HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

ANNUAL REPORT

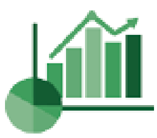
2021

WHAT 'S INSIDE

COVER RATIONALE

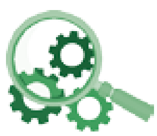
The cover features different icons representing our businesses and operations as well as our commitment to sustaining the environment. We ensure our business activities are performed with high standards of social and environmental conduct. Trees are essential not just to **HeveaBoard**'s business but to the air we breathe. They provide a majestic example of strength and perseverance in the face of adversity. After a year of volatility, **HeveaBoard Berhad** emerged in the new year, stronger and ready to move forward as we continue to create and deliver long-term value to all our stakeholders.

CORPORATE MISSION



ENHANCED GROWTH

- Strive to maximise the usage of rubberwood residues
- Increase capacity for particleboard and value added finished products
- Create more high skill employment opportunities for Malaysians



EFFICIENCY

- Apply innovations and research to lower production cost
- Increase efficiency through energy saving bio-mass plant

EARNINGS

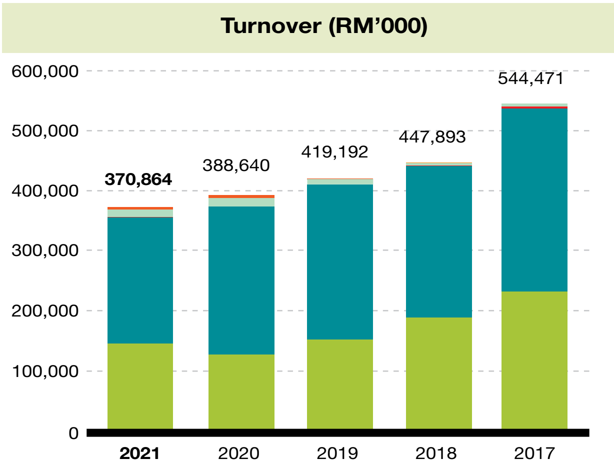
- Optimise returns for shareholders of **HeveaBoard** through enhanced growth and efficiency

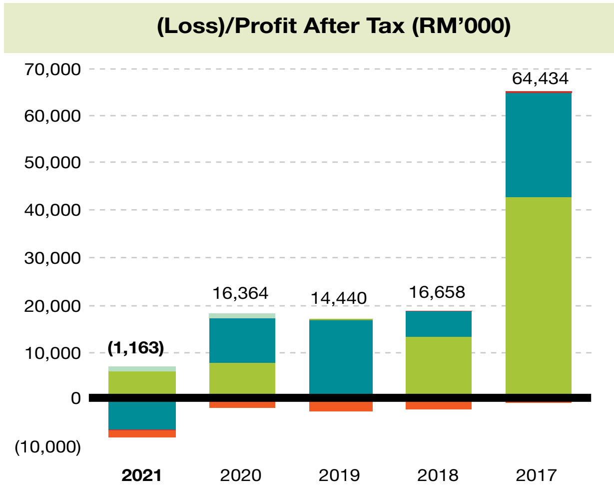
5-YEAR FINANCIAL HIGHLIGHTS

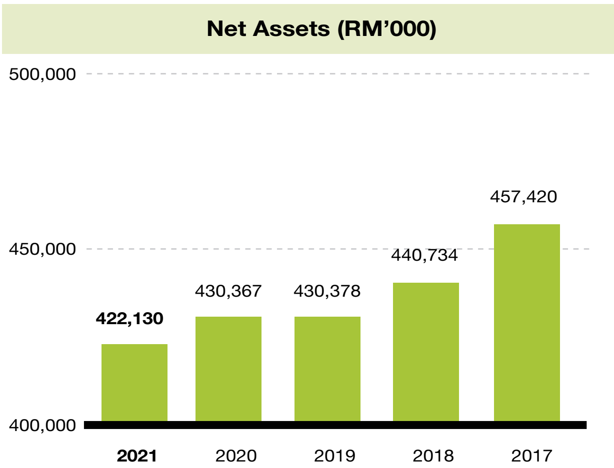
	2021	2020	2019	2018	2017
Turnover (RM'000)	370,864	388,640	419,192	447,893	544,471
(Loss)/Profit Before Tax (RM'000)	(565)	17,805	15,994	13,578	65,945
Tax (RM'000)	(598)	(1,441)	(1,554)	3,080	(1,511)
(Loss)/Profit After Tax (RM'000)	(1,163)	16,364	14,440	16,658	64,434
Share Capital (RM'000)	160,215	160,215	159,429	158,420	157,900
Net Assets (RM'000)	422,130	430,367	430,378	440,734	457,420
Net Assets Per Share (RM)*	0.74	0.76	0.76	0.79	0.82
Interim Dividend (sen)	-	1.50	3.00	3.60	4.80
Proposed Final Dividend (sen)	1.00	0.75	1.00	1.40	2.00
Net (Loss)/Earnings Per Share (sen)**	(0.21)	2.88	2.57	2.98	11.96

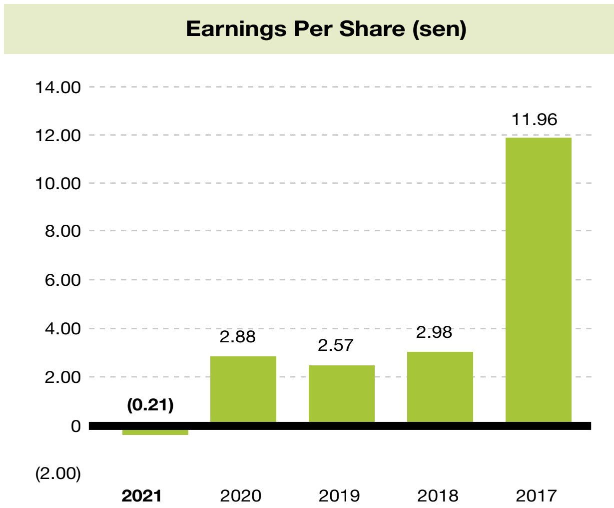
* The net assets per share of the Group is calculated based on the net assets value at the balance sheet date divided by the number of ordinary shares in issue at the balance sheet date.

** The net earnings per share is arrived at by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.









HeveaBoard HeveaPac HeveaGro BocoWood HeveaMart Hevea OSB

MANAGEMENT **DISCUSSION & ANALYSIS**

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you **HeveaBoard Berhad**'s ("**HeveaBoard**" or "the Group") Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2021 ("FYE 2021").

Yoong Hau Chun
Group Managing Director

FINANCIAL PERFORMANCE

Without a doubt, the COVID-19 pandemic had led to an unprecedented crisis never experienced before, with multiple forms of lockdowns in Malaysia since 18 March 2020. 2021 posed another challenging year for the global economy as the pandemic continued to cause substantial disruptions to our daily lives and many of our businesses. We were compelled to evolve and change our perception of how we work. We have been adapting to the new normal and made to rethink and understand the changes in behaviour and trends post COVID-19. We will continue with our innovative methods to ensure the sustainability of our business.

During this time of crisis, we took up the challenge to support the policies and initiatives by the Government to contain the spread of COVID-19 by adhering to the various changes in the COVID-19 Standard Operating Procedures ("SOP") as introduced by the Government from time to time, which had, unfortunately, caused temporary interruptions in the Group's business and operations.

The COVID-19 outbreak had continued to bring on unprecedented business challenges to us and impacted the Group's top and bottom line. With such trials and tribulations in the global environment, the Group recorded a lower total revenue of RM370.9 million in FYE 2021 as compared to the preceding year of RM388.6 million, representing a decrease of 4.6%. The most significant contribution to our top line came from the ready-to-assemble ("RTA") sector with RM221.2 million or 59.7% of the Group's total revenue. Meanwhile, our particleboard and fungi cultivation sectors contributed RM146.3 million and RM3.4 million, representing 39.4% and 0.9% respectively to the Group's total revenue.

Management Discussion & Analysis (Continued)

The Group reported a full-year loss before tax ("LBT") in FYE 2021 of RM0.6 million, from a profit before tax ("PBT") of RM17.8 million a year ago, a decrease of RM18.4 million or 103.3%. The particleboard sector contributed a positive PBT of RM6.2 million, a decrease of RM1.8 million or 23.0% from the preceding year. The RTA sector incurred a LBT of RM5.4 million, a decrease of RM16.8 million or 146.7% from the preceding year. On the other hand, our fungi cultivation sector reported a LBT of RM1.4 million, a decrease of RM0.3 million in loss or 17.5% from the preceding year.

The higher revenue from the particleboard sector was mainly attributable to higher sales of value-added products to the premium export market with better average selling prices. However, there was a decrease in the PBT which was due to the lower production and sales volume coupled with the highly volatile and significant increase in cost of resins and rubberwood.

The lower revenue from the RTA sector and LBT incurred was mainly due to COVID-19 related production interruptions in February 2021 and then later, in June until August 2021, which resulted in lower and inefficient production output. Additionally, the disruption of the global supply chain, raw material shortages, and cost hikes further impacted the operations adversely. Shipment delay had also resulted in the need to reschedule planning and alter production plans, resulting in lower efficiency and higher production costs.

Our fungi cultivation sector recorded a significant increase in revenue of RM1.4 million or 67.4% to RM3.4 million as compared to the preceding year. The increase in revenue as well as the lower LBT were due to higher production and sales volume as more markets and distributors were identified locally.

DIVIDEND

The Group has a dividend policy of no less than 30% of our Profit After Tax ("PAT") be paid out as dividend. Despite making the first Loss After Tax since our listing, the Board would still propose a token, first and final single-tier dividend of RM0.01 per ordinary share to reward our shareholders. This is to be tabled and approved in the upcoming Annual General Meeting, culminating to a total of approximately RM5.66 million which will be paid out on 29 July 2022.

BUSINESS OPERATIONS & EFFICIENCIES

HeveaBoard

During the first half of the financial year, the particleboard sector gained momentum in its recovery trajectory after the first Movement Control Order ("MCO"). However, on 1 June 2021, the Government of Malaysia had imposed a Full Movement Control Order ("FMCO"), compelling our factories to shut down again. Subsequently, the particleboard segment resumed operations partially in mid-July. However, only limited capacity utilisation was possible due to rubber wood supply disruption as sawmills were not allowed to operate during the period. The skyrocketing sea freight and shortage of containers also posted additional challenges to the Group in the form of shipment delays. To retain our export premium customers, we decided to purchase the more expensive sawmill grade rubber logs so that production could continue to run and deliveries were met. This increased our raw material costs substantially and with the hindsight, we managed to retain our relationship with our customers that we spent years building up.

The Group will continue focusing on maintaining our products' high-quality standard to ensure customers' satisfaction. We will also step up our efforts in product innovation to differentiate ourselves. We remain consistent with our vision of producing environmentally friendly products by focusing on developing our green range, the no-added formaldehyde ("NAF") products, while simultaneously reducing our carbon footprint. We will continue to invest in the research and development of processing alternative raw materials to widen the range of usable raw materials available to us.

HeveaPac

The RTA sector had also recovered its momentum after the first MCO in 2020. However, during a voluntary COVID-19 screening test, positive cases were discovered amongst our employees. As such, we had suspended the factories' entire operation in February 2021 for a duration of 10 days. However, it took more than 1.5 month before full production was again possible as some workers were still under quarantine.

Operations were further interrupted in the second half of the financial year when the Government of Malaysia imposed the FMCO on 1st June 2021. The RTA sector was only able to resume operations at the end of August 2021 after approximately 3 months of complete shutdown. Following this, we could only achieve 70% of normal output level as there were supply disruption issues for certain parts of the raw material components. This, coupled with price hikes in shipping fees further impacted the operations adversely. Delay in shipments had also resulted in the need to reschedule planning and alter production plans, resulting in lower efficiency and higher production costs.

The Group also saw a critical shortage of workers with the lack of incoming new foreign workers. Our previous approval for foreign workers was in 2019. Since then,

Management Discussion & Analysis (Continued)

the new approval of foreign workers has been frozen. With continuous outflow of our existing foreign workers going back to their home countries, we have resorted to automation and hiring of more local workers. We have also participated in the hiring program of Supervised Persons as part of our Corporate Social Responsibility ("CSR") initiatives. As such, the RTA sector was normalized during the final quarter of the financial year. The Group will continue to focus on automation and production efficiency improvements to mitigate any further issues. This sector is also in the process of building a certified hostel for 1,500 foreign workers as a long-term solution to our future labour recruitment.

HeveaGro

Food supply and services were listed as essential services under the MCO and later, FMCO. As such, the fungi cultivation sector was able to operate as usual throughout the period. There was a reduction of sales to major restaurants and outlets as these establishments did not realize the full potential due to the ongoing pandemic and restrictions by the Government in its efforts to control the movements to bring down the infection rates, HeveaGro continued to increase exposure through multiple distribution channels, namely supermarket and hypermarket chains. The management continues to learn and improve on teething production issues, and have been able to improve production output. With more stable and higher production output, we will now be more focused in enlarging our market share. Our hope and vision are that the HeveaGro brand name will soon be a household name in the consumer market.

PRIORITISING HEALTH & SAFETY

Our main priority during this challenging year has been to maintain the safety and health of our employees and their families. Recognising the challenges and uncertainties during this period, the Group took steps and implemented measures to mitigate the long-term business impact. The Group ensured adherence to the COVID-19 Standard Operating Procedures for all its operations whilst optimising the workplace for maximum protection and productivity, and managing risks associated with operational disruptions due to variations of the MCO.

In August 2021, almost 100% of the Group's workforce had been fully vaccinated against COVID-19.

INDUSTRY OUTLOOK & COMPANY PROSPECT

For the past two years, the pandemic roiled markets, disrupted supply chains and caused businesses to close due to lockdowns. Raw material prices have been volatile and the pandemic may continue to cause further uncertainties to both supply and demand markets. Economists expect shipping problems to linger well into 2022.

The ongoing Russia-Ukraine War has also begun affecting the entire global economy by slowing growth and jacking up inflation, and could fundamentally reshape the global economic order in the longer term.

Fortunately, the global economy is set to improve and recover as global vaccination rates increase. Most governments have also announced stimulus packages and lowered interest rates to revitalise their economy. With this, GDP forecasts for most economies have been revised upwards. Nevertheless, this rebound could potentially be stifled by the return of restrictions prompted by the rapid spread of new highly contagious coronavirus variants. However, global economies are still expected to improve as governments are now better equipped to respond to the ongoing health crisis and have moved into the endemic phase.

With international borders opening up, we see a potential increase in our foreign labour intake. In the meantime, the Group will continue to practice cautiousness in our supply chain management, cost monitoring and ensuring waste is kept to a minimum. Continuous efforts will be put into maintaining our products' high-quality standard to ensure customers' satisfaction. We will also be stepping up our efforts in product innovation to differentiate **HeveaBoard** from other players in the market.

Premised on the above and barring any unforeseen circumstances, the Board is cautiously optimistic that the Group's prospect and financial performance shall be favourable despite the very challenging trading conditions.

APPRECIATION

To overcome these temporary headwinds, we will need continuous support from our stakeholders, and I would like to take this opportunity to express my heartfelt gratitude to those who have been instrumental to **HeveaBoard**'s achievements to date. The list extends to our shareholders, business partners and associates, financiers, suppliers, customers, fellow members of the Board and our dedicated team of employees. To every one of you, I thank you for standing together with **HeveaBoard** in these turbulent times. I hope that you will continue to walk with us as we strive to grow together.

SUSTAINABILITY STATEMENT

Dear Shareholders,

We at **HeveaBoard** recognise the importance of understanding stakeholder concerns and incorporating principles of sustainability in our business strategies for shared value creation. As a responsible business entity, sustainability has always been an integral part of **HeveaBoard**'s corporate culture.

We remain committed in ensuring our business activities are performed with high standards of social and environmental conduct. This includes ensuring our operating assets and businesses are carried out in a manner that generates positive outcomes in creating a sustainable manufacturing environment, impact sourcing, best business practices and supporting our local businesses and communities. Our commitment extends to the day-to-day operations with high work ethics and values with our business partners and employees.

While the COVID-19 pandemic had caused major global economic disruptions, **HeveaBoard** has implemented strict protocols and work adjustments to protect our stakeholders which will be further fleshed out in the subsequent sections. Despite the challenges brought about by the pandemic, we remain committed to driving sustainable business practices throughout the Group.

Reporting Framework

We have prepared our report in accordance with Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements and with guidance from its Sustainability Reporting Guidelines (2nd edition) which encourages companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle. The reporting guide navigates the management of our material sustainability matters through the Economic, Environmental and Social ("EES") pillars, governed by a robust corporate governance system. We are constantly enhancing our sustainability strategy which will contribute to the enhancement of the framework over the years.

Anti-Bribery and Anti-Corruption

HeveaBoard takes a zero-tolerance approach to bribery and corruption not just within the Group's business operations but also across its supply chain. The tone of zero-tolerance to all forms of bribery and corruption is articulated in our Anti-Bribery and Corruption Policy, which was drafted in accordance with Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018).

Such policy begins at the top, with the Board of Directors setting a clear moral compass with the development and implementation of policies and practices at the highest level of decision making. The same is cascaded to all employees.

HeveaBoard continues to provide awareness training on anti-corruption to our staff as well as to our supply chain. All new staff are provided training during their induction and subsequently at periodic intervals. The same applies to the Group's Board of Directors and senior management. All employees are also requested to sign a declaration and pledge to comply with all laws and regulations in accordance with the Act.

We also extend our anti-corruption journey for our supply chain with the introduction of the Business Partner Compliance Verification Form to all our business partners including suppliers, vendors and agents, in which they affirm their adherence to our practice of no-corruption.

Sustainability Governance Structure

Sustainability integration at the highest level has enabled us to remain steadfast in our ESG commitments. Our corporate leadership has been critical in delivering the Group's sustainability purpose and performance that add long-term value to **HeveaBoard**.

Sustainability Statement (Continued)

Our sustainability initiatives come under the purview of our Sustainability Committee which is led by our Group Managing Director, and is supported by our Senior Management members. The role of the Sustainability Committee includes identifying key sustainability matters as well as to integrate long-term sustainability strategies into day-to-day business decisions.

Our sustainability initiatives were developed after identifying areas where we are able to harness our skills, experience and resources to make a positive difference. The foundation of our approach includes having global standards, processes and tools in place to manage safety of our people, the surrounding community and the environment. In the long run, we aim to continuously improve the way we operate to prevent incidents. We will continue to identify, mitigate and minimise the adverse environmental and social impacts across our facilities.

For the year under review, the Group had embarked on the following initiatives:

Economic Impact

As a business, our responsibilities to the society go beyond delivering sustainable long-term value to our shareholders. In a wider context, we are also responsible for developing the communities surrounding our operations. In this regard, the Group had been conducting weekly walk-in job interviews for local job seekers, when possible, as part of our effort to drive a shared and sustainable economic growth while simultaneously equipping the local communities with marketable skill-sets.

We have also participated in the hiring program of Supervised Persons under the out-of-prison rehabilitation programme. We are committed towards mobilising effort to give the opportunity to ex-convicts to obtain training and subsequently work in the industry. It will indirectly help the ex-convicts to return and serve society without being continuously punished for their past offences.

Our passion for empowering the local community also extends beyond this as we welcomed interns under our paid internship placement programme which is targeted to local university students as a platform for them to apply their acquired knowledge to real work situations. We welcomed eight interns from various disciplines, including Electrical Engineering, Marketing and Information Technology. Throughout the internship period, the students were assigned according to their chosen fields and encouraged to work closely with our employees.

The pandemic had affected the livelihood of the community in many ways and disproportionately impacted poorer households and disadvantaged groups. The economic slowdown and resulting loss of jobs resulted in difficulties in putting food on the table. Within the Group, philanthropy is one of the most advocated traits that we have continued to inculcate within our workforce. For this reason, we had mobilised our workforce to distribute over RM100,000 worth of HeveaGro's Eryngii mushrooms to various schools and orphanages within the surrounding community, local authorities and front-liners such as police, medical centres, Department of Safety and Health, the city council as well as to non-governmental organizations.

Apart from this, the Group made monetary donations to Persatuan Promosi Negeri Sembilan, Jabatan Bomba dan Penyelamat Malaysia as well as Kementerian Kesihatan Malaysia.

Environmental Impact

As a manufacturer, we recognise the impacts the Group's day-to-day operations have on the environment. Our commitment to sustainable development has seen the Group strive to minimise its environmental impacts by improving efficiency and reducing unwanted by-products within business operations. We continue to demonstrate commitment to proactively manage the Group's environmental footprint which has been embedded within our corporate culture. It is **HeveaBoard**'s mission to develop exemplary business practices that are consistent with sound environmental practices.

<u>Product Carbon Footprint License</u>

HeveaBoard is one of the first Malaysian companies in the wood panel industry to receive the Product Carbon Footprint License which is according to ISO 14067. The certification was issued by SIRIM QAS Malaysia, which serves to provide an accurate carbon footprint of the Company's Greenhouse Gas Inventory to ensure that it aligns with leading reporting standards. The objectives of Carbon Footprint Certification are to create transparency, identify the main sources of emission and create innovations in reducing energy and raw materials consumption.

<u>Renewable Power Generation</u>

To enhance the use of more renewable energy in the manufacturing process of our products, the Group has successfully installed rooftop solar PV systems with 1500kWp on the premise of our RTA facilities and 337kWp on the premise of our fungi facility under the Net-Energy Metering ("NEM") program, which is under the purview of Sustainable Energy Development Authority ("SEDA"). The system is able to produce approximately a combined 2.2 million kWh of green energy per year, equivalent to powering 800 households in Malaysia. In addition to reduction of electricity costs, the factories will be relying more on green energy which releases far less greenhouse gasses than fossil fuels, as well as few or low levels of air pollutants. With this,

Sustainability Statement (Continued)

a portion of our RTA furniture and fungi will be produced with renewable green energy. In 2021, the total contribution of solar energy is approximately 1,280,000kwh with reduction in carbon emissions of 887,000kg CO2e[1].

The Group has also been granted with Net Offset Virtual Aggregation (NOVA) Approval for additional 450kWp, further solar PV panels will be installed on the remaining **HeveaBoard** facilities in 2022.

LED Lighting

The Group has progressively switched from fluorescent lights to Light Emitting Diodes ("LED") in all of our factories, showrooms and surrounding street lights. LEDs, which are renowned for its energy efficient feature, will help the Group save on electricity significantly and improve energy efficiency. Since we began this initiative in 2016, the Group had already installed over 1,500 units of LED lights of various types in all of its factories, showrooms and the surrounding street lights with an additional 669 units in 2021. In 2021, **HeveaBoard** had installed motion sensors at 2 sanitising chambers and 2 car park lights on the premises as well as LED lights with light sensors around the facilities to reduce the wastage of electricity as the lights will only switch on when it is needed.

Reduce, Reuse, Recycle

One of our most significant initiatives to conserve the environment is our increased use of alternative materials such as the rubber tree stumps as raw material for particleboard production. Rubber tree stumps are generally irrecoverable for use and is normally burnt during replanting causing undue air pollution. However, **HeveaBoard** has invested in cutting-edge technology and perfected ways to recover and re-use rubber tree stumps in the production of our particleboard over the years. The usage of this alternative material in 2021 takes up about 7% of the total of raw materials used. As a result, over 45,160 tonnes[2] of CO2 have been prevented from being emitted into the atmosphere in 2021. This reduction in emission of CO2 is considered significant although it was below our initial target of 60,000 tonnes. The reason for this is due to the disruption of stump chips supply during the shutdown of the industry during the FMCO period. However, we are confident that with our technology, which now has more players convinced of the viability of its operation, we will be able to achieve our target to further prevent 60,000 tonnes of CO2 from being emitted into the atmosphere in 2022.

Another similar effort of the Group is the recovering of rubber tree bark for the use in the fungi cultivation sector as substrate. This has reduced the amount of waste from the particleboard sector while simultaneously eliminating the need to dispose of the residue. On average, the fungi cultivation sector uses 5 tonnes of the rubber tree bark waste per day.

On a similar note, furniture manufacturing processes can generate high levels of waste. In order to reduce, reuse and recycle, we have incorporated hollow core products into our designs to enable us to use our off-cut materials that would have otherwise been discarded. HeveaPac plans to widen the range of this type of product to reduce waste.

In our efforts to reduce waste in our operations, the Group introduced photo rendering software in 2021 for product photo illustrations. The software is to allow the Group to reduce waste as we no longer need to provide physical samples for photo shooting purposes.

In 2021, the Group had also initiated its efforts to convert polyfoam to recyclable type of materials in our packaging. Such alternatives include honeycomb board and layer pad. Sustainable packaging is important because it reduces the ecological footprint of all the stages in the product's life-cycle.

HeveaBoard has also adopted an efficient water consumption strategy. Through the usage of absorption chillers in the particleboard plant, waste heat is recovered to produce chilled water at 6°C to 7°C to be used in the production process. Through this initiative, not only did we manage to save 674,520kWh in electricity consumption, but also 1.08 million litres of water which would have evaporated but instead was used to regenerate the absorption fluid in the absorption chiller. The Group plans to research ways to recover and reuse the evaporated water in our efforts to be more sustainable.

Another noteworthy initiative that the Group has taken is through our fungi cultivation sector where HeveaGro's spent mushroom substrate, a waste raw material high in organic

Sustainability Statement (Continued)

matter, is sold to fertilizer producers to be converted into organic fertilizers to be used in agriculture. As such, our spent mushroom substrate has produced zero wastage as all of them are being sold off to be recycled.

Notes
1. Burning 1kg of wood will release 1.65kg to 1.80kg of CO2 (source: https://paperonweb.com)
2. Estimation by iSolarCloud

Waste and Effluent Management

HeveaBoard generates a broad range of wastes and effluents due to the nature of our operations. All businesses and facilities comply with the Group-wide waste and effluent management policy, with hazardous and scheduled waste specifically tracked and managed. In that regard, the Group has employed a Certified Scheduled Waste Competent Person to manage all waste generated from our factories while complying with the Department of Environment's regulations.

The particleboard sector has built and operates an environmental management system (EMS) in accordance with international standards. The sector is an ISO 14001 certified environmentally responsible company since 2011.

The sector is also ISO 50001 certified. This certification demonstrates **HeveaBoard**'s commitment to continual improvement in energy management. We had saved approximately RM190,000 of energy cost in 2021.

The RTA sector had in March 2022 installed a state of the art pollution control system by utilizing a filter bag system, replacing the dated cyclone separation system. This new system will ensure a cleaner emission from our factories while enabling lower power consumption.

