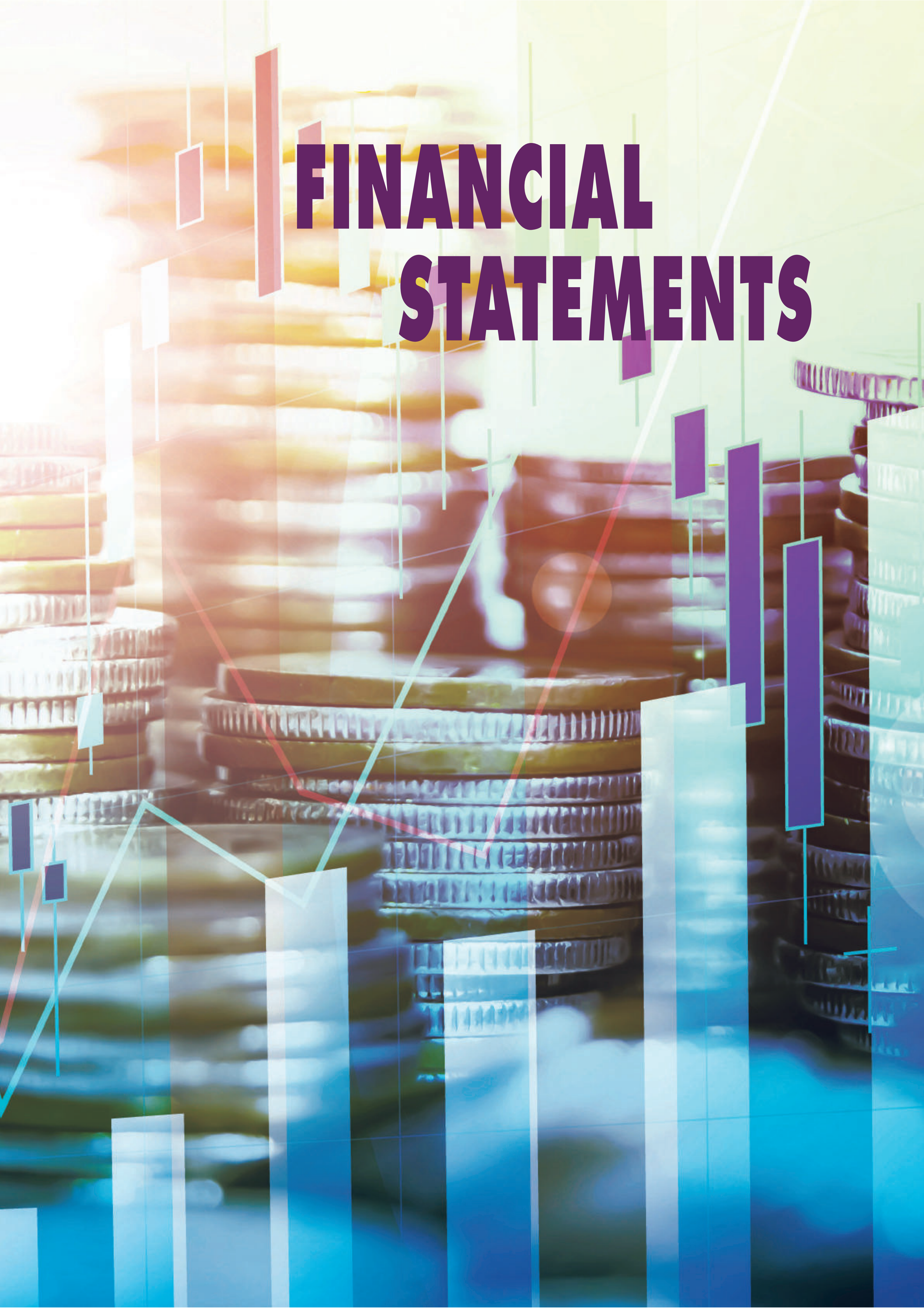
**Dato' Lim Soon Huat**
Director

**Lim Soon Wah**
Director

Penang,

Date : 12 July 2019

# FINANCIAL STATEMENTS



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 3 | 101,464,559 | 104,470,120 |
| Prepaid lease payments | 4 | 1,406,323 | 1,445,199 |
| Investment properties | 5 | 1,304,809 | 1,346,140 |
| Intangible assets | 7 | 30,743,178 | 31,113,723 |
| Investment in an associate | 8 | 162,200,612 | 148,901,290 |
| Other investments | 9 | 5,803,237 | - |
| Deferred tax assets | 10 | - | 6,923 |
| **Total non-current assets** | | 302,922,718 | 287,283,395 |
| Inventories | 11 | 109,426,642 | 114,672,330 |
| Other investments | 9 | 18,679,326 | 84,558,258 |
| Trade and other receivables | 12 | 68,691,982 | 71,339,782 |
| Current tax assets | | 1,411,343 | 796,090 |
| Derivative financial assets | 13 | - | 11,859 |
| Cash and cash equivalents | 14 | 177,295,736 | 116,587,382 |
| **Total current assets** | | 375,505,029 | 387,965,701 |
| **Total assets** | | 678,427,747 | 675,249,096 |
| **Equity** | | | |
| Share capital | 15 | 202,330,568 | 202,330,568 |
| Treasury shares | 16 | (2,131) | (2,131) |
| Reserves | 17 | 396,592,209 | 383,185,583 |
| **Total equity attributable to owners of the Company** | | 598,920,646 | 585,514,020 |
| Non-controlling interests | | 556,757 | 499,692 |
| **Total equity** | | 599,477,403 | 586,013,712 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019 (cont'd)

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Liabilities** | | | |
| Deferred tax liabilities | 10 | 10,271,621 | 10,351,289 |
| **Total non-current liabilities** | | 10,271,621 | 10,351,289 |
| Bank borrowings | 18 | 27,553,116 | 30,117,698 |
| Trade and other payables | 19 | 32,675,578 | 37,974,119 |
| Current tax liabilities | | 659,667 | 3,001,916 |
| Dividend payable | | 7,790,362 | 7,790,362 |
| **Total current liabilities** | | 68,678,723 | 78,884,095 |
| **Total liabilities** | | 78,950,344 | 89,235,384 |
| **Total equity and liabilities** | | 678,427,747 | 675,249,096 |

The notes on pages 67 to 162 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| Revenue | 21 | 327,787,406 | 351,813,861 |
| Cost of sales | | (212,832,009) | (216,662,708) |
| **Gross profit** | | 114,955,397 | 135,151,153 |
| Distribution costs | | (14,190,257) | (15,145,298) |
| Administrative expenses | | (63,329,827) | (67,933,893) |
| Other expenses | | (7,907,691) | (2,389,870) |
| Other income | | 10,000,487 | 10,435,740 |
| | | (75,427,288) | (75,033,321) |
| **Results from operating activities** | | 39,528,109 | 60,117,832 |
| Share of profit of equity-accounted associate, net of tax | | 15,984,479 | 11,837,418 |
| Interest expense | | (945,007) | (585,585) |
| **Profit before tax** | 22 | 54,567,581 | 71,369,665 |
| Tax expense | 24 | (6,731,341) | (12,071,849) |
| **Profit for the year** | | 47,836,240 | 59,297,816 |
| **Other comprehensive (expense)/ income, net of tax** | | | |
| **Item that is or may be reclassified subsequently to profit or loss** | | | |
| Foreign exchange translation differences for foreign operations | | (4,611,596) | (428,180) |
| | | (4,611,596) | (428,180) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019 (cont'd)

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Item that will not be reclassified subsequently to profit or loss** | | | |
| Share of other comprehensive income/(expense) of equity-accounted associate | | 59,676 | (1,850,147) |
| **Other comprehensive expense for the year, net of tax** | 25 | (4,551,920) | (2,278,327) |
| **Total comprehensive income for the year** | | 43,284,320 | 57,019,489 |
| **Profit attributable to:** | | | |
| Owners of the Company | | 47,765,108 | 59,149,167 |
| Non-controlling interests | | 71,132 | 148,649 |
| **Profit for the year** | | 47,836,240 | 59,297,816 |
| **Total comprehensive income attributable to :** | | | |
| Owners of the Company | | 43,227,255 | 56,884,411 |
| Non-controlling interests | | 57,065 | 135,078 |
| **Total comprehensive income for the year** | | 43,284,320 | 57,019,489 |
| **Basic earnings per ordinary share (sen)** | 26 | 24.53 | 30.37 |

The notes on pages 67 to 162 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | Distributable | | | |
| | Share capital RM | Treasury shares RM | Share option reserve RM | Translation reserve RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
| **At 1 April 2017** | 199,333,534 | (1,767) | 862,491 | 16,064,173 | 341,284,281 | 557,542,712 | 364,614 | 557,907,326 |
| Foreign exchange translation differences for foreign operations | - | - | - | (414,609) | - | (414,609) | (13,571) | (428,180) |
| Share of other comprehensive expense of equity-accounted associate | - | - | - | (1,850,147) | - | (1,850,147) | - | (1,850,147) |
| Total other comprehensive expense for the year | - | - | - | (2,264,756) | - | (2,264,756) | (13,571) | (2,278,327) |
| Profit for the year | - | - | - | - | 59,149,167 | 59,149,167 | 148,649 | 59,297,816 |
| **Total comprehensive income/(expense) for the year** | - | - | - | (2,264,756) | 59,149,167 | 56,884,411 | 135,078 | 57,019,489 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019 (cont'd)

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | Distributable | | | |
| | Share capital RM | Treasury shares RM | Share option reserve RM | Translation reserve RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
| *Contributions by and distributions to owners of the Company* | | | | | | | | |
| - Treasury shares acquired | - | (364) | - | - | - | (364) | - | (364) |
| - Issue of shares pursuant to ESOS | 2,248,710 | - | - | - | - | 2,248,710 | - | 2,248,710 |
| - Dividends to owners of the Company (Note 27) | - | - | - | - | (31,161,449) | (31,161,449) | - | (31,161,449) |
| **Total transactions with owners of the Company** | 2,248,710 | (364) | - | - | (31,161,449) | (28,913,103) | - | (28,913,103) |
| Transfer from share option reserve for options exercised | 748,324 | - | (748,324) | - | - | - | - | - |
| Transfer from share option reserve for options lapsed | - | - | (114,167) | - | 114,167 | - | - | - |
| **At 31 March 2018** | 202,330,568 | (2,131) | - | 13,799,417 | 369,386,166 | 585,514,020 | 499,692 | 586,013,712 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019 (cont'd)

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Non-distributable | | Distributable | | | |
| | Share capital RM | Treasury shares RM | Translation reserve RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
| **At 1 April 2018, *as previously reported*** | 202,330,568 | (2,131) | 13,799,417 | 369,386,166 | 585,514,020 | 499,692 | 586,013,712 |
| Adjustment on initial application of MFRS 9, net of tax | - | - | - | (606,770) | (606,770) | - | (606,770) |
| **At 1 April 2018, *restated*** | 202,330,568 | (2,131) | 13,799,417 | 368,779,396 | 584,907,250 | 499,692 | 585,406,942 |
| Foreign exchange translation differences for foreign operations | - | - | (4,597,529) | - | (4,597,529) | (14,067) | (4,611,596) |
| Share of other comprehensive income of equity-accounted associate | - | - | 59,676 | - | 59,676 | - | 59,676 |
| Total other comprehensive expense for the year | - | - | (4,537,853) | - | (4,537,853) | (14,067) | (4,551,920) |
| Profit for the year | - | - | - | 47,765,108 | 47,765,108 | 71,132 | 47,836,240 |
| **Total comprehensive income/ (expense) for the year** | - | - | (4,537,853) | 47,765,108 | 43,227,255 | 57,065 | 43,284,320 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019 (cont'd)

| | Attributable to owners of the Company | Non-distributable | | Distributable | | | |
|---|---|---|---|---|---|---|---|
| | Share capital RM | Treasury shares RM | Translation reserve RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
| *Distributions to owners of the Company* | | | | | | | |
| - Dividends to owners of the Company (Note 27) | - | - | - | (29,213,859) | (29,213,859) | - | (29,213,859) |
| **Total transactions with owners of the Company** | - | - | - | (29,213,859) | (29,213,859) | - | (29,213,859) |
| **At 31 March 2019** | 202,330,568 | (2,131) | 9,261,564 | 387,330,645 | 598,920,646 | 556,757 | 599,477,403 |

The notes on pages 67 to 162 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 54,567,581 | 71,369,665 |
| Adjustments for : | | | |
| Depreciation | | | |
| - Property, plant and equipment | 3 | 8,637,680 | 9,817,230 |
| - Investment properties | 5 | 41,331 | 41,331 |
| Amortisation of prepaid lease payments | 4 | 38,876 | 38,880 |
| Amortisation of intangible assets | 7 | 348,751 | 359,650 |
| Gain on disposal of property, plant and equipment | | (184,359) | (390,127) |
| Interest expense | | 945,007 | 585,585 |
| Interest income | | (7,621,768) | (5,640,206) |
| Share of profit of equity-accounted associate, net of tax | | (15,984,479) | (11,837,418) |
| Derivative financial assets | | 11,859 | (11,859) |
| Plant and equipment written off | | - | 873 |
| Unrealised foreign exchange gain on trade loans | 18.1 | (114,396) | (756,684) |
| **Operating profit before changes in working capital** | | 40,686,083 | 63,576,920 |
| Changes in working capital : | | | |
| Inventories | | 3,402,767 | (8,909,663) |
| Trade and other receivables | | 1,147,643 | (2,351,312) |
| Trade and other payables | | (3,976,519) | (4,133,267) |
| **Cash generated from operations** | | 41,259,974 | 48,182,678 |
| Tax paid | | (9,593,510) | (13,122,308) |
| **Net cash from operating activities** | | 31,666,464 | 35,060,370 |

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019 (cont'd)