Research & Development

Impending health challenges in the formulations of particleboards and the binders used are of great concern. As such, **HeveaBoard** has invested in conducting research and development efforts to use green adhesives to reduce the health threat of utilising formaldehyde-based resins. We have continued our focus on manufacturing premier grade eco-friendly products with low formaldehyde emission. This is an effort to reduce indoor air pollution as formaldehyde has been classified as a potentially dangerous carcinogen and a significant environmental pollutant by the World Health Organisation and the United States Environmental Protection Agency. **HeveaBoard** has been relying mainly on rubberwood as the main raw material. In 2021, the Group invested in the research of using alternate materials and different species of wood as a key ingredient in our products. Going forward, **HeveaBoard** aims to discover alternative raw materials, bringing more sustainability into our production.

Regarding the RTA sector, the Group had capitalised on automation with new auto edging line, hardware counting automation line and automatic printing line. With these various automation initiatives, the Group has managed to reduce the percentage of product rejection and the need for manpower ranging from 30% to 70% on certain processing lines while at the same time increased productivity of the RTA sector, further streamlining our processing line. In 2022, **HeveaBoard** plans to further invest in automation with an automatic packing line and automatic panel saw to enhance the Group's efficiency and productivity.

The Group will continue to work toward reducing greenhouse gas emissions, water consumption and waste generation to limit its environmental impact in the future.

Social Impact

The challenges of the pandemic have shown us the actual value of community spirit, teamwork and reaching out to those in need. As we continue to make progress on our sustainability journey, we will never forget that our success is made possible through our amazing team's hard work and dedication. Our employees are the life force that sustains the business as they are the key element in executing the Group's corporate strategies. We understand that creating a healthy work environment would positively influence the Group's productivity and operational efficiencies.

Workplace Diversity

Promoting diversity and inclusiveness among our employees is in line with the Group's values and commitment. This is exemplified in our hiring and promotion process, where candidates are selected based solely on their job performance and competency level. We strive to empower all employees regardless of their age, gender, race or religion.

The right to work is fundamentally significant, and it should be accessible to all persons, regardless of whether the person is normal or has a disability. The ability to obtain a job allows a person to improve their economic status. It also facilitates people to improve self-esteem, participate socially, as well as gain knowledge and skills. In this regard, the Group is actively taking the initiative to provide employment opportunities for people living with disabilities ("OKU").

We have also participated in the hiring program of Supervised Persons under the out-of-prison rehabilitation programme in an effort to give the opportunity to ex-convicts to obtain training and subsequently work in the industry. We hope to further provide equal opportunity and workforce diversity in the future.

Sustainability Statement (Continued)

Workforce by Gender

Indicator	Number	%
Male	2,042	88.98
Female	253	11.02
TOTAL	**2,295**	**100.00**

Workforce by Age Group

Indicator	Number	%
<20	38	1.66
21 - 30	1,009	43.97
31 - 40	851	37.08
41 - 50	295	12.85
51 - 60	92	4.01
>60	10	0.44
TOTAL	**2,295**	**100.00**

Workforce by Nationality

Indicator	Number	%
Malaysian	810	35.29
Foreigner	1,485	64.71
TOTAL	**2,295**	**100.00**

Workforce by Contract Type

Indicator	Number	%
Permanent	2,182	95.08
Contract	113	4.92
TOTAL	**2,295**	**100.00**

We continue to actively build on diversity with a focus on gender by taking steps to ensure that women candidates are sought as part of our recruitment exercise. Besides at the operational level, we also ensure that women are part of our highest governance levels. Our Group's key senior management positions are led by females such as our Chief Financial Officer and Corporate Services General Manager. The drive to promote women in management extends to the Board level, with one female Director among the members. We hope to continue having more women in leadership positions at the Group to empower the future generation of women, although it is particularly a challenge to achieve a satisfactory gender balance in all fields of business activity due to the nature of our industry.

HeveaBoard strives to be fair in the way we treat our employees regarding to the terms and conditions of their employment and the development of employees' skills and knowledge. We observe and comply with statutory rules and regulations in the operation of our factories. This covers reasonable working hours, overtimes, public holidays, rest days and paid annual leave for employees. At **HeveaBoard**, we are committed to continuously engaging in a respectful and fair manner with all our employees and providing ample development opportunities without discrimination against gender, marital status, race, nationality, ethnicity, or age. In 2021, the number of discrimination incidents reported and recorded within **HeveaBoard** was nil, an indicator that our initiatives and practices undertaken are effective in the working environment.

Health & Safety

We prioritize the health and safety of our employees at **HeveaBoard**. As a manufacturer, we conduct high-risk and high-skilled work with machineries. Therefore, it is important for us to ensure the safety of our employees by equipping them with specific knowledge and safety awareness in operating within our facilities. The Group takes a proactive approach, emphasising management commitment, worker involvement and risk control for continuous improvement of health and safety performance. On top of this, all workplaces are strictly inspected, evaluated and equipped with safety equipment to ensure all employees are working in a safe environment.

HeveaBoard complies to both the international standards of Occupational Safety and Health Management System OSHAS ISO 45001:2018, replacing OHSAS 18001, and Malaysia's MS 1722:2011 by providing a safe and healthy workplace for our employees and visitors by identifying and controlling all risk factors and mitigating adverse effects on the physical, mental and cognitive condition of a person.

The Group has in place a Health, Safety & Environment ("HSE") Committee with dedicated officers in charge of health, safety, environment. The HSE Committee is chaired by the General Manager and supported by the Plant Manager and employer and employee representatives from each department and has identified five scopes under the purview of the HSE Committee, namely Security, ERT & Landscaping, Fire Safety, Safety & Health Monitoring,

Sustainability Statement (Continued)

Environment and Health Surveillance - Audiometric. The committee convenes on a quarterly basis to evaluate and analyse the risks that can affect our employees and manage them responsibly.

In June 2019, the Minister of Human Resource Malaysia introduced the Occupational Safety and Health (Noise Exposure) Regulations 2019. In compliance with the new regulation, the Group had an internal noise risk assessment done in June 2020. **HeveaBoard** had also appointed an external noise risk assessor to conduct initial exposure monitoring. It is from these results that the Group had taken an initiative to identify an additional scope which was established in 2021 under the HSE Committee which is the Health Surveillance – Audiometric.

Under the regulation of Malaysia Occupational Safety and Health (Use and Standard of Exposure Of Chemicals Hazardous to Health) Regulations 2000, **HeveaBoard** is required to carry out industrial chemical exposure monitoring. Based on the Chemical Exposure Monitoring, no staff was required to undergo health surveillance as all chemical exposures were within permissible limit.

Due to the MCO requirement, safety and health training was not allowed in 2021 in order to control the spreading of COVID-19. However, training on safety requirements as well as rules and regulations for new workers and contractors as well as visitors continued as normal during the induction. Training and awareness on safe work practices were also done by each department during daily toolbox talks in the morning before beginning work. We had also provided CPR & AED training course on basic life support skills to equip them to handle various emergencies. Despite the limitations, we are able to report that in the year under review, 7 work-related injuries were reported with no fatalities. This represents a decrease by 70.8% of work-related injuries from 2020. We firmly believe that consistent injury reporting and the timely sharing of preventive actions to all operations will provide the support required to reduce injury rates in the future.

We are also strong advocates of upskilling our employees and had over the past year provided our engineering and process workers upskilling training programmes such as Introduction to Energy Recovery for Compressed Air Applications', MFC Grading Training and Roles Of Engineer in The Timber Industry. The Group clocked in a total of 90 hours of internal training and 56 hours of external training in 2021.

In 2020, the Emergency Response Team and Firefighting Team were provided emergency response exercises and briefing by the local Fire and Rescue Department of Malaysia ("FRDM"). However, due to the implementation of various phases of the MCO across the country in 2021, the exercise and briefing could not be conducted. Due to the various movement restrictions in 2021, we have carried forward our training initiatives to 2022 as and when such activities are allowed.

Benefits for Staff

At **HeveaBoard**, we ensure our employees are compensated fairly and we adhere to the Minimum Wage Act. In addition to fair remuneration, all full-time employees receive competitive work benefits that promote health and well-being while appreciating the workforce as part of our ecosystem.

Our employee benefits program includes leave entitlement such as annual, medical, maternity and paternity, calamity, compassionate and examination leave. We also provide allowances and coverage by SOCSO as well as Personal Accident Insurance, Hospitalisation and Surgical Insurance coverage. To encourage good attendance and promote higher productivity, employees with good daily attendance are given an additional allowance and incentive payments based on high output and quality.

As a company that promotes family values, we extend our employee benefits to the family members especially on key aspects such as health. Condolence benefits are also given out to our employees that lost their loved ones as an expression of sympathy. On top of that, we also celebrate our employees' that get married with gifts as a token of appreciation.

During the MCO, **HeveaBoard** maintained all employee benefits and salary with no cuts. In addition to that, the Group offered extra allowance to the employees that were required to work throughout the MCO as a token of appreciation along with subsidies for essential expenses, meals and shopping vouchers.

The RTA sector had recently invested over RM500,000 in upgrading the facilities of the workers' hostel and in 2021, more upgrades were done such as upgrade of ceiling fan in dining area, repainting of the walls of the kitchen and washing area, upgrade of electricity facility and renovations on the canteen seating area. The area had been widened by 100%, enabling a more comfortable and safer distance during meal time for our employees. For the better comfort of our people, HeveaPac has also invested in the construction of a new hostel which is estimated to be completed in 2023. By investing in human capital, the Group is preparing for leadership succession in driving the organisation towards its goals.

Sustainability Statement (Continued)

Health And Safety Approach to COVID-19

The Group has adopted all necessary COVID-19 mitigation measures as prescribed by government-mandated SOPs and more. These include requirements for social distancing, staggered working hours, division of manpower into separate teams, instituting work from home procedures, reducing physical engagements in favour of virtual communication channels and more.

We have also initiated a COVID-19 Action Committee which consists of members from each department to assist in the implementation of the SOPs.

Maintaining the safety of our team is vital to us, and we worked diligently to secure COVID-19 vaccines for our entire workforce as early as possible. In August 2021, almost 100% of the Group's workforce has been fully vaccinated against COVID-19.

To foster a safe working environment, we made testing mandatory for all staff twice a month for both normal and shift workers.

Other key safety measures that were initiated at **HeveaBoard**'s offices and facilities includes daily temperature recordings of employees and visitors, enforcing the usage of face masks within the organisation, implementing hand sanitizer stations at all entry points of guard post, offices, workstations and canteen and frequent office sanitisation. Visitors are required to scan the registered premise's QR code with MySejahtera as well as fill up a health declaration form. The Group also provides facemasks at the main guard post to ensure adherence by all entrants as well as COVID-19 awareness posters and memos in educating and reminding all personnel on personal cleanliness and best hygiene practices. Employees are discouraged to travel during this time and required to fill up an online declaration form for travels above a 30km radius.

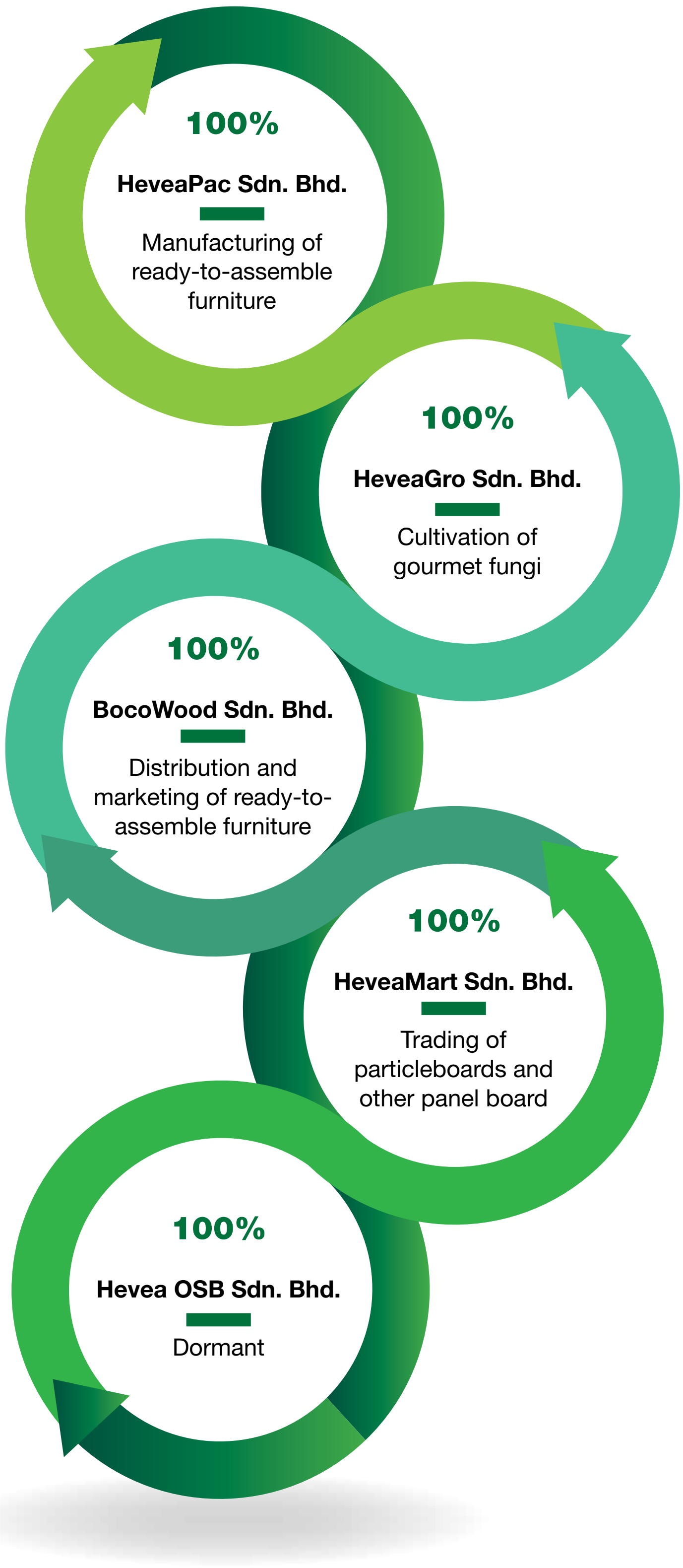
In line with the new normal, **HeveaBoard** incorporated virtual trainings, briefings and meetings into its practice particularly with global investors with the restrictions in international travels. The 27th Annual General Meeting of **HeveaBoard** was also conducted electronically in its entirety through live streaming and online remote participation. Broader investor communication also takes place via our corporate website where all announcements made to Bursa Malaysia are updated.

Conclusion

In 2021, the COVID-19 pandemic continued to highlight the importance of wellness, resilience, and community spirit. Despite all the challenges to our business, the Group will always strive to perform better in terms of our role as a corporate citizen. As the threat of global warming and climate change looms over the global community, we will need to constantly seek long term and sustainable solutions to minimise any negative impacts that could potentially bring harm to our environment.

In navigating the effects of the COVID-19 pandemic, we are incredibly proud of the hard work and dedication of our employees for enabling us to make progress on our sustainability journey despite the challenges. Moving forward, we aim to continuously improve our initiatives and progress further with our sustainability goals to fulfill our vision as a responsible company.

CORPORATE **STRUCTURE**



HeveaBoard Berhad

Incorporated in Malaysia

[Registration No. 199301020774 (275512-A)]

Manufacturing of particleboards and investment holding

CORPORATE INFORMATION

BOARD OF DIRECTORS

Sundra Moorthi A/L V.M. Krishnasamy
Independent Non-Executive Chairman

Yoong Hau Chun
Group Managing Director

Yoong Li Yen
Executive Director

Lim Kah Poon
Independent Non-Executive Director

Bailey Policarpio
Non-Independent Non-Executive Director

Yoong Yan Pin
Independent Non-Executive Director

Thye Heng Ong @ Teh Heng Ong
Independent Non-Executive Director

Loo Chin Meng
Non-Independent Non-Executive Director

Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)
Alternate Director to Yoong Hau Chun

AUDIT COMMITTEE

Lim Kah Poon
(Chairman)

Yoong Yan Pin

Thye Heng Ong @ Teh Heng Ong
(Appointed on 25 November 2021)

NOMINATION COMMITTEE

Yoong Yan Pin
(Chairman)

Lim Kah Poon

Bailey Policarpio

REMUNERATION COMMITTEE

Sundra Moorthi A/L V.M. Krishnasamy
(Chairman)

Lim Kah Poon

Bailey Policarpio

TENDER BOARD COMMITTEE

Thye Heng Ong @ Teh Heng Ong
(Chairman)

Lim Kah Poon

Loo Chin Meng

COMPANY SECRETARY

Wong Youn Kim
SSM Practising Certificate No. 201908000410
(MAICSA 7018778)

PRINCIPAL OFFICE

Lot 1942, Batu 3
Jalan Tampin, 73400 Gemas
Negeri Sembilan Darul Khusus

Tel : 07-948 4745/46
Fax : 07-948 5192/3390

WEBSITE

www.heveaboard.com.my

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur

Tel : 03-2241 5800
Fax : 03-2282 5022

SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.
[Registration No. 197901005880 (50164-V)]
Lot 10 The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan

Tel : 03-7784 3922
Fax : 03-7784 1988

PRINCIPAL BANKERS

AmBank (M) Berhad
[Registration No. 196901000166 (8515-D)]

CIMB Bank Berhad
[Registration No. 197201001799 (13491-P)]

Citibank Berhad
[Registration No. 199401011410 (297089-M)]

Malayan Banking Berhad
[Registration No. 196001000142 (3813-K)]

OCBC Bank (Malaysia) Berhad
[Registration No. 199401009721 (295400-W)]

RHB Bank Berhad
[Registration No. 196501000373 (6171-M)]

AUDITORS

Baker Tilly Monteiro Heng PLT
[201906000600 (LLP0019411-LCA & AF0117)]
Chartered Accountants
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur

Tel : 03-2297 1000
Fax : 03-2282 9981

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name : HEVEA

Stock Code : 5095

PROFILE OF DIRECTORS

SUNDRA MOORTHI A/L V.M. KRISHNASAMY

Independent Non-Executive Chairman
Aged 78, Malaysian, Male

MR SUNDRA MOORTHI A/L V.M. KRISHNASAMY was appointed as an Independent Non-Executive Director of **HeveaBoard** on 27 February 2018. On 19 November 2018, he was re-designated as an Independent Non-Executive Chairman of **HeveaBoard** and appointed as a Chairman of the Remuneration Committee.

Mr Sundra Moorthi A/L V.M. Krishnasamy holds a Bachelor of Arts from the University of Malaya. He is a Barrister-at-Law and member of the Gray's Inn, United Kingdom. He was admitted to the Bar of England & Wales in 1970 and subsequently admitted to the Malaysian Bar in 1971.

A lawyer by profession, Mr Sundra Moorthi A/L V.M. Krishnasamy has been practicing law since 1971. In 1975, he set up his own practice under the name of Messrs. Adnan Sundra & Low and had been a Managing Partner in the said legal firm from then to 2014. He is presently a Consultant at Messrs. Adnan Sundra & Low. On the public service and commercial side, he has acquired more than 38 years of experience holding Directorship in various private limited, public listed and multinational companies.

Mr Sundra Moorthi A/L V.M. Krishnasamy does not hold any directorship in any other public companies or public listed companies.

He does not have any family relationship with any other director and/or substantial shareholders of **HeveaBoard**.

YOONG HAU CHUN

Group Managing Director
Aged 46, Malaysian, Male

MR YOONG HAU CHUN joined **HeveaBoard** in 2000 and was appointed as an Executive Director to **HeveaBoard** on 21 July 2000. He was re-designated as the Group Managing Director on 6 June 2012.

He graduated from Sussex University, UK with a First Class Honours Degree in Mechanical Engineering with Business Management and a MSc in Wood Industries Technology from UPM. He is responsible for the operation of the particleboard plants and the Group of companies under **HeveaBoard**.

Mr Yoong Hau Chun does not hold any directorship in any other public companies or public listed companies.

He is the son of Mr Tenson Yoong who is his Alternate Director and a substantial shareholder of the Company. He is the brother of Ms Yoong Li Yen who is the Executive Director and a substantial shareholder of the Company. Besides, he is the brother-in-law of Mr Bailey Policarpio who is a Non-Independent Non-Executive Director of **HeveaBoard**.

Profile of Directors (Continued)

YOONG LI YEN

Executive Director
Aged 45, Malaysian, Female

MS YOONG LI YEN was appointed as an Executive Director of **HeveaBoard** on 18 February 2013.

Ms Yoong Li Yen graduated with a Bachelor of Administration degree from University of New Brunswick Canada and Post Graduate Diploma from Chartered Institute of Marketing (CIM), United Kingdom.

Prior to joining **HeveaBoard**, she started her career in 1996 as a Business Analyst with New Brunswick Power, Canada. In 1998, she joined **HeveaBoard** as a Marketing Executive. Throughout the years, she had gained extensive experience in sales, marketing and logistics, and was the General Manager in Commerce of **HeveaBoard**. She is also a Director of HeveaPac Sdn. Bhd., HeveaMart Sdn. Bhd., Hevea OSB Sdn. Bhd., HeveaGro Sdn. Bhd. and Bocowood Sdn. Bhd.

Ms Yoong Li Yen does not hold any directorship in any other public companies or public listed companies.

She is the spouse of Mr Bailey Policarpio who is the Non-Independent Non-Executive Director of **HeveaBoard**. She is the daughter of Mr Tenson Yoong who is the Alternate Director to Mr Yoong Hau Chun and a substantial shareholder of the Company. Besides, she is the sister of Mr Yoong Hau Chun who is the Group Managing Director and a substantial shareholder of the Company.

LIM KAH POON

Independent Non-Executive Director
Aged 73, Malaysian, Male

MR LIM KAH POON was appointed as an Independent Non-Executive Director of **HeveaBoard** on 1 October 2004. He is the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Tender Board Committee of **HeveaBoard**. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA).

Mr Lim Kah Poon, a finance professional with a broad based business experience, spent the early part of his professional career with two of the big four accounting firms in Dublin and Kuala Lumpur/Penang for approximately 12 years. He joined a multinational company in Kuala Lumpur in 1983, where he held various senior finance positions over a 15 year-period, with the last one and a half years involved in audit and risk assessment on the control environment within the group companies in the Asia Pacific Region. In 1997, he joined a local company, a company listed on Bursa Malaysia Securities Berhad, as its Chief Financial Officer. He left his last company in September 2001 in order to focus on his consultancy work.

Presently, Mr Lim Kah Poon is also an Independent Non-Executive Director of Pineapple Resources Berhad and Chuan Huat Resources Berhad.

Save as disclosed above, he does not hold any other directorship in any other public companies or public listed companies.

Mr Lim Kah Poon does not have any family relationship with any other director and/or substantial shareholders of **HeveaBoard**.

Profile of Directors (Continued)

BAILEY POLICARPIO

Non-Independent Non-Executive Director
Aged 51, Filipino, Male

MR BAILEY POLICARPIO was appointed as a Non-Independent Non-Executive Director of **HeveaBoard** on 8 March 2007. He is a member of the Nomination Committee and Remuneration Committee of **HeveaBoard**.

Mr Bailey Policarpio graduated from De La Salle University, Philippines with a Degree in Electronics and Communications Engineering and a MSc in Manufacturing Systems from University of Nottingham, UK. His career includes being a lecturer at De La Salle University; being Directors for First Philippine Scales, Inc. (FPSI) and ProFence Systems Corporation. He is also an approved signatory of FPSI Metrology Laboratory, which is an ISO/IEC 17025 Accredited Calibration Laboratory.

Save as disclosed above, Mr Bailey Policarpio does not hold any other directorship in any other public companies or public listed companies.

Mr Bailey Policarpio is the spouse of Ms Yoong Li Yen who is the Executive Director, the brother-in-law of Mr Yoong Hau Chun who is the Group Managing Director, and the son-in-law of Mr Tenson Yoong who is the Alternate Director to Mr Yoong Hau Chun, all of them are the substantial shareholders of the Company.

YOONG YAN PIN

Independent Non-Executive Director
Aged 86, Malaysian, Male

MR YOONG YAN PIN was appointed as an Independent Non-Executive Director of **HeveaBoard** on 27 February 2018. On 19 November 2018, he was appointed as a Chairman of the Nomination Committee. He is a member of the Audit Committee of **HeveaBoard**.

Mr Yoong Yan Pin holds a Certificate of Education (Kirkby, Liverpool) and a Bachelor of Arts (Hons) Degree from the University of Malaya.

Mr Yoong Yan Pin retired from banking in 1998 as a Director and Chief Executive Officer of United Overseas Bank (Malaysia) Bhd. He joined the United Overseas Bank Group in 1973 as Branch Manager, Kuala Lumpur Main Branch, Chung Khiaw Bank. A year later, he was appointed as Chief Executive Officer of Chung Khiaw Bank Malaysia. In 1980, he was appointed to the Board. He was the Chief Executive Officer of Chung Khiaw Bank Malaysia and United Overseas Bank (Malaysia) Bhd for 26 years. Prior to joining the UOB Group, he was a school teacher for 5 years, Bank Examiner in Bank Negara Malaysia for 3 years and Assistant to Chief Executive Officer of a commercial bank in Malaysia for 2 years. He is a Fellow of the Institute Bank-Bank Malaysia and was a Fellow of the Chartered Institute of Bankers London and the British Institute of Management. He served as a Council Member of the Association of Banks in Malaysia for 23 years and Institute Bank-Bank Malaysia for 15 years. He was a Director of Credit Guarantee Corporation Berhad for 2 terms. He has previously served as a Director of 2 public companies and an Advisor to a third public company. He was a Council Member of the Kuala Lumpur & Selangor Chinese Chamber of Commerce & Industry for 23 years.

Mr Yoong Yan Pin is currently the Chairman of Nanyang Press Foundation.

Save as disclosed above, he does not hold any other directorship in any other public companies or public listed companies.

Mr Yoong Yan Pin does not have any family relationship with any other director and/or substantial shareholders of **HeveaBoard**.

Profile of Directors (Continued)

THYE HENG ONG @ TEH HENG ONG

Independent Non-Executive Director
Aged 71, Malaysian, Male

MR THYE HENG ONG @ TEH HENG ONG was appointed as an Independent Non-Executive Director of **HeveaBoard** on 27 February 2018. On 19 November 2018, Mr Thye Heng Ong @ Teh Heng Ong was appointed as a Chairman of the Tender Board Committee of **HeveaBoard**. On 25 November 2021, he was appointed as a member of the Audit Committee.

Mr Thye Heng Ong @ Teh Heng Ong holds a Degree in Mechanical Engineering from the University of Malaya.

Mr Thye Heng Ong @ Teh Heng Ong has more than 26 years of experience in the manufacturing industry. He started his career with Malaysian Tobacco Company Berhad in 1976 where he held various production and operations managerial positions including as Factory Manager both in Malaysia and Hong Kong. His last appointment was Production/ Operations Director and also served as Executive Director on the Board. From 1999 he assumed the position as Plant Integration Director in British American Tobacco (M) Berhad until 2002.

Over the next 5 years from 2004 to 2009 he was engaged as Operations Director in Asia Green Environmental Sdn. Bhd., a provider of Mill integrated bio-composing plants/systems to the plantation industry. He has also been providing advisory services as Technical/Operations Advisor in AMB Packaging Sdn. Bhd.

Mr Thye Heng Ong @ Teh Heng Ong does not hold any directorship in any other public companies or public listed companies.

He does not have any family relationship with any other director and/or substantial shareholders of **HeveaBoard**.

LOO CHIN MENG

Non-Independent Non-Executive Director
Aged 44, Singaporean, Male

MR LOO CHIN MENG was appointed as a Non-Independent Non-Executive Director of **HeveaBoard** on 19 November 2018.

Mr Loo Chin Meng graduated in 1998 with Bachelor Degree in Communication Business from Bond University, Australia, majoring in marketing and public relations. He enlisted into Singapore Arms Forces in 1998 and received training in Officer Cadet School. He was commissioned as 2nd Lieutenant in 1999. He was promoted as Lieutenant in 2000.

Mr Loo Chin Meng started his career in 2001 in the sawmill and timber industry. He has been in the sawmill and timber industry throughout the years and is currently Directors of a number of companies involved in sawmill and timber export business. He also engages in housing development and is currently Directors for a few property development companies.

Mr Loo Chin Meng does not hold any directorship in any other public companies or public listed companies.

He is the son of Dato' Loo Swee Chew who is a substantial shareholder of **HeveaBoard**.

Profile of Directors (Continued)

YOONG TEIN SENG @ YONG KIAN SENG (TENSON YOONG)

Alternate Director to Yoong Hau Chun
Aged 75, Malaysian, Male

MR TENSON YOONG was appointed as the Alternate Director to Mr Yoong Hau Chun who is the Group Managing Director on 18 February 2013.

Mr Tenson Yoong has over 30 years of experience in sawmill and timber export business and is one of the founding members of **HeveaBoard**.

Mr Tenson Yoong does not hold any directorship in any other public companies or public listed companies.

Mr Tenson Yoong is the father of Mr Yoong Hau Chun who is the Group Managing Director, and Ms Yoong Li Yen who is the Executive Director and substantial shareholders of **HeveaBoard**. Mr Tenson Yoong is also the father-in-law of Mr Bailey Policarpio who is a Non-Independent Non-Executive Director of **HeveaBoard**.

Notes to Directors' Profiles:

None of the Directors has:

- * *Any conflict of interest in any business arrangement involving* ***HeveaBoard****.*
- ** *Any conviction for offences within the past five (5) years other than traffic offences, and there are no public sanction and/or penalty imposed by the relevant regulatory bodies on the Directors during the financial year.*

Directors' securities holdings:
The details of the Directors' securities holdings are set out in the Analysis of Shareholdings as at 1 April 2022 as set out on pages 144 to 147 of this Annual Report.

Board Meeting attendance in 2021:
All the Directors attended all the five (5) Board Meetings which were held in the financial year.

The composition of the Board of Directors complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad whereby one-third (1/3) of the Board are Independent Directors.

PROFILE OF
KEY SENIOR MANAGEMENT

PEH JU CHAI

Executive Director,
HeveaPac Sdn. Bhd.
Aged 62, Male, Malaysian

Date of appointment to present position:
2 January 2001

Qualification
- Tunku Abdul Rahman College, Diploma in Commerce.
- Studied Chartered Association of Certified Accountants.
- Studied Chartered Institute of Management Accountants, UK.

Working experience

- One of the founding members of HeveaPac Sdn. Bhd.
- Executive Director of HeveaPac Sdn. Bhd., heading Marketing, both export and domestic, Shipping, Finance and Administration since the commencement of HeveaPac Sdn. Bhd. and Bocowood Sdn. Bhd.
- Prior to joining the Group, he held senior management positions in various industries including consultancy, international trading, engineering and sawmilling.
- He has many years of marketing and management experience in RTA furniture manufacturing and more than 30 years of experience in international business.

Directorship in public listed companies
None

Directorship in public companies
None

Family relationship with any director and/or major shareholder of the Company
No

Conflict of interest with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public section or penalty imposed by the relevant regulatory bodies during the financial year.
No

ELAINE HEW

Chief Financial Officer
Aged 63, Female, Malaysian

Date of appointment to present position:
16 September 2003

Qualification
- Master in Business Administration (Finance) – University of Southern Queensland, Australia.
- Fellow member, The Chartered Institute of Management Accountants, UK.
- Chartered Accountant, Malaysian Institute of Accountants.
- CPA Australia.

Working experience

- Over 30 years of experience in manufacturing environment with Public Listed/Multinational companies.
- Joined **HeveaBoard** in 2003 and is responsible for the Group's overall financial and accounting reporting and management.
- Was with Samsung SDI (M) Berhad for 13 years from 1991 to 2003 as Senior Finance Manager.

Directorship in public listed companies
Presently, an Independent Non-Executive Director of Eksons Corporation Berhad

Directorship in public companies
None

Family relationship with any director and/or major shareholder of the Company
No

Conflict of interest with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public section or penalty imposed by the relevant regulatory bodies during the financial year.
No

Profile of Key Senior Management (Continued)

S.GANASEN MOORTHI

General Manager-Plant Operations
Aged 64, Male, Malaysian

Date of appointment to present position:
1 January 2000

Qualification
- Higher National Diploma-UK.

Working experience
- 15 years in design, manufacture, installation and commissioning of rubber processing machinery both local and abroad for a large listed company.
- 2 years in design, manufacture, and maintenance of industrial and mobile hydraulics in one of the leading international hydraulic specialists.
- Over 20 years in management of plain and laminated particleboard manufacturing.

Directorship in public listed companies
None

Directorship in public companies
None

Family relationship with any director and/or major shareholder of the Company
No

Conflict of interest with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public section or penalty imposed by the relevant regulatory bodies during the financial year.
No

YOONG LI MIAN

General Manager –
Corporate Services
Aged 44, Female, Malaysian

Date of appointment to present position:
1 January 2018

Qualification
- Bachelor of Science, major in Computer Information Systems from Indiana University Bloomington.

Working experience
- Over 20 years of working experience in area of information system, corporate affairs and purchasing.

Directorship in public listed companies
None

Directorship in public companies
None

Family relationship with any director and/or major shareholder of the Company
She is the daughter of Mr Tenson Yoong who is the Alternate Director of Mr Yoong Hau Chun and a substantial shareholder of the Company, and the sister of Mr Yoong Hau Chun and Ms Yoong Li Yen who is the Group Managing Director and Executive Director of the Company respectively and substantial shareholders of the Company.

Conflict of interest with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public section or penalty imposed by the relevant regulatory bodies during the financial year.
No

Profile of Key Senior Management (Continued)

TEE CHIN LUNG

General Manager,
HeveaGro Sdn. Bhd.
Aged 46, Male, Malaysian

Date of appointment to present position:
1 June 2017

Qualification
- Bachelor of Mechanical Engineering, Sussex University, UK

Working experience
- One of the founding members of JW Mushroom Cultivation.
- 3 years as Engineer with ProEnviro Sdn. Bhd.
- Was with **HeveaBoard** for 5 years from 2007 to 2011 as Engineer.

Directorship in public listed companies
None

Directorship in public companies
None

Family relationship with any director and/or major shareholder of the Company
No

Conflict of interest with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public section or penalty imposed by the relevant regulatory bodies during the financial year.
No

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Directors ("the Board") of **HeveaBoard Berhad** ("**HeveaBoard**" or "the Company") is committed to the highest standards of corporate governance and business integrity in directing and managing the affair of the Company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value while taking into account the interest of other stakeholders.

The Board regularly reviews its corporate governance practices within the Group and the Company to ensure continuous application of the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance ("MCCG") while ascertaining the practices reflecting the prevailing norms, market dynamics, regulatory requirements and evolving shareholders expectations.

The Securities Commission Malaysia ("SC") had on 28 April 2021 issued an update of the MCCG ("MCCG 2021"), comprising the introduction of new best practices and further guidance to strengthen the corporate governance culture of listed companies. Based on the GAP Analysis on the Company's current practices and the MCCG 2021, the Board is pleased to report that for the financial year under review, the Company has applied most of the practices of the MCCG 2021 taking into account the size of the Company, the environment the Company is operating in and the complexity and the nature of the risks and challenges faced by the Group and the Company during the financial year.

This Corporate Governance Overview Statement outlines how the Company has applied the practices encapsulated in the following three (3) Key Principles of the MCCG 2021, and the Board's current key focus areas and future priorities in relation thereto:

- **PRINCIPLE A**
  Board Leadership and Effectiveness
  - Board Responsibilities
  - Board Composition
  - Remuneration

- **PRINCIPLE B**
  Effective Audit and Risk Management
  - Audit Committee
  - Risk Management and Internal Control Framework

- **PRINCIPLE C**
  Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
  - Engagement with Stakeholders
  - Conduct of General Meetings

This statement is presented in compliance with paragraph 15.25(1) of Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements and it is to be read together with the Corporate Governance Report 2021 ("CG Report") of the Company which discloses the details of the Company's application of each practice set out in the MCCG 2021. The CG Report is available on **HeveaBoard's** website at www.heveaboard.com.my and announcements on the website of Bursa Securities.

PRINCIPLE A
BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board assumes the overall governance responsibilities to lead, control and oversee the performance of the Group and the Company to ensure business prosperity and the creation of sustainable long-term value to shareholders and stakeholders.

The Board establishes strategic goals and objectives to direct the Group and the Company toward achieving its long-term success and instilling good corporate governance culture to ensure the Group is well run. To ensure the strategic goals and direction of the Group are aligned with the changing and current challenging business environment, constant reviews are conducted by the Board to ensure the Group is always on the right path and right direction in achieving its goals and objectives. The Board ensures the necessary resources are in place and well organised. It oversees and monitors the conduct and performance of the Group and the Company's business, the effectiveness of risk management and internal control and ensures good governance culture within the organisation towards achieving the strategic goals and objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

Sustainability has been one of the critical agendas of the Board over the years. The Board is not just supportive of corporate sustainability efforts, they are in partnership with Management in orienting the company around sustainability. Sustainability has always been The Board's key focus area for the long-term success of the Group.

The effect of the Covid-19 pandemic on businesses has been significant and overwhelmingly negative. Despite Board and Management having faced severe challenges in navigating the Group through the Covid-19 pandemic, they were mindful to apply the best practices and exercise care to fulfil their duties. Same as last year, the Board's key focus area was to steer through the crisis to ensure the Group and the Company remained sustainable and continued as a going concern during the pandemic. The Board had been actively engaged with Management to re-visit and discuss the strategic plan, resources allocation, identifying risk elements and the mitigation actions to combat the impact of the pandemic which had caused production interruption and supply chain disruption. The Board had continued with its priority to ensure it discharges its governance responsibilities effectively, and to ensure the Group's business sustainability, the Board had taken a more active role in ensuring that interests of its shareholders and various stakeholders such as employees and society health and safety are well taken care of in the wake of Covid-19 pandemic.

While focusing on business challenges during the pandemic, some specific stewardship responsibilities of the Board are entrusted and delegated to the Board Committees stated below to enhance corporate efficiency and effectiveness. The ultimate responsibility for the final decision on all matters lies with the Board.

i) Audit Committee
   - Assists the Board in overseeing the Group and the Company's financial reporting and internal control and risk management system while ensuring checks and balances within the Group and the Company.

ii) Nomination Committee
   - Assists the Board on the recruitment exercise on the appointment of Directors and Key Senior Management, and annual assessment of the effectiveness of Board Committees and the Board as a whole, and performance of individual Directors and key senior management officers.

iii) Remuneration Committee
   - Assists the Board on developing and implementing remuneration policy and procedures for Directors and Key Senior Management.

iv) Tender Board Committee
   - Assists the Board on reviewing shortlisted tenders and proposals put forward by the Management.

There is clarity of roles amongst members of the Board and the roles are defined in the Company's Board Charter.

The Board is led by an Independent Non-Executive Chairman, Mr Sundra Moorthi A/L V.M. Krishnasamy. He ensures smooth functioning of the Board so that the Board can perform its responsibility effectively for meeting the goals and objectives of the Group and the Company. Under the leadership of the Chairman, the Board continues to function effectively in fulfilling its governance responsibilities during the financial year.

The Group Managing Director, Mr Yoong Hau Chun assumes the primary responsibility for managing the Group's operations and resources, while the Executive Director and Management are responsible for the implementation of the operational and corporate decisions as well as day-to-day management of the business operation of the Group and the Company.

The Independent Non-Executive Directors play an important role in corporate accountability by providing unbiased and independent views, advice and judgement focusing on performance, monitoring and enhancing corporate governance in safeguarding the interests of the shareholders and stakeholders.

There is a demarcation of responsibilities between the Board and Board Committees. Besides being governed by the Company's Constitution and provisions of the Companies Act 2016, in discharging the duties and fiduciary obligation, the Board is guided by the Board Charter while the Board Committees are guided by their Terms of Reference. The Board in its effort to raise the bar of its corporate governance standard had enhanced the Board Charter and Terms of Reference of each of the Board Committees to align with the MCCG 2021's Practices and the recent changes in Bursa Securities' Listing Requirements. These corporate governance documents are consistent with the Company's new Constitution adopted on 10 June 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

The underlying factors of Directors' commitment to the Company are the devotion of time and continuous improvement of knowledge and skill in fulfilling their duties and responsibilities as Directors of the Company. Each of the Board members has demonstrated a high commitment. During the period of total nationwide lockdown and a Full Movement Control Order ("FMCO"), ZOOM meeting facilities were used to facilitate the participation of those Directors who were overseas to be in compliance with the Standard Operating Procedures laid down by the authorities.

None of the Directors holds directorships in more than five (5) public listed companies and all of them have full attendance at the Board Meeting. Details of Directors' attendance at Board and Board Committees' meetings attended by Directors during the financial year is set out below, it is also disclosed in the CG Report under Practice 1.1.

	No. of Meetings Attended/ No. of Meetings Held in 2021 (between 1/1/2021 and 31/12/2021)			
Director	**Board meeting**	**AC meeting**	**NC meeting**	**RC meeting**
Mr Sundra Moorthi A/L V.M. Krishnasamy	5/5	5/5	–	2/2
Mr Yoong Hau Chun (Alternate Director, Mr Yoong Tein Seng @ Yong Kian Seng)	5/5	–	–	–
Ms Yoong Li Yen	5/5	–	–	–
Mr Lim Kah Poon	5/5	5/5	1/1	2/2
Mr Bailey Policarpio	5/5	–	1/1	1/2
Mr Yoong Yan Pin	5/5	5/5	1/1	–
Mr Thye Heng Ong @ Teh Heng Ong	5/5	–**	–	–
Mr Loo Chin Meng	5/5	–	–	–

	No. of Meetings Attended/ No. of Meetings Held (between 1/1/2022 and up to the date of approving this statement)			
Director	**Board meeting**	**AC meeting**	**NC meeting**	**RC meeting**
Mr Sundra Moorthi A/L V.M. Krishnasamy	2/2	–*	–	–
Mr Yoong Hau Chun (Alternate Director, Mr Yoong Tein Seng @ Yong Kian Seng)	2/2	–	–	–
Ms Yoong Li Yen	2/2	–	–	–
Mr Lim Kah Poon	2/2	2/2	–	–
Mr Bailey Policarpio	2/2	–	–	–
Mr Yoong Yan Pin	2/2	2/2	–	–
Mr Thye Heng Ong @ Teh Heng Ong	2/2	2/2**	–	–
Mr Loo Chin Meng	2/2	–	–	–

* *Resigned as AC member on 25 November 2021.*
** *Appointed as AC member on 25 November 2021.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

In ensuring good corporate governance culture and business conduct and code of ethics within the Group, the Board is always mindful to set the right tone at the top through its conduct. The Board fosters a healthy culture of internal reporting to ensure that employees, customers, suppliers, contractors, sub-contractors and other stakeholders who have dealings with the Group have a safe and effective way to report concerns about unethical or fraudulent practices within the Group, in order to promote compliance and facilitate early detection and remedial solution. The Whistleblowing Policy has been put in place since August 2015. The Board had in 2021 put in place an Anti-Bribery and Corruption Policy ("Policy") for the Group and the Company in accordance to subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 and the Malaysian Anti-Corruption Commission (Amendment) Act 2018. The Policy is supplemental to the Company's internal policies and procedures, Whistleblowing Policy and Code of Ethics and Conduct.

The Board always keeps in mind the good corporate governance practices in carrying out its duties and responsibilities as well as in its decision-making.

The Board had reviewed the Group and the Company's 2021 corporate governance practices based on MCCG 2021, and is satisfied that the corporate governance practices of the Group and the Company continue to be in line with most of the practices of the MCCG 2021, except Practice 1.4 as the Board still requires Mr Sundra Moorthi A/L V.M. Krishnasamy who is the Board Chairman to lead and guide the Remuneration Committee; Practice 5.9 on 30% woman directors; Practice 5.10 on policies on gender diversity for the Board and Senior Management; and Practice 8.2 on disclosure on name basis the top five (5) senior management's remuneration in the band of RM50,000.

The corporate governance practices that had been applied by the Group and the reasons of those practices that had not been applied are explained in the Company's Corporate Governance Report.

Although the gender diversity policy has not been formalised, the Board had continued with its effort and various measures to achieve sufficient gender diversity for Board and Management. There is a female Executive Director on the Board, whilst the Key Senior Management consists of 2 female personnel. There is no gender discrimination in recruitment and promotion.

Moving forward, the future priorities of the Board are to ensure Board effectiveness and continue with its effort in enhancing its gender diversity. Besides that, the Board will keep an eye on the market development on corporate governance, improve its overall corporate governance practices and implement the practices in the manner appropriate to the Group and the Company.

The Board is supported by qualified and competent Company Secretaries who, amongst others, play an advisory role to advise the Board on corporate disclosure, to ensure that the Board procedures, applicable governance practices, company laws, securities regulations and Listing Requirements are complied with, and assist the Board in applying the MCCG 2021 Practices to meet the Board's needs and stakeholders' expectations.

To ensure effective and efficient discussion and decision-making and smooth meeting flow, the subject matters of discussion, such as financial results, reports and proposals, are circulated via electronic mail to the respective Board and Board Committees for their review and comment in advance of the meetings. The Company Secretaries compile the finalized meeting materials in "book format". With a view to encourage paperless environment, meeting materials are circulated to the respective Board and Board Committees via electronic mail at least five (5) days before the meeting. However, a hard copy of meeting materials will be circulated upon request by the Board and Board Committee members. Urgent proposal can be presented or circulated to the Board Members in less than five (5) days or during the Board meeting subject to the approval of the Chairman.

2. Board Composition

The Board of the Company is of an optimal size with the right group of people of diverse backgrounds, qualifications, skills, business and industry knowledge, expertise and experience, enabling the contribution of views and insight from various perspectives in arriving at productive discussion and decision-making. Independent elements in the Board would support independent deliberation and objective decision-making which is in the best interest of the Company and its shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

In recognition of the spirit and intention of the MCCG 2021 to strengthen board composition, independence, accountability and transparency, the Board has applied Practice 5.2 of the MCCG 2021 that at least half of the Board comprises Independent Directors. The Board consists of eight (8) members and one (1) alternate director. The Board size is optimal to meet the Group and the Company's strategic goals and objectives for expansion in business operation while ensuring good corporate governance. The profile of each Director is presented in the Annual Report under the section of Profile of Directors. Such information is also published on **HeveaBoard's** corporate website at www.heveaboard.com.my.

Activities of the Nomination Committee

The Nomination Committee assists the Board in recruitment process, review the composition of the Board and Board Committees, the performance and effectiveness of the Board and its Committees and each Director. To ensure the recruitment and evaluation of Board performance are done objectively, the Nomination Committee is chaired by an Independent Non-Executive Chairman and comprises exclusively of Non-Executive Directors with a majority of Independent Directors to ensure objective functioning. The composition of the Nomination Committee is disclosed in this Annual Report under the section of Corporate Information.

During the financial year, there was no recruitment of new Director recommended by the Nomination Committee as it had reported that the Board's composition remained adequate. There is only one (1) woman director, namely Ms Yoong Li Yen on the Board. The Board has considered the Board consisting of 8 Board members and one (1) alternate director is sizable enough at present. Therefore, the Nomination Committee performed no recruitment activity during the financial year. Despite that, the Board composition would be reviewed regularly and refreshed when needed. The Board will endeavour to recruit woman candidates to replace future Board vacancies to meet the gender diversity requirements.

It is essential to assess the performance of the Board, Board Committees and each Director annually to determine the effectiveness of the Board and identify areas which require improvement. The key focus of the Nomination Committee's activities during the financial year was to assist the Board in conducting the annual assessment. The assessment is internally facilitated. The process and criteria of assessment is disclosed in the CG Report under Practice 6.1. Based on the assessment conducted on 25 November 2021, the Nomination Committee concluded that the Board had discharged its fiduciary duties and leadership functions effectively, particularly in managing the challenges faced by the Group and the Company arising from the Covid-19 pandemic during the financial year. The Independent Directors have continuously fulfilled the independence criteria as set out in Practice 13 of the Main Market Listing Requirements. The Board Committees, i.e., Audit Committee, Nomination Committee and Remuneration Committee had discharged their duties effectively and efficiently. Each of the Directors had sufficiently contributed his/her skills, experience, business and industry knowledge and time in discharging his/her duties and responsibilities.

In accordance with the Company's Constitution, an election of Directors shall take place each year at the Annual General Meeting ("AGM") of the Company where one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the AGM at which he retires.

The outcomes of the annual assessment were used as a basis for the Nomination Committee on its recommendation to the Board for re-election of Directors and, where appropriate, as justification for retention of Independent Directors at the forthcoming AGM.

The length of service of an Independent Director is increasingly recognised as a key element in the review of a director's independence. The Board recognises a long tenure for Independent Directors might erode the independent Directors' objectivity due to various reasons such as close relationship with the Board and Management. The Board has laid down in its Board Charter that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the ninth (9th) year, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. However, the Board may seek annual approval from the shareholders to retainits Independent Director through a Two-tier Voting Process. The Nomination Committee assists the Board to conduct annual assessment of the independence of the long service Independent Director to determine if he should be retained as Independent Director. At the last AGM held on 30 June 2021, as a good corporate governance practice, the Board sought shareholders' approval for retention of the Independent Non-Executive Director who had served the Board for a cumulative term of more than nine (9) years since 1 October 2004 through a Two-tier Voting Process according to Practice 5.3 of the MCCG 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

The Board acknowledges the benefits of boardroom diversity which includes gender equality for a good mix of Board composition. The current Board comprises a female Director namely, Ms Yoong Li Yen who is the Executive Director. With a view to achieve sufficient gender diversity, the Board and the Nomination Committee will identify and include diverse candidates in the search in its future recruitment exercise. During the financial year, the Board had not formalised the Gender Diversity Policy for the Board and Senior Management. The Board recognises the challenge in achieving the appropriate level of board gender diversity as any new appointment of Director is based on objective criteria and merit rather than filling gender quotas. Despite the challenge, the Board appreciates the spirit of the MCCG 2021 and has taken various measures to achieve sufficient gender diversity such as ensuring that the Company does not practise any form of gender discrimination or restricting the number of woman director sitting on the Board and grooming up female talents within the Group in its succession planning.

In ensuring Directors' continuous professional development, the Nomination Committee had reviewed the training and development programs attended by each Director during the financial year. The NC acknowledged that most of the Board members had previously attended the relevant training/briefing on corporate governance. The Board members had already had sufficient management skills and experience. In terms of industry knowledge, the Non-Executive Directors had constantly received updates from Management during the financial year. However, the Board members, especially the Non-Executive Directors, who were not involved in the Company's operation, would need regular updates on industry knowledge relating to the Company, the development of the business environment and the relevant regulatory requirements. The training programme attended by the Directors during the financial year is set out below. It is also disclosed in the CG Report under Practice 6.1.

Director	**Event/Session/Training Programme Attended**
Mr Sundra Moorthi A/L V.M. Krishnasamy	▪ Risk Management Workshop
Mr Yoong Hau Chun	▪ Risk Management Workshop
Ms Yoong Li Yen	▪ Risk Management Workshop
Mr Lim Kah Poon	▪ Risk Management Workshop
Mr Bailey Policarpio	▪ Risk Management Workshop
Mr Yoong Yan Pin	▪ Risk Management Workshop
Mr Thye Heng Ong @ Teh Heng Ong	▪ Risk Management Workshop
Mr Loo Chin Meng	▪ Risk Management Workshop

3. Remuneration

The Company has put into place its policy and procedures on remuneration to set remuneration at levels that are sufficient to attract and retain the Directors and Senior Management needed to run the Group and the Company successfully, but without paying more than is necessary to achieve this goal.

<u>Activities of the Remuneration Committee</u>

The Remuneration Committee assists the Board to establish a formal and transparent framework for developing policy and procedures on remuneration packages for Directors and Senior Management and implements the policy and procedures accordingly.

The policy and procedures on remuneration are established by considering relevant factors including the function, workload and responsibilities involved. It should be aligned with market norms by considering the comparable roles among other similar organisations and industries. It has been used as guidance for the Remuneration Committee in its review and recommendation of remuneration packages of Directors and Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

In recognition that policy on remuneration and decisions should be made through a transparent and independent process, the Board had on 2018 revised the composition of the Remuneration Committee to consist only Non-Executive Directors and a majority of the Independent Directors to align with Guidance 7.2 of the MCCG 2021. The composition of the Remuneration Committee is disclosed in this Annual Report under the section of Corporate Information.

During the financial year, the activities of the Remuneration Committee included the annual review of the remuneration packages of the Directors and Senior Management before recommending the remuneration packages for 2022 to the Board for its approval for implementation. During the review, the Remuneration Committee received performance reports from the Managing Director on the Group and the Company's performance and his proposals on remuneration. The Remuneration Committee ensured that the remuneration packages to be recommended to the Board were in line with the performance and contribution of the Directors and its Senior Management taking into consideration the Group and the Company's performance. None of the individuals or the Chairman participated in any discussion and decision relating to their own remuneration. The Board approved the 2022 remuneration packages of the Directors and Senior Management, except the Directors' Fees of the Non-Executive Directors which will be put forth to the shareholders for approval at the forthcoming AGM of the Company pursuant to Sections 230(1) and 340(1)(c) of the Companies Act 2016.