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (6,715,652) | (11,770,040) |
| Proceeds from disposal of property, plant and equipment | | 186,251 | 497,119 |
| Dividends received from associate | | 2,138,063 | 1,832,625 |
| Interest received | | 7,621,768 | 5,640,206 |
| Decrease in other investments | | 59,564,206 | 40,597,366 |
| **Net cash from investing activities** | | 62,794,636 | 36,797,276 |
| **Cash flows from financing activities** | | | |
| (Repayment)/Drawdown of short term borrowings | 18.1 | (2,450,186) | 1,715,208 |
| Proceeds from shares issued under ESOS | | - | 2,248,710 |
| Repurchase of treasury shares | 16 | - | (364) |
| Dividends paid | | (29,213,859) | (31,161,453) |
| Interest paid | | (945,007) | (585,585) |
| **Net cash used in financing activities** | | (32,609,052) | (27,783,484) |
| **Net increase in cash and cash equivalents** | | 61,852,048 | 44,074,162 |
| Cash and cash equivalents at 1 April | | 116,587,382 | 72,437,718 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | (1,143,694) | 75,502 |
| **Cash and cash equivalents at 31 March** | 14 | 177,295,736 | 116,587,382 |

The notes on pages 67 to 162 are an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION
# AS AT 31 MARCH 2019

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| **Assets** | | | |
| Investments in subsidiaries | 6 | 202,187,056 | 202,187,056 |
| Investment in an associate | 8 | 5,192,167 | 5,192,167 |
| **Total non-current assets** | | 207,379,223 | 207,379,223 |
| Other receivables | 12 | 19,639,389 | 23,540,839 |
| Current tax assets | | - | 55,834 |
| Cash and cash equivalents | 14 | 745,370 | 1,679,787 |
| **Total current assets** | | 20,384,759 | 25,276,460 |
| **Total assets** | | 227,763,982 | 232,655,683 |
| **Equity** | | | |
| Share capital | 15 | 202,330,568 | 202,330,568 |
| Treasury shares | 16 | (2,131) | (2,131) |
| Reserves | 17 | 17,187,215 | 22,128,056 |
| **Total equity** | | 219,515,652 | 224,456,493 |
| **Liabilities** | | | |
| Other payables | 19 | 448,051 | 408,828 |
| Current tax liabilities | | 9,917 | - |
| Dividend payable | | 7,790,362 | 7,790,362 |
| **Total current liabilities** | | 8,248,330 | 8,199,190 |
| **Total equity and liabilities** | | 227,763,982 | 232,655,683 |

The notes on pages 67 to 162 are an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| Revenue | 21 | 27,639,472 | 35,853,999 |
| Administrative expenses | | (3,365,095) | (3,200,020) |
| Other expenses | | (3,920) | (23,977) |
| Other income | | 43,437 | 47,177 |
| **Profit before tax** | 22 | 24,313,894 | 32,677,179 |
| Tax expense | 24 | (40,876) | (4,332) |
| **Profit for the year representing total comprehensive income for the year** | | 24,273,018 | 32,672,847 |

The notes on pages 67 to 162 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

| | | ← Non-distributable | → | Distributable | |
|---|---|---|---|---|---|
| | Share capital RM | Treasury shares RM | Share option reserve RM | Retained earnings RM | Total equity RM |
| **At 1 April 2017** | 199,333,534 | (1,767) | 892,229 | 20,472,753 | 220,696,749 |
| Profit for the year representing total comprehensive income for the year | - | - | - | 32,672,847 | 32,672,847 |
| *Contributions by and distributions to owners of the Company* | | | | | |
| - Treasury shares acquired | - | (364) | - | - | (364) |
| - Shares issued pursuant to ESOS | 2,248,710 | - | - | - | 2,248,710 |
| - Dividends to owners of the Company (Note 27) | - | - | - | (31,161,449) | (31,161,449) |
| **Total transactions with owners of the Company** | 2,248,710 | (364) | - | (31,161,449) | (28,913,103) |
| Transfer from share option reserve for options exercised | 748,324 | - | (748,324) | - | - |
| Transfer from share option reserve for options lapsed | - | - | (143,905) | 143,905 | - |
| **At 31 March 2018** | 202,330,568 | (2,131) | - | 22,128,056 | 224,456,493 |

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019 (cont'd)

| | Share capital RM | Non-distributable Treasury shares RM | Distributable Retained earnings RM | Total equity RM |
|---|---|---|---|---|
| **At 1 April 2018** | 202,330,568 | (2,131) | 22,128,056 | 224,456,493 |
| Profit for the year representing total comprehensive income for the year | - | - | 24,273,018 | 24,273,018 |
| *Distributions to owners of the Company* | | | | |
| - Dividends to owners of the Company (Note 27) | - | - | (29,213,859) | (29,213,859) |
| **Total transactions with owners of the Company** | - | - | (29,213,859) | (29,213,859) |
| **At 31 March 2019** | 202,330,568 | (2,131) | 17,187,215 | 219,515,652 |

The notes on pages 67 to 162 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 24,313,894 | 32,677,179 |
| Adjustments for : | | | |
| Dividend income | | (24,210,626) | (32,734,857) |
| Interest income | | (30,828) | (36,566) |
| **Operating profit/(loss) before changes in working capital** | | 72,440 | (94,244) |
| Changes in working capital : | | | |
| Other receivables | | 3,901,450 | (3,875,183) |
| Other payables | | 39,223 | (365,669) |
| **Cash generated from/(used in) operations** | | 4,013,113 | (4,335,096) |
| Tax refunded/(paid) | | 24,875 | (39,084) |
| Dividends received | | 24,210,626 | 32,734,857 |
| Interest received | | 30,828 | 36,566 |
| **Net cash from operating activities** | | 28,279,442 | 28,397,243 |
| **Cash flows from financing activities** | | | |
| Proceeds from shares issued under ESOS | | - | 2,248,710 |
| Repurchase of treasury shares | 16 | - | (364) |
| Dividends paid | | (29,213,859) | (31,161,453) |
| **Net cash used in financing activities** | | (29,213,859) | (28,913,107) |
| **Net decrease in cash and cash equivalents** | | (934,417) | (515,864) |
| Cash and cash equivalents at 1 April | | 1,679,787 | 2,195,651 |
| **Cash and cash equivalents at 31 March** | 14 | 745,370 | 1,679,787 |

The notes on pages 67 to 162 are an integral part of these financial statements.

Asia File Corporation Bhd. 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 registered office and principal place of business are as follows :

**Registered office**

170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Penang

**Principal place of business**

Plot 16, Kawasan Perindustrian Bayan Lepas
Phase IV
Mukim 12, Bayan Lepas,
11900 Penang

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate.

The Company is principally engaged as an investment holding company, commission agent and provider of management services. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 12 July 2019.

## 1. Basis of preparation

### (a) Statement of compliance

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

## 1. Basis of preparation (cont'd)

### (a) Statement of compliance (cont'd)

The following are accounting standards, amendments and interpretations 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 2019***

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

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

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

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

- MFRS 17, *Insurance Contracts*

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

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

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable, in the respective financial years when the abovementioned standards, amendments or interpretations become effective.

## 1. Basis of preparation (cont'd)

### (a) Statement of compliance (cont'd)

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

**MFRS 16, *Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

### (b) Basis of measurement

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

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

### (d) Use of estimates and judgements

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.

## 1. Basis of preparation (cont'd)

### (d) Use of estimates and judgements (cont'd)

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 Note 5 - Valuation of investment properties, Note 7 - Intangible assets and Note 11 - Inventories.

## 2. Significant accounting policies

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 35.

### (a) Basis of consolidation

#### *(i) Subsidiaries*

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

## 2. Significant accounting policies (cont'd)

### (a) Basis of consolidation (cont'd)

#### *(ii) Business combinations*

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

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

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

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

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

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

#### *(iii) Acquisitions of non-controlling interests*

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

#### *(iv) Loss of control*

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

## 2. Significant accounting policies (cont'd)

### (a) Basis of consolidation (cont'd)

#### *(v) Associates*

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

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

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

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

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

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

## 2. Significant accounting policies (cont'd)

### (a) Basis of consolidation (cont'd)

#### *(vi) Non-controlling interests*

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

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

#### *(vii) Transactions eliminated on consolidation*

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

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

### (b) Foreign currency

#### *(i) Foreign currency transactions*

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

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

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

## 2. Significant accounting policies (cont'd)

### (b) Foreign currency (cont'd)

#### *(i) Foreign currency transactions (cont'd)*

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

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

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 April 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

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

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

## 2. Significant accounting policies (cont'd)

### (c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

#### *(i) Recognition and initial measurement*

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

**Current financial year**

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

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

**Previous financial year**

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

## 2. Significant accounting policies (cont'd)

### (c) Financial instruments (cont'd)

#### *(ii) Financial instrument categories and subsequent measurement*

***Financial assets***

**Current financial year**

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

***(a) Amortised cost***

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

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

## 2. Significant accounting policies (cont'd)

### (c) Financial instruments (cont'd)

#### *(ii) Financial instrument categories and subsequent measurement (cont'd)*

***Financial assets (cont'd)***

**Current financial year (cont'd)**

***(b) Fair value through profit or loss***

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

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

All financial assets, except for those measured at fair value through profit or loss are subject to impairment assessment (see Note 2(h)(i)).

**Previous financial year**

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), or financial assets that were specifically designated into this category upon initial recognition.

## 2. Significant accounting policies (cont'd)

### (c) Financial instruments (cont'd)

#### *(ii) Financial instrument categories and subsequent measurement (cont'd)*

***Financial assets (cont'd)***

**Previous financial year (cont'd)**

***(a) Financial assets at fair value through profit or loss (cont'd)***

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

***(b) Loans and receivables***

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

***(c) Available-for-sale financial assets***

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

## 2. Significant accounting policies (cont'd)

### (c) Financial instruments (cont'd)

#### *(ii) Financial instrument categories and subsequent measurement (cont'd)*

***Financial assets (cont'd)***

**Previous financial year (cont'd)**

All financial assets, except for those measured at fair value through profit or loss, were subject to impairment assessment (see Note 2(h)(i)).

***Financial liabilities***

**Current financial year**

The category of financial liabilities at initial recognition is as follows:

***Amortised cost***

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

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

**Previous financial year**

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost.

#### *(iii) Regular way purchase or sale of financial assets*

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

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

## 2. Significant accounting policies (cont'd)

### (c) Financial instruments (cont'd)

#### *(iii) Regular way purchase or sale of financial assets (cont'd)*

Settlement date accounting refers to:

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

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

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

#### *(iv) Financial guarantee contracts*

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

**Current financial year**

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

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

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

## 2. Significant accounting policies (cont'd)

### (c) Financial instruments (cont'd)

#### *(iv) Financial guarantee contracts (cont'd)*

**Previous financial year**

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

#### *(v) Derecognition*

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### *(vi) Offsetting*

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

## 2. Significant accounting policies (cont'd)

### (d) Property, plant and equipment

#### *(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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

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

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

#### *(ii) Subsequent costs*

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

#### *(iii) Depreciation*

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

## 2. Significant accounting policies (cont'd)

### (d) Property, plant and equipment (cont'd)

#### *(iii) Depreciation (cont'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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows:

| | % |
|---|---|
| Buildings | 2 - 10 |
| Plant and machinery | 6.66 - 25 |
| Office equipment, furniture and fittings | 8 - 33.33 |
| Motor vehicles | 15 - 25 |

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

### (e) Leased assets

***Operating lease***

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using cost model.

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

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

## 2. Significant accounting policies (cont'd)

### (f) Intangible assets

#### *(i) Goodwill*

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

#### *(ii) Other intangible assets*

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.

#### *(iii) Subsequent expenditure*

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

#### *(iv) Amortisation*

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

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

The estimated useful life for the current and comparative periods is as follows:

- Customer contracts – 7 years

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

## 2. Significant accounting policies (cont'd)

### (g) Investment property

#### *(i) Investment property carried at cost*

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. These include land (other than prepaid lease payments) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

#### *(ii) Reclassification to/from investment property*

When an item of property, plant and equipment is transferred to investment properties following a change in its use, evidenced by commencement of owner-occupation, for a transfer from investment properties to owner-occupied property or end of owner-occupation, for a transfer from owner-occupied property to investment property.

Transfer between investment properties and property, plant and equipment does not change the carrying amount of the property transferred.

#### *(iii) Determination of fair value*

The Directors estimate the fair values of the Group's investment properties based on the Directors' own assessment by reference to market evidence of transaction prices for similar properties.

## 2. Significant accounting policies (cont'd)

### (h) Impairment

#### *(i) Financial assets*

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

**Current financial year**

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

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

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

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

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

## 2. Significant accounting policies (cont'd)

### (h) Impairment (cont'd)

#### *(i) Financial assets (cont'd)*

**Current financial year (cont'd)**

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

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

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

**Previous financial year**

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

## 2. Significant accounting policies (cont'd)

### (h) Impairment (cont'd)

#### *(i) Financial assets (cont'd)*

**Previous financial year (cont'd)**

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

#### *(ii) Other assets*

The carrying amounts of other assets (except for inventories, contract assets and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

## 2. Significant accounting policies (cont'd)

### (h) Impairment (cont'd)

#### *(ii) Other assets (cont'd)*

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### (i) Inventories

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

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

## 2. Significant accounting policies (cont'd)

### (i) Inventories (cont'd)

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

### (j) Cash and cash equivalents

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

### (k) Provisions

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

### (l) Equity instruments

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

#### *(i) Issue expenses*

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

#### *(ii) Ordinary shares*

Ordinary shares are classified as equity.

## 2. Significant accounting policies (cont'd)

### (l) Equity instruments (cont'd)

#### *(iii) Repurchase, disposal and reissue of share capital (treasury shares)*

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

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

### (m) Borrowing costs

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

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

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

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

## 2. Significant accounting policies (cont'd)

### (n) Revenue and other income

#### *(i) Revenue*

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

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

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

#### *(ii) Rental income*

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

#### *(iii) Dividend income*

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

#### *(iv) Commission*

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

## 2. Significant accounting policies (cont'd)

### (n) Revenue and other income (cont'd)

#### *(v) Interest income*

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

### (o) Income tax

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

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

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

The 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. Deferred tax assets and liabilities are not discounted.