As a good corporate governance practice, the Board applied Practice 8.1 of the MCCG 2021 to disclose Directors' remunerations on a named basis for individual Directors with a detailed remunerations breakdown. It is also disclosed in the CG Report under Practice 8.1.

The remunerations received or receivable by the Non-Executive Directors, Group Managing Director and Executive Director in respect of the financial year ended 31 December 2021 are disclosed below:-

COMPANY

Non-Executive Directors

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
1.	Mr Sundra Moorthi A/L V.M. Krishnasamy *(Independent Non-Executive Chairman)*	112	nil	112
2.	Lim Kah Poon *(Independent Non-Executive Director)*	91	63	154
3.	Bailey Policarpio *(Non-Independent Non-Executive Director)*	84	nil	84
4.	Mr Yoong Yan Pin *(Independent Non-Executive Director)*	84	nil	84
5.	Mr Thye Heng Ong @ Teh Heng Ong *(Independent Non-Executive Director)*	84	nil	84
6.	Mr Loo Chin Meng *(Non-Independent Non-Executive Director)*	91	36	127

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

Group Managing Director and Executive Director

No.	Name	Salary RM'000	Bonus RM'000	EPF RM'000	Retirement Benefit RM'000	Benefits in-kind RM'000	Other Allowance RM'000	Total RM'000
1.	Mr Yoong Hau Chun *(Group Managing Director)*	1,013	105	157	96	28	nil	1,399
2.	Ms Yoong Li Yen *(Executive Director)*	872	151	155	83	nil	78	1,339

GROUP

Non-Executive Directors

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
1	Mr Sundra Moorthi A/L V.M. Krishnasamy *(Independent Non-Executive Chairman)*	112	nil	112
2.	Mr Lim Kah Poon *(Independent Non-Executive Director)*	91	63	154
3.	Mr Bailey Policarpio *(Non-Independent Non-Executive Director)*	84	nil	84
4.	Mr Yoong Yan Pin *(Independent Non-Executive Director)*	84	nil	84
5.	Mr Thye Heng Ong @ Teh Heng Ong *(Independent Non-Executive Director)*	84	nil	84
6.	Mr Loo Chin Meng *(Non-Independent Non-Executive Director)*	91	36	127

Group Managing Director and Executive Director

No.	Name	Salary RM'000	Bonus RM'000	EPF RM'000	Retirement Benefit RM'000	Benefits in-kind RM'000	Other Allowance RM'000	Total RM'000
1.	Mr Yoong Hau Chun *(Group Managing Director)*	1,070	105	157	96	28	nil	1,456
2.	Ms Yoong Li Yen *(Executive Director)*	872	151	155	83	nil	78	1,339

However, the Board deemed it inappropriate to disclose the detailed remuneration of its top five (5) Senior Management in bands of RM50,000 nor on name basis. Although the disclosures are considered a good corporate governance practice, it would be commercially disadvantageous for the Company to reveal this information in this highly competitive market for talents and the need to retain talents. The Board assures that the remuneration of the Senior Management is commensurate with the function, workload, responsibilities and individual performance, the Company's performance, and at the levels which are sufficient to attract, retain and motivate Senior Management to run the Company successfully but without paying more than is necessary. The Human Resource will regularly review and benchmark employees' compensation to ensure that the remuneration packages are competitive and adequate for employees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE B
EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The Board has always been mindful of upholding an independent element in its Audit Committee. An effective Audit Committee can bring transparency and independent judgment needed to oversee the financial reporting process and the risk and control environment.

In the past, the Audit Committee comprised 3 members who were exclusively Non-Executive Directors with a majority of Independent Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements. In its effort to raise the bar of corporate governance standard, the Board had applied Practice 9.4 – Step Up of the MCCG 2021 that Audit Committee should comprise solely of Independent Directors and in 2018 revised the composition of its Audit Committee to comprise solely of Independent Directors. In observing the development of good corporate governance, the Chairman of the Board, Mr Sundra Moorthi A/L V.M. Krishnasamy resigned as a member of the Audit Committee during the financial year. The composition of the Audit Committee is disclosed in this Annual Report under the section of Corporate Information and Audit Committee Report.

It has been the Company's practice over the years that the Chairman of the Audit Committee is not the Chairman of the Board. The two (2) positions are held by difference individuals. The Audit Committee is chaired by Mr Lim Kah Poon, an Independent Non-Executive Director. The Board is chaired by Mr Sundra Moorthi A/L V.M. Krishnasamy, the Independent Non-Executive Chairman.

The Chairman of Audit Committee, Mr Lim Kah Poon is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA). The Audit Committee members have been keeping themselves abreast of the development of the accounting and audit standards, practices and rules through various channels to assume the responsibility on overseeing the financial report of the Group and Company effectively. Besides that, the Audit Committee is also regularly attending events or sessions organised by the Securities Commission Malaysia, Bursa Securities, the Malaysia Institute of Accountants (MIA) and other training organisers to keep themselves updated with market development.

To be in line with Practice 9.2 of the MCCG 2021, the Terms of Reference of Audit Committee had been revised during the financial year to amend the clause relating to the requirement for minimum cooling-off period of three (3) years before a former partner of the external audit firm of the Company can be appointed as a member of the Audit Committee. During the financial year, none of the members of the Audit Committee was a former partner of the external audit firm of the Group and the Company.

The Audit Committee is responsible for monitoring the ongoing effectiveness and independence of the External Auditors. The Audit Committee puts in place policies and procedures to conduct annual assessment on the suitability, objectivity and independence of the External Auditors before making recommendation to the Board on appointment, removal, or whether or not the External Auditors should be put forward for re-appointment at the AGM, and also their remunerations. Further details are disclosed in the CG Report under Practice 9.3 and Annual Report under the section of Audit Committee Report.

2. Risk Management and Internal Control Framework

The Board is responsible for the Group and the Company's risk management framework and internal control system. The Board acknowledges that risk management is an integral part of good management practices. Risk is inherent in all business activities. It is, however, not the Group's objective to eliminate risk totally, but to provide structural means to identify, prioritise and manage the risks involved in all the Group and the Company's activities and to balance between the cost of managing and treating risks, and the anticipated benefits that will be derived.

Instead of establishing a Risk Management Committee, the Audit Committee assumes the role of overseeing the risk management framework and policies together with Senior Management and provides the Board with reasonable assurance of the Group and the Company's internal control, risk management and governance process.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

The Board has established an Internal Audit Function which is currently outsourced to an independent internal audit consulting firm. The Internal Auditors report to the Audit Committee directly and they are responsible for conducting regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls and processes within the Group and the Company. The Audit Committee reviews periodically the adequacy of the audit scope to ensure it is aligned with the strategies and risks of the Group and the Company, the resources and authorities made available to the Internal Audit Function, and the competency of the Internal Auditors, to ensure the Internal Audit Function remains effective.

During the financial year, the Board was satisfied that the existing level of risk management and internal control system were adequate and effective to enable the Group and the Company to achieve its business objectives. There were no material losses resulting from significant control weaknesses that would require additional disclosure.

However, the Board recognises that the systems of risk management and internal control should be continuously improved in line with the evolving business development and this emphasis has been the key focus area of the Board over the years and will be one of the future priorities of the Board in strengthening its corporate governance.

The details of the Group's Risk Management and Internal Control Framework, and the adequacy and effectiveness of this framework are disclosed in Annual Report under the section of Statement on Risk Management and Internal Control.

PRINCIPLE C
INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Engagement with Stakeholders

The Board values the relationship between the Company and its stakeholders. The Board also recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and significant developments of the Group and the Company.

The Company has taken various ways to facilitate effective reporting and communication with its stakeholders including timely announcement to Bursa Securities, publication of information on **HeveaBoard's** corporate website, issuance of Annual Reports, regular dialogue with analysts, institutional shareholders and members of the press to convey information regarding the Group and the Company's development, except market sensitive information which has not been formally announced to Bursa Securities, engaging with shareholders at general meeting and AGM, and attending to shareholders and investors' e-mail and telephone enquiries. The details are disclosed in the CG Report under Practice 12.1.

The documents required to be issued to shareholders pursuant to the Main Market Listing Requirements are sent to them via electronic means. The Board will continue its effort to enhance the efficiency in disseminating information as one of the future priorities of the Board for good corporate governance.

2. Conduct of General Meeting

The Company has been practicing sending Notice of Annual General Meeting (AGM) to shareholders and advertising the Notice in the nationally circulated daily newspaper more than 28 days prior to the meeting, so that shareholders are given ample time to consider the resolutions or seek professional advice before exercising their voting rights, and to make arrangement to attend the AGM either personally, through proxy or corporate representative.

The Board views AGM as one of the principal forums for dialogue with shareholders. The last AGM of the Company held on 30 June 2021 was conducted on a fully virtual basis via an online meeting platform through a virtual meeting facility, and all the Directors attended. Despite the AGM being held in a fully virtual meeting environment, the Chairman had played an effective role to ensure the engagement between the Board, Senior Management and shareholders was managed smoothly and meaningfully.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

Since a few years ago, the Company has moved to leverage on technology to facilitate the flow and efficiency of its shareholders' meeting as well as to provide accurate outcome of the poll results. At the Company's 2017's AGM, the Company had started to leverage on technology to facilitate electronic voting ("e-voting") for the conduct of poll voting on all resolutions proposed at the AGM. Subsequently at the 2018 and 2019's AGM, the Company moved one step forward to conduct its poll voting via "Live Voting" which enabled the meeting to proceed with poll voting on each resolution via hand phones/mobile devices immediately after the Questions and Answers session and the poll results were instantly displayed on the screen. In light of the MCO imposed by the Government arising from Covid-19 pandemic, the Company had accelerated its efforts towards leverage on technology to realise the application of remote shareholders' participation and voting in absentia by conducting a virtual AGM in 2020. In view of the nationwide total lockdown and a FMCO, the 2021's AGM was held on a fully virtual basis via an online platform through a virtual meeting facility based on the Revised SC's Guidance Note, effective 1 June 2021 which required the Chairperson of the meeting, Board members, senior management, shareholders and auditors to participate in the meeting online. The Board was satisfied that the fully virtual AGM was conducted successfully with the support of virtual meeting facility.

This statement is made in accordance with the approval and resolution of the Board of Directors on 28 March 2022.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of **HeveaBoard Berhad** ("the Group") is pleased to present its Statement on Risk Management and Internal Control for the Financial Year Ended 31 December 2021. The disclosure in this statement is presented pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

ROLES AND RESPONSIBILITY

(A) Board of Directors

The Board recognises the importance of maintaining a strong and sound internal control and an effective risk management. The Board acknowledges its primary responsibility to ensure that risks are identified, measured and managed with appropriate risk management and internal controls systems. The effectiveness, adequacy and integrity of the risk management and internal control systems are reviewed on an ongoing basis. The review covers inter-alia, financial, operational and compliance system controls and risk management procedures of the Group. Nonetheless, it recognises that such a system can only provide reasonable but not absolute assurance because of limitations inherent in any internal control system against material misstatements or fraud and is designed to manage rather than eliminate the risk of failure to achieve business objectives.

In accordance with the latest Malaysian Code of Corporate Governance, the Board who is responsible for the Group's risk management and internal control systems, shall set appropriate policies on internal control and seek assurance that the systems are functioning effectively. In addition, the Board must also ensure that the risk management and internal control systems manage risks and form part of its corporate culture.

(B) Audit Committee

The Audit Committee ("AC") is established by the Board, and governed by clearly defined terms of reference and authority for areas within their scope. The Board delegates the review of risk management and internal control reports and processes to AC to assist the Board in reviewing and overseeing the effectiveness of the risk management of the Group.

(C) Nomination Committee and Remuneration Committee

Other board committees that the Board established are the Nomination Committee and Remuneration Committee which have clearly defined accountabilities and responsibilities to oversee various key activities within the Group.

RISK MANAGEMENT

The risk management processes in identifying, evaluating and managing significant risks facing the organisation are embraced in the operating and business processes. These processes are driven by all Executive Directors and Senior Management team members in their course of work. Key matters covering the financial and operation performances, changes in customers' preference, suppliers, raw material prices, risks and market outlook are reviewed and deliberated in the EXCO meetings. During these EXCO Meetings, causes and reasons for performances are discussed to identify the appropriate measures to effectively manage risks. Key issues discussed in EXCO meetings are recorded in minutes and are presented in the quarterly Board meetings for all Board members to review and consider the overall performance of the Group.

Annual risk assessment workshop, attended by Executive and Non-Executive Board members and Key Senior Management personnel, is held to identify new risks, reassess the risk appetite of the Board as well as the possibility and impact of the existing risks, consider the effectiveness of the existing controls; and to formulate new risk management mitigation action plan. The application of this risk management process is based on the principles of Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Enterprise Risk Management framework and ISO 31000 on risk management which are internationally recognised risk management frameworks. Based on the key risks identified, management then proceeds to develop the necessary measures to minimise the possibility and impact of these risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The Risk Assessment process is as follows:

The principal risks and challenges faced by the Group presently and its mitigation plans are summarised as follows:

Key Risk Focus	Key Mitigation Plan
Bribery and Corruption Risk	i. Promote understanding and awareness of the Corporate Liability as stipulated in newly enacted S17A MACC (Amendment) Act 2018 through training which Senior Management and Board of Directors attended, ii. Implement Adequate Procedures guidelines to curb bribery and corruption risks. iii. Set up Integrity Committee and its main objective is to review the effectiveness of the anti-bribery and corruption programme. The Committee comprises Group Managing Director, Executive Director, Independent Directors and Senior Management.
Pandemic outbreak – Covid 19	i. Implement safe and clean working conditions at factory areas, ii. Enforce and tighten standard operating procedures imposed by Government, - Perform regular Covid-19 swab test on employees.
Fluctuation of USD exchange rate to Ringgit	i. Adopt a hedging policy to cover the exposure on currency fluctuation for a certain amount over a certain period; ii. Consider including a tolerance limit on currency fluctuation when quoting or pricing to customers; - Enhance production planning to enable forecast purchases to be made in advance when prices and exchange rates are favourable; iii. Keep abreast of world market developments that influence the forex market.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROLS

HeveaBoard Berhad continues to maintain the following certifications. These management systems and certifications form the guiding principles for the operational procedures. Internal quality audits are carried out and annual surveillance audits are conducted by external certification bodies to ensure compliance with the respective certification bodies' requirements.

i. Quality Management Systems of ISO 9001:2008;
ii. The Environment Management Systems ISO 14001:2004;
iii. Occupational Safety and Health Management System OSHAS 18001 and MS 1722;
iv. Sustainable Forest and Energy Management Systems under the Programme for the Endorsement of Forest Certification("PEFC");
v. Energy Management System ISO 50001:2011 Certification in efficient and effective energy management system;
vi. Singapore Green Label Certificate, Sirim Eco-Label Scheme Certification and MyHijau Certification for the environmentally-friendly product;
vii. CARB (California Air Resources Board) Certification on compliance with the applicable emission standard; and
viii. Japanese Industrial Standard (JIS) Mark Certification A5908:2015

Similarly, HeveaPac Sdn. Bhd., a fully owned subsidiary, is also certified with quality management certifications on ISO 9001:2015, ISO 14001:2015 and PEFC.

In addition to the above, the fundamental controls and measures that have been put in place in the Group are: -

i. Management organisation chart outlining the management responsibilities and hierarchical structure of reporting and accountability;
ii. Approval and authority limits of the top executives and heads of department;
iii. Insurances to protect the assets and interests of the Group;
iv. Review of operation performance and segregation of duties in the management functions of the Group;
v. Job descriptions are established providing understanding to employees of their tasks in discharging their responsibilities;
vi. Financial forecasts are used as performance targets;
vii. Whistleblowing policy for reporting of employees' misbehaviours; and
viii. Audit Committee's review of the quarterly financial reports, annual financial statements, related party transactions, external and internal audit reports.

THE REVIEW MECHANISM

There are two levels of review of risk management and internal control systems in the organisation. The Executive Directors and Senior Management undertake the first level of the review while the second level constitutes the independent review performed by the Audit Committee. The Internal Audit Function reports directly to the Audit Committee, conducts periodic audits to assess the effectiveness of the risk management and internal control procedures, recommends actions to management for improvement, and reports the status of management control procedures to the Audit Committee.

The Internal Audit Function reviews the internal controls in the key activities of the Group based on the annual audit plan approved by the Audit Committee. It carries out the function based on the International Standards for the Professional Practice of Internal Auditing.

Since the adoption of the Enterprise Risk Management framework, the Internal Audit Function has taken on a risk-based approach when preparing its audit strategy and plans, after considering the risk profiles of the operations of the Group. The internal control system has been structured in such a manner that it has provided reasonable assurance that the likelihood of a significant adverse impact on objectives arising from a future event or situation is at a level acceptable to the business. It can achieve this through a combination of preventive, detective and corrective measures.

The internal audit function has organised its work according to the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentation, communication of findings and consultation with senior management and Board on the audit concerns.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Guidelines, management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies, implementing and maintaining sound systems of risk management and internal control and monitoring and reporting significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objective and performance.

The Board has received assurance from the Group Managing Director and Chief Financial Officer that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material respects.

BOARD ASSURANCE AND LIMITATION

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. The Board continues to derive its comfort of the state of risk management and internal control of the Group from the following key processes and information:-

- Periodic review of financial information covering financial performance and quarterly financial results;
- Audit Committee's review and consultation with Management on the integrity of the financial results, Annual Report and audited financial statements before recommending them to the Board for approval;
- Audit findings and reports on the review of systems of internal control provided by the Internal Auditors and status of Management's implementation of the audit recommendations;
- Annual risk assessment exercise to identify and assess risks faced by the Group as well as the action plans needed to manage the identified risks effectively; and
- Management's assurance that the Group's risk management and internal control systems have been operating adequately and effectively, in all material respects.

For the financial year under review, the Board is satisfied that the existing level of systems of risk management and internal control are effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses that would require additional disclosure in the Annual Report. Nonetheless, the Board recognises that the systems of risk management and internal control should be continuously improved in line with the evolving business development. It should also be noted that all risk management and internal control systems could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems could only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

Other Internal Control Elements

a. Policies and Procedures and Compliance Review

The Board ensures that the respective operating activities have put in place policies and procedures, code of ethics and conduct adhering and in compliance with the internal controls and applicable laws and regulations and they are reviewed periodically with the assistance from the Senior Management to meet changes in regulatory requirements.

b. Information and Communication

The Board has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to request for information and clarification from the service providers as well as seek inputs from the AC, External and Internal Auditors, and other experts at the Group's expense.

c. Audit Committee

The Board has established the AC which comprises three (3) Independent Non-Executive Directors. Details of report of the AC are disclosed in the Annual Report under the section of Audit Committee Report and the terms of reference of the AC is made available for reference on the Company's corporate website at www.heaveaboard.com.my.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

d. Whistleblowing Policy

The Board has formalised a whistle-blowing policy as it is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

The reporting parties should disclose their names, contact numbers, details of person(s) involved, nature of allegation, where and when the incident took place and evidence, if possible.

All concerns will be dealt with in strictest confidence and the reporting parties will be assured that their identities will be kept confidential within the limits required by the law.

REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS

The external auditors have reviewed the Statement on Risk Management and Internal Control and reported to the AC that nothing has come to their attention that causes them to believe the statement is inconsistent with their understanding of the process adopted by the AC and your Board in reviewing the adequacy and integrity of your Group's internal controls.

This Statement is made in accordance with the approval and resolution of the Board of Directors on 28 March 2022.

STATEMENT ON **DIRECTORS' RESPONSIBILITIES**

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the income statement and cash flows of the Group and the Company for the financial year.

The Directors consider that, in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2021, the Company has consistently applied appropriate accounting policies, and has made judgments and estimates that are reasonable and prudent. The Directors confirm that all applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Company maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Group and the Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2016.

The Directors also have general responsibilities for taking reasonable steps to safeguard the assets of the Group and the Company.

ADDITIONAL COMPLIANCE **INFORMATION**

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

1. ULTILISATION OF PROCEEDS

There were no corporate proposals undertaken by the Company to raise funds during the financial year ended 31 December 2021.

2. LIST OF PROPERTIES

The properties held by the Group and the Company during the financial year ended 31 December 2021 are stated on page 143 of the Annual Report.

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The details of the related party transactions and recurrent related party transactions of a revenue or trading nature during the financial year ended 31 December 2021 between **HeveaBoard** and related parties are disclosed in Note 28 of the Financial Statements.

4. MATERIAL CONTRACTS

There was no material contract entered into by the Company and its subsidiaries involving Directors and major shareholders' interests which were subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial period.

5. MATERIAL LITIGATION

There was no material litigation during the financial year ended 31 December 2021.

AUDIT COMMITTEE **REPORT**

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2021.

The Board is required by law to ensure that the financial statements of the Company present a true and fair view of the state of affairs of the Company and that they are prepared in accordance with applicable financial reporting standards and provisions of the Companies Act 2016. The Board also assumes the responsibility of maintaining a sound system of risk management and internal control to achieve its business objective and operational efficiency to protect and preserve shareholders' equity and interests. The Board may delegate, but not abdicate, its responsibility to the Audit Committee.

COMPOSITION OF MEMBERS

The current composition of the Audit Committee comprises three (3) members and all of whom are Independent Non-Executive Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements, which require the Audit Committee to consist of not fewer than three (3) members, all of whom must be Non-Executive Directors with a majority of them being Independent Directors.

The members of the Audit Committee are as follows:

1. Mr Lim Kah Poon - Chairman
   Independent Non-Executive Director

2. Mr Yoong Yan Pin – Member
   Independent Non-Executive Director

3. Mr Thye Heng Ong @ Teh Heng Ong - Member
   Independent Non-Executive Director
   (Appointed on 25 November 2021)

The composition of members is in line with Practice 9.4 – Step Up of the Malaysian Code on Corporate Governance ("MCCG 2021"). An independent Audit Committee is better positioned to rigorously challenge and ask probing questions on the Company's financial reporting process, internal controls, risk management and governance.

The Chairman of the Audit Committee, Mr Lim Kah Poon, is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA). Accordingly, this complies with paragraph 15.09(1)(c) of the Main Market Listing Requirements.

During the financial year, in recognition of Practice 1.4 of the MCCG 2021, which recommends the Chairman of the Board should not be a chairman/member of the Board Committees. Mr Sundra Moorthi A/L V.M. Krishnasamy, the Board Chairman had stepped down as Audit Committee member and Mr Thye Heng Ong @ Teh Heng Ong was appointed as Audit Committee Member in his place.

The details of the Audit Committee members are set out in this Annual Report under the section of Profile of Directors.

AUTHORITY

The Audit Committee is authorised by the Board to independently investigate any matters within its Terms of Reference. It shall have full and unrestricted access to information pertaining to the Group, from the Internal and External Auditors, Management and all employees in carrying out its duties.

The Terms of Reference of the Audit Committee can be viewed on the Company's corporate website at www.heveaboard.com.my.

AUDIT COMMITTEE REPORT (CONTINUED)

KEY RESPONSIBILITIES OF THE AUDIT COMMITTEE

Audit Committee should assume four (4) fundamental responsibilities:

(a) Overseeing financial reporting;
(b) Assessing the risks and control environment;
(c) Evaluating the internal and external audit process; and
(d) Reviewing conflict of interest situations and related party transactions.

The Board has reviewed the performance of the Audit Committee based on the Nomination Committee's Report, and is satisfied that the Audit Committee has discharged their duties and responsibilities effectively in accordance with its Terms of Reference.

MEETING

Audit Committee meetings have a significant impact on evaluating an organisation's overall performance and its internal control functions. The Audit Committee meetings are held regularly with high-quality interactions with and within Audit Committee members. The Audit Committee may call for a meeting as and when required with reasonable notice as the Audit Committee members deem fit.

During the financial year ended 31 December 2021, the Audit Committee held five (5) Audit Committee meetings, and two (2) Audit Committee meetings were held during the period from 1 January 2022 to the date of approving this Report.

The details of attendance of each Audit Committee member are as follows:

Name of Committee Member	No. of Meetings Attended/ No. of Meeting Held	
	Year 2021	**1/1/2022 and up to the date of approving this report**
Mr Lim Kah Poon (Chairman)	5/5	2/2
Mr Yoong Yan Pin – Member	5/5	2/2
Mr Thye Heng Ong @ Teh Heng Ong – Member	Not applicable*	2/2
Mr Sundra Moorthi A/L V.M. Krishnasamy – Member	5/5	Not applicable**

* *Appointed on 25 November 2021.*
** *Resigned on 25 November 2021.*

The quorum for a meeting of the Audit Committee shall be two (2) members.

In every Audit Committee meeting, besides reviewing financial reporting and financial management, sufficient time shall be put on assessing internal auditing and internal control on risks relating to, amongst others, financial, operational, system, governance, and compliances with relevant regulatory requirements. The Audit Committee meeting shall be held excluding the attendance of other Directors, Management and employees, except when the Audit Committee requests their presence. The Audit Committee also has the right to hold private discussion with the External Auditors to exchange free and honest views and opinions without the presence of other Directors and Management, whenever deemed necessary. The Company Secretary will be in attendance at all meetings.

AUDIT COMMITTEE REPORT (CONTINUED)

Each Audit Committee meeting is scheduled in advance and conducted with proper meeting proceedings. Meeting notice is circulated to Audit Committee members via electronic mail at least seven (7) days before the meeting. In order to ensure efficient and effective review and discussion as well as the smooth flow of meeting, the meeting papers such as quarterly financial results and related party transaction reports are circulated via electronic mail to the Audit Committee members for their review and comments in advance of the meetings. The Company Secretary compiles the final meeting materials in "book-format", upon finalisation. With a view to encourage a paperless environment, meeting materials are circulated to the Audit Committee members via electronic mail at least five (5) days before the meeting. However, a hard copy of the meeting materials will be available upon request.

As and when necessary, the Audit Committee will review and discuss ad hoc and urgent matters via electronic mail or carry out informal discussion and make its decision and recommendation by way of circular resolution.

During the financial year ended 31 December 2021 and subsequent to the year end, at each quarterly meeting, the Chief Financial Officer was invited to present the quarterly financial results and related party transactions as well as conflict of interest situation that may arise within the Group and the Company, and at the same time to provide clarification on issues and queries which may be raised by the Audit Committee members. The Internal Auditors were invited to present their internal audit plan and to report the outcome of their internal audit, including the follow-up audit. The Executive Directors and Management, if and when necessary would brief and provide further clarifications to the Audit Committee on issues arising from the internal audit to facilitate better understanding of the matter. The External Auditors were invited to present their Audit Plan, Audit Committee Memorandum and draft Audited Financial Statements.

The Audit Committee Chairman presented to the Board the Audit Committee's Report consisting of recommendations and significant concerns at the subsequent Board meeting.

During the financial year ended 31 December 2021 and during the period from 1 January 2022 to the date of approving this Report, the agendas of the Audit Committee meetings included the following:-

1) To review and recommend the quarterly results for the Board's approval;
2) To review the Internal Audit Plan and Internal Audit Reports;
3) To review Audit Plan and Audit Committee Memorandum of the External Auditors;
4) To meet up with the External Auditors without the presence of Executive Members;
5) To review and recommend the draft Audited Financial Statements for the Board approval;
6) To review the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report;
7) To consider the Audit and Non-Audit fees;
8) To consider the re-appointment of External Auditors of the Company;
9) To review any related party transaction and conflict of interest situation;
10) To confirm the Minutes of the last Audit Committee meetings; and
11) To discuss various significant issues noted within the Group and operating environment.

SUMMARY OF ACTIVITIES

The activities of the Audit Committee in respect of the financial year ended 31 December 2021, and during the period from 1 January 2022 to the date of approving this Report comprised the following:

1. Financial Reporting

The Audit Committee has oversight responsibilities on financial reporting prepared by Management as well as the system of internal control over financial reporting, disclosure and procedures established by Management. The Audit Committee must satisfy themselves as to the reliability and integrity of the annual and quarterly financial statements, and the adequacy of the system of internal control over financial reporting.

AUDIT COMMITTEE REPORT (CONTINUED)

a. Review of quarterly financial results

The Audit Committee reviewed the unaudited quarterly financial results at its quarterly meetings.

The unaudited quarterly financial results for the four (4) quarters of the Company and the Group for the financial year ended 31 December 2021 were reviewed at the four (4) Audit Committee quarterly meetings held on 19 May 2021, 29 September 2021, 25 November 2021 and 24 February 2022.

At the meetings, the Audit Committee reviewed the financial information and reports which were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting and paragraph 9.22, including Appendix 9B of the Main Market Listing Requirements. The Audit Committee in consultation with the Chief Financial Officer and Management, deliberated the integrity of the quarterly financial results as well as the significant issues of concerns focusing on the following aspects to confirm that the reports are correct, accurate and reliable before recommending to the Board for approval:

- Significant financial reporting issues and judgements;
- The appropriateness of accounting policies, key judgements and fairness of management estimates and going concern assumptions;
- The material financial areas in which significant judgements have been made;
- Changes in or implementation of major accounting policy and practices;
- Compliance with financial reporting standards and governance requirements;
- Other significant and unusual events; and
- The clarity of disclosures.

b. Annual Audited Financial Statements

- **Audit Plan 2021**

  On 25 November 2021, the Audit Committee conducted a preliminary meeting with the External Auditors to review and discuss the overall Audit Strategy and Audit Plan for the financial year ended 31 December 2021. The Audit Plan outlined, amongst others, the policies and procedures concerning auditors' independence, the audit scope, areas of emphasis, risk assessment and audit approach, related party transaction disclosures and procedures, audit timeframe, and overall accounting development.

  In reviewing the overall Audit Strategy and Audit Plan, the Audit Committee focused its oversight on:

  - The audit planning, audit approach and identification process;
  - The timing of significant audit activities;
  - Whether the External Auditors' analysis and planned audit activities demonstrate sufficient knowledge of the Group's business risks;
  - Key audit deliverables;
  - The resources needed to execute the Audit Plan; and
  - Updates to Accounting standards and regulatory requirements.

- **Audit Committee Memorandum**

  Based on the audit timeline, the External Audit presented their Audit Committee Memorandum to the Audit Committee on 24 February 2022, subsequent to the financial year ended 31 December 2021.

  The Audit Committee Memorandum provides, amongst others, the status of audit, significant audit findings and matters of concerns, significant unusual events, potential key audit matters, fraud related matters, related party disclosures, matters for control improvements, significant outstanding matters, uncorrected misstatements, accounting developments and capital market development.

AUDIT COMMITTEE REPORT (CONTINUED)

Amongst others, the Audit Committee focused its review and deliberation on the following matters:

- Whether there were any fraud related matters.

- The following significant audit matters that may potentially be included as Key Audit Matters in accordance with ISA 701 Communicating Key Audit Matter in the Independent Auditors' Report:-

  i. Deferred tax assets
  ii. Inventories
  iii. Impairment review of goodwill on consolidation
  iv. Impairment review on investment in subsidiaries
  v. Impairment review on property, plant and equipment and rights-of-use assets

- Potential Key Audit Matters and the justification identified by the External Auditors.

- Internal control weaknesses noted by the External Auditors and Management's comments.

- The Audit Committee also took note of the accounting standard developments, its requirements and impact to the Group and Company's financial statements.

The Audit Committee also reviewed with the External Auditors on the level of assistance given by the officers of the Group and the Company to the External Auditors, including any difficulties or disputes with Management encountered during the audit.

▪ **Audited Financial Statements**

The External Auditors presents the draft Audited Financial Statements to the Audit Committee for its review in March or April each year subsequent to the financial year-end.

Thus, a specific meeting is held, amongst other matters, to review the draft Audited Financial Statements presented by the External Auditors and the issues highlighted with respect to the audit work before recommending to the Board for approval.

As part of the reviewing process, the External Auditors are required to report to the Audit Committee on their view of Management's selection of accounting principles and accounting adjustments made by Management or the External Auditors, any disagreement or difficulties encountered in working with the Management, and any fraud, irregularities or illegal acts. The Audit Committee also discusses with Management with regards to the audit findings, disclosures and key areas relating to the draft Audited Financial Statements, the representation letters issued by the External Auditors and the implementation of audit recommendations.

On 28 March 2022, a specific meeting was held to review the draft Audited Financial Statements for the financial year ended 31 December 2021.

A private discussion was held between the Audit Committee and the External Auditors without the presence of the Group Managing Director, other Directors and Management. Save for the significant audit matters highlighted in the Audit Committee Memorandum and certain new accounting standards that may impact the Group and the Company's financial statements, there were no other significant areas of concern raised by the External Auditors that need to be brought to the attention of the Board.

AUDIT COMMITTEE REPORT
(CONTINUED)

2. External Auditors

An effective oversight of the External Auditors is one of the core responsibilities of the Audit Committee as the External Auditors play a vital role in the financial reporting process. The Audit Committee is directly responsible for monitoring the ongoing effectiveness and independence of the External Auditors, and making a recommendation to the Board on the re-appointment of the External Auditors or the appointment of new External Auditors and compensation of the External Auditors.

a. Independence

The External Auditors must comply with their local professional institutes' rules concerning auditors' independence or their firm's requirement.

The External Auditors, namely Messrs. Baker Tilly Monteiro Heng PLT confirmed that in relation to their audit of the financial statements of **HeveaBoard** Group ("the Group") ended 31 December 2021, the Engagement Partners and its staff engaged in the audit of the Group's financial statements neither hold any direct or indirect financial interest in the Group nor are connected with the Group which would impair their independence, and they have complied with the requirements for independence as stipulated in the International Standards on Auditing ("ISA") 260.

b. Audit and Non-Audit Fees

Before recommending the proposed audit fees and the assurance-related fees to the Board for approval, the Audit Committee evaluated the quantum of audit work, the audit process and approach, the engagement team's credentials and experience, their ability to provide valuable advice and services and to perform audit work within the Group's timeline.

The details of the audit and non-audit fees paid/payable to the External Auditors and a firm or corporation affiliated to the External Auditors in relation to the financial year ended 31 December 2021 are set out below:

	Company RM	Group RM
Audit Fees	63,000	146,000
Non-Audit Fees i. Review of Internal Control ii. Review of Other Information	 5,000 5,000	 5,000 5,000
Total Non-Audit Fees	10,000	10,000

On 28 March 2022, the Audit Committee recommended to the Board for approval of the audit fee of RM63,000 and total non-audit fee of RM10,000 in respect of the financial year ended 31 December 2021. The Board approved the audit fees and non-audit fees based on the recommendation of the Audit Committee.

c. Re-appointment of External Auditors

In each financial year, the Audit Committee assesses and reviews the suitability, objectivity and independence of External Auditors. This enables the Audit Committee to make an informed recommendation to the Board on whether or not the External Auditors should be put forward for re-appointment at the Annual General Meeting.

AUDIT COMMITTEE REPORT (CONTINUED)

The Audit Committee performs an assessment on the suitability and independence of the External Auditors by considering the following criteria:

i. The independence, objectivity, integrity and professionalism of the External Auditors in accordance with the terms of the professional and regulatory requirements of the Malaysian Institute of Accountants;
ii. The experience, capabilities and resources of the firm;
iii. The performance and competencies of the External Auditors;
iv. The quality of services including the responsiveness to issues and ability to provide realistic analysis with technical knowledge and independent judgement, and sufficiency of resources they have provided to the Group; and
v. The level of non-audit services rendered by the External Auditors and its affiliates to the Group.

The Audit Committee also determines whether the External Auditors have exercised professionalism and performs a quality audit based on the quality of the communications and interactions with the Audit Committee during the course of an audit.

Following the completion of the 2021 financial year audit, the Audit Committee was satisfied with the quality of audit, effectiveness and independence of Messrs. Baker Tilly Monteiro Heng PLT as External Auditors of the Group and the Company. The Audit Committee continues to consider Messrs. Baker Tilly Monteiro Heng PLT to be suitable in their role as External Auditors of the Group.

In accordance with the By-laws of the Malaysian Institute of Accountants, Messrs. Baker Tilly Monteiro Heng PLT rotates its engagement partner once every seven (7) years to ensure objectivity, independence and integrity of audit opinions. The current lead audit engagement partner of the Group will be due for rotation in 2022.

The Audit Committee recommended to the Board for approval to put forward the re-appointment of Messrs. Baker Tilly Monteiro Heng PLT as External Auditors of the Group and the Company for the next financial year ending 31 December 2022 at the forthcoming Annual General Meeting based on the following opinion:

i. The External Auditors has confirmed that they comply with the local professional institutions' rules concerning auditors' independence and their firm's requirements;

ii. The Audit Committee is satisfied that the External Auditors has exercised professionalism and performed a quality audit;

iii. The Audit Committee continues to consider the External Auditors to be suitable in their role as External Auditors of the Group and the Company; and

iv. The non-audit services rendered by the External Auditors and its affiliates consist of mainly assurance-related services. It is satisfied that the provision of non-audit services by the External Auditors did not in any way impair their objectivity and independence.

The Board approved the re-appointment of Messrs. Baker Tilly Monteiro Heng PLT as the Group and the Company's External Auditors for the ensuing year based on the Audit Committee's recommendation, subject to the shareholders' approval to be sought at the forthcoming Annual General Meeting.

3. Internal Audit

The Audit Committee oversees the Internal Audit Function and relies on internal audit as one of its primary resources in the oversight of risk management and control processes that Management has put into place.

The entire Internal Audit Function of the Group is outsourced to an independent internal audit service provider, namely PKF Risk Management Sdn. Bhd. ("PKF"). The Internal Auditors report directly to the Audit Committee.

AUDIT COMMITTEE REPORT (CONTINUED)

Internal Audit Report

During the financial year, the Audit Committee reviewed the internal audits undertaken by the Internal Auditors and the effectiveness of the internal control implemented within the Group.

Based on the audit findings and reports of the Internal Auditors, the Audit Committee formed an opinion on the adequacy of measures undertaken by Management and reported to the Board on the overall standing of the Group's internal control.

The following Internal Audit Reports were tabled to the Audit Committee for its review:

Date of AC Meeting	Internal Audit ("IA") Reports reviewed	Objectives of Audit
25 February 2021	Inventory Management of HeveaPac Sdn. Bhd. ("HeveaPac").	To evaluate the effectiveness of management controls in Inventory Management.
19 May 2021	Information Technology General Control of **HeveaBoard**.	To review on Information Technology General Control which is under the purview of the IT department.
29 September 2021	Annual Update of Enterprise Risk Management (ERM).	A report of the Risk Assessment Workshop (with the participation of Management) was conducted on 12 August 2021 with the objective to re-assess the key risk areas of **HeveaBoard** Group and evaluate the adequacy and effectiveness of the existing controls.
25 November 2021	Follow Up Audit Report on the issues raised during the internal audit review previously performed on Inventory Management of HeveaPac on 8 February 2021 and Information Technology General Control ("ITGC") of **HeveaBoard** on 10 May 2021.	To obtain and verify the status of implementation of the agreed audit recommendations and/or management action plans pertinent to the issues reported in the previous 2 audit reviews.
24 February 2022	Human Resources and Payroll of HeveaPac.	To evaluate the adequacy and effectiveness of documentary and supervisory controls over key processes within the human resource management and verify the accuracy and integrity of payroll preparation, including statutory deduction, and the salary payment thereafter.

Statement on Risk Management and Internal Control

The Audit Committee reviews the Statement on Risk Management and Internal Control ("SORMIC") which is part of the Company's Annual Report. The SORMIC is presented at the Audit Committee Meeting in March or April each year subsequent to the financial year-end.

The Audited Committee reviewed the SORMIC in respect of the financial year ended 31 December 2021 for inclusion in the 2021 Annual Report on 28 March 2022. The External Auditors had also reviewed the SORMIC based on their audit during the financial year and provided with limited assurance that nothing has come to their attention that causes them to believe the SORMIC is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the system of risk management and internal control of the Group.

AUDIT COMMITTEE REPORT (CONTINUED)

4. **Review of related party transaction and conflict of interest situation**

At each quarterly meeting, the Audit Committee reviews any related party transaction ("RPT") and conflict of interest ("COI") situation that may arise within the Group and the Company including any transaction, procedure or course of conduct that raises questions of management integrity.

The Audit Committee reviews RPT and/or COI situations presented by Management prior to the Company or the Group entering into such transactions.

As such, the Audit Committee must ensure that:-

a. Adequate oversight over the controls on the following:

   i. identification of the interested parties; and
   ii. identification of the related party transactions and possible conflict of interest situations.

b. Assess and address the reasonableness of the conflict of interest situations or the related party transactions to ensure that interested parties do not abuse their powers to gain unfair advantage.

   Upon receiving a report of a RPT and/or COI situation, the Audit Committee reviews and determines whether the RPT and/or COI situation is fair, reasonable, on normal commercial terms and in the best interest of the Group and the Company.

   The key considerations taken by the Audit Committee in reviewing the RPT and/or COI situation are as follows:

   i. Whether the transaction price is at arm's length basis or whether the terms are fair to the Group and the Company;
   ii. Whether there are business reasons for the Company to enter into the transaction with the related party and not a third party;
   iii. Whether the business reasons are in line with the overall strategy and objectives of the Group and the Company;
   iv. What benefits the interested party will derive from the transaction;
   v. What impact the transaction will have on the financial statements;
   vi. Whether there is economic substance in entering into the transaction; and
   vii. Enquire to ascertain whether, apart from the review of related party transactions and conflicts of interest, transactions entered into have been disclosed in the Company's financial statements under the relevant financial reporting standards.

   The Audit Committee reports to the Board of any RPT (including recurrent related party transactions) and COI situations that may arise within the Group and the Company.

   During the financial year, at each quarterly meeting, the Audit Committee reviewed the recurrent related party transactions of revenue or trading in nature which include the rental payment for renting of lands from the Company's substantial shareholder. Announcement on the transactions was not required to be made to Bursa Malaysia Securities Berhad as the value of the transactions did not exceed the threshold as stipulated by the Listing Requirements.

   During the financial year, the Audit Committee had also reviewed the recent RPT relating to the acquisition of a piece of land by HeveaPac from Mah Fah Timber Industry Sdn. Bhd. for the purpose of building additional hostels for HeveaPac's workers.

AUDIT COMMITTEE REPORT (CONTINUED)

INTERNAL AUDIT FUNCTION

The Board recognises that the Internal Audit Function can play a critical assurance role in the Group's governance process, particularly in risk management and control.

The Internal Audit Function assists the Audit Committee to execute its oversight function and discharge its duties and responsibilities by performing independent reviews to ensure the adequacy and effectiveness of the internal control and risk management systems established by the Group.

The internal audit's role should be separate and independent from management so that it could carry out its work freely and objectively. Hence, over the years and for the financial year ended 31 December 2021, the entire Internal Audit Function of the Group and the Company has been outsourced to an independent internal audit consulting firm. The Board and Audit Committee are responsible for the effectiveness of the Internal Audit Function although all the Internal Audit Function is outsourced.

The Internal Auditors are accountable to the Audit Committee. They provide the results of their audit work to the Audit Committee, outlining their audit findings, risks identified, recommended actions to fix control weaknesses, Management's feedback on recommended action and progress monitoring.

The Audit Committee reviews periodically the adequacy of the audit scope, audit function and resources made available to the Internal Audit Function as well as the competency of the Internal Auditors to ensure that the internal audit service provider delivers high quality services that meet the Group's need. The Audit Committee regularly discusses with the Board and Management on the Internal Auditors' competency and performance.

Internal Audit Plan

The Internal Auditors carry out their functions based on the Internal Audit Plan approved by the Audit Committee. Subject to separate terms of engagement, special and ad hoc audit reviews and assistance shall be approved by the Audit Committee.

Activities of the Internal Audit Function

The activities of the Internal Audit Function for the financial year ended 31 December 2021 included the following:-

(a) Conducting internal audit reviews following the Internal Audit Plan approved by the Audit Committee;
(b) Reporting the results of internal audits and making recommendations for improvements to the Audit Committee periodically;
(c) Performing follow-up audits to ensure that recommendations for improvement to the internal control systems were satisfactorily implemented; and
(d) Conducting Annual Risk Assessment Workshop.

During the financial year, the internal audits conducted on the Group did not reveal any significant weaknesses in the internal control system that would result in material losses, contingencies or uncertainties that must be disclosed in the Group's Annual Report.

The total cost incurred for the Internal Audit Function of the Group in respect of the financial year ended 31 December 2021 was approximately RM70,000.

This report is made in accordance with the approval and resolution of the Board of Director on 28 March 2022.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of HeveaBoard Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are manufacturing of particleboards and investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year, net of tax	(1,163)	4,716
Attributable to:		
Owners of the Company	(1,163)	4,716
Non-controlling interests	–	–
	(1,163)	4,716

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM'000
Single-tier third interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 9 April 2021	2,829
Single-tier final dividend of 0.75 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 29 July 2021	4,244
	7,073

At the forthcoming Annual General Meeting, a single tier final dividend of 1.00 sen per ordinary share, approximately to RM5.66 million in respect of the current financial year, based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 31 December 2021, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had 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 which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances 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.

CONTINGENT AND OTHER LIABILITIES

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

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

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

CONTINGENT AND OTHER LIABILITIES (CONTINUED)

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

During the financial year, the Company repurchased 2,000 of its issued and paid up ordinary shares from the open market at an average price of RM0.5375 per ordinary share. The total consideration paid for the shares repurchased was RM1,075.

There was no resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2021, the Company held 1,880,000 treasury shares out of its 567,745,681 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,613,983. Further details are disclosed in Note 17 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Yoong Tein Seng @ Yong Kian Seng*
(Alternate director to Yoong Hau Chun)
Yoong Hau Chun*
Yoong Li Yen*
Lim Kah Poon
Bailey Policarpio
Loo Chin Meng
Yoong Yan Pin
Sundra Moorthi A/L V.M. Krishnasamy
Thye Heng Ong @ Teh Heng Ong

* Directors of the Company and certain subsidiaries.

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Peh Ju Chai

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interests in the Company

		Number of ordinary shares			
		At 1 January 2021	**Bought**	**Sold**	**At 31 December 2021**
Direct interests					
Yoong Hau Chun		1,503,850	–	–	1,503,850
Lim Kah Poon		200,000	–	–	200,000
Bailey Policarpio		126,664	–	–	126,664
Yoong Li Yen		1,672,532	–	–	1,672,532
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)		303,000	1,012,100	(268,100)	1,047,000
Loo Chin Meng		370,000	–	–	370,000
Yoong Yan Pin		–	250,000	–	250,000
Sundra Moorthi A/L V. M. Krishnasamy		4,000,000	2,800,000	–	6,800,000
Thye Heng Ong @ Teh Heng Ong		–	200,000	–	200,000
Indirect interests					
Yoong Hau Chun	(1)	185,177,191	1,012,100	(268,100)	185,921,191
Lim Kah Poon	(2)	84,000	–	–	84,000
Bailey Policarpio	(3)	1,672,532	–	–	1,672,532
Yoong Li Yen	(4)	183,681,841	1,012,100	(268,100)	184,425,841
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(5)	195,830,837	–	–	195,830,837
Loo Chin Meng	(6)	4,292,000	–	–	4,292,000

(1) Deemed interested by virtue of Section 8 of the Companies Act 2016 in Malaysia, shareholdings held through Tenson Holdings Sdn. Bhd., a substantial shareholder of both Firama Holdings Sdn. Bhd. and HeveaWood Industries Sdn. Bhd., and by virtue of his family relationship with Tan Ya Ling, his spouse, Yoong Tein Seng @ Yong Kian Seng, his father and Yoong Li Yen, his sister and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100% of the votes attached to the voting shares in Gemas Ria Sdn. Bhd..

(2) Deemed interested by virtue of his relationship with Chua Sew Yin @ Chuah Chai Ean, his spouse.

(3) Deemed interested by virtue of his relationship with Yoong Li Yen, his spouse.

(4) Deemed interested by virtue of her family relationship with Bailey Policarpio, her spouse, Yoong Tein Seng @ Yong Kian Seng, her father, Yoong Hau Chun, her brother and deemed interested by virtue of HeveaWood Industries Sdn. Bhd., being entitled to control the exercise of 100% of the votes attached to the voting shares in Gemas Ria Sdn. Bhd..

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

(5) Deemed interested by virtue of his relationship with Yoong Hau Chun, his son, Yoong Li Yen, Yoong Li Mian, Yoong Li Bing and Yoong Li Xian, his daughters and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100% of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

(6) Deemed interested by virtue of his relationship with Dato' Loo Swee Chew, his father.

By virtue of their shareholdings in the ordinary shares of the Company, Yoong Tein Seng @ Yong Kian Seng, Yoong Hau Chun and Yoong Li Yen are deemed to have interests in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 8 of the Companies Act 2016 in Malaysia.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 29 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage for the directors and officers of the Company were RM5,000,000 and the insurance premium paid were RM13,260 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events during and subsequent to the end of the financial year are disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 24 to the financial statements.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

DIRECTORS' REPORT (CONTINUED)

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

____
YOONG HAU CHUN
Director

____
YOONG LI YEN
Director

Date: 28 March 2022

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	210,698	224,866	110,338	125,358
Right-of-use assets	6(a)	24,386	29,152	4,260	4,438
Investment in subsidiaries	7	–	–	61,459	61,854
Investment in associate	8	441	250	–	–
Goodwill on consolidation	9	2,946	2,946	–	–
Deferred tax assets	10	4,077	4,077	4,077	4,077
Total non-current assets		242,548	261,291	180,134	195,727
Current assets					
Inventories	11	122,823	94,630	48,734	36,057
Biological asset	12	614	584	–	–
Trade and other receivables	13	26,673	33,796	20,789	27,330
Prepayments		6,139	2,763	420	88
Tax recoverable		6,997	5,924	–	–
Other investments	14	19,178	75,808	3,523	36,240
Cash and short-term deposits	15	101,502	52,097	63,237	17,091
Total current assets		283,926	265,602	136,703	116,806
TOTAL ASSETS		526,474	526,893	316,837	312,533
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	160,215	160,215	160,215	160,215
Treasury shares	17	(1,614)	(1,613)	(1,614)	(1,613)
Retained earnings	18	263,529	271,765	108,991	111,348
TOTAL EQUITY		422,130	430,367	267,592	269,950

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONTINUED)

		Group		Company	
	Note	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Non-current liabilities					
Provision for retirement benefits	19	–	–	–	–
Loans and borrowings	20	3,386	5,433	–	–
Lease liabilities	6(b)	4,064	4,336	381	549
Deferred tax liabilities	10	6,060	6,064	–	-
Total non-current liabilities		13,510	15,833	381	549
Current liabilities					
Trade and other payables	21	88,224	76,909	48,476	41,600
Loans and borrowings	20	2,047	2,047	–	–
Lease liabilities	6(b)	548	1,669	379	427
Tax payable		15	68	9	7
Total current liabilities		90,834	80,693	48,864	42,034
TOTAL LIABILITIES		104,344	96,526	49,245	42,583
TOTAL EQUITY AND LIABILITIES		526,474	526,893	316,837	312,533

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

STATEMENTS OF **COMPREHENSIVE INCOME**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	22	370,864	388,640	182,469	166,460
Cost of sales		(349,772)	(349,752)	(163,136)	(146,632)
Gross profit		21,092	38,888	19,333	19,828
Other income		3,933	5,307	1,392	8,553
Distribution expenses		(2,254)	(1,934)	(1,635)	(1,209)
Administrative expenses		(21,357)	(21,861)	(11,829)	(12,292)
Net impairment loss on financial assets		(86)	–	–	–
Other expenses		(1,409)	(1,645)	(2,359)	(939)
Operating (loss)/profit		(81)	18,755	4,902	13,941
Finance costs	23	(592)	(951)	(89)	(134)
Share of result of associate, net of tax		108	1	–	–
(Loss)/Profit before tax	24	(565)	17,805	4,813	13,807
Income tax expense	25	(598)	(1,441)	(97)	(78)
(Loss)/Profit for the financial year		(1,163)	16,364	4,716	13,729
Other comprehensive income		–	–	–	–
Total comprehensive (loss)/income for the financial year		(1,163)	16,364	4,716	13,729
(Loss)/Profit attributable to:					
Owners of the Company		(1,163)	16,364	4,716	13,729
Non-controlling interests		–	–	–	–
		(1,163)	16,364	4,716	13,729
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(1,163)	16,364	4,716	13,729
Non-controlling interests		–	–	–	–
		(1,163)	16,364	4,716	13,729
(Loss)/Earnings per share attributable to owners of the Company (sen)					
- Basic earnings per share	26(a)	(0.21)	2.89		
- Diluted earnings per share	26(b)	(0.21)	2.89		