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

## 2. Significant accounting policies (cont'd)

### (o) Income tax (cont'd)

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

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

### (p) Employee benefits

#### *(i) Short-term employee benefits*

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

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

#### *(ii) State plans*

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

### (q) Earnings per ordinary share

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

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

## 2. Significant accounting policies (cont'd)

### (q) Earnings per ordinary share (cont'd)

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

### (r) Operating segments

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

### (s) Contingencies

#### *(i) Contingent liabilities*

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

#### *(ii) Contingent assets*

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

## 2. Significant accounting policies (cont'd)

### (t) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

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

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

## 3. Property, plant and equipment - Group

| | Land RM | Buildings RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Asset under construction RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 April 2017 | 15,279,009 | 86,467,661 | 166,015,074 | 20,107,191 | 9,517,652 | 5,121,980 | 302,508,567 |
| Additions | - | 243,347 | 9,258,244 | 687,610 | 986,131 | 594,708 | 11,770,040 |
| Disposals | - | - | (828,341) | (241,388) | (1,759,823) | - | (2,829,552) |
| Write off | - | - | - | (2,105) | - | - | (2,105) |
| Reclassifications | 2,100,000 | 3,629,601 | (21,523) | 8,610 | - | (5,716,688) | - |
| Effect of movements in exchange rates | 29,750 | 152,334 | 398,492 | 123,922 | 14,058 | - | 718,556 |
| At 31 March 2018/ 1 April 2018 | 17,408,759 | 90,492,943 | 174,821,946 | 20,683,840 | 8,758,018 | - | 312,165,506 |
| Additions | - | 189,026 | 5,454,582 | 454,980 | 577,064 | 40,000 | 6,715,652 |
| Disposals | - | - | (57,575) | (164,034) | (616,212) | - | (837,821) |
| Write off | - | - | - | (980) | - | - | (980) |
| Effect of movements in exchange rates | (126,437) | (1,508,265) | (2,805,307) | (606,635) | (139,100) | - | (5,185,744) |
| At 31 March 2019 | 17,282,322 | 89,173,704 | 177,413,646 | 20,367,171 | 8,579,770 | 40,000 | 312,856,613 |

## 3. Property, plant and equipment - Group (cont'd)

| | Land RM | Buildings RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Asset under construction RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| At 1 April 2017 | - | 37,933,810 | 135,686,369 | 17,721,747 | 8,680,973 | - | 200,022,899 |
| Depreciation for the year | - | 2,285,617 | 6,121,297 | 780,477 | 629,839 | - | 9,817,230 |
| Disposals | - | - | (759,790) | (241,345) | (1,721,425) | - | (2,722,560) |
| Write off | - | - | - | (1,232) | - | - | (1,232) |
| Effect of movements in exchange rates | - | 140,390 | 339,090 | 93,839 | 5,730 | - | 579,049 |
| At 31 March 2018/ 1 April 2018 | - | 40,359,817 | 141,386,966 | 18,353,486 | 7,595,117 | - | 207,695,386 |
| Depreciation for the year | - | 2,162,730 | 5,301,124 | 637,815 | 536,011 | - | 8,637,680 |
| Disposals | - | - | (57,566) | (162,156) | (616,207) | - | (835,929) |
| Write off | - | - | - | (980) | - | - | (980) |
| Effect of movements in exchange rates | - | (996,050) | (2,434,259) | (552,327) | (121,467) | - | (4,104,103) |
| At 31 March 2019 | - | 41,526,497 | 144,196,265 | 18,275,838 | 7,393,454 | - | 211,392,054 |

## 3. Property, plant and equipment - Group (cont'd)

| | Land RM | Buildings RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Asset under construction RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Carrying amounts** | | | | | | | |
| At 1 April 2017 | 15,279,009 | 48,533,851 | 30,328,705 | 2,385,444 | 836,679 | 5,121,980 | 102,485,668 |
| At 31 March 2018/ 1 April 2018 | 17,408,759 | 50,133,126 | 33,434,980 | 2,330,354 | 1,162,901 | - | 104,470,120 |
| At 31 March 2019 | 17,282,322 | 47,647,207 | 33,217,381 | 2,091,333 | 1,186,316 | 40,000 | 101,464,559 |

## 4. Prepaid lease payments - Group

| | Unexpired period less than 50 years RM |
|---|---|
| **Cost** | |
| At 1 April 2017/31 March 2018/1 April 2018/ 31 March 2019 | 2,294,116 |
| **Amortisation** | |
| At 1 April 2017 | 810,037 |
| Amortisation for the year | 38,880 |
| At 31 March 2018/1 April 2018 | 848,917 |
| Amortisation for the year | 38,876 |
| At 31 March 2019 | 887,793 |
| **Carrying amounts** | |
| At 1 April 2017 | 1,484,079 |
| At 31 March 2018/1 April 2018 | 1,445,199 |
| At 31 March 2019 | 1,406,323 |

## 5. Investment properties - Group

| | RM |
|---|---|
| **Cost** | |
| At 1 April 2017/31 March 2018/1 April 2018/ 31 March 2019 | 2,066,583 |
| **Accumulated depreciation** | |
| At 1 April 2017 | 679,112 |
| Depreciation for the year | 41,331 |
| At 31 March 2018/1 April 2018 | 720,443 |
| Depreciation for the year | 41,331 |
| At 31 March 2019 | 761,774 |
| **Carrying amounts** | |
| At 1 April 2017 | 1,387,471 |
| At 31 March 2018/1 April 2018 | 1,346,140 |
| At 31 March 2019 | 1,304,809 |

Investment properties comprise factory buildings that are leased to third parties. The leases are entered into for a period of 5 years. Subsequent renewals are to be negotiated with the lessee.

The following are recognised in the profit or loss in respect of investment properties :

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Rental income | 259,172 | 256,500 |
| Direct operating expenses - income generating investment properties | 14,818 | 14,642 |

## 5. Investment properties - Group (cont'd)

### Fair value information

The fair value of the investment properties as at 31 March 2019 was categorised as level 3 of the fair value hierarchy. Based on the Directors' estimation using the latest available market information and recent experience and knowledge in the location and category of property being valued, the fair value of the investment properties of the Group is approximately RM4,000,000 (2018 : RM4,000,000).

### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties. The valuation technique used in determination of fair value within Level 3 is as follows:

| Description of valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| Comparison approach: This approach entails comparing the property with similar properties that were listed for sale within the same locality or other comparable localities. | Price per square foot (RM139) | 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

The fair value of investment properties is based on estimates of market value by Directors by comparing the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities. The fair values of the Group's investment properties and changes in Level 3 fair values are analysed by management annually.

## 6. Investments in subsidiaries - Company

| | 2019 RM | 2018 RM |
|---|---|---|
| Unquoted shares, at cost | 198,068,043 | 198,068,043 |
| Add: Share-based payments allocated to subsidiaries | 4,119,013 | 4,119,013 |
| | 202,187,056 | 202,187,056 |

Details of the subsidiaries are as follows :

| Name of subsidiary | Effective ownership interest and voting interest 2019 | Effective ownership interest and voting interest 2018 | Country of incorporation | Principal activities |
|---|---|---|---|---|
| Asia File Products Sdn. Bhd. | 100% | 100% | Malaysia | Manufacture and sale of stationery products and recyclable food wares |
| Sin Chuan Marketing Sdn. Bhd. | 100% | 100% | Malaysia | Dormant |
| Lim & Khoo Sdn. Bhd. | 100% | 100% | Malaysia | Investment holding |
| Formosa Technology Sdn. Bhd. | 100% | 100% | Malaysia | Manufacture and trading of recyclable food wares |
| ABBA Marketing Sdn. Bhd. | 100% | 100% | Malaysia | Trading of stationery products, graphic designing and desktop publishing |

## 6. Investments in subsidiaries - Company (cont'd)

Details of the subsidiaries are as follows (cont'd) :

| Name of subsidiary | Effective ownership interest and voting interest 2019 | 2018 | Country of incorporation | Principal activities |
|---|---|---|---|---|
| AFP Composite Sdn. Bhd. | 100% | 100% | Malaysia | Manufacture and supply of plastic related products and filing products |
| Premier Stationery Limited * | 95% | 95% | United Kingdom | Import and distribution of stationery products |
| Premier Stationery Pte. Ltd. * | 100% | 100% | Singapore | Trading of stationery products |
| Higher Kings Mill Limited * | 100% | 100% | United Kingdom | Manufacture and sale of coloured paper and boards for filing, educational and other specialty markets |
| ***Subsidiary of Asia File Products Sdn. Bhd.*** | | | | |
| Plastoreg Smidt GmbH # | 100% | 100% | Germany | Manufacture and distribution of stationery products |

* Not audited by member firms of KPMG International
\# Audited by member firms of KPMG International

There is no disclosure of the summarised financial information for non-controlling interest ("NCI") as the NCI is not significant to the Group.

## 7. Intangible assets - Group

| | Goodwill RM | Customer contracts RM | Total RM |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2017 | 30,234,456 | 2,721,128 | 32,955,584 |
| Effect of movements in exchange rates | - | 23,060 | 23,060 |
| At 31 March 2018/ 1 April 2018 | 30,234,456 | 2,744,188 | 32,978,644 |
| Effect of movements in exchange rates | - | (98,007) | (98,007) |
| At 31 March 2019 | 30,234,456 | 2,646,181 | 32,880,637 |
| **Amortisation** | | | |
| At 1 April 2017 | - | 1,500,503 | 1,500,503 |
| Amortisation for the year | - | 359,650 | 359,650 |
| Effect of movements in exchange rates | - | 4,768 | 4,768 |
| At 31 March 2018/ 1 April 2018 | - | 1,864,921 | 1,864,921 |
| Amortisation for the year | - | 348,751 | 348,751 |
| Effect of movements in exchange rates | - | (76,213) | (76,213) |
| At 31 March 2019 | - | 2,137,459 | 2,137,459 |
| **Carrying amounts** | | | |
| At 1 April 2017 | 30,234,456 | 1,220,625 | 31,455,081 |
| At 31 March 2018/ 1 April 2018 | 30,234,456 | 879,267 | 31,113,723 |
| At 31 March 2019 | 30,234,456 | 508,722 | 30,743,178 |

## 7. Intangible assets - Group (cont'd)

Goodwill has been allocated to the Group's cash-generating units ("CGU") identified in a foreign subsidiary's operations acquired in the past. The aggregate carrying amount of goodwill allocated was RM30.2 million (2018: RM30.2 million).

Goodwill is allocated to Group's CGU expected to benefit from the synergies of the acquisition. For annual impairment testing purpose, the recoverable amount of the CGU is based on its value-in-use. The value in use calculations apply a discounted cash flow model using cash flow projections based on the financial forecast. The key assumptions for the computation of value-in-use include the discount rate applied of approximately 6% (2018 : 6%). Discount rate used is based on the pre-tax weighted average cost of capital plus an appropriate risk premium, where applicable, at the assessment of the respective CGU. Cash flow projections are based on five years financial budgets.

Management believes that any reasonably possible change in the key assumptions would not cause the recoverable amount of the CGU to be materially below their carrying amounts. Based on this review, there is no evidence of impairment on the Group's goodwill.

## 8. Investment in an associate

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Group** | | |
| At cost | | |
| Quoted shares | 47,041,909 | 47,041,909 |
| Share of post acquisition reserves | 115,158,703 | 101,859,381 |
| | 162,200,612 | 148,901,290 |
| Market value of quoted shares | 114,233,625 | 114,844,500 |
| **Company** | | |
| At cost | | |
| Quoted shares | 5,192,167 | 5,192,167 |
| Market value of quoted shares | 11,708,818 | 11,771,432 |

## 8. Investment in an associate (cont'd)

Details of the associate are as follows :

| Name of entity | Effective ownership interest and voting interest 2019 % | 2018 % | Country of incorporation | Principal activity |
|---|---|---|---|---|
| Muda Holdings Berhad | 20.03 | 20.03 | Malaysia | Investment holding |

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.

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| **Muda Holdings Berhad** | | |
| **Summarised financial information As at 31 March** | | |
| Non-current assets | 972,023 | 917,043 |
| Current assets | 670,577 | 686,413 |
| Non-current liabilities | (206,117) | (183,823) |
| Current liabilities | (602,376) | (652,995) |
| Non-controlling interests | (24,319) | (23,248) |
| **Net assets** | 809,788 | 743,390 |
| **Year ended 31 March** | | |
| Profit from continuing operations | 79,821 | 59,112 |
| Other comprehensive income/(expense) | 298 | (9,239) |
| Total comprehensive income | 80,119 | 49,873 |

## 8. Investment in an associate (cont'd)

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| ***Included in the total comprehensive income is :*** | | |
| Revenue | 1,550,892 | 1,503,325 |
| **Reconciliation of net assets to carrying amount as at 31 March** | | |
| Group's share of net assets representing carrying amount of the associate in the statement of financial position | 162,201 | 148,901 |
| **Group's share of results for the year ended 31 March** | | |
| Group's share of profit or loss from continuing operations | 15,984 | 11,837 |
| Group's share of other comprehensive income/(expense) | 60 | (1,850) |
| Group's share of total comprehensive income | 16,044 | 9,987 |
| **Other information** | | |
| Dividends received by the Group | 2,138 | 1,833 |

There is no share of associate's contingent liabilities incurred jointly with other investors.