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	*Attributable to owners of the Company* Share Capital RM'000	Treasury Shares RM'000	Warrant Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
Group						
At 1 January 2020		159,429	(1,438)	9	272,378	430,378
Total comprehensive income for the financial year		–	–	–	16,364	16,364
Transactions with owners:						
Arising from exercise of warrants		786	–	(7)	–	779
Shares repurchased	17	–	(175)	–	–	(175)
Dividends paid on shares	27	–	–	–	(16,979)	(16,979)
Warrants expired		–	–	(2)	2	–
Total transaction with owners		786	(175)	(9)	(16,977)	(16,375)
At 31 December 2020		160,215	(1,613)	–	271,765	430,367
Total comprehensive loss for the financial year		–	–	–	(1,163)	(1,163)
Transactions with owners:						
Shares repurchased	17	–	(1)	–	–	(1)
Dividends paid on shares	27	–	–	–	(7,073)	(7,073)
Total transactions with owners		–	(1)	–	(7,073)	(7,074)
At 31 December 2021		160,215	(1,614)	–	263,529	422,130

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

		Attributable to owners of the Company				
	Note	**Share Capital RM'000**	**Treasury Shares RM'000**	**Warrant Reserve RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
Company						
At 1 January 2020		159,429	(1,438)	9	114,596	272,596
Total comprehensive income for the financial year		–	–	–	13,729	13,729
Transactions with owners:						
Arising from exercise of warrants		786	–	(7)	–	779
Shares repurchased	17	–	(175)	–	–	(175)
Dividends paid on shares	27	–	–	–	(16,979)	(16,979)
Warrants expired		–	–	(2)	2	–
Total transactions with owners		786	(175)	(9)	(16,977)	(16,375)
At 31 December 2020		160,215	(1,613)	–	111,348	269,950
Total comprehensive income for the financial year		–	–	–	4,716	4,716
Transactions with owners:						
Shares repurchased	17	–	(1)	–	–	(1)
Dividends paid on shares	27	–	–	–	(7,073)	(7,073)
Total transactions with owners		–	(1)	–	(7,073)	(7,074)
At 31 December 2021		160,215	(1,614)	–	108,991	267,592

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

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(565)	17,805	4,813	13,807
Adjustments for:					
Bad debts recovered		(23)	–	–	–
Depreciation for property, plant and equipment		27,859	27,071	16,804	16,972
Depreciation for right-of-use assets		1,364	1,819	477	360
Dividend income		(13)	(3)	(13)	(5,603)
Fair value loss/(gain) on other investments		40	(142)	7	(91)
Finance costs		592	951	89	134
Gain on disposal of property, plant and equipment		–	(82)	–	–
Interest income		(1,822)	(2,611)	(721)	(941)
Impairment loss on:					
- investment in subsidiaries		–	–	1,521	–
- trade receivables		86	–	–	–
Inventories written off		2,240	1,629	2,015	1,629
Net unrealised foreign exchange (gain)/loss		(282)	88	(92)	44
Property, plant and equipment written off		7	2	*	–
Reversal of provision for retirement benefits		–	(431)	–	–
Share of result of associate, net of tax		(108)	(1)	–	–
Operating profit before changes in working capital		29,375	46,095	24,900	26,311
Changes in working capital:					
Biological asset		(30)	68	–	–
Inventories		(30,433)	(10,910)	(14,692)	(6,508)
Trade and other receivables		3,684	738	947	(2,976)
Trade and other payables		14,144	(1,265)	9,727	(3,114)
Net cash generated from operations		16,740	34,726	20,882	13,713
Income tax paid		(1,728)	(2,729)	(95)	(37)
Net cash from operating activities		15,012	31,997	20,787	13,676

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONTINUED)

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from investing activities					
Dividend received		13	–	13	2,800
Interest received		1,822	2,611	721	941
Investment in associate		(83)	(249)	–	–
Net change in other investments		56,590	(9,166)	32,710	8,351
Proceeds from disposal of property, plant and equipment		–	92	–	–
Purchase of property, plant and equipment and right-of-use assets	(a)	(10,015)	(8,742)	(1,802)	(3,130)
Advances to subsidiaries		–	–	4,114	(1,217)
Net cash from/(used in) investing activities		48,327	(15,454)	35,756	7,745
Cash flows from financing activities					
Dividend paid		(9,902)	(19,785)	(9,902)	(19,785)
Interest paid		(592)	(951)	(89)	(134)
Proceeds from issuance of ordinary shares		–	779	–	779
Purchase of treasury shares		(1)	(175)	(1)	(175)
Net repayment of lease liabilities	(b)	(1,674)	(3,976)	(497)	(609)
Net repayment of term loan	(b)	(2,047)	(2,047)	–	–
Net cash used in financing activities		(14,216)	(26,155)	(10,489)	(19,924)
Net change in cash and cash equivalents		49,123	(9,612)	46,054	1,497
Cash and cash equivalents at the beginning of the financial year		52,097	61,797	17,091	15,638
Effects of exchange rate changes on cash and cash equivalents		282	(88)	92	(44)
Cash and cash equivalents at the end of the financial year		101,502	52,097	63,237	17,091

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONTINUED)

(a) Purchase of property, plant and equipment and right-of-use assets

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Purchase of property, plant and equipment and right-of-use assets	10,296	9,820	2,083	3,786
Financed by way of lease arrangements	(281)	(1,078)	(281)	(656)
Cash payments on purchase of property, plant and equipment and right-of-use assets	10,015	8,742	1,802	3,130

During the financial year, the Group had total cash outflows for leases of RM2,153,029 (2020: RM4,346,487).

(b) Reconciliation of liabilities arising from financing activities:

	At 1 January 2021 RM'000	**Cash flows RM'000**	**Non-cash acqusition RM'000**	**At 31 December 2021 RM'000**
Group				
Lease liabilities	6,005	(1,674)	281	4,612
Term loans	7,480	(2,047)	–	5,433
	13,485	(3,721)	281	10,045
Company				
Lease liabilities	976	(497)	281	760

	At 1 January 2020 RM'000	**Cash flows RM'000**	**Non-cash acqusition RM'000**	**At 31 December 2020 RM'000**
Group				
Lease liabilities	8,903	(3,976)	1,078	6,005
Term loans	9,527	(2,047)	–	7,480
	18,430	(6,023)	1,078	13,485
Company				
Lease liabilities	929	(609)	656	976

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

HeveaBoard Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at Lot 1941 & 1942, Batu 3, Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus.

The principal activities of the Company are manufacturing of particleboards and investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective

(a) The Group and the Company have not adopted the following new MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ The Annual Improvements to MFRS Standards 2018-2020

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below.

Annual Improvements to MFRS Standards 2018–2020

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 Financial *Instruments* – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 Agriculture – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by Malaysian Accounting Standards Board in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (Continued)

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period ; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (Continued)

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(a) Subsidiaries and business combination (Continued)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any 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 (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.7 to the financial statements.

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings, on the same basis as could be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of 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 gain or loss 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 associate, joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Associates

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

Investment in associates are accounted for in the consolidated financial statement using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associates.

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

When the Group cease 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. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any related 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 would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.11(b) to the financial statements.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the dates of the transaction.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary item that are designated as a hedging instrument in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. 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, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.4 Financial instruments

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

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contract with Customers*.

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

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when its business model for managing those assets change.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group and the Company classifies their debt instruments:

- Amortised cost

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- Fair value through other comprehensive income (FVOCI)

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

(i) Financial assets (Continued)

Debt instruments (Continued)

- Fair value through profit or loss (FVPL)

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

<u>Financial liabilities at amortised cost</u>

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) 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.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the 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 expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition of measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are 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 cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16 to the financial statements.

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 of property, plant and equipment.

(b) Subsequent cost

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (Continued)

(c) Depreciation (Continued)

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	20 - 50
Plant, machineries and equipment	5 - 20
Furniture, fittings and renovation	5 - 10
Motor vehicles	5

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

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the profit or loss.

3.6 Leases

(a) Definition of lease

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

(b) Lessee accounting

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets and lease liabilities as separate lines in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(b) Lessee accounting (Continued)

Right-of-use asset

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

Lease liability

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(b) Lessee accounting (Continued)

Lease liability (Continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other expenses” in the statements of comprehensive income.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(c) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group and the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.6(b) to the financial statements, then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

3.8 Biological asset

The biological asset of the Group comprises of gourmet fungi. The holding period of the fungi is usually 7 weeks before they are put up for sale. As at reporting date, biological asset is measured at fair value less estimated cost to sell with any changes therein recognised in profit or loss.

3.9 Inventories

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a weighted average cost basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

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

Other inventories not to be resold and for consumption purpose is classified as consumables and spare parts.

<u>Produce stocks</u>

The costs of produce stocks comprise agricultural produce transferred from biological assets is its fair value less costs to sell.

3.10 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

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 and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (Continued)

(a) Impairment of financial assets and contract assets (Continued)

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.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI 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 that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

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

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source 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 and the Company's procedure for recovery of amounts due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (Continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, biological asset and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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 non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs 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 CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset of CGU is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

3.13 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. The Group and the Company also contribute to retirement benefits for key personnel under defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.14 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

<u>Financing components</u>

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Sale of goods

The Group and the Company manufacture and sell a range of particleboards, ready to assemble furniture to local and foreign customers and involves in cultivation and trading of mushroom. Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made within a credit term of 30 to 90 days, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue and other income (Continued)

Financing components (Continued)

(a) Sale of goods (Continued)

Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts where applicable. Accumulated experience with the customer's purchasing pattern is used to estimate and provide for the discounts, using the expected value method. The Group and the Company use the expected value method because it is the method that the Group and the Company expect to better predict the estimated volume discounts to which it will be provided to the customers. The estimated volume discounts recognised is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Where consideration is collected from customer in advance for sale of manufactured good, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of manufactured goods to the customer.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

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 that are 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, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

3.17 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Income tax (Continued)

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group and the Company are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Income tax (Continued)

(c) Sales and service tax

Revenue, expenses and assets are recognised net of the amount of sales and service tax except:

- where the sales and service tax incurred in purchase of assets or services is not recoverable from the taxation authority, in which case the sales and service tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and service tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors or respective Executive Committee of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

3.19 Earnings per share

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

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.

3.20 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 and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

There were no transfers between levels of the fair value hierarchy during the financial year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

(a) Deferred tax assets

Deferred tax assets are recognised for investment tax allowance based on the projected future profits of the Company to the extent that if probable taxable profit will be available against which the temporary differences can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance and taxable profits of the Company.

The carrying amount of the Group's and the Company's recognised deferred tax assets are disclosed in Note 10 to the financial statements.

(b) Inventories

The costs of inventories comprise the cost of raw materials, direct labour, conversion costs such as variable and fixed overheads. The cost allocation to the work-in-progress and finished goods involves multiple inputs which comprise the cost of raw materials, direct labour, other direct costs, and the appropriate allocation of overheads based on normal operating capacity.

Reviews are made periodically on inventories for cost allocation, obsolete and decline in net realisable value. These reviews require the use of judgement and estimate. Possible changes in these estimates may result in revision to the valuation of inventories.

The carrying amount of the Group's and the Company's inventories are disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Total RM'000
Group							
2021							
Cost							
At 1 January 2021	7,462	104,487	491,921	5,376	5,363	970	615,579
Additions	–	2,955	5,850	1,131	–	45	9,981
Disposals	–	–	–	–	(640)	–	(640)
Written off	–	–	(4,964)	(16)	–	–	(4,980)
Reclassification	–	639	359	–	–	(998)	–
Transfer from right-of-use assets	–	–	5,510	–	510	–	6,020
At 31 December 2021	7,462	108,081	498,676	6,491	5,233	17	625,960
Accumulated depreciation							
At 1 January 2021	–	27,900	353,972	3,840	5,001	–	390,713
Depreciation charge for the financial year	–	3,063	24,142	340	314	–	27,859
Disposals	–	–	–	–	(640)	–	(640)
Written off	–	–	(4,957)	(16)	–	–	(4,973)
Transfer from right-of-use assets	–	–	1,793	–	510	–	2,303
At 31 December 2021	–	30,963	374,950	4,164	5,185	–	415,262
Carrying amounts							
At 1 January 2021	7,462	76,587	137,949	1,536	362	970	224,866
At 31 December 2021	7,462	77,118	123,726	2,327	48	17	210,698

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Total RM'000
Group							
2020							
Cost							
At 1 January 2020	7,462	103,870	476,895	5,159	3,432	1,727	598,545
Additions	–	463	7,371	217	57	634	8,742
Disposals	–	(10)	(496)	–	(399)	–	(905)
Written off	–	–	(2,309)	–	(461)	–	(2,770)
Reclassification	–	164	1,227	–	–	(1,391)	–
Transfer from right-of-use assets	–	–	9,233	–	2,734	–	11,967
At 31 December 2020	7,462	104,487	491,921	5,376	5,363	970	615,579
Accumulated depreciation							
At 1 January 2020	–	24,931	329,602	3,516	3,173	–	361,222
Depreciation charge for the financial year	–	2,969	23,092	324	686	–	27,071
Disposals	–	–	(496)	–	(399)	–	(895)
Written off	–	–	(2,307)	–	(461)	–	(2,768)
Transfer from right-of-use assets	–	–	4,081	–	2,002	–	6,083
At 31 December 2020	–	27,900	353,972	3,840	5,001	–	390,713
Carrying amounts							
At 1 January 2020	7,462	78,939	147,293	1,643	259	1,727	237,323
At 31 December 2020	7,462	76,587	137,949	1,536	362	970	224,866

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Total RM'000
Company							
2021							
Cost							
At 1 January 2021	6,034	34,970	367,455	1,075	3,239	728	413,501
Additions	–	245	1,448	30	–	45	1,768
Disposal	–	–	–	–	(640)	–	(640)
Written off	–	–	(12)	–	–	–	(12)
Reclassification	–	397	359	–	–	(756)	–
Transfer from right-of-use assets	–	–	198	–	114	–	312
At 31 December 2021	6,034	35,612	369,448	1,105	2,713	17	414,929
Accumulated depreciation							
At 1 January 2021	–	11,784	272,409	885	3,065	–	288,143
Depreciation charge for the financial year	–	956	15,626	48	174	–	16,804
Disposal	–	–	–	–	(640)	–	(640)
Written off	–	–	(12)	–	–	–	(12)
Transfer from right-of-use assets	–	–	182	–	114	–	296
At 31 December 2021	–	12,740	288,205	933	2,713	–	304,591
Carrying amounts							
At 1 January 2021	6,034	23,186	95,046	190	174	728	125,358
At 31 December 2021	6,034	22,872	81,243	172	–	17	110,338

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Total RM'000
Company							
2020							
Cost							
At 1 January 2020	6,034	34,702	360,143	978	1,540	1,485	404,882
Additions	–	104	2,295	97	–	634	3,130
Written off	–	–	(17)	–	(461)	–	(478)
Reclassification	–	164	1,227	–	–	(1,391)	–
Transfer from right-of-use assets	–	–	3,807	–	2,160	–	5,967
At 31 December 2020	6,034	34,970	367,455	1,075	3,239	728	413,501
Accumulated depreciation							
At 1 January 2020	–	10,899	254,148	834	1,505	–	267,386
Depreciation charge for the financial year	–	885	15,596	51	440	–	16,972
Written off	–	–	(17)	–	(461)	–	(478)
Transfer from right-of-use assets	–	–	2,682	–	1,581	–	4,263
At 31 December 2020	–	11,784	272,409	885	3,065	–	288,143
Carrying amounts							
At 1 January 2020	6,034	23,803	105,995	144	35	1,485	137,496
At 31 December 2020	6,034	23,186	95,046	190	174	728	125,358

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) Buildings in relation to the leasehold land

The buildings in the Group and the Company with carrying amount of RM48,363,000 and RM14,720,000 respectively are related to the leasehold land classified as right-of-use assets.

(ii) Included in property, plant and equipment of the Group and the Company are assets pledged to the licensed financial institutions to secure credit facilities granted to the Group and the Company as disclosed in the Note 20 to the financial statements with carrying amounts as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Freehold land	6,034	6,034	6,034	6,034
Buildings	45,101	44,271	21,067	21,342
	51,135	50,305	27,101	27,376

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right of use assets

The Group and the Company lease several assets and the information about leases of the Group and the Company as lessee are presented below:

	Leasehold Land RM'000	Plant, Machineries and Equipment RM'000	Motor Vehicles RM'000	Factory Building RM'000	Total RM'000
Group					
Carrying amount					
At 1 January 2020	21,028	9,480	1,814	3,455	35,777
Additions	–	409	669	–	1,078
Transfer to property, plant and equipment	–	(5,152)	(732)	–	(5,884)
Depreciation	(677)	(588)	(481)	(73)	(1,819)
At 31 December 2020	20,351	4,149	1,270	3,382	29,152
Additions	–	–	315	–	315
Transfer to property, plant and equipment	–	(3,717)	–	–	(3,717)
Depreciation	(676)	(121)	(494)	(73)	(1,364)
At 31 December 2021	19,675	311	1,091	3,309	24,386

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(a) Right of use assets (Continued)

The Group and the Company lease several assets and the information about leases of the Group and the Company as lessee are presented below: (Continued)

	Leasehold Land RM'000	Plant, Machineries and Equipment RM'000	Motor Vehicles RM'000	Total RM'000
Company				
Carrying amount				
At 1 January 2020	3,355	1,221	1,270	5,846
Additions	–	409	247	656
Transfer to property, plant and equipment	–	(1,125)	(579)	(1,704)
Depreciation	(44)	(56)	(260)	(360)
At 31 December 2020	3,311	449	678	4,438
Additions	–	–	315	315
Transfer to property, plant and equipment	–	(16)	–	(16)
Depreciation	(44)	(122)	(311)	(477)
At 31 December 2021	3,267	311	682	4,260

(i) Lease terms

The leasehold land and buildings generally have lease terms between 87 to 91 years.

Plant, machineries and equipment and motor vehicles have lease terms between 3 to 5 years and have options to purchase the assets at the end of contract term.

The lease for factory building has lease term of 10 years, with option to extend for 40 years until year 2067.

(ii) Assets pledged as security

The leasehold land is pledged to licensed bank as security for credit facilities granted to the Group and the Company as disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current				
Lease liabilities (secured)	524	1,647	379	427
Lease liabilities (unsecured)	24	22	–	–
	548	1,669	379	427
Non-current				
Lease liabilities (secured)	623	872	381	549
Lease liabilities (unsecured)	3,441	3,464	–	–
	4,064	4,336	381	549
	4,612	6,005	760	976

The lease liabilities of the Group and the Company bear interest at rates ranging from 2.15% to 3.50% (2020: 2.19% to 4.55%) per annum respectively.

The future minimum lease payments under lease liabilities together with the present value of net minimum lease payments are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Future minimum lease payments				
- not later than one year	753	1,909	412	465
- later than one year and not later than five years	1,559	1,833	404	582
- later than five years	7,080	7,260	–	–
Total minimum lease payments	9,392	11,002	816	1,047
Less: Future finance charges	(4,780)	(4,997)	(56)	(71)
Present value of minimum lease liabilities	4,612	6,005	760	976
Analysis of present value lease liabilities:				
Current				
- not later than one year	548	1,669	379	427
Non-current				
- later than one year and not later than five years	758	973	381	549
- later than five years	3,306	3,363	–	–
	4,612	6,005	760	976

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities (Continued)

Obligations under lease liabilities arrangement

(i) Certain lease liabilities arrangements of the Group are secured by joint and several guarantee by the directors of the Company.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2021	**2020**
	RM'000	**RM'000**
At cost		
Unquoted shares	41,960	41,960
Loans that are part of net investment	21,020	19,894
	62,980	61,854
Less: Accumulated impairment loss	(1,521)	–
	61,459	61,854

Loans that are part of net investments represent amount owing by subsidiaries which are non-trade in nature, unsecured and non-interest bearing. The settlement of the amount is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as long-term source of capital to the subsidiary. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment loss, if any.

The details of the subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Effective ownership interest/voting rights 2021 %	2020 %	Principal activities
HeveaPac Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading of ready-to-assemble furniture.
HeveaMart Sdn. Bhd.	Malaysia	100	100	Trading of particleboards and other panel boards.
BocoWood Sdn. Bhd.	Malaysia	100	100	Distribution and marketing of ready-to-assemble furniture.
HeveaGro Sdn. Bhd.	Malaysia	100	100	Cultivation and trading of gourmet fungi.
Hevea OSB Sdn. Bhd.	Malaysia	100	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN ASSOCIATE

	Group 2021 RM'000	Group 2020 RM'000
Unquoted shares, at cost		
At 1 January	249	–
Additions	83	249
At 31 December	332	249
Share of results		
At 1 January	1	–
Additions	108	1
At 31 December	109	1
	441	250

The associate is accounted for using the equity method in the consolidated financial statements.

Details of associate are as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %	Principal Activity
Satria Megajuta Sdn. Bhd. *	Malaysia	33	33	Operation of generation facilities that produce electric energy

* *The financial statements of the associate is not audited by Messrs Baker Tilly Monteiro Heng PLT.*

On 5 January 2021, the issued and paid up capital of Satria Megajuta Sdn. Bhd. were increased from RM1,000,000 to RM1,250,000 and HeveaPac Sdn. Bhd. acquired additional 82,500 ordinary shares for a cash consideration of RM82,500.

On 4 December 2020, HeveaPac Sdn. Bhd. acquired 300,000 ordinary shares in the share capital of Satria Megajuta Sdn. Bhd. ("Satria"), representing 33% equity interest in Satria for a purchase consideration of RM248,330.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

8. INVESTMENT IN ASSOCIATE (CONTINUED)

The Group's share of the results of associate was based on the unaudited management account of this associate as at 31 December 2021. The Group has considered the effect of significant transactions or events that occurred between latest available financial statements and the unaudited management account of this associate as at 31 December 2021.

The following table illustrates the summarised financial information of the Group's associate, adjusted for any differences in accounting policies and reconcilies the information to the carrying amount of the Group's interest in the associate:

	2021 RM'000	2020 RM'000
Group		
Assets and liabilities		
Non-current assets	4,006	1,746
Current assets	749	23
Non-current liabilities	(3,331)	–
Current liabilities	(84)	(1,005)
Net assets	1,340	764
Results:		
Profit for the financial year/period	326	4
Reconciliation of net assets to carrying amount:		
Group's share of net assets	441	252
Fair value adjusments	–	(2)
Carrying amount in the statements of financial position	441	250
Group's share of results:		
Group's share of profit for the financial year/period	108	1
Group's share of other comprehensive income	–	–
Group's share of total comprehensive income	108	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. GOODWILL ON CONSOLIDATION

	Group	
	2021 RM'000	2020 RM'000
At cost		
At 1 January/ 31 December	2,946	2,946

Goodwill on consolidation has been allocated to the Group's cash generating units ("CGUs") identified according to business segments as follows:

	Group	
	2021 RM'000	2020 RM'000
Ready-to-assemble products segment:		
Manufacturing segment	2,666	2,666
Trading segment	280	280
	2,946	2,946

The recoverable amounts of cash-generating units ("CGUs") in ready-to-assemble products segment are determined based on value-in-use calculations using cash flows projections on financial budgets approved by management covering a 5 years period. The cash flows were projected by the directors based on past experiences, actual operating results and the 5 years business plan. A pre-tax discount rate of 14% to 16% was used in determining the value-in-used.

The key assumptions used for value-in-use calculations are:

- The revenue in the cash flows projection is expected to increase in 2022 due to the COVID-19 pandemic are in the recovering stage and business operations returning normal activities which foresee positive impact on subsidiaries' operations and their financial position and the expected revenue growth rate of 5% to 30% per annum in 2022 to 2026.
- The budgeted gross margin is based on the estimated selling prices, fixed and variable costs, adjusted for market conditions and economic conditions and internal resource efficiency. The budgeted gross margin used is 5% to 6% and 27% for manufacturing segment and trading segment respectively.
- The discount rate used is pre-tax and reflect specific risk relating to the industry.

The value assigned to the key assumptions represents directors' assessment on the future trends of the Ready-to-Assemble Furniture Industry and are based on both external and internal sources.

Sensitivity to changes in assumptions

There are no reasonable possible changes in key assumptions which would cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

10. DEFERRED TAX ASSETS/(LIABILITIES)

Presented after appropriate offsetting as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets	4,077	4,077	4,077	4,077
Deferred tax liabilities	(6,060)	(6,064)	–	–
	(1,983)	(1,987)	4,077	4,077

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	(1,987)	(1,987)	4,077	4,077
Recognised in profit or loss (Note 25)	4	–	–	–
At 31 December	(1,983)	(1,987)	4,077	4,077

(i) *Recognised deferred tax liabilities*

Deferred tax liabilities of the Group's relate to the following:

	Group	
	2021 RM'000	2020 RM'000
Deferred tax liabilities		
Property, plant and equipment	(6,060)	(6,064)

(ii) *Recognised deferred tax assets*

Deferred tax assets of the Group and of the Company relate to the following:

	Group and Company	
	2021 RM'000	2020 RM'000
Deferred tax assets		
Investment tax allowance	4,077	4,077

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

(iii) Unrecognised deferred tax assets

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

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Taxable temporary difference				
Excess of carrying amount over corresponding tax written down value	(53,367)	(50,201)	(16,638)	(14,599)
Unabsorbed allowances on:				
- investment tax allowances	157,918	174,992	157,918	174,992
- reinvestment allowance	5,019	5,019	2,633	2,633
Unused tax losses	5,256	4,803	1,327	1,327
Unused capital allowance	13,640	6,638	–	–
	128,466	141,251	145,240	164,353
Potential deferred tax assets not recognised at 24% (2020: 24%)	30,832	33,900	34,858	39,445

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendment to Section 44(5F) of Income Tax Act 1967, the time limit on the carried forward unused tax losses has been extended to maximum 10 consecutive years. This amendment is deemed to have effect for the year of assessment 2019 and subsequent year of assessment.

Any unused tax losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2028).

The unused tax losses are available for offset against future taxable profits of the Group and of the Company up to the following financial years:

	Group RM'000	Company RM'000
Year of assessment		
2028	2,389	1,327
2029	1,343	–
2030	1,066	–
2031	458	–
	5,256	1,327

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVENTORIES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost				
Consumables and spare parts	13,550	14,151	13,550	14,151
Raw materials	47,055	47,837	3,252	6,696
Work-in-progress	6,598	5,491	17	17
Finished goods	55,620	27,151	31,915	15,193
	122,823	94,630	48,734	36,057

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Recognised in profit and loss:				
Inventories recognised as cost of sales	157,288	141,783	99,748	83,502
Inventories written off	2,240	1,629	2,015	1,629

12. BIOLOGICAL ASSET

The biological asset of the Group consists of gourmet fungi.

	Group	
	2021 RM'000	2020 RM'000
Gourmet fungi		
Carrying amounts		
At 1 January	584	652
Fair value changes	30	(68)
At 31 December	614	584

The biological asset of the Group comprises of fungi prior to harvest. The valuation model adopted by the Group had taken into consideration the present value of the net cash flows expected to be generated from the sale of fungi.