## 9. Other investments - Group

| | 2019 RM | 2018 RM |
|---|---|---|
| ***Non-current*** | | |
| Fair value through profit or loss : | | |
| Investment in quoted shares | 5,803,237 | - |
| ***Current*** | | |
| Available-for-sale financial assets : | | |
| Short term funds | - | 2,239 |
| Fair value through profit or loss : | | |
| Investments in dual currency structured product | - | 52,331,689 |
| Equity-linked investments | 9,943,000 | 32,224,330 |
| Short term funds | 8,736,326 | - |
| | 18,679,326 | 84,556,019 |
| | 18,679,326 | 84,558,258 |

## 10. Deferred tax assets/(liabilities) - Group

**Recognised deferred tax assets/(liabilities)**

Deferred tax assets/(liabilities) are attributable to the following :

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Property, plant and equipment | | | | | | |
| - revaluation | - | - | (879,464) | (879,464) | (879,464) | (879,464) |
| - capital allowances | - | 6,923 | (8,654,950) | (8,095,627) | (8,654,950) | (8,088,704) |
| - fair value adjustment | - | - | (1,820,474) | (1,820,474) | (1,820,474) | (1,820,474) |
| Provisions | 1,083,267 | 444,276 | - | - | 1,083,267 | 444,276 |
| Tax assets/(liabilities) | 1,083,267 | 451,199 | (11,354,888) | (10,795,565) | (10,271,621) | (10,344,366) |
| Set off of tax | (1,083,267) | (444,276) | 1,083,267 | 444,276 | - | - |
| Net tax assets/(liabilities) | - | 6,923 | (10,271,621) | (10,351,289) | (10,271,621) | (10,344,366) |

## 10. Deferred tax assets/(liabilities) - Group (cont'd)

**Movement in temporary differences during the year**

| | At 1.4.2017 RM | Recognised in profit or loss (Note 24) RM | Translation difference RM | At 31.3.2018/ 1.4.2018 RM | Recognised in profit or loss (Note 24) RM | Translation difference RM | At 31.3.2019 RM |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | | | | | | | |
| - revaluation | (879,464) | - | - | (879,464) | - | - | (879,464) |
| - capital allowances | (7,296,244) | (789,647) | (2,813) | (8,088,704) | (716,544) | 150,298 | (8,654,950) |
| - fair value adjustment | (1,820,474) | - | - | (1,820,474) | - | - | (1,820,474) |
| Provisions | 401,016 | 43,260 | - | 444,276 | 638,991 | - | 1,083,267 |
| | (9,595,166) | (746,387) | (2,813) | (10,344,366) | (77,553) | 150,298 | (10,271,621) |

## 11. Inventories - Group

| | 2019 RM | 2018 RM |
|---|---|---|
| Raw materials | 68,715,329 | 66,953,056 |
| Work-in-progress | 4,625,610 | 5,132,101 |
| Manufactured inventories | 36,085,703 | 42,587,173 |
| | 109,426,642 | 114,672,330 |

## 12. Trade and other receivables

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Group** | | | |
| **Trade** | | | |
| Trade receivables from contracts with customers | 12.1 | 58,297,685 | 63,800,991 |
| **Non-trade** | | | |
| Other receivables | | 5,687,056 | 2,713,552 |
| Indirect tax receivables | | 1,729,333 | 2,340,180 |
| Deposits | | 841,993 | 250,261 |
| Prepayments | | 2,135,915 | 2,234,798 |
| | | 10,394,297 | 7,538,791 |
| | | 68,691,982 | 71,339,782 |
| **Company** | | | |
| **Non-trade** | | | |
| Amount due from subsidiaries | 12.2 | 19,639,389 | 23,540,839 |

### *12.1 Trade receivables from contracts with customers*

Included in trade receivables from contracts with customers of the Group is an amount due from companies in which a Director and his family members collectively have controlling interests of RM100,882 (2018 : RM88,307).

### *12.2 Amount due from subsidiaries*

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

## 13. Derivative financial assets - Group

| | 2019 Nominal value RM | 2019 Assets RM | 2018 Nominal value RM | 2018 Assets RM |
|---|---|---|---|---|
| Derivatives held for trading at fair value through profit or loss | | | | |
| - Forward exchange contracts | - | - | 1,097,012 | 11,859 |

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.

## 14. Cash and cash equivalents

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Group** | | | |
| Short term deposits with licensed banks | | 10,688,907 | 12,300,000 |
| Short term funds | 14.1 | 12,106,863 | 23,743,623 |
| Cash and bank balances | | 154,499,966 | 80,543,759 |
| | | 177,295,736 | 116,587,382 |
| **Company** | | | |
| Short term funds | 14.1 | 2,309 | 1,623,090 |
| Cash and bank balances | | 743,061 | 56,697 |
| | | 745,370 | 1,679,787 |

### *14.1 Short term funds*

The amount represents investment in money market funds which can be redeemed within 1 day after the receipt of the request to repurchase.

## 15. Share capital - Group/Company

| | Amount RM | Number of shares |
|---|---|---|
| Ordinary shares, issued and fully paid : | | |
| Balance at 1 April 2017 | 199,333,534 | 193,710,960 |
| Issued under ESOS, for cash at : | | |
| RM1.96 per share | 279,888 | 142,800 |
| RM2.57 per share | 411,200 | 160,000 |
| RM1.94 per share | 1,017,064 | 524,260 |
| RM2.44 per share | 540,558 | 221,540 |
| | 2,248,710 | 1,048,600 |
| Transfer from share option reserve for options exercised | 748,324 | - |
| Balance at 31 March 2018/ 1 April 2018/31 March 2019 | 202,330,568 | 194,759,560 |

**Ordinary shares**

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.

## 16. Treasury shares - Group/Company

The shareholders of the Company, by a special resolution passed at an Extraordinary General Meeting held on 25 September 2001 approved the Company's plan to purchase its own shares.

During the financial year ended 31 March 2018, the Company repurchased 100 shares of its issued share capital from the open market at an average price of RM3.35 per share. The total consideration paid was RM364 including transaction costs of RM29. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

There was no movement in treasury shares during the year ended 31 March 2019.

As at 31 March 2019, the ordinary shares held as treasury shares were 500 (2018: 500). The number of outstanding ordinary shares in issue and fully paid-up after deducting the treasury shares held is 194,759,060 (2018 : 194,759,060). Treasury shares held have no rights to voting, dividends and participation in other distribution.

## 17. Reserves

| | 2019 RM | 2018 RM |
|---|---|---|
| **Group** | | |
| **Non-distributable :** | | |
| Translation reserve | 9,261,564 | 13,799,417 |
| **Distributable :** | | |
| Retained earnings | 387,330,645 | 369,386,166 |
| | 396,592,209 | 383,185,583 |
| **Company** | | |
| **Distributable :** | | |
| Retained earnings | 17,187,215 | 22,128,056 |

Movements of reserves are shown in the Statements of Changes in Equity.

## 18. Bank borrowings - Group

| | 2019 RM | 2018 RM |
|---|---|---|
| *Unsecured* | | |
| Foreign currency trade loans | 27,553,116 | 30,117,698 |

## 18. Bank borrowings - Group (cont'd)

### *18.1 Reconciliation of movement of liabilities to cash flows arising from financing activities*

| | At 1.4.2017 RM | Net changes from financing cash flows RM | Foreign exchange movement RM | At 31.3.2018/ 1.4.2018 RM | Net changes from financing cash flows RM | Foreign exchange movement RM | At 31.3.2019 RM |
|---|---|---|---|---|---|---|---|
| Foreign currency trade loans | 29,159,174 | 1,715,208 | (756,684) | 30,117,698 | (2,450,186) | (114,396) | 27,553,116 |

## 19. Trade and other payables

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Group** | | | |
| **Trade** | | | |
| Trade payables | 19.1 | 16,248,526 | 20,682,265 |
| **Non-trade** | | | |
| Other payables | | 6,803,919 | 7,771,904 |
| Accrued expenses | | 9,623,133 | 9,519,950 |
| | | 16,427,052 | 17,291,854 |
| | | 32,675,578 | 37,974,119 |
| **Company** | | | |
| **Non-trade** | | | |
| Other payables | | 128,151 | 113,674 |
| Accrued expenses | | 319,900 | 295,154 |
| | | 448,051 | 408,828 |

### *19.1 Trade payables*

Trade payables include amounts due to companies related to the associate of the Group and companies in which a Director and his close family members collectively have controlling interests of RM446,276 (2018: RM601,710) and RM19,263 (2018 : RM38,017) respectively.

## 20. Employee benefits - Group/Company

### *Share Option Plan*

The Group offered vested share options over ordinary shares to Non-Executive Directors, full time executive Directors and employees who have been in the employment of the Group for a continuous period of at least six (6) months. The option expired on 21 April 2017. The number and weighted average exercise price of share options during the financial year ended 31 March 2018 were as follows :

| | Weighted average exercise price RM | Number of options |
|---|---|---|
| Outstanding at 1 April 2017 | 1.96 | 142,800 |
| Outstanding at 1 April 2017 | 2.57 | 472,000 |
| Outstanding at 1 April 2017 | 1.94 | 524,260 |
| Outstanding at 1 April 2017 | 2.44 | 225,140 |
| | | 1,364,200 |
| Exercised during the year | 1.96 | (142,800) |
| Exercised during the year | 2.57 | (160,000) |
| Exercised during the year | 1.94 | (524,260) |
| Exercised during the year | 2.44 | (221,540) |
| Total exercised during the year | | (1,048,600) |
| Lapsed due to expiration | 1.96 | - |
| Lapsed due to expiration | 2.57 | (312,000) |
| Lapsed due to expiration | 1.94 | - |
| Lapsed due to expiration | 2.44 | (3,600) |
| Total lapsed due to expiration | | (315,600) |
| Outstanding at 31 March 2018 | - | - |

During the financial year ended 31 March 2018, 1,048,600 share options were exercised. The weighted average share price for the year was RM3.09.

## 21. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Revenue from contracts with customers** | | | | |
| Sale of goods | 327,697,166 | 351,714,172 | - | - |
| Management fee from subsidiaries | - | - | 3,338,606 | 3,019,453 |
| **Other revenue** | | | | |
| Dividend income from | | | | |
| - subsidiaries | - | - | 23,991,477 | 32,547,015 |
| - associate | - | - | 219,149 | 187,842 |
| Commission income | 90,240 | 99,689 | 90,240 | 99,689 |
| **Total revenue** | 327,787,406 | 351,813,861 | 27,639,472 | 35,853,999 |
| **Timing and recognition** | | | | |
| At a point in time | 292,290,119 | 301,717,044 | 27,639,472 | 35,853,999 |
| Over time | 35,497,287 | 50,096,817 | - | - |
| | 327,787,406 | 351,813,861 | 27,639,472 | 35,853,999 |

Revenue from contracts with customers of the Group is mainly confined to one business segment. Revenue of the Group mainly consists of sale of stationery products, coloured paper and boards. Disaggregation of revenue based on primary geographical markets has been disclosed in Note 32 to the financial statements.

## 21. Revenue (cont'd)

### 21.1 Nature of goods

The following information reflects the typical transactions of the Group:

| Nature of goods | Timing of recognition or method used to recognise revenue | Significant payment terms |
|---|---|---|
| Sale of stationery products, coloured paper, boards and recyclable food wares | Revenue is recognised at a point in time when the control over the goods are transferred to the customer | Generally, average credit period up to 90 days from invoice date is given to the customers. |
| Made-to-order stationery products | Revenue is recognised over time based on cost incurred method which is consistent with the pattern of transfer of control of the goods to the customers.<br><br>These contracts would meet the criteria no alternative use and the Group has rights to payment for work performed. | Generally, average credit period up to 90 days from invoice date is given to the customers. |

There is no variable element in consideration, obligation for returns or refunds and warranty attached to the goods sold by the Group.

### 21.2 Transaction price allocated to the remaining performance obligations

The Group and the Company apply the practical expedient in paragraph 121(a) of MFRS 15 and do not disclose the transaction price allocated to unsatisfied (or partially satisfied) performance obligations where the contract has an original expected duration of one year or less.

## 22. Profit before tax

Profit before tax is arrived at :

| | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|
| After charging : | | | | |
| Auditors' remuneration | | | | |
| - Audit fee | | | | |
| KPMG PLT in Malaysia | 101,000 | 95,000 | 22,000 | 20,000 |
| Overseas affiliate of KPMG PLT in Malaysia | 162,027 | 121,380 | - | - |
| Other auditors | 131,041 | 132,495 | - | - |
| - Non-audit fees | | | | |
| KPMG PLT in Malaysia | 14,000 | 14,000 | 14,000 | 14,000 |
| Overseas affiliate of KPMG PLT in Malaysia | 22,001 | 22,372 | - | - |
| Consultancy fee paid to a company in which a Director of a subsidiary has a substantial financial interest | 194,605 | 227,374 | - | - |
| Amortisation of prepaid lease payments (Note 4) | 38,876 | 38,880 | - | - |
| Amortisation of intangible assets (Note 7) | 348,751 | 359,650 | - | - |
| Depreciation | | | | |
| - property, plant and equipment (Note 3) | 8,637,680 | 9,817,230 | - | - |
| - investment properties (Note 5) | 41,331 | 41,331 | - | - |
| Rental expense | 1,501,437 | 1,505,102 | - | - |
| Loss on foreign exchange | | | | |
| - realised | 1,794,783 | - | - | 17,341 |
| - unrealised | 1,045,913 | 415,485 | 3,527 | - |
| Impairment loss on trade receivables | 206,997 | - | - | - |

## 22. Profit before tax (cont'd)

Profit before tax is arrived at (cont'd) :

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| After charging (cont'd) : | | | | |
| Interest expense | 945,007 | 585,585 | - | - |
| Plant and equipment written off | - | 873 | - | - |
| Fair value loss on equity-linked investments | 3,478,093 | 2,008,991 | - | - |
| Fair value loss on short term funds | 444,647 | - | - | - |
| and after crediting : | | | | |
| Interest income | | | | |
| - subsidiary | - | - | - | 5,091 |
| - financial institutions | 7,621,768 | 5,640,206 | 30,828 | 31,475 |
| Gain on disposal of property, plant and equipment | 184,359 | 390,127 | - | - |
| Fair value gain on short term funds | - | 192,895 | - | - |
| Rental income on premises | 264,452 | 262,260 | - | - |
| Reversal of impairment loss on trade receivables | - | 59,078 | - | - |
| Gain on foreign exchange - realised | - | 2,178,987 | 1,879 | - |

## 23. Employee information

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Staff costs | 59,336,540 | 61,424,862 | 2,921,022 | 2,779,082 |

Included in staff costs of the Group and of the Company is an amount of RM3,464,686 (2018 : RM3,656,082) and RM313,710 (2018 : RM296,364) respectively representing contributions made to the statutory pension funds.

## 24. Tax expense

### Recognised in profit or loss

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Current tax expense** | | | | |
| - current year | 9,029,930 | 11,845,867 | 39,000 | 3,499 |
| - prior years | (2,376,142) | (520,405) | 1,876 | 833 |
| Total current tax | 6,653,788 | 11,325,462 | 40,876 | 4,332 |
| **Deferred tax expense** | | | | |
| - current year | 32,553 | 719,387 | - | - |
| - prior year | 45,000 | 27,000 | - | - |
| Total deferred tax | 77,553 | 746,387 | - | - |
| Total tax expense | 6,731,341 | 12,071,849 | 40,876 | 4,332 |

### Reconciliation of tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Profit before tax | 54,567,581 | 71,369,665 | 24,313,894 | 32,677,179 |
| Less : Share of results of equity-accounted associate, net of tax | (15,984,479) | (11,837,418) | - | - |
| | 38,583,102 | 59,532,247 | 24,313,894 | 32,677,179 |

## 24. Tax expense (cont'd)

### Reconciliation of tax expense (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Income tax at Malaysian tax rate of 24% | 9,259,944 | 14,287,739 | 5,835,335 | 7,842,523 |
| Effect of different tax rates in foreign jurisdictions | 100,424 | (245,710) | - | - |
| Non-deductible expenses | 957,133 | 320,377 | 24,229 | 26,998 |
| Income not subject to tax | (274,062) | (467,750) | (5,820,421) | (7,867,490) |
| Tax incentives | (1,016,061) | (1,292,526) | - | - |
| Others | 35,105 | (36,876) | (143) | 1,468 |
| (Over)/Under provision in prior years | (2,331,142) | (493,405) | 1,876 | 833 |
| | 6,731,341 | 12,071,849 | 40,876 | 4,332 |

## 25. Other comprehensive expense - Group

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Before tax RM | Tax expense RM | Net of tax RM | Before tax RM | Tax expense RM | Net of tax RM |
| **Item that is or may be reclassified subsequently to profit or loss** | | | | | | |
| Foreign currency translation differences for foreign operations | (4,611,596) | - | (4,611,596) | (428,180) | - | (428,180) |
| **Item that will not be reclassified subsequently to profit or loss** | | | | | | |
| Share of other comprehensive income/(expense) of equity-accounted associate | 59,676 | - | 59,676 | (1,850,147) | - | (1,850,147) |
| | (4,551,920) | - | (4,551,920) | (2,278,327) | - | (2,278,327) |

## 26. Earnings per ordinary share - Group

### *Basic earnings per ordinary share*

The calculation of basic earnings per ordinary share is based on the profit attributable to the owners of the Company of RM47,765,108 (2018 : RM59,149,167) and a weighted average number of ordinary shares outstanding of 194,759,060 (2018 : 194,759,077) calculated as follows :

| | 2019 | 2018 |
|---|---|---|
| Issued ordinary shares at 1 April | 194,759,560 | 193,710,960 |
| Effect of shares issued during the year | - | 1,048,600 |
| Effect of treasury shares held | (500) | (483) |
| Weighted average number of ordinary shares at 31 March | 194,759,060 | 194,759,077 |

### *Diluted earnings per ordinary share*

Diluted earnings per ordinary share was not presented as there were no dilutive potential ordinary shares.

## 27. Dividends

Dividends recognised in the current and previous years by the Company are as follows :

| | Sen per share | Total amount RM | Date of payment |
|---|---|---|---|
| **2019** | | | |
| 2018 final dividend on 194,759,060 ordinary shares | 8.0 | 15,580,725 | 1 November 2018 |
| 2019 interim dividend on 194,759,060 ordinary shares | 3.0 | 5,842,772 | 14 February 2019 |
| 2019 second interim dividend on 194,759,060 ordinary shares | 4.0 | 7,790,362 | 16 May 2019 |
| | | 29,213,859 | |

## 27. Dividends (cont'd)

Dividends recognised in the current and previous years by the Company are as follows (cont'd) :

| | Sen per share | Total amount RM | Date of payment |
|---|---|---|---|
| **2018** | | | |
| 2017 final dividend on 194,759,060 ordinary shares | 9.0 | 17,528,315 | 26 October 2017 |
| 2018 interim dividend on 194,759,060 ordinary shares | 3.0 | 5,842,772 | 8 February 2018 |
| 2018 second interim dividend on 194,759,060 ordinary shares | 4.0 | 7,790,362 | 24 May 2018 |
| | | 31,161,449 | |

A final dividend of 8 sen per ordinary share amounting to RM15,580,725 proposed in the last financial year and approved by the members in the last Annual General Meeting was paid on 1 November 2018 and accordingly, this amount has been appropriated from the retained earnings in this financial year.

At the forthcoming Annual General Meeting, a final dividend of 7 sen per ordinary share in respect of the financial year ended 31 March 2019 will be proposed for members' approval. These financial statements do not reflect this final dividend which, when approved by the members, will be accounted for as an appropriation of retained earnings in the financial year ending 31 March 2020.

## 28. Related parties - Group/Company

**Identity of related parties**

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

## 28. Related parties - Group/Company (cont'd)

**Identity of related parties (cont'd)**

The Group has related party relationships with the following :

i) Subsidiaries and associate of the Company as disclosed in the financial statements.

ii) Companies in which a Director, Dato' Lim Soon Huat and his close family members collectively have controlling interests - Asia Educational Supplies Sdn. Bhd. ("AESSB"), Dynamic Office Sdn. Bhd. ("DOSB") and Dynamic Consulting & Engineering Sdn. Bhd. ("DCESB").

iii) Company in which a Director of a subsidiary, Mr. R.C. Martin, has substantial financial interest - Christopher Martin Ltd.

iv) Key management personnel of the Group

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Company and certain Directors of the subsidiaries.

**Significant related party transactions**

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 12 and 19.

**Group**

a) Transaction with associate

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| - Dividend income | 2,138,063 | 1,832,625 |

b) Transaction with companies related to an associate

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| - Purchases | 2,173,179 | 2,542,459 |

## 28. Related parties - Group/Company (cont'd)

**Significant related party transactions (cont'd)**

**Group**

c) Transactions with companies in which a Director and his close family members collectively have controlling interests

| | | 2019 RM | 2018 RM |
|---|---|---|---|
| Sales | - AESSB | 187,336 | 211,008 |
| Purchases | - AESSB | 50,100 | 52,198 |
| | - DOSB | 78,503 | 67,296 |
| | - DCESB | 45,466 | 98,279 |

d) Transactions with key management personnel

The key management personnel compensations are as follows :

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Directors of the Company | | | | |
| - Fees | 298,100 | 271,000 | 281,600 | 256,000 |
| - Remuneration | 1,553,168 | 1,554,720 | 1,553,168 | 1,554,720 |
| Other Directors | | | | |
| - Fees | 32,518 | 30,990 | - | - |
| - Remuneration | 1,399,344 | 2,001,147 | - | - |
| | 3,283,130 | 3,857,857 | 1,834,768 | 1,810,720 |

There are no other key management personnel apart from the Directors of the Company and certain Directors of the Group having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The estimated monetary value of benefits received by Directors of the Company and certain Directors of the subsidiaries otherwise than in cash amounted to RM36,854 (2018 : RM31,000) and RM142,905 (2018 : RM167,383) respectively.

## 28. Related parties - Group/Company (cont'd)

**Significant related party transactions (cont'd)**

**Group**

d) Transactions with key management personnel (cont'd)

The aggregate amount of transactions relating to key management personnel and entity over which they have control or significant influence were as follows :

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Consultancy fee paid to a company in which a Director of a subsidiary has a substantial financial interest | 194,605 | 227,374 |
| Rental paid to a Director of a subsidiary | 9,600 | 9,600 |

**Company**

a) Transactions with subsidiaries

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| - Dividend income | 23,991,477 | 32,547,015 |
| - Management fee | 3,338,606 | 3,019,453 |

b) Transaction with associate

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| - Dividend income | 219,149 | 187,842 |

## 29. Capital commitment - Group

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Property, plant and equipment Contracted but not provided for | 2,060,000 | 619,000 |

## 30. Operating leases - Group

**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows :

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Less than 1 year | 1,408 | 1,432 |
| Between 1 and 5 years | 117 | 1,551 |
| | 1,525 | 2,983 |

The Group leases properties under operating lease arrangements. The leases run for periods ranging from one to five years and do not include contingent rentals.

## 31. Contingent liabilities - Company

i) *Corporate guarantees - Unsecured*

The Company has given corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit of RM140,920,000 (2018:RM118,540,000) of which RM27,553,116 (2018: RM30,117,698) were utilised at the end of the reporting period.

ii) The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue operating as a going concern.

iii) The Company has given corporate guarantee of RM10,680,000 (2018 : RM10,860,000) to a supplier of its subsidiary, Higher Kings Mill Limited of which RM2,800,714 (2018 : RM2,284,000) was utilised at the end of the reporting period.

## 32. Operating segments - Group

The Group's reportable segment mainly consists of manufacturing and trading of stationery products, coloured paper and boards.

Reportable segment has not been prepared as all the Group's revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and amortisation and non-cash expenses are mainly confined to one business segment.

## 32. Operating segments - Group (cont'd)

Operating segments are components in which separate financial information is available that is evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and in assessing performance of the Group. The Group has identified the business of manufacturing and trading of stationery products, coloured paper and boards as its major operating segment.

Performance is measured based on the revenue derived from the products sold and consolidated profit before tax of the Group as included in the internal management reports that are reviewed by the Chief Executive Officer, who is the Group's chief operating decision maker. The Group's segment assets and liabilities, as disclosed in the consolidated statement of financial position, are also reviewed regularly by the Chief Executive Officer.

### Geographical information

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 (including investment in an associate) and deferred tax assets.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2019<br>RM | 2018<br>RM | 2019<br>RM | 2018<br>RM |
| Malaysia | 40,639,986 | 33,712,537 | 60,080,130 | 57,532,572 |
| Asia (excluding Malaysia) | 9,086,694 | 9,896,058 | - | - |
| Europe | 255,461,279 | 282,779,102 | 74,838,739 | 80,842,610 |
| America | 7,289,463 | 6,231,875 | - | - |
| Others | 15,309,984 | 19,194,289 | - | - |
| Consolidated | 327,787,406 | 351,813,861 | 134,918,869 | 138,375,182 |

### Major customer

A major customer of the Group, with revenue equal or more than 10% of the Group's revenue, contributes approximately RM59,160,741 (2018 : RM64,886,925) of the Group's revenue.

## 33. Financial instruments

### 33.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 March 2019 categorised as follows :

(a) Amortised cost ("AC"); and
(b) Fair value through profit or loss ("FVTPL") – Mandatorily required by MFRS 9.

## 33. Financial instruments (cont'd)

### 33.1 Categories of financial instruments (cont'd)

| | Carrying amount RM | AC RM | Mandatorily at FVTPL RM |
|---|---|---|---|
| **2019** | | | |
| **Financial assets** | | | |
| **Group** | | | |
| Other investments | 24,482,563 | - | 24,482,563 |
| Trade and other receivables | 64,826,734 | 64,826,734 | - |
| Cash and cash equivalents | 177,295,736 | 177,295,736 | - |
| | 266,605,033 | 242,122,470 | 24,482,563 |
| **Company** | | | |
| Other receivables | 19,639,389 | 19,639,389 | - |
| Cash and cash equivalents | 745,370 | 745,370 | - |
| | 20,384,759 | 20,384,759 | - |

| | Carrying amount RM | AC RM |
|---|---|---|
| **2019** | | |
| **Financial liabilities** | | |
| **Group** | | |
| Bank borrowings | (27,553,116) | (27,553,116) |
| Trade and other payables | (32,675,578) | (32,675,578) |
| Dividend payable | (7,790,362) | (7,790,362) |
| | (68,019,056) | (68,019,056) |
| **Company** | | |
| Other payables | (448,051) | (448,051) |
| Dividend payable | (7,790,362) | (7,790,362) |
| | (8,238,413) | (8,238,413) |

## 33. Financial instruments (cont'd)

### 33.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments as at 31 March 2018 categorised as follows :

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL");
(c) Available-for-sale financial assets ("AFS"); and
(d) Financial liabilities measured at amortised cost ("FL").

| | Carrying amount RM | L&R RM | FVTPL RM | AFS RM |
|---|---|---|---|---|
| **2018** | | | | |
| **Financial assets** | | | | |
| **Group** | | | | |
| Other investments | 84,558,258 | - | 84,556,019 | 2,239 |
| Trade and other receivables | 66,764,804 | 66,764,804 | - | - |
| Derivative financial assets | 11,859 | - | 11,859 | - |
| Cash and cash equivalents | 116,587,382 | 116,587,382 | - | - |
| | 267,922,303 | 183,352,186 | 84,567,878 | 2,239 |
| **Company** | | | | |
| Other receivables | 23,540,839 | 23,540,839 | - | - |
| Cash and cash equivalents | 1,679,787 | 1,679,787 | - | - |
| | 25,220,626 | 25,220,626 | - | - |

## 33. Financial instruments (cont'd)

### 33.1 Categories of financial instruments (cont'd)

| | Carrying amount RM | FL RM |
|---|---|---|
| **2018** | | |
| **Financial liabilities** | | |
| **Group** | | |
| Bank borrowings | (30,117,698) | (30,117,698) |
| Trade and other payables | (37,974,119) | (37,974,119) |
| Dividend payable | (7,790,362) | (7,790,362) |
| | (75,882,179) | (75,882,179) |
| **Company** | | |
| Other payables | (408,828) | (408,828) |
| Dividend payable | (7,790,362) | (7,790,362) |
| | (8,199,190) | (8,199,190) |

### 33.2 Net gains and losses arising from financial instruments

| | 2019 RM | 2018 RM |
|---|---|---|
| **Group** | | |
| Net gains/(losses) on : | | |
| Available-for-sale financial assets recognised in profit or loss | - | 264,415 |
| Financial assets at fair value through profit or loss | 3,704,563 | 2,683,871 |
| Financial assets measured at amortised cost | (1,643,152) | - |
| Loans and receivables | - | (1,067,753) |
| Financial liabilities measured at amortised cost | (2,355,083) | 3,180,572 |
| | (293,672) | 5,061,105 |
| Net (loss)/gain on impairment of financial assets at amortised cost | (206,997) | 59,078 |

## 33. Financial instruments (cont'd)

### 33.2 Net gains and losses arising from financial instruments (cont'd)

| | 2019 RM | 2018 RM |
|---|---|---|
| **Company** | | |
| Net gains on : | | |
| Loans and receivables | - | 19,225 |
| Financial assets measured at amortised cost | 29,180 | - |
| | 29,180 | 19,225 |

### 33.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 33.4 Credit risk

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, other investments and bank balances. 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**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

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

## 33. Financial instruments (cont'd)

### 33.4 Credit risk (cont'd)

**Trade receivables (cont'd)**

*Risk management objectives, policies and processes for managing the risk (cont'd)*

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

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

*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 credit term granted.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Invoices which are past due 90 days will be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past three years and forward-looking information. The Group believes that the financial impacts to the forward-looking information are inconsequential for the purpose of impairment calculation of trade receivables due to their relatively short term nature.