To arrive at the fair value of fungi, based on management's assumption, the net cash flow generated from the fungi to be 7 weeks prior to harvest was used for valuation purpose.

The change in fair value of the biological asset in each accounting period is recognised in profit or loss.

The Group's biological asset was fair valued within Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. BIOLOGICAL ASSET (CONTINUED)

The key assumption used in determine the fair value are as follows:

	Group	
	2021	2020
Gourmet fungi		
Selling price per kg (RM/kg)	12 to 15	12 to 15
Yield per bag (gram)	240 to 255	240 to 255

A 10% increase/decrease in the average selling price (RM/kg) result in the following to the fair value of the biological asset:

	Group	
	2021 RM'000	2020 RM'000
Sensitivity analysis:		
Increase by 10%	126	110
Decrease by 10%	(126)	(110)

Highest and best use

In estimating the fair value of the fungi, the highest and best use of the growing produce is their current use.

13. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current					
Trade					
Trade receivables		23,665	31,613	13,181	12,734
Amount owing by subsidiaries		–	–	6,206	11,216
		23,665	31,613	19,387	23,950
Less: Impairment loss		(86)	–	–	–
Trade receivables, net	(i)	23,579	31,613	19,387	23,950
Non-trade					
Other receivables		2,530	1,834	1,152	2,879
Refundable deposits		564	349	117	116
Amount owing by subsidiaries	(ii)	–	–	133	385
Other receivables, net		3,094	2,183	1,402	3,380
Total trade and other receivables		26,673	33,796	20,789	27,330

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Trade receivables are non-interest bearing and normal trade credit terms offered by the Group and the Company ranging from 30 to 90 days (2020: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

The movement in the impairment loss on trade receivables is as follows:

	Group	
	2021 RM'000	2020 RM'000
At 1 January	–	–
Charge for the financial year		
- Individually assessed	86	–
At 31 December	86	–

The information about the credit exposures are disclosed in Note 32(b)(i) to the financial statements.

Included in the trade receivables of the Group are amounts totalling RM10,664,064 (2020: RM14,284,299) due from 3 (2020: 2) of its significant receivables.

(ii) Amount owing by subsidiaries are unsecured, non-interest bearing and repayable on demand and are expected to be settled in cash.

14. OTHER INVESTMENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current:				
Financial assets at fair value through profit or loss ("FVPL")				
- Unquoted money market fund	18,025	73,000	2,988	35,000
- Unquoted securities in equity and income trust funds	1,153	2,808	535	1,240
	19,178	75,808	3,523	36,240

The other investment are funds invested mainly in money market, fixed income instruments, income trust and equity trust funds which are managed by the investment bank and licensed fund management company.

The fair value measurements for the unquoted investments have been categorised as Level 1 fair value of which is determined directly by reference to prices provided by the investment banks and licensed fund management company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term deposits placed with licensed banks	75,892	33,064	45,000	5,000
Cash and bank balances	25,610	19,033	18,237	12,091
	101,502	52,097	63,237	17,091

The interest rate as at the reporting date and the remaining maturities of the Group's and the Company's short-term deposits placed with licensed banks are as follows:

	Group and Company	
	2021	2020
Interest rate (%) (per annum)	1.08 - 2.11	1.08 - 3.55
Average maturities (months)	1 to 3	1 to 3

16. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2021 '000 unit	2020 '000 unit	2021 RM'000	2020 RM'000
Issued and fully paid up:				
Ordinary shares:				
At 1 January	567,746	564,631	160,215	159,429
Issued during the financial year	–	3,115	–	786
At 31 December	567,746	567,746	160,215	160,215

The holder of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. TREASURY SHARES

	Group and Company			
	Number of ordinary shares		Amount	
	2021 '000 unit	2020 '000 unit	2021 RM'000	2020 RM'000
At 1 January	1,878	1,276	1,613	1,438
Shares repurchased during the financial year	2	602	1	175
At 31 December	1,880	1,878	1,614	1,613

The details of shares repurchased during the financial year are as follows:

Shares repurchased	Number of shares repurchased '000 unit	Total consideration RM'000
March 2021	1	*
October 2021	1	*
	2	1

* Represent amount less than RM1,000.

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company.

The share repurchases made to-date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

For the financial year ended 31 December 2021, the Company repurchased 2,000 shares from its issued shares from the open market. The average price paid for the shares repurchased was RM0.5375.

At 31 December 2021, the Company's treasury shares are held at a carrying amount of RM1,613,983 (2020:RM1,612,908).

There was no resale, cancellation or distribution of treasury shares during the financial year.

18. RETAINED EARNINGS

The Company will be able to distribute dividends out of its entire retained earnings under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. PROVISIONS FOR RETIREMENT BENEFITS

The movement in provision for retirement benefits of the Group are as follows:

	Group	
	2021 RM'000	2020 RM'000
At 1 January	–	431
Reversed during the financial year	–	(431)
At 31 December	–	–

The Group established an unfunded defined benefit plan for key management personnel since the financial year ended 31 December 2004. Under the scheme, eligible employees are entitled to retirement benefits of one month salary for every completed year of service, calculated from the date of probationary appointment until the date of resignation, termination, retrenchment, retirement, death or incapability of personnel.

The accumulated retirement benefits of a subsidiary of the Group up to 31 March 2014 will be paid by the subsidiary into a designated fixed deposit account as disclosed in Note 15 to the financial statements and such amount shall only be paid to the employee upon his/her retirement together with the interest earned.

20. LOANS AND BORROWINGS

	Group	
	2021 RM'000	2020 RM'000
Current (secured)		
Term loan	2,047	2,047
Non-current (secured)		
Term loan	3,386	5,433
Total loans and borrowings	5,433	7,480
Current:		
- repayable within one year	2,047	2,047
Non-current:		
- not later than two years	2,047	2,047
- later than two years and not later than five years	1,339	3,386
	3,386	5,433
	5,433	7,480

20. LOANS AND BORROWINGS (CONTINUED)

(i) The loans and borrowings at the end of the reporting period are bearing interest rate as follows:

	Group	
	2021 %	2020 %
Term loan	3.46 - 3.54	3.57 - 4.96

(ii) The term loan is secured by:

(a) fixed charges over certain property, plant and equipment and right-of-use assets of the Group, as disclosed in Note 5 and Note 6(a) to the financial statements;

(b) fixed charges over certain properties of a substantial corporate shareholder;

(c) fixed charges over leasehold land of the Group, as disclosed in Note 6(a) to the financial statements; and

(d) corporate guarantees by the Company given to the financial institutions for credit facilities granted to a subsidiary company.

21. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current					
Trade					
Trade payables	(i)	45,252	38,946	25,913	21,729
Non-trade					
Other payables		24,021	14,455	8,752	3,118
Dividend payable		–	2,829	–	2,829
Accrued operating expenses		18,951	20,679	7,587	7,678
Amount owing to subsidiaries	(ii)	–	–	6,224	6,246
		42,972	37,963	22,563	19,871
Total trade and other payables		88,224	76,909	48,476	41,600

(i) The normal trade credit term granted to the Group and the Company range from 30 to 90 days (2020: 30 to 90 days).

(ii) The amount owing to subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contract customers:				
Sale of goods	370,864	388,640	182,469	166,460
Timing of revenue recognition:				
At a point in time	370,864	388,640	182,469	166,460

(a) Disaggregation of revenue

The Group and the Company report the following major segments: particleboard, ready-to-assemble furniture, and cultivation and trading of gourmet fungi in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into primary geographical markets, major goods or services, timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

The information on disaggregation of revenue into primary geographical markets is disclosed in Note 31 to the financial statements.

23. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expenses on:				
- lease liabilities	312	493	47	42
- financing without recourse	37	87	37	87
- term loan	238	351	–	–
- other	5	20	5	5
	592	951	89	134

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. (LOSS)/PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
After charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	149	147	66	65
- under provision in prior year	1	6	1	–
- Non-statutory audit	75	77	75	77
Depreciation for:				
- Property, plant and equipment	27,859	27,071	16,804	16,972
- Right-of-use assets	1,364	1,819	477	360
Directors' remunerations:				
• Directors of the Company				
- Directors' allowances	177	224	177	224
- Directors' fees	906	880	906	880
- Directors' emoluments:				
- salaries and bonus	2,140	2,036	2,140	2,036
- defined contribution plan	492	484	492	484
- other benefits	28	28	28	28
• Directors of the subsidiaries				
- Directors' emoluments:				
- salaries and bonus	1,765	1,782	–	–
- defined contribution plan	413	406	–	–
- other benefits	145	746	–	–
Expenses relating to short-term leases	479	370	340	344
Fair value loss/(gain) on other investments	40	(142)	7	(91)
Impairment loss on:				
- investment in subsidiaries	–	–	1,521	–
- trade receivables	86	–	–	–
Inventories written off	2,240	1,629	2,015	1,629
Net realised foreign exchange (gain)/loss	(423)	(94)	285	(132)
Net unrealised foreign exchange (gain)/loss	(282)	88	(92)	44
Property, plant and equipment written off	7	2	*	–
Staff costs:				
- salaries, wages and bonuses	75,339	76,252	16,753	16,729
- defined contribution plan	3,107	2,984	1,606	1,554
- other staff related expenses	7,751	6,250	1,496	1,679

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax: (Continued)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
After crediting:				
Bad debts recovered	(23)	–	–	–
Dividend income	(13)	(3)	(13)	(5,603)
Gain on disposal of property, plant and equipment	–	(82)	–	–
Interest income	(1,822)	(2,611)	(721)	(941)
Reversal of provision for retirement benefits	–	(431)	–	–

* Represent amount less than RM1,000.

The estimated monetary value of benefits-in-kind received and receivable by a director other than cash from the Company amounted to RM28,000 (2020: RM28,000).

25. INCOME TAX EXPENSE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Statements of comprehensive income				
Income tax				
- Current income tax charge	(404)	(911)	(93)	(74)
- Adjustment in respect of prior years	(198)	(530)	(4)	(4)
	(602)	(1,441)	(97)	(78)
Deferred tax (Note 10)				
- Adjustment in respect of prior years	4	–	–	–
	4	–	–	–
Income tax expense recognised in profit or loss	(598)	(1,441)	(97)	(78)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. INCOME TAX EXPENSE (CONTINUED)

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(Loss)/Profit before tax	(565)	17,805	4,813	13,807
Tax at Malaysian statutory income tax rate of 24% (2020: 24%)	136	(4,273)	(1,155)	(3,314)
Tax effects arising from:				
- non-deductible expenses	(3,832)	(4,421)	(3,528)	(3,739)
- non-taxable income	198	385	3	1,543
- utilisation of previously unrecognised tax losses and capital allowances	3,068	7,398	4,587	5,436
- share of results of associate	26	*	–	–
- adjustment in respect of prior years income tax of prior years				
- income tax	(198)	(530)	(4)	(4)
- deferred tax	4	–	–	–
Income tax expense	(598)	(1,441)	(97)	(78)

* Represent by amount less than RM1,000.

26. (LOSS)/EARNINGS PER SHARE

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

Basic (loss)/earnings per share are based on the (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2021	2020
(Loss)/Profit for the financial year attributable to owners of the Company (RM'000)	(1,163)	16,364
Weighted average number of ordinary shares for basic earnings per share ('000 units)	565,866	565,868
Basic (loss)/earnings per ordinary share (sen)	(0.21)	2.89

(b) Diluted (loss)/earnings per ordinary share

The diluted (loss)/earnings of the Group is equivalent to the (loss)/earnings basic per ordinary shares of the Group as the Company has no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. DIVIDENDS

	Company	
	2021 RM'000	2020 RM'000
Recognised during the financial year:		
Single-tier third interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 9 April 2021	2,829	–
Single-tier final dividend of 0.75 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 29 July 2021	4,244	–
Single-tier third interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019, paid on 10 April 2020	–	5,661
Single-tier final dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019, paid on 9 July 2020	–	5,660
Single-tier first interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 9 October 2020	–	2,829
Single-tier second interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 8 January 2021	–	2,829
	7,073	16,979

At the forthcoming Annual General Meeting, a single tier final dividend of 1.00 sen (2020: 0.75 sen) per ordinary share, approximately to RM5.66 million (2020: RM4.24 million) in respect of the current financial year, based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 31 December 2021, will be proposed for the shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

28. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) subsidiaries;
(ii) associate;
(iii) the key management personnel of the Group's and the Company's holding company, comprise person (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly; and
(iv) entities controlled by certain key management personnel, directors and/or substantial shareholders, namely HeveaWood Industries Sdn. Bhd. and Gemas Ria Sdn. Bhd.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Company	
	2021	**2020**
	RM'000	**RM'000**
Dividend income from subsidiaries		
- HeveaPac Sdn. Bhd.	–	5,000
- BocoWood Sdn. Bhd.	–	600
Sales to subsidiaries		
- HeveaPac Sdn. Bhd.	36,209	39,139
Purchase from a subsidiary		
- HeveaPac Sdn. Bhd.	(164)	(167)
Contract manufacturing income		
- HeveaPac Sdn. Bhd.	192	198
Rental expense		
- HeveaWood Industries Sdn. Bhd.	(180)	(135)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

The remuneration of key management personnel, which includes the directors' remuneration, is disclosed as follows:

	Group and Company	
	2021 RM'000	2020 RM'000
Short term employees benefits payable to key management personnel:		
- salaries and bonus	3,529	3,222
- defined contribution plans	787	724
- other benefits	28	63
	4,344	4,009

29. DIRECTORS' REMUNERATION

The aggregate amount of remuneration received and receivable by the directors of the Group and the Company during the financial year are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors of the Company				
Executive Directors:				
- salaries, bonus and defined contribution plans	2,795	2,596	2,738	2,596
Non-executive Directors:				
- fees	906	880	906	880
- other emoluments	99	176	99	176
	1,005	1,056	1,005	1,056
Total Directors' remuneration	3,800	3,652	3,743	3,652

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Retirement benefits for Executive Directors	179	171	179	171

30. CAPITAL COMMITMENT

The outstanding commitment in respect of capital expenditure incurred on property, plant and equipment of the Group are as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
In respect of capital expenditure:		
- approved and contracted for	23,545	2,776

31. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments*. Operating segments are prepared in a manner consistent with the internal reporting provided to the Board of directors/respective Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group's operating segments are classified according to the nature of activities as follows:

Particleboards segment	:	Involved in the business of manufacturing and trading of particleboards and other panel boards;
Ready-to-assemble product segment	:	Involved in the business of manufacturing and trading of ready-to-assemble furniture;
Cultivation and trading of gourmet fungi segment	:	Involved in the business of cultivation and trading of gourmet fungi; and
Others	:	Investment holding.

The Board of directors/respective Executive Committee assess the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly tax refundable, tax payable and deferred tax assets/(liabilities).

Segment profit

Segment performance is used to measure performance as Board of directors/respective Executive Committee believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total segment asset is measured based on all assets of a segment, as included in the internal reports that are reviewed by the Board of directors/respective Executive Committee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SEGMENT INFORMATION (CONTINUED)

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the Board of directors/respective Executive Committee, hence no disclosures are made on segment liabilities.

Group 2021	Particle-boards RM'000	Ready-to-assemble products RM'000	Cultivation and trading of gourmet fungi RM'000	Others RM'000	Eliminations RM'000		Total RM'000
REVENUE							
External revenue	146,260	221,209	3,395	–	–		370,864
Inter-segment revenue	36,209	8,734	–	–	(44,943)	A	–
Total revenue	182,469	229,943	3,395	–	(44,943)		370,864
RESULTS							
Segment results	4,902	(5,117)	(1,236)	(16)	1,386	B	(81)
Finance costs	(89)	(343)	(160)	–	–		(592)
Share of result associate, net of tax	–	–	–	–	108		108
Segment profit/(loss)	4,813	(5,460)	(1,396)	(16)	1,494		(565)
Income tax expense	(97)	(501)	–	–	–		(598)
Profit/(loss) after tax	4,716	(5,961)	(1,396)	(16)	1,494		(1,163)
Non-controlling interests	–	–	–	–	–		–
Profit/(loss) attributable to owners of the Company	4,716	(5,961)	(1,396)	(16)	1,494		(1,163)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	312,760	250,535	18,109	6,001	(72,005)	C	515,400
Unallocated corporate assets							11,074
Total assets							526,474
OTHER INFORMATION							
Capital expenditure	2,083	8,063	150	–	–		10,296
Depreciation and amortisation	17,281	11,171	771	–	–		29,223
Non-cash items other than depreciation and amortisation	1,930	144	(6)	–	–	D	2,068

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SEGMENT INFORMATION (CONTINUED)

Group 2020	Particle-boards RM'000	Ready-to-assemble products RM'000	Cultivation and trading of gourmet fungi RM'000	Others RM'000	Eliminations RM'000		Total RM'000
REVENUE							
External revenue	127,321	259,292	2,027	–	–		388,640
Inter-segment revenue	39,139	8,518	–	–	(47,657)	A	–
Total revenue	166,460	267,810	2,027	–	(47,657)		388,640
RESULTS							
Segment results	13,941	12,122	(1,529)	(28)	(5,751)	B	18,755
Finance costs	(134)	(654)	(163)	–	–		(951)
Share of result associate, net of tax	–	–	–	–	1		1
Segment profit/(loss)	13,807	11,468	(1,692)	(28)	(5,750)		17,805
Income tax expense	(78)	(1,363)	–	–	–		(1,441)
Profit/(Loss) after tax	13,729	10,105	(1,692)	(28)	(5,750)		16,364
Non-controlling interests	–	–	–	–	–		–
Profit/(Loss) attributable to owners of the Company	13,729	10,105	(1,692)	(28)	(5,750)		16,364
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	308,456	264,264	18,622	6,019	(80,469)	C	516,892
Unallocated corporate assets							10,001
Total assets							526,893
OTHER INFORMATION							
Capital expenditure	3,786	5,844	190	–	–		9,820
Depreciation and amortisation	17,332	10,824	734	–	–		28,890
Non-cash items other than depreciation and amortisation	1,582	(74)	(13)	–	–	D	1,495

Segment assets comprise total current and non-current assets, less tax recoverable and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SEGMENT INFORMATION (CONTINUED)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements are as follows:

A Inter-segment revenue are eliminated on consolidation.

B Reconciliation of profit or loss

	2021 RM'000	2020 RM'000
Dividend income	–	(5,600)
Unrealised profits on inventories	(135)	(151)
Impairment loss on investment in subsidiaries	1,521	–
	1,386	(5,751)

C Reconciliation of assets

	2021 RM'000	2020 RM'000
Investment in subsidiaries	(61,459)	(61,854)
Inter-segment assets	(10,546)	(18,615)
	(72,005)	(80,469)

D Non-cash items consist of:

	2021 RM'000	2020 RM'000
Bad debts recovered	(23)	–
Fair value loss/(gain) on other investments	40	(142)
Gain on disposal of property, plant and equipment	–	(82)
Impairment losses on trade receivables	86	–
Inventories written off	2,240	1,629
Net unrealised foreign exchange (gain)/loss	(282)	88
Property, plant and equipment written off	7	2
	2,068	1,495

31. SEGMENT INFORMATION (CONTINUED)

Geographical information

In presenting the information on the basis of geographical segments, segment revenue and non-current assets are based on the geographical location of customers.

	Revenue RM'000	Non-current assets* RM'000
31 December 2021		
Japan	183,276	–
China	35,922	–
Philiphines	30,018	–
Korea	29,563	–
Malaysia	24,854	238,471
India	12,129	–
United States of America	8,902	–
France	8,240	–
Hong Kong	7,711	–
Australia	4,796	–
United Arab Emirates	4,303	–
Singapore	3,772	–
Others	17,378	–
	370,864	238,471
31 December 2020		
Japan	215,784	–
China	50,431	–
Korea	23,635	–
Philiphines	21,025	–
India	17,490	–
Malaysia	10,119	257,214
France	8,871	–
United Arab Emirates	7,800	–
Australia	5,935	–
Hong Kong	5,859	–
Others	21,691	–
	388,640	257,214

* Excluded financial instruments and deferred tax assets.

Major customers

Two major customers with revenue equal to or more than 10% of Group's revenue, amounted to approximately RM135,262,303 (2020: RM172,355,883) arising from particleboards and ready-to-assemble furniture segments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Fair value through profit or loss ("FVPL")
(ii) Amortised cost ("AC")

	Carrying amount RM'000	AC RM'000	FVPL RM'000
At 31 December 2021			
Financial assets			
Group			
Trade and other receivables	26,673	26,673	–
Other investments	19,178	–	19,178
Cash and short-term deposits	101,502	101,502	–
	147,353	128,175	19,178
Company			
Trade and other receivables	20,789	20,789	–
Other investments	3,523	–	3,523
Cash and short-term deposits	63,237	63,237	–
	87,549	84,026	3,523
Financial liabilities			
Group			
Trade and other payables	88,224	88,224	–
Loans and borrowings	5,433	5,433	–
	93,657	93,657	–
Company			
Trade and other payables	48,476	48,476	–
	48,476	48,476	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: (Continued)

	Carrying amount RM'000	AC RM'000	FVPL RM'000
At 31 December 2020			
Financial assets			
Group			
Trade and other receivables	33,796	33,796	–
Other investments	75,808	–	75,808
Cash and short-term deposits	52,097	52,097	–
	161,701	85,893	75,808
Company			
Trade and other receivables	27,330	27,330	–
Other investments	36,240	–	36,240
Cash and short-term deposits	17,091	17,091	–
	80,661	44,421	36,240
Financial liabilities			
Group			
Trade and other payables	76,909	76,909	–
Loans and borrowings	7,480	7,480	–
	84,389	84,389	–
Company			
Trade and other payables	41,600	41,600	–
	41,600	41,600	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

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

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The information on credit risk concentration is disclosed in Note 13 to the financial statements.

The Group and the Company apply the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected losses provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

Credit risk concentration profile (Continued)

The information about the credit risk exposure on the Group's and the Company's trade receivables are as follows:

	Current RM'000	1-30 days past due RM'000	> 30 days past due RM'000	Total RM'000
Group				
At 31 December 2021				
Gross carrying amount	16,738	4,029	2,898	23,665
Impairment losses	–	–	(86)	(86)
At 31 December 2020				
Gross carrying amount	20,731	6,270	4,612	31,613
Company				
At 31 December 2021				
Gross carrying amount	7,830	2,800	2,551	13,181
At 31 December 2020				
Gross carrying amount	4,816	4,400	3,518	12,734

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Australia	–	197	–	–
China	6,025	7,998	5,351	7,998
Europe	211	631	–	–
Hong Kong	–	166	–	–
India	4,194	2,258	4,194	2,258
Japan	5,994	13,603	–	–
Korea	2,001	1,141	2,001	1,141
Malaysia	3,403	3,564	479	643
United Arab Emirates	363	442	774	273
United State of America	775	854	–	–
Others	613	759	382	421
	23,579	31,613	13,181	12,734

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Other receivables and other financial assets

For other receivables and other financial assets (including other investments and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

The Group and the Company consider the other receivables and financial assets to have low credit risk. At the end of the reporting date, the Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets.

Refer to Note 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks for credit facilities granted to certain subsidiaries and borrowings granted to an associate. The amount related to the corporate guarantee provided by the Group are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Corporate guarantee given to:		
- Bank for banking facilities granted to subsidiaries	5,433	7,885
- Bank for borrowings granted to an associate	1,099	1,122
	6,532	9,007

The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM6,531,901 (2020: RM9,007,477) representing the maximum amount the Group could pay if the guarantees are called.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales and purchases that are denominated in a foreign currency).

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. In addition, the Group and the Company also take advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's and the Company's exposure to foreign currency (a currency which is other than currency of the Group entities) risk, based on carrying amounts as at the end of reporting period is as follows:

	Chinese Yuan RM'000	Indian Rupee RM'000	Euro Dollar RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	United States Dollar RM'000
Group						
2021						
Trade and other receivables	–	–	–	–	–	20,527
Cash and short-term deposits	30	1	–	9	–	8,780
Trade and other payables	–	–	(606)	–	–	(12,139)
	30	1	(606)	9	–	17,168
2020						
Trade and other receivables	–	–	–	–	–	25,646
Cash and short-term deposits	28	1	–	10	–	8,798
Trade and other payables	–	–	(397)	–	(52)	(1,675)
	28	1	(397)	10	(52)	32,769

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Foreign currency risk (Continued)

The Group's and the Company's exposure to foreign currency (a currency which is other than currency of the Group entities) risk, based on carrying amounts as at the end of reporting period is as follows: (Continued)

	Chinese Yuan RM'000	Indian Rupee RM'000	Euro Dollar RM'000	Japanese Yen RM'000	United States Dollar RM'000
Company					
2021					
Trade and other receivables	–	–	–	–	13,140
Cash and short-term deposits	28	1	–	9	1,899
Trade and other payables	–	–	(122)	–	(2,535)
	28	1	(122)	9	12,504
2020					
Trade and other receivables	–	–	–	–	12,102
Cash and short-term deposits	26	1	–	10	2,701
Trade and other payables	–	–	(152)	–	(166)
	26	1	(152)	10	14,637

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Group		Company	
	2021 Increase/ (Decrease) RM'000	**2020 Increase/ (Decrease) RM'000**	**2021 Increase/ (Decrease) RM'000**	**2020 Increase/ (Decrease) RM'000**
Effects on profit or loss and equity				
Chinese Yuan:				
- strengthened by 10%	2	2	2	2
- weakened by 10%	(2)	(2)	(2)	(2)
Euro Dollar:				
- strengthened by 10%	(46)	(30)	(9)	(12)
- weakened by 10%	46	30	9	12
Japanese Yen:				
- strengthened by 10%	1	1	1	1
- weakened by 10%	(1)	(1)	(1)	(1)
Singapore Dollar:				
- strengthened by 10%	–	(4)	–	–
- weakened by 10%	–	4	–	–
United States Dollar:				
- strengthened by 10%	1,288	2,490	950	1,112
- weakened by 10%	(1,288)	(2,490)	(950)	(1,112)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	After 5 years RM'000	Total RM'000
Group					
Financial liabilities					
2021					
Trade and other payables	88,224	88,224	–	–	88,224
Loans and borrowings	5,433	2,196	3,483	–	5,679
Lease liabilities	4,612	753	1,559	7,080	9,392
	98,269	91,173	5,042	7,080	103,295
2020					
Trade and other payables	76,909	76,909	–	–	76,909
Loans and borrowings	7,480	2,371	5,800	–	8,171
Lease liabilities	6,005	1,909	1,833	7,260	11,002
	90,394	81,189	7,633	7,260	96,082

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Liquidity risk (Continued)

Maturity analysis (Continued)

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows: (Continued)

		Contractual cash flows			
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	After 5 years RM'000	Total RM'000
Company					
Financial liabilities					
2021					
Trade and other payables	48,476	48,476	–	–	48,476
Lease liabilities	760	412	404	–	816
Financial guarantee contracts	–	6,532	–	–	6,532
	49,236	55,420	404	–	55,824
2020					
Trade and other payables	41,600	41,600	–	–	41,600
Lease liabilities	976	465	582	–	1,047
Financial guarantee contracts	–	9,007	–	–	9,007
	42,576	51,072	582	–	51,654

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an on-going basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

Exposure to interest rate risk

The Group's and the Company's exposure to interest rate risk arises primarily from their short-term deposits placed with licensed banks, lease liabilities (secured) and loans and borrowings.