## 33. Financial instruments (cont'd)

### 33.4 Credit risk (cont'd)

**Trade receivables (cont'd)**

*Recognition and measurement of impairment loss (cont'd)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 March 2019.

| | Gross carrying amount RM | Loss allowance RM | Net balance RM |
|---|---|---|---|
| **Group** | | | |
| **2019** | | | |
| Not past due | 41,398,654 | (108,029) | 41,290,625 |
| Past due 1 - 30 days | 13,576,038 | - | 13,576,038 |
| Past due 31 - 60 days | 2,715,702 | - | 2,715,702 |
| Past due 61 - 90 days | 385,205 | - | 385,205 |
| | 58,075,599 | (108,029) | 57,967,570 |
| **Credit impaired** | | | |
| Past due more than 90 days | 393,999 | (63,884) | 330,115 |
| Individually impaired | 545,503 | (545,503) | - |
| | 59,015,101 | (717,416) | 58,297,685 |

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by subsequent collection after the reporting period and historical collection trend from these customers.

## 33. Financial instruments (cont'd)

### 33.4 Credit risk (cont'd)

**Trade receivables (cont'd)**

*Recognition and measurement of impairment loss (cont'd)*

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

| | Lifetime ECL RM | Credit impaired RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **2019** | | | |
| Balance at 1 April as per MFRS 139/ MFRS 9 * | 29,479 | 500,570 | 530,049 |
| Net remeasurement of loss allowance | 78,550 | 128,447 | 206,997 |
| Foreign exchange differences | - | (19,630) | (19,630) |
| Balance at 31 March | 108,029 | 609,387 | 717,416 |

* There is no significant financial impact on impairment loss of trade receivables arising from the initial application of MFRS 9 as at 1 April 2018.

*Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement*

The aging of trade receivables as at 31 March 2018 was as follows:

| | Gross RM | Individual impairment RM | Collective impairment RM | Net RM |
|---|---|---|---|---|
| **Group** | | | | |
| **2018** | | | | |
| Not past due | 46,218,797 | - | (29,479) | 46,189,318 |
| Past due : | | | | |
| 1 - 30 days | 13,542,163 | - | - | 13,542,163 |
| 31 - 60 days | 3,107,992 | - | - | 3,107,992 |
| 61 - 90 days | 985,569 | - | - | 985,569 |
| > 90 days | 476,519 | (403,123) | (97,447) | (24,051) |
| Net trade receivables | 64,331,040 | (403,123) | (126,926) | 63,800,991 |

## 33. Financial instruments (cont'd)

### 33.4 Credit risk (cont'd)

**Trade receivables (cont'd)**

*Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement (cont'd)*

The movements in the allowance for impairment losses of trade receivables during the financial year were as follows :

| | RM |
|---|---|
| **Group** | |
| **2018** | |
| At 1 April | 584,179 |
| Impairment loss reversed | (59,078) |
| Translation difference | 4,948 |
| At 31 March | 530,049 |

**Cash and cash equivalents**

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

These banks and financial institutions have low credit risks. The Group and the Company are of the view that loss allowance is not material and hence, it is not provided for.

**Other receivables**

Credit risk on other receivables is mainly arising from advance payments made to suppliers.

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 did not recognise any allowance for impairment losses.

## 33. Financial instruments (cont'd)

### 33.4 Credit risk (cont'd)

**Other investments**

Credit risks on other investments are mainly arising from short term funds and equity-linked investments.

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

**Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM27,553,116 (2018: RM30,117,698) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements for the subsidiaries to secure loans.

*Recognition and measurement of impairment loss*

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.

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

## 33. Financial instruments (cont'd)

### 33.4 Credit risk (cont'd)

**Inter-company balances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

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*

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; 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.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 31 March 2019.

| Company | Gross carrying amount RM | Impairment loss allowance RM | Net balance RM |
|---|---|---|---|
| **2019** | | | |
| Low credit risk | 19,639,389 | - | 19,639,389 |

## 33. Financial instruments (cont'd)

### 33.4 Credit risk (cont'd)

**Inter-company balances (cont'd)**

*Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement*

As at 31 March 2018, there were no impairment losses on the inter-company loans and advances provided by the Company.

### 33.5 Liquidity risk

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 and bank borrowings.

The Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to finance the Group's and the Company's operations and to mitigate any adverse effects of fluctuations in cash flows.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## 33. Financial instruments (cont'd)

### 33.5 Liquidity risk (cont'd)

*Maturity analysis*

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| 2019 | Carrying amount RM | Contractual interest rate per annum % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Unsecured foreign currency trade loans | 27,553,116 | 2.87 - 3.28 | 27,671,316 | 27,671,316 | - | - | - |
| Trade and other payables | 32,675,578 | - | 32,675,578 | 32,675,578 | - | - | - |
| Dividend payable | 7,790,362 | - | 7,790,362 | 7,790,362 | - | - | - |
| | 68,019,056 | | 68,137,256 | 68,137,256 | - | - | - |

## 33. Financial instruments (cont'd)

### 33.5 Liquidity risk (cont'd)

*Maturity analysis (cont'd)*

| 2018 | Carrying amount RM | Contractual interest rate per annum % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Unsecured foreign currency trade loans | 30,117,698 | 1.65 - 2.85 | 30,216,269 | 30,216,269 | - | - | - |
| Trade and other payables | 37,974,119 | - | 37,974,119 | 37,974,119 | - | - | - |
| Dividend payable | 7,790,362 | - | 7,790,362 | 7,790,362 | - | - | - |
| | 75,882,179 | | 75,980,750 | 75,980,750 | - | - | - |
| *Derivative financial liabilities* | | | | | | | |
| Forward exchange contracts (gross settled) : | | | | | | | |
| Outflow | - | - | 1,085,153 | 1,085,153 | - | - | - |
| Inflow | (11,859) | - | (1,097,012) | (1,097,012) | - | - | - |
| | 75,870,320 | | 75,968,891 | 75,968,891 | - | - | - |

## 33. Financial instruments (cont'd)

### 33.5 Liquidity risk (cont'd)

*Maturity analysis (cont'd)*

| | Carrying amount RM | Contractual interest rate per annum % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | |
| **Company** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Other payables | 448,051 | - | 448,051 | 448,051 | - | - | - |
| Dividend payable | 7,790,362 | - | 7,790,362 | 7,790,362 | - | - | - |
| Corporate guarantee | - | - | 30,353,830 | 30,353,830 | - | - | - |
| | 8,238,413 | | 38,592,243 | 38,592,243 | - | - | - |
| **2018** | | | | | | | |
| **Company** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Other payables | 408,828 | - | 408,828 | 408,828 | - | - | - |
| Dividend payable | 7,790,362 | - | 7,790,362 | 7,790,362 | - | - | - |
| Corporate guarantee | - | - | 32,401,698 | 32,401,698 | - | - | - |
| | 8,199,190 | | 40,600,888 | 40,600,888 | - | - | - |

## 33. Financial instruments (cont'd)

### 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

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"), Euro ("EUR") and Great Britain Pound ("GBP").

*Risk management objectives, policies and processes for managing the risk*

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.

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

| | | Denominated in | |
|---|---|---|---|
| | USD<br>RM | EUR<br>RM | GBP<br>RM |
| **Group** | | | |
| **2019** | | | |
| Other investments | 5,803,237 | - | - |
| Trade and other receivables | 2,003,065 | 1,660,451 | 12,157,810 |
| Cash and cash equivalents | 297,608 | 55,123,802 | 49,479,091 |
| Foreign currency trade loans | (27,553,116) | - | - |
| Trade and other payables | (2,536,936) | (52,023) | (1,990,154) |
| | (21,986,142) | 56,732,230 | 59,646,747 |

## 33. Financial instruments (cont'd)

### 33.6 Market risk (cont'd)

### 33.6.1 Currency risk (cont'd)

*Exposure to foreign currency risk (cont'd)*

| | Denominated in | | |
|---|---|---|---|
| | **USD RM** | **EUR RM** | **GBP RM** |
| **Group** | | | |
| **2018** | | | |
| Other investments | 14,321,689 | - | 38,010,000 |
| Trade and other receivables | 1,505,536 | 2,747,588 | 15,241,451 |
| Cash and cash equivalents | 3,219,414 | 20,417,139 | 28,586,431 |
| Foreign currency trade loans | (30,117,698) | - | - |
| Trade and other payables | (1,882,027) | (796,872) | (194,887) |
| | (12,953,086) | 22,367,855 | 81,642,995 |

*Currency risk sensitivity analysis*

A 10% (2018 : 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact on forecast sales and purchases. There is no impact to equity arising from exposure to currency risk.

| | Profit or loss | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| **Group** | | |
| USD | 1,671 | 984 |
| EUR | (4,312) | (1,700) |
| GBP | (4,533) | (6,205) |

A 10% (2018 : 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

## 33. Financial instruments (cont'd)

### 33.6 Market risk (cont'd)

### 33.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of changes in their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risks that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-earning financial assets are mainly short term in nature and are mostly placed in short term deposits.

*Exposure to interest rate risk*

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

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Fixed rate instruments** | | |
| **Group** | | |
| Financial assets | 20,631,907 | 96,856,019 |
| Financial liabilities | (27,553,116) | (30,117,698) |
| | (6,921,209) | 66,738,321 |

## 33. Financial instruments (cont'd)

### 33.6 Market risk (cont'd)

### 33.6.2 Interest rate risk (cont'd)

*Exposure to interest rate risk (cont'd)*

| | 2019 RM | 2018 RM |
|---|---|---|
| **Floating rate instruments** | | |
| **Group** | | |
| Financial assets | 20,843,189 | 23,745,862 |
| **Company** | | |
| Financial assets | 2,309 | 1,623,090 |

*Interest rate risk sensitivity analysis*

*(a) Fair value sensitivity analysis for fixed rate instruments*

A change in interest rates at the end of the reporting period would not affect profit or loss, except for the Group's fixed rate financial assets measured at fair value through profit or loss amounted to RM9,943,000 (2018 : RM84,556,019) as shown below.

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Profit or loss | |
|---|---|---|
| | 100 bp increase RM'000 | 100 bp decrease RM'000 |
| **Group** | | |
| **2019** | | |
| Fixed rate instruments | 76 | (76) |
| **2018** | | |
| Fixed rate instruments | 643 | (643) |

## 33. Financial instruments (cont'd)

### 33.6 Market risk (cont'd)

### 33.6.2 Interest rate risk (cont'd)

*Interest rate risk sensitivity analysis (cont'd)*

*(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/ (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Group Profit or loss | | Company Profit or loss | |
|---|---|---|---|---|
| | 100 bp increase RM'000 | 100 bp decrease RM'000 | 100 bp increase RM'000 | 100 bp decrease RM'000 |
| **2019** | | | | |
| Floating rate instruments | 158 | (158) | - | - |
| **2018** | | | | |
| Floating rate instruments | 180 | (180) | 12 | (12) |

### 33.6.3 Other price risk

Equity price risk arises from the Group's equity-linked investments and investment in quoted shares.

**Equity-linked investments**

The return of the investments is affected by the movement of the equity price of the underlying asset. The relationship between the equity price and return to the Group is shown as follows.

At any observation dates as specified in the contracts :

*Scenario A* – If the equity price of the underlying asset increases more than 8% (2018 : 8%) of the initial reference price, the investments will be terminated. The Group will receive the initial invested amount and any outstanding relevant coupon at a fixed rate of 9.12% (2018 : rates ranging from 8.40% to 9.00%) per annum, or

## 33. Financial instruments (cont'd)

### 33.6 Market risk (cont'd)

### 33.6.3 Other price risk (cont'd)

**Equity-linked investments (cont'd)**

*Scenario B* – If the equity price of the underlying asset increases less than 8% (2018 : 8%) or decreases less than 20% (2018: 16% to 35%) of the initial reference price, the investments will be observed until the maturity date and the Group will receive the initial invested amount and any outstanding relevant coupon at a fixed rate of 9.12% (2018 : rates ranging from 8.40% to 9.00%) per annum, or

*Scenario C* – If the equity price of the underlying asset decreases more than 20% (2018 : 16% to 35%) of the initial reference price, the investments will be observed until the maturity date. At maturity date, if the final reference price is higher than the initial reference price, the Group will receive the initial invested amount and any outstanding relevant coupon at a fixed rate of 9.12% (2018 : rates ranging from 8.40% to 9.00%) per annum, or

*Scenario D* – If the equity price of the underlying asset decreases more than 20% (2018 : 16% to 35%) of the initial reference price, the investments will be observed until the maturity date. At maturity date, if the final reference price is lower than the initial reference price, the Group will receive the "Shares Amount" or cash equivalent amount and any outstanding relevant coupon at a fixed rate of 9.12% (2018 : rates ranging from 8.40% to 9.00%) per annum.

The Shares Amount is a number of shares of the underlying asset calculated as follows : Initial invested amount / (Initial reference price x Exchange rate)

*Risk management objectives, policies and processes for managing the risk*

Management of the Group monitors the equity-linked investments on a portfolio basis. Material investments are managed on an individual basis and all decisions are approved by the Directors of the Company, as appropriate.

*Equity price risk sensitivity analysis*

The Group's equity-linked investments move in correlation with the equity price of the underlying asset of the investments as shown in below analysis. This analysis assumes that all other variables remain constant.