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

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Fixed rate instruments				
Financial liability				
Lease liabilities	4,612	6,005	760	976
Financial asset				
Short-term deposits placed with licensed banks	75,892	33,064	45,000	5,000
Floating rate instruments				
Financial liability				
Loans and borrowings	5,433	7,480	–	–

Financial instruments at fixed rates are fixed until the maturity of the instruments.

<u>*Sensitivity analysis for interest rate risk*</u>

Fair value sensitivity analysis for fixed rate instruments

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iv) Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Profit or loss and Equity			
	2021		2020	
	Increase 1% RM'000	Decrease 1% RM'000	Increase 1% RM'000	Decrease 1% RM'000
Group				
Variable rate instruments	(41)	41	(57)	57

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowing are reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

As at 31 December 2021, the fair value of other investments as disclosed in Note 14 to the financial statements is measured under Level 1, of which is determined directly by reference to prices provided by investment banks.

There have been no transfers between Level 1 and Level 2 during the financial year (31.12.2020: no transfer in either directions).

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount RM'000	Fair value of financial instrument not carried at fair value — Fair Value			
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2021					
Financial liability					
Term loan	3,386	–	–	3,483	3,483
At 31 December 2020					
Financial liability					
Term loan	5,433	–	–	5,800	5,800

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares. No changes were made in the objectives, policies and processes during the financial year ended 31 December 2021 and 31 December 2020.

The Group and the Company monitor capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as total loan and borrowings divided by total equity.

The debt-to-equity ratio of the Group and the Company as at the end of the reporting period was as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total loan and borrowings	5,433	7,480	–	–
Equity attributable to owners of the Company	422,130	430,367	267,592	269,950
Debt-to-equity ratio (times)	0.01	0.02	–	–

There were no significant changes in the Group's and the Company's approach to capital management during the financial year.

34. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. Many countries including the Malaysian Government imposed the Movement Control Order ("MCO") to curb the spread of the COVID-19 pandemic. The COVID-19 pandemic also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

The Group and the Company have performed assessments on the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there was no material adverse effect on the financial statements for the financial year ended 31 December 2021.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2022 to be disclosed in the financial statements as impacts assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

STATEMENT BY **DIRECTORS**

(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **YOONG HAU CHUN** and **YOONG LI YEN**, being two of the directors of **HEVEABOARD BERHAD**, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 58 to 136 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 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:

____

YOONG HAU CHUN
Director

____

YOONG LI YEN
Director

Date: 28 March 2022

STATUTORY **DECLARATION**

(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)

I, **HEW MEI YING**, being the officer primarily responsible for the financial management of **HEVEABOARD BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 58 to 136 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

HEW MEI YING
MIA membership no.: 5039

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on date 28 March 2022.

Before me,

HADINUR MOHD SYARIF
License no.: W761
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HEVEABOARD BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HeveaBoard Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 136.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deferred tax assets (Note 4(a) and 10 to the financial statements)

As at 31 December 2021, the Group and the Company have recognised deferred tax asset of RM4,077,000. The unrecognised deferred tax assets of the Group and the Company amounted to RM30,832,000 and RM34,858,000 respectively. The recognition of deferred tax assets is dependent on the ability of the Group and the Company to generate sufficient future taxable profits to be utilised against the unused tax credit of the Group and of the Company.

We focused on this area because the realisation of these deferred tax assets is often dependent on the availability of future taxable profits and there are inherent uncertainties in directors' profit projections.

Our response:

Our audit procedures focus on the profit projections which included, among others:

- comparing the actual results with previous budget to understand the performance of the business and reliability of forecasting process;
- discussing the profit projections with the management and understanding the assumptions made in relation to key inputs such as growth rate, inflation rate and profit margin; and
- testing the mathematical accuracy of the profit projection calculation.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF HEVEABOARD BERHAD (CONTINUED)

Inventories (Note 4(b) and 11 to the financial statements)

As at 31 December 2021, the carrying amount of inventories held by the Group and the Company amounting of RM122,823,000 and RM48,734,000 respectively. We focused on this area because the computation and cost allocation process involves multiple inputs and significant judgement by directors and required to estimate the cost of finished goods and work-in-progress which comprise the cost of raw materials, direct labour, other direct costs and the appropriate allocation of overheads based on normal operating capacity. The valuation of these inventories at lower of cost and net realisable value by the Group and the Company are an area of significant estimate made by the directors.

Our response:

Our audit procedures included, among others:

- obtaining an understanding of the inventories valuation policy and its related processes in allocating, recording and computing the cost of inventories;
- understanding the computation of inventory costing which includes costs of raw materials, direct labour, other direct costs and other incidental costs incurred in bringing the inventories to their present location and condition;
- observing year end physical inventory count to examine physical existence; and
- checking subsequent sales and understanding the Group's and the Company's assessment in estimated the net realisable value on selected inventory items.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF HEVEABOARD BERHAD (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF HEVEABOARD BERHAD (CONTINUED)

Other Matters

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

Baker Tilly Monteiro Heng PLT	**Ong Teng Yan**
201906000600 (LLP0019411-LCA) & AF 0117	No. 03076/07/2023 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 28 March 2022

LIST OF **PROPERTIES**

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Net Book Value as at 31st December 2021 (RM'000)
HeveaBoard	Lot 1941 & 1942, Batu Tiga, Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	31,580 sq. m	**7,606**
	Lot 4577/8, Batu Tiga, Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory and Warehouse	Leasehold (Expires on 13-8-2095)	81,824 sq. m	**17,987**
	19A-10-2, Level 10, UOA Centre, No 19 Jalan Pinang 50450 Kuala Lumpur	Office	Freehold	173 sq. m	**1,805**
	Lot 4184, 4185 & 4186 Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Storage Yard for logs and wood slabs	Freehold	39,225 sq. m	**2,740**
	No 44 & 45 Jalan Pahlawan 4 Taman 73400 Gemas Negeri Sembilan Darul Khusus	Staff Quarters	Freehold	290 sq. m	**480**
Hevea OSB	Lot 1943, Batu Tiga Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Vacant Land	Freehold	20,234 sq. m	**1,429**
HeveaPac	PT 414, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan	Factory Buildings and Office Blocks	Leasehold (Expires on 22-1-2047)	39,659 sq. m	**11,923**
	PT 406, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Factory Buildings and Office Blocks	Leasehold (Expires on 24-3-2046)	40,468 sq. m	**13,344**
	PT 403, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Warehouse Hostel	Leasehold (Expires on 21-3-2045)	21,044 sq. m	**4,864**
	PT 405, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Factory Buildings and Office Blocks	Leasehold (Expires on 7-3-2046)	31,270 sq. m	**30,596**

ANALYSIS OF **SHAREHOLDINGS**
AS AT 1 APRIL 2022

A. SHARE CAPITAL

Total Number of Issued Shares	:	565,864,681 shares*
Class of Shares	:	Ordinary shares
Voting Rights	:	Every member of the Company, present in person or by proxy or by duly authorised representative, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held
No. of Treasury Shares Held	:	1,881,000 shares

** Excluding a total of 1,881,000 shares bought back by the Company and retained as treasury shares.*

B. DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	43	0.495	1,104	*0.000
100 – 1,000	1,240	14.280	751,131	0.133
1,001 – 10,000	3,984	45.877	22,474,457	3.972
10,001 – 100,000	2,889	33.268	98,151,596	17.345
100,001 – 28,293,233 (less than 5% of issued holdings)	526	6.057	299,065,318	52.851
28,293,234 (5% of issued holdings) and above	2	0.023	145,421,075	25.699
Total	**8,684**	**100.000**	**565,864,681**	**100.000**

** Negligible*

C. SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders)

	Name	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %	
1.	HeveaWood Industries Sdn. Bhd.	116,740,290	20.630	4,049,600	0.716	@
2.	Firama Holdings Sdn. Bhd.	30,294,785	5.354	135,221,890	23.897	*
3.	Tenson Holdings Sdn. Bhd.	16,231,652	2.868	165,516,675	29.250	**
4.	Mah Fah Victor Group Sdn. Bhd.	–	–	165,516,675	29.250	**
5.	Yoong Hau Chun	1,503,850	0.266	184,874,191	32.671	#
6.	Yoong Li Yen	1,672,532	0.296	183,378,841	32.407	****
7.	Yoong Tein Seng @ Yong Kian Seng	–	–	195,830,837	34.607	***
8.	Dato' Loo Swee Chew	4,292,000	0.758	121,159,890	21.411	❖
9.	Liang Chong Wai	10,400	0.0018	120,789,890	21.346	~

@ *Deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

* *Deemed interested by virtue of its substantial shareholdings in both HeveaWood Industries Sdn. Bhd. and Firama Engineering Bhd. pursuant to Section 8 of the Companies Act, 2016 ("the Act"); and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

ANALYSIS OF SHAREHOLDINGS AS AT 1 APRIL 2022 (CONTINUED)

** *Deemed interested by virtue of its substantial shareholdings in HeveaWood Industries Sdn. Bhd., Firama Holdings Sdn. Bhd. and Firama Engineering Bhd. (shareholdings held through Firama Holdings Sdn. Bhd.) pursuant to Section 8 of the Act; and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

Deemed interested by virtue of Section 8 of the Act [shareholdings held through Tenson Holdings Sdn. Bhd., a substantial shareholder of Firama Holdings Sdn. Bhd., HeveaWood Industries Sdn. Bhd. and Firama Engineering Bhd (shareholdings held through Firama Holdings Sdn. Bhd.)]; and by virtue of his family relationship with Tan Ya Ling, his spouse, Yoong Tein Seng @ Yong Kian Seng, his father and Yoong Li Yen, his sister; and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

**** *Deemed interested by virtue of her family relationship with Bailey Policarpio, her spouse, Yoong Tein Seng @ Yong Kian Seng, her father and Yoong Hau Chun, her brother; and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

*** *Deemed interested by virtue of his family relationship with Yoong Hau Chun, his son, Yoong Li Yen, Yoong Li Mian, Yoong Li Bing and Yoong Li Xian, his daughters; and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

❖ *Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 8 of the Act and by virtue of his family relationship with Loo Chin Meng, his son; and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

~ *Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 8 of the Act and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

D. DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

	Name	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
1.	Sundra Moorthi A/L V.M. Krishnasamy	7,500,000	1.325	–	–
2.	Yoong Hau Chun	1,503,850	0.266	184,874,191 (1)	32.671
3.	Yoong Li Yen	1,672,532	0.296	183,378,841 (2)	32.407
4.	Lim Kah Poon	200,000	0.035	84,000 (3)	0.015
5.	Bailey Policarpio	126,664	0.022	1,672,532 (4)	0.296
6.	Yoong Yan Pin	250,000	0.044	–	–
7.	Thye Heng Ong @ Teh Heng Ong	200,000	0.035	–	–
8.	Loo Chin Meng	370,000	0.065	4,292,000 (5)	0.758
9.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	–	–	195,830,837 (6)	34.607

ANALYSIS OF SHAREHOLDINGS AS AT 1 APRIL 2022 (CONTINUED)

(1) Deemed interested by virtue of Section 8 of the Act [shareholdings held through Tenson Holdings Sdn. Bhd., a substantial shareholder of Firama Holdings Sdn. Bhd., HeveaWood Industries Sdn. Bhd. and Firama Engineering Bhd (shareholdings held through Firama Holdings Sdn. Bhd.)]; and by virtue of his family relationship with Tan Ya Ling, his spouse, Yoong Tein Seng @ Yong Kian Seng, his father and Yoong Li Yen, his sister; and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

(2) Deemed interested by virtue of her family relationship with Bailey Policarpio, her spouse, Yoong Tein Seng @ Yong Kian Seng, her father and Yoong Hau Chun, her brother; and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

(3) Deemed interested by virtue of his family relationship with Chua Sew Yin @ Chuah Chai Ean, his spouse.

(4) Deemed interested by virtue of his family relationship with Yoong Li Yen, his spouse.

(5) Deemed interested by virtue of his family relationship with Dato' Loo Swee Chew, his father.

(6) Deemed interested by virtue of his family relationship with Yoong Hau Chun, his son, Yoong Li Yen, Yoong Li Mian, Yoong Li Bing and Yoong Li Xian, his daughters; and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS

(without aggregating the securities from different securities accounts belonging to the same depositor)

	Name	No. of Shares Held	%
1.	HeveaWood Industries Sdn. Bhd.	116,440,290	20.577
2.	Firama Holdings Sdn. Bhd.	28,980,785	5.122
3.	Tenson Holdings Sdn. Bhd.	16,231,652	2.868
4.	Chan Keng Chung	15,487,200	2.737
5.	Firama Engineering Berhad	14,450,000	2.554
6.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Yap Kiew @ Yap Chin Fook (M07)	10,438,600	1.845
7.	Lee Ka Yong	7,740,200	1.368
8.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chua Hock Gee	7,535,400	1.332
9.	Sundra Moorthi A/L V.M. Krishnasamy	7,500,000	1.325
10.	Chong Kwee Hiong	6,369,000	1.126
11.	Yoong Kee Sin	4,620,000	0.816

ANALYSIS OF SHAREHOLDINGS AS AT 1 APRIL 2022 (CONTINUED)

Name		No. of Shares Held	%
12.	Dato' Loo Swee Chew	4,292,000	0.758
13.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Wong Yee Hui	4,200,000	0.742
14.	Gemas Ria Sdn. Bhd.	4,049,600	0.716
15.	Ah Kayu Moy @ Lee Kay Moy	4,000,000	0.707
16.	Yoong Li Bing	4,000,000	0.707
17.	Yoong Li Xian	4,000,000	0.707
18.	Yoong Li Mian	3,906,128	0.690
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board (PHEIM)	3,901,800	0.690
20.	Liau Choon Hwa & Sons Sdn. Bhd.	2,921,332	0.516
21.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Teh Shiou Cherng (J D B Tunggal BR-CL)	2,870,000	0.507
22.	Chua Kwee Nam	2,380,000	0.421
23.	Liau Chern Yee	2,189,364	0.387
24.	Citigroup Nominees (Asing) Sdn. Bhd. - CBNY For Dimensional Emerging Markets Value Fund	2,153,300	0.381
25.	Salud UY Policarpio	2,137,900	0.378
26.	Cheah Yaw Song	2,116,500	0.374
27.	Citigroup Nominees (Asing) Sdn. Bhd. - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,033,800	0.359
28.	Liau Keen Yee	2,000,000	0.353
29.	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Kejutaan Holdings Sdn. Bhd. (E-IMO)	2,000,000	0.353
30.	Teh Chia Teck	1,800,000	0.318
		292,744,851	51.734

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Eighth (28th) Annual General Meeting ("AGM") of **HeveaBoard Berhad** will be conducted on a fully virtual basis through live streaming and online remote voting from the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Monday, 27 June 2022 at 10.00 a.m., for the purpose of considering the following businesses:

A G E N D A

Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon.	***[Please refer to Explanatory Note 5(i)]***
2.	To approve a first and final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2021.	***Ordinary Resolution 1***
3.	To approve the payment of Directors' fees payable up to an amount of RM905,550 per annum for the financial year ending 31 December 2022.	***Ordinary Resolution 2***
4.	To re-elect the following Directors who retire by rotation pursuant to Clause 97 of the Company's Constitution, and being eligible, offered themselves for re-election:	
	i. Ms Yoong Li Yen	***Ordinary Resolution 3***
	ii. Mr Lim Kah Poon	***Ordinary Resolution 4***
	iii. Mr Loo Chin Meng	***Ordinary Resolution 5***
5.	To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	***Ordinary Resolution 6***

Special Business

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

6. **Renewal of Authority for Directors to Issue Shares** — ***Ordinary Resolution 7***

"THAT subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, approval be and is hereby given to the Directors pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot not more than ten per centum (10%) of the total number of issued shares of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

7. **Proposed Renewal of Authority for Purchase of Own Shares by the Company ("Proposed Renewal of Authority")** *Ordinary Resolution 8*

"THAT subject to the Companies Act 2016 (the "Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits; and

(iii) the Directors of the Company may resolve to retain the shares so purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder, where such shares are held as treasury shares, the Directors may resell the treasury shares or transfer the treasury shares or cancel the treasury shares or distribute the treasury shares as dividends to shareholders.

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

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(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

8. **Retention of Independent Non-Executive Director based on application of Practice 5.3 of the Malaysian Code on Corporate Governance 2021** *Ordinary Resolution 9*

"THAT subject to the passing of Resolution 4 and based on application of Practice 5.3 of the Malaysian Code on Corporate Governance, Mr Lim Kah Poon who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years since 1 October 2004 be and is hereby retained as an Independent Non-Executive Director of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Any Other Business

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Twenty-Eighth (28th) AGM, a first and final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2021 will be payable on 29 July 2022 to holders of ordinary shares registered in the Record of Depositors at the close of business on 15 July 2022.

A depositor shall qualify for entitlement only in respect of:

a. Shares transferred into the Depositor's Securities Account on or before 4.30 p.m. on 15 July 2022 in respect of ordinary transfers; and

b. Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

WONG YOUN KIM
SSM Practising Certificate No. 201908000410
(MAICSA 7018778)
Company Secretary

Kuala Lumpur
29 April 2022

Notes:

1. **REMOTE PARTICIPATION AND VOTING**

   The Broadcast Venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be physically present at the main venue in Malaysia. No shareholders/proxies/corporate representatives shall be physically present at the Broadcast Venue on the meeting day. Members are advised to refer to the Administrative Guide which is available on the Company's corporate website at www.heveaboard.com.my, for remote participation and voting at the AGM using the Virtual Meeting Facilities.

2. **PROXY**

   (i) A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his/her proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

   (ii) The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

(iii) A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend and vote instead of him/her. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.

(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or any adjournment thereof.

3. POLL VOTING

The Company has put all the Resolutions as set out in the Notice of AGM to be voted by poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4. GENERAL MEETING RECORD OF DEPOSITORS

For the purposes of determining a member who shall be entitled to attend this Twenty-Eighth (28th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 62 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 20 June 2022. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

5. EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS

(i) Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2021.

The Audited Financial Statements are laid pursuant to Section 340(1)(a) of the Companies Act 2016 for discussion only, a formal approval of the shareholders for the Audited Financial Statements is not required. Hence, this Agenda item is not put forward for voting.

(ii) Ordinary Resolution 1 - First and final dividend

With reference to Section 131 of the Companies Act 2016 (the "Act"), a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made in accordance with the requirements under Section 132(2) and (3) of the Act.

(iii) Ordinary Resolution 2 – Directors' fees

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved by shareholders at a general meeting. Hence, the Board seeks the shareholders' approval at this AGM on the payment of Directors' fees .

There are no increment proposed for the Directors' fees for the financial year ending 31 December 2022. It had been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognise that the Directors' fees payable are in the best interest of the Company.

The Board is of the view that it is just and equitable for the Directors to be paid the Directors' fees, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the year.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

(iv) Ordinary Resolutions 3, 4 and 5 – Re-election of Directors pursuant to Clause 97 of the Company's Constitution

Clause 97 of the Company's Constitution provides that an election of Directors shall take place each year at the AGM of the Company where one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire and be eligible for re-election provided that each Director must retire from office at least once in every three (3) years.

The profiles of Ms Yoong Li Yen, Mr Lim Kah Poon and Mr Loo Chin Meng who stand for re-election and their interest in the securities of the Company are set out on pages 15 and 17 of the Annual Report.

The Nomination Committee had assessed the above retiring Directors based on a pre-set criteria and had rated their performance as "Good/Competent" in discharging their duties and responsibilities as Directors. Based on the above, the Board supported the recommendation for re-election of all of them as Directors. The Board opined that the contribution of Ms Yoong Li Yen as the Executive Director to uphold the sustainability of the Group during the Covid-19 pandemic should be recognised. Whilst Mr Lim Kah Poon and Mr Loo Chin Meng as the Independent Non-Executive Director and Non-Independent Non-Executive Director respectively have provided check and balance on the Board, focusing on shareholders and stakeholders' interest, are equally important for the Board to function effectively.

(v) Ordinary Resolution 7 – Renewal of Authority for Directors to Issue Shares

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the total number of issued shares of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

This is the renewal of the mandate obtained from the shareholders at the last AGM held on 30 June 2021. The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

As at the date of Notice of Meeting, no shares have been issued pursuant to the general mandate granted at the last AGM of the Company.

(vi) Ordinary Resolution 8 - Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 8, if passed, will empower the Company to purchase its own shares and hold its own shares as treasury shares up to ten per centum (10%) of the total number of issued shares of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next AGM. Please refer to the Share Buy-back Statement in relation to the Proposed Renewal of Authority dated 29 April 2022, which is available on the Company's corporate website at www.heveaboard.com.my, for further information.

(vii) Ordinary Resolution 9 - Retention of Independent Non-Executive Director based on application of Practice 5.3 of the Malaysian Code on Corporate Governance ("MCCG 2021")

The Board of Directors applied Practice 5.3 of the MCCG 2021 and seeks the shareholders' approval to continue retain Mr Lim Kah Poon, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years through a Two-tier Voting Process at this AGM.

The Nomination Committee has assessed the independence of Mr Lim Kah Poon as an Independent Director. To justify the retaining of the Independent Director, a rigorous review was undertaken to determine whether his independence has been impaired. The review focused not only on whether the Director's background and current activities qualify him as independent but also whether the Director can act independently of management.

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

It was recommended Mr Lim Kah Poon to continue to act as an Independent Director of the Company based on the following justifications:-

(a) Mr Lim Kah Poon has fulfilled the criteria stated under the definition of Independent Director as defined in the Listing Requirements of Bursa Securities and he would be able to provide proper check and balance thus bringing an element of objectivity to the Board;

(b) His length of service on the Board of more than nine (9) years does not in any way interfere with the exercise of objective judgement or his ability to act in the best interest of the Group and the Company. In fact, Mr Lim Kah Poon who is familiar with the Group's business operations and has always actively participated in Board and Board Committee discussions and has continuously provided an independent and constructive view to the Board; and

(c) He has exercised due care during his tenure as an Independent Director of the Company and has discharged his duties with reasonable skill and competence, bringing independent judgement into the decision making of the Board and in the best interest of the Company and its shareholders.

6. STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of individual who is standing for election as Director

No individual is seeking for election as Director at the Twenty-Eighth (28th) AGM of the Company other than the following Directors who retire by rotation pursuant to Clause 97 of the Company's Constitution seeking for re-election:

1) Ms Yoong Li Yen
2) Mr Lim Kah Poon
3) Mr Loo Chin Meng

The profiles of Ms Yoong Li Yen, Mr Lim Kah Poon and Mr Loo Chin Meng and their interest in the securities of the Company are set out on pages 15 and 17 of the Annual Report.

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PROXY FORM

No. of shares held	
CDS Account No.	

HeveaBoard Berhad

[Registration No. 199301020774 (275512-A)]
(Incorporated in Malaysia)

I/We ....NRIC/Passport/Company No.* ....
(full name in block letters)

of *(full address, telephone no. and e-mail address)* ....

....being a member of **HeveaBoard Berhad**, hereby appoint

(full name of Proxy 1) ....NRIC No./Passport No.* ....

of *(full address, telephone no. and e-mail address)* ....

....

and/or failing him/her*, *(full name of Proxy 2)*.. NRIC No./Passport No.* ....

of *(full address, telephone no. and e-mail address)* ....

....

or failing which, the Chairman of the Meeting** as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Eighth (28th) Annual General Meeting of the Company to be conducted on a fully virtual basis through live streaming and online remote voting from the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Monday, 27 June 2022 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:-

Resolutions		FOR	AGAINST
Ordinary Resolutions			
1	Approval of First and Final Single – Tier Dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2021.		
2	To approve the payment of Directors' fees payable up to an amount of RM905,550 per annum for the financial year ending 31 December 2022.		
3	Re-election of Ms Yoong Li Yen as Director		
4	Re-election of Mr Lim Kah Poon as Director		
5	Re-election of Mr Loo Chin Meng as Director		
6	Re-appointment of Messrs Baker Tilly Monteiro Heng PLT as Auditors		
7	Renewal of Authority for Directors to Issue Shares		
8	Proposed Renewal of Authority for Purchase of Own Shares by the Company		
9	Retention of Mr Lim Kah Poon as Independent Non-Executive Director		

* *strike out whichever not applicable.*
** *if you wish to appoint any person other than the Chairman of the Meeting to be your proxy, kindly delete the words "the Chairman of the Meeting" and insert the name of the person desired.*

Please indicate with a cross (X) in the space provided, how you wish your vote to be casted in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.

Signed this ………….. day of ……………………….., 2022

....………………
Signature/Common Seal of Shareholder^

For appointment of more than one (1) proxy, percentage (%) of shareholdings to be represented by the proxies.

	Name of proxy	No. of shares held	%
Proxy 1			
Proxy 2			
	TOTAL		100

^ *Manner of execution:*
- *a) If you are an individual member, please sign where indicated.*
- *b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.*
- *c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:*
  - *i. at least two (2) authorised officers, of whom one shall be a director; or*
  - *ii. any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his/her proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend and vote instead of him/her. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur at least twenty-four (24) hours before the time appointed for the taking of poll at the meeting or any adjournment thereof.
6. **POLL VOTING**

   The Company has put all the Resolutions as set out in the Notice of AGM to be voted by poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
7. **GENERAL MEETING RECORD OF DEPOSITORS**

   For the purposes of determining a member who shall be entitled to attend this Twenty-Eighth (28th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 62 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 June 2022. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

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Then fold here

AFFIX
STAMP

HeveaBoard Berhad
[Registration No. 199301020774 (275512-A)]
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur, Malaysia

1st fold here

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Level 2, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur, Wilayah
Persekutuan Kuala Lumpur, Malaysia
T : 603-2241 5800
F : 603-2282 5022

KL Office
Business Suite 19A-10-2,
Level 10, UOA Centre,
No. 19 Jalan Pinang,
50450 Kuala Lumpur, Wilayah
Persekutuan Kuala Lumpur, Malaysia
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73400 Gemas,
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