## 33. Financial instruments (cont'd)

### 33.6 Market risk (cont'd)

### 33.6.3 Other price risk (cont'd)

**Equity-linked investments (cont'd)**

*Equity price risk sensitivity analysis (cont'd)*

At any observation dates as specified in the contracts :

| Scenario | Impact to profit or loss |
|---|---|
| A | The Group will receive monthly coupon of RM76,000 (2018 : RM252,000) up to the relevant coupon payment date where early termination occurs. |
| B | The Group will receive a total coupon of RM456,000 (2018 : RM1,514,000) up to the maturity date. |
| C | The Group will receive a total coupon of RM456,000 (2018 : RM1,514,000) up to the maturity date. |
| D | The Group will receive a total coupon of RM456,000 (2018 : RM1,514,000) up to maturity date and a loss will be incurred as a result of lower final reference price as compared to initial reference price.<br><br>A 10% (2018: 10%) lower in final reference price against the initial reference price at the maturity date would have decreased equity and post-tax profit or loss by RM760,000 (2018: RM2,660,000) for investments classified as fair value through profit or loss. |

**Investment in quoted shares**

The return of the investments is affected by the movement of the equity price of the quoted shares.

*Risk management objectives, policies and processes for managing the risk*

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 Directors of the Company, as appropriate.

## 33. Financial instruments (cont'd)

### 33.6 Market risk (cont'd)

### 33.6.3 Other price risk (cont'd)

**Investment in quoted shares (cont'd)**

*Equity price risk sensitivity analysis*

This analysis assumes that all other variables remain constant and the Group's equity investments move in correlation with the share price of the investment listed on New York Stock Exchange.

A 10% (2018: Nil) strengthening in the share price at the end of the reporting period would have increased post-tax profit or loss by RM580,000 (2018: RM Nil) for investments classified as fair value through profit or loss. A 10% (2018: 10%) weakening in the share price would have had equal but opposite effect on profit or loss.

### 33.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

## 33. Financial instruments (cont'd)

### 33.7 Fair value information (cont'd)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | RM'000 | RM'000 |
| **Group** | | | | | | | | | | |
| **2019** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Investment in quoted shares | 5,803 | - | - | 5,803 | - | - | - | - | 5,803 | 5,803 |
| Financial assets at fair value through profit or loss | - | 18,679 | - | 18,679 | - | - | - | - | 18,679 | 18,679 |
| | 5,803 | 18,679 | - | 24,482 | - | - | - | - | 24,482 | 24,482 |

## 33. Financial instruments (cont'd)

### 33.7 Fair value information (cont'd)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | RM'000 | RM'000 |
| **Group** | | | | | | | | | | |
| **2018** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Available-for-sale financial assets | - | 2 | - | 2 | - | - | - | - | 2 | 2 |
| Forward exchange contracts | - | 12 | - | 12 | - | - | - | - | 12 | 12 |
| Financial assets at fair value through profit or loss | - | 84,556 | - | 84,556 | - | - | - | - | 84,556 | 84,556 |
| | - | 84,570 | - | 84,570 | - | - | - | - | 84,570 | 84,570 |

## 33. Financial instruments (cont'd)

### 33.7 Fair value information (cont'd)

**Level 2 fair value**

*Derivatives*

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

*Equity-linked investments*

The fair value of equity-linked investments is estimated based on standard option pricing model by taking into consideration the general level of interest rates, the market price/level of underlying reference assets, the volatility in the price/level of underlying reference assets, the level of foreign exchange rates, the level of expected future and realised dividends and the time to maturity of the investment.

**Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and 2 fair values during the financial year (2018 : no transfer in either directions).

## 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 covenant and regulatory requirement.

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

## 35. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

## 35. Significant changes in accounting policies (cont'd)

The adoption of MFRS 9 and MFRS 15 did not have any material financial impact to the financial statements of the Company.

The adoption of MFRS 15 did not have any material financial impact to the financial statements of the Group.

### 35.1 Impacts on financial statements

The following table summarises the impacts arising from the adoption of MFRS 9 on the Group's financial statements.

**Statement of financial position as at 31 March 2018**

| | 31.3.2018 As previously reported RM | MFRS 9 adjustments RM | 1.4.2018 As restated RM |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 104,470,120 | - | 104,470,120 |
| Prepaid lease payments | 1,445,199 | - | 1,445,199 |
| Investment properties | 1,346,140 | - | 1,346,140 |
| Intangible assets | 31,113,723 | - | 31,113,723 |
| Investment in an associate | 148,901,290 | (606,770) | 148,294,520 |
| Deferred tax assets | 6,923 | - | 6,923 |
| **Total non-current assets** | 287,283,395 | (606,770) | 286,676,625 |
| Inventories | 114,672,330 | - | 114,672,330 |
| Other investments | 84,558,258 | - | 84,558,258 |
| Trade and other receivables | 71,339,782 | - | 71,339,782 |
| Current tax assets | 796,090 | - | 796,090 |
| Derivative financial assets | 11,859 | - | 11,859 |
| Cash and cash equivalents | 116,587,382 | - | 116,587,382 |
| **Total current assets** | 387,965,701 | - | 387,965,701 |
| **Total assets** | 675,249,096 | (606,770) | 674,642,326 |

## 35. Significant changes in accounting policies (cont'd)

### 35.1 Impacts on financial statements (cont'd)

**Statement of financial position as at 31 March 2018 (cont'd)**

| | 31.3.2018 As previously reported RM | MFRS 9 adjustments RM | 1.4.2018 As restated RM |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 202,330,568 | - | 202,330,568 |
| Treasury shares | (2,131) | - | (2,131) |
| Reserves | 383,185,583 | (606,770) | 382,578,813 |
| **Equity attributable to owners of the Company** | 585,514,020 | (606,770) | 584,907,250 |
| Non-controlling interests | 499,692 | - | 499,692 |
| **Total equity** | 586,013,712 | (606,770) | 585,406,942 |
| **Liabilities** | | | |
| Deferred tax liabilities | 10,351,289 | - | 10,351,289 |
| **Total non-current liabilities** | 10,351,289 | - | 10,351,289 |
| Bank borrowings | 30,117,698 | - | 30,117,698 |
| Trade and other payables | 37,974,119 | - | 37,974,119 |
| Current tax liabilities | 3,001,916 | - | 3,001,916 |
| Dividend payable | 7,790,362 | - | 7,790,362 |
| **Total current liabilities** | 78,884,095 | - | 78,884,095 |
| **Total liabilities** | 89,235,384 | - | 89,235,384 |
| **Total equity and liabilities** | 675,249,096 | (606,770) | 674,642,326 |

## 35. Significant changes in accounting policies (cont'd)

### 35.2 Accounting for financial instruments

### 35.2.1 Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings as at 1 April 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The assessment of determination of the business model within which a financial asset is held has been made based on the facts and circumstances that existed at the date of initial application.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

## 35. Significant changes in accounting policies (cont'd)

### 35.2 Accounting for financial instruments (cont'd)

#### 35.2.2 Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 April 2018:

| | Original category under MFRS 139 | New category under MFRS 9 |
|---|---|---|
| **Group** | | |
| **Financial assets** | | |
| Other investments : | | |
| - Short term funds | Available-for-sale financial assets | Fair value through profit or loss ("FVTPL") |
| - Investment in dual currency structured product | FVTPL | FVTPL |
| - Equity-linked investments | FVTPL | FVTPL |
| Trade and other receivables | Loans and receivables | Amortised cost |
| Derivative financial assets | FVTPL | FVTPL |
| Cash and cash equivalents | Loans and receivables | Amortised cost |
| **Financial liabilities** | | |
| Bank borrowings | Amortised cost | Amortised cost |
| Trade and other payables | Amortised cost | Amortised cost |
| Dividend payable | Amortised cost | Amortised cost |

## 35. Significant changes in accounting policies (cont'd)

### 35.2 Accounting for financial instruments (cont'd)

### 35.2.2 Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (cont'd)

| | Original category under MFRS 139 | New category under MFRS 9 |
|---|---|---|
| **Company** | | |
| **Financial assets** | | |
| Other receivables | Loans and receivables | Amortised cost |
| Cash and cash equivalents | Loans and receivables | Amortised cost |
| **Financial liabilities** | | |
| Other payables | Amortised cost | Amortised cost |
| Dividend payable | Amortised cost | Amortised cost |

There were no significant changes on the carrying amounts of the above financial instruments previously measured under MFRS 139 as at 31 March 2018 as compared to the carrying amounts measured under MFRS 9 as at 1 April 2018.

## 36. Subsequent event

Asia File Products Sdn. Bhd., a wholly-owned subsidiary of the Group has previously initiated legal proceedings against Brilliant Achievement Sdn. Bhd. and Lion File Marketing Sdn. Bhd. in relation to the patent infringement on a few types of its box files. On 9 July 2019 , both parties have agreed to settle on the term that Brilliant Achievement Sdn. Bhd. and Lion File Marketing Sdn. Bhd. will pay a total sum of RM1,558,471 to Asia File Products Sdn. Bhd..

# STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 52 to 162 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

**Dato' Lim Soon Huat**
Director

**Lim Soon Wah**
Director

Penang,

Date : 12 July 2019

# STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Goh Phaik Ngoh**, the officer primarily responsible for the financial management of Asia File Corporation Bhd., do solemnly and sincerely declare that the financial statements set out on pages 52 to 162 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Goh Phaik Ngoh**, NRIC : 681017-07-5508, MIA CA11330, at George Town in the State of Penang on 12 July 2019.

**Goh Phaik Ngoh**

Before me :

Goh Suan Bee (No. P125)
Commissioner for Oaths
Penang

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Asia File Corporation Bhd., which comprise the statements of financial position as at 31 March 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 162.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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

## Key Audit Matter

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

### Valuation of inventories

Refer to Notes 2(i) and 11 to the financial statements.

### The key audit matter

The Group's inventories amounted to RM109,426,642 as at 31 March 2019 in the consolidated statement of financial position. We have identified the valuation of inventories as a key audit matter because the amount is significant to the Group and the judgement made by the Group in determining the amount to be written down involved estimates which can be inherently uncertain.

### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- Attended physical inventory count as at year end and observed whether there were inventories that may be slow moving or obsolete;
- Compared sales values subsequent to the financial year for a sample of inventory lines to test whether these exceeded carrying amount of inventories at year end;
- Tested the accuracy of the last transaction date of inventory based on the inventory listing; and
- Assessed the Group's process in identifying and writing down of slow moving and obsolete inventories.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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

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

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

**Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)**

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

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

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

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

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

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

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

## Other Matter

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

**KPMG PLT**
LLP0010081-LCA & AF 0758
Chartered Accountants

**Lim Su Ling**
Approval Number: 03098/12/2019 J
Chartered Accountant

Penang

Date : 12 July 2019

# LIST OF PROPERTIES

| LOCATION | DESCRIPTION | LAND ARED (sq.meters) | TENURE | AGE (years) | NET BOOK VALUE (RM'000) | DATE OF REVALUATION/ ACQUISITION (*) |
|---|---|---|---|---|---|---|
| **01)** No 81 & 81A<br>Jalan Sungai Pinang<br>Lots P1473-1476,<br>Section 9-W, Georgetown<br>Daerah Timur-Laut<br>Penang | Factory cum warehouse | 2,442 | Freehold | 28 | 6,193 | June 1994 |
| **02)** P.T. No 1870 (Plot 16)<br>Hilir Sungai Keluang 2<br>Bayan Lepas Industrial Estate (Phase IV)<br>Mukim 12<br>Daerah Barat Daya<br>Penang | Office, Factory cum warehouse | 12,230 | 60-year lease expiring on 09-09-2051 | 24 | 8,453 | June 1994 (Land)<br><br>June 1995 (*) (First Building)<br><br>March 2000 (*) (Second Building) |
| **03)** No 5, Lorong Perindustrian Bukit Minyak 3<br>Taman Perindustrian Bukit Minyak, 14100<br>Bukit Mertajam, Penang | Rented | 1,761 | 60-year lease expiring on 10-10-2055 | 24 | 810 | April 2000 (*) |
| **04)** No 7, Lorong Perindustrian Bukit Minyak 3<br>Taman Perindustrian Bukit Minyak, 14100<br>Bukit Mertajam, Penang | Rented | 1,761 | 60-year lease expiring on 10-10-2055 | 24 | 743 | April 2000 (*) |
| **05)** Lot 1310, Mukim 14,<br>Daerah Seberang Prai Tengah, Penang | Office, Factory cum warehouse | 27,688.91 | Freehold | 28 | 11,014 | March 2004 (*) |
| **06)** PT 43263, H.S.(D) 128696<br>Mukim Petaling,<br>Daerah Petaling, Selangor | Office, Factory cum warehouse | 2,023 | Freehold | 13 | 2,263 | April 2004 (*) |
| **07)** Kasseler Landstraße 12<br>D-37213 Witzenhausen<br>Germany | Office, Factory cum warehouse | 11,983 | Freehold | 46 | 4,247 | January 2008 (*) |
| **08)** Zur Furthmühle 4<br>D-37318 Kirchgandern<br>Germany | Office, Factory cum warehouse | 21,840 | Freehold | 28 | 10,086 | January 2008 (*)<br><br>March 2009 (*) (Additional Warehouse) |
| **09)** Cullompton, Devon<br>EX 15 1Q3<br>United Kingdom | Office, Factory cum warehouse | 52,609 | Freehold | - | 6,330 | September 2011 (*)<br><br>March 2013 (*) (Additional Warehouse) |
| **10)** Ashton Road<br>Denton, Manchester<br>M34 3LR<br>United Kingdom | Office, Factory cum warehouse | 18,000 | Freehold | - | 3,460 | April 2012 (*) |
| **11)** Lot 1309, Mukim 14,<br>Daerah Seberang Prai Tengah, Penang | Office, Factory cum warehouse | 30,495 | Freehold | 28 | 8,131 | December 2012 (*) (Land)<br><br>March 2014 (Building) |
| **12)** 2A, 6 & 8, Lorong Industri Ringan Permatang Tinggi 14,<br>Taman Industri Ringan Permatang Tinggi, Penang | Office, Factory cum warehouse | 2,319 | Freehold | 2 | 5,638 | September 2017 (*) |

# SHAREHOLDINGS STATISTICS
# AS AT 28 JUNE 2019

| | | |
|---|---|---|
| ISSUED SHARE | : | RM194,759,560 *(inclusive of 500 treasury shares)* |
| CLASS OF SHARES | : | Ordinary shares |
| VOTING RIGHTS | : | One vote per ordinary share held |

**Breakdown of shareholdings**

| Size of Shareholdings | No. of Shareholders | No. of Shares | % of Issued Shares |
|---|---|---|---|
| **Less than 100** | 57 | 2,368 | 0.0012 |
| **100 - 1,000** | 411 | 298,113 | 0.1531 |
| **1,001 - 10,000** | 1,556 | 7,282,605 | 3.7393 |
| **10,001 - 100,000** | 567 | 16,905,550 | 8.6802 |
| **100,001 - 9,737,977** | 77 | 48,873,373 | 25.0942 |
| **9,737,978 to 194,759,560** | 2 | 121,397,551 | 62.3320 |
| TOTAL | 2,670 | 194,759,560 | 100.0000 |

## THIRTY LARGEST DEPOSITORS AS AT 28 JUNE 2019

| | NAME | NO. OF SHARES | % OF ISSUED SHARES |
|---|---|---|---|
| 1 | PRESTIGE ELEGANCE (M) SDN BHD | 83,738,951 | 42.9961 |
| 2 | AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA | 37,658,600 | 19.3359 |
| 3 | CARTABAN NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND | 5,300,100 | 2.7214 |
| 4 | CARTABAN NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR FIDELITY LOW - PRICED STOCK FUND (PRIN ALLSEC SUB) | 4,480,000 | 2.3003 |
| 5 | LIM SIEW LEE | 4,122,560 | 2.1167 |
| 6 | LIM SOON HEE | 4,117,996 | 2.1144 |
| 7 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1) | 3,579,840 | 1.8381 |
| 8 | LIM SOON WAH | 3,122,870 | 1.6034 |
| 9 | LIM SOON HUAT | 2,882,955 | 1.4803 |
| 10 | KHOO SAW SIM | 2,588,672 | 1.3292 |
| 11 | CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND F9LJ FOR FIDELITY GLOBAL INTRINSIC VALUE INVESTMENT TRUST | 1,752,600 | 0.8999 |
| 12 | GOH PHAIK NGOH | 1,333,772 | 0.6848 |
| 13 | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI (KLC/KEN) | 900,000 | 0.4621 |
| 14 | FOO NIAN CHOU | 835,584 | 0.4290 |
| 15 | CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS) | 632,100 | 0.3246 |
| 16 | CARTABAN NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR FIDELITY LOW - PRICED STOCK COMMINGLEDPOOL | 601,160 | 0.3087 |
| 17 | AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS) | 450,192 | 0.2312 |
| 18 | OH PHAIK WEE | 418,080 | 0.2147 |
| 19 | CHEONG YUEN LAI | 350,000 | 0.1797 |

## THIRTY LARGEST DEPOSITORS AS AT 28 JUNE 2019

| | NAME | NO. OF SHARES | % OF ISSUED SHARES |
|---|---|---|---|
| 20 | JS NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH HAW KUANG (PENANG - CL) | 349,692 | 0.1796 |
| 21 | LUCY KHOO | 334,360 | 0.1717 |
| 22 | LIM PEI TIAM @ LIAM AHAT KIAT | 333,000 | 0.1710 |
| 23 | AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR ASIA HUMANISTIC CAPITAL INC | 325,000 | 0.1669 |
| 24 | HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG TIAM (CCTS) | 318,600 | 0.1636 |
| 25 | JS NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH PHAIK NGOH (PENANG - CL) | 316,800 | 0.1627 |
| 26 | SUSY DING | 310,000 | 0.1592 |
| 27 | SYNERGY MOTION SDN. BHD. | 300,000 | 0.1540 |
| 28 | GOH YU TIAN | 279,200 | 0.1434 |
| 29 | DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR FIDELITY PURITAN TRUST - FIDELITY LOW - PRICED STOCK K6 FUND | 252,700 | 0.1297 |
| 30 | TAN CHIN NAM SENDIRIAN BERHAD | 246,000 | 0.1263 |
| | **TOTAL:** | 162,231,384 | 83.298276 |

# ANALYSIS OF SHAREHOLDINGS
# AS AT 28 JUNE 2019

## SUBSTANTIAL SHAREHOLDERS

| | | <-----Direct Interest-----> | | <----- Indirect Interest -----> | |
|---|---|---|---|---|---|
| No. | Name | No. of Shares | % of total issued shares[(a)] | No. of Shares | % of total issued shares[(a)] |
| 1. | Datin Khoo Saw Sim | 2,588,672 | 1.329 | 83,738,951[(b)] | 43.000 |
| 2. | Dato' Lim Soon Huat | 2,882,955 | 1.480 | 83,738,951[(b)] | 43.000 |
| 3. | Prestige Elegance (M) Sdn Bhd | 83,738,951 | 43.000 | - | - |
| 4. | AmanahRaya Trustees Berhad - Amanah Saham Bumiputra | 37,658,600 | 19.336 | - | - |
| 5. | FMR LLC | - | - | 12,388,960[(c)] | 6.361 |

*(a) This excluded treasury shares.*
*(b) Deemed interest via Prestige Elegance (M) Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016*
*(c) Deemed interest via various investment accounts managed.*

## DIRECTORS' SHAREHOLDINGS

| | | <-----Direct Interest-----> | | <----- Indirect Interest -----> | |
|---|---|---|---|---|---|
| No. | Name | No. of Shares | % of total issued shares[(a)] | No. of Shares | % of total issued shares[(a)] |
| 1. | Dato' Lim Soon Huat | 2,882,955 | 1.480 | 88,116,911[(b)] | 45.244 |
| 2. | Nurjannah Binti Ali | - | - | - | - |
| 3. | Lim Soon Wah | 3,138,870 | 1.612 | 210,712[(c)] | 0.108 |
| 4. | Lam Voon Kean | - | - | - | - |
| 5. | Ng Chin Nam | - | - | - | - |
| 6. | Lim Soon Hee (Alternate to Lim Soon Wah) | 4,117,996 | 2.114 | - | - |

*(a) This excluded treasury shares.*
*(b) Deemed interest via Prestige Elegance (M) Sdn Bhd pursuant to Section 8(4) of the Companies Act, 2016 and interest of spouse and children pursuant to Section 59 (11)(c) of the Companies Act, 2016.*
*(c) These are shares held in the name of spouse pursuant to Section 59 (11)(c) of the Companies Act, 2016.*

Note:
By virtue of his deemed interest in the Company, Dato' Lim Soon Huat is deemed to have interest in the shares of the subsidiaries to the extent the Company has an interest.

NOTICE IS HEREBY GIVEN that the Twenty-Fifth (25th) Annual General Meeting ("AGM") of shareholders of ASIA FILE CORPORATION BHD ("AFC" or "the Company") will be held at Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Friday, 27 September 2019, at 10.00 a.m. for the following purposes:

**Agenda**

**As Ordinary Business:**

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

2. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Constitution and who, being eligible offer themselves for re-election:
   (a) Dato' Lim Soon Huat — Ordinary Resolution 1
   (b) Puan Nurjannah Binti Ali — Ordinary Resolution 2

3. To approve a final single tier dividend of 7 sen per ordinary share for the year ended 31 March 2019. — Ordinary Resolution 3

4. To approve the payment of Directors' fee and benefits payable up to RM500,000 for the period commencing this AGM through to the next AGM of the Company in year 2020. — Ordinary Resolution 4

5. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. — Ordinary Resolution 5

**As Special Business:**

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

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** — Ordinary Resolution 6

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act") and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

7. **PROPOSED RENEWAL OF AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY** — Ordinary Resolution 7

   "THAT subject to the compliance with all applicable rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company and the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and any other approvals from all relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby authorised to purchase its own Shares through Bursa Securities, subject to the following: -

(i) The maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the total number of issued shares of the Company for the time being ("Asia File Shares");

(ii) The maximum fund to be allocated by the Company for the purpose of purchasing Asia File Shares shall not exceed the retained profits of the Company which stood at RM17.19 million as at 31 March 2019 based on the audited accounts.

(iii) The authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM is required by law to be held unless earlier revoked or varied by ordinary resolution of the shareholders of the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authorities;

(iv) Upon completion of the purchase(s) of the Asia File Shares by the Company, the Asia File Shares shall be dealt with in the following manner:-

(a) to cancel the Asia File Shares so purchased; or

(b) to retain the Asia File Shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities; or

(c) to retain part of the Asia File Shares so purchased as treasury shares and cancel the remainder;

(d) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase of Asia File Shares."

8. **RETENTION AS INDEPENDENT DIRECTOR** Ordinary Resolution 8

"THAT contingent upon the passing of Ordinary Resolution 2, Puan Nurjannah Binti Ali be retained as Independent Director of the Company, in accordance with the Malaysian Code on Corporate Governance until the conclusion of the next Annual General Meeting."

9. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY ("PROPOSED ADOPTION OF NEW CONSTITUTION")** Special Resolution

"THAT the Company's existing Constitution be deleted in its entirety with immediate effect and in place thereof, adopt the new Constitution of the

Company as set out in Appendix A to the notice of AGM dated 31 July 2019 AND THAT the Directors and Secretaries of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all things and take all such steps as may be considered necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution."

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

**DIVIDEND ANNOUNCEMENT**

NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the dividend only in respect of:

(a) Shares transferred into the depositor's securities account before 4.30 p.m. on 4 October 2019 in respect of ordinary transfers; and

(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

The dividend, if approved will be paid on 31 October 2019 to depositors registered in the Records of Depositors at the close of business on 4 October 2019.

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
ONG TZE-EN (MAICSA 7026537)
Joint Company Secretaries
Penang, 31 July 2019

**Notes:**

1. **Appointment of proxy**

(a) A Member may appoint up to 2 proxies to attend on the same occasion. A proxy may but need not be a Member of the Company. If a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

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

(c) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

(e) For a proxy to be valid, the Proxy Form duly completed must be deposited at 16, Jalan Impian Emas 4, Taman Impian Emas, 81300 Skudai, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

(f) In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 20 September 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote in his/her behalf.

2. **Explanatory Notes:**

(a) **Resolution 4 : Payment of Directors' fee and benefits**

The proposed Ordinary Resolution 4, if passed, will facilitate the payment of the Directors' fee and benefits payable to the Directors for the period commencing this AGM through the next AGM of the Company in 2020. Details of the Directors' fee and benefits payable to the Directors for the financial year ended 31 March 2019 are enumerated under the Corporate Governance Overview Statement in the Annual Report 2019.

The Directors' fee and benefits proposed for the period commencing this AGM through to the next AGM are calculated based on the number of scheduled Board's and Board Committees' meetings. The Board will seek approval from the shareholders at the next AGM in the event the Directors' fee and benefits proposed is insufficient due to an increase in the number of the Board's and Board Committees' meetings and/or increase in the Board size and/or revision to the existing Directors' fee and benefits structure.

(b) **Resolution 6: Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

The proposed Ordinary Resolution 6 is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will empower the Directors of the Company, pursuant to Sections 75 and 76 of the Act, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being. This General Mandate, unless revoked or varied by the Company in general meeting, will expire at the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to this mandate granted to the Directors at the last AGM held on 28 September 2018 and which will lapse at the conclusion of this Twenty-Fifth AGM.

This General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding further investment project(s), working capital and/or acquisitions.

(c) **Resolution 7: Proposed Renewal of Authority To Buy Back Its Own Shares By The Company**

The Ordinary Resolution No. 7, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.

(d) **Resolution 8: Retention As Independent Director**

The Ordinary Resolution No. 8, if passed, will allow Puan Nurjannah Binti Ali to be retained and continue acting as Independent Director to fulfill the requirements of Paragraph 3.04 of the Bursa Securities' Main Market Listing Requirements and in line with the Practice 4.2 of the Malaysian Code on Corporate Governance issued by the Securities Commission on 26 April 2017. Full details of the Board's justifications and recommendation for the retention of Puan Nurjannah Binti Ali are set out under the Corporate Governance Overview Statement in the Company's 2019 Annual Report.

(e) The proposed **Special Resolution**, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements as well as to enhance administrative efficiency and to provide greater clarity. The Proposed Adoption of New Constitution is set out in the Appendix A to the Notice of AGM dated 31 July 2019.

## Statement Accompanying Notice of Annual General Meeting:
(Pursuant to Paragraph 8.27(2) of Main Market Listing Requirements of the Bursa Malaysia Securities Berhad)

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

**PROXY FORM**

Twenty-Fifth
Annual General Meeting

## ASIA FILE CORPORATION BHD
(Company No. 313192-P)

| CDS Account No. | | | No. of Shares Held | |
|---|---|---|---|---|

I*/We* ____________________________________________
(Full name in Block Letters and NRIC / Company No.)

of ____________________________________________ and ______________
(Address) (Tel. No.)

being a member*/ members* of Asia File Corporation Bhd hereby appoint

| Full Name (in Block Letters) | NRIC/Passport No. | No. of Shares | % of Shareholding |
|---|---|---|---|
| | | | |

* and/or (*delete if not applicable)

| Full Name (in Block Letters) | NRIC/Passport No. | No. of Shares | % of Shareholding |
|---|---|---|---|
| | | | |

as my*/our* proxy, to vote for me*/us* and on my*/our* behalf at the TWENTY-FIFTH ANNUAL GENERAL MEETING of the Company to be held at Bayan Room, Hotel Equatorial, No. 1 Jalan Bukit Jambul, 11900 Penang on Friday, 27 September 2019 at 10.00 a.m. and at any adjournment thereof.

| | Ordinary Resolutions | | | | | | | | Special Resolution |
|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| FOR | | | | | | | | | |
| AGAINST | | | | | | | | | |

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

Signed this day of 2019

Signature of Shareholder

Common Seal to be affixed here if Shareholder is a Corporation

**Note:**

1. A Member may appoint up to 2 proxies to attend on the same occasion. A proxy may but need not be a Member of the Company. If a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
5. For a proxy to be valid, the Proxy Form duly completed must be deposited at 16, Jalan Impian Emas 4, Taman Impian Emas, 81300 Skudai, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
6. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 20 September 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.

Please fold across the lines and close

STAMP


To : **VotesApp Sdn Bhd**

16, Jalan Impian Emas 4
Taman Impian Emas
81300 Skudai
Johor, Malaysia


Please fold across the lines and close

Plot 16, Kawasan Perindustrian Bayan Lepas, Fasa IV, Mukim 12, Bayan Lepas, 11900 Penang, Malaysia.
Tel: 04-642 6601 Fax: 04-642 6602 Website: www.asia-file.